

Agenda

10.15 Tuesday 24 January 2023
Audit Scotland, 102 West Port and
Microsoft TEAMS

-
1. Private meeting of members
 2. Welcome and apologies
 3. Declarations of interest
 4. Items to be taken in private

Standing items

- | | |
|---|-----------------|
| 5. Chair's report - verbal update | For information |
| 6. Accountable Officer's report - verbal update | For information |
| 7. Accounts Commission Chair's report - verbal update | For information |
| 8. Review of draft minutes: <ul style="list-style-type: none">• Board meeting: 23 November 2022 | For approval |
| 9. Review of action tracker | For assurance |
| 10. Health, Safety and Wellbeing – verbal update | For information |

Strategic Priorities

- | | |
|-------------------------------------|---------------|
| 11. Strategic Improvement Programme | For assurance |
|-------------------------------------|---------------|

Business planning, performance and governance

- | | |
|--------------------------------|---------------|
| 12. Audit quality arrangements | For approval |
| 13. Audit Delivery - update | For assurance |

Conclusion

- | | |
|------------------------|----------------|
| 14. Any other business | For discussion |
| 15. Review of meeting | For discussion |

16. Date of next meeting: 4 April 2023

For information

Items to be taken in private

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

For discussion

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

18. Ethical Standards Policy

For approval

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

19. Estate Strategy update

For discussion

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

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

For approval

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

Minutes Board

Wednesday 23 November 2022, 10.00am
Audit Scotland, 102 West Port and Microsoft Teams

Present:

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

Apologies:

There were no apologies.

In attendance:

Vicki Bibby, Chief Operating Officer
Martin Walker, Director of Corporate Support
Gayle Fitzpatrick, Corporate Governance Manager
Ian Metcalfe, Corporate Performance Officer
Stuart Dennis, Corporate Finance Manager
Susan Burgess, Assistant HR Manager
Michelle Borland, Business Manager, Performance Audit and Best Value
Karen Fitzsimons, Consultant, Business Jigsaw
Carolyn McLeod, Audit Director, Performance Audit and Best Value
Rebecca Seidel, Senior Manager, Performance Audit and Best Value
Elaine Boyd, Associate Director, Audit Quality and Appointments
Owen Smith, Senior Manager, Audit Quality and Appointments
John Gilchrist, Manager, Audit Quality and Appointments

1. Private meeting of Board members

The Board met privately and there were no matters arising.

2. Welcome and apologies

Vicki Bibby, Chief Operating Officer, and Martin Walker, Director of Corporate Support, joined the meeting.

The Chair welcomed attendees to the meeting.

3. Declarations of interest

There were no declarations of interest noted.

4. Items to be taken in private

The Chair invited members to agree that items 18, 19, 20, 21 and 22 of the agenda be considered in private for the reasons stated on the agenda. The members agreed.

5. Chair's report – verbal update

The Chair highlighted his attendance as an observer at Vicki Bibby's successful keynote session.

The Chair advised of regular meetings with Stephen Boyle, Auditor General for Scotland and Accountable Officer, William Moyes, the Chair of the Accounts Commission, and Martin Walker, Director of Corporate Support on various operational matters, including more recent introductory meetings with Vicki Bibby, Chief Operating Officer, John Cornett, Executive Director of Audit Services and Kenny Oliver, Executive Director of Innovation and Quality.

The Chair invited members to note an update on his involvement for the appointment of the Wales Audit Office Chair and Non-Executive Board Members.

The Chair advised of regular informal meetings with other Non-Executive Board members.

In addition, the Chair advised of his virtual attendance at the Audit Committee and Remuneration Committee meetings on 9 November 2022.

Following discussion, the Board welcomed the update.

6. Accountable Officer's report – verbal update

Stephen Boyle invited the Board to note some of his engagements had been covered under the Chair's report, as well as regular engagement with the Chair, the Chair of the Accounts Commission, and monthly Joint Work Programme meetings.

Stephen invited members to note that the Audit Scotland proposed pay award was accepted and would be reflected in the November pay run for staff. Thanks were given to Martin Walker, Vicki Bibby and PCS for their ongoing engagement throughout the process.

Stephen advised members of Kenny McFall's passing after a short illness – Stephen and many colleagues will be attending the service later today.

Stephen highlighted Elaine Boyd's accolade, named as one of the UK's top 100 most influential people with disabilities. Elaine plays a prominent role in disability rights and the role in the workplace of people with disabilities and wanted to record his formal congratulations.

Stephen highlighted his attendance at Vicki Bibby's keynote and also Kenny Oliver's keynote event focussing on the role of the Innovation and Quality business group.

Stephen invited members to note the publication of a number of reports recently, including the joint briefing with the Accounts Commission on Tackling Child Poverty in Scotland. Audit Scotland colleagues and Andrew Burns (Accounts Commission) briefed the Scottish Parliament's Public Audit Committee and subsequently held a RoundTable event with representatives looking to eradicate child poverty and identifying the steps that need to be

taken. Last week the briefing on Scotland's public finances: challenges and risks was published.

In relation to Parliamentary engagement, Stephen invited members to note that he had met Sarah Boyack MSP in relation to her interest in wellbeing and sustainability and Graham Simpson MSP relating to South Lanarkshire College. Audit Scotland and the Accounts Commission (Christine Lester) briefed a joint session of the Criminal Justice, Social Justice and Social Security and Health, Social Care and Sport Committee regarding drug and alcohol misuse. Stephen also attended the Public Audit Committee session where the First Minister gave evidence on the Ferries report.

In relation to external engagement, Stephen advised members of his introductory meetings with the Chief Executive of the Scottish Human Rights Commission and the new Auditor General for Northern Ireland who will join the other UK and Ireland Auditors General at the biannual meeting on Friday 2 December hosted by Audit Scotland.

Stephen noted ongoing engagement with the Scottish Government's Permanent Secretary and that he had an introductory meeting with Louise McDonald, interim Director-General Economy.

Stephen also highlighted the informal gathering arranged on 5 December 2022 in West Port for a Public Audit Committee 'Meet and greet' session – an opportunity for colleagues to engage with members of PAC.

Following discussion, the Board welcomed the update.

7. Accounts Commission Chair's report – verbal update

William Moyes invited the Board to note some progress has been made in relation to the website and branding but there's more to be done around support from the Communications Team.

William noted the Partnership Working Framework is making good progress and will follow up with Martin Walker around financial planning and reporting.

William invited members to note that Ben Macpherson, Minister for Social Security and Local Government, was joining the December Accounts Commission meeting.

William advised members that Helena Gray, Controller of Audit, was joining in January 2022 and the four new Commission members had started. The next recruitment in early 2023 would be for three Commission members and a deputy – current appointments expire end August/early September 2023.

Action ASB180: William Moyes and Martin Walker to discuss financial planning and reporting. (December 2023)

Following discussion, the Board welcomed the update.

8. Review of minutes

Remuneration and Human Resources Committee meeting: 11 May 2022

The Board noted the minutes of the Remuneration and Human Resources Committee meeting of 11 May 2022, copies of which had been previously circulated.

The Board noted the minutes were an accurate record of the meeting.

Audit Committee meeting: 7 September 2022

The Board noted the minutes of the Audit Committee meeting of 7 September 2022, copies of which had been previously circulated.

The Board noted the minutes were an accurate record of the meeting.

Board meeting: 28 September 2022

The Board noted the minutes of the Board meeting of 28 September 2022, copies of which had been previously circulated.

The Board noted the minutes were an accurate record of the meeting.

The following action points were noted:

- Item 7 – action is still pending; Martin Walker and William Moyes will follow up
- Item 11 – New Audit Appointments lessons learned exercise had been circulated to Board members and action was complete.
- Item 11 – update on Innovation and Quality will be presented to the January Board meeting.
- Item 13 – Estates Strategy will be presented to the January Board meeting
- Item 22 – confirmed nothing required circulation, item is on the agenda today.

Remuneration and Human Resources Committee meeting: 28 September 2022

The Board noted the minutes of the Remuneration and Human Resources Committee meeting of 11 May 2022, copies of which had been previously circulated.

The Board noted the minutes were an accurate record of the meeting, having been approved at Audit Committee on 9 November 2022 and that the proposed pay award had been accepted.

9. Review of action tracker

The Board noted the updates provided on the action tracker and agreed no further updates were required at the meeting.

Martin Walker invited the Board to note action ASB171 has been updated to meet the Board's needs.

Martin Walker invited the Board to note action ASB175: colleagues are expecting the consultant's report to be received in December and an update report will be presented to the January 2023 Board meeting with the final report presented to the March 2023 Board meeting for decision.

The Board noted the updated action tracker.

10. Covid-19 – verbal update

Martin Walker provided a verbal update on matters related to Covid-19, noting three colleagues had posted absence due to Covid-19 – an increase on recent weeks and months.

In relation to the external operating environment, the number of people testing positive has reduced to 1 in 55 – the same in Wales and Northern Ireland and higher in England. Last week, 47 deaths were reported due to Covid-19 – an increase from recent numbers.

Vicki Bibby invited the Board to consider widening the standing item on Covid-19 to an item on Health, Safety and Wellbeing relating to staff.

Following discussion, the Board noted the update.

Action ASB181: *Standing item to change from Covid-19 to Health, Safety and Wellbeing from January 2023 Board meeting onwards (January 2023).*

11. Q2 Performance Report

Gayle Fitzpatrick, Corporate Governance Manager and Ian Metcalfe, Corporate Performance Officer joined the meeting.

Gayle Fitzpatrick introduced the Q2 Performance report, copies of which had been previously circulated.

Members welcomed the change to reporting with recommendations at the beginning of the report for clarity.

Martin invited the Board to note and approve the steps set out in paragraphs 3 to 7 to improve performance reporting to the Board for Q3 and Q4 and then further changes would be made to align reporting with the new Corporate Plan.

Martin also invited the Board to review the performance in Q2 set out in paragraphs 8 to 22; the position summary in appendix 1 and the detail with actions, as appropriate, in appendix 2.

The Board were invited to note the performance in relation to audit delivery and agree that a detailed report on mitigating action is brought back to the January Board meeting as set out in paragraph 18.

Martin advised the Board of the reasons for the delays in audit delivery and highlighted the key messaging has been that quality is the top priority.

During discussion, members noted that work is progressing around metrics and productivity in relation to performance reporting and agreed to explore options for a separate Board session in January 2023 outwith the Board meeting.

During discussion, the Board noted that work is ongoing in relation to performance reporting and presentation and will incorporate Accounts Commission requirements within this.

During discussion, members noted that Vicki is working with colleagues in relation to the wider work on quality and how audits are delivered, ensuring audited bodies are clear on Audit Scotland's expectations for delivery.

Action 182: *William Moyes, Vicki Bibby, Martin Walker and Gayle Fitzpatrick to meet and discuss presentation requirements for the Accounts Commission performance reporting. (January 2023)*

Action 183: *Executive Team to explore options to extend the Board session on 23 January 2023 to discuss performance reporting further (December 2022).*

Gayle Fitzpatrick and Ian Metcalfe left the meeting.

12. Q2 Financial performance report

Stuart Dennis, Corporate Finance Manager joined the meeting.

Stuart Dennis introduced the Q2 Financial performance report, copies of which had been previously circulated.

Stuart invited the Board to note the financial results for the six months to 30 September 2022, as reviewed by the Audit Committee on 9 November 2022.

During discussion, the Board noted the key financial risks highlighted in paragraph 9 at Appendix 1 and Stuart highlighted the increase in the maintenance costs for the West Port office as an example of current financial challenges.

The Board noted that work is ongoing to highlight the income generated on behalf of AGS and separate out the costs for the Accounts Commission in this report.

Following discussion, the Board welcomed the update.

Stuart Dennis left the meeting.

13. Corporate Governance Documents

Gayle Fitzpatrick, Corporate Governance Manager and Ian Metcalfe, Corporate Performance Officer re-joined the meeting.

Gayle Fitzpatrick introduced Corporate Governance Documents, copies of which had been previously circulated.

The Board was invited to approve the proposed changes to the Standing Orders, the Financial Regulations and the Staff code of conduct.

Following discussion, the Board approved the proposed amendments to the Corporate Governance Documents.

Action ASB184: *The Standing Orders, Financial Regulations and Staff code of conduct were approved for the year.*

Gayle Fitzpatrick and Ian Metcalfe left the meeting.

14. Bullying and Harassment policy report

Susan Burgess, Assistant HR Manager joined the meeting.

Susan Burgess introduced the Bullying and Harassment policy report, copies of which had been previously circulated.

The Board was invited to approve the Bullying and Harassment policy report.

During discussion, the Board was invited to note that further wording will be added to include sexual harassment as a distinction from the definition of harassment due to protected characteristics.

Following discussion, it was agreed to seek legal advice in relation to wording around an untrue complaint and potential disciplinary action.

Action 185: *Susan Burgess will circulate wording for inclusion in the policy in relation to sexual harassment (December 2023).*

Action 186: *Susan Burgess will seek legal advice on identified wording and respond to the Board to seek final approval via correspondence or at the January Board meeting (January 2023).*

Susan Burgess left the meeting

15. Any other business

There was no other business for discussion.

16. Review of meeting

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

The Chair thanked everyone for their contributions.

17. Date of next meeting: 24 January 2023

The members noted the next meeting of the Audit Scotland Board is scheduled for 24 January 2023.

Items taken in private

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

Michelle Borland, Business Manager, Performance Audit and Best Value and Karen Fitzsimons, Business Jigsaw joined the meeting.

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

The Board was invited to engage in a discussion with the Business Jigsaw team about the vision and outcomes for Public Audit in Scotland.

During discussion, the Board noted staff consultations will commence in January 2023 and external consultation thereafter.

Following discussion, the Board noted the paper presented was much clearer and the change in timetable was more realistic.

Michelle Borland and Karen Fitzsimons left the meeting.

19. SCPA budget proposal 2023/24 report

Stuart Dennis, Corporate Finance Manager, re-joined the meeting.

Stuart Dennis introduced the SCPA budget proposal 2023/24 report, copies of which had been previously circulated.

Stuart invited the Board to discuss, review and provide comment on the draft 2023/24 Budget Proposal, approve the proposed 2022/23 audit fee by sector, discuss the implications of a flat cash settlement and agree amendments prior to submitting to SCPA.

During discussion, the Board noted the Scottish Government is due to publish its budget on 15 December 2022 with the SCPA meeting confirmed on 14 December 2022.

Stuart invited the Board to note the proposed budget increase for 2023/24 compared with the 2022/23 approved budget with explanation at paragraph 19, the fee increase at paragraph 21 and risks are responses at paragraphs 25 to 29.

During discussion, the Board noted the fee increase for 2022/23 audits by sector.

Following discussion, the Board approved the submission of the budget to the SCPA and will share the Q&A for the preparatory SCPA session with all Board members.

**Action ASB187: The 2023/24 Budget proposal to be submitted to the SCPA.
(December 2022)**

Stephen Boyle left the meeting.

20. Spring Budget Revision 2022/23

Stuart Dennis introduced the Spring Budget Revision 2022/23, copies of which had been previously circulated.

Stuart invited the Board approve the request to the SCPA for a 2022/23 Spring Budget Revision of £5.2 million non-cash AME funding in order to meet additional IAS 19 pension charges.

Following discussion, the Board approved the submission of the request to the SCPA for a 2022/23 Spring Budget Revision of £5.2 million non-cash AME funding in order to meet additional IAS 19 pension charges.

Action 188: *The 2022/23 Spring Budget revision proposal to be submitted to the SCPA. (December 2022)*

Stuart Dennis left the meeting.

21. Environment, Sustainability and Biodiversity Annual Report 2021/22

Carolyn McLeod, Audit Director, Performance Audit and Best Value and Chair of the Green Future Team, Rebecca Seidel and Ian Metcalfe joined the meeting.

Carolyn McLeod introduced the Environment, Sustainability and Biodiversity Annual Report 2021/22, copies of which had been previously circulated.

Carolyn invited the Board to note the report which gives an update on progress to reach carbon targets and it will become more challenging to reduce emissions in future as we move to more hybrid than home based working. The Green Futures Team is considering offsetting once Scottish Government guidance on the use of offsetting is updated.

The Board was invited to consider and approve the Environment, Sustainability and Biodiversity Annual Report 2021-22 for publication on our website and as the basis of our response to SSN.

Following discussion, the Board approved the Environment, Sustainability and Biodiversity Annual Report 2021-22 for publication on our website and as the basis of our response to SSN.

Action 189: *The Environment, Sustainability and Biodiversity Annual Report 2021/22 will be published on Audit Scotland's website. (November 2022)*

Carolyn McLeod, Rebecca Seidel and Ian Metcalfe left the meeting.

22. Procuring External Quality Assurance 2022-28 report

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

The Chair noted his congratulations to Elaine on being named as one of Britain's most influential people with disabilities in the 2022 Shaw Trust Disability Power 100 list.

Elaine Boyd introduced the Procuring External Quality Assurance 2022-28 report, copies of which had been previously circulated.

The Board was invited to note the results of the tender and approve awarding the contract to ICEAW.

Elaine invited to noted that the quality of the bid was very high and benchmarked at market rate therefore Audit Quality and Appointments (AQA) recommend the bid.

During discussion, the Board suggested that AQA consider deploying internal audit arrangements to independently audit and assess performance the performance of ICEAW.

AQA speak to internal audit (review AQA) and will be carefully looking at what's delivered as part of the contract arrangements. This form of oversight might be integrated with AQA auditing.

Following discussion, the Board approved awarding the contract for external quality assurance 2022-28 to ICEAW.

Action 190: The Board approved awarding the contract for external quality assurance 2022-28 to ICEAW. (November 2023)

Action 191: Audit Quality and Appointments to consider internal audit arrangements of ICEAW. (January 2023)

Elaine Boyd, Owen Smith and John Gilchrist 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
ASB165	Board	11	Mainstreaming equality and equality outcomes: Interim progress report	Further Board session on HRBA to be arranged.	17/05/2022	TBC	Carolyn McLeod	Carolyn McLeod	Ongoing		Short life working group considering next steps for work on HRBA is meeting on 24 November. At that meeting, consideration will be given to the most appropriate timing for a further session with Board members.
ASB171	Board	9	Review of action tracker	Relating to action update against ASB167, agreed the International Manager examine any work undertaken on evaluation processes in relation to international work by other audit agencies.	28/09/2022	Nov-22	Martin Walker	Mark MacPherson	Ongoing	Yes	Feedback from other agencies indicates that they do not undertake any specific evaluation activity as international work, like in AS, is largely based on 121 engagement, conferences and sharing approaches. Historically, we have deployed a member of staff (part-time) to coordinate international activity. That post is currently vacant and the AD with oversight of International is currently considering how best we manage international activity going forward and will consider the scope for a proportionate approach to evaluation. 11/1 - Further paper to ET in February 2023
ASB172	Board	11	Strategic Improvement Programme update	Martin Walker and Vicki Bibby and Stephen to consider timings for an item on the audit profession and to include an update on Innovation & Quality in relation to the SIP review.	28/09/2022	Jan-23	Martin Walker	Kenny Oliver	Ongoing		Kenny Oliver will bring a paper on both subjects to the Board meeting on 24 January 2023
ASB173	Board	11	Strategic Improvement Programme update	Martin Walker agreed to liaise with the Audit Quality and Appointments (AQA) team for timescales on the New Audit Appointments lessons learned exercise being presented to the Board	28/09/2022	Oct-22	Martin Walker	Martin Walker	Complete		Circulated to the Board by correspondence 10 November 2022.
ASB174	Board	12	Q1 Corporate performance report	Gayle Fitzpatrick and Ian Metcalfe agreed to present proposals on revised corporate performance reporting in November with a view to a more detailed report in January 2023	28/09/2022	Nov-22	Martin Walker	Gayle Fitzpatrick	Ongoing		Update included in Q2 performance report which is on the agenda for 24 January meeting of the Board.
ASB175	Board	13	Q1 Financial performance report	Estate strategy update report to be presented to the November Board	28/09/2022	Nov-22	Martin Walker	Stuart Dennis	Ongoing		Estate Strategy to be included in SIP update - on January Board agenda.
ASB176	Board	14	Annual review of corporate governance policies	Gayle Fitzpatrick and Ian Metcalfe agreed to check legislation in relation to paragraph 18 and delete paragraph 21 accordingly, sharing with the Board for approval by correspondence with updated tracked changes for reference.	28/09/2022	Oct-22	Martin Walker	Gayle Fitzpatrick	Ongoing		Updates to the Standing Orders and Financial Regulations on the agenda for 24 January meeting of the Board.
ASB177	Board	21	HSE Stress survey results and action plan	Executive Team to consider more regular surveys to inform trends and further data for future comparisons	28/09/2022	Jun-23	Martin Walker	Martin Walker	Ongoing		Martin to meet Simon (Comms) and Gordon (L&D) soon to discuss the range of survey activity (Best Co, Pulse, HSE etc)
ASB178	Board	23	2023/24 Budget proposal	The Board agreed that it might be prudent to issue a joint letter from the Auditor General and Chair of the Accounts Commission to bodies regarding the fee increase, particularly those affecting small organisations	28/09/2022	Oct-22	Martin Walker	Stuart Dennis	Complete		High level letter issued by AGS and AC Chair on 17/10/2022. Detailed individual letter issued to all audited bodies on 16/12/22.
ASB179	Board	23	2023/24 Budget proposal	Stuart Dennis will look at options in relation to phasing the fee increase and report back to the November Board with recommendations.	28/09/2022	Nov-22	Martin Walker	Stuart Dennis	Complete		This is incorporated within the 23/24 budget proposal at November meeting of the Board.

Strategic Improvement Programme update

Executive Director Innovation and Quality
and Director of Corporate Support

Purpose

1. This report provides the Board with an update on the Strategic Improvement Programme, a review of progress in 2022 and how the programme will be taken forward in 2023 and beyond.

Recommendations

2. The Board is invited to:
 - note the progress update on the Strategic Improvement Programme over the course of 2022
 - note the planned review and refocussing of the SIP in the context of the development of the new Corporate Plan over the period January to March, with update reports being submitted to the Executive Team and Board in March and April 2023 respectively.

Background

3. The Audit Scotland Board approved the [Strategic Improvement Programme](#) (SIP) at its meeting on 25 November 2021. The key objectives of the SIP were to:
 - Drive our organisational transformation and improvement.
 - Provide a bridge between the 'recovery phase' in response to the pandemic and our new longer-term operating model.
 - Assure and inspire our colleagues.
 - Ensure we deliver on our core commitments on audit (quality, focus, methodology and value added).
 - Ensure we deliver on our commitments on how we run the organisation – being people focussed by prioritising the health, safety, wellbeing and development of our people, and by being innovative and efficient.
4. Improvement projects in the SIP are structured under three main workstreams which are aligned to our strategic objectives.
 - Our purpose
 - What we do (delivering world class public audit)
 - How we work (being a world class organisation)
5. The full programme is attached Appendix 1 for completeness.

Summary of progress in 2022

6. Over the course of 2022 we made good progress over all on what is an extensive improvement programme. The key milestones/ progress is summarised in the sections below.

Our purpose

7. The [Interim Corporate Plan 2022/23](#) was agreed by the Board at its meeting on 1 June and work is well under way for the refresh of **Public Audit in Scotland, the new Corporate Plan and the Partnership \working Framework**. This includes extensive internal and external engagement on our vision, our mission and our values.
8. We have supported the **Accounts Commission's change programme**, including developments on, resource control and transparency, relationships with audit partners (including the PWF) and relationship with other stakeholders (including engagement with Parliament, the Scottish Government, Councils and other stakeholders). We have also supported the development around Accounts Commission support (where additional resources were incorporated into the 2023/24 budget proposal), audit quality, communications (where the Commission agreed its communications and engagement strategy at its meeting on 11 August 2022) and the dynamic work programme (where the Commission considered the latest work programme update and plans for a strategic review at its meeting on 8 December 2022).
9. We implemented the International Standard on Quality Management (**ISQM1**) in accordance with the 15 December 2022 deadline. This international [standard](#) covers an audit firm's responsibilities to design, implement and operate a system of quality management for audits or reviews of financial statements, or other assurance or related services engagements.

What we do

10. During 2022 we completed the **audit procurement** process and supported the Auditor General and the Accounts Commission in making the **audit appointments** for the period 2022-2027.
11. We have also changed the approach to reviewing and refreshing the **dynamic work programme** to ensure it focussing on the most important issues and is responsive to the rapidly changing operating environment. In December the Auditor General and the Accounts Commission considered the approach to a strategic review of the programme in addition to the regular quarterly update,
12. 2022 saw the completion of the cycle of **Best Value** (BV) audits and the Accounts Commission approved the new approach to auditing BV and the future schedule of BV work
13. We have continued to implement our **Digital audit strategy** – including the development of the new IT audit approach under the revised ISA 315, collaboration with Northern Ireland and Wales audit agencies and the ongoing roll out of the ASC digital audit tool.
14. Over the course of the year we have developed our approach to **Auditing climate change**. The approach has been incorporated into the audit planning guidance and BV thematic guidance for the 2022/23 audits and we are establishing internal and external climate change steering groups to ensure the work in this area is progressed. The auditing climate change team presented updates to the Board, Accounts Commission and SCPA during August and our [auditing climate strategy](#) was published on 9 December 2022.

15. We have implemented the **audit quality** action plan and secured a new external quality review provider.
16. During 2022 we initiated a new project on **Impact and Insights**. The project includes three strands: horizon scanning, stakeholder engagement and impact monitoring, evaluation and reporting. It aims to help us use existing processes and information in a more systematic way and develop new ways to support us to respond with agility to what's coming in the future and improve the information we have to inform decision making. It will also support continuous improvement and innovation in our audit approach and help us promote the value of public audit. Over the course of the year we have shared the proposed new impact monitoring, evaluation and reporting framework with the Auditor General for Scotland and with the Accounts Commission as part of the dynamic work programme updates.

How we work

17. At its meeting on 9 November the Remuneration and Human Resources Committee considered an [update report](#) on the People Strategy. This provided an update on progress on a number of components which will be consolidated into a new people strategy alongside the development of the new Corporate Plan. The main components are, candidate attraction, recruitment and selection, workforce capacity and deployment, learning and skills development (including the professional trainee scheme), diversity, equality and inclusion, our culture and our values and communications and engagement (including forums and surveys).
18. During 2022 we completed Phase 3 of the **building capacity** project. The first phase of the project focussed on core audit capacity and the second phase focussed on specialist and support functions. Phase 3 of the project saw the introduction of the new Executive Team structure (where the recruitment was concluded in August) and the creation of the Innovation and Quality Group. (The latter is covered in more detail below). Phase 4 of the project is well under way with ongoing recruitment campaigns for key roles below Executive Team level in the new structure.
19. We have progressed our **One Organisation working** project. Following the completion of the review and design phase the Executive approved the resulting action plan at its meeting on 14 June and project has now moved into the implementation phase.
20. The first phase of the **Developing Hybrid Working** (DHW) project was completed in May. This focussed on delivering a covid secure working environment and saw phased access to the Audit Scotland Offices and other workplaces, including on site work and meetings. For the second phase we established three workstream groups and work is under way covering, people and policies, workplaces and technology and communications. We are benchmarking with the other audit agencies in the UK and Ireland and other organisations on many aspects of this project.
21. The **Estates Strategy** project has now been integrated into the DHW project as the requirements we will have in terms of workspaces is driven by our current and future working arrangements. We have secured external expertise to support this project. The first phase focussed on office location, market availability, cost and an initial options appraisal. Based on that work we engaged office design consultants to do further research, engage with colleagues and develop more detailed design options. These will be presented to the Board at its meeting on 4 April 2023.
22. In February 2022 we went live with our new **Business Management System** – this covers payroll and human resources and interfaces with the Finance system. We will be introducing

additional functionality during 2023 including a new integrated recruitment and selection module.

23. We have made good progress under our **Learning and Development** strategy. In August we published the [Review of 2021/22 and strategy for 2022/23](#). This provided a summary of the L&D activity carried out in 2021/22 and provided the plan for the remainder 2022/23. On 28 September the Board considered the [review](#) of the professional trainee scheme and agreed the proposals for the delivery and development of the scheme in the years to come.
24. In September we launched the new Learning Management System (LMS), this is a secure cloud hosted system which provides access to a wide range of learning resources and learning records for all colleagues. The new LMS went live on 15 September and features over 200 learning events in the first phase and will be regularly updated with new learning content to support colleagues in creating bespoke learning plans to develop knowledge, skills and long-term career aspirations. The system integrates with iTrent, our HR & Payroll system, provides access to learning anywhere and anytime and learning records for both the individual learner and managers on both the LMS and iTrent.
25. We are committed to **diversity, equality and inclusion** in both our audit work and as an organisation. Our Interim [Equalities Outcomes Report](#) was published in April 2022 and the Remco considered our [Diversity and Equality Strategy](#) and [Action Plan](#) at its meeting on 11 May. We published the [Annual Diversity and Equalities Report](#) on 29 September and the RemCo considered an [update report](#) at its meeting on 9 November. Over the course of the year the Executive Team has considered a number of equality impact assessments including ones on hybrid working, the new audit appointments and the dynamic work programme.
26. The Board discussed the **Medium-Term Financial Plan** (MTFP) at various points over the year, including at its strategic session on 18 August and it was also the focus of some discussion with the SCPA at its Business Planning Day on 31 August. The MTFP was further considered by the Board at its meeting on 28 September as part of the 2023/24 budget development process.
27. **Digital Services Strategy** – The Digital Services team continue to focus on mitigating the cyber security threats and our digital transformation to hybrid working. We will be introducing mandatory regular cyber security training and a cyber incident response plan early in the new year. All colleagues are now fully equipped for hybrid working with the mobile phone replacement project now fully complete and we will be introducing connectivity and meeting room improvements to our offices. We successfully achieved ISO recertification in August and cyber security has been the subject of discussion with the Audit Committee, the Board and the SCPA over recent months. The Digital Services Team is now up to establishment with appointments to the two vacant posts.
28. We have continued to review and update our approach to supporting the **environment, sustainability and biodiversity**, primarily through our Green Future Group. The Board considered the [annual report](#) on this area at its meeting on 23 November and the report was published on our website on 25 November.
29. Progress on the SIP continues to be made against a backdrop of change both within and outside the organisation. The effects of the Covid-19 pandemic impacts on how we work and has shaped some aspects of the improvement programme and its delivery. During this time, we have also had significant change in terms of the strategic leadership of the organisation and will review the focus and content of the programme to reflect this and the

strategic emphasis and priorities of the Auditor General for Scotland and the Accounts Commission.

30. There has been slippage in some projects in the programme due to capacity challenges and/ or the reframing of some project objectives.
31. A significant number of projects are now complete and/ or have been mainstreamed into business as usual. These are highlighted in the appendix and include:
 - The Code of Audit Practice
 - Audit procurement and appointments
 - The review of dynamic work programme
 - The Audit Quality Action Plan
 - BV auditing methodology for councils and IJBs
 - Building capacity
 - Covid secure workplaces
 - Digital Services Strategy
 - Business Management System
 - Colleague engagement
 - ISQM1 implementation

Review and delivery of the SIP in 2023 and beyond

Innovation and quality

32. In January 2022 the Board approved the new Executive Team structure. This included the creation of the new Innovation and Quality (I&Q) business group, and the role of Executive Director of I&Q.
33. I&Qs mission statement is 'We innovate and support to elevate our people, our organisation and public audit, to improve quality and grow our reputation.' Achieving this will require an organisational culture that is agile, connected, and ambitious and which builds on the strong foundations in place.
34. The structure of I&Q has been designed around five complementary functions:
 - Quality – To provide a constructive quality monitoring process across each business group, with a focus on the nature and extent of quality improvement activities; addressing changes to auditing and control standards; and influencing the quality culture within the organisation.
 - Professional Support – To provide technical and professional expertise across each business group. The Professional Support team already undertakes a significant amount of activity, and this provides an excellent platform to build on, and to work more closely across I&Q functions, including Learning and Development.

- Learning and Development – To deliver professional learning, where there will be a closer working relationship with other functions within I&Q, and a reimagining of the approach taken to Learning and Development across the organisation, including consideration of the different mediums that can be used.
 - Digital Audit and Data Analytics – Where we will continually enhance methodologies and best practice across all business groups through the effective use of new technologies and approaches. In addition to building on the EWP work already undertaken, there will be a focus on the options available regarding audit automation, data analytics, and other digital audit solutions.
 - Organisational Improvement – Where I&Q will be leading organisational transformation. In addition to leading on the SIP and strategic planning, there will be a focus on identifying areas for development and improvement in the way our organisation operates and our procedures and working practices.
- 35.** There is significant activity planned across the I&Q functions and we have identified the following priorities to ensure we can start to make progress with our mission to support and develop our people and organisation. The initial priorities are:
- Exploring new methodologies and technologies, including analytics and Electronic Working Papers (EWP)
 - Enhancing our internal quality review activities
 - Implementing developments to technical support and reassessing each business group's needs
 - Addressing the resource and knowledge challenge regarding IT audit and ITGC specialists, and related training across the organisation
 - Progressing the Strategic Improvement Programme
 - Evaluating the Learning and Development offerings and platform
 - Working with the climate change team in assessing our approach to climate change audit, including training; the impact on audit risk assessment and challenging managements approach; and leading on the impact of climate change across the organisation.
 - Broadening our horizons through greater engagement with firms; other UK and overseas agencies; and with oversight and standard-setting bodies and actioning the commitments made by firms in the appointment process, including access to specialist expertise; understanding their approach to audit automation; and experience in digital audit and data analytics.
- 36.** The Executive Director took up post on 13 June 2022; and the Director of Innovation and Transformation was appointed in December 2022.
- 37.** A recruitment and selection process is currently under way for the posts of Director of Quality and Support and three other leadership posts in I&Q, the Head of Digital Audit, Head of Quality and Head of Organisational Improvement. The recruitment processes for the Head of Professional Support and the Head of Learning and Development will commence in Q1 2023.

38. During the transition and recruitment phase I&Q has continued to conduct work in priority areas, including, but not limited to, technical and professional support; quality monitoring activities; training; development of digital audit techniques and tools; and specialist IT audit support. We have also commenced parts of the change programme to deliver the audit approach and training updates following significant changes to audit and control standards, made updates to the nature and extent of cold, and targeted, reviews, further developed the 'Asc' data analytics tools, worked closely with the climate change team, and identified key priorities for I&Q in 2023.

Review and management of the SIP

39. At its meeting on 20 September 2022 the SIP Board discussed the SIP in the context of the new Executive Team structure, the introduction of the Innovation and Quality Group and the corporate planning process. It was agreed that all of these provided a timely opportunity to review the SIP. Specifically, it was agreed that there was a need to take stock of what is 'mainstreamed', what is an improvement project, what are the clear priorities and what the timescales for delivery are.




40. With the I&Q team up and running from 2023, the review will take place over the period January to March with an update report coming to Executive Team in March on the proposed next steps. It is intended that an update report will come to the Board at its April meeting.

41. Specifically, the review will consider:

- Prioritisation criteria for projects, in the context of the Auditor General for Scotland, the Accounts Commission and organisational priorities.
- How and when projects are mainstreamed, where the development phase transitions to 'business as usual'.
- Redefining ongoing priorities and specific improvement projects in line with the new Corporate Plan and organisational improvement activity in I&Q.
- Consolidating and streamlining the programme and its constituent projects.
- Revising the reporting arrangements to improve the reporting on the programme. This will include being clear about delivery objectives, deadlines and milestones, project accountability and reporting to staff, management and the Board.

42. As management of the SIP is currently being transitioned from the Corporate Services Group to the Innovation and Quality the governance and reporting arrangements will also be reviewed with specific recommendations flowing from the review.

SIP Project summary

 What we do	 How we work	 Our purpose
<ul style="list-style-type: none"> • Dynamic work programme (mainstreamed) • Code of Audit Practice (complete) • New audit appointments (complete) • Audit quality action plan (mainstreamed) • Audit approach (including financial audit approach, BV in LG and IJBs (complete), less complex bodies, following the pandemic pound and auditing climate change) • Digital Auditing • Electronic working papers • Diversity & equality • Parliamentary engagement • Impact and Insights 	<ul style="list-style-type: none"> • People strategy (inc workforce plan and learning and development offer) • Building capacity (phase 3 complete & phase 4 mainstreamed) • One organisational working • Medium term financial strategy (including fees and funding) • Developing Hybrid Working • Our workplaces - Covid-secure (complete) and longer- term office strategy) • Digital services strategy (mainstreamed) • Business Management System - phase 1 HR & Payroll (complete), phase 2 - recruitment (mainstreamed) • Green futures • Shaping our future, colleague engagement - Audit Scotland 2021 (complete), Audit Scotland 2022 (complete) 	<ul style="list-style-type: none"> • Public audit in Scotland • Partnership Framework • Corporate Plan • Business Plans (2022 complete) • Accounts Commission Change Programme • ISQM – ISQM1 (implemented)

Purpose

1. This paper sets out the following:
 - Provides a draft document that outlines the audit quality arrangements within Audit Scotland.
 - Provides a general update on the Innovation & Quality (I&Q) business group, and the proposed activities of the Quality function.

Recommendations

2. The Board is invited to:
 - Approve the substance of the quality arrangements document (provided at Appendix 1). Following this, the document will be made public on the Audit Scotland website, and provided to the PAC for reference.
 - Note the general update on I&Q and proposed quality-related activities.

Background

3. Following the establishment of I&Q in 2022, and the ongoing increased focus on audit quality, it is important to provide clarity over the arrangements and responsibilities relating to quality activities. Further, in separate discussions with members of the Board and PAC, there were requests to provide such clarity.
4. As I&Q progresses with recruitment of leadership roles and setting priorities, it is important to provide status updates and, in the context of quality, highlight the activities that will be of focus in the coming period.

Quality arrangements

5. Appendix 1 is a copy of the draft quality arrangements document. This explains the arrangements in Audit Scotland for providing assurance on the delivery of high-quality audit work for financial statement audits, national performance audits, and other outputs, carried out by ASG and PABV.
6. The document covers the characteristics of good audit quality; an overview of quality arrangements and the role of each business group; internal and external oversight; the Audit Quality Committee; the Audit Quality Framework and the three levels of quality assurance; current reporting; and key differences to the private sector.
7. It is anticipated that the document can be read in full, or certain sections can be extracted for relevance in other documentation. The document will also be made available on the Audit Scotland website, and we are considering whether to do this within the Transparency Report, or as a separate HTML document.

Innovation and Quality

8. The establishment of I&Q comes at a challenging time in the profession, but also at a time with exciting opportunities to reflect on the way audit work is conducted, to address the challenges the profession is facing, including the increased focus on quality, the resource constraints, and the revolution in the volume and use of data.
9. The SIP update presented elsewhere in this Board meeting contains a detailed update on the I&Q structure and recruitment; mission statement; functions; and planned activities.
10. The Quality function within I&Q will have the following core activities, some of which build on, and enhance, existing activities:
 - Internal quality reviews for ASG and PABV, including cold, hot, themed and inflight reviews.
 - Manage the process of Engagement Quality Reviews (EQRs); independent and second opinions; root cause analysis work; and development of quality action plans.
 - Quality monitoring activities, including consideration of compliance with control standards (including ISQM 1 and 2).
11. It is also anticipated that as part of enhancing quality monitoring activities, the Quality function will focus on the following:
 - Review and redevelop the approach and documentation of EQRs, including the training of reviewers.
 - Consider the existing hot review criteria.
 - Consider the impact and approach taken in the event that teams or individuals have consistent poor-quality outcomes.
 - Review the identification of PIE engagements and the approach taken to such engagements.
 - Consider more impactful methods of communicating quality review findings, and positive best practice.
12. The work of other functions within I&Q has a primary focus on quality, being the updates to the audit approach and development of guidance (Professional Support); training of all staff (L&D); and the development and utilisation of new technologies, including audit automation (Digital Audit).

Conclusion

13. The draft quality arrangements document provides a summary of the Audit Scotland arrangements and will be a useful reference source to provide clarity over responsibilities.
14. The development of I&Q is picking up pace and has set objectives to undertake enhanced quality monitoring activities to influence the delivery of high-quality audit work.

Audit Quality in Audit Scotland

Commitment to quality

DRAFT



Prepared by Audit Scotland
January 2023

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Introduction

Purpose of report

1. This report explains the arrangements in Audit Scotland for providing assurance on the delivery of high-quality annual audits and performance audits of public bodies in Scotland. It has a particular focus on the role played by Audit Scotland's Innovation and Quality (I&Q) business group.
2. Appendix 1 explains some key auditing terms used in this report.

High-quality public audits in Scotland

3. An external audit provides independent assurance to third parties regarding a specified subject matter. Independent external audit is an essential feature of the public sector. It supports scrutiny of how public money is raised and spent, and the outcomes achieved.
4. The public audit model in Scotland is different to the audit of private sector entities. Some key differences are as follows:

Responsibility for auditor appointments	<p>The Auditor General for Scotland (Auditor General) and the Accounts Commission for Scotland (the Commission) are responsible for appointing auditors to conduct the annual audits of public bodies under their respective remits.</p> <p>This contrasts with the private sector where companies appoint their own auditors.</p>
Auditors	<p>Staff in Audit Scotland's Audit Services business group (ASG) are appointed to carry out around two thirds of the annual audits.</p> <p>The remaining annual audits are carried out by accountancy firms appointed following a rigorous procurement process (the firms).</p> <p>Performance audits are carried out by Audit Scotland's Performance Audit and Best Value business group (PABV).</p>
Role of Audit Scotland	<p>Audit Scotland is a statutory body which provides services to the Auditor General and Commission in respect of appointing auditors and supporting them once they are appointed.</p> <p>The Audit Quality and Appointments (AQA) team within Audit Scotland operate independently to arrange for the appointment of auditors, produce the Code of Audit Practice and provide objective assurance on audit quality.</p> <p>I&Q is a business group established in 2022 to support all auditors in the delivery of high-quality audits.</p>

Aspect	Public audit model
Audit scope	<p>At the core of the annual audit is the financial audit of a public body's annual accounts. This involves appointed auditors examining the reported financial transactions and balances of each body in accordance with the applicable financial reporting framework. The scope of this aspect of the audit is broadly the same as in the private sector.</p> <p>However, the Code of Audit Practice approved by the Auditor General and the Commission requires the scope of annual audits to be wider than the accounts and to include conclusions on aspects of public bodies' arrangements, for example, relating to financial sustainability and governance. In local government, the annual audit also includes the audit of Best Value.</p> <p>Performance audits focus on improving the economy, efficiency and effectiveness of public services. Performance audit work may focus on a particular sector or consider broader cross-cutting arrangements. The Auditor General and the Accounts Commission use feedback from stakeholder engagement and consultation to inform the themes and proposed topics for performance audit work.</p>

5. The following framework provides the foundation for how auditors conduct audit work:

- Audits of the annual accounts are required to be carried out by ASG and the firms in accordance with international standards on auditing in the UK (ISAs (UK)). These are the same ISAs as apply in the private sector.
- Auditors are required to carry out the wider scope work in accordance with the requirements of the Code of Audit Practice and supplementary guidance from Audit Scotland.
- Performance audits are carried out by PABV in accordance with standards issued by the International Organisation of Supreme Audit Institutions (INTOSAI). The adoption of INTOSAI standards by Audit Scotland in 2019/20 was a first among UK public audit agencies.

6. High-quality audit relies on auditors using their skills, knowledge and experience, while applying integrity, objectivity, and professional scepticism, to enable them to make appropriate judgments that are supported by evidence.

7. Quality is at the core of public audit in Scotland and is the foundation for building consistency and confidence across all audit work. The Auditor General, the Commission, and Audit Scotland are committed to the consistent delivery of high-quality public audits. High-quality audits provide assurance, add value and can support public bodies to achieve their objectives.

8. As commissioners of public audit, the Auditor General and the Commission require all annual audits delivered by appointed auditors, as well as the performance audits carried out on their behalf, to be performed to the highest

quality. They, therefore, require Audit Scotland to provide independent assurance on the quality of these audits.

Definition of audit quality

9. Although there is no single definition of the term ‘audit quality’ that has achieved universal recognition, professional bodies have carried out significant work in the last few years to describe what the term means in practice.

10. The International Auditing and Assurance Standards Board (IAASB) states that: "Audit quality encompasses the key elements that create an environment which maximises the likelihood that quality audits are performed on a consistent basis".

11. The IAASB has also set out the key attributes of a high-quality audit:

Attributes of high quality audit

A high-quality audit is likely to have been achieved by an audit team that:

- exhibited appropriate values, ethics and attitudes;
- was sufficiently knowledgeable, skilled and experienced, and had sufficient time allocated to perform the audit work;
- applied rigorous audit processes and quality control procedures that complied with law, regulation and applicable standards;
- provided useful and timely reports; and
- interacted appropriately with relevant stakeholders.

12. The Financial Reporting Council (FRC) issues the ISAs (UK) and is responsible for monitoring audit quality in the private sector (see Appendix 2 for more information).

13. The FRC also issues influential reports, for example setting out their views on what makes a good audit and thematic reviews on particular aspects of audit. The FRC defines high-quality audits as those that:

- comply with the **spirit and the letter** of professional standards;
- are driven by a robust **risk assessment**;
- are supported by rigorous due **process** and **audit evidence**;
- involve the exercise of **professional judgement** and **professional scepticism**;
- **challenge** management effectively; and
- **report** unambiguously the auditor’s conclusions.

14. Audit Scotland pays due regard to this material when developing arrangements for providing the Auditor General and the Commission with robust, objective and independent assurance over the quality of audits delivered.

Levels of assurance on audit quality

15. Audit Scotland's arrangements are based on three levels of assurance in respect of audit quality. These levels are summarised in the following table:

Level	Nature of assurance
First	Appropriately trained and supported individuals and audit teams working within approved audit frameworks and following guidance from I&Q.
Second	Organisation-wide internal quality reviews and monitoring in accordance with audit quality standards managed by I&Q.
Third	Quality reviews and monitoring carried out by AQA independently from auditors.

16. There are arrangements in place at each level to provide assurance on the quality of the audit delivered. The remaining chapters of this report explain the arrangements that comprise each level in more detail.

Overview of quality arrangements

Introduction

17. This chapter provides an overview of audit quality arrangements in Audit Scotland. It briefly explains:

- The roles of the business groups and teams within Audit Scotland.
- The Audit Quality Framework.
- The Audit Quality Committee.
- Quality reporting.
- The importance of organisation culture.

Audit Scotland Business Groups and Teams

18. ASG and PABV as audit providers have primary responsibility for achieving audit quality. The delivery of high-quality audits is therefore a fundamental objective for both business groups. Key to the arrangements is the management team in each group designating a director to act as a lead on audit quality. Quality leads liaise with I&Q on quality matters.

19. AQA and I&Q play key roles in the arrangements for providing assurance on the quality of audits. The following table briefly summarises their distinct roles and is followed by more information on I&Q

Team	Role
AQA	AQA operates at arm's-length from auditors and: <ul style="list-style-type: none"> • maintains Audit Scotland's Audit Quality Framework; • arranges for external reviews of audit quality; and • reports their independent views on audit quality directly to the Audit Scotland Board, Auditor General and the Commission.
I&Q	I&Q works collaboratively with ASG and PABV to support them in the delivery of high-quality audits, including conducting internal quality reviews.

20. The I&Q business group was established to drive continuous improvement in audit quality by leading organisational transformation and development to ensure that Audit Scotland's audit work is innovative and at the forefront of the audit profession. I&Q seeks to ensure that Audit Scotland:

- deploys world-class, cutting-edge audit methodologies;
- embed a culture of innovation and continuous improvement;
- develops and retains staff, and attracts high calibre new recruits; and
- innovates to make audit delivery as efficient and impactful as possible, taking full advantage of new technologies.

21. I&Q comprises the following five complementary functions that work in a collaborative manner to achieve the group's objectives:

- **Quality:** Constructive internal quality monitoring activities, including cold and hot file reviews, with a focus on identifying improvement areas and compliance with relevant standards.
- **Professional Support:** Technical and professional support and guidance, including the development of guides, templates and methodology updates, and training material.
- **Learning and Development:** Technical, professional, and personal development training.
- **Digital Audit:** Methodologies and best practice through the effective use of new technologies and approaches, with a focus on audit automation, data analytics, and other digital solutions.
- **Organisational Improvement:** Organisational transformation through the Strategic Improvement Programme, strategic planning, and identifying areas for organisational development and improvement.

22. It is fundamental to auditor independence that auditors fulfil their ethical responsibilities. I&Q also supports Audit Scotland's Ethics Partner to establish policies and procedures for:

- addressing threats to compliance with ethical requirements; and
- reporting any conflicts of interest and responding in a timely manner.

Audit Quality Framework

23. The [Audit Quality Framework](#), approved by the Audit Scotland Board, is central to Audit Scotland's arrangements for audit quality. The framework:

- encompasses a single set of shared quality arrangements that apply to all types of audit work and to all audit providers
- sets out the three levels of assurance on audit quality
- explains the structure and processes in place to assure audit quality and provide the necessary evidence that professional standards have been met.

24. The framework is currently being refreshed by AQA to apply to the new audit appointments though no significant changes are anticipated.

Audit Quality Committee

25. The Audit Quality Committee oversees the quality review programme and provides a forum for discussion on audit quality matters between I&Q, ASG and PABV. The committee:

- comprises the quality leads and other staff from all business groups;
- oversees implementation and maintenance of the internal systems and processes required to deliver the Audit Quality Framework;
- directs and approves the programme of internal quality reviews and monitoring activity undertaken by I&Q;
- considers the results of the internal and external audit quality reviews and the actions required to address any deficiencies;
- monitors the arrangements for ensuring appropriate levels of professional qualifications, staff training and development across Audit Scotland; and
- makes recommendations for improvement in audit quality to ASG and PABV management teams and Audit Scotland's Executive Team.

Quality reporting

26. There are several ways in which quality activities and updates are reported.

27. AQA prepares three audit quality reports per year under the Audit Quality Framework: an interim audit quality report in November; the [quality of public audit in Scotland](#) (QPAS) in June; and a supplementary report, also in June.

28. Reports are provided to the Executive Team; Audit Scotland's Audit Committee and Board; Accounts Commission; and the Audit Quality Committee.

29. Further to this, the following reporting is undertaken:

- Board and Executive Team: quarterly corporate performance report and Professional Support activity report.
- Audit Quality Committee: quarterly reports on ASG and PABV quality findings and updates on the improvement action plan.
- ASGMT and PABVLT: updates every 2-3 months on quality findings and updates on the improvement action plan.
- All staff: quality bulletins every 2-3 months on areas of relevance and focus; annual updates provided at super-team meetings; and annual reporting of quality review outcomes.
- The annual Transparency Report includes the results of quality reviews.

Culture

30. Aside from specific teams and committees, an appropriate organisational culture is a key driver of high-quality audit. Culture can be thought of as a combination of the values, attitudes and behaviours in an organisation and its relations with stakeholders. Essential behaviours and values that merit prominence in the cultural design of an audit organisation are the fundamental principles of integrity, objectivity, independence and professional scepticism.

The Executive Team and Leadership Group have a key role in setting the appropriate 'tone at the top', ensuring that quality is at the forefront of all the work that we do.

31. A key element of each business group is to transform Audit Scotland by developing a culture for the delivery of high-quality auditing driven by clear governance and leadership, which emphasises the importance of quality and the expected values and behaviours of the audit team. I&Q plays a key role in identifying elements of good practice that can be applied to enhance the Audit Scotland culture, and works with each business group to implement them.

32. One element of a culture that supports high quality audits is encouraging staff to perceive quality reviews in a positive light and welcome them as a vehicle for improvement rather than view them as a burden to be avoided. I&Q's aim is to create:

- an environment of trust, whereby staff are encouraged to openly talk about areas for improvement and learn from them
- a diverse and open culture of challenge and continuous improvement, from across the spectrum including external stakeholders.

Level 1: Training and guidance

Appropriately trained individuals and audit teams working within approved audit frameworks and following guidance from I&Q.

Introduction

33. The objective of the first level of assurance on audit quality is to ensure that:

- individuals in audit teams are trained to have the necessary technical skills and up-to-date knowledge, as well appropriate soft skills so they have the competence and capabilities to consistently perform high-quality audits;
- audit teams adopt appropriate audit methodologies when planning, executing, and reporting on audits; and
- auditors exercise appropriate professional judgment and professional scepticism.

Professional Support

34. The activities of the Professional Support function within I&Q in this regard are summarised in the following table:

<p>Preparation of guidance on the application of auditing and accounting standards to the public sector</p>	<p>The guidance supplements the Code of Audit Practice and is provided to ASG and the firms to:</p> <ul style="list-style-type: none"> • inform their judgement • maximise consistency • support the delivery of high-quality audits.
<p>Development of appropriate methodologies for annual audits, national performance audits, and other outputs, carried out by ASG and PABV</p>	<p>It is important ASG and PABV deploy world class audit methodologies as this underpins the delivery of high-quality audits on a consistent basis.</p> <p>A consistent audit methodology supports the audit team in applying the principles and meeting the requirements set out in professional standards. However, this must be done in a way that is efficient and does not detract from critical thinking and professional scepticism.</p>

Activity	Features
Provision of a central technical support 'help-desk' for auditors to consult with on difficult or contentious matters	Consultation helps to improve overall audit quality by: <ul style="list-style-type: none"> • improving the application of professional judgement • assisting the appropriate application of audit methodologies and professional standards • facilitating meaningful discussion and challenge which should result in more robust, defensible and better documented audit evidence.

Learning and development

35. The Learning and Development section within I&Q, working closely with Professional Support, provides a wide range of training on:

- key elements of the required audit methodology;
- technical skills (including the use of appropriate technological resources); and
- important softer skills (such as critical thinking and handling difficult conversations).

36. Audit Scotland has significantly invested in professional qualifications and training for staff. Professional trainees are provided with an Institute of Chartered Accountants in Scotland (ICAS) training contract upon starting, coupled with valuable on-the-job training and guidance to develop their skills and experience. All qualified staff at Audit Scotland are required to maintain their Continuing Professional Development and take ownership of their own learning and development pathway.

Digital audit and organisational improvement

37. The Digital Audit function within I&Q, working closely with Professional Support, uses specialist expertise to identify, develop and apply the latest technologies to optimise audit efficiency and audit quality.

38. The use of technology is a key element of modern audit methodologies. This increases the efficiency of the audit process and includes audit support tools such as those that electronically analyse source data.

39. The Organisational Improvement function creates a wider environment that supports, promotes and cultivates high-quality audits. The aim is to develop a culture where delivering high-quality audit work is valued and rewarded, and which emphasises the importance of 'doing the right thing' in the public interest.

Audit team review and coaching

40. This first level of assurance also encompasses quality procedures that are performed by each audit team as the audits progress. This includes, for example:

- the work of audit staff being reviewed by more senior audit staff within the team as the audit progresses to confirm that objectives are being met and the work is being performed in accordance with required methodologies; and
- the provision of on-the-job coaching by more senior audit staff to reinforce learning from formal training and support staff in the practical application of the methodologies.

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Level 2: Internal quality reviews and monitoring

Organisation-wide internal quality reviews and monitoring in accordance with audit quality standards

Introduction

41. The second level of assurance on audit quality is concerned with organisation-wide internal quality reviews and monitoring in accordance with audit quality standards. Audit Scotland and the firms are responsible for their own arrangements for internal quality reviews and monitoring.

Applicable audit quality standards

42. Until 2021/22 audits, the applicable audit quality standard was International Standard on Quality Control 1 (ISQC1). This set out an audit practice's responsibilities for its system of quality control for audits

43. Two new audit quality standards apply from 2022/23, International Standard on Quality Management (ISQM) 1 and 2, which replace ISQC1.

44. ISQM(UK) 1 requires a system of quality management to be implemented. that provides reasonable assurance that:

- the audit practice and its personnel fulfil their responsibilities and conduct audits in accordance with professional standards and applicable legal and regulatory requirements; and
- audit reports are appropriate.

Types of internal quality reviews

45. The Quality function within I&Q carries out Audit Scotland's internal quality reviews and monitoring activities. The different types of review undertaken are summarised in the following table:

Type	Activity
Retrospective quality reviews of completed audits after the audit report has been issued (cold reviews)	<p>ISQM 1 requires audit practices to design and perform monitoring activities to provide a basis for the identification of deficiencies in the system of quality management.</p> <p>Monitoring activities are required to include the inspection of completed audits, i.e. cold reviews.</p> <p>The I&Q Quality team typically complete a cold review programme from January to March each year.</p> <p>Audits subject to cold reviews are graded (see below for information in grades).</p>
Quality reviews of audits in progress (hot reviews)	The quality findings arising from hot reviews are issued before the date of signing the audit report and therefore directly contribute to the quality of the audit.
Thematic and in-flight reviews	These reviews of both in-progress and completed audits assess particular areas of interest or risk, sometimes over a range of multiple audits.

46. Findings from quality reviews are reported to auditors to share common areas for improvement and good practice more widely. Findings are shared in a number of ways including:

- quality reports issued directly to audit teams subject to review;
- Quality Bulletins distributed routinely to business groups; and
- feedback sessions at audit team meetings.

47. Similar internal reviews are also carried out by each firm.

Grading system for cold reviews

48. The cold reviews use the FRC grading system for all of the audits reviewed:

Grade	Standard	Description
1	Good	<p>No concerns regarding the sufficiency and quality of audit evidence or the appropriateness of significant audit judgments in the areas reviewed.</p> <p>Only limited weaknesses in documentation of audit work, and any concerns in other areas are limited in nature (both individually and collectively).</p>
2	Generally acceptable but a small number of improvements required	<p>Only limited concerns regarding the sufficiency or quality of audit evidence or the appropriateness of significant audit judgments in the areas reviewed; and/or</p> <p>Weaknesses in documentation of audit work are restricted to a small number of areas; and/or</p> <p>Some concerns, assessed as less than significant (individually and collectively) in other areas.</p>
3	Some improvement required	<p>Some concerns, assessed as less than significant, regarding the sufficiency or quality of audit evidence or the appropriateness of significant audit judgments in the areas reviewed; and/or</p> <p>More widespread weaknesses in documentation of audit work; and/or</p> <p>Significant concerns in other areas (individually or collectively).</p>
4	Significant improvements required	<p>Significant concerns regarding the sufficiency or quality of audit evidence or the appropriateness of significant audit judgments in the areas reviewed (not limited to the documentation of the underlying thought processes); and/or</p> <p>Very significant concerns in other areas (individually or collectively).</p>

49. The Audit Quality Framework expects audits to be graded as 1 or 2. The target is for at least 80 per cent of audits to receive that assessment over three years.

Improvement action plans

50. Where an audit is graded as 3 or 4, the auditor is expected to put in place a plan to address the required improvements.

51. ISQM 1 requires a root cause analysis to be conducted of identified quality deficiencies. Root cause analysis identifies the reasons underlying quality deficiencies and focusses improvement action plans on their causes rather than the symptoms.

52. Improvement action plans are prepared alongside the cycle of cold review reporting each spring. The action plans set out:

- the significant quality improvements identified;
- proposed actions;
- the individuals assigned to each action; and
- a planned timeline to implement each action.

53. The Audit Quality Committee oversees and monitors the progress made against improvement action plans by ASG and PABV at quarterly meetings throughout the year.

Engagement quality reviews

54. In addition to the quality arrangements described above, engagement quality reviews form a key part of the system of quality management. The reviews are conducted on or before the date of the report to provide additional audit assurance, and the nature and extent of these reviews are relevant to the engagement or business group.

55. An engagement quality review is an objective evaluation of the significant judgments made by the audit team and the conclusions reached thereon. Audit Scotland and the firms are required to establish policies addressing audits that are required to be subject to engagement quality reviews.

56. ISQM (UK) 2 deals with the appointment and eligibility of the engagement quality reviewer, and the performance and documentation of the engagement quality review. In Audit Scotland, these reviews are completed by experienced, senior staff within ASG and PABV.

Transparency Reports

57. Auditors of Public Interest Entities are required by regulation to prepare a Transparency Report each year setting out certain specified matters, including:

- a description of their governance arrangements;
- information on the system of quality management; and
- the results of their internal quality reviews and monitoring.

58. Audit Scotland and each appointed firm therefore produce and publish an annual Transparency Report.

Level 3: Independent quality monitoring

Quality reviews and monitoring carried out independently from auditors

Introduction

59. The third level of assurance on audit quality is concerned with independent quality monitoring. Independent monitoring offers the highest level of assurance to stakeholders.

60. These procedures are carried out by AQA or an external party appointed by AQA. The procedures are undertaken independently from audit providers though AQA pay regard to the results of internal reviews and monitoring.

External reviews

61. For the five audit years to 2020/21, AQA commissioned ICAS to carry out external quality reviews. The new external quality reviewer from 2021/22 to 2026/27 audits is the Institute of Chartered Accountants in England and Wales.

62. The external reviewer also carries out cold reviews of completed audits and awards them a grade. In order to facilitate comparability with internal monitoring, they also use the FRC scoring system.

63. The external reviewer also completes targeted follow-up reviews to determine the progress on actions recommended in previous years.

Annual audit plans and reports

64. AQA review a sample of annual audit plans and annual audit reports to assess how effectively auditors comply with the requirements of the Code of Audit Practice and supplementary guidance.

Audited bodies' views on audit work

65. AQA arranges for an annual independent stakeholder feedback survey. It surveys key individuals in audited bodies to gather feedback on the financial and performance audits.

Assessment and Reporting

66. AQA uses the results of the external reviews, their own independent checks, and each Transparency Report to form an objective assessment of audit quality.

67. AQA sets out their findings in reports as set out at paragraph 26.

68. QPAS is also made publicly available in June each year.

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Appendix 1: Glossary of terms

Term	Explanation
Audit evidence	<p>The information used by auditors in arriving at their conclusions. Audit evidence supports those conclusions and is cumulative in nature. It is primarily obtained from audit procedures performed during the course of the audit. Audit evidence comprises both information that supports and corroborates management's assertions, and any information that contradicts such assertions.</p> <p>Professional standards require audit evidence to be both sufficient and appropriate:</p> <p>(i) Sufficiency is the measure of the quantity of audit evidence. The quantity needed is affected by the auditor's assessment of the risks and also by the quality of such audit evidence.</p> <p>(ii) Appropriateness of audit evidence is the measure of the quality of audit evidence; that is, its relevance and reliability in providing support for the conclusions.</p> <p>Whether sufficient appropriate audit evidence has been obtained to enable the auditor to draw reasonable conclusions is a matter of professional judgment.</p>
Code of Audit Practice	<p>The Code defines the independent audit of public bodies in Scotland. All auditors appointed by the Auditor General and the Commission and working on their behalf are required to comply with the Code. It sits at the centre of the arrangements for public audit in Scotland, and covers the audit of annual accounts, which has a wider scope than the private sector, performance auditing and Best Value auditing.</p> <p>The Code also sets out the high-level arrangements for monitoring audit quality.</p> <p>Supplementary guidance is used to help inform auditors' judgements and promote a consistent approach to changing public service priorities and risks.</p>
Financial Reporting Council	<p>The body responsible in the UK for issuing auditing and ethical standard and other guidance to auditors, and for monitoring audit quality in the private sector.</p> <p>The FRC will be replaced by a new regulator, the Audit, Reporting and Governance Authority (ARGA).</p>

Term	Explanation
Integrity	<p>Being trustworthy, straightforward, honest, fair and candid; complying with the spirit as well as the letter of applicable ethical principles, laws and regulations.</p> <p>Behaving so as to maintain the public's trust in the auditing profession.</p> <p>Respecting confidentiality except where disclosure is in the public interest or is required to adhere to legal and professional responsibilities.</p>
Professional judgment	<p>Professional judgment is the application of relevant training, knowledge and experience in making informed decisions about the courses of action that are appropriate in the circumstances.</p> <p>Professional judgment is essential to the proper conduct of an audit. Interpretation of professional standards and the informed decisions required throughout the audit cannot be made without the application of relevant knowledge and experience.</p> <p>Professional judgment needs to be exercised throughout the audit. The exercise of professional judgment in any particular case is based on the facts and circumstances that are known by the auditor.</p> <p>Consultation on difficult or contentious matters during the course of the audit, both within the audit team and between the audit team and professional support, assists auditors in making informed and reasonable judgments.</p> <p>Judgements need to be appropriately documented. Auditors are required to prepare audit documentation sufficient to enable an experienced auditor, having no previous connection with the audit, to understand the professional judgments made in reaching conclusions on significant matters arising during the audit.</p>
Professional scepticism	<p>Professional scepticism is an attitude that includes a questioning mind, being alert to conditions which may indicate possible misstatement due to error or fraud, and a critical assessment of audit evidence.</p> <p>Professional scepticism is necessary to the critical assessment of audit evidence. This includes questioning contradictory audit evidence and the reliability of documents and responses to inquiries and other information obtained from staff in audited bodies.</p>
Public Interest Entity	<p>Public interest entities are defined in the Companies Act 2006 as:</p> <ul style="list-style-type: none"> • an issuer whose transferable securities are admitted to trading on a UK regulated market; • a credit institution • a person who would be an insurance undertaking

Term	Explanation
Root cause analysis	Root cause analysis is a technique for identifying the underlying key causes behind quality review findings, whether specific to one audit or organisation-wide, so that appropriate and achievable actions can be taken to prevent recurrence of deficiencies or to promote the recurrence of positive outcomes.

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Appendix 2: Quality arrangements in the private sector

1. The auditing profession in the private sector has been under scrutiny due to high profile corporate failures. Various reviews have taken place which culminated in the UK government publishing its report Restoring Trust in Audit and Corporate in May 2022 setting out its plans for action. Plans include:

- replacing the FRC with a more powerful regulator called the Audit, Reporting and Governance Authority (ARGA)
- extending the definition of PIEs to include large private companies
- measures to improve resilience in the audit market for the largest companies. This includes the introduction of a 'managed shared audit' regime which will give 'challenger' firms the opportunity to audit a meaningful proportion of subsidiary audits conducted for FTSE 350 companies.

2. Other challenges in the audit profession include:

- the continuing effect of the pandemic which has had a significant impact on the conduct of audits in the UK and has affected audited entities, the firms as well as the operational activities at the FRC
- increasing evidence that there are recruitment difficulties in the auditing profession due to a shortage of skilled and qualified audit staff. This, together with the perceived unattractiveness of auditing compared to other accounting disciplines, presents a current and future risk to the delivery of high-quality audit.

3. Under current arrangements, the FRC monitor the quality of the audit work of auditors of companies meeting the definition of PIEs. Monitoring of all other Companies Act audits is delegated by the FRC to Recognised Supervisory Bodies.

4. The frequency of FRC inspections varies with larger firms inspected annually while other firms are generally inspected once every three years.

5. FRC activity comprises:

- inspections of a sample of audits and related procedures supporting audit quality at individual firms
- thematic inspections which focus on particular aspects of audit across a sample of audits and firms.

6. FRC reviews of individual audits:

- focus on the appropriateness of key audit judgments and the sufficiency and appropriateness of the audit evidence obtained
- consider firm-wide procedures including an assessment of how the culture within firms impacts on audit quality
- monitor compliance with relevant professional standards
- identify areas where improvements are required to safeguard or enhance audit quality.

7. The FRC agree an action plan with each firm inspected to achieve the improvements needed and assess periodically the adequacy of the progress made by the firm in addressing the findings.

8. The results of recent FRC reviews have highlighted deficiencies relating to lack of professional scepticism by auditors, including failures to sufficiently challenge management's assumptions, as well as evidence of the poor application of professional judgement.

Audit Quality in Audit Scotland

Audit Scotland's published material is available for download on the website in a number of formats. For information on our accessibility principles, please visit:

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Purpose

1. This report sets out the most up to date position on delivery of the 2021/22 audits as requested by the Board on 23 November 2022. The report also provides details of the actions being taken by Audit Services to improve the pace of delivery of 2022/23 audits together with work being undertaken in partnership between Audit Services and other business groups in Audit Scotland to transition back towards pre-Covid timetables.

Recommendations

2. The Board is invited to take assurance:
 - from the updated position of 2021/22 audit delivery (para 7);
 - that the immediate actions by Audit Services for 2022/23 will improve the pace of delivery towards pre-covid timetables (para's 10 to 13); and
 - that the range of actions delivering benefits in the medium term and taken in partnership by Audit Services and other business groups within Audit Scotland will secure the delivery of audits in line with pre-covid timetables (para's 14 to 18).
3. The Board is asked to agree the timescales for achieving improvements in audit delivery (para 9).

Background

4. For the audit year 2021/22 Audit Services set an aspirational target to transition audit timetables back to pre-Covid deadlines. To facilitate this Audit Services Management Team (ASMT) established a prioritised plan, aligned with the statutory deadlines, for the delivery of specific audits in the following order:
 - NHS bodies;
 - Local Government;
 - Central Government and Agencies; and
 - All other bodies.
5. In setting these priorities ASMT recognised the importance of concluding 2021/22 audits in a timely way to facilitate a smooth transition to the new engagements for 2022/23.

Updated position of audit delivery

6. The majority of 2021/22 audits have been delivered within the statutory deadlines with all NHS audits delivered earlier than the prior year, reflecting pre-Covid timetables. However, a number of audits in other sectors have been delivered later than planned for several reasons:

- delays in starting 2021/22 audit work due to the impact of COVID-19;
- significant technical issues in the accounts under audit, for example, accounting for non-current assets not valued in year;
- actions taken to safeguard the quality of the audit work and integrity of the Independent Auditors' Report;
- the impact of resourcing and capacity issues at clients; and
- audited body governance timetables.

7. The latest position showing the delivery of 2021/22 audits by sector and by audit supplier is set out below:

Percentage of 2021/22 audits completed at 10 January 2023

	Audit Services	Azets	Deloitte	EY	GT	KPMG	Mazars
Local Government	89%*	100%	100%	100%	50%	100%	n/a
NHS Bodies	100%	100%	100%	n/a	100%	n/a	n/a
Central Government	96%*	100%	91%	n/a	75%	100%	n/a
Further Education	100%	83%	n/a	88%	n/a	n/a	60%

* Detail is provided on the outstanding Audit Services audits including timelines and remedial action in Appendix 1. A verbal update will be provided to the Board encompassing both Audit Services and Firms audits.

8. In total there are nine Audit Services audits that have not yet been completed. It is anticipated that seven of the audits will be concluded by the middle of February 2023. For the remaining two audits:
- Glasgow City Council is planned to complete by the end of March 2023 pending receipt and audit of further information from the Council to support the carrying value of non-current assets included in the 2021/22 accounts that were not valued in year; and
 - The field work to deliver the audit of West of Scotland Archaeology Service Joint Committee is planned to be completed by the middle of February 2023 but currently there are no scheduled meetings of the Committee where the accounts could be approved. The auditor is working with officers to resolve the matter and agree a date to complete the audit.

Timescales

9. The remainder of this paper focuses specifically on actions being taken by Audit Scotland to improve the timeliness of delivery of audits from 2022/23 onwards. These actions fall into two broad groups:

- Actions already implemented for 2022/23 audits; and
- Actions that deliver benefits in the medium term. These are actions that have a longer lead-in time and therefore will not realise benefits until the delivery of 2023/24 audits at the earliest, and potentially, by exception, beyond that. Actions under this heading include activities to be delivered in partnership between Audit Services, other Business Groups within Audit Scotland, and external partners.

Actions implemented for 2022/23 audits

- 10.** With the start of the new 5-year appointment round Audit Services recognises the need to further improve the timeliness of audit delivery. Year one of this new appointment round presents a number of additional challenges to delivery including, but not limited to:
- engagement with new clients;
 - profession wide challenges impacting on the cost and delivery of audit across all sectors;
 - revisions to the requirements of ISA315, Identifying and Assessing the Risks of Material Misstatement;
 - new Best Value requirements; and
 - requirements of ISA510, Initial Audit Engagements – Opening Balances
- 11.** To improve the pace of delivery a range of actions have been implemented for the 2022/23 audits. These actions are:
- Audit Services has returned to a ‘business as usual’ approach in the sequencing of audit delivery and moved away from the prioritisation framework that was put in place for the 2021/22 audits. This enables Audit Services to be more agile in resourcing and responding to changing circumstances with a focus on health bodies, Scottish Government agencies, local authorities involved in year one Best Value work and new group bodies;
 - Expectations around hybrid working have been redefined and reset to recognise the beneficial impact on efficiency by having audit teams back on-site at clients during key periods of the audit year. ASMT consulted with our Audit Services union representatives to ensure agreement with these redefined expectations and the work done here will feed into organisation wide hybrid working discussions to ensure a joined-up approach;
 - The new audit appointment round has been used to re-align the deployment of staff with audits relative to size, complexity, and risk to support the efficient delivery of work;
 - Performance Audit and Best Value (PABV) have provided resources to support the delivery of year one Best Value work in local government and have confirmed that PABV resources will again be available to support the delivery of financial statements audit work over the summer of 2023;

- Our teams have been empowered to act at the local level to reduce the amount of audit work undertaken, remove duplication and take action to reduce inefficiencies. This action will not impact on audit quality;
 - Management information has been improved to provide a better focus on utilisation of staff through productivity, availability and deployment data and is being used to enhance accountability and responsibility for audit delivery;
 - Monthly, formal reporting of audit delivery forecasts to Audit Services Management Team to drive remedial action and inform resourcing decisions;
 - Monthly, formal financial budget monitoring reports at the individual audited body level to Audit Services Management Team to improve accountability and, where necessary, identify additional audit fees;
 - Engagement with the National Audit Office to share learning and knowledge specifically in relation to productivity, resourcing, and costs; and
 - Taking a more clearly defined project management approach to delivering our audits:
 - working with our audited bodies to set expectations for delivery and working methods including the use of working paper schedules/prepared by client lists;
 - being more disciplined in our approach to those audited bodies that are unable to service audits within previously agreed timescales; and
 - clearly articulating expectations and impact in our annual audit plans;
- 12.** It is important to remain cognisant of the additional challenges that the first year of the new audit engagements bring. The next 12 months will be a stepping-stone to improving the timeliness of delivery, and therefore it should be expected that some audits may overrun the target sign-off dates. The extent of overruns has not yet been quantified but will come through the first quarterly delivery forecast due in February 2023.
- 13.** The effectiveness of these actions will be assessed by Audit Services Management Team through the timeliness of delivery as the 2022/23 audits progress. A formal review and evaluation of the impact of the actions will be undertaken by Audit Services Management Team at the conclusion of the 2022/23 audit cycle. This will prepare the ground for the implementation of actions planned for the medium to long term.

Actions that deliver benefits in the medium-term

- 14.** The drive to improve the timeliness of delivery of audits presents the opportunity to reassess more fundamental aspects of the way in which we deliver our work and the tools that are used, or are available for use, in that work. In many ways these opportunities span across both the delivery and quality aspects of our work and for the large part are best delivered through a partnership approach between Audit Services and the other business groups within Audit Scotland.
- 15.** Whilst there are significant challenges within the audit profession, there are opportunities to address these challenges, while ensuring that we are increasing quality and improving the timeliness and efficiencies of the audit process. This can be achieved through the development and increased use of our data analytics tool; the implementation of new

technologies to assist in analysing structured and unstructured data; revisiting and developing our audit approach to ensure our teams are spending the right time in the right places; and ensuring that our staff have the requisite skills to meet the challenges that are coming.

16. The specific actions planned for 2023/24 audits and beyond fall into two broad groups:

- Those which fall within the remit of Audit Services to lead and deliver;
- Those which fall within the remit of other business groups to lead but which will need to be delivered in partnership between business groups.

17. Actions that will realise benefits for 2023/24 and which fall within the remit of Audit Services to lead, and deliver are:

- Embedding the 2022/23 actions outlined above so that they become business as usual;
- Further development of management information to support ownership and accountability through monitoring and reporting of performance and progress;
- ‘ISA 315 champions’ have been appointed within Audit Services to provide quicker responses to questions regarding the approach to ISA 315. However, it is important to recognise the learning curve involved with this and the full benefit is unlikely to be realised until 2023/24 at the earliest;
- Review of team structures to assess how they support delivery, in particular the agility with which trainees and junior staff are deployed;
- Greater intelligence sharing with partner firms and, where appropriate, greater collaboration to agree and implement consistent approaches to addressing common audit issues; and
- Maximising the opportunities to improve efficiencies within Audit Services as functions and roles transfer to Innovation and Quality

18. Actions led by business groups other than audit services, but will be delivered in partnership with Audit Services are set out below:

Led by Innovation and Quality	Led by Performance Audit and Best Value
<p>Collaboration across Audit Services and Innovation and Quality to reassess the audit approach to ensure that it remains fit for purpose and that it provides sufficient agility to enable local teams to apply a tailored methodology that is proportionate to individual audits and risks. The review will be aligned with work to secure improvements in the electronic working papers system and digital audit including data analytics. It would be ambitious to expect the full benefits of this action to be realised in 2023/24, particularly in relation to the improvements in the</p>	<p>Review the approach, resourcing, and delivery of Best Value work in local authorities after the completion of year one work to identify efficiencies and improvements.</p> <p>Use the One Audit Scotland approach to assess and improve the effectiveness of intelligence sharing and resource deployment across Audit Services and Performance Audit and Best Value.</p>

electronic working papers system. A paper will be brought to a future Board meeting to provide more detail on this specific action.

Reviewing the less-complex audit body approach to consider the criteria for its use, and the ensure that it remains fit for purpose;

Using hot, themed, and targeted reviews, which have the main objective of improving quality, to identify potential inefficiencies in the approach and delivery of audits; and

Increased engagement with firms and other audit agencies to share experience and knowledge of how the profession as a whole is meeting our shared challenges.

Conclusion

19. To conclude, reflecting on Audit Services delivery for 2021/22 and looking forward:

- The majority of audits met the statutory deadlines with all NHS audits delivered earlier than the prior year, reflecting pre-Covid timetables.
- A range of actions have been put in place to ensure Audit Services is better placed to achieve the planned timetables for 2022/23 and beyond.
- The first year of an audit engagement brings additional challenges. It should be expected that while there will be improvements in the timeliness of 2022/23 audits, some will overrun the target sign-off dates.

20. An update against the actions planned to deliver benefits in 2023/24 and beyond will be provided to the August Board meeting.

Appendix 1 Outstanding Audit Services Audits

Audit	Comments
Local Government	
Glasgow City Council	Further work is required by the Council to support the carrying value of non-current assets not valued during the year included in the 2021/22 accounts. The Council anticipates this work will be completed by the end of February 2023. The auditor anticipates being able to undertake the necessary audit procedures on this additional work and to conclude the audit by 31 March 2023.
Clackmannanshire Council	The audit work is complete, and the next meeting scheduled by the Council to approve the accounts is 2 February 2023. However, the Council has indicated that it wants to make changes to its accounts that require input from the Council's valuer. These changes have not yet been actioned and will need to be audited when they are made. Therefore, although the auditor remains hopeful of concluding the audit on or around 2 February there is a risk this might slip to a later date pending resolution of the issue.
Moray IJB	The audit work was completed mid-November 2022 but not in time to meet the scheduled Audit Performance and Risk Committee meeting to approve the accounts. The next meeting of the Committee is scheduled for 26 January 2023. The auditor anticipates being able to conclude the audit on or shortly after this date.
Glasgow City Region Deal Cabinet Joint Committee	Glasgow City Council is the accountable body for the Joint Committee, and it is the same auditor for both bodies. The auditor prioritised the audit of Glasgow City Council. The audit work for the Joint Committee is scheduled to complete by 31 January 2023. The next meeting of the Joint Committee to approve the accounts is 14 February 2023 and the auditor anticipates being able to conclude the audit on or shortly after this date.
Grampian Valuation Joint Board	Further work was required by the Board to support the carrying value of non-current assets disclosed in 2021/22 accounts. This work is now complete, and all audit work is also now complete. The next meeting of the Board to approve the accounts is 27 January 2023. The auditor anticipates being able to conclude the audit on or shortly after this date.
West of Scotland Archaeology Service Joint Committee	Glasgow City Council is the accountable body for the Joint Committee, and it is the same auditor for both bodies. The auditor prioritised the audit of Glasgow City Council. The audit work for the Joint Committee is scheduled to complete by the middle of February 2023. Currently there are no scheduled meetings of the Joint Committee, and the auditor is working with Officers to agree a date to conclude the audit.
East of Scotland European Consortium	Audit work is complete. The next Scrutiny Committee to approve the accounts is scheduled for 8 February 2023. The auditor anticipates being able to conclude the audit on or shortly after this date pending confirmation that the accounts will be presented at the 8 February meeting.
Central Government	
NHS Superannuation Scheme Scotland	Work is largely complete but there are a number of matters still outstanding, and the auditor is yet to receive an updated and revised version of the accounts incorporating audit amendments. The auditor anticipates concluding the audit early in February 2023, but the completion timetable is still being finalised.

**Scottish Teachers'
Superannuation
Scheme**

Work is largely complete but there are a number of matters still outstanding, and the auditor is yet to receive an updated and revised version of the accounts incorporating audit amendments. The auditor anticipates concluding the audit early in February 2023, but the completion timetable is still being finalised.

Agenda

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



-
1. Private meeting of members
 2. Welcome and apologies
 3. Declarations of interest
 4. Items to be taken in private

Standing items

- | | |
|---|-----------------|
| 5. Chair's report - verbal update | For information |
| 6. Accountable Officer's report - verbal update | For information |
| 7. Accounts Commission Chair's report - verbal update | For information |
| 8. Review of draft minutes: | |
| • Board meeting: 24 January 2023 | For approval |
| • Audit Committee meeting: 9 November 2022 | For information |
| • Remuneration and Human Resources Committee meeting: 9 November 2022 | For information |
| 9. Review of action tracker | For assurance |
| 10. Health, Safety and Wellbeing – verbal update | For information |

Strategic Priorities

- | | |
|--|---------------|
| 11. Strategic Improvement Programme Review | For assurance |
|--|---------------|

Business planning, performance and governance

- | | |
|--|---------------|
| 12. Q3 Corporate performance report | For assurance |
| 13. Q3 Financial performance report | For assurance |
| 14. Annual policy review of Freedom of Information, Data Protection and Environmental Information requests | For approval |

15. Mainstreaming equality and equality outcomes: progress report

For approval

Conclusion

16. Any other business

For discussion

17. Review of meeting

For discussion

18. Date of next meeting: 23 May2023

For information

Items to be taken in private

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

For discussion

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

20. External engagement

For assurance

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

21. Estate strategy proposals

For approval

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

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

For approval

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

23. Ethical Standards Policy

For Approval

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

Minutes Board



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

Present:

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

Apologies:

There were no apologies.

In attendance:

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

1. Private meeting of Board members

The Board met privately and there were no matters arising.

2. Welcome and apologies

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

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

3. Declarations of interest

There were no declarations of interest noted.

4. Items to be taken in private

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

5. Chair's report – verbal update

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

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

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

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

Following discussion, the Board welcomed the update.

6. Accountable Officer's report – verbal update

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

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

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

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

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

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

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

Following discussion, the Board welcomed the update.

7. Accounts Commission Chair's report – verbal update

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

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

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

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

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

Following discussion, the Board welcomed the update.

8. Review of minutes

Board meeting: 23 November 2022

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

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

9. Review of action tracker

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

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

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

10. Health, Safety and Wellbeing – verbal update

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

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

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

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

Following discussion, the Board noted the update.

11. Strategic Improvement Programme Update

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

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

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

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

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

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

Gemma Diamond left the meeting.

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

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

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

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

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

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

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

12. Audit Quality Arrangements

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

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

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

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

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

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

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

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

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

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

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

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

13. Audit Delivery - update

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

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

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

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

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

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

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

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

Following discussion, the Board took assurance:

- from the updated position of 2021/22 audit delivery (para 7);
- that the immediate actions by Audit Services for 2022/23 will improve the pace of delivery towards pre-covid timetables (paras 10 to 13); and
- that the range of actions delivering benefits in the medium term and taken in partnership by Audit Services and other business groups within Audit Scotland are expected to secure the delivery of audits in line with pre-covid timetables (paras 14 to 18).

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

Pauline Gillen left the meeting.

14. Any other business

There was no other business for discussion.

15. Review of meeting

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

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

The Chair thanked everyone for their contributions.

16. Date of next meeting: 4 April 2023

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

Items taken in private

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

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

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

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

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

18. Ethical Standards Policy

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

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

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

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

19. Estates Strategy Update

Stuart Dennis, Corporate Finance Manager joined the meeting.

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

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

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

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

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

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

Stuart Dennis left the meeting.

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

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

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

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

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

Clare Morris, Business Jigsaw Team left the meeting.

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

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

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

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

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

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

Minutes

Audit Committee



Wednesday 9 November 2022, 10.00am
Microsoft Teams

Present:

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

Apologies:

None

In attendance:

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

1. Private meeting with Wylie & Bisset LLP

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

2. Welcome and apologies

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

3. Declarations of interests

There were no declarations of interest.

4. Minutes of the last meeting: 7 September 2022

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

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

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

The Audit Committee approved the minutes of the previous meeting.

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

5. Review of action tracker

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

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

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

6. Audit Committee Terms of reference – Annual review

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

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

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

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

The Audit Committee approved the Terms of Reference.

7. Q2 Financial performance report

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

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

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

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

The Audit Committee noted the Q2 Financial report.

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

8. Review of risk register

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

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

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

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

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

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

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

The Audit Committee noted the review of the risk register.

ACTION 153AC: **The Accounts Commission Chair and the AGS to arrange to meet to discuss public interest audits in light of the Accounts Commission Change Programme (December 2022)**

ACTION 154AC: **Martin to review the description of risk A10 to ensure they are explicit. (December 2022)**

ACTION 155AC: **Martin and Gayle to arrange a Risk Management session for Audit Committee and Board Members in the new year to revisit the operational context (March 2023)**

9. Interim report on Audit quality

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

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

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

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

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

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

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

The Audit Committee noted the interim report on audit quality.

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

10. Audit Quality framework refresh

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

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

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

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

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

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

11. Internal audit plan 2022/23 verbal update

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

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

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

The Audit Committee welcomed the update.

12. IAR: Risk Management

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

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

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

The members welcomed the report, and its readability.

The Audit Committee noted the IAR report on risk management.

13. Q2 Data Incidents / Loss report

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

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

The Audit Committee noted the data incidents/loss report.

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

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

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

There were no queries on the report.

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

15. Review of Audit Committee effectiveness

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

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

The Audit Committee members approved the timeline.

16. Any other business

There were no items of other business

17. Review of meeting

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

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

18. Date of next meeting

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

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

AUDIT SCOTLAND BOARD ACTION TRACKER 2023

ITEM 9

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

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

Strategic Improvement Programme: review

Executive Director of Innovation and Quality

Item 11
Meeting date: 4 April 2023

Purpose

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

Recommendations

2. The Board is invited to:
 - Approve the refreshed list of projects within the SIP programme and the proposed criteria
 - Note the next steps and link to the corporate plan

Background

3. Audit Scotland's Board approved the [Strategic Improvement Programme](#) (SIP) in November 2020. The SIP provides a framework for change projects to receive more capacity, scrutiny and direction to ensure that we deliver on our corporate plan aims. The programme, at that point, was combination of pre-existing projects and new ones. A SIP project was defined as:
 - a time limited piece of work focussed on delivering improvement
 - will have tangible deliverables and benefits
 - requires resources to implement
4. Some SIP projects involved the development work required to implement a new methodology, system or process which then becomes 'business as usual'.
5. Executive team and the Board agreed that two years later, and with the transition of the programme to Innovation and Quality, that there should be a review and refocussing of the SIP. It is now considered the appropriate time to conduct this review.
6. This paper sets out the outcome of the first phase of the review. We have reviewed and refreshed the current projects, set revised criteria for projects to be considered as a SIP project, and re-worked the membership and meeting schedule.

Review of current projects

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

- Those that involve ongoing development work, the majority of which will now be subject to strategic leadership from Innovation and Quality.
- Those where development will complete in April/May 2023, with some becoming 'business as usual'. These will continue to have leadership focus and will report to Executive Team or Leadership Group (para 8-9).
- Ongoing projects

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

8. There are a number of projects that are connected with Public Audit in Scotland and our business planning cycle. It is proposed that these projects are removed from the SIP as they will all be developed by April/May 2023 and will then be subject to review as part of our operational business planning.
9. We note that a number of these activities will recur each year, e.g. refreshing the corporate plan and financial planning. Sustainable annual planning arrangements are being developed to be in place once the corporate plan is finalised. As part of this work we will identify improvements that we want to make to processes and consider for future SIP projects or organisational improvement activity as appropriate.
10. Previously the SIP included a number of projects that had no 'natural home' in the organisation. The creation of Innovation and Quality as a business group gives many of these development areas a formal home within Audit Scotland, with I&Q taking a strategic lead role. It is proposed that these projects are removed from the SIP. There will be other mechanisms in place to inform Executive Team of progress, for example the I&Q business plan and ongoing corporate reporting. Any individual aspects of these workstreams that

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

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

Proposed criteria for potential SIP projects

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

- The actions and intended outcomes impact more than one business group
- The projects intend to deliver transformational change, not just business as usual
- Intended outcome will require a significant change in approach, skills, and resources
- Intended outcome is critical to the achievement of the corporate plan
- Activity can be framed as a project with appropriate measurement criteria
- Activity is an SIP board priority

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

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

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

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

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

SIP Programme Board meetings

- 16.** We propose that we move to quarterly Programme Board meetings. With a smaller portfolio of projects, this update period should be timely to provide the Programme Board with progress updates and for any approvals required.
- 17.** It is also proposed that as much as possible approvals related to these projects are given through Programme Board meetings and not Executive Team meetings. This should help the coherence of the SIP programme and for all interdependencies to be considered. Timings for the Programme Board will be reviewed if there are difficulties with this.
- 18.** It is proposed that the meeting is chaired by the Director of Innovation and Transformation. Members would be Executive Team and the Head of Organisational Improvement. The first meeting under the new format would be 20 June 2023.

Project management for SIP projects

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

Next phase

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

Conclusion

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

Q3 corporate performance report

Corporate Governance Manager

Item 12
Meeting date: 04 April 2023

Purpose

1. This report provides the Board with a review of organisational performance as at quarter three 2022/23.
2. The report is in a new format, reflecting discussions at Executive Team, the Board and the Board's workshop on performance reporting which took place on 24 January 2023.

Recommendations

3. The Board is invited to:
 - review the performance in Q3/ year to date set out below and in appendix 1
 - consider the issues affecting performance, the actions identified and whether any additional management action is required
 - review and provide feedback on the content and format of the new performance report.

Background

4. The Board requested that the focus, format and content of the quarterly performance reports be reviewed and updated. This forms part of the broader ongoing development work on performance management, measurement and reporting.
5. At a performance management [workshop](#) on 24 January we presented a range of [options](#) to the Board for consideration. The Board agreed that hybrid of two of the options would be used for the Q3 performance report.
6. The new performance report, attached as appendix 1, is structured as follows:
 - Performance summary/ highlights and challenges (pages 2 to 3)
 - Delivering world class audit – delivery to time and budget, audit focussed time, audit messages and impact and audit quality (pages 4 -16)
 - Being a world class audit organisation – people, finance and services (pages 17 – 31)
 - Impact and innovation – this section is under development (pages 32 – 34)
7. It was agreed at the workshop that the reports would be developed on an iterative basis, based on feedback and as areas of the report are further refined. There are a number of areas of ongoing development, these include:
 - Benchmarks (in the form of targets, time series data and external comparators where appropriate)

- Presenting the data with a focus on customer (AGS and the Accounts Commission) and sector where appropriate
- Aligning key performance questions (KPQs), indicators (KPIs) and data to the emerging Public Audit in Scotland outcomes and corporate plan objectives and developing new KPQs and KPIs where required.

Performance overview Q3

8. The graphic below provides a summary of performance.



Audit delivery

9. In Q3 the RAG status for 'delivery of audit on time' has changed from amber to red.
10. Despite delivering 95% of the audit products/ reports scheduled for 2022/23 by the end of Q3 there are still challenges in returning to the pre pandemic delivery dates for the financial audits. The issues affecting the delivery of financial audits were [reported](#) to the Board at its meeting on the 24 January 2023.
11. The majority of 2021/22 audits have been delivered within the statutory deadlines with all NHS audits delivered earlier than in the prior year, reflecting pre-Covid timetables. However, a number of audits in other sectors have been delivered later than planned, this is due to a number of factors:
- delays in starting 2021/22 audit work due to the impact of COVID-19
 - significant technical issues in the accounts under audit, for example, accounting for non-current assets not valued in year
 - actions taken to safeguard the quality of the audit work and integrity of the Independent Auditors' Report
 - the impact of resourcing and capacity issues at clients; and
 - audited body governance timetables
 - The first year of an audit engagement brings additional challenges. It should be expected that while there will be improvements in the timeliness of 2022/23 audits, some will overrun the target sign-off dates.

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

- Actions already implemented for 2022/23 audits
- Actions that deliver benefits in the medium term. These are actions that have a longer lead-in time and therefore will not realise benefits until the delivery of 2023/24 audits at the earliest, and potentially, by exception, beyond that. Actions under this heading include activities to be delivered in partnership between Audit Services, other Business Groups within Audit Scotland, and external partners.

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

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

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

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

Resourcing the audit work

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

- We are about to embark on a Senior Auditor recruitment campaign
- We have delivered a trainee recruitment campaign (however trainees won't start to take up post until late spring/early summer)
- The use of some temporary staff (though options are limited in this respect)
- Identifying and enacting short-term resource transfers from PABV into ASG

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

Other key points

19. Other key points to note in Q3 are:

- We have delivered 95 per cent of all expected outputs year to date
- 93% of performance audits have been delivered on time

- In Q3 audits/reports were delivered 16% under budget
- People costs are below budget
- Absence levels remain low
- The exam pass rate (year to date) is 86%.

Q3 Corporate Performance Report

Appendix 1

AUDIT

Objective	Status
Audit delivery	RED
Audit cost	GREEN
Audit Quality	GREEN
Audit communication	GREEN

PEOPLE

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

FINANCE

Objective	Status
Resource	AMBER
Capital	GREEN

IMPACT & INNOVATION

Objective	Status
Under development	tbc
Under development	tbc
Under development	tbc

Delivering world class audit
 Being a world class organisation
 Our Impact

Summary | Highlights, challenges and actions

Highlights

Audit

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

People

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

Finance

The following were below budget:

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

Challenges

Delivery YTD for Financial Audits:

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

People

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

Finance

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

Actions

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

Delivering world class public audit

Objective

We deliver our products on time

KPQ1

Are audits delivered on **time**?

Target

95% of audits delivered on time



OVERVIEW **RED**

- We have delivered 94.8% of expected outputs (year to date), however
- Delivery on time is significantly below target of 95%.

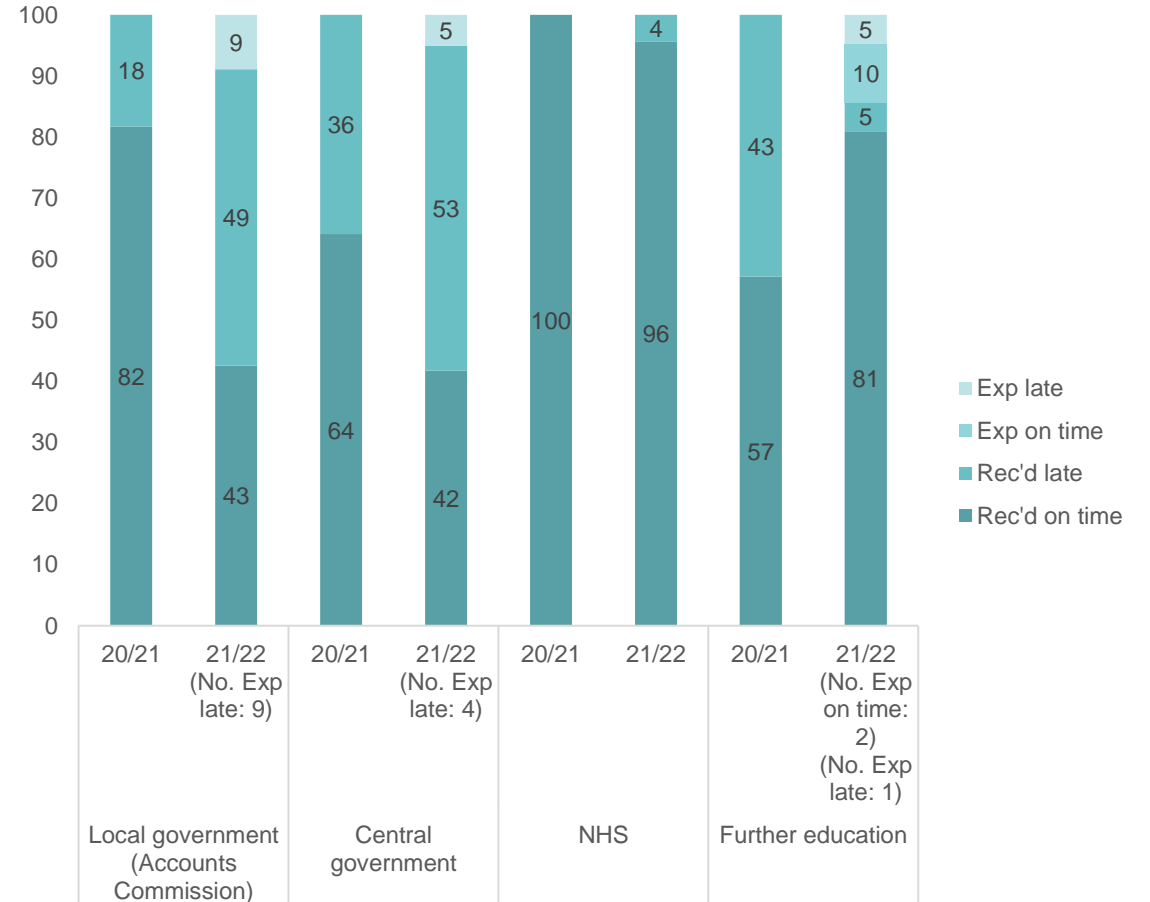
Delivery year to date for **Financial Audits**:

- 51% on time
- 59 % Auditor General for Scotland reports are on time
- 43 % Accounts Commission reports are on time

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

- 93 % Performance audit reports on time
- 100% Accounts Commission performance reports on time report
- 100% Auditor General for Scotland performance reports on time report
- 50% Joint performance reports on time report
- 88% Audit Scotland performance reports on time report
- For 2022/23 there are a number of outstanding audits to be delivered in Q4. Financial audits are measured as on time against the Planning guidance deadlines:
- 10 Financial audit to be delivered in Q4 (1 expected on time, nine expected late) and 14 Performance audit (13 expected on time).

Accounts received on time by %



Objective

We deliver our products **on time**

KPQ1

Are audits delivered on **time**?

Target

95% of audits delivered on time



Performance, trend and RAG

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

At the board meeting 24 January 2023 The Executive Director of Audit Services provided an [audit delivery update](#). The report outlined:

- the updated position of 2021/22 audit delivery
- the immediate actions taken by Audit Services for 2022/23 which will improve the pace of delivery towards pre-covid timetables
- the range of actions delivering benefits in the medium term and taken in partnership by Audit Services and other business groups within Audit Scotland will secure the delivery of audits in line with pre-covid timetables

The Board noted the timescales set out in the report in relation to:

- achieving improvements in audit delivery in the 2022/23 Audits
- the actions identified for the 2023/24 audits.

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

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

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

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

Issues impacting on delivery on time for financial audits include:

- Auditor General for Scotland audits - staffing pressures, technical difficulties affecting three audits and poor documentation from audit bodies.
- Accounts Commission audits - Infrastructure asset valuations following in year revised guidance and Staffing pressures.

Risk

Audit delivery misses statutory deadline

Delay in delivery this year's audit impacts on the ability to deliver next years audit on time

Risk register

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

A4 - Failure to deliver audit to deadlines 

M2 - Failure of independence, reputation, focus and relevance 

Objective

We deliver our products **on time**

KPQ1

Are audits delivered on **time**?

Target

95% of audits delivered on time



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

Objective

We deliver our products within **budget**

KPQ2

Are audits delivered on **budget**?

Target

+/-5% of budget



OVERVIEW **GREEN**

- Audits/reports are being delivered on average 16% under budget
- The Annual Audit variance of 28% is due to phasing of the audit and is forecast to even out going forward. The festive break during this period also had a significant impact.
- In-house income was in total £458k (7.2%) worse than budget.
- Fee income for 2021/22 audits has a negative volume variance of £276k and a positive price variance of £64k.
- Audit work for 2022/23 has commenced and is currently £288k behind plan.
- The prior year income of £42k is the balance due on the completion of the 2021 EAFA audit.

Budget

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

Income

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

Objective

We deliver our products within **budget**

KPQ2

Are audits delivered on **budget**?

Target

+/-5% of budget

Performance, trend and RAG

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

ASG - 28% under budget

PABV - 1% under budget



Trend is variable.

Risk

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

Risk register

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

A8 – Financial position 2022-23  

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

Objective

Colleagues focus is on **delivering** our products

KPQ3

Are colleagues **audit focused**?

Target

TBC

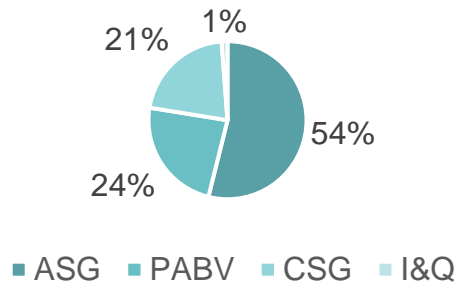
OVERVIEW **AMBER**

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

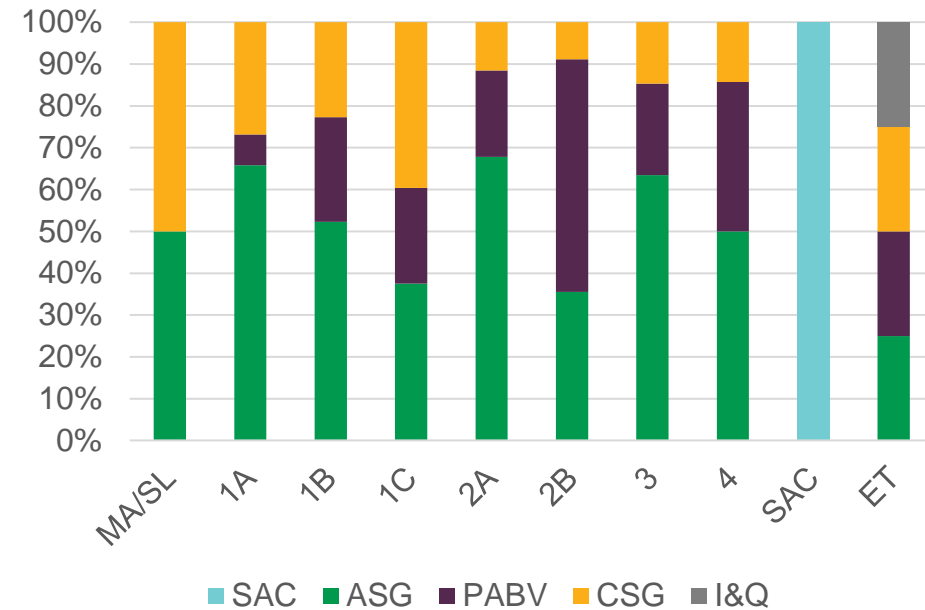
These KPIs and the graphs are under development and are illustrative. It is planned to develop these further for Q4.

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

% colleagues by business group delivery



Breakdown of colleagues by grade



Objective

Colleagues focus is on delivering our products

KPQ3

Are colleagues **audit focused**?

Target

TBC

Performance, trend and RAG

In Q3 time spent on audit was 44%.

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

Risk

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

Risk register

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

A3 – Failure of audit quality ● →

A4 – Failure to deliver audits to deadlines ● →

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

Objective

We deliver high **quality** work

KPQ4

Are we assured about the **quality** of our work?

Target

80% of reviews achieve level 1 or 2 (over a three year period)



OVERVIEW **GREEN**

- There has been considerable improvement in the quality of **Annual Audit Plans** (AAPs) prepared under the 2016 Code of Audit Practice since the start of this appointment round. All Health and Social Care Integration Joint Board AAPs, with the exception of one, now include a reference to the planned audit work to support the conclusion on Best Value. However, there are still some auditors of non-council local government bodies who failed to explain the work planned to support the conclusion on whether the body has made proper arrangements for securing Best Value in their AAPs (ASG, Deloitte and Grant Thornton).
- The **Risks of Material Misstatement** identified by ICAS on two 2019/20 audits have been resolved and improvements to audit guidance and procedures have been made for 2020/21 audits.
- ASG has made progress in delivering its **improvement plan** with 11 out of the 15 improvement actions completed and the remaining four on track for completion by their target date. It is still too early to provide overall assurance that all the issues identified have been fully resolved.
- The **Professional Support 'help-desk'** responded to 140 technical enquiries from audit providers in quarter 3. All were responded to within target response times

Objective

We deliver high **quality** work

KPQ4

Are we assured about the **quality** of our work?

Target

80% of reviews achieve level 1 or 2 (over a three year period)



Performance, trend and RAG

Performance in this area is **improving**.

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

Risk

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

Risk register

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

A3 – Failure of audit quality

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

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

Objective

Audit impact: we deliver **impact** through our work

KPQ5

Are we assured about the impact of our work?

Target

None

Performance, trend and RAG

Examples of impact recorded in quarter three are available on [SharePoint](#)

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

Risk

Our work is not delivering impact

Risk register

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

- A6 – Failure of efficiency and ability to demonstrate value for money
- A9 – Failure to maximise the value, impact and influence of public audit

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

Objective

We **communicate** with external stakeholders

KPQ6

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

Target

Comparison with previous years performance.

OVERVIEW **GREEN**

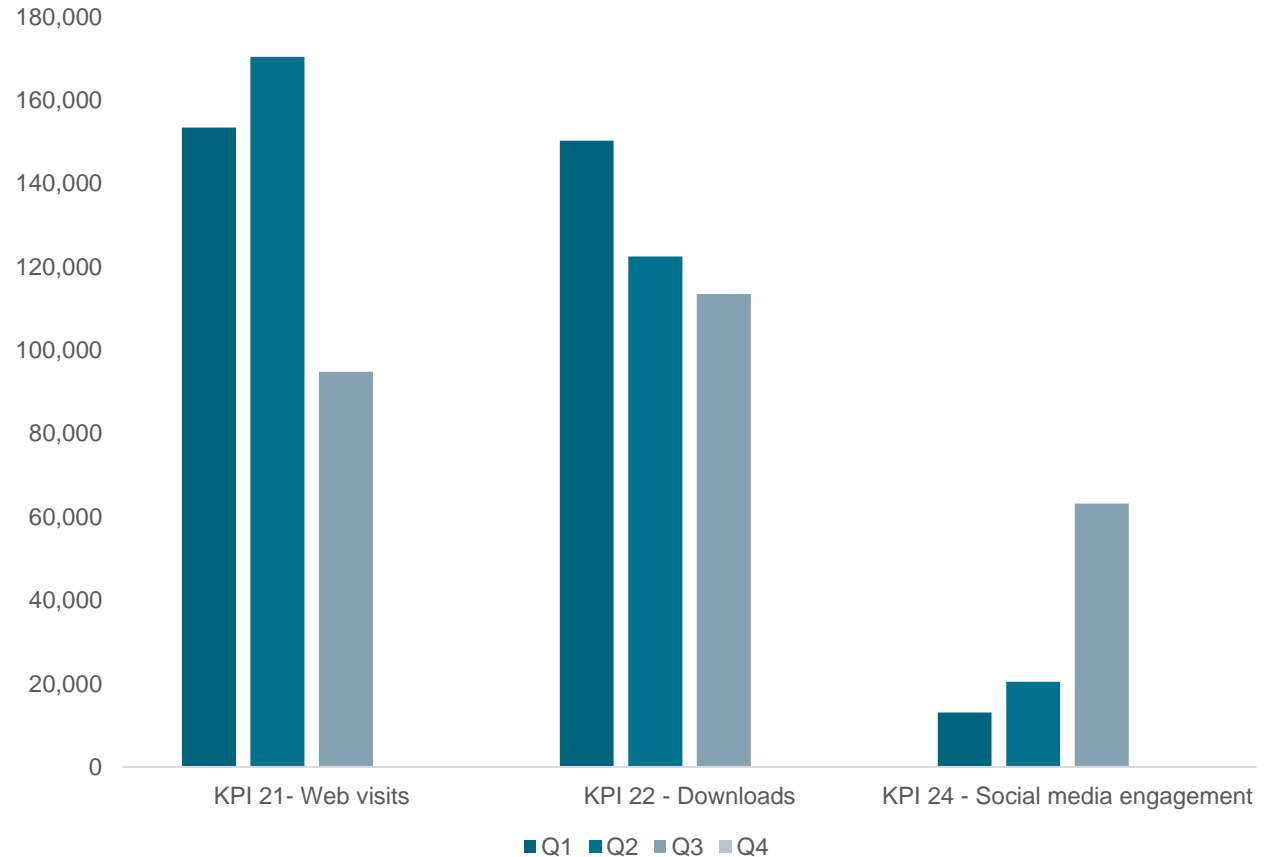
- Stakeholder engagement is rated green.
- We continue to get our messages out through a variety of means. We attended 7 Parliament committees and attended 12 working groups.
- The Auditor General for Scotland the top three reports covered by the media included:
 - Scotland's Public Finances (33 items);
 - s22: SG Consolidated Accounts (17 items);
 - s22 National Records of Scotland (11 items).

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

The top three Accounts Commission report downloaded, in quarter three included:

- Local Government Overview 2022 (464)
- Best Value report on Comhairle nan Eilean Siar (455)
- The blog on 'Why Best Value matters, now more than ever' (463)

Transparent reporting in public - Web stats



Objective

We **communicate** with external stakeholders

KPQ6

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

Target

Comparison with previous years performance.

Performance, trend and RAG

During this quarter, coverage included:


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


Risk

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

Risk register

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

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

M2 – Failure of independence, reputation, focus and relevance 

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

Being a world class organisation



Our people

Objective

We manage our resources effectively

KPQ7a

People establishment

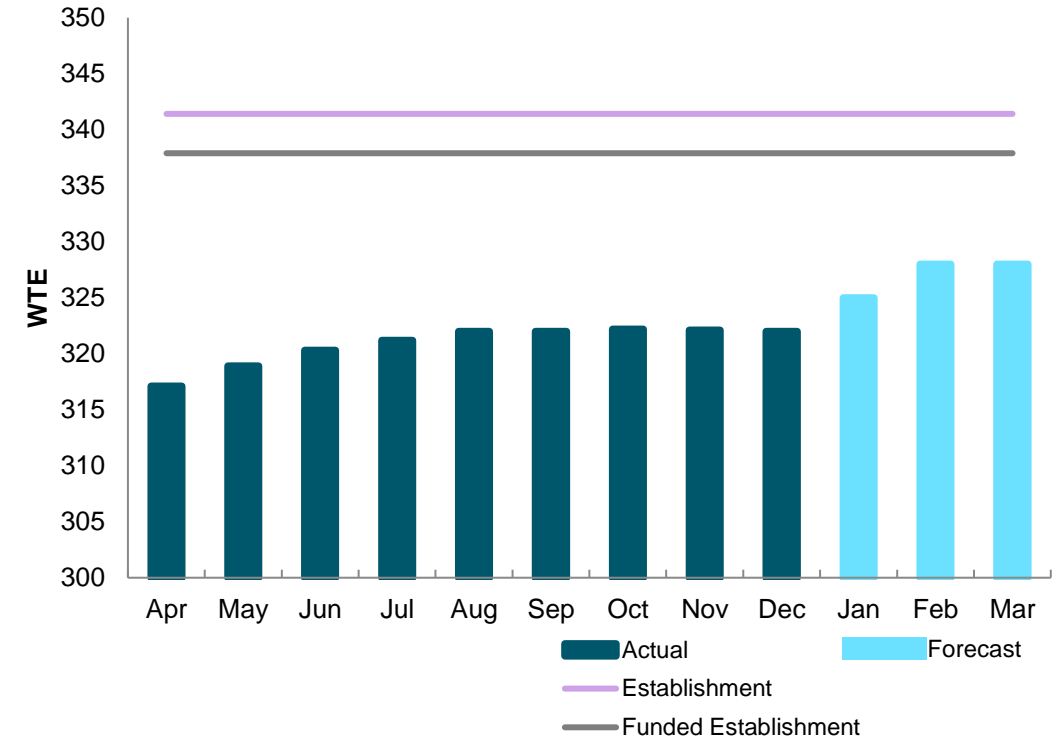
Target

tbc

Average WTE Staff in post 2022/23

OVERVIEW **AMBER**

- Current staffing level versus establishment.
- The average number of staff in Q3 was 322, equating to 93.9% of establishment.
- We are currently under establishment and the forecast shows a small increase in capacity.



Objective

We manage our resources effectively (**People**)

KPQ7a

People establishment

Target

tbc


Performance, trend and RAG

- Overall performance is rated amber due to the proportion of staff in Q3 is 93.9% of establishment (341.4).
- Colleague establishment levels are under review and PABV are currently increasing the senior auditor and audit manager establishment to meet specified needs.
- Audit Services Group are currently under establishment and the establishment has been further revised in the 2023-24 Workforce Plan to reflect the increased number of audits

Risk

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

Risk register

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

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

Objective

We manage our **resources** effectively

KPQ7b

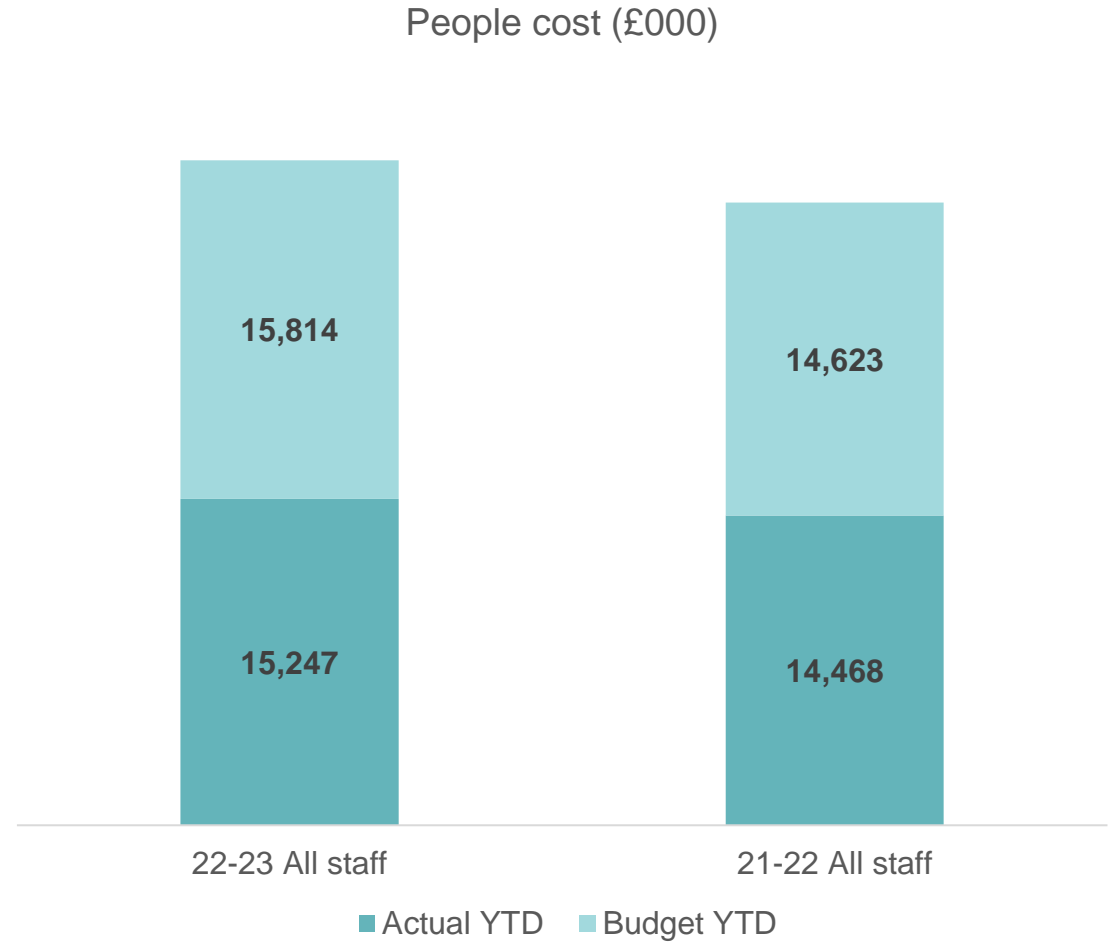
Are we managing our people resources effectively

Target

tbc

OVERVIEW **GREEN**

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



Objective

We manage our resources effectively

KPQ7b

Are we managing our people resources effectively

Target

n/a

Performance, trend and RAG

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

Risk

None

Risk register

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

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

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

Objective

We manage our resources effectively

KPQ7c

Wellbeing

Target

TBC

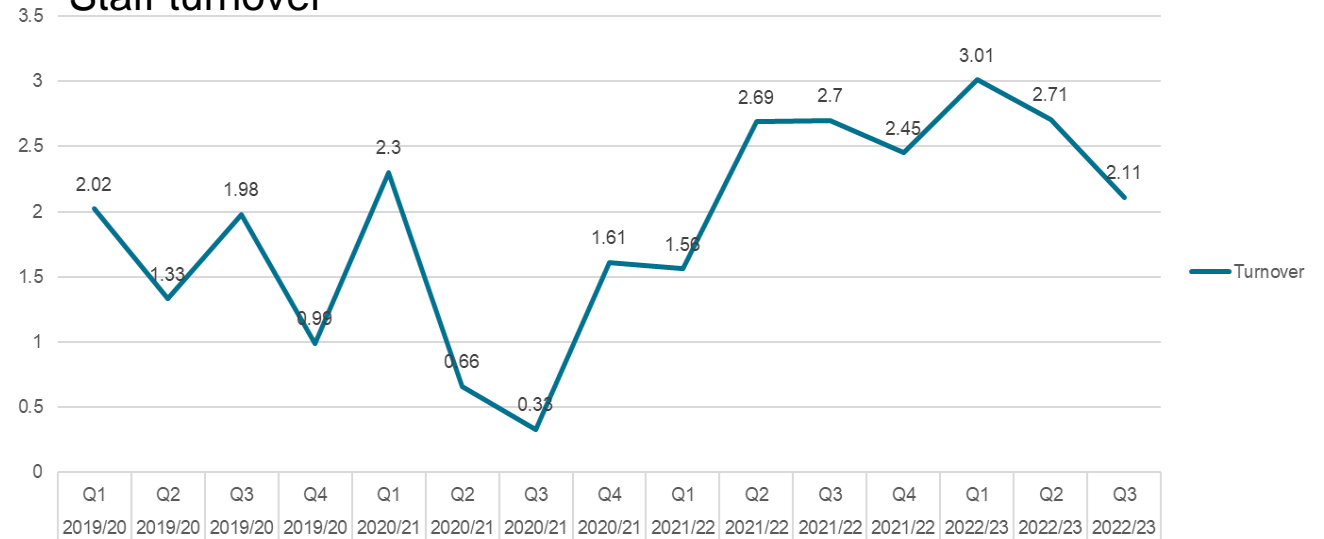
OVERVIEW GREEN

- Colleague turnover
- 412 days Sickness absence equates to 2% of available days
- Average of 1.3 Days lost to illness

Areas under development

- Annual leave taken/planned
- Time sheet completion
- Flexitime

Staff turnover

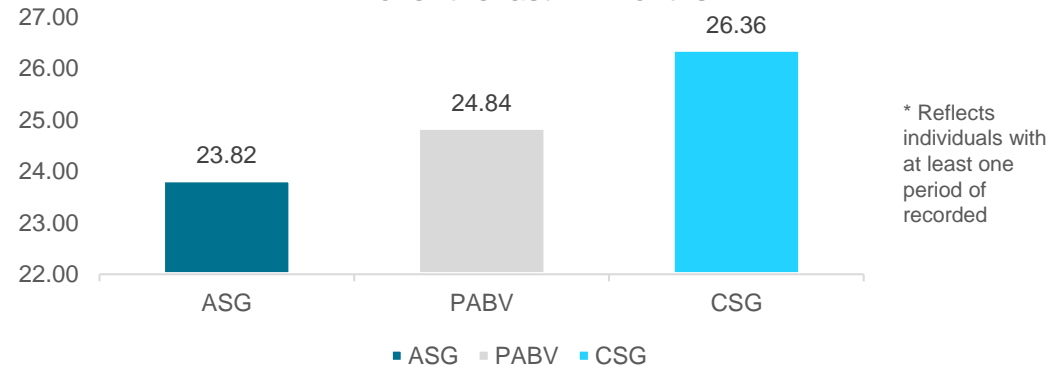


Average of 1.3 days of sickness per employee during Q3



411.66 days lost to sickness during Q3

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



Objective

We manage our resources effectively

KPQ7c

Wellbeing

Target

TBC


Performance, trend and RAG


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

Risk

Risk register

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

A5 - Failure of capacity –establishment, deployment, skills 

M1 - Failure of health, safety and wellbeing 

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

Objective

We manage our **resources** effectively

KPQ7d

Learning and development

Target

Prior year performance



OVERVIEW **GREEN**

L&D Year to date

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

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

KPIs under development:

- Average L&D days per colleague
- % Mandatory training completed

Objective

We manage our resources effectively

KPQ7d

Learning and development

Target

Prior year performance



Performance, trend and RAG

- Learning and development KPIs are rated green.
- Exam pass rates year to date are 86%.
- One KPI is reported annually and will be reported in Q1 2023-24.
- Two new KPIs have been identified to improve reporting on the Learning and Development KPQ.
 - Total L&D days.
 - % of mandatory training completed.

Risk register

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

A5 – Failure of capacity – establishment, deployment, skills

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



Our finances and services

Objective

We manage our **financial resources** effectively

KPQ8

Are we managing our financial resources effectively

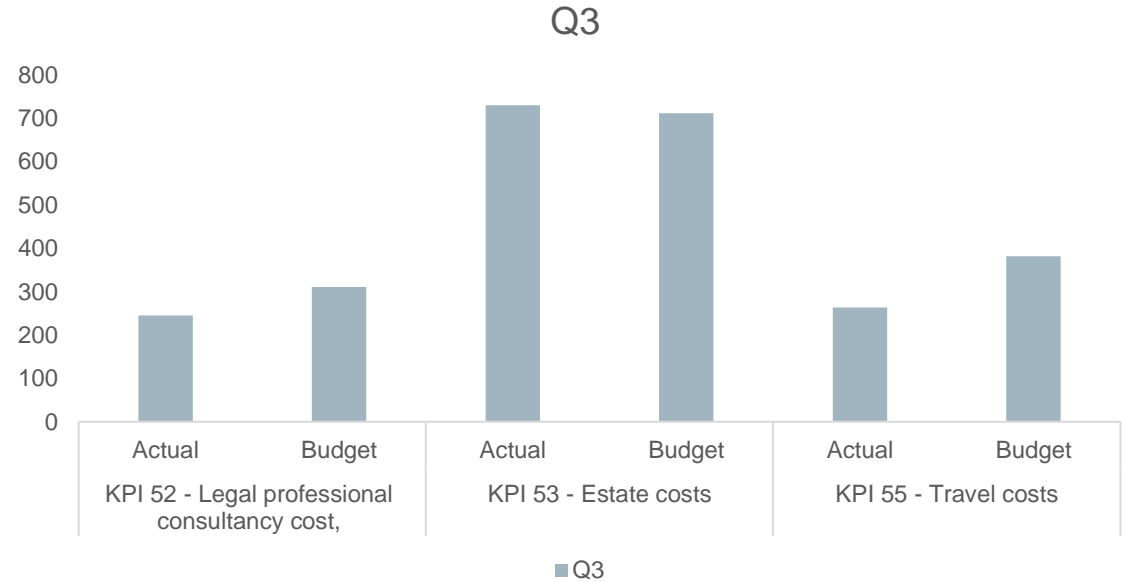
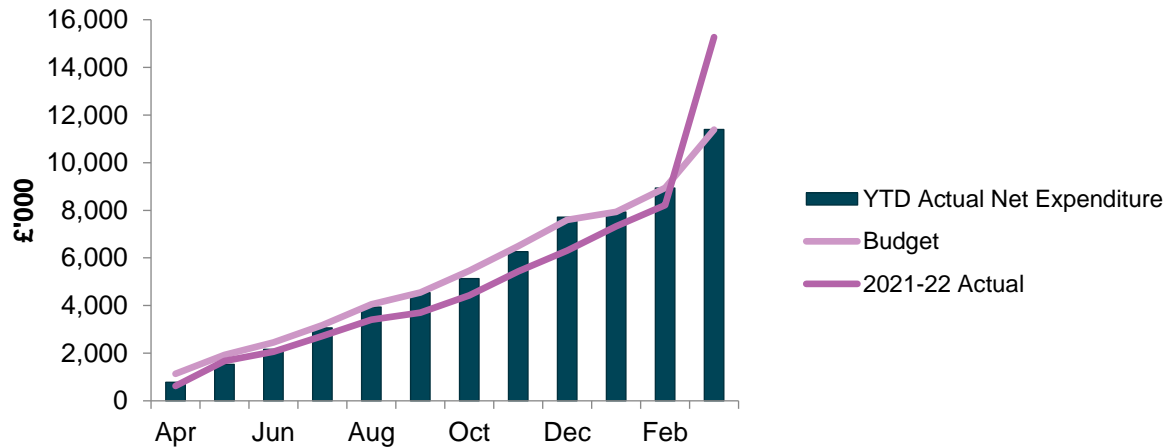
Target

TBC

OVERVIEW **AMBER**

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

Net Expenditure position by month 22-23



Objective

We manage **our financial resources** effectively

KPQ8

Are we managing our financial resources effectively

Target

TBC

Performance, trend and RAG

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

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

Risk

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

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

Risk register

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

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



A8 - Financial position 2022/23



Objective

We respond to **enquiries** from the public

KPQ10

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

Target

95% of enquiries responded to on time



OVERVIEW **GREEN**

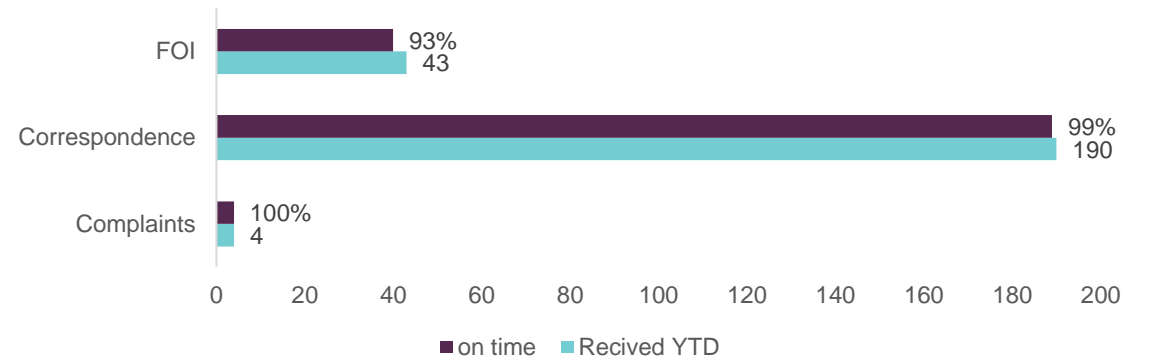
Two of the KPIs are exceeding the target response time and the RAG is rated green.

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

Year to date compared to 2021/22:

- Correspondence has increased by 62 per cent.
- FOI increased 87 per cent.
- There have been no Data Subject Access requests (YTD) compared to three last year.

Public enquires answered on time



Objective

We respond to **enquiries** from the public

KPQ10

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

Target

95% of enquiries responded to on time



Performance, trend and RAG

- Complaints: There is a slight increase in numbers received and response times are above target.
- Correspondence: There is an increase in numbers received and response times are above target.
- FOI: There is an increase in numbers received and response times are slightly below target due to the increasing complexity of requests received.
- DSARS: No DSAR received year to date compared to three last year.

Risk

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

Risk register

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

A9 – Failure to maximise the value of public audit

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

Impact and innovation

Objective

Impact and innovation

KPQX

TBC

Target

TBC

OVERVIEW

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

Performance, trend and RAG

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

Risk

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

Risk register

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

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



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



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



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

Q3 Financial performance report

Corporate Finance Manager

Item 13
Meeting date: 4 April 2023

Purpose

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

Recommendation

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

Background

3. Appendix 1 provides a Financial Performance Executive Summary and is being developed to improve corporate performance reporting.
4. The detailed finance performance report is provided in Appendix 2 to this paper.
5. This report was discussed by Audit Scotland's Executive Team on 21 February and the Audit Committee at its meeting on 7 March 2023.

Discussion

6. At the end of the December 2022 Audit Scotland's Net Operating Expenditure was £7,709k which was £112k (1.5%) worse than budget.
7. In-house income was in total £458k (7.2%) worse than budget. Fee income for 2021/22 audits has a negative volume variance of £276k and a positive price variance of £64k. Audit work for 2022/23 has commenced and is currently £288k behind plan. The prior year income of £42k is the balance due on the completion of the 2021 EAFA audit.
8. Fee income earned for audits carried out by external firms net of fees and expenses paid to the firms was £116k better than budget. Income recognition was £30k (0.7%) better than budget with fees and expenses payable to the external firms being £86k (2.4%) better than budget.
9. Staff costs including agency expenditure was £567k (3.6%) better than budget.
10. Other expenditure £16k (0.5%) better than budget. The main positive variances were recorded in travel & subsistence (£118k), legal, professional & consultancy (£66k) and training (£43k). The main adverse variances appear in information technology (£101k), recruitment (£38k) and property (£18k).
11. A new Financial Performance Executive Summary has been prepared and is in Appendix 1 attached to this report. This is subject to further development to support improved scrutiny of the strategic management of Audit Scotland's financial position.
12. The detailed variance analysis and explanation is provided in Appendix 2 attached to this report. Appendix 2 also includes a section on the allocation of management contingency and the key financial risks.

Virement

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

Financial Position

- **Income** - behind plan on completion of 21/22 audits and commencement of 22/23 audits. Impact of change in central charges approach under new best value regime.
- **Pay** - underspend due to average whole time equivalents (w.t.e.) position being 15.9 below funded establishment.
- **Non-pay** - underspend in firms expenses, travel & subsistence and training reduced by overspends in IT, recruitment and property.
- **Capital** – expenditure on mobiles, office enhancements and business management system.
- **Management contingency** - £100k allocated to meet increase in Edinburgh office rent and recruitment costs. Unallocated balance currently £400k though requirement to meet Accounts Commission change programme costs and senior management posts.

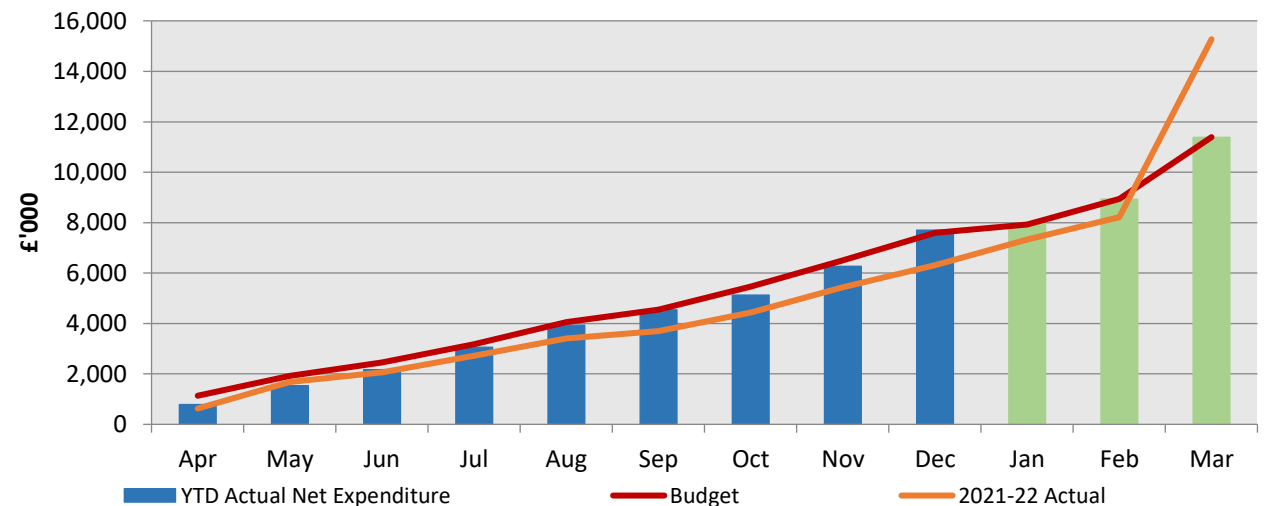
Financial Risks

- Work in progress position for 2022/23 audit work as at 31 March 2023 (1% movement equates to £114k).
- Resourcing pressures and additional cost of audit.
- Pension fund pressures (e.g. IAS 19 implications).
- Inflationary pressures (e.g. utility and service charges).

Financial Position as at end of December 2022

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

Net Expenditure position by month 2022-23



Q3 Financial Performance Report by Business Group

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

- **Overall** - at the end of quarter 3 the revenue financial position was £112k (1.5%) worse than budget.
- **Audit Services Group** - 21/22 and 22/23 audit work behind plan leading to reduced fee income recognition. Pay underspend due to lower than planned average w.t.e and savings generated in travel and lease car expenditure.
- **Performance Audit and Best Value** - pay costs underspend with average w.t.e. 8.0 below funded establishment. Vacant posts in the process of being filled. Non-pay costs reflect reduced expenditure on subscriptions and professional fees/consultancy.
- **Corporate Services Group and Corporate Costs** - income variance relates to corporate central charges and impact of new best value regime. Underspend in pay with average w.t.e. below plan which is reduced by overspends in non-pay items (e.g. IT and depreciation).
- **Approved Auditors** - fee income better than plan and savings generated in firms expenses.
- **Accounts Commission and Secretary** - pay underspend due to vacant Commission posts for half the financial year and overspend in non-pay due to recruitment and livestream costs.
- **Board, AGS and Exec Team** - pay costs now starting to reflect full Exec Team costs with everyone in post. Non-pay is final balance for senior recruitment higher than planned.

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

Headline Results

The summary financial position to 31 December 2022:

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

Funded by Scottish Consolidated Fund	11,387	7,709	7,597	112	6,311
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Income and Expenditure Summary

1. Fee Income – In House

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

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

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

Local Government

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

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

Health

The 2021/22 health audits are complete.

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

Further Education (FE)

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

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

Central Government

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

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

Non-statutory

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

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

2. Fee income and expenditure – Audit Firms

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

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

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

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

Local Government

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

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

Health

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

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

Water

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

Further Education (FE)

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

Central Government

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

3. Central charges

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

4. Staff & Agency Costs

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

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

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

There has been no agency costs year to date.

- b) PABV underspend of £257k is due to the level of vacant positions which we are in the process of filling. The w.t.e. saving of 8.0 equates to £394k. The adverse price variance of £137k is due to the April 2022 pay award being higher than plan.
- c) The average staff resource in CSG has been 3.2 w.t.e. less than budget leading to a year to date underspend of £153k. The minor negative price variance of £1k relates to the impact of the 2022 pay award and the scale point movement in respect of staff turnover.

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

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

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

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

5. Travel and subsistence

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

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

6. Legal, professional and consultancy

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

7. Training and recruitment

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

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

8. Printing and office costs

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

9. Information technology

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

10. Audit costs

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

11. Other costs

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

Contingency and Financial risks

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

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

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

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

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

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

- Carbon emission targets
- EAFA audit
- Estate Strategy

Capital Expenditure and Funding

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

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

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

Stuart Dennis
Corporate Finance Manager
21 February 2023

Annual policy review of Freedom of Information and Environmental Information requests

Corporate Governance Manager

Item 14
Meeting date: 4 April 2023

Purpose

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

Recommendations

2. The Board is invited to:
 - Approve Audit Scotland's Freedom of Information and Environmental Information Policy for a further year
 - Note the update in relation to potential future changes to the Freedom of Information legislation.

Background

3. Audit Scotland has a policy and procedures in place to ensure compliance with the Freedom of Information (Scotland) Act 2002 (FOISA) and the Environmental Information (Scotland) Regulations 2004.
4. The policy is reviewed each year to ensure it is up to date and submitted to the Executive Team and the Board for approval. The review also forms part of the annual assurance process leading to the Accountable Officer's Governance Statement in June 2023.

Annual review of FOI and EIR policy

5. The Corporate Governance Team carried out a review of the Freedom of Information (FOI) and Environmental Information Regulations (EIR) in February 2023. The review found the policy was up to date with no amendments required.
6. A review of our FOI panel arrangements which form part of the Knowledge Information and Technology Governance Group (KITGG) terms of reference was also reviewed and it remains up to date with no changes required this year.
7. The Freedom of Information (Scotland) Act 2002 (the FOI Act) requires Scottish public authorities to produce and maintain a publication scheme. Authorities are under a legal obligation to:
 - publish the classes of information that they make routinely available
 - tell the public how to access the information and what it might cost.

8. The publication scheme for Audit Scotland is published on our website following internal review during August 2022. The scheme is also updated regularly throughout the year when our policies are reviewed/updated.
9. In November 2022, a Members Bill was proposed to reform the Freedom of Information legislation. One of the key changes would be to extend coverage to all bodies delivering public services, as well as services of a public nature and publicly funded services.
10. This has implications for public audit work. While there are no changes to the policy this year, the Corporate Governance team anticipate there may be substantial amendments to the Policy in 2024.

Conclusion

11. The review and approval process of the policy demonstrates our continued commitment to ensure our policies comply with standards.
12. The policy will next be subject to review in March 2024 to ensure it remains fit for purpose.

Freedom of Information and Environmental Information Policy

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

Introduction

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

Our approach

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

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

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

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

Scope

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

Roles and responsibilities

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

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

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

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

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

Information we hold

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

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

Training and awareness

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

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

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

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

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

Charges

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

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

Supplementary documentation

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

- Freedom of Information (Scotland) Act 2002
- Freedom of Information (Scotland) Act 2002 section 60 and 61 codes of practice
- Environmental Information (Scotland) Regulations 2004

Change log

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

Purpose

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

Recommendations

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

Background

3. In April 2018, the Data Protection Policy was updated to reflect the introduction of the EU General Data Protection Regulations (GDPR). The Board agreed this would be reviewed on an annual basis.
4. Since the approval of the policy the Information Commissioner's Office (ICO) continues to issue regular guidance updates and clarifications in respect of the legislation. The Corporate Governance team monitors these and advises staff of any significant changes which would impact on operational practice.
5. The UK is no longer part of the European Union having formally left on 31 January 2020. From this period, until 31 December 2020, the UK was in a 'transition period' to allow for negotiations on additional arrangements on trade, travel and business between the UK and EU to be concluded. During this period the GDPR still applied and given the Data Protection Act (2018) enshrined the GDPR, the UK government began to refer to the UK GDPR.
6. In June 2021, the EU issued an adequacy decision in respect of the UK. This provides assurance about the continuing flow of data between the EU and the UK without needing additional safeguards or authorisation from a supervisory authority. The adequacy agreement is subject to review every four years, and sooner if any changes are made to the UK GDPR which significantly differ from the EU GDPR.
7. On 18 July 2022, the Data Protection and Digital Information Bill was laid before the UK Parliament. At the time of writing the Bill has received its first reading in the House of Commons. There are another four stages within the House of Commons to be concluded before it can proceed to the House of Lords. Subject to the bill advancing through these steps, there are then another five stages to go through before it can progress to the final two stages- consideration of amendments and Royal Assent.
8. The Bill, if introduced has wide ranging implications for the UK data protection regime. In addition, there are potential repercussions for data adequacy in the UK as regards the EU GDPR.
9. The proposed changes cover a multitude of areas including: a revision of personal data definition, purpose limitation, legitimate interests, consent, exemption to fair processing information requirement, data subject rights, adequacy decisions for data transfers, accountability and governance.

Considerations

10. In line with the standard review timescales, Audit Scotland's Data Protection Policy was reviewed during February 2023.
11. At this stage there are **no changes** to the current policy, however, the Corporate Governance team anticipate there may be substantial changes to the policy in the next year.

Conclusion

12. The review and approval process of the policy demonstrates our continued commitment to ensure our policies comply with standards.
13. The policy will next be subject to review in March 2024 to ensure it remains fit for purpose.

Data Protection Policy

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

Introduction

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

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

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

UK GDPR

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

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

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

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

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

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

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

- 9.1.** ensuring that all personal information is processed lawfully and in compliance with current data protection legislation;
- 9.2.** ensuring that our digital systems are secure, and that personal information will be stored securely;
- 9.3.** implementing effective systems for ensuring the rights of individuals, such as systems for handling and responding to data subject access requests within one month or receipt (requests from individuals to access their personal information);
- 9.4.** designing systems, processes and methods of working that protect personal information entrusted to us (privacy by design and default);
- 9.5.** undertaking data protection impact assessments as necessary for major new projects or when considering new software;
- 9.6.** full awareness of and on-going training in data protection legislation, its implications for our work, our data protection arrangements and our data loss/incident process;
- 9.7.** implementing effective systems for handling security breaches and data losses;
- 9.8.** ensuring that when we use a data processor that a written contract is in place so that both parties understand their responsibilities and liabilities;
- 9.9.** ensuring that any data processor we use also implements appropriate technical and organisational measures;
- 9.10.** conducting regular testing and reviews of our measures to ensure they remain effective, and act on the results of those tests where they highlight areas for improvement;
- 9.11.** understanding that encryption can be an appropriate technical measure to ensure that we process personal data securely;
- 9.12.** ensuring that we keep our encryption solution(s) under review in the light of technological developments.

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

Definition

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

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

Data protection principles

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

13.1. Lawfulness, fairness and transparency;

13.2. Purpose limitation;

13.3. Data minimisation;

13.4. Accuracy;

13.5. Storage limitation;

13.6. Integrity and confidentiality (security); and

13.7. Accountability

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

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

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

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

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

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

- 15.5. only keep personal information in a form which permits identification of data subjects for no longer than is necessary for the purposes for which the personal data are processed; personal data may be stored for longer periods insofar as the personal data will be processed solely for archiving purposes in the public interest, scientific or historical research purposes;
- 15.6. ensure personal information is only processed in a manner that ensures appropriate security of the personal information, including protection against unauthorised or unlawful processing and against accidental loss, destruction, or damage, using appropriate technical or organisational measures ('integrity and confidentiality'); and
- 15.7. ensure that we can demonstrate compliance with UK GDPR regulations by being able to evidence the steps we have taken to secure personal data including removal / redaction. We require to have a process in place to manage any requests, but also need to have a full audit trail to prove that we undertook the proper actions.

Disclosure of personal information

- 16. We will only disclose personal information to:
 - 16.1. those who are entitled to the information;
 - 16.2. any authority we are required to do so by law e.g. HMRC; and
 - 16.3. anyone to whom we are required to disclose it, such as individuals seeking to access their own personal data

Rights of the individual

- 17. The UK GDPR provides the following rights for individuals which we as an organisation must be cognisant of:
 - 17.1. The right to be informed - this covers some of the key transparency requirements of the UK GDPR. It is about providing individuals with clear and concise information about what you do with their personal data. Articles 13 and 14 of the UK GDPR specify what individuals have the right to be informed about.
 - 17.2. The right of access - this is commonly referred to as subject access and gives individuals the right to obtain a copy of their personal data as well as other supplementary information. It helps individuals to understand how and why you are using their data, and check you are doing it lawfully.
 - 17.3. The right to rectification - Under Article 16 of the UK GDPR individuals have the right to have inaccurate personal data rectified. An individual may also be able to have incomplete personal data completed – although this will depend on the purposes for the processing. This may involve providing a supplementary statement to the incomplete data.

- 17.4.** The right to erasure - Under Article 17 of the UK GDPR individuals have the right to have personal data erased. This is also known as the 'right to be forgotten'. The right is not absolute and only applies in certain circumstances.
- 17.5.** The right to restrict processing - Article 18 of the UK GDPR gives individuals the right to restrict the processing of their personal data in certain circumstances. This means that an individual can limit the way that an organisation uses their data. This is an alternative to requesting the erasure of their data. Individuals have the right to restrict the processing of their personal data where they have a particular reason for wanting the restriction. This may be because they have issues with the content of the information you hold or how you have processed their data. In most cases you will not be required to restrict an individual's personal data indefinitely but will need to have the restriction in place for a certain period of time.
- 17.6.** The right to data portability - The right to data portability gives individuals the right to receive personal data they have provided to a controller in a structured, commonly used and machine-readable format. It also gives them the right to request that a controller transmits this data directly to another controller.
- 17.7.** The right to object - Article 21 of the UK GDPR gives individuals the right to object to the processing of their personal data. This effectively allows individuals to ask you to stop processing their personal data. The right to object only applies in certain circumstances. Whether it applies depends on your purposes for processing and your lawful basis for processing.
- 17.8.** Rights in relation to automated decision making and profiling - Under Article 4 (4) any form of automated processing of personal data consisting of the use of personal data to evaluate certain personal aspects relating to a natural person, in particular to analyse or predict aspects concerning that natural person's performance at work, economic situation, health, personal preferences, interests, reliability, behaviour, location or movements.

Data protection officer

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

Personal responsibility

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

Training and awareness

- 20.** We are committed to ensuring full staff awareness of our statutory obligations around Data Protection, Information Security and Environmental Information Regulations. All staff receive mandatory training on the pertinent legislation and its implications for our work.
- 21.** The training of staff is regularly tracked and monitored to maintain organisational compliance. We are committed to maintaining effective systems for handling personal data to meet our obligations under this legislation.
- 22.** Audit Scotland recognises the annual International Data Protection Day on 28 January each year. To mark this date, a blog is shared with all colleagues on any updates to internal data protection practices and our performance on compliance with the legislation.
- 23.** Corporate Governance ensure that any relevant updates to legislation and practice is shared via the internal Knowledge, Information and Technology Governance Group (KITGG) and all colleague Yammer channels.
- 24.** Guidance on the application of data protection is available on [SharePoint](#).

Misuse of personal information

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

Change log

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

18 15/03/2022 Corporate Governance Manager Revised policy for the approval of Board (5 April 2022)

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

Mainstreaming equality and equality outcomes: progress report

Kenny Oliver, Executive Director of Innovation and Quality

Purpose

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

Recommendations

2. The Audit Scotland Board is invited to:
 - consider and approve the attached draft mainstreaming report
 - comment on progress against the equality outcomes
 - agree plans for publication and promotion of the report as set out in paragraphs 7 and 8.

Background

3. Audit Scotland and the Accounts Commission have legal duties under the [Equality Act 2010 \(Specific Duties\) \(Scotland\) regulations 2012](#). The Public Sector Equality Duty (PSED) came into force in April 2011, introducing a general equality duty and several specific duties. These require listed bodies to publish a mainstreaming report every two years showing progress against equality outcomes. Outcomes should be set and published every four years. We published [equality outcomes for 2021-25](#) and a [mainstreaming equality progress report 2019-21](#) in April 2021.
4. Last year we published an interim mainstreaming equalities report for the first time on SharePoint. We updated the Board on this at its meeting in May 2022.

Considerations

5. We had excellent feedback on the interim mainstreaming report from management team, the Accounts Commission, and the Audit Scotland board. We have drafted the external mainstreaming report in the same style and plan to publish it as a web page (communications colleagues will do further work on the presentation and graphics). We feel this shorter, sharper style of report will have more impact for the following reasons:
 - less text and more graphics and images will make it more accessible and visually appealing for a wider audience
 - the main messages will be clearer and not get lost in detail

- the use of hyperlinks and signposting to information on our website means background information or data included elsewhere can be cut back and encourages readers to explore our website and other reports.
6. In advance of publication of the report, we have recently updated the [diversity, equality and inclusion page on our website](#) and added information on the [Equality and Human Rights Advisory Group](#) including the members. We are considering whether we should publish the minutes for these meetings in the interests of transparency and further promoting our work with external stakeholders. We have also included links to our most recent corporate equalities-related reports and a further link to previous reports by year so they can easily be found.

Conclusion

7. Executive Team and the Accounts Commission have both considered and approved the report at their respective meetings on 28 February and 9 March. We plan to publish the report on 25 April (the statutory requirement is to publish a mainstreaming report by 27 April).
8. We will develop a communications strategy to promote the report. This will include:
- a foreword by the Accounts Commission and AGS on our website on day of publication which could be followed by blogs
 - promotion through social media channels
 - links to and re-promotion of the [Public sector gender pay gap reporting](#) publication (published in February) and links to the annual Audit Scotland gender pay gap report (due to publish in March)
 - links to other relevant publications and AC/joint blogs already published about to be published (e.g. homelessness blog due to be published in April), and to the Accounts Commission strategy (key theme is inequality)
 - re-use of the [animation](#) created in 2021 aimed at explaining our equality outcomes to the public
 - possibly a short video with the COO and/or some members of the Equality and Human Rights Steering Group and staff diversity groups saying why equality is important to them.

Mainstreaming equality: Progress report 2021-23

Draft report April 2023

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

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

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

ACCOUNTS COMMISSION   AUDIT SCOTLAND

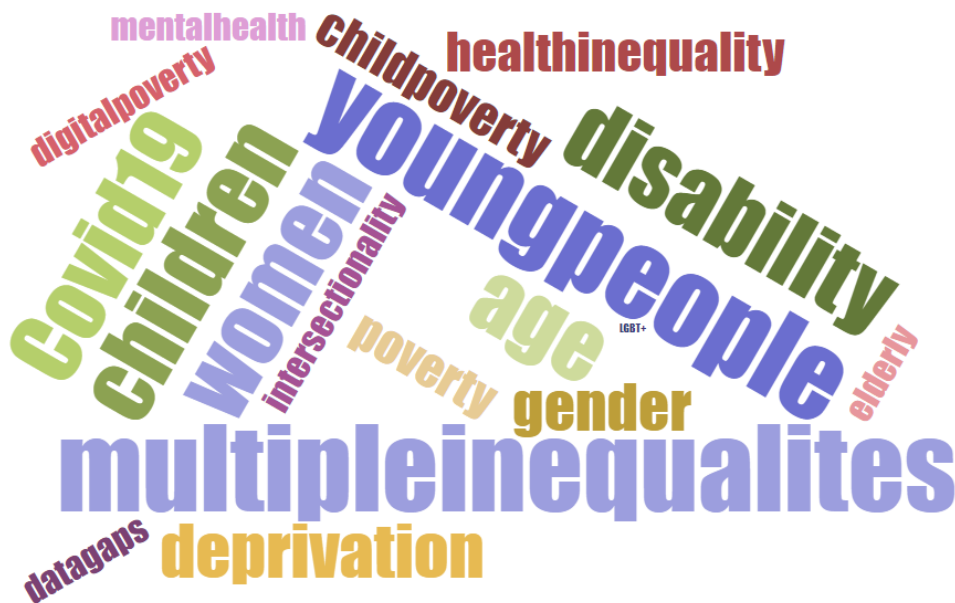
Reporting

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

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

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

Equality themes in audit reports, 2021-23



Note: includes performance audit reports, briefings, web outputs and blogs

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

- [East Dunbartonshire Council](#) – the council has considered people’s right to choice, dignity and control when setting its budget for 2021/22. People who choose to control their own budgets through self-directed care are offered the average rate among the council’s current suppliers, rather than a rate aligned to the lowest cost provider.
- [Social care briefing](#) – the report highlighted the negative impact Covid-19 had on people requiring support and their rights, the challenges facing carers affecting their rights. We recommended that the Scottish Government needs to develop an understanding of what a preventative and human rights-based approach to social care looks like and a plan for co-producing it.
- [Tackling child poverty briefing](#) – the report highlighted the range of children’s rights that link to child poverty and the effects on children. We recommended that the Scottish Government should consider how best to involve children and families with lived experience of poverty in providing strategic oversight of how it is tackling child poverty.

Examples of publications with a focus on equalities

Good practice

- **Dundee City Council** [2021/22 AAR to be published] – has developed a British Sign Language (BSL) plan to enable BSL users (those individuals whose first or preferred language is BSL) to be fully involved in daily and public life as active, healthy citizens; delivering welfare support in GP surgeries; first Living Wage city in the UK; improved its approach to equality impact assessments and rolled out training.
- **NHS Tayside** [2021/22 AAR to be published] – the NHS board has completed a detailed review of equality, focusing on progressing equality for its staff and patients, and set new equality outcomes through consultation with staff and patients. Other activities include a Corporate Equalities Team, staff groups and networks to support staff in relation protected characteristics, an Equality and Diversity Champions scheme, and staff newsletters.
- **East Renfrewshire Council** [2021/22 AAR to be published] – mandatory training on equalities introduced for all staff; supporting a pilot of Equally safe, a Scottish Government project to support, strengthen and scale-up Violence Against Women and Girls training.
- [Angus council](#) – the council has adopted a joint equality impact assessment and Fairer Scotland Duty assessment since January 2021 for all relevant committee reports. Tay Cities Region Deal projects are required to meet inclusive growth and Fairer Scotland Duty criteria.
- [Progress on implementing the devolved benefits](#) - the Scottish Government has continued to successfully deliver new and complex social security benefits, including the Child Disability Payment, in challenging circumstances. There is a conscious focus on the needs of service users, building on the principles of dignity, fairness, and respect. The Scottish Government has prioritised the delivery of the first phase of its new Scottish Child Payment to support low-income families.

Findings and recommendations

- Annual audit reports have made recommendations to several public bodies about improvements needed to mainstream equalities. This includes implementing staff training, keeping websites and information up to date, and publishing equality impact assessments and mainstreaming reports.
- [Covid-19 vaccination programme](#) – overall, excellent progress had been made in vaccinating a large proportion of the adult population, with vaccines delivered in a variety of ways to make it easier for more people to access them. However, a smaller proportion of younger people, those living in the most deprived areas and people from some ethnic groups have been vaccinated.
- [NHS in Scotland 2021](#) – the disproportionate impact of Covid-19 on certain groups has led to the Scottish Government increasing its focus on tackling health inequalities, but there is no overarching strategy. Several programmes of work are under way targeting specific areas, for example on improving women's health and mental health, and improving race equality. But there are no separate plans for other groups such as people with disabilities or experiencing homelessness.
- [Local government overview 2022](#) – Covid-19 continues to disrupt council services, and those already experiencing inequality have felt the impacts of both the pandemic and service disruption most strongly. There is a risk of increased digital exclusion. Councils need better local data and community engagement. It is not clear if councils have carried out equality impact assessments or community consultation where they have made changes to service delivery.

Case studies

Public sector gender pay gap reporting

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



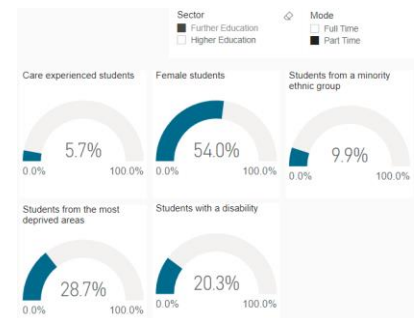
We reviewed information from 20 listed public bodies and highlighted how the public sector can improve gender pay gap reporting by:

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

Scotland's Colleges 2022

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

- looking at a wider evidence base and using a range of sources that had not been drawn upon previously
- including equalities related case studies
- using a range of interactive data.



This led to clear findings and recommendations about Covid-19 worsening existing inequalities among students. Younger learners and students with additional support needs or poor mental health find remote learning more challenging.

To meet different communication needs of our audience we have:

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



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

- published the [Comhairle nan Eilean Siar BVAR](#) in English and Gaelic
- expanded our range of publications to make them shorter, more visual and as accessible as possible. This has included a [Community empowerment Covid-19 web page update](#), and blogs on [Child and adolescent mental health services](#), [Digital exclusion](#), and [Additional support for learning](#).

Easy read summary

Social care report



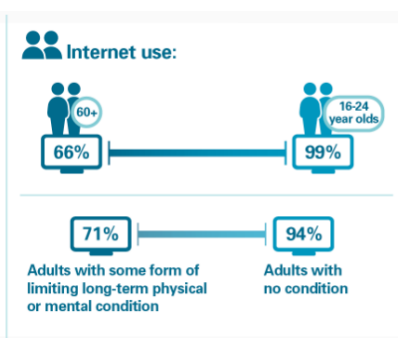
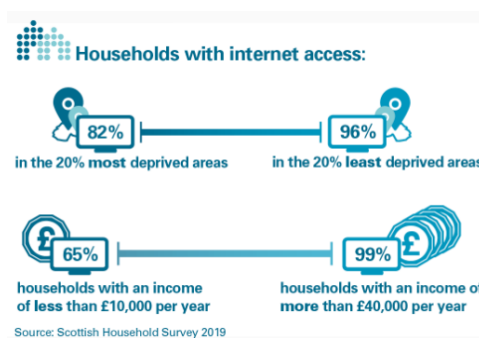
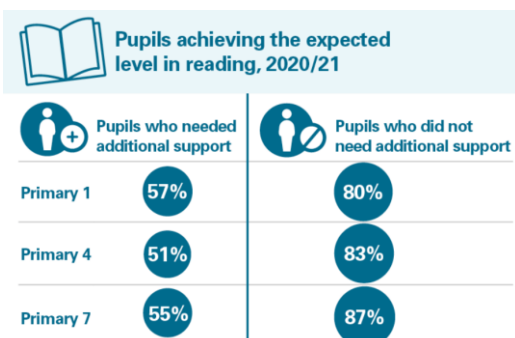
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Aithisg Barantais air Feabhas Luach

Comhairle nan Eilean Siar



ACCOUNTS COMMISSION



Guidance for auditors

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

- Updated our guidance for briefings and blogs. The relevance of equalities must be considered, and appropriately factored, into any planned work.
- Refreshed guidance for auditors carrying out performance audits to consider equalities, and for the first time to start to consider human rights.
- Developed a new equalities and human rights audit guide with useful data sources, prompts and practical examples. It also introduces the concept of taking a human rights-based approach in our work based on the PANEL principles.
- Implemented a new tool for monitoring emerging issues and risks – including those relating to equality - across the public sector. This helps staff to identify relevant equality issues across all our work.
- Made financial audit planning guidance on equalities clearer and proactively recorded the extent to which auditors have considered equalities in their audit work.

Introducing a Human Rights Based Approach

- In May 2021, around 20 staff attended an awareness-raising event on taking a Human Rights-Based Approach (HRBA) delivered by the Scottish Human Rights Commission, with a further session delivered in September.
- In late 2021, we started self-assessment workshops and follow ups against the [PANEL principles](#), which underpin an HRBA. During 2022 we developed an action plan based on the findings and identified key areas for development. We are currently considering how we integrate a HRBA into our internal policies and our audit approach.

External influence and engagement

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

- Regular meetings with the Equalities and Human Rights Commission and the Scottish Government equalities mainstreaming team.
- Attending the Scottish Government's [equality and human rights budget advisory group](#) as an observer, the Scottish Government's human rights executive board, workshops to consider potential implications of the upcoming human rights bill, and the non-departmental public body equality forum.

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

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

- [The Equalities, Human Rights and Civil Justice Committee's pre-2022/23 Budget Scrutiny](#)
- [The Scottish Government's review of the operation of the Public Sector Equality Duty \(PSED\) in Scotland \(stages 1 and 2\)](#)
- [The Scottish Government's consultation on an equality evidence strategy](#)

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

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

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

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

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

[NHS in Scotland 2021 engagement with EHRAG](#)

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

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



Increasing diversity in our workforce



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

Annual diversity report

2021/22



AUDITSCOTLAND

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

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

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

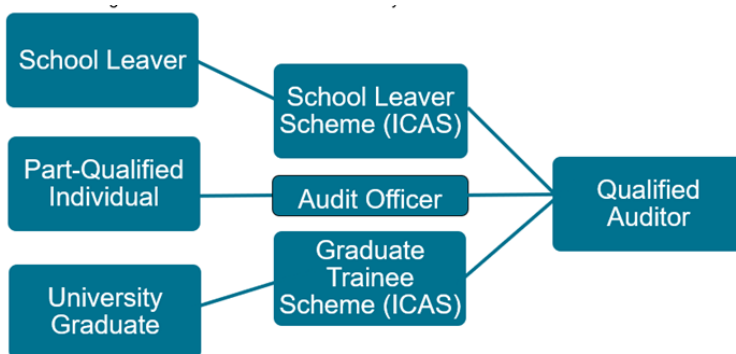
Widening recruitment

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

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

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

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



Proposals to further widen access:

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

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

- highlighted our equality, diversity and inclusion strategy on our [website](#)
- updated our [careers page](#) to better reflect the diversity of staff and show our support for flexible working
- committed to providing [inclusive and accessible recruitment](#) as a disability confident employer
- broadened the websites where we advertise roles and started advertising on a couple of new diverse job boards including [WorkingMums.co.uk](#) and [Diversity Jobsite](#)

- partnered with [Sanctuary Graduates](#) to have student head-hunters in five Scottish universities promoting job opportunities to diverse groups, including ethnic minority students
- a professional trainee steering group who are also developing an internship programme and working more closely with schools to increase awareness of our opportunities.

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

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

- establishing a new equality, diversity and inclusion intranet site where each group can develop and maintain their own content
- inviting each network group be part of the induction programme for new starts
- highlighting key dates in the diversity calendar and inviting staff to share personal experiences.

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

- **Around 70 people taking part in drop-in sessions and an online chat group**
- **Members sharing lived experience of being directly or indirectly affected by menopause**
- **Group members attended four external events and hosted two panel discussions**
- **Audit Scotland has signed up to the [menopause workplace pledge](#)**
- **Plans to work towards being an accredited menopause friendly employer**

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

- a range of online learning including mental health, equality, diversity and inclusion training
- [Healthy Working Lives](#) activities which as a result we were accredited with a silver award in 2022 for our approach to supporting mental health and wellbeing
- hybrid working and a flexible working approach
- internal events led by external experts on subjects including diversity, mental health, disability inclusion and LGBT+ inclusion.

In 2022 key achievements included:

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

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

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

Looking ahead

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

- Continuing to improve staff awareness and knowledge on inequalities and human rights.
- Exploring audit methodologies to help us mainstream equalities and better understand and reflect user views and lived experience in our work. This includes increasing our focus on protected characteristics, developing a service user engagement strategy and forming a youth panel.
- Increasing accessibility of our publications for a wider audience.
- Increasing the diversity of our workforce, particularly within more senior positions.
- Continuing to enhance and support staff equality networks.
- Working with an external equality partner who will provide advice and benchmark our progress.

Agenda

10.00 Tuesday 23 May 2023
Audit Scotland, 102 West Port



-
1. Private meeting of members
 2. Welcome and apologies
 3. Declarations of interest
 4. Items to be taken in private

Standing items

- | | |
|--|-----------------|
| 5. Chair's report - verbal update | For information |
| 6. Accountable Officer's report - verbal update | For information |
| 7. Accounts Commission Chair's report - verbal update | For information |
| 8. Review of draft minutes: | |
| • Board meeting: 4 April 2023 | For approval |
| • Audit Committee meeting: 7 March 2023 | For information |
| • Remuneration and Human Resources Committee meeting: 7 March 2023 | For information |
| 9. Review of action tracker | For assurance |
| 10. Health, Safety and Wellbeing – verbal update | For information |

Annual reporting

- | | |
|---|---------------|
| 11. 2022/23 Annual report on information governance and security | For assurance |
| 12. 2022/23 Annual report on complaints | For assurance |
| 13. 2022/23 Annual report on Freedom of Information and Environmental Information | For assurance |

Business planning, performance and governance

- | | |
|---|---------------|
| 14. Q4 Financial Performance report | For assurance |
| 15. Information Security Management Policy review | For approval |

- | | |
|--|--------------|
| 16. Staff handbook policy review <ul style="list-style-type: none">- Diversity & Equality- Bullying & Harassment | For approval |
|--|--------------|

- | | |
|---------------------------------------|---------------|
| 17. Best Companies survey 2023 | For assurance |
|---------------------------------------|---------------|
-

Conclusion

- | | |
|-------------------------------|----------------|
| 18. Any other business | For discussion |
|-------------------------------|----------------|

- | | |
|------------------------------|----------------|
| 19. Review of meeting | For discussion |
|------------------------------|----------------|

- | | |
|--|-----------------|
| 20. Date of next meeting: 6 June 2023 | For information |
|--|-----------------|
-

Items to be taken in private

- | | |
|--|--------------|
| 21. Our purpose workstream: Public Audit in Scotland and Corporate Plan | For approval |
|--|--------------|

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

Minutes Board



Tuesday 4 April 2023, 10.00am
Audit Scotland, 102 West Port and Microsoft Teams

Present:

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

Apologies:

There were no apologies.

In attendance:

Vicki Bibby, Chief Operating Officer
Martin Walker, Director of Corporate Support
John Cornett, Executive Director of Audit Services
Kenny Oliver, Executive Director of Innovation and Quality
Antony Clark, Executive Director of Performance Audit and Best Value
Michelle Borland, Business Manager, Performance Audit and Best Value (item 11 and 19)
Sara Tait, Corporate Support Officer (item 12)
Ian Metcalfe, Corporate Performance Officer (item 12 and 14)
Stuart Dennis, Corporate Finance Manager (item 13 and 21)
Simon Ebbett, Communications Manager (item 19, 20 and 21)
Jillian Matthew, Senior Manager (item 15)
Natalie Cornish, Audit Officer (item 15)
Gordon Robertson, Learning and Development Assistant Manager (item 15)
Sharon Kewley, Business Support Manager (item 21)
Andrew Reilly, Andrew Reilly Associates (item 21)
Howard Brooke, Andrew Reilly Associates (item 21)

1. Private meeting of Board members

The Board met privately and there were no matters arising.

2. Welcome and apologies

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

The Chair welcomed attendees to the meeting.

3. Declarations of interest

There were no declarations of interest noted.

4. Items to be taken in private

The Chair invited members to agree that items 19, 20, 21, 22 and 23 of the agenda be considered in private for the reasons stated on the agenda. The members agreed.

5. Chair's report – verbal update

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

The Chair highlighted his attendance and participation at the Audit Scotland Staff Conference, noting the constructive discussion and energy from colleagues and panel session participants. The delivery team was thanked for producing a great event.

The Chair advised of his introductory meeting with three of the new Accounts Commission members.

The Chair advised the next Board Development session will be scheduled for the end of September and noted his thanks to Members for being available at short notice to attend a series of special meetings concerning a HR related matter.

The Chair advised the Scottish Commission for Public Audit (SCPA) has begun the process for re-appointment for non-Executive Directors.

In addition, the Chair advised of his attendance at the Audit Committee and Remuneration and Human Resources Committee meetings in March.

Following discussion, the Board welcomed the update.

6. Accountable Officer's report – verbal update

Stephen Boyle advised of his regular engagement with the Chair and the Chair of the Accounts Commission.

Stephen invited members to note the recent publications; including FMPG and CFES S22, NHS Scotland Overview, COVID 19 Finances update and attendance at the Public Audit Committee on Scottish Income Tax (SIT), CFES S22, the Scottish Government Consolidated Accounts and our draft work programme on which the Committee will now consult the Subject Committees for comment.

Stephen invited the Board to note some of his external engagements with the HM Treasury in respect of the fiscal framework, ICAS dinner and ICAS Public Sector Panel, and Janice Crerar discussing the evaluation and code of conduct of office holders.

Finally, Stephen highlighted the Audit Scotland Conference and passed his thanks to the team for delivering a successful event.

Following discussion, the Board welcomed the update.

7. Accounts Commission Chair's report – verbal update

William Moyes invited the Board to note that the Accounts Commission Change Programme is gathering momentum and the Commission Support team is bedding in nicely.

William noted the positive progression of the Commission performance reporting and the Partnership Working Framework.

William advised members recruitment is underway for the new Commission members due on board later this year.

William highlighted the external engagement with Parliament Committees, Scottish Government Directors General, COSLA and SOLACE.

Following discussion, the Board welcomed the update.

8. Review of minutes

Board meeting: 24 January 2023

The Board noted the minutes of the Board meeting of 24 January 2023, copies of which had been previously circulated.

The Board noted the minutes were an accurate record of the meeting.

In addition, the Board also noted the SCPA approval of our budget, the minutes of the extraordinary meeting on 20 February 2023 and the confidential correspondence item circulated on 1 March 2023.

Audit Committee: 9 November 2022

The Board noted the minutes of the Audit Committee meeting of 9 November 2022, copies of which had been previously circulated.

The Board noted the minutes were an accurate record of the meeting.

The Chair invited the Board to consider how to complete the outstanding Audit Committee action to undertake a COVID 19 lessons learnt exercise to review how Audit Scotland performed as an organisation and explore some of the governance to ensure that good governance was not compromised.

Martin advised on the COVID 19 inquiry and the requirement of an Audit Scotland response to comply under the Rule 8 Notice.

Following discussion, the Board agreed to review a report by correspondence in line with the timing of the COVID 19 Inquiry with a followup discussion at a subsequent Board meeting, if required, to conclude the lessons learned exercise.

- | | |
|-----------------------|---|
| Action ASB200: | Martin to produce a report a COVID 19 lessons learnt report for consideration by correspondence. (June 2023) |
| Action ASB201: | Martin to engage with the Accounts Commission on the COVID 19 Inquiry. (April 2023) |

Remuneration and Human Resources Committee: 9 November 2022

The Board noted the minutes of the Remuneration and Human Resources Committee meeting of 9 November 2022, copies of which had been previously circulated.

The Board noted the minutes were an accurate record of the meeting.

9. Review of action tracker

The Board noted and approved the updated action tracker.

10. Health, Safety and Wellbeing – verbal update

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

In relation to the external operating environment, the recent reporting has seen the number of calls to NHS24 on respiratory issues hit baseline. However, there is an increase in hospital admissions on influenza and Covid-19 along with death recordings to Covid-19.

Following discussion, the Board noted the update.

11. Strategic Improvement Programme Review

Michelle Borland, Business Manager joined the meeting.

Kenny Oliver introduced the Strategic Improvement Programme (SIP) Review, copies of which had been previously circulated.

The Board was invited to approve the refreshed list of projects within the SIP programme and the proposed criteria, and to note the next steps and the links to the corporate plan.

Kenny highlighted the key piece of work to refresh the current projects and set flexible criteria for upcoming projects to be implemented into the SIP going forward.

During discussion, members requested further detail to be included around indicative completion dates to note progress and metrics to measure success of each project from the outset, for the next update.

During discussion, members were also invited to note the work developing with the People Strategy that will demonstrate to the Board and Remco progress on developing our people, recognising the volume of change underway.

In relation to governance arrangements, William sought assurance around the Accounts Commission inclusion to the influencing of projects that involves them. The Board agreed that such inclusion should be ensured.

Following discussion, the Board welcomed the review, noted the assurance of work progressing on producing success metrics and approved the refreshed list of projects and proposed criteria set.

- Action ASB202:** *Governance discussion between Vicki Bibby and William Moyes (April 2023).*
- Action ASB203:** *Kenny Oliver to include additional indicative timelines and metrics detail for next report (September 2023).*

Michelle Borland left the meeting.

12. Q3 Performance Report

Sara Tait, Corporate Support Officer and Ian Metcalfe, Corporate Performance Officer joined the meeting.

Martin Walker introduced the Q3 Performance report, copies of which had been previously circulated.

The Board was invited to:

- review the performance in Q3 year to date;
- consider the issues affecting performance, the actions identified, and whether any additional management action is required; and
- review and provide feedback on the content and format of the new performance report.

Martin highlighted the developments in reporting following previous feedback and the key areas for messaging in relation to audit delivery and resourcing audit work.

During discussion, members noted work is progressing to implement systems to support performance data and that discussions had already taken place with the National Audit Office to consider their processes.

In relation to communications internally on performance, the Board noted that Martin will identify ways to have the reporting more visible to colleagues.

Following discussion, members welcomed the developments in presentation and content, noted the performance in Q3 and agreed further detail to be included on the definition of non-audit time.

- Action ASB204:** *Martin Walker and Ian Metcalfe to include additional detail on audit time against non-audit time in future reporting (June 2023).*

Sara Tait and Ian Metcalfe left the meeting.

13. Q3 Financial Performance Report

Stuart Dennis, joined the meeting

Stuart Dennis introduced the Q3 Financial performance report, copies of which had been previously circulated.

Stuart invited the Board to note the financial results for the nine months to 31 December 2022 which had been scrutinised by the Audit Committee at its meeting on 7 March 2023.

During discussion, the Board noted the updated work in progress levels were on target with forecast that the overspend on recruitment costs was due to Accounts Commission recruitment, which is being built into their processes going forward.

Following discussion, the Board noted the financial results for the nine months to 31 December 2022.

Stuart Dennis left the meeting.

14. Annual policy review of Freedom of Information, Data Protection and Environmental Information requests

Ian Metcalfe re-joined the meeting

Martin Walker and Ian Metcalfe introduced the Annual policy reviews of Freedom of Information, Data Protection and Environment Information requests, copies of which had been previously circulated.

The Board was invited to approve Audit Scotland's Freedom of Information and Environmental Information Policy for a further year and note the update in relation to potential future changes to the Freedom of Information legislation.

During discussion, the Board noted the proposed amendments to incorporate minor changes to operational arrangements.

Following discussion, the Board approved Audit Scotland's Freedom of Information, Data Protection and Environmental Information Policy subject to further amendment as new legislation emerges later this year.

Ian Metcalfe left the meeting.

15. Mainstreaming equality and equality outcomes: progress report

Jillian Matthew, Senior Manager, Natalie Cornish, Audit Officer and Gordon Robertson, Learning and Development Assistant Manager joined the meeting

Kenny Oliver, Jillian Matthew, Natalie Cornish and Gordon Robertson introduced Mainstreaming equality and equality outcomes: progress report, copies of which had been previously circulated.

The Audit Scotland Board was invited to consider and approve the attached draft mainstreaming report, comment on progress against the equality outcomes and agree plans for publication and promotion of the report as set out in paragraphs 7 and 8.

During discussion, members noted that we are a good employer in terms of equality on sex and gender but the disability characteristic could be better recorded. The Board would like to understand further what is included in the disability characteristic along with the how the national figure is constituted compared with the Audit Scotland figure.

Board members also noted that they found the report very informative and welcomed the progress on embedding equalities in our audit work.

Following discussion, the Board approved the report for publication and noted the progress against the equality outcomes thus far.

Jillian Matthew, Natalie Cornish and Gordon Robertson left the meeting.

16. Any other business

There was no other business for discussion.

17. Review of meeting

The Chair invited members to comment on the papers and the conduct of the meeting.

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

The Chair thanked everyone for their contributions.

18. Date of next meeting: 23 May 2023

The members noted the next meeting of the Audit Scotland Board is scheduled for 23 May 2023.

Items taken in private

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

Michelle Borland and Simon Ebbett, Communications Manager joined the meeting.

Michelle and Simon introduced Our purpose workstream: Draft Public Audit in Scotland (PAIS) and the Audit Scotland corporate plan (CP), copies of which had been previously circulated.

The Board was invited to review and feedback on the draft of PAIS attached at appendix 1; review and agree the outline structure for the corporate plan attached at appendix 2, including the plans for the performance measurement framework; note the governance for signing off PAIS and corporate plan as set out at paragraph nine; and agree the proposals for revising the timescales for finalising these strategic documents.

Michelle highlighted that in developing the external environmental analysis to support the plan complex challenges were identified facing both public services and the audit profession. Our new strategy is an important way to signal our intent to develop and change as an organisation, proposes moving away from the world class audit / world class organisation structure and adopting the three horizons model for planning for longer-term change and proposing a performance measurement framework that cuts across PAIS and the CP.

During discussion, the Board noted minor editorial changes and re-ordering the outcomes, that the outcomes were quite audit-focused, and the to communicate them externally in such a way as to ensure that they are understandable to the public. The Chair also noted

the PAIS meets expectations around being aspirational but further amendments on the wording of outcomes so we challenge ourselves to ensure that they are clearly outcome rather than output focused.

The Board also noted that the Accounts Commission expected more consultation and involvement with them to ensure the corporate plan is driven by Commission priorities as well, but is assured by the commitment to working with them on emerging Commission strategy and how that is addressed across the corporate plan and dynamic work programme.

Following discussion, the Board agreed the outline structure, noted the governance set out in paragraph nine and agreed the timescales to finalise the documents.

Action ASB205: *Simon Ebbett, Michelle Borland and William Moyes to meet for further consultation on the Corporate Plan (April 2023).*

Action ASB206: *Simon Ebbett, Michelle Borland and Alan Alexander to discuss further reflections on the outcome descriptions (April 2023).*

Action ASB207: *Michelle Borland to arrange final joint sign-off meeting for the documents (May 2023).*

Michelle Borland left the meeting.

20. External Engagement

Kenny Oliver and Simon Ebbett introduced External Engagement, copies of which had been previously circulated.

The Board was invited to review and feedback on the proposed external engagement project, and note the results of the 2022 MSP survey in Appendix One.

Simon Ebbett highlighted the integration with the Insights programme to provide oversight and better use of intelligence from stakeholder engagement across the organisation.

During discussion, the Board welcomed the paper and the opportunities to coordinate and learn from engagement across the piece to provide better impact.

During discussion, the members were invited to note the live survey with stakeholders to understand views on the Accounts Commission. The Board agreed the results should be presented at a future meeting for consideration to assist the Accounts Commission with increased impact from its work.

Following discussion, the Board noted the external engagement report and agreed to explore alternative survey options to further understand stakeholder opinions.

Action ASB208: *Simon Ebbett to provide alternative options for stakeholder surveys (September 2023).*

Action ASB209: *Accounts Commission stakeholder survey results to a future meeting (June 2023).*

Simon Ebbett left the meeting.

21. Estates Strategy Update

Stuart Dennis, Corporate Finance Manager, Sharon Kewley, Business Support Manager, Howard Brooke, and Andrew Reilly joined the meeting.

Martin Walker, Stuart Dennis, Sharon Kewley and Andrew Reilly introduced the Estates Strategy Update, copies of which had been previously circulated.

The Board was invited to approve the proposal for an extension of the office lease at West Port in Edinburgh with a view to reducing the actual floor space required by up to a third, and approve the proposal to increase the office accommodation capacity and extend the existing lease requirement in Glasgow to meet increased demand.

During discussion, the Board noted further investigation is required around the alignment of lease dates, the lease lengths and related incentives.

During discussion, the Board welcomed the papers and agreed to accept the requirements for the proposals while ensuring flexibility for the future as our ways of working develop and assurance that no budget revision was required this year.

Following discussion, the Board approved the direction of travel and agreed to explore clear costings and benefits on the length of the Glasgow lease.

Action ASB210: *Stuart Dennis to provide detailed costings on the length of Glasgow lease (September 2023).*

Stuart Dennis, Sharon Kewley, Howard Brooke and Andrew Reilly left the meeting.

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

Simon Ebbett, re-joined the meeting.

Simon Ebbett introduced Timeline and Themes: Audit Scotland Annual Report and Accounts 2022/23, copies of which had been previously circulated.

Simon invited the Board to approve the suggested structure and themes and note the key dates for the drafting, submission and publication of Audit Scotland's Annual report and accounts.

The Board considered the proposed structure and themes of Audit Scotland's Annual report and accounts and following discussion approved the suggested structure and themes proposed.

Simon Ebbett left the meeting.

23. Ethical Standards Policy

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

The Board was invited to agree the proposed change to the Ethical Standards Policy.

The Board considered and approved the proposed changes.

Minutes

Audit Committee



Tuesday 7 March 2023, 10.00am
Audit Scotland, 102 West Port, Edinburgh / MS Teams

Present:

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

Apologies:

None

In attendance:

A Alexander, Chair, Audit Scotland Board
S Boyle, Accountable Officer and Auditor General for Scotland
V Bibby, Chief Operating Officer
M Walker, Director of Corporate Support
D Jeffcoat, Alexander Sloan
J So, Alexander Sloan
G Gillespie, Wylie & Bisset
S Pringle, Wylie & Bisset
S Dennis, Corporate Finance Manager
D Robertson, Digital Services Manager
S Burgess, Head of HR
G Robertson, L&D Manager
I Metcalfe, Corporate Governance Officer

1. Private meeting with Wylie & Bisset LLP

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

2. Welcome and apologies

The Chair opened the meeting, welcomed everyone, and noted no issues arising from the private meeting. The Chair noted that Gayle Fitzpatrick, Corporate Governance Manager was not able to attend attending the meeting.

3. Declarations of interests

There were no declarations of interest.

4. Minutes of the last meeting: 9 November 2022

The Audit Committee members reviewed and agreed the minutes of the 9 November 2022 meeting, copies of which had previously been circulated.

The Audit Committee approved the minutes of the previous meeting.

5. Review of action tracker

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

The members discussed action AC153 and noted that regular structured engagement between the Chair of the Accounts Commission and the Auditor General for Scotland (AGS) is in place.

Martin Walker, Director of Corporate Support, advised that Audit Scotland has been approached to provide information to the Scottish Covid-19 Inquiry. Martin advised that the information provided will inform our lessons learned action AC151 (draft remit for Covid 19 Lessons Learned session). A draft terms of reference will be circulated this week and a suitable date for the session is being sought.

Martin also advised that the Risk Management Workshop, a date for which is being sought, may incorporate a deep dive session. The members agreed that a deep dive session before early June 2023 would be preferred and could incorporate a general review of risks.

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

6. Q3 Financial report

Stuart Dennis, Corporate Finance Manager, introduced the Q3 financial performance report, copies of which had been previously circulated.

Stuart advised that, as the year end approaches, Audit Scotland is on budget. Stuart updated the members with the areas that are being closely monitored and noted the Scottish Parliament's approval of the 2023/24 budget.

The members discussed specific expenditure items as detailed in Appendix 2, and elements of the 2023/24 budget bid. The members welcomed the summary and presentation using infographics.

The Audit Committee welcomed the discussion and noted the Q3 Financial report.

7. 2022/23 Year-end statutory accounts timetable and accounting policies, key accounting estimates and judgements

Stuart Dennis, Corporate Finance Manager, introduced the 2022/23 Year-end statutory accounts timetable and accounting policies, key accounting estimates and judgements reports, copies of which had been previously circulated.

Stuart advised that the timetable for the 2022/23 year end statutory accounts is similar to previous years. Stuart noted the significant changes which included Lothian Pension Fund IAS19 pension costs, the changes to IFRS16 leases and the lease liabilities around property and vehicles.

The members noted the increase in the annual audit fee was last year's fee plus Consumer Price Index (CPI).

The Audit Committee members noted the 2022/23 Year-end statutory accounts timetable and accounting policies, key accounting estimates and judgements

8. 2023/24 External Audit Plan

David Jeffcoat, Alexander Sloan introduced the 2023/24 External audit plan, copies of which had been previously circulated.

David advised that the audit plan had been approved and Audit Scotland were satisfied with the fees. The key estimates and assumptions are appropriate and consistent with previous years and the pension disclosures are correct.

The members were reassured that the risks identified match the risks captured in the Audit Scotland risk register.

The Audit Committee noted the 2023/24 External Audit Plan.

9. Review of risk register

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

Martin advised the risk register was considered by the Executive Team on 21 February 2023. He noted changes to risks A1, A6 and A8 and advised that the risk around the 2023/24 budget has now been removed from the register in light of Parliamentary approval. The risk around Health, Safety and Wellbeing has been moved to the risks for monitoring register and continues to be monitored closely.

The members discussed the need to review the wording for risk A9 and agreed a discussion offline was required.

The members discussed the data for risk A4 and the requirement for a deep dive into capacity, deployment and skills to ensure the Auditor General for Scotland and the Accounts Commission's needs are met in delivering their statutory functions. The members noted the benefit of a deep dive session.

The members agreed that risk A4 should be reframed to provide the reassurance needed.

The Audit Committee members welcomed the discussion and noted the review of the risk register.

157AC: S Boyle, Accountable Officer and Auditor General for Scotland, W Moyes, Chair of the Accounts Commission and M Walker, Director of Corporate Support to consider the wording of risk A9.(April 2023)

158AC: C Crosby, Chair of the Audit Committee and M Walker, Director of Corporate Support to reframe risk A4 to provide the reassurance required. (April 2023)

159AC: M Walker, Director of Corporate Support to draft scope for the deep dive session. (April 2023)

10. Review of Risk Management Framework

Martin Walker, Director of Corporate Support, introduced the Review of Risk Management Framework, copies of which had been previously circulated.

Martin advised that the Risk Management Framework (RMF) is reviewed every two years and noted that an additional review was carried out and the framework was also updated in 2021 due to the increased risks because of the Covid-19 pandemic. Martin advised that the proposed changes to the framework are refinements and that recommended changes are around the Business group risk leads meetings and wording around the definition of a red risk.

Martin advised that risk interrogation reports were used prior to the pandemic to consider risks in more detail. He advised that the updated RMF provides for a regular deep dive into one or more risks using a more flexible approach and that the nature of the deep dive can vary dependant on the subject area and be flexible to accommodate new risks where required.

The members discussed exhibit 3 in the RMF report noting that there may be a benefit to extending the diagram to recognise the interests of the Auditor General and the Accounts Commission.

The Audit Committee noted the review and approved the Risk Management Framework

160AC: M Walker, Director of Corporate Support to review the diagram in exhibit 3 to reflect the interests of the Auditor General and the Accounts Commission. (April 2023)

Ian Metcalfe, Corporate Governance Officer, joined the meeting.

11. Internal audit plan 2022/23

Graham Gillespie, Wylie & Bisset provided an update on the internal audit plan 2022/23.

Graham advised that the 2022/23 plan is on track to complete the plan within the year. Two reports (item 12 and item 13 at this meeting) are currently with Management for comments, and two reports are to be completed. A audit is to be completed in April and a suite of reports will be considered at the Audit Committee meeting in May 2023.

The Audit Committee welcomed the update.

David Robertson, Digital services Manager, joined the meeting.

12. Internal Audit Report: Digital strategy

Stephen Pringle, Wylie & Bisset introduced the Digital strategy internal audit report, copies of which had been previously circulated.

Stephen advised that the audit provided a strong level of assurance over the organisation's Digital Services Strategy. He advised that there were seven good practice points from the review and processes in place which enabled digital projects, initiatives, and requests to be aligned with the Digital Services Strategy. Stephen confirmed that the reporting arrangements that are in place are appropriate and that there were sufficient skills and expertise amongst the Team responsible for delivering the Digital Services Strategy. One observation was raised around the way in which the progress of the Digital Services Strategy is being communicated.

The members acknowledged that the Digital team are now fully staffed and that the benchmarking reflected the advanced position Audit Scotland is in.

The Audit Committee noted the IAR report on Digital strategy.

Susan Burgess, Head of HR and Gordon Robertson, L&D Manager joined the meeting.

13. Internal Audit Report: Review of Business Management system

Graham Gillespie, Wylie & Bisset introduced the Review of Business Management system report, copies of which had been previously circulated.

Graham advised that the audit provided a strong level of assurance surrounding the controls in place for the selection and implementation of the new Business Management System. They were able to confirm that the Business Management System is operating as intended, with 20 areas of good practice being identified and one low grade recommendation for improvement.

The members welcomed the report.

The Audit Committee noted the IAR report on Review of Business Management system and noted thanks to Wylie & Bisset and the participants.

Susan Burgess, Head of HR and Gordon Robertson, L&D Manager left the meeting.

14. Review of cooperation between internal and external audit

Graham Gillespie, Wylie & Bisset introduced the Review of cooperation between internal and external audit report, copies of which had been previously circulated.

Graham confirmed cooperation between the internal and external auditors. Similar to the way Alexander Sloan worked with the previous external auditors (BDO), there is liaison around planning, joint working, and interaction at Audit Committee meetings. Graham provided reassurance to the Committee members that joint working is in place with no concerns raised.

The Audit Committee noted the review of cooperation between internal and external audit report.

15. Review of implementation of Internal Audit recommendations

Martin Walker, Director of Corporate Support introduced the Review of implementation of internal and external audit recommendations, copies of which had been previously circulated.

Martin advised that the report provides assurance that the actions and recommendations made in the internal audit reports by Wylie & Bisset are being progressed. Martin advised that all the recommendations made have been dealt with or are being actively progressed.

The Audit Committee noted the review of implementation of Internal Audit recommendations.

16. Q3 Data Incidents / Loss report

Martin Walker, Director of Corporate Support, introduced the Q3 data incidents/loss report, copies of which had been previously circulated.

Martin advised that there were four data incidents recorded during quarter three. All four incidents did not merit reporting to the Information Commissioner's Office (ICO) given the low risk level associated with the incidents and swift action undertaken afterwards.

The members noted that the incidents were low level and were human error. Martin confirmed that re-emphasising messages for constant vigilance would continue.

The Audit Committee noted the data incidents/loss report.

17. Digital security update

David Robertson, Digital Services Manager, introduced the Digital security update, copies of which had been previously circulated.

David provided details of the changes to Audit Scotland's digital security risk profile and arrangements since the previous update on 30 August 2022. He noted the length of the report and advised the report would be edited, with more use of infographics, prior to presenting at the next Audit Committee meeting. David also advised that the Cyber Incident Response plan has been delayed but remains a top priority.

The members discussed the report and recognised the classification of the risks as red, this was felt appropriate and reflected the seriousness of the risk.

The Audit Committee noted the Digital Security update.

David Robertson, Digital services Manager, left the meeting.

18. Overview of annual assurance and statement of control processes

Martin Walker, Director of Corporate Support, introduced the overview of annual assurance and statement of control processes report, copies of which had been previously circulated.

Martin advised the report reflects the comprehensive processes that are in place to provide assurance, and that the process underpins Audit Scotland's governance statement and the signing of the 2022/23 accounts. The members noted and welcomed the controls that are in place.

The Audit Committee members noted the overview of annual assurance and statement of control processes report.

19. Any other business

There were no items of other business

20. Review of meeting

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

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

21. Date of next meeting

The next meeting of the Audit Committee is scheduled for 16 May 2023.

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

DRAFT

AUDIT SCOTLAND BOARD ACTION TRACKER 2023

ITEM 9

REF	FORUM	Agenda Item No	Item Title	Action Description	Meeting Date	Due Date	Responsible	Assigned to	Complete/Ongoing	Reported Yes/No	Progress Notes
ASB165	Board	11	Mainstreaming equality and equality outcomes: Interim progress report	Further Board session on HRBA to be arranged.	17/05/2022	Sep-23	Jillian Matthew	Jillian Matthew	Ongoing		Short life working group considering next steps for work on HRBA is meeting on 24 November. At that meeting, consideration will be given to the most appropriate timing for a further session with Board members. 6/2/23 - update paper issued to Board Members by correspondence in March. Further discussion at Board September 2023 (TBC)
ASB171	Board	9	Review of action tracker	Relating to action update against ASB167, agreed the International Manager examine any work undertaken on evaluation processes in relation to international work by other audit agencies.	28/09/2022	Nov-22	Mark MacPherson	Kenny Oliver	Complete		Feedback from other agencies indicates that they do not undertake any specific evaluation activity as international work, like in AS, is largely based on 121 engagement, conferences and sharing approaches. The strategic oversight of international work has now transferred to I&Q. During future international engagement I&Q will ask about evaluation processes. The Executive Team has requested updates every 6 months on international activity.
ASB182	Board	11	Q2 Performance Report	William Moyes, Vicki Bibby, Martin Walker and Gayle Fitzpatrick to meet and discuss presentation requirements for the Accounts Commission performance reporting.	23/11/2022	Jan-23	Vicki Bibby/ Martin Walker	Martin Walker	Complete		Accounts Commission Support Team included in working group to produce new performance reporting information/templates. New format of reporting to Board and Accounts Commission in April.
ASB200	Board	8	Review of Minutes: Audit Committee meeting: 9 November 2022	Produce a report a COVID 19 lessons learnt report for consideration by correspondence, and option to discuss at later Board meeting	04/04/2023	Jun-23	Martin Walker	Martin Walker	Ongoing		Lessons Learned report will be issued to Board members late May 2023.
ASB201	Board	8	Review of Minutes: Audit Committee meeting: 9 November 2022	Engage with Accounts Commission on COVID 19 Inquiry Audit Scotland response	04/04/2023	Apr-23	Martin Walker	Martin Walker	Complete		Draft submission circulated to Board members 02/05/23. Submission issued to Inquiry Team 10/05/23.
ASB202	Board	11	Strategic Improvement Programme Review	Discussion on Governance for SIP with Accounts Commission	04/04/2023	Apr-23	Vicki Bibby	Kenny Oliver	Complete		Discussion held with Controller of Audit and AC Secretariat. Agreement to remove AC change programme from SIP, but to keep PWF in. AC Secretariat to develop reporting to AC, which will work in tandem with SIP reporting to Board.
ASB203	Board	11	Strategic Improvement Programme Review	additional indicative timelines and metrics detail for next report	04/04/2023	Sep-23	Kenny Oliver	Gemma Diamond	Ongoing		Noted for the next update report due to September Board meeting.
ASB204	Board	12	Q3 Performance Reporting	include additional detail on audit time against non-audit time in future reporting	04/04/2023	Jun-23	Martin Walker	Ian Metcalfe	Complete		Q3 report on agenda for June 2023 with additional detail included
ASB205	Board	19	Our purpose workstream: Draft Public Audit in Scotland and the Audit Scotland corporate plan	Engagement with Accounts Commission on consultation on Coporate Plan content	04/04/2023	Apr-23	Michelle Borland	Michelle Borland	Complete		Meeting 28/4/23
ASB206	Board	19	Our purpose workstream: Draft Public Audit in Scotland and the Audit Scotland corporate plan	Discussion with Alan Alexander on outcome descriptions	04/04/2023	Apr-23	Michelle Borland	Michelle Borland	Complete		Arranged for 17/4/23
ASB207	Board	19	Our purpose workstream: Draft Public Audit in Scotland and the Audit Scotland corporate plan	Arrange final joint sign-off meeting for documents	04/04/2023	May-23	Michelle Borland	Michelle Borland	Complete		Placeholder in for 6/6/23
ASB208	Board	20	External Engagement	Provide alternative options on survey options	04/04/2023	Sep-23	Kenny Oliver	Simon Ebbett	Ongoing		Confirmed September Board meeting for proposal

AUDIT SCOTLAND BOARD ACTION TRACKER 2023

ITEM 9

REF	FORUM	Agenda Item No	Item Title	Action Description	Meeting Date	Due Date	Responsible	Assigned to	Complete/Ongoing	Reported Yes/No	Progress Notes
ASB209	Board	20	External Engagement	Accounts Commission stakeholder survey results to a future meeting	04/04/2023	Sep-23	Kenny Oliver	Simon Ebbett	Ongoing		Confirmed September Board meeting to share results
ASB210	Board	21	Estates Strategy Update	Detailed costings on length of Glasgow lease	04/04/2023	Sep-23	Martin Walker	Stuart Dennis	Ongoing		Scheduled for September Board meeting in planner

Annual report on information governance and security 2022/23

Corporate Governance Manager and
Digital Services Manager

Purpose

This report provides assurance on our annual assessment of information governance and security management at Audit Scotland. This report forms part of a suite of assurance reports in support of the Accountable Officer's governance statement in the annual report and accounts.

Recommendations

Board is invited to:

- note the contents of this report.

Background

The information governance and security management assurance process was introduced in 2009/10 and is an annual process. The assurance process covers a review of our work on information governance, risk and security management, staff surveys, assurance checklists and horizon scanning for changing legislation.

1. The Knowledge, Information and Technology Governance Group (KITGG) oversee the arrangements for information governance, risk and security management within Audit Scotland.
2. This report has been considered by the KITGG and Executive Team and it contributes to the Accountable Officer's governance statement for 2022/23.
3. The KITGG met seven times via Microsoft (MS) Teams in 2022/23 to consider and discuss reports on information, knowledge, risk and technology issues. The information risk register was reviewed, discussed and updated on six occasions over the year. In addition, the Information Security Management System (ISMS) Management Review group meet on a quarterly basis and are responsible for evaluating the effectiveness of information security. The group consider any potential weaknesses in information security and ways of implementing improvements.
4. Audit Scotland maintains its commitment to the Information Security Standard ISO 27001:2013 through six-monthly surveillance audits that are led by accredited body LRQA. Audit Scotland achieved re-certification to the ISO 27001:2013 standard in August 2022. The next surveillance audit is scheduled for 19 & 20 April and will be performed remotely. The agenda for the two days is awaited from LRQA. A new version of the Standard ISO 27002:2022 has been released and we have until 2025 to complete the transition.
5. In November 2021 an Information security survey was made available to Audit Scotland staff. The survey was completed by 61.3 per cent of colleagues, an increase of 10.3 per

cent on the previous year's survey. The results provide positive assurance about level of awareness and knowledge regarding information security practice throughout the organisation. There is evidence of good practice in many areas including knowledge and understanding of policies and procedures. The next Information Security Survey will be held again in Spring 2023 in line with reverting to the pre-pandemic cycle of 18 monthly surveys.

6. This year, the Information Asset Owners (IAOs) completed the assurance review checklists for Accountable Officers and Boards and Records Management Compliance during March 2023.
7. The findings from the annual assurance review checklists provide positive assurance about our information governance arrangements.
8. We produced several briefing papers and blogs during the year to remind colleagues of our information and data security arrangements. This year they included:
 - Freedom of Information blog in support of International Right to Know in September 2022.
 - Information Management Guidance updated in November 2022.
 - Data protection blog in support of Data Protection Day in January 2023.
 - Data Protection Policy update in April 2023.
 - During 2022-23 the Corporate Governance team posted two blogs on Data Protection, and seven Yammer posts on data protection, information security and records management.
 - During 2022-23 the Digital Services Teams posted 39 Cyber Security Yammer posts and 13 detailed blogs on SharePoint Online including a review of the SEPA ransomware attack, guidance on securing personal devices and improving privacy settings.

Information governance, security and incidents in 2022/23

9. The Information Security Management Policy is scheduled for Executive Team review on 9 May and the Audit Scotland Board on 23 May.
10. This year Digital Services have completed on the following actions to improve our information security and governance:
 - Reached establishment, with the Data and Development Manager and Digital Security Specialist joining the Digital Services Team in December 2022 and with the Cloud Application Developer role being filled earlier in Summer 2022.
 - Improved the advanced threat protection process to add a secondary scan of all emails and file uploads and remote links for malicious or suspected malicious content, in addition to existing multi layered email scanning and web filtering defences. Blocking new attack vectors from Office Macros, remote Office Document components and browser extension web stores.

- With the exceptions of Orkney and Victoria Quay all Audit Scotland equipment has now been removed from remote audit sites significantly reducing the surface area of our network and the number of devices requiring managing and security updates.
- All colleagues are now equipped with a laptop, external display, keyboard, mouse, and secure mobile phone that provides a 5G hotspot. All Audit Scotland devices are required to have security updates applied on the day of deployment, and Digital Services continue to alert colleagues of important security updates for their personal devices.
- Implemented a new backup solution that provides on-premises offline backups and will provide backups to a cloud-based immutable storage delivering unchangeable daily backups and continuing to maintain an 'air-gapped' immutable backup solution for MKI/Pentana data to provide an additional level of protection against a successful ransomware.
- Maintained a Cyber Incident Response (CIR) organisation to provide immediate expert advice, malware and phishing analytics, on-site incident response as well as incident response training, exercises, and workshops.
- Deployed cloud-powered endpoint management and threat protection tools to all our mobile devices, Apple Silicon Mac's and Account Commission laptops, providing enhanced malware and network protections as well as remote management and real-time suspicious/malicious behaviour monitoring.
- All telephony is now delivered via Teams with increased sensitivity for detecting spam calls and blocking them together with greater granular controls for colleagues to individually block some numbers and set up priority access for others.
- Increased the sensitivity of the checks that identity of the sender of an email message to better block non-certified or spoofed email and use external NCSC services to verify the websites colleagues visit are legitimate as well as check the security and availability of our external services including our website.
- Completed a security review and implemented improvements to our existing architecture for cloud development environment, scripting and code repository.
- Successfully performed an annual systems recovery testing to test our incident management procedures and ensure we can recover all systems after a simulated incident.
- Completed an ISO re-certification audit in August 2022 with one Minor Non-Conformity – The development of a Cyber Incident Response Plan and one Opportunity for Improvement – The development of a legal compliance register to address before then.
- Completed two independent third party NCSC-certified penetration tests of our network, servers, and laptop security. The previous test produced eight recommendations for improvement of which 3 low risk recommendations remain under review.
- Continued with mandatory user training for increased phishing awareness supplemented by regular blogs and short Yammer posts to maintain awareness.

11. There have been no detected successful cyber-attacks, however, since the last report there have been fourteen cyber security threats which, while not directly targeting Audit Scotland, proved major risks to Audit Scotland's digital infrastructure and required immediate action/mitigation.
12. 2022/2023 has seen attackers attempting to leverage unknown and zero-day vulnerabilities as well as utilising the short time frame after patches are released to penetrate networks and deliver malicious payloads to counter this, we apply security patches to our most vulnerable systems patched on the day of release. With most services now cloud based, web browsers have become the most targeted applications to compromise with vulnerability exploits and we continue to rapidly patch our systems, devices, and browsers, notifying our hybrid workers to update their personal devices and now blocking unpatched devices and browser from accessing our services.
13. Email continues to be the primary source of both directed and environmental attacks. Colleagues' response to previous phishing testing has shown that education is an area in which we must improve. Cyber criminals are actively using previously breached usernames and passwords some via hacked online password vaults together with new methods to circumvent MFA services to provide 'legitimate credentials' to allow direct access to an organisations network and their more secure cloud services. New attacks are also focusing on hybrid workers home devices such as routers, personal mobile devices, and web browsers to use these to then access an organisations' secured network.
14. Ransomware still poses the greatest threat to our on-premises systems. The successful attack on the Royal mail, US education, European medical services and Australian health insurance providers provide continued evidence of how damaging such an attack can be. We continue to mitigate against a ransomware attack, improving our backup provision while continuing to test the effectiveness and economics of moving critical systems such as MKI to a cloud-based service to further mitigate the risk. We are also adapting our defences together with improving our recovery services and process as part of our delayed Cyber Incident Response Plan, which is now planned for completion by the end of May 2023.
15. As defences on commercial systems and services improve attackers continue to seek less well protected systems and devices which present an easier target. Our cloud-based Linux Audit Data Analytics platform and its associated tools such as GitHub is now being subject to more effective attack types, and we are therefore strengthening its defences and mitigating the effects of a successful attack.
16. We continue to be on alert for a possible cyber-attack from an extremely well-equipped state actor, focusing on damaging the public sector infrastructure and will include this as a possible recovery scenario in our Cyber Resilience Plan.

Key information legislative and governance developments

17. There have been a number of developments to the information governance regulatory and legislative frameworks during the year, including work to improve our internal processes through certification and membership of information security workgroups to:
 - maintain ISO 27001:2013 certification and begin the transition to the new 2022 standard
 - participate in Scottish Governments Public Sector Action Plan (PSAP) achieving the advanced tier of preparedness

- participate in the National Cyber Security Centre (NCSC) Cyber Security Information Sharing Partnership (CiSP).

Information governance, risk and security mitigation actions

- 18.** We continue to make good progress in embedding information management and security into our corporate culture with:
- an established information risk hierarchy, from the Accountable Officer to the Senior Information Risk Officers and through to Information Asset Owners in business groups
 - a KITGG, chaired by the Director of Corporate Support, overseeing our information management and risk arrangements. The work of the KITGG is raised by IAO's at the leadership teams of all business groups where appropriate
 - timely updates on any active or possible cyber security threats between the Digital Services Management Team and the Director of Corporate Support
 - the undertaking of data protection impact assessments in the event of policy/procedural changes.
 - an information risk register, which is reviewed and updated every two months at KITGG
 - an annual evaluation of our information risk and security, through the completion of assurance checklists
 - mandatory staff training on information security and data protection
 - identifying cyber incident management training for the Executive Team
 - identifying a new cyber training package that will be mandatory for all staff
 - The provision of a Chief Information Security Officer (CISO) role
 - six monthly reporting on information risk and security to Executive Team and the Audit Committee.

Risk management

- 19.** The KITGG maintains an information risk register which is reviewed at each of the meetings taking place over the year. The register shows there are currently twenty-three main information and security risks for Audit Scotland. Thirteen of these are active risks and ten are for monitoring due to the low net risk scores.
- 20.** One of the active risks has a high gross risk score (red), and the remaining have amber net risk scores defined as 'acceptable level of risk that requires constant active monitoring.'

Conclusion

- 21.** The arrangements and results summarised above provide positive assurance on Audit Scotland's information governance security.

Annual report on complaints 2022/23

Corporate Governance Manager

Item 12
Meeting date: 23 May 2023

Purpose

1. This is the 2022/23 annual report on complaints received by Audit Scotland about its work. This report forms part of a suite of assurance reports in support of the Accountable Officer's governance statement in the annual report and accounts.

Recommendations

2. Board is invited to:
 - note the report.

Background

3. The Public Services Reform (Scotland) Act 2010 (the Act) required the Scottish Public Services Ombudsman to introduce a set of complaint handling principles, to which all public bodies must adhere.
4. The complaints procedure is a two-stage process, stage one is front line resolution within five working days or if more complex, or are not resolved at stage one, stage two is resolved within 20 working days.
5. Audit Scotland, the Auditor General and the Accounts Commission introduced a joint complaint handling process in December 2012. The joint complaints handling process was reviewed and updated in 2014 and again in December 2018.
6. In January 2020 the Scottish Public Services Ombudsman published a revised Model Complaints Handling Procedure (MCHP). The Ombudsman expected the revised MCHP to be fully implemented by 1 April 2021. The updated MCHP was approved by the Board, six months ahead of schedule in September 2020.
7. The new MCHP requires us to report on four key performance indicators (KPIs):
 - Total number of complaints
 - For each complaint stage the number and percentage closed within time scales
 - Average working days to respond per stage
 - The outcome of each complaint at each stage
8. All KPIs are included in this report.

Complaints received

9. The Corporate Governance team maintains the register of complaints received. The register shows there were three complaints received in 2022/23 (this was the same in in 2021/22).
- Complaint one concerned complaints about compliance of the Audit Scotland Annual report. The complaint was investigated and was not upheld. The complainant referred our response to the SPSO who declined to consider his referral.
 - Complaint two expressed dissatisfaction with responses to emails to Audit Scotland. The complaint was investigated and was not upheld.
 - Complaint three expressed dissatisfaction with the outcome of correspondence with Audit Scotland. The complaint suggested Audit Scotland withheld information, made derogatory remarks and breached Data protection. The complaint was investigated and was not upheld.

SPSO Complaint KPIs

Stage 1 closed with 5 days	Stage 1 closed with 5 days %	Stage 2 closed with 20 days	Stage 2 closed with 20 days %	Average working days to respond stage 1	Average working days to respond stage 2	Upheld	Partial	Not upheld
3	100%	2	67%	4	13	0	0	3

10. One complaint was late at stage two, by two days, due to the complexity of the complaint.

Appeals to the Scottish Public Services Ombudsmen (SPSO)

11. The Scottish Public Services Ombudsman Act 2002 (the Act) provides a framework for matters that can be considered by the SPSO for investigation. During 2022/23 one complainant asked the Scottish Public Services Ombudsman (SPSO) to review their complaint. The SPSO concluded the complaint was not one that could be taken further.

Conclusion

12. This report on complaints handling 2022/23 concludes that there are no significant issues that should be brought to the attention of the Board.

Annual report on Freedom of Information and Environmental Information 2022/23

Corporate Governance Manager

Item 13
Meeting date: 23 May 2023

Purpose

1. This is the 2022/23 annual report to the Executive Team on our Freedom of Information (FOI) and Environmental Information Regulations (EIRs) arrangements, requests and performance. This report forms part of the suite of assurance reports in support of the Accountable Officer's governance statement in the annual report and accounts.

Recommendations

2. Board is invited to:
 - note the performance in 2022/23.

Background

3. Audit Scotland, the Auditor General and the Accounts Commission are subject to the Freedom of Information (Scotland) Act 2002 (FOISA) and the Environmental Information (Scotland) Regulations 2004 (EIRs).
4. Audit Scotland developed and implemented suitable joint arrangements for the discharge of FOISA/EIRs in 2005 for all three bodies. These arrangements are reviewed annually.
5. The Scottish Ministers' Code of Practice on the discharge of functions by Scottish public authorities under FOISA and the EIRs require us to monitor our handling of information requests.
6. Since 1 April 2013 public bodies are required to submit their FOI and EIR handling statistics, to the Scottish Information Commissioner (SIC) on a quarterly basis. Audit Scotland has complied timeously with this requirement.

FOI/EIR overview for 2022/23

7. This annual report has been prepared to fulfil our FOI/EIR good practice requirements under the Scottish Ministers section 60 Code of Practice and incorporates our SIC quarterly returns.

Governance

8. The Knowledge, Information and Technology Governance Group (KITGG) provides oversight of our FOI/EIR arrangements and reports its activity to Executive Team, the Audit Committee and the Board as necessary. The Corporate Governance Manager is responsible for day-to-day management of our FOI/EIR arrangements.

9. The FOI/EIR policy was reviewed by the KITGG and Executive Team and re-approved by the Board on 4 April 2023. Staff acknowledged compliance with the policy via the Fit and Proper form in January 2023.
10. We reviewed our FOI publication scheme, in October 2022, to ensure it remains up to date.

Approach to requests

11. It is our policy to be as open and transparent as possible and our approach to FOI/EIR requests is to treat them as a 'business as usual' activity. This means that we normally supply information to those requesting it in the normal course of business and do so without treating them as FOI/EIR requests.
12. More complex 'business as usual' requests and all other requests, which may have to be considered by a FOI panel, are recorded in our FOI/EIR system.
13. Where it is appropriate, we can apply exemptions and exceptions to the information being requested. Audit Scotland have established a group of colleagues trained in considering FOI/EIR exemptions and exceptions to complex requests. Members of this group form a Freedom of Information Panel of three members. The membership of each panel varies to ensure independence and objectivity.
14. A refresh of the Panel members occurred in Jan to March 2023 which resulted in 25 new recruits. The panel members received advanced level Freedom of Information training which completed in March 2023. The following statistics and analysis are based on our recorded FOI/EIR requests for 2022/23.

Statistics and Analysis

Number of requests received

15. Audit Scotland recorded 70 FOI and no EIR requests this year (compared to 37 requests in 2021/22). These were received in:

Requests received	2022/23		2021/22	
	FOI	EIR	FOI	EIR
Q1 (April – June)	15	0	3	0
Q2 (July – September)	14	0	10	0
Q3 (October – December)	14	0	10	0
Q4 (January – March)	27	0	14	0
Total	70	0	37	0

Type of requestor

16. We categorise the requests we receive for analysis purposes. This year we received:

Requester type	2022/23		2021/22	
	FOI	EIR	FOI	EIR
Media	8	0	2	0
MSP/MP	18	0	1	0
Organisation	13	0	22	0
Members of the public	29	0	12	0
Public Body	2	0	0	0
Other	0	0	0	0
Total	70	0	37	0

17. Themes emerging from the information being requested are:

- 59% - Reports, draft reports and correspondence relating to those reports
- 7% - Data held on other organisations
- 21% - Audit Scotland's governance, policies, procedures or expenditure
- 13% - Contract information: Information technology, equipment, other contracts.

Responding to requests

18. Information requested was released in full on 27 (39%) occasions, partially released on 28 (39%) occasions and the information requested was not held by us on 11 (16%) occasions. In three requests (4%) clarification was not provided and one was withdrawn.

Cost of administrating and responding to requests

19. The time spent on specific requests is generally recorded to the job code for the audit work concerned. In addition, the time spent on FOI/EIR training is coded to the general learning and development job code.

20. Fourteen colleagues recorded 385 hours (compared to 155 in 2021/22) for administering our FOI systems and procedures, replying to some requests and dealing with complex requests at FOI panels. This equates to approximately £11,614 (compared to £7,650 in 2021/22) using the average hourly rate from the Time Recording System. It is acknowledged that the full cost to Audit Scotland of complying with FOI/EIRs will be higher due to the way some FOI/EIR work and training is recorded.

Time taken to respond

21. FOISA and the EIRs require public bodies to reply to requests within 20 working days and within 40 working days for complex EIRs. Audit Scotland met this requirement for 60 per cent of the requests. Twenty-five of these were late due to an unprecedented influx of 17 requests being received in one day. Following this we informed the requestor we would be unable to meet the 20 day deadline and agreed an extension. For the other eight requests their complexity necessitated time intensive meticulous handling.

Charging for dealing with requests

22. Public bodies can make charges for dealing with FOI and EIR requests. We issued no fee notices in 2022/23.
23. Public bodies are also able to refuse a request where it will cost more than £600 to process. Where public bodies estimate the cost to be greater than £600, they are to inform the requester that they may be able to supply some information if they narrow their request.
24. No requests were refused on excessive cost of compliance this year.

FOI/EIR panels, reviews, and appeals

25. Five FOI Panels met this year to consider applying exemptions to some or all the information being requested.
26. The Panels applied exemptions relating to Audit Function, Personal Information, commercial interests and the economy, Prejudice to effective conduct of public affairs and confidentiality.
27. Where an applicant is not satisfied with our initial response to their request, they can ask Audit Scotland for a review. In 2022/23 there were two requests for a review.
28. If an applicant remains dissatisfied with how we dealt with their request after a review they can make an appeal to the Scottish Information Commissioner (SIC). There was one appeal to the SIC this year. This appeal is still ongoing with the Scottish Information Commissioner.

FOI/EIR Training

29. Audit Scotland staff undertake basic FOI/EIR training when they join Audit Scotland and are required to undertake refresher training every two years. In addition, staff updates are published when changes to legislation occur.
30. Freedom of information training is now being issued through Audit Scotland Learning Management system and certification will be done every two years and the next round will be issued and completed by the end of 2023.

Conclusion

31. The report concludes that our FOI/EIR arrangements are working well and that there are no significant issues which require to be brought to the attention of the Board.

Q4 Financial Performance report

Corporate Finance Manager

Item 14
Meeting date: 23 May 2023

Purpose

1. This report presents the un-audited financial results for the twelve months to 31 March 2023.

Recommendation

2. The Board is invited to note the financial results for the twelve months to 31 March 2023.

Background

3. Appendix 1 provides a Financial Performance Executive Summary.
4. The detailed finance performance report is provided in Appendix 2 to this paper.
5. The report was discussed by Audit Scotland's Executive Team on 25 April and Audit Committee on 16 May.

Discussion

6. At the end of the March 2023 Audit Scotland's Net Operating Expenditure was £15,548k which was £1,039k (6.3%) better than budget. Excluding the IAS 19 pension underspend the actual budget underspend for 2022/23 in respect of operational activity was £234k (1.4%).
7. In-house income was in total £419k (4.6%) worse than budget. Fee income for 2021/22 audits has a negative volume variance of £135k and a positive price variance of £61k. Audit work for 2022/23 has commenced and is currently £387k behind plan. The prior year income of £42k is the balance due on the completion of the 2021 EAFA audit.
8. Fee income earned for audits carried out by external firms net of fees and expenses paid to the firms was £57k worse than budget. Income recognition was £818k (13.3%) worse than budget with fees and expenses payable to the external firms being £761k (14.0%) better than budget.
9. Staff costs including agency expenditure was £457k (2.2%) better than budget.
10. IAS 19 pension costs were £794k (17.4%) better than budget. This underspend is attributable to the unfunded scheme, which is £335k better than budget and the funded scheme, which is £459k better than budget. The improvement in the unfunded scheme is due the significant adjustment to the discount rate reducing the overall liability. A key factor for the current service cost is the paybill for the year and the contributions that this generates. As this was lower than budget it has an impact on the charge for the year.
11. Other expenditure £94k (1.9%) better than budget. The main positive variances were recorded in travel & subsistence (£147k), depreciation (£50k) and other costs (£277k). The main adverse variances appear in information technology (£138k), recruitment (£60k) and

property (£108k). Other costs includes the unallocated management contingency budget of £276k.

12. A new Financial Performance Executive Summary has been prepared and is in Appendix 1 attached to this report. This is subject to further development to support improved scrutiny of the strategic management of Audit Scotland's financial position.
13. The detailed variance analysis and explanation is provided in Appendix 2 attached to this report.

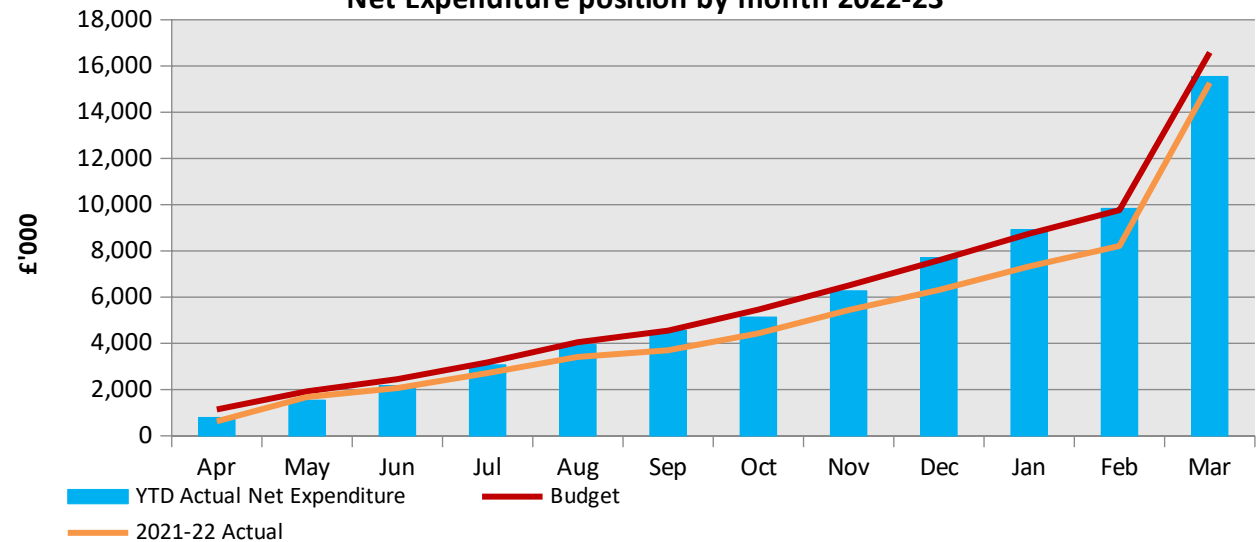
Budget adjustments

14. The impact of the new audit appointments has led to budget adjustments to fee income, central charge income and firms expenditure budgets. The adjustments have been made to improve transparency and have no impact on the overall core budget requirement for 2022/23.
15. As approved by the Board and Parliament there is a Spring Budget Revision budget adjustment for £5.2 million to cover the impact of IAS 19 pension charges.
16. Following these adjustments the revised Scottish Consolidated Fund budget is £16.587 million.

Financial Position

- **Income** - behind plan on completion of 21/22 audits and commencement of 22/23 audits. Impact of change in central charges approach under new best value regime.
- **Pay** - underspend broken down into pay (£457k) and IAS 19 pension adjustments (£794k). The pay underspend is due to the average whole time equivalents (w.t.e.) position being 13.9 below funded establishment which has been reduced by the increase in the final pay settlement. The pension position reflects an underspend of £459k in the adjustment for the funded scheme and an underspend of £335k for the unfunded schemes.
- **Non-pay** - underspend in firms expenses, travel & subsistence, depreciation and other costs reduced by overspends in IT, recruitment and property.
- **Capital** – expenditure on laptops, furniture, mobiles, office enhancements and business management system.
- **Management contingency** - £224k allocated to meet increase in Edinburgh office rent, depreciation adjustment and recruitment costs. Unallocated balance £276k.

Net Expenditure position by month 2022-23



Q4 Financial Performance Report by Business Group

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

- **Overall** - at the end of 2022/23 the revenue financial position was £1,039k (6.3%) better than budget.
- **Audit Services Group** - 21/22 and 22/23 audit work behind plan leading to reduced fee income recognition. Pay underspend due to lower than planned average w.t.e and savings generated in travel and lease car expenditure.
- **Performance Audit and Best Value** - pay costs underspend with average w.t.e. 6.7 below funded establishment. Vacant posts in the process of being filled. Non-pay costs reflect reduced expenditure on subscriptions and professional fees/consultancy.
- **Corporate Services Group and Corporate Costs** - income variance relates to corporate central charges and impact of new best value regime. Underspend in pay with average w.t.e. below plan and underspend generated by IAS 19 pension costs.
- **Approved Auditors** - fee income worse than revised budget reduced by savings generated in firms payments and expenses. Net overspend due to increase in allocation of non-chargeable audits under the new appointments.
- **Accounts Commission and Secretary** - pay overspend due to Controller of Audit post partially offset by savings made at start of year with vacant Commission member positions. Overspend in non-pay due to recruitment and livestream costs.
- **Board, AGS and Exec Team** - pay costs reflect increase in Exec Team posts. Non-pay is final balance for senior recruitment higher than planned and cost of staff conference.

Headline Results

The summary financial position to 31 March 2023:

£000	Annual Budget	Actual	Budget	Var.	% Var.	Prior Year	Note
Fee Income - In House	9,046	8,627	9,046	(419)	-4.6%	7,656	1
Fee Income - Audit Firms	6,168	5,350	6,168	(818)	-13.3%	5,915	2
Central Charges	4,884	5,083	4,884	199	-4.1%	5,660	3
Rebate	0	(36)	0	(36)	-	(1,320)	4
Interest	0	9	0	9	-	1	
Other Income	0	(13)	0	(13)	-	11	
IAS 19 Income	(736)	(725)	(736)	11	1.5%	(939)	
TOTAL INCOME	19,362	18,295	19,362	(1,067)	-5.5%	16,984	
Approved auditors	5,440	4,679	5,440	761	14.0%	4,978	2
Staff salaries and oncosts	21,080	20,559	21,080	521	2.5%	19,039	5
Payroll provisions incl. severance	9	0	9	9	-100.0%	114	
Agency and secondment costs	15	88	15	(73)	-486.7%	140	5
IAS 19 Pension costs	4,564	3,770	4,564	794	-17.4%	4,610	6
Property costs	1,046	1,154	1,046	(108)	-10.3%	919	7
Travel and subsistence	525	378	525	147	28.0%	324	8
Legal, professional and consultancy	841	843	840	(3)	-0.4%	636	
Training	523	560	523	(37)	-7.1%	452	9
Recruitment	180	240	180	(60)	-33.3%	235	9
Printing and office costs	235	270	235	(35)	-14.9%	225	10
Information technology	613	751	613	(138)	-22.5%	666	11
Audit	60	59	60	1	1.7%	56	
Depreciation	465	415	465	50	10.8%	320	12
Other costs	353	77	354	277	78.2%	38	13
EXPENDITURE	35,949	33,843	35,949	2,106	5.9%	32,752	
NET OPERATING (EXPENDITURE)	(16,587)	(15,548)	(16,587)	1,039	6.3%	(15,768)	

Funded by Scottish Consolidated Fund	16,587	15,548	16,587	(1,039)	15,768
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Income and Expenditure Summary

1. Fee Income – In House

A major target in the medium term is to recover to the audit deadlines achieved before the impact of the Covid-19 pandemic. The fee income budget reflects this ambition and is a reason why there is a volume variance against the 2022/23 audit year.

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

The table below shows the performance by sector as at 31 March 2023 for in-house audits:

Sector	2021/22 Audit Year			2022/23 Audit Year			Prior Years	Total
	Volume		Price	Volume		Price		
	WIP %	£	£	WIP %	£	£		
Local Government	-2.87	-135	+57	-3.34	-223	+4	+1	-296
Health	-	-	-	-2.48	-46	-	-	-46
FE	-	-	-	-17.71	-80	-	-	-80
Central Government	-	-	+4	-0.86	-16	+3	-	-9
Non-statutory	-	-	-	-5.08	-27	-2	+41	+12
Total – Mar 23	-2.87	-135	+61	-3.24	-392	+5	+42	-419

Local Government

Local Government audits for 2021/22 are 2.87% from completion and subsequently behind budget leading to a negative volume variance of £135k. There is a positive price variance of £57k with the most significant increases being applied to Aberdeenshire Council, Angus Council, Dundee City Council, Fife Council, Moray Council, Renfrewshire Council, Scottish Borders Council and South Lanarkshire Council. The main reason for the increase in fees is due to the additional audit work required on charitable trust accounts.

Audit year 2022/23 is year 1 of the new audit appointments and the work to date is currently behind plan, leading to an adverse volume variance of £223k.

Health

The 2021/22 health audits are complete.

Audit work for 2022/23 is 2.48% behind plan leading to a negative volume variance of £46k.

Further Education (FE)

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

For the 2022/23 new audit appointments ASG have been allocated 8 FE audits and work is 17.71% behind budget leading to a negative volume variance of £80k.

Central Government

Central Government chargeable audits for 2021/22 are complete with a minor positive price variance due to an increase in fee being identified for a new public body, Office of The Scottish Biometrics Commissioner.

Work on 2022/23 audits has commenced with the current position being a negative volume variance of £16k, reduced by a positive price variance of £3k.

Non-statutory

The European Agricultural Fund Account (EAFA) audit for 2020/21 is now complete and is recognised in the prior year adjustment of £41k. The fee level for 2021/22 remains at the prior audit year level of £550k. This audit was completed by the target deadline of February 2023.

2. Fee income and expenditure – Audit Firms

There is a negative income variance of £818k and a positive expenditure variance of £761k for approved auditors. The overall £57k negative variance is due to the increased allocation of non-chargeable audits for the 2022/23 new audit appointments.

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

The table, below, shows the performance for approved auditors by sector to 31 March 2023:

Sector	2021/22 Audit Year			2022/23 Audit Year			Prior Years	Total
	Volume		Price	Volume		Price		
	WIP %	£	£	WIP %	£	£		
Local Government	-4.40	-132	+152	-16.93	-712	+12	-	-680
Health	-	-	+2	+2.14	+32	+5	-	+39
Water	-	-	-	-20.07	-84	-	-	-84
FE	-0.83	-4	+71	-19.35	-110	-	-	-43
Central Government	-4.11	-24	+41	-8.04	-65	-2	-	-50
Total – Mar 23	-3.74	-160	+266	-2.68	-939	+15	-	-818

Local Government

Audits in the local government sector for 2021/22 are not complete and are 4.40% worse than budget leading to a negative volume variance of £132k. Currently the audit firms have agreed fees above expected fees leading to a positive price variance of £152k. The most significant increases in the sector have been applied to Aberdeen City Council, Falkirk Council, Highland Council, Midlothian Council, City of Edinburgh Council and West Lothian Council.

Audit work for 2022/23 has commenced leading to a negative volume variance of

£712k which is reduced by a minor positive price variance of £12k.

Health

Health audits for 2021/22 are complete.

Audit work for 2022/23 is 2.14% ahead of budget leading to a positive volume variance of £32k. There is also recognition of a minor price variance of £5k.

Water

The 2021/22 audit is complete and the 2022/23 audit is 20.07% behind plan which is based on completion rates from previous years.

Further Education (FE)

2021/22 audits are 0.83% behind plan leading to a minor volume variance of £4k. There is also a positive price variance of £71k. This is mainly due to agreed fee increases being applied to Fife College, Levenshulme College, North Highland College, Perth College and South Lanarkshire College.

Audit work for 2022/23 has commenced and is 19.35% behind plan which leads to a negative volume variance of £110k.

Central Government

Central government chargeable audits for 2021/22 are 4.11% behind plan. The positive price variance relates to agreed fee increases with the largest being applied to Crown Estate Scotland, Crofting Commission and SEPA.

The 2022/23 audits in the sector are 8.04% behind plan with a negative volume variance of £65k being recognised.

3. Central charges

The central charges budget for 2022/23 has been reduced due to the change in approach for best value audit work. For the new audit appointments commencing in 2022/23 best value is now included within the auditor remuneration fee and not recovered through central charges. Fee income budget for local government audits has increased, which is offset by the reduction in central charges budget.

There is a favourable outturn in the year-end position due to the write back of the pooled costs element of central charges. The closing work-in-progress position has improved from prior years enabling the recognition of more central charge income.

4. Rebate

An adjustment to the rebate provision covers a potential rebate of some of the pooled costs charged in the 2021/22 audit fees. The actual expenditure incurred on travel and subsistence and firms expenses continues to be less than planned as developments are made in delivering audit from the office, on-site and at home.

The total provision in the balance sheet now stands at £418k and a strategy will be required to reduce future fees to include this adjustment.

5. Staff & Agency Costs

Business Group	Annual Budget £000	Actual £000	Budget £000	Variance £000	Actual Average w.t.e.	Average Budget w.t.e.	Note
ASG staff costs	10,942	10,705	10,942	237	178.3	182.8	a)
ASG agency & secondments	15	0	15	15			
PABV staff costs	5,431	5,154	5,431	277	78.8	85.5	b)
PABV agency & secondments	0	0	0	0			
CSG staff costs	2,629	2,452	2,629	177	38.5	41.2	c)
CSG agency & secondments	0	32	0	(32)			
Business Support staff costs	994	926	994	68	22.6	23.6	d)
Business Support agency & secondments	0	56	0	(56)			
Governance & Other staff costs	1,084	1,322	1,084	(238)	5.8	4.8	e)
Governance & Other agency & secondments	0	0	0	0			
Total staff costs	21,080	20,559	21,080	521	324.0	337.9	
Total agency & secondments	15	88	15	(73)			

- a) There is an underspend (£237k) for the year with the actual average whole time equivalent (w.t.e.) being 4.5 less than budget, which equates to £270k. The negative price variance of £33k is due to the pay settlement being higher than budgeted, which has been reduced by the pay scale position of staff compared to budget (e.g. more trainees funded by vacancies in auditor posts). There has been no agency costs.
- b) PABV underspend of £277k is due to the level of vacant positions which we are in the process of filling. The w.t.e. saving of 6.7 equates to £431k. The adverse price variance of £154k is the impact of the pay award.
- c) The average staff resource in CSG has been 3.7 w.t.e. less than budget leading to a volume underspend of £172k. There has also been a minor positive price variance of £5k.
Agency costs totalling £32k have been required to provide for a temporary HR Advisor and a Comms position. These costs are being funded by the savings generated through vacant posts.
- d) Business support underspend generated through vacant posts throughout the year. There is a w.t.e. saving of £41k and a price variance of £27k.
Agency expenditure of £56k relates to temporary cover requirements for vacant Executive Assistant posts during the year.
- e) The expenditure in Governance & Other is over budget due to year-end adjustments for holiday pay, provisions and senior posts created in year with no budget allocation. This has been addressed for 2023/24.

6. IAS 19 Pension costs

IAS 19 pension costs are £794k (17.4%) better than budget. The unfunded scheme is £335k better than budget due the significant adjustment to the discount rate reducing the overall liability as at 31 March 2023.

The funded scheme is £459k better than budget. A key factor for the current service cost is the paybill for the year and the contributions that this generates. As this was lower than budget it has an impact on the charge for the year included the Actuary

report.

7. Property

Overspend in property expenditure mainly due to provision for the impact of rent reviews (£32k), dilapidations provision (£37k), security enhancements (£13k) and cleaning (£11k).

8. Travel and subsistence

We have incurred lower than planned travel and subsistence expenditure as we continue to deliver the majority of our audit work remotely. The position for 2022/23 is an underspend of £84k.

Savings of £63k have also been generated in this expenditure heading due to reduced car lease expenditure. The underspend is attributable to mileage credits on return of vehicles to the lessor and members of the scheme leaving/retiring from Audit Scotland with there being no further obligation in respect of a lease car.

9. Training and Recruitment

Overspend in training due to the costs of the annual staff conference in Glasgow and the associated costs of this event.

Recruitment overspend attributable to the unbudgeted recruitment costs of a Controller of Audit post (£33k) and new members of the Accounts Commission (£23k).

10. Printing and office costs

Overspend mainly due to unbudgeted expenditure in respect of the AV Livestreaming of Accounts Commission meetings.

11. Information technology

Overspends in software development, communications and licences are the main reasons for the adverse variance within information technology. There have been instances of dual running of systems as we migrate from the old to new (e.g. HR, payroll, telephone system). This position has been forecast throughout 2022/23 and was being funded by savings within other Digital Services expenditure headings. The actual final outturn was £15k better than the projections made in December.

12. Depreciation

In the Spring Budget Revision an adjustment was made to cover increased depreciation costs. While the full adjustment was not required due to the timing of 2022/23 capital expenditure there was still a requirement for additional budget to meet increased expenditure.

13. Other costs

The budget underspend is due to the management contingency budget which at the end of the financial year had an unallocated balance of £276k.

Contingency and Financial risks

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

As at the end of March budget transfers of £224k have been approved by ET to meet the additional costs of the Edinburgh office rent review, the balance due in respect of senior management recruitment costs and an allocation to support

increased depreciation costs following the additional capital investment in 2021/22.

Longer-term financial planning and the 2023/24 budget proposal identifies that the following factors need to be carefully managed to deliver within budget in 2023/24:

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

Capital Expenditure and Funding

The total capital expenditure in 2022/23 was £203k, £47k less than budget. The budget planned to spend the allocation on potential office re-configuration and new IT hardware and software.

The expenditure incurred in the year enabled us to start the laptop replacement programme (£163k), replace chairs in the Glasgow office (£15k), provide mobile phones to new colleagues (£16k), replace coffee machines (£6k) and make the final payment due for the business management system (£3k).

Stuart Dennis
Corporate Finance Manager
2 May 2023

Information Security Management Policy review

Digital Project Manager

Item 15
Meeting date: 23 May 2023

Purpose

1. The purpose of this report is an annual review of the Audit Scotland Information Security Management Policy.

Recommendations

2. The Audit Scotland Board is invited to:
 - Note the updated policy and provide approval and final sign off.

Background

3. The Information Security Management Policy sets out Audit Scotland's information security objectives, with clearly defined roles and responsibilities.
4. The ISO 27001 standard requires that to maintain our ISO 27001 certification, we need to have a defined approved by management policy that is available to employees and relevant external parties. Once approved, the updated version will be published internally on our Staff Handbook and externally on the Audit Scotland website.
5. The proposed policy updates were approved by the Knowledge, Information, Technology & Governance (KITGG) on 22 March 2023 and the Executive Team on 9 May 2023.
6. Approval of our Information Security Management Policy by the Executive Team and the Board is a positive way of demonstrating that information security is a priority for Audit Scotland. We use evidence of the policy approval process at ISO 27001 surveillance audits. The most recent audit was completed in April 2023 and conducted by the certification body LRQA, with no new recommendations made.
7. As part of this review, only one minor amendment was made to our information security objectives and this is to improve information security training. All other changes proposed are to reflect organisational change in the last year and these have been included as tracked changes for ease during the policy review process.
8. KITGG considered the current objectives to be effective and how we achieve these is captured through annual review of our Information Security Management Framework.
9. Minor updates were made to the visio diagram in the policy Appendix and again this was to reflect organisational change and merging of documentation to avoid duplication.

Financial Implications

10. There are no financial implications resulting from this update.

Considerations

- KITGG approval of proposed updates on 22 March 2023
- Executive Team approval 9 May 2023
- Minor change to improve information security training and other updates to reflect organisational changes in 2022/23
- Appendix title updated.

Conclusion

- 11.** Approval and final sign-off of the policy required by the Audit Scotland Board, as part of annual review process.

Information Security Management Policy

Owned and maintained by:	Digital Services / Head of Digital Services
Date checked/ created:	<u>22 March 2023 approved by KITGG</u>
Next review date:	<u>9 May Executive Team, then 23 May Board</u>

Introduction

1. This policy sets out that in respect of the information Audit Scotland holds and processes it will have arrangements in place to:
 - protect and maintain the confidentiality, integrity, quality and availability of all the information it holds and processes
 - manage all the information it holds and processes to meet its contractual, legal and regulatory obligations.
2. This policy is supported by the Information Security Management System documentation policies, standards, procedures and these are shown in the diagram at Appendix 1.

Scope

3. This policy is mandatory for all employees, contractors and consultants employed by Audit Scotland. Failure to comply with this policy and supporting information security policies may result in disciplinary action.

Information Security Objectives

4. Audit Scotland will:
 - treat information security as business critical, whether that be for Audit Scotland information or client data managed by Audit Scotland
 - seek to ensure the confidentiality, integrity and availability of Audit Scotland's and client owned information, held by and managed by Audit Scotland
 - produce, maintain and test business continuity plans to ensure the availability of its information and information systems
 - ensure that wherever possible its information is open, not restricted by financial or legal agreements
 - meet legislative and regulatory requirements (including intellectual property rights)
 - comply with all relevant data protection regulations and implement privacy by design in all information systems

- identify and implement appropriate controls for information assets proportionate to levels of risk
- manage information security risks to an acceptable level, as defined in the Risk Framework
- communicate all appropriate information security policies to all employees, contractors, consultants, clients and other stakeholders
- allocate individual accountability for compliance with all appropriate information security policies, standards, guidance and procedures
- report and investigate all information security breaches, whether actual or suspected and ensure they are reported and investigated in line with approved policies.
- continue to improve information security management and [training to](#) raise awareness of the importance of information security regularly to our colleagues.
- develop, implement and maintain an Information Security Management System (ISMS) in accordance with guidance contained within ISO/IEC 27001:2013 standard.

Responsibilities

5. Audit Scotland's Board through its Audit Committee has oversight of risks, including information risks.
6. Audit Scotland's Accountable Officer, with support from the [Management Executive](#) Team, has overall responsibility for ensuring this policy is effectively implemented and delivered.
7. Audit Scotland's Senior Information Risk Officer (SIRO) is the Chief Operating Officer, who is responsible for the overall management of the organisation's information risks.
8. ~~A monthly or if needed more frequent, cyber security update is scheduled with the SIRO and a member of t~~**The Digital Services Management Team (DSMT)** that ensures the latest updates are provided to Senior Management demonstrating leadership and commitment to ISO 27001:2013.
9. In addition to the regular SIRO update, a 6-monthly update on Digital Security is provided to [Management Executive](#) Team and then the Audit Committee.
10. Audit Scotland's [Management Executive](#) Team will implement and manage appropriate controls to enable conformance to information security policies within their own areas of responsibility and will ensure individual accountability for control performance.
11. The Knowledge, Information and Technology Governance Group (KITGG) will support the Accountable Officer, Senior Information Risk Officer and [Management Executive](#) Team by assessing and mitigating information security risks through standing agenda items on Digital Security and Corporate Risk Register review, both providing assurance.
12. The KITGG will maintain this policy and associated information security policies ensuring they are communicated, reviewed and updated in response to changes in risks faced by Audit Scotland, legislation, and internal operational working practices.

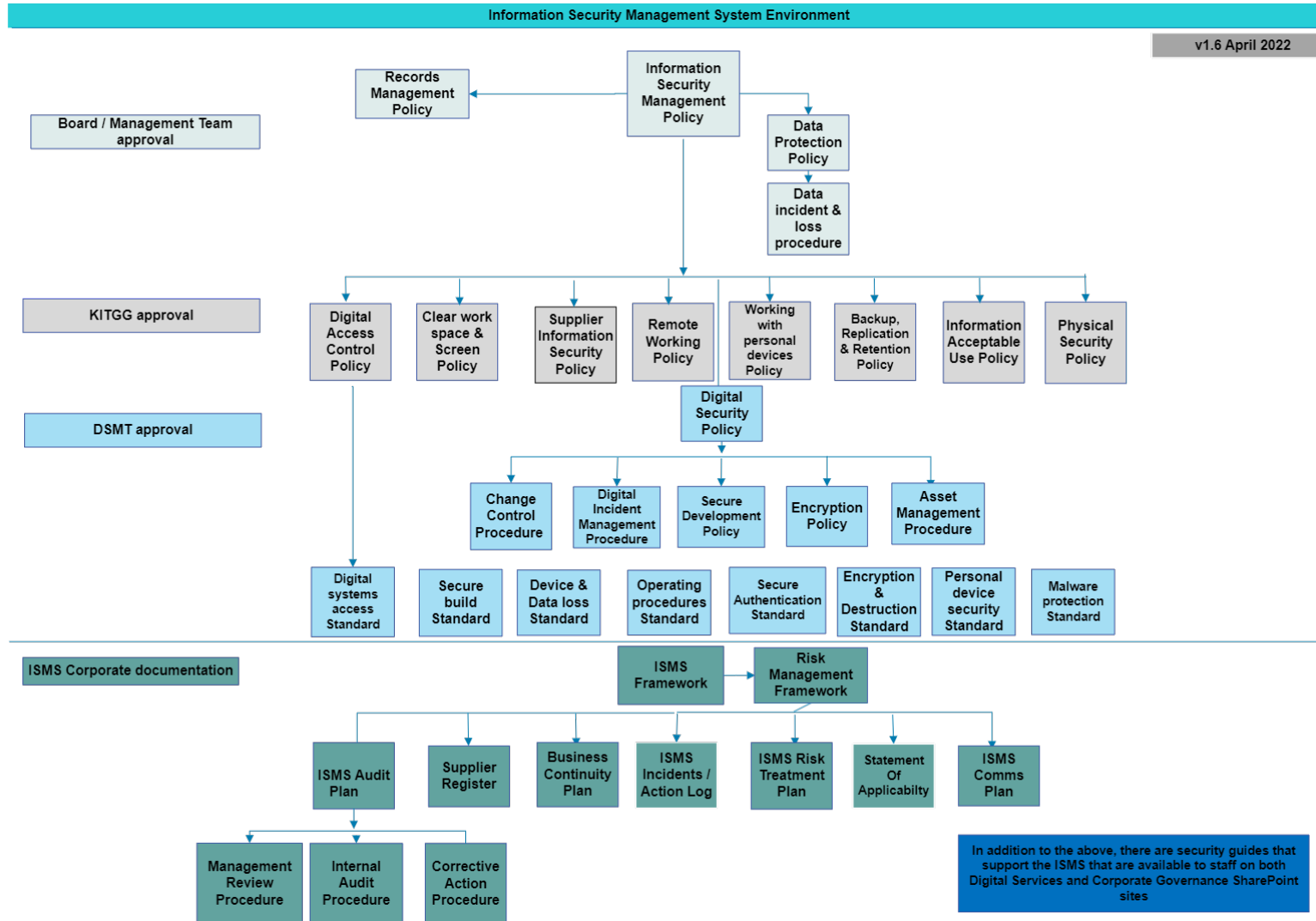
13. The KITGG will review and monitor all information security policies and our performance in meeting their requirements is monitored and reviewed on an annual basis.
14. The DSMT will maintain the Digital Services Strategy, information security standards, guidance and procedures ensuring they are communicated, reviewed and updated in response to changes in risks faced by Audit Scotland, legislation, and internal operational working practices.
15. The Digital Services Team will deliver the Digital Services Strategy ensuring that all the Audit Scotland's digital systems and services provide an environment that is independent of location, where colleagues can work safely, securely, and effectively, while supporting high quality audit work.
16. The Corporate Governance Manager (CGM) is the designated Data Protection Officer for Audit Scotland, responsible for updating Audit Scotland's Data Protection Policy. In addition, the CGM is the organisation's Records Manager managing data subject access requests and providing governance and compliance advice to staff.
17. Information Asset Owners must understand what information is held by their business group, and approve the permissions required to access it.
18. All Managers will be responsible for implementing and communicating appropriate information security policies, guidance and procedures.
19. All employees, contractors and consultants employed by Audit Scotland are required to play an active role in the protection of Audit Scotland's assets and treat information security appropriately, in order that this purpose can be achieved.

Change Log

Date	Author	Description
01/05/19	Digital Services Manager	Annual effectiveness review by KITGG, Management Team and the Board. Minor changes made to policy. Appendix 1 diagram updated to reflect current ISMS documentation.
13/05/20	Digital Services Manager	Annual refresh, additional objective included, CGM role updated and removed reference to Cyber Essentials Plus as superseded by ISO 27001. Board approved.
22/09/21	Digital Services Manager	Delayed annual refresh, minor change to responsibilities to include the Digital Services Strategy and Digital Services Team. KITGG and Management Team approved, with final sign off by the Audit Scotland Board on 22/09/21.
17/05/22	Digital Services Manager	Annual effectiveness review of policy and review timing aligned with all other ISMS documentation. Renamed Commitments section to be aligned with ISMS

		Framework & Scope. Additional objectives included with an emphasis on risk and raising awareness of information security. ISMS environment diagram updated to reflect document changes. Board approved.
<u>23/05/23</u>	<u>Head of Digital Services</u>	<u>Annual review of policy by KITGG, Executive Team and the Audit Scotland Board.</u>

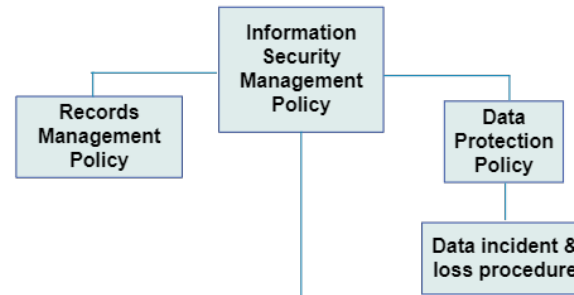
Appendix 1



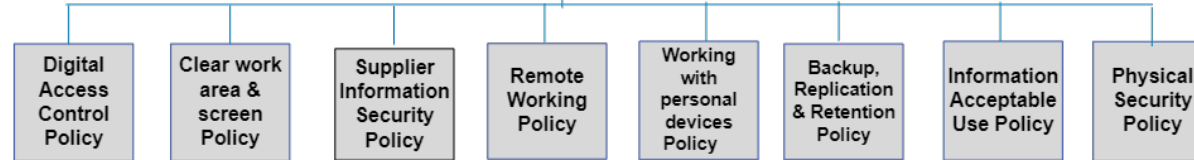
Information Security Management System Environment

January 2023

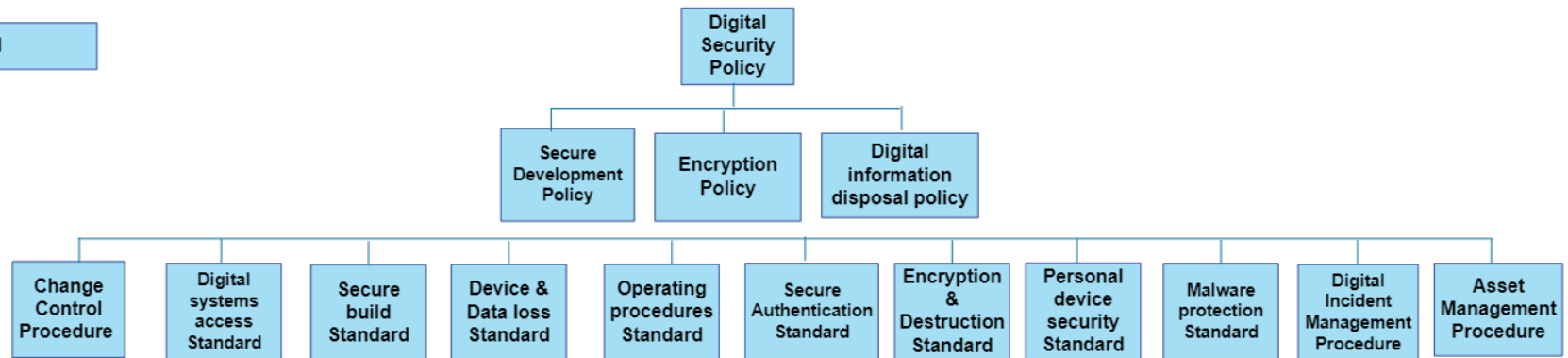
Board / Executive Team approval



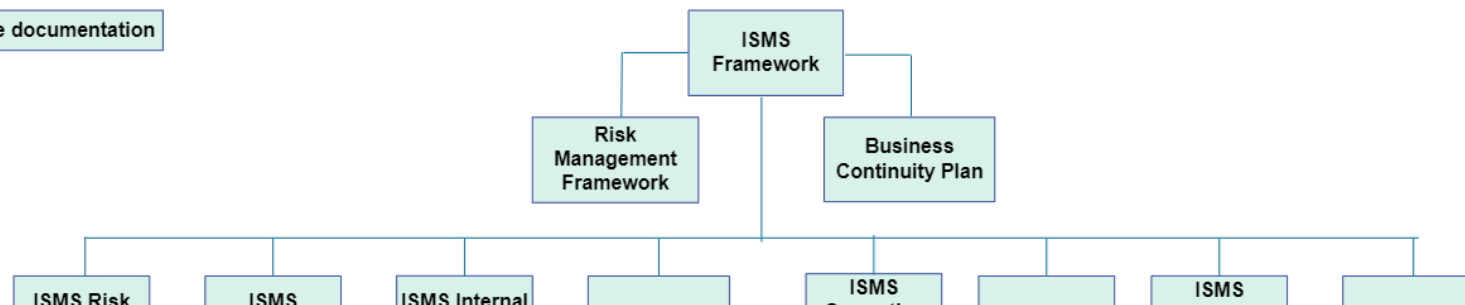
KITGG approval



DSMT approval



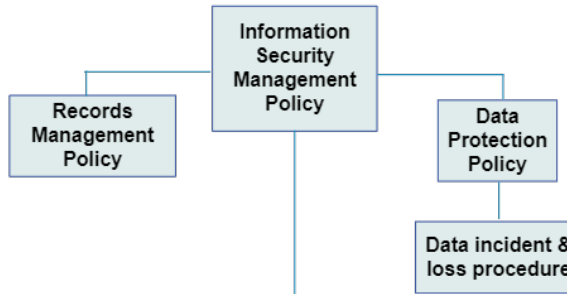
ISMS Corporate documentation



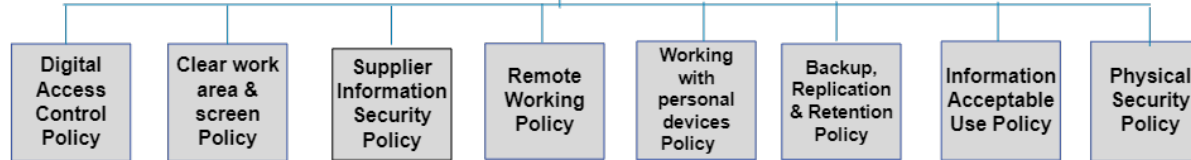
ISMS structure & supporting documentation

January 2023

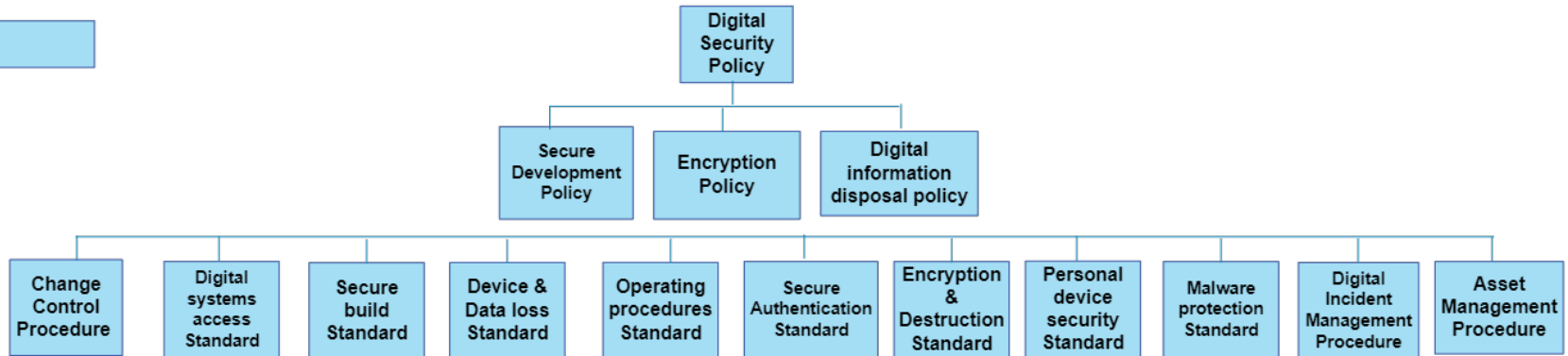
Board / Executive Team approval



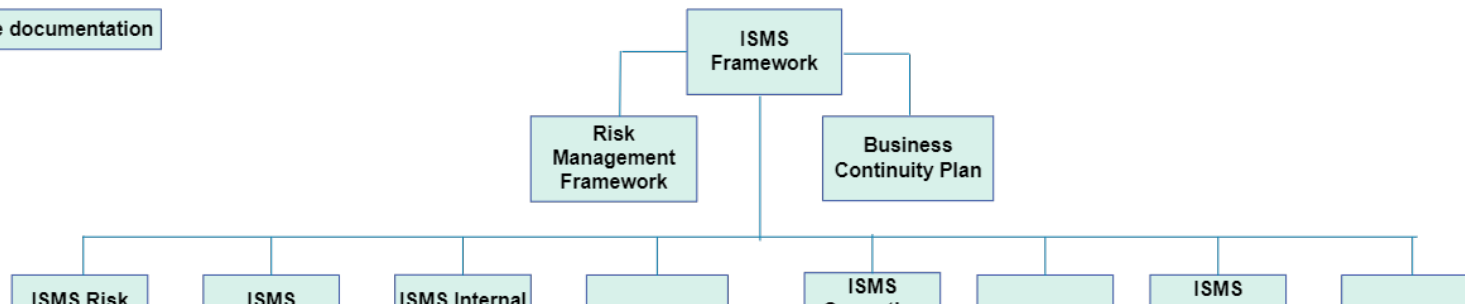
KITGG approval



DSMT approval



ISMS Corporate documentation



Staff Handbook policy review

Head of Human Resources (HR)

Item 16
Meeting date: 23 May 2023

Purpose

1. This report invites the Board to conduct an annual review of two policies held within our staff handbook on SharePoint, Bullying and Harassment and Diversity and Equality.

Recommendations

2. The Board is invited to:
 - Note the report
 - Approve the proposed changes to both policies.

Background and considerations

3. During 2022, Executive Team shared the findings of a stress survey with colleagues which highlighted some incidences of bullying and harassment by colleagues. As a result of this, one of our actions included the demonstration of a zero-tolerance approach to any bullying or harassment at Audit Scotland with this policy now going via the Board for approval, rather than Executive Team only.
4. The Bullying and Harassment policy was reviewed in 2022. Typically, this policy would be reviewed two yearly. Due to the important focus on the findings received, we agreed a further policy review of the policy again in 2023 would be helpful.
5. Our Diversity and Equality policy is typically reviewed on an annual basis. During 2023 we welcome looking forward to working again with [Business in the Community](#) who will continue to help us further develop our strategy and associated policies around diversity, equality and inclusion.
6. Our HR team use a tool called [XpertHR](#) to ensure our policies and templates remain compliant and up to date with best practice in employment law.
7. Our Public and Commercial Services (PCS) union have been consulted on both draft policies and their suggested changes have been accounted for in the final drafts.

Conclusion

8. A summary of the changes proposed can be found in the below table for ease:

Policy description	Review outcome	Approval level
Bullying and Harassment policy	Inclusion of information about support and training on offer to all colleagues.	Board

	Other small, non-substantive changes proposed.	
Diversity and Equality policy	<p>Inclusion of information about our range of employee network groups which can offer support, advice and guidance to colleagues.</p> <p>Other small, non-substantive changes proposed.</p>	Board

9. Subject to Board approval, the draft policies will be shared on Yammer with all colleagues and updated within the staff handbook on SharePoint.

Diversity and Equality policy

Owned and maintained by:	Human Resources
Date checked/ created:	June 2021 <u>May 2023</u>
Next review date:	June 202 <u>5</u> 3

Introduction

Audit Scotland is committed to eliminating discrimination, valuing and promoting equality and diversity amongst our workforce and will work towards increasing the diversity of our employees. It is our policy to treat all job applicants and employees fairly and equitably regardless of age, disability, sex, gender reassignment status, marriage or civil partnership status, maternity or pregnancy, race, religion or belief or sexual orientation¹.

We will strive to take a leading role in advancing equal opportunities practices and diversity both as an employer and in our auditing role. In relation to employment, this policy statement applies to recruitment and selection, promotion, training, terms and conditions of employment, pay and benefits and every other aspect of employment, including general treatment at work and the processes involved in the cessation of employment.

This policy applies to all to job applicants (internal and external), employees, secondees, agency staff, clients, suppliers and contractors, whether permanent or temporary.

Audit Scotland will do all it reasonably can to promote good practice in this area in order to eliminate discrimination, harassment and victimisation, advance equality of opportunity and promote good relations.

Audit Scotland aims to be an organisation which is broadly representative of the communities it serves. We will demonstrate our commitment by:

- Ensuring diversity and equality is at the heart of policy-making and taking a lead role in demonstrating best practice.
- Actively promoting equality of opportunity through circulating recruitment vacancy details as widely as possible and monitoring our recruitment practices.

¹ These characteristics are called 'protected characteristics' as defined by The Equality Act 2010. Audit Scotland considers Disability under the social model of disability. We recognise that it is often the barriers in society that exclude people with disabilities, rather than individual impairments and conditions.

- Treating all our employees with respect and equality of opportunity in order that their selection and subsequent development is based entirely on merit.
- Creating a working environment that promotes dignity and respect for all. No form of discrimination², bullying, harassment or victimisation will be tolerated against any current or prospective employee on the grounds of their age, disability, sex, gender reassignment, marriage or civil partnership, maternity or pregnancy, race, religion or belief or sexual orientation.
- Raising employee awareness about equality and valuing diversity and enabling managers to promote and be accountable for equality of opportunity through 3D developmental discussion and training for all employees.
- Positively valuing the different attributes, perspectives and skills of employees and making full use of these.
- Putting in place any reasonable adjustments to the job or working conditions for a disabled colleague or prospective employee.

Recruitment and selection

We will carefully consider whether vacancies should be advertised internally or externally. Where externally advertised, we are committed to developing and monitoring our recruitment and employment policies to ensure they are accessible to all sections of the community.

When establishing criterion for recruitment into vacant posts, we will consider carefully what is relevant and necessary for the effective performance of the job. Criterion will not be imposed unless there is a proper job-based reason why they are necessary.

All job applicants will be asked to complete an online diversity monitoring section including details of their age, disability, ethnic origin, sex and race, religion or belief, and sexual orientation³. Audit Scotland guarantees the information provided will be used solely for the purposes of monitoring the effectiveness of our diversity and equality policy and will be kept confidential by the Human Resources (HR) team.

All managers involved in any form of recruitment or selection will first complete recruitment and selection training, which includes a dedicated diversity and equality module. Our separate on-line diversity training package for managers also provides practical examples of diversity and equality issues in relation to recruitment and selection. Members of the HR

² The non-discrimination principle in this policy includes the prohibition of discrimination against an individual because they associate with someone with a protected characteristic, for example, an employee who is married to someone from a minority ethnic group. It applies equally to situations where someone thinks or perceives (rightly or wrongly) that a colleague has a particular protected characteristic e.g. they are undergoing or have undergone gender reassignment or have a disability.

³ This is voluntary and includes a “prefer not to say” option.

&OD team work closely with managers at all stages of the recruitment process, advising and supporting them on good practice and helping with individual questions that arise.

Monitoring

We are committed to our monitoring requirements under the Equality Act 2010 and meeting our general and specific duties under this act.

To ensure accuracy in our reporting, employees are asked to update their diversity information annually. This includes details of their protected characteristics including disability, religion or belief and sexual orientation. We guarantee that the information provided will be used solely for the purpose of monitoring the effectiveness of our diversity and equality policy and will be held securely.

All business groups have representatives on the Equality and Human Rights Steering Group (EHRSG). This group is responsible for our Equality Outcomes and Mainstreaming reporting, a full report is produced every four years. Annual reporting is carried out on equality and diversity across our workforce and recruitment activity by the HR-&OD team.

This reporting information is used to promote discussion and inform future policy and enhance business processes.

Further information on what information we ask employees to provide and how we use it can be found in Appendix One.

Our diversity policies and network groups

Audit Scotland has a number of diversity policies in place, including an equal pay policy statement, religion and belief observance policy, gender reassignment policy, and bullying and harassment policy.

Any employee can use the bullying and harassment or grievance policies to complain about discriminatory conduct. Audit Scotland is keen to ensure that all employees feel comfortable about raising such complaints. Employees should be able to raise a concern in the knowledge that their complaint will not be held against them unless it is made in bad faith e.g. out of malice. All diversity policies can be accessed through our staff handbook.

[There are also a variety of employee network groups which can provide guidance and support to colleagues where requested. For example our Disability Confident working group, our Race, Ethnicity and Cultural Heritage group and our LGBTQ+ group. Details of the groups available can be found on our intranet site here.](#)

Disability Confident employer

Audit Scotland has received accreditation as a Disability Confident employer (Level 2) under the Disability Confident scheme, awarded by the [Department for Work and Pensions](#). We have made an ongoing commitment to recruitment, retention and development of employees with disabilities.

A disability is a physical or mental impairment which has an adverse effect on a person's ability to carry out normal day-to-day activities. A more detailed definition can be found in the Equality Act 2010.

Employees who have a disability or health condition or who become disabled in the course of their employment are encouraged to inform HR. ~~This can be done in person or by email.~~ This is voluntary but participation will help Audit Scotland monitor and improve our policies and working practices. Any information provided is held in confidence and cannot be seen by line managers, although sharing this information with line managers is encouraged to ensure the right support is put into place.

Under the Equality Act 2010, we have a duty to make reasonable adjustments to the job or working conditions for a disabled colleague or prospective employee. Some examples include:

- adjustments to the workplace to improve access or layout; moving tasks to more accessible areas;
- giving some of the disabled person's duties to another person;
- getting new or adapting existing equipment, eg chairs, desks, computers;
- modifying instructions or procedures, eg by providing in bigger text or Braille;
- improving communication, eg providing a reader or interpreter, having visual as well as audible alarms; and
- changes to working hours, location or working patterns.

Employees can discuss any reasonable adjustments they require with HR or their line manager and are encouraged to suggest any adjustments that they believe would be helpful. Careful consideration will be given to any proposals and, where reasonable, such adjustments will be made.

Personal counselling is also available to all Audit Scotland employees. This can help with a broad range of individual and/or social situations, for example, dealing with physical pain, depression or stress. More details can be found in our Occupational Health and Wellbeing policy.

Audit Scotland is committed to supporting employees who become disabled in the course of their employment to enable them to continue in their current job or a suitable alternative post.

Employee Training

All employees will receive training in diversity and equality of opportunity as a part of their induction. Further training and development is available to all employees as part of our rolling programme of learning across Audit Scotland.

Every person working for Audit Scotland has a personal responsibility for implementing and promoting diversity and equality principles in their day to day dealings with clients and with each other.

Retirement

Audit Scotland does not operate any compulsory retirement age, and each employee may choose for themselves when to stop working, subject to them continuing to be fit to perform their job to a satisfactory standard.

Appendix One

Why do you want my diversity information and what information do Audit Scotland ask for?

We currently ask you to provide information on your:

- Age
- Disability
- Ethnicity
- Sex
- Marital or civil partnership status
- Nationality
- Race
- Religion or belief
- Sexual orientation.

These characteristics (alongside maternity or pregnancy) are covered under the Equality Act 2010 as protected characteristics. The Act bans unfair treatment of people because of a protected characteristic they have.

Why do you want my information and how will you use it?

We want to ensure our practices, systems and policies are not directly or indirectly treating people unfairly. Therefore, each year we produce a report which includes an analysis of employee information (the latest report is available from the Audit Scotland website).

We also produce an equal pay review showing pay gap differences (our latest report is also available on our website). Under the public sector equality duty, we have a legal obligation to gather information on our employees, particularly in relation to recruitment, development and retention across all of the protected characteristics.

We must use the information to better perform the equality duty⁴ and publish a report to show a breakdown of information and details of the progress we have made in gathering and using this information.

We are also required to produce gender pay gap information showing the percentage difference between male and female average pay.

Example:

If our analysis showed a significant difference in the pay between men and women doing work of equal value or a lower proportion of minority ethnic group applicants were making it through our selection processes, then we would examine this further and take action as appropriate.

Why should I tell you about my religion or sexual orientation? It has nothing to do with my job.

We understand that this information is particularly personal and sensitive and you may not want to share it with us. However, we want to ensure our practices, systems and policies are fair and non-discriminatory. If we want to be able to do this, we need your information. Therefore, we encourage you to share your details.

What will happen if I disclose a disability?

If you indicate you have a disability, HR will work with you to determine your particular circumstances and discuss any reasonable adjustment(s) that could be made to support you in your role. However, we acknowledge that often those with a disability don't need or want additional support or assistance. We will not make any assumptions, but will listen to you and agree what, if any, support is required.

Who will see the information you hold about me?

Only you and the **Human Resources** team will be able to access your diversity information. Line managers will not have access. You complete and update the information confidentially on **Cascade the HR system** and it is protected by the General Data Protection Act 2018. We actively encourage you to review and update this information at least annually to ensure any changes are made.

When employee information is reported and published, it is not possible to identify individuals. For example, a report will show the percentage/number of LGBTQ+ employees compared to the percentage of those who are heterosexual/**straight**. However, no breakdown is provided where fewer than five employees are in a particular category.

We take confidentiality very seriously and you can be assured we will keep your information safe and secure.

Do I have to disclose my information?

⁴ to eliminate discrimination, victimisation, harassment and other prohibited conduct; advance equality of opportunity and foster good relations across the nine protected characteristics.

No. It is absolutely up to you. However, we would urge you to seriously consider sharing it with us, as it will help us ensure we are not treating people unfairly.

There is some information we need you to provide e.g. date of birth (age) and marital/civil partnership status for payroll / pension purposes and nationality for establishing your right to work in the UK.

Who can I go to if I have a question?

You can discuss with your line manager in the first instance or contact a member of the HR team. Alternatively, the [employee network groups or the Equality and Human Rights Steering Group \(EHRSG\)](#), will be happy to answer any questions. A list of current members is on SharePoint (Equality and Human Rights – Steering Group). All discussions will be treated confidentially.

Bullying and Harassment Policy

Owned and maintained by:	Human Resources
Date checked/created:	November 2022 April 2023
Next review date:	June 202 5 3

Statement of intent

Audit Scotland is committed to providing a working environment that is free from bullying and harassment of any nature. A workplace culture, where bullying or harassment is tolerated, is harmful to the wellbeing of our colleagues, as well as the wider organisation. We ~~will~~ take a zero-tolerance approach to non-inclusive behaviours.

Employees have the right to be treated with dignity and respect irrespective of their age, disability, sex, gender re-assignment, marriage or civil partnership, maternity or pregnancy, race, religion or belief and sexual orientation. No form of bullying and harassment will be condoned ~~at work or outside work~~, if it has a bearing on the working relationship. Any such action will be treated as a serious disciplinary offence.

All managers have a duty to establish and maintain a working environment free from bullying and harassment. All employees must comply with these guidelines and take steps to ensure that bullying and harassment does not occur. Disciplinary action, including dismissal, will be taken against those failing to fulfil their responsibilities.

Audit Scotland welcomes the support of PCS in seeking to secure a working environment free from bullying and harassment.

Principles

This policy has been designed to inform employees about the type of behaviour that is unacceptable and sets out the procedure for dealing with bullying and harassment.

Audit Scotland will not tolerate harassment or bullying of:

- job applicants and new recruits
- employees
- contractors
- agency workers
- clients

This policy also applies to work-related functions held outside of normal working hours, either on or off the organisation's premises, such as office parties, celebrations, working lunches, etc. The organisation will also not tolerate harassment of staff by third parties, for example, by clients, and will take appropriate action to deal with all instances which are reported.

Definitions of Bullying and Harassment

Bullying and harassment often take place with no witnesses. ~~Research suggests that bullying and harassment is just as likely to be perpetrated by females as by males and that bullying and harassment happens equally to men and women.~~

Victims may not always recognise what is happening and ~~end up feeling trapped, feel~~ isolated and powerless. They often believe their concerns will not be taken seriously and that further retribution will follow if they do complain. Individuals may have problems facing up to what is going on and employees need to be aware of a checklist of early warning signs. These include feeling persistently "got at", being criticised for work that has always been acceptable to previous ~~management bosses~~ and feeling blamed for other people's ~~mistakesactions~~.

Bullying

- There is no legal definition of bullying. The Dignity at Work Partnership's definition of bullying states, "Bullying can take many forms. It is generally accepted as unwanted behaviour that offends, persecutes or excludes someone. It includes treating individuals in a demeaning and unacceptable way and can be intimidating, malicious or insulting, or a misuse of power to undermine, humiliate, threaten or cause injury."
- Bullying can be physical, verbal or non-verbal conduct. It is not necessarily face to face and can be done by email, phone calls, online (cyber-bullying) or on social media. Bullying may occur during working hours or outside of work. See examples in Appendix One.

Harassment

- Is unwanted conduct that intentionally or unintentionally violates an individual's dignity or creates an intimidating, hostile, degrading, humiliating or offensive environment for that individual.
- Can take many forms, occur on a variety of grounds and may be directed at one person or a group of people. People can be subjected to harassment on a wide variety of grounds, for example, because of their sex, age or disability.
- Can also include sexual harassment. Sexual harassment is behaviour that has a sexual content or sexual connotation. Examples could include unwelcome physical touching, making sexual remarks to or about a person, telling jokes with a sexual content or displaying sexually explicit images on a computer screen. See further examples in Appendix One.

Victimisation

- ~~Victimisation is subjecting a person to a detriment because they have, in good faith, complained (whether formally or otherwise) that someone has been bullying or harassing them or someone else, or supported someone to make a complaint or given evidence in relation to a complaint. This would include isolating someone because they have made a complaint or giving them a heavier or more difficult workload.~~

Microaggression

- A microaggression is a subtle verbal or non-verbal behaviour, committed consciously or not, that is directed at a member of a marginalised group such as a racial or ethnic minority, and has a harmful, derogatory effect.
- Microaggressions cause others to feel dismissed, alienated, insulted, or invalidated. They make differences in power and privilege more apparent and perpetuate stereotypes and racism.
- Examples of these can include continued mispronunciation of names, asking someone who is a visible minority, "where are you really from" or a situation where someone tells a colleague who is LGBTQ that they "don't seem gay" or some other similar phrase.

Provided that you act in good faith, i.e. you genuinely believe that what you are saying is true, you have a right not to be victimised for making a complaint or doing anything in relation to a complaint of bullying or harassment. The and the organisation will take appropriate action to deal with any alleged victimisation, which may include disciplinary action against anyone found to have victimised you.

Victimisation

- Victimisation is subjecting a person to a detriment because they have, in good faith, complained (whether formally or otherwise) that someone has been bullying or harassing them or someone else, or supported someone to make a complaint or given evidence in relation to a complaint. This would include isolating someone because they have made a complaint or giving them a heavier or more difficult workload.

Making a complaint that you know to be untrue, or giving evidence that you know to be untrue, may lead to disciplinary action being taken against you.

In cases of bullying and harassment one incidence is sufficient for harassment to be deemed to have taken place. The test of whether the harasser ought to have known that the behaviour amounted to harassment is whether a reasonable person in possession of the same information would have known it did. Therefore, harassment can be an offence even if it is not intentional.

Legal Considerations

Audit Scotland has a legal and ethical responsibility as an employer to ensure that staff are not subjected to behaviour which may affect either their performance or, more importantly, their health and well-being.

An employer's responsibilities under the Health and Safety at Work Act 1974 include the provision of a safe and healthy working environment. Bullying and harassment is a cause of stress, which amounts to a serious health and safety issue. The Health and Safety Executive has published guidelines on stress at work, which include a section on dealing with bullying and harassment.

Under the Equalities Act 2010, employees are able to complain of behaviour that they find offensive even if it is not directed at them. In addition, the complainant need not themselves possess the relevant characteristic (for example, race or religion or belief) - it can be because of a perception or association with a person who has a particular characteristic.

Audit Scotland, together with any managers who fail to take steps to prevent harassment or investigate complaints, may be held liable for their unlawful actions. The intention of the perpetrator is irrelevant; it is the impact on the individual that determines whether bullying or harassment has taken place.

Effects of Bullying and Harassment

Bullying and harassment in the workplace can cause stress and anxiety, and affect the personal lives of those who suffer, as well as undermining morale and productivity. It can also lead to accidents, illness, and poor performance.

The symptoms of bullying and harassment include absenteeism, underperformance and high staff turnover. Preoccupied and anxious employees may become unwilling to make decisions or take the initiative, and may become quietly disruptive and demoralised. For examples of what might constitute bullying and/or harassment see Appendix One.

Making a Complaint

In the event of any member of staff being bullied or harassed, they have a right to, and are encouraged to, raise the matter informally with their line manager/a member of Human Resources (HR) or formally using the grievance procedure. It is the responsibility of all managers to take seriously, treat confidentially and thoroughly and speedily investigate any complaint of bullying or harassment.

There are two procedures by which an employee can make a complaint of bullying or harassment – informal and formal. The employee must decide which procedure to use and can consider whether to ask for confidential counselling. When appropriate, every effort will be made to resolve the situation informally. Some incidents, however, by virtue of their serious nature will need to be dealt with immediately under the formal procedure.

Confidentiality will be maintained as far as possible. You may or may not want your manager or HR representative to talk to the individual on your behalf and, where possible, we will respect your wishes. However, if the welfare or safety of you or others is at risk or where your allegations are particularly serious, we may have to approach the individual and instigate a formal investigation. In such a case we will, where possible, discuss this with you first.

1. Informal Procedure

- Employees are encouraged to keep a written record of any incidents of bullying or harassment, including the date, time, nature of incident(s), the names of those involved and the names of any witnesses.
- If possible, the person who is bullying or harassing should be told by the individual who is being bullied or harassed that the behaviour is offensive and unwanted and must stop. A colleague, manager or union representative can act as a witness when this statement is made. Alternatively, an appropriate manager or a member of the **Human Resources** team can be asked to speak to the alleged bully or harasser.
- Whenever possible, any complaint of bullying or harassment should be made in the first instance to the immediate line manager. Alternatively, you should speak with another appropriate member of the **Executive-business group's mManagement** team.
- **Human Resources** will give confidential support and advice to all parties as requested.
- Mediation provisions can also be considered to encourage early resolution.

Where informal methods fail, or the employee chooses not to use them or considers that the problem is sufficiently serious, a formal complaint can be made.

2. Formal Procedure

- The complaint should be made in writing, describing the incident(s) as fully as possible¹ to the **Human Resources & Organisational Head of HR Development Manager**, the Chief Operating Officer or another appropriate member of the Executive **Management** Team.
- A senior manager **or Director**, from another business group (to ensure impartiality), **may will** be appointed to investigate the complaint. They will interview the complainant², the person against whom the allegations are made and any relevant witnesses. These interviews will be conducted in confidence. All parties to these proceedings can be accompanied by a colleague or trade union representative.
- In some cases, an external investigator may be appointed at this stage to ensure impartiality, for example if the complaint is about a senior manager, member of the Executive Management team or a member of the HR team.

¹ The employee may consult with **HRuman-resources** if they are unsure how to present a written complaint.

² The aim is to establish all the evidence and employees who raise a complaint will be asked to disclose: the name of the person alleged to have breached this policy; what they personally observed, including words said, tone of voice, manner and other surrounding circumstances (as far as the employee can remember); the times and dates of alleged incidents and the names of anyone else present.

- All complaints will be handled and investigated in a timely manner. Wherever possible, the investigation will be concluded within two weeks of the complaint being received. If this is not possible, the complainant and the person against whom the allegations are being made will be advised of this and when the investigation is likely to be completed. Employees shall be guaranteed a fair and impartial hearing whether they are the alleged bully or the bullied.
- It may be necessary for one or both parties to be temporarily transferred to different teams while the investigation is carried out or for working from home to be considered. Only in the most serious cases of bullying or harassment will suspension be considered necessary. Such action is undertaken only with the prior approval of HR and in line with the guidance detailed within our Disciplinary Policy.
- The investigating manager's report, indicating whether there is evidence to support the claim of bullying or harassment will be submitted to Human Resources and to the complainant and the person(s) against whom the allegation has been made.
- If the complainant is dissatisfied with the outcome, or with the way in which the complaint was handled, then a written request for reconsideration should be made to the Human Resources & Organisational Development Manager/Head of HR within seven days of receiving the investigating manager's decision.
- If disciplinary action is justified, a disciplinary hearing will be arranged within ten working days of either the decision of the investigating manager, or if the matter was referred for reconsideration, the decision of the Human Resources & Organisational Development Manager/Head of HR.
- The employee against whom the allegation has been made will have the right to be accompanied at this hearing by a work colleague or trade union representative and will have the opportunity to challenge the evidence and to state their case. The hearing will be conducted in accordance with Audit Scotland's disciplinary policy.
- Any disciplinary action taken will reflect the severity of the offence and may include the transfer of the employee accused of bullying or harassment, on a temporary or permanent basis, or dismissal. The employee may appeal against the penalty or warning in accordance with the appeals procedure.
- Where the outcome of the investigation is that the complaint is not founded, or the nature of the complaint justifies counselling/advice, this will be discussed with all parties and Human Resources/HR.

~~Confidentiality will be maintained as far as possible. However, if an employee decides not to take any action to deal with the problem and the circumstances are very serious, Audit Scotland reserves the right to investigate the situation since it has an overall duty of care to ensure the safety of all employees who may be adversely affected by the alleged behaviour of others.~~

Note: if a claim of bullying or harassment is made by a member of Audit Scotland staff against a member of staff who works for an audited body whilst on a non – Audit Scotland site then the policy of the hosting organisation will apply. Any complaint made by non-Audit Scotland staff whilst on Audit Scotland premises, will be dealt with under this policy. Audit Scotland staff should therefore make themselves aware of the host organisation's policy in this respect.

Employees who experience bullying and harassment by a member of an audited body on a non-Audit Scotland site, however, should inform their line manager and/or a member of the **Human Resources** team. While the matter may be formally dealt with by the host organisation's policy, all reasonable efforts will be made to reduce an employee's exposure to bullying or harassing behaviours. In such circumstances, alternative arrangements will be explored.

Any complaints found to be false and malicious may result in disciplinary action being taken against the complainant.

Employee Training

All employees will receive training in diversity and equality as a part of their induction. Further training and development is available to all employees as part of our rolling programme of learning across Audit Scotland.

Every person working for Audit Scotland has a personal responsibility for implementing and promoting diversity and equality principles in their dealings with clients and with each other. This includes consistently conducting ourselves in line with our values as an ~~organisation~~**organisation**. ~~of:~~

We expect all of our colleagues to proactively support our equality, diversity and inclusion initiatives by attending events and workshops organised by Audit Scotland's Learning and Development and HR teams and employee network groups to educate themselves on the challenges faced by others and how to help alleviate these in the workplace.

All complaints and information received will be handled in line with our Data Protection policy which can be found in our staff handbook.

Additional support

Guidance for line managers in handling bullying or workplace conflict can be found on our Management Development intranet page.

Information on the following areas of relevant training can be obtained from **Human Resources**:

- implementing and clearly communicating these guidelines
- corporate induction training

- diversity and equality (including bullying and harassment)
- assertiveness skills
- time management
- personal development
- stress management

Access to a professional counsellor through our Occupational Health & Wellbeing partners may be appropriate. This could help victims prepare their case and recover self-confidence.

Informal contacts in the form of someone designated to lend a sympathetic ear and provide support if needed can be colleagues, [Human Resources](#), trade union representatives or occupational health [specialists](#) staff.

Appendix One

Examples of bullying and harassment

Bullying

- Derogatory remarks.
- Insensitive jokes or pranks.
- Insulting or aggressive behaviour, both verbal and physical.
- Ignoring or excluding an individual.
- Setting unrealistic deadlines.
- Public criticism.
- Substituting responsible tasks with menial or trivial ones.
- Withholding necessary information.
- Constantly undervaluing effort.

Harassment

- Unwanted non-accidental contact ranging from unnecessary touching to assault and coercing sexual relations.
- The display of pornographic or sexually suggestive pictures.
- Conduct that denigrates or ridicules a colleague because of their race.
- Making fun of disability and use of inappropriate terms e.g. 'cripple'.

These lists are not exhaustive. The actions listed above must be viewed in terms of the distress they cause the individual. It is the perceptions of the

recipient that determine whether any action or statement can be viewed as bullying or harassment.

What is not generally considered to constitute bullying and harassment?

Line managers are responsible for ensuring that staff who report to them perform to an acceptable standard. Legitimate, justifiable, appropriately conducted monitoring of an employee's behaviour or job performance does not therefore constitute bullying and harassment. Managers must carry out these functions in a fair, effective and consistent manner. It is important to differentiate between fair and effective management and bullying and harassing behaviour.

Fair and effective management	Bullying and harassing behaviour
Consistent and fair.	Aggressive and inconsistent.
Results focused but reasonable and flexible.	Unreasonable and inflexible.
Clear about their plans but willing to consult before drawing up proposals.	Believes they are always right and are not prepared to listen to others.
Will discuss in private, any problems with a member of the team or the team itself.	Loses temper when things go wrong.
Respects other colleagues	Degrades colleagues in front of others.

Best Companies Survey 2023

Learning and Development Manager

Item 17
Meeting date: 23 May 2023

Purpose

1. This report updates the Board on the latest results of the Best Companies Survey from 2023 and highlights the planned next steps.

Recommendations

2. The Board is invited to:
 - Consider and comment on the results of the Best Companies Survey.

Background

3. We first took part in the Best Companies survey in 2009. This is our thirteenth year taking part in Best Companies. The survey is one way in which we assess levels of engagement and listen to feedback from colleagues.
4. The survey was completed by colleagues between 27 February 2023 and the 10 March 2023.
5. An executive level summary of the results was sent to the Executive Team on the 17 March 2023.
6. Leadership Group met on the 26 April 2023 and have identified several actions for additional consideration to address our areas of strategic focus and how the results can inform our future planning and priorities. These include:
 - Ensuring organisation clarity is provided through corporate plan
 - Consideration on impact of resources on audit activity
 - Additional support of line managers.
7. Executive Team has additionally reviewed results on 9 May 2023.

Considerations

8. Our Best Companies Index (BCI) score 659.4 is lower than last year score of 670.2.
9. We are now rated as “one to watch”, “a good company to work for” rather than “one star” “a very good company to work for”. The margin for that change is 0.1, a one-star benchmark starts at 659.5.
10. Best companies have noted that 47% of organisations surveyed during quarters one to four in 2022, who also surveyed during 2021, have experienced a decline in overall BCI score by

an average of 23.4 points. Audit Scotland changed by 10.8 points from our previous survey in February 2022.

11. We've seen a lot of change in Audit Scotland over the past year and we're not immune to the challenges facing other public bodies, as society recovers from the Covid-19 pandemic and experiences the ongoing effects of the cost-of-living crisis. To some extent, our results reflect that.
12. There are five factors that had no significant change: My Manager, Personal Growth, My Team, Wellbeing and Giving Something Back
13. There are three factors where the score has moved down by 3% or more: **Leadership, My Company** and **Fair Deal**.
14. We achieved our highest participation rate ever at 82.89% in comparison to 80.18% last year. In equivalent companies to Audit Scotland the completion rates are on average 68.62%.
15. We raised £562 for MND Scotland.
16. Best Companies identify 3 areas of strategic focus for Audit Scotland to consider: -
 - Reinforce **Organisational Clarity**, by creating excitement about where the organisation is going
 - Encourage greater **Managerial Engagement**, by encouraging managers to help fulfil the potential of their team members
 - Encourage **Managers to take more of an active interest in their colleagues' wellbeing** enabling employees to feel more positive about remuneration levels
17. Employees describe Audit Scotland as a 'values driven' organisation, that has the 'best interests' of the people of Scotland at heart.
18. Resourcing issues are identified as an area of concern for some business groups of the organisation

Conclusion

19. Next Steps:
 - The Best Companies results will be shared in line with the 2023 Best Companies Staff Engagement Plan (Appendix 1).
 - An additional Best Companies survey will take place in September 2023. This will be a shorter survey focussing on the 25 questions associated with the BCI score.

Appendix 1

Best Companies staff engagement

Aims:

- Inform colleagues of the results and key areas
- Provide opportunities for colleagues to engage with Leadership Group about the results and issues
- Facilitate focussed conversations about the three priority areas

Approach:

There are four strands to the communications and engagement around the 2022 Best Companies results:

1. Broadcast of findings and key messages from ET and LG
2. Exploration and discussion of results at business group and team level
3. Targeted engagement on priority areas of resourcing, manager support and organisational clarity
4. Ongoing two-way communication with staff about developments, concerns

Strand	Activity	Timings	Who
Broadcast	All staff email All staff video All staff PDF summary	10/5	ET, Comms
Explore	Presentations and discussion at business group and team meetings Relevant ED supported by other ET member	From 11/5	GR, EDs
Engage	<u>Resourcing:</u> People leads to discuss resourcing plans with focus groups of cross-section of organisation Revise and specify actions in response <u>Manager support:</u> Workshops with 10 grade 2 and 3 line managers to discuss key issues and solutions Support programme developed in response and rolled out as part of L&D plan for 2023/24 <u>Organisational clarity:</u> Delivered through PAIS and CP organisational engagement.	14 June 2023 From early June	MO, CC, GD, MW I&Q LG, Comms
Ongoing comms	Drop-box/Slido on Sharepoint for colleagues to ask questions or make suggestions to ET on solutions or key areas ET respond through revamped weekly ET update	After business group presentations	ET Support



Board Summary

Employee survey

Survey distributed 27th February 2023 until 10th March 2023



Overall picture and key messages



Key Messages

Best Companies 2023

This year's Best Companies results are in and we achieved our highest participation rate ever; 281 colleagues took part, raising £562 for MND. Scotland. Thank you to everyone who took the time to share their views.

Vicki Bibby



Audit Scotland is a **good place to work** but we can do better in some areas



There has been a **decrease** in six survey factors since 2022

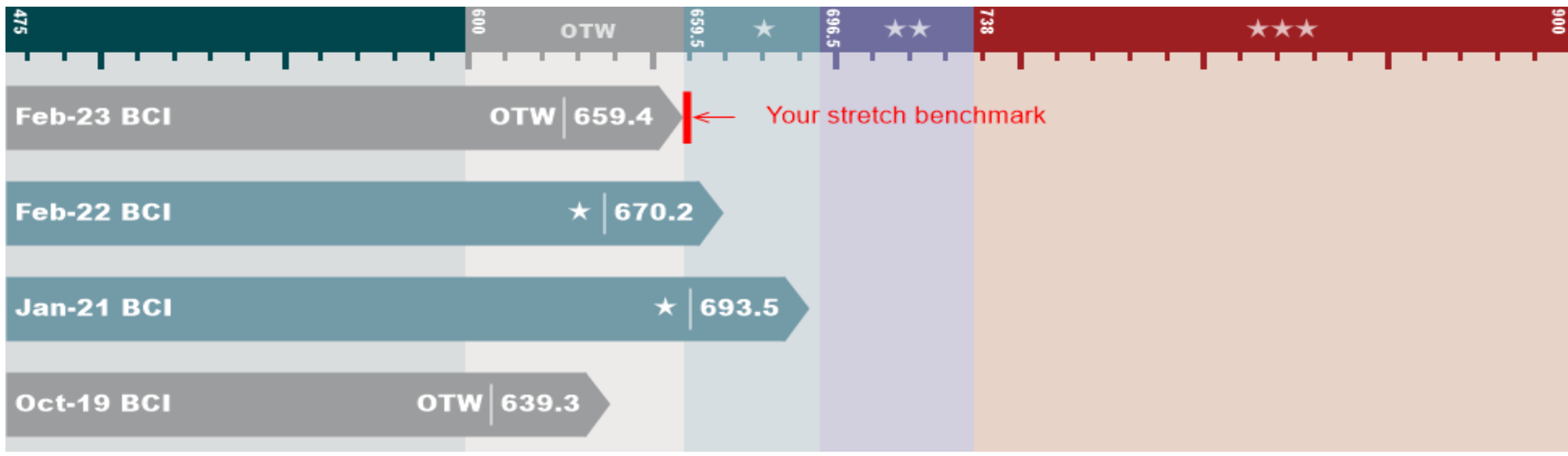


Personal Growth & Giving Something Back have improved and stabilised



Engagement Scores & Response Rate

Audit Scotland Overall



Survey	No. of Responses
Audit Scotland Feb-23	82.89% (281/339)
Audit Scotland Feb-22	80.18% (263/328)
Large Companies Average, Accreditation 2022	68.62%

How to read the results

The bars and the speech bubbles



Red bar – Audit Scotland's overall performance this year.
Grey bar – overall performance last year.

On the feedback and service graphs some questions have only one bar. These are new questions with no benchmark.



Speech bubbles show by percentage whether our performance is better or worse than last year's. Generally in the survey, movements of + or – 3% are statistically significant.

The axis measurement



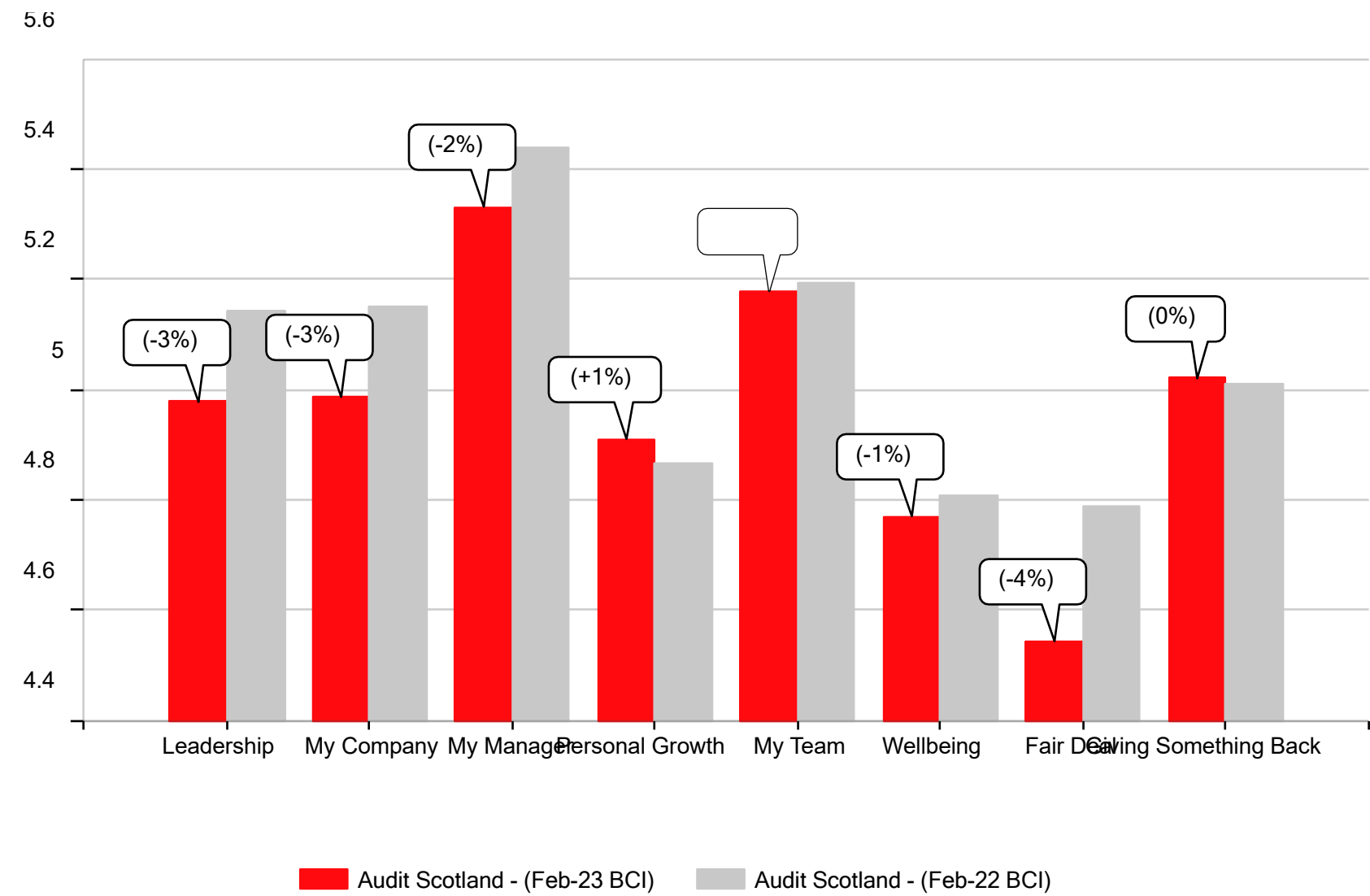
The numbers along the axis represent the level of agreement or disagreement with a particular question. The scoring ranges from one to seven.



A score of four is neutral; a score above four is positive and below four is negative. A score of seven represents strong agreement with positively phrased questions and strong disagreement with negatively phrased questions. Therefore, for each question, the higher the score, the better our performance.



Audit Scotland vs. Feb-22





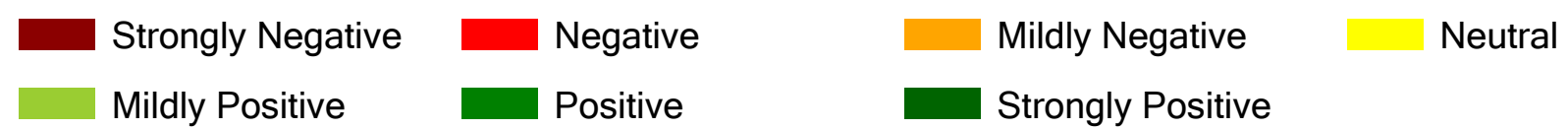
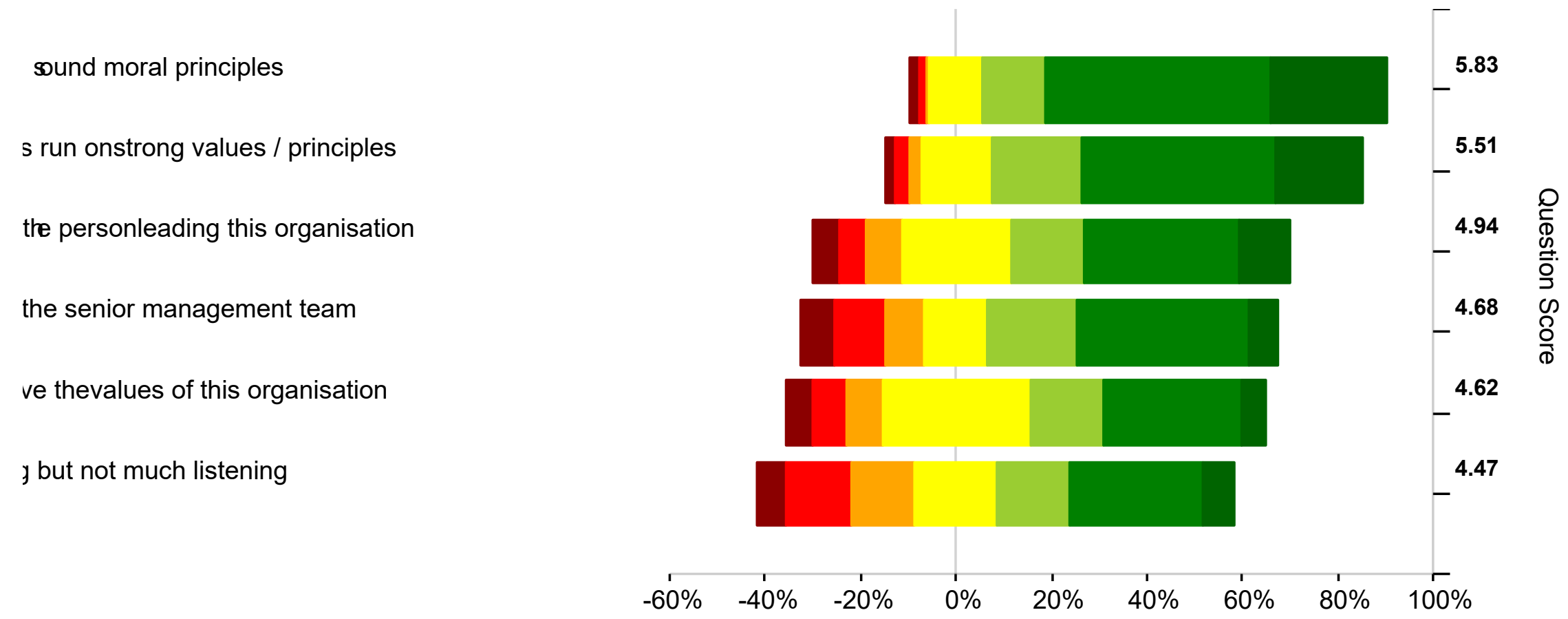
Individual Factor Results





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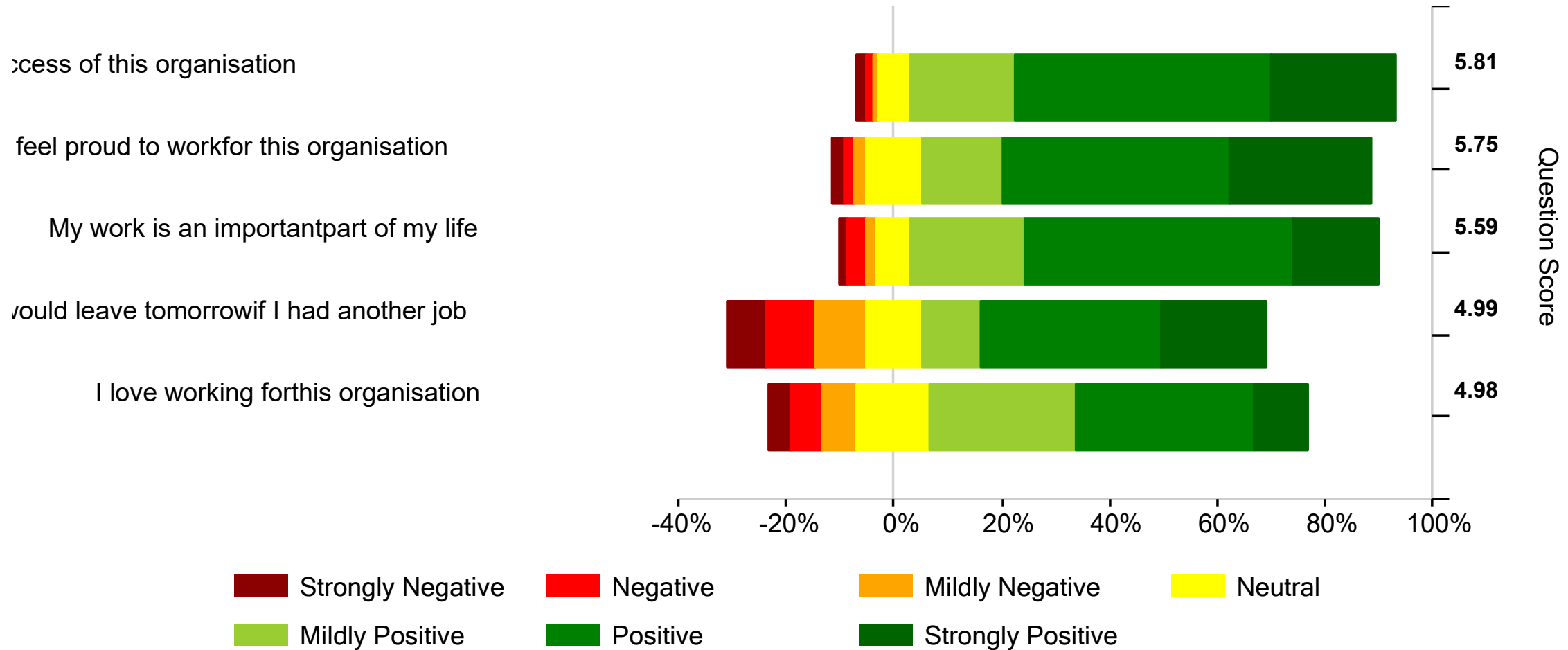
Leadership Heatmap



* Responses available on heatmap are from all job grades combined



My Company Heatmap

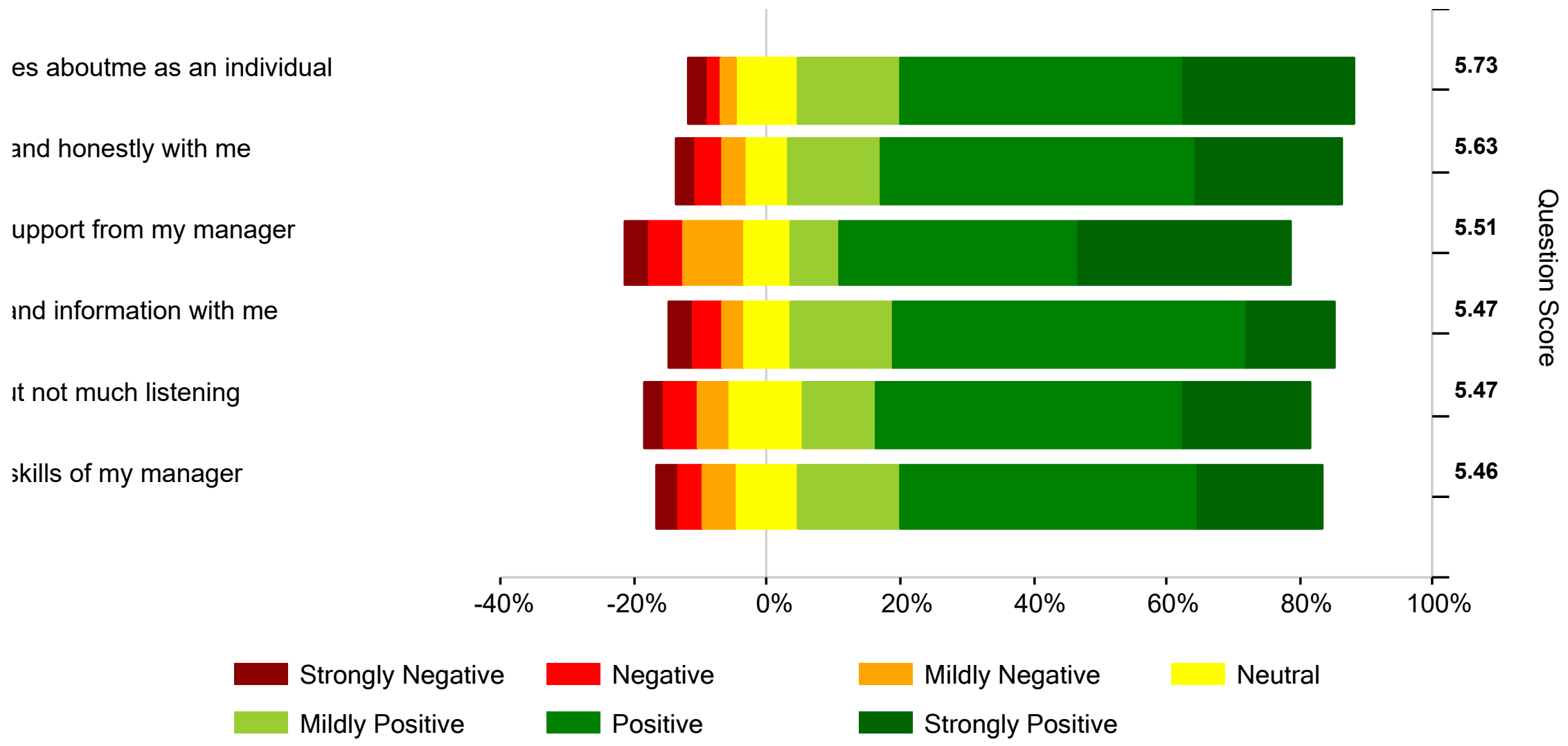


* Responses available on heatmap are from all job grades combined



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My Manager Heatmap (1 of 2)

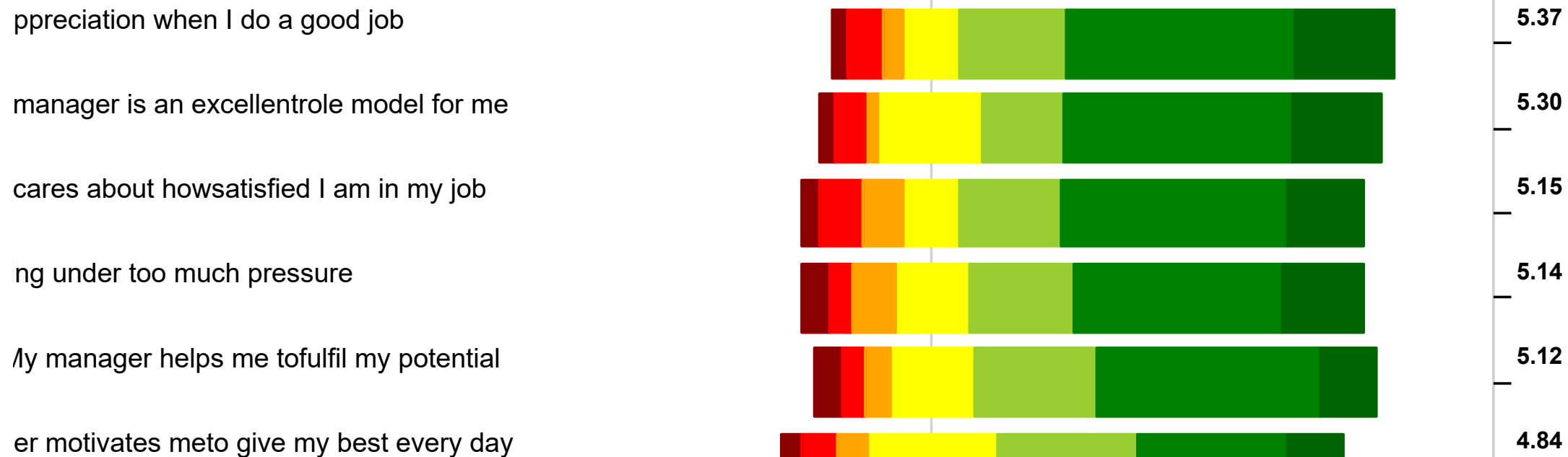


* Responses available on heatmap are from all job grades combined



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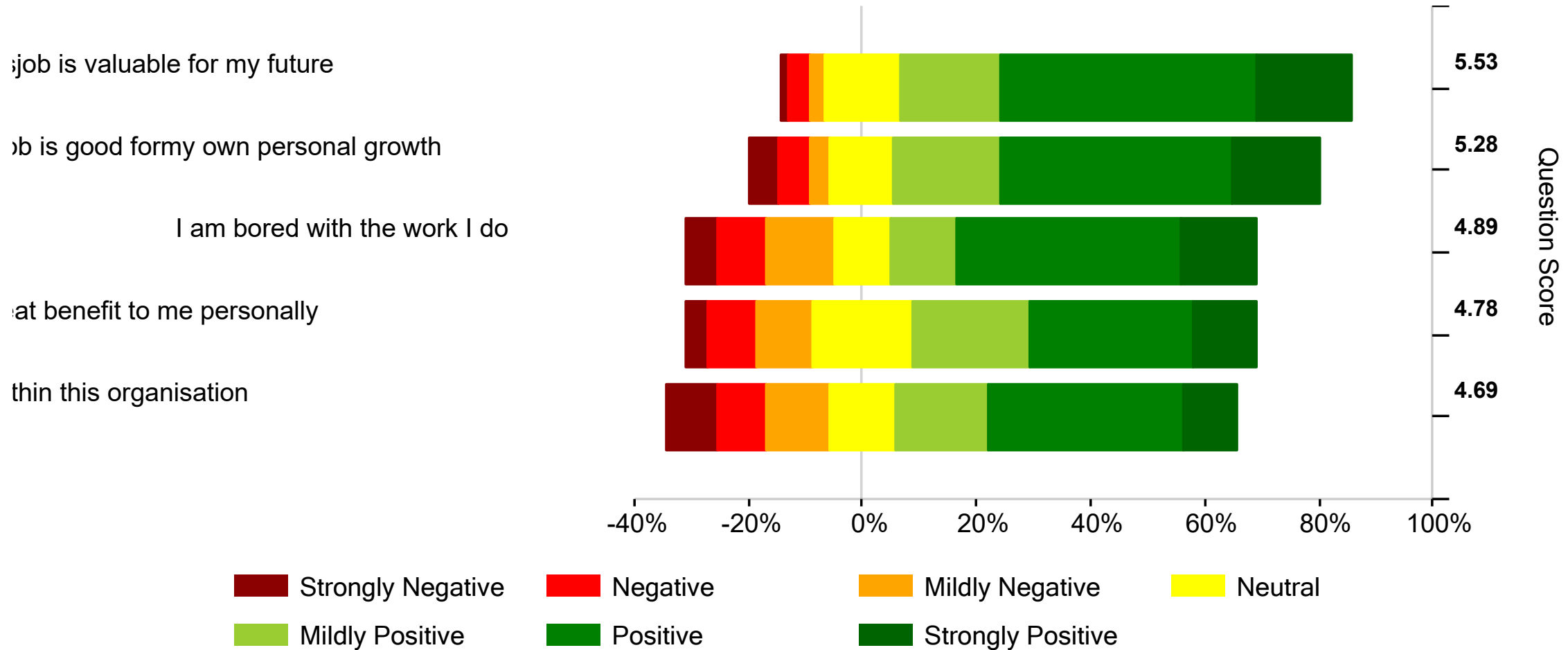
My Manager Heatmap (2 of 2)



* Responses available on heatmap are from all job grades combined



Personal Growth Heatmap

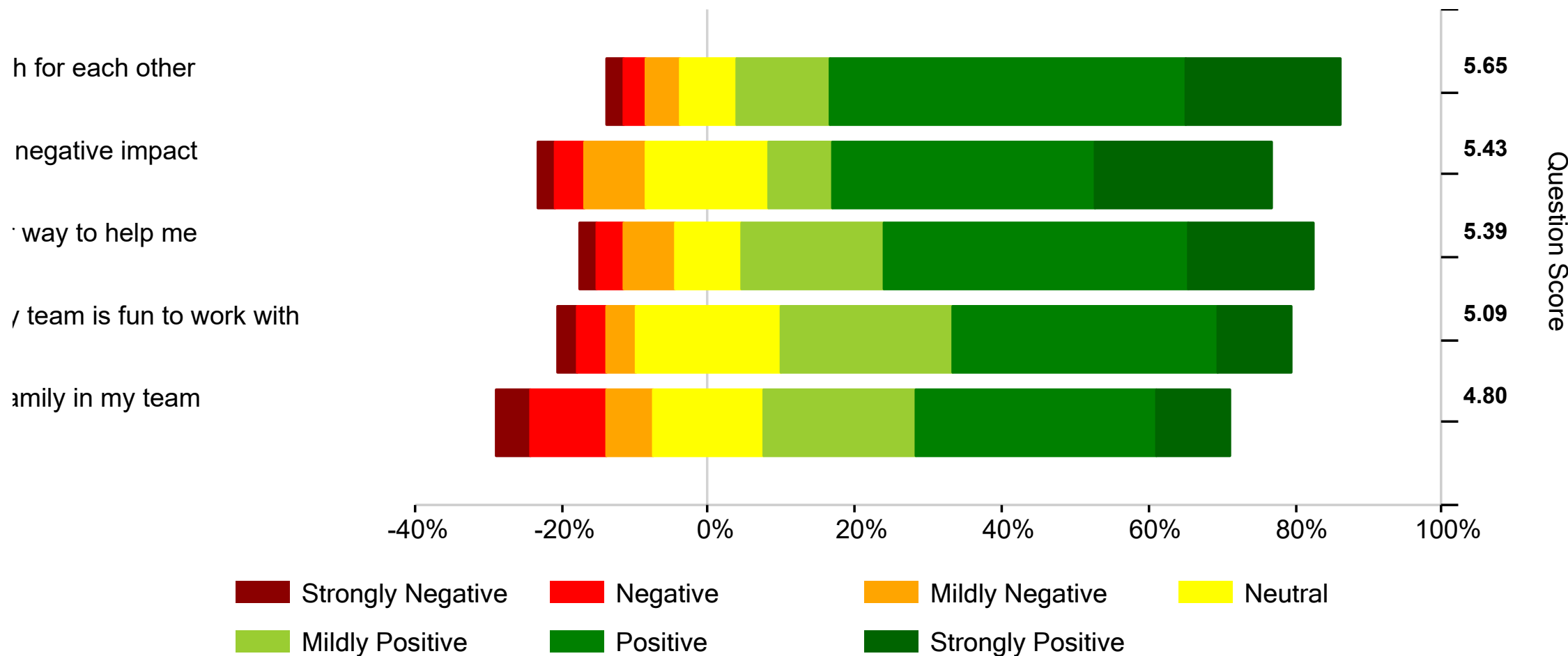


* Responses available on heatmap are from all job grades combined



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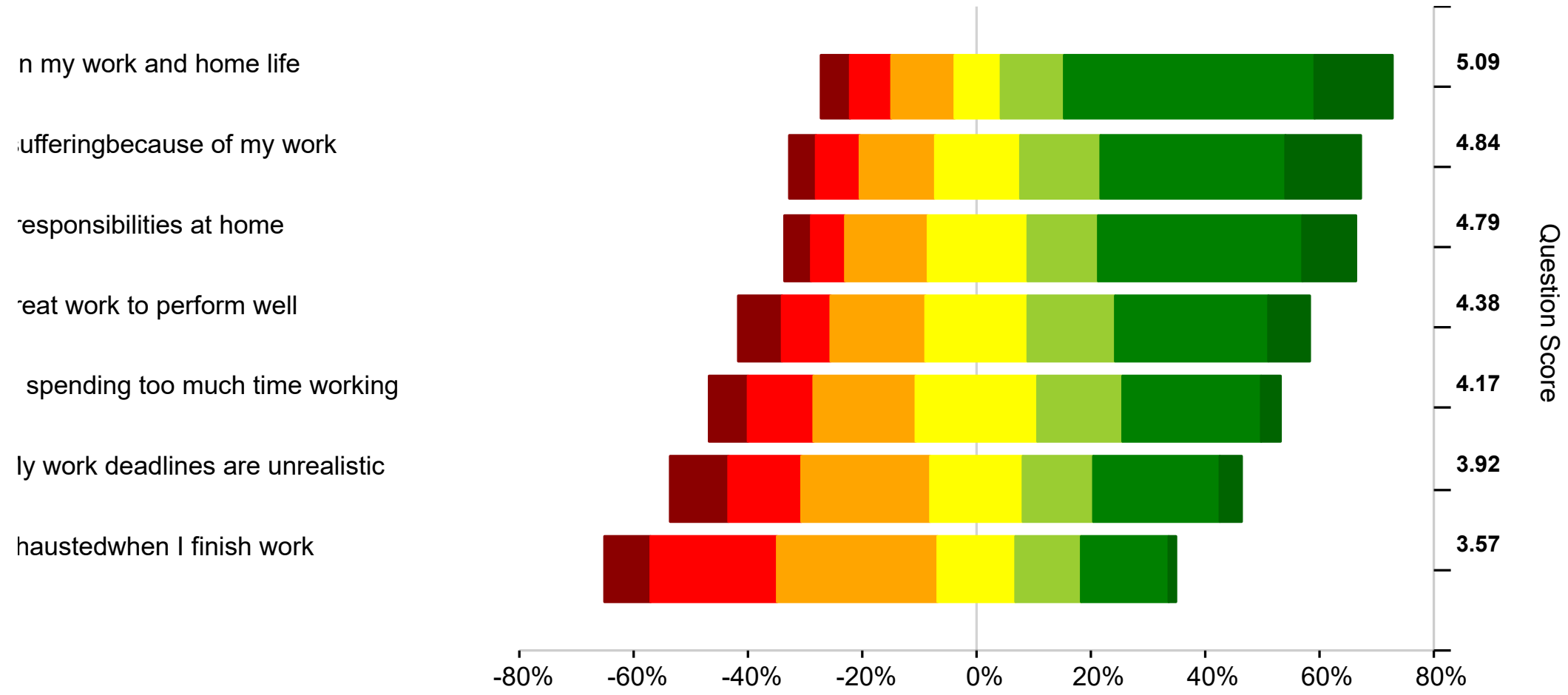
My Team Heatmap



* Responses available on heatmap are from all job grades combined



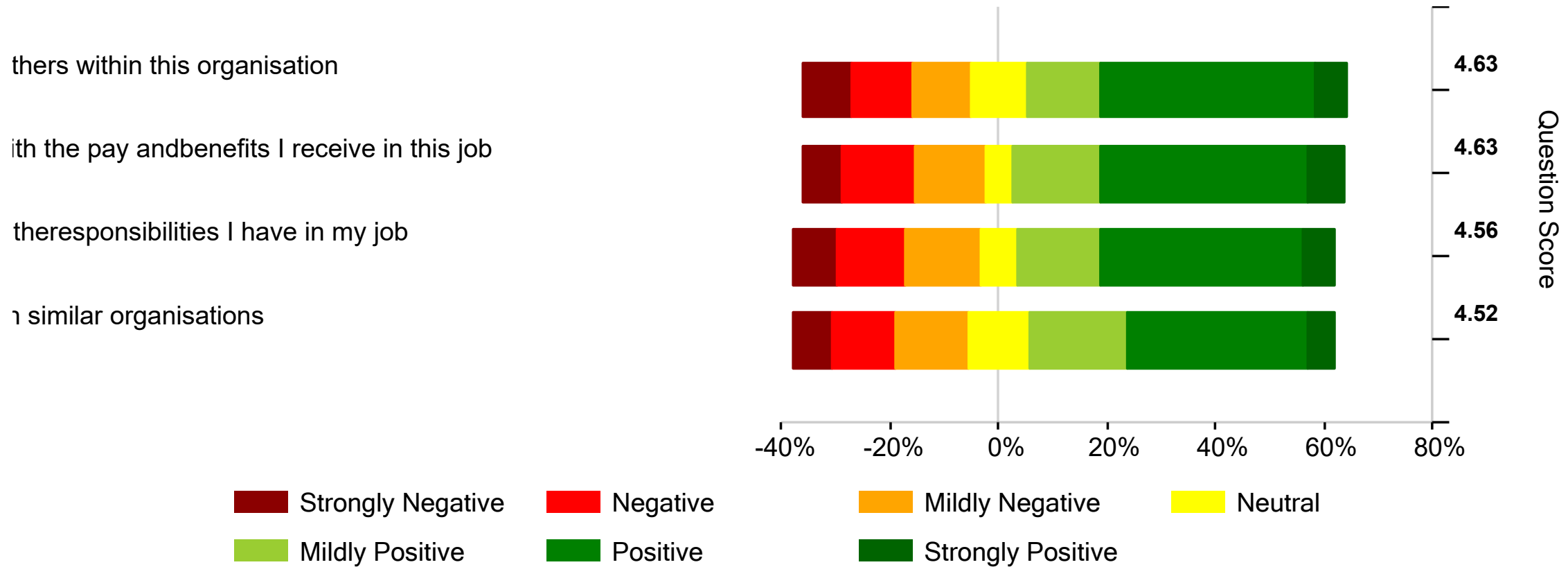
Wellbeing Heatmap



■ Strongly Negative
 ■ Negative
 ■ Mildly Negative
 ■ Neutral
■ Mildly Positive
 ■ Positive
■ Strongly Positive

* Responses available on heatmap are from all job grades combined

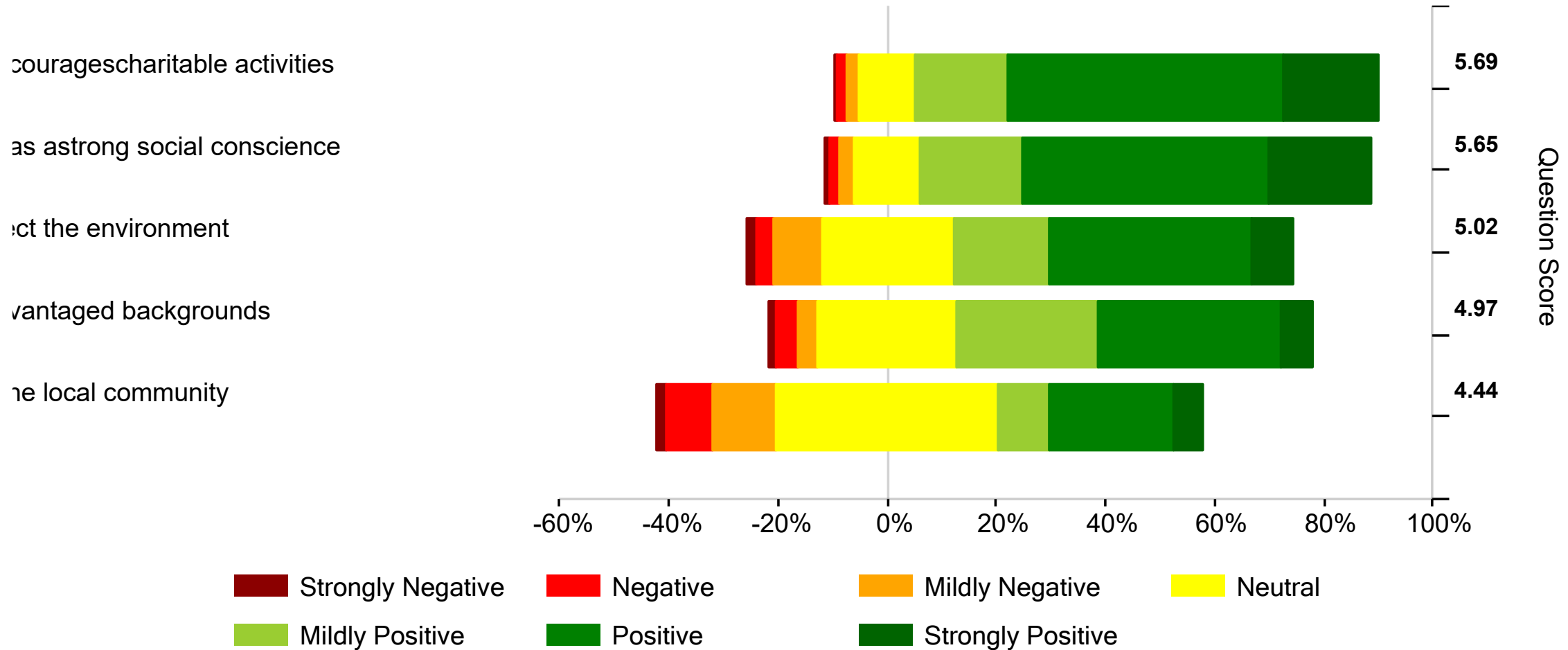
Fair Deal Heatmap



* Responses available on heatmap are from all job grades combined



Giving Something Back Heatmap



* Responses available on heatmap are from all job grades combined



“Helping to make the world
a better workplace”

Agenda

Tuesday 6 June 2023 at the conclusion of
the Audit Committee

Audit Scotland, 102 West Port and
Microsoft TEAMS



-
1. Private meeting of members
 2. Welcome and apologies
 3. Declarations of interest
 4. Items to be taken in private

Standing items

- | | |
|--|-----------------|
| 5. Chair's report - verbal update | For information |
| 6. Accountable Officer's report - verbal update | For information |
| 7. Accounts Commission Chair's report - verbal update | For information |
| 8. Review of draft minutes: <ul style="list-style-type: none">• Board meeting: 23 May 2023 | For approval |
| 9. Review of action tracker | For assurance |
| 10. Health, Safety and Wellbeing – verbal update | For information |

Annual reporting

- | | |
|--|---------------|
| 11. 2022-23 Annual report from the Chair of the Audit Committee to the Board | For assurance |
| 12. Review of Remuneration and Human Resources Committee (Remco) performance | For assurance |
| 13. Policy on the provision of Non-Audit Services by Audit Scotland's external auditor | For assurance |
| 14. Governance statement and certificate of assurance 2022-23 | For approval |
| 15. Audit summary report for the year ended 31 March 2023 | For assurance |

Business planning, performance and governance

- | | |
|--|---------------|
| 16. Q4 Corporate performance report | For assurance |
| 17. Review of corporate governance policies | For approval |

Conclusion

- | | |
|--|-----------------|
| 18. Any other business | For discussion |
| 19. Review of meeting | For discussion |
| 20. Date of next meeting: 26 September 2023 | For information |

Items to be taken in private

- | | |
|---|---------------|
| 21. Quality of public audit in Scotland
[Item to be taken in private to support the effective conduct of business, intended for future publication] | For assurance |
| 22. Audit Scotland annual report and accounts 2022/23

[Item to be taken in private to support the effective conduct of business, intended for future publication] | For approval |
| 23. Our purpose workstream: Public Audit in Scotland and Corporate Plan

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

Minutes Board



Tuesday 23 May 2023, 10.00am
Audit Scotland, 102 West Port and Microsoft Teams

Present:

Alan Alexander (Chair)
Stephen Boyle
Colin Crosby
Jackie Mann
Tim McKay

Apologies:

There were no apologies.

In attendance:

Vicki Bibby, Chief Operating Officer
Martin Walker, Director of Corporate Support
John Cornett, Executive Director of Audit Services
Kenny Oliver, Executive Director of Innovation and Quality
Antony Clark, Executive Director of Performance Audit and Best Value
Gayle Fitzpatrick, Corporate Governance Manager (items 11, 12 and 13)
David Robertson, Digital Services Manager (item 11)
Ian Metcalfe, Corporate Performance Officer (item 12 and 13)
Stuart Dennis, Corporate Finance Manager (item 14)
Nicola Paton, Digital Project Manager (item 15)
Susan Burgess, Head of Human Resources (item 16)
Gordon Robertson, Learning and Development Assistant Manager (item 17)
Michelle Borland, Business Manager, Performance Audit and Best Value (item 21)
Simon Ebbett, Communications Manager (item 21)
Gemma Diamond, Director of Innovation and Transformation (item 21)

1. Private meeting of Board members

The Board met privately and there were no matters arising.

2. Welcome and apologies

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

The Chair welcomed attendees to the meeting, with a specific mention for Helena who was attending her first meeting since joining Executive Team and to Tim in his capacity as Accounts Commission representative at the meeting.

3. Declarations of interest

There were no declarations of interest noted.

4. Items to be taken in private

The Chair invited members to agree that item 21 of the agenda be considered in private for the reasons stated on the agenda. The members agreed.

5. Chair's report – verbal update

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

In addition, the Chair advised of his attendance at the Audit Committee and Remuneration and Human Resources Committee meetings in May.

The Chair updated on valuable discussions with colleagues on the draft annual report, noting the comprehensive nature of the report. The Chair will be meeting with the SCPA on 28 June to present the annual report and accounts.

The Chair advised of his delayed introductory meeting with the Controller of Audit.

The Chair had a valedictory meeting with the recently departed Chair of the Accounts Commission noting his thanks for the contributions during his time on the Board. In light of this departure the Chair advised it was sensible to put on hold the Board and Commission resetting work as part of the Partnership Working Framework until a new substantive Commission Chair is in post. The Chair also noted that the next Board development session would be put on hold until a permanent Commission appointment was made. This will likely be the first quarter of 2024 to allow the necessary time for the completion of the appointment process.

Following discussion, the Board welcomed the update.

6. Accountable Officer's report – verbal update

Stephen Boyle advised of his regular engagement with the Chair and the Chair of the Accounts Commission. Stephen noted his thanks to the outgoing Chair of the Commission.

Stephen noted that internal engagement has continued at pace with Audit Scotland hosting the agricultural auditors at the EAFA conference in April and a delegation from the North Macedonia Parliament Bureau earlier this month. There has been engagement with staff on the recent Best Companies survey results and the HSE stress survey was launched. The Controller of Audit joined Executive Team, which Stephen noted was a great addition to the team.

Stephen invited members to note recent publications, including a response on the PAC ferries report. There has been a host of PAC appearances including FMPG S22, NHS Overview AO Session, SIT AO session and Scottish Government Climate Change Delivery. Consultation is ongoing with the Work Programme PAC lead on the Subject Committees to help provide insight into areas of particular interest within those priorities and we are hoping for feedback on this before recess.

Stephen invited the Board to note some of his external engagements which include introductory meetings with both Sir Paul Grice, the Principal at Queen Margaret University and Ian Bruce, the Ethical Standards Commissioner. Stephen attended an event hosted by Carnegie UK with Sophie Howe, the outgoing Future Generations Commissioner for Wales. Earlier in the month Executive Team hosted the Scottish Government Executive Team to discuss shared interests and development opportunities. Stephen noted this was the first meeting of both groups in 20 years.

In terms of upcoming activity, Stephen highlighted that there are a range of publications due before the summer recess with two planned S22 reports for Scottish Canals and South Lanarkshire College. Stephen also noted that he and Vicki Bibby will be in Cardiff on 1st and 2nd June for the UK&I AGs & COOs meeting in Wales.

Following discussion, the Board welcomed the update.

7. Accounts Commission Chair's report – verbal update

Tim McKay paid tribute to the former Commission Chair and the contributions made during his time in post. Tim has had several conversations with Ronnie Hinds, the new incoming Interim Accounts Commission Chair in advance of Ronnie commencing post in early June. The pre planned Commission Strategy Seminar will go ahead with a change of format to allow for introductions from the new Interim Chair.

Tim noted that the recruitment process was underway for a new permanent Commission Chair and four new members. A session will be taking place this evening (23 May) to provide anyone interested in the vacancies with an opportunity to source further information. The recruitment aims to attract individuals with experience of local government, with the campaign scheduled to close on 5 June 2023.

The Accounts Commission released the Local Government Overview report this week with good media coverage generated. Tim advised the report will be presented at the Local Government Committee in two weeks' time.

Tim noted he had participated in a second session with Mark Taylor, Audit Director, discussing the financial information that is made available to the Accounts Commission and others, noting that the final outputs will be really useful to all in helping to plan the joint working programme.

Following discussion, the Board welcomed the update.

8. Review of minutes

Board meeting: 4 April 2023

The Board noted the minutes of the Board meeting of 4 April 2023, copies of which had been previously circulated.

Subject to a minor amendment at item six, the Board noted the minutes were an accurate record of the meeting.

ASB211: *Amendment to be made at item six as highlighted by Stephen Boyle.*

Audit Committee: 7 March 2023

The Board noted the minutes of the Audit Committee meeting of 7 March 2023, copies of which had been previously circulated.

The Board noted the minutes were an accurate record of the meeting.

Remuneration and Human Resources Committee: 7 March 2023

The Board noted the minutes of the Remuneration and Human Resources Committee meeting of 7 March 2023, copies of which had been previously circulated.

The Board noted the minutes were an accurate record of the meeting.

9. Review of action tracker

The Board noted and approved the updated action tracker.

10. Health, Safety and Wellbeing – verbal update

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

As part of his update, Martin highlighted the milestone reached earlier this year that states Covid is no longer considered a worldwide public health emergency. In light of this Executive Team committed to review how we capture Covid information in our time recording.

Action ASB212: ***Executive Team to review how we capture Covid information in our time recording.***

Following discussion, the Board noted the update.

11. 2022/23 Annual report on information governance and security

Gayle Fitzpatrick, Corporate Governance Manager and David Robertson, Digital Services Manager joined the meeting.

Gayle Fitzpatrick and David Robertson introduced the 2022/23 Annual report on information governance and security, copies of which had been previously circulated.

The Board was invited to note the contents of the report.

During discussion, members noted the positive assurance the report provides and were delighted to hear that ISO 27001 re-certification had been achieved at the most recent audit last month.

During discussion, members were comfortable that good practice has been embedded with colleagues routinely applying necessary security updates. Members were also pleased to note that the provision of a Chief Information Security Officer will be part of the proposal going forward. Members noted the verbal assurance provided on the robustness of our

recovery plan in the event of a cyber security incident. David noted the Cyber Incidents Response Plan is scheduled to be presented to Executive Team and will likely come to the board for noting thereafter.

One minor amendment was identified at paragraph 5 in the paper which Gayle noted for resolution.

Following discussion, the Board noted the content of the report.

Action ASB213: *Gayle Fitzpatrick to make the identified amendment at paragraph 5 in the 2022/23 annual report on information governance and security.*

David Robertson left the meeting.

12. 2022/23 Annual report on complaints

Ian Metcalfe, Corporate Performance Officer joined the meeting.

Gayle Fitzpatrick and Ian Metcalfe introduced the 2022/23 Annual report on complaints, copies of which had been previously circulated.

The Board was invited to note the contents of the report.

During discussion, members noted the positive assurance provided on the complaints process that is in place. The small number of complaints received is reflective of this.

The Board sought clarity on why the Scottish Public Services Ombudsman declined to investigate two of the complaints received and were content with the reasoning for this. The Board queried when the last update was made to the complaints handling process, Gayle advised that the procedure had undergone a significant update during the pandemic with Ian committing to follow up with the confirmed revision date for members information.

Following discussion, the Board noted the content of the report.

Action ASB214: *Ian Metcalfe to confirm to the Board, the date of the last revision to the complaints handling procedure.*

13. 2022/23 Annual report on Freedom of Information and Environmental Information

Gayle Fitzpatrick and Ian Metcalfe introduced the 2022/23 Annual report on Freedom of Information and Environmental Information, copies of which had been previously circulated.

The Board was invited to note the contents of the report.

During discussion, the Chair highlighted that no Environmental Information (EI) requests had been received during his time on the Board. Gayle noted that this had previously been mentioned and following some investigation by the Corporate Governance team it was found that there are a low number of requests of this nature made in general across the UK, with most people choosing to proceed with the Freedom of Information (FOI) route.

However, it was noted that with an increasing spotlight on climate change activity there was potential for an increase in EI requests. Gayle noted that the Corporate Governance team, through their close working relationships with the other business groups, would keep abreast of any information that may help predict subjects of questioning in this area.

The on time response rate for FOI requests of 60% was noted by the Board with Gayle highlighting the increased volume of requests, the complexity of the nature of the requests and the small team in place in Corporate Governance to handle these as the main factors for this. Particular emphasis was given to the instance where a high volume of requests (17 in total) was received in one day, with the Board keen to understand what the reasons for this may have been, particularly if it was cost related. Vicki agreed to take a review of the process for which we reject requests on the basis of cost as an action for further exploration. It was confirmed that we don't regularly decline to respond on this basis. The Board recognised the difficulty in capturing total costs, from a time and money perspective, in responding to FOI requests. Gayle provided assurance that there was work going on in the background to make the time reporting process much clearer to ensure better accuracy in our reporting.

The Board sought clarity on the types of asks made in the requests received with Gayle confirming requests generally sought information about other organisations that we have had responsibility for auditing. Tim asked if going forward the Accounts Commission could receive similar reporting on our FOI statistics for those instances where the requests relate to reports produced in conjunction with the Accounts Commission.

Following discussion, the Board noted the content of the report.

ASB215: *Vicki Bibby to undertake a review of the process by which we reject FOI requests on the basis of cost.*

ASB216: *Gayle Fitzpatrick to ensure the Accounts Commission receive relevant FOI reporting statistics going forward.*

Gayle Fitzpatrick and Ian Metcalfe left the meeting.

14. Q4 Financial Performance Report

Stuart Dennis, Corporate Finance Manager joined the meeting.

Stuart Dennis introduced the Q4 Financial Performance Report, copies of which had been previously circulated.

The Board was invited to note the financial results for the twelve months to 31 March 2023.

During discussion, the Board noted the report had been approved by the Audit Committee at its most recent meeting. Assurance was sought that progress was being made on the delays with the audits of Further Education Colleges. John Cornett confirmed this was the case and these audits have been factored into our delivery plans and are more aligned with where they need to be and thus impact will minimise going forward. Members sought clarity on recruitment overspend and are content budget is in place for recruitment in this current financial year.

Following discussion, the Board noted the financial results for the twelve months to 31 March 2023

Stuart Dennis left the meeting.

15. Information Security Management Policy review

David Robertson, Digital Services Manager joined the meeting.

David Robertson introduced Information Security Management Policy review, copies of which had been previously circulated.

The Board was invited to note the updated policy and provide approval and final sign off.

During discussion, members were content that there had been no substantive changes to the policy since its last review and noted the very minor changes that had been applied.

Following discussion, the Board were happy to approve the policy.

David Robertson left the meeting.

16. Staff handbook policy review

Susan Burgess, Head of Human Resources joined the meeting.

Susan Burgess introduced Staff handbook policy review, specifically the review of the Diversity & Equality and Bullying & Harassment policies, copies of which had been previously circulated.

The Board was invited to note the report and approve the proposed changes to both policies.

During discussion, members welcomed the comprehensive nature of the policies. There was discussion on the internal measures in place to support both policies. Particular mention was given to the Emotional Intelligence training that has been rolled out to all colleagues, with the Board noting they took a lot of assurance from this. I&Q are leading on the development of other future activity. Vicki also highlighted that our values will be embedded in everything we do, which is evident throughout the Corporate Plan.

Following discussion, the Board noted the report and approved the proposed changes to both policies subject to a minor amendment on P6 of the Bullying and Harassment policy.

ASB217: Susan Burgess to make the minor amendment identified on P6 of the Bullying and Harassment policy.

Susan Burgess left the meeting.

17. Best Companies survey 2023

Gordon Robertson, Learning and Development Assistant Manager joined the meeting.

Gordon Robertson introduced Best Companies survey 2023, copies of which had been previously circulated.

The Board was invited to consider and comment on the results of the Best Companies Survey.

During discussion, members were assured by the positive results but recognised that there were some areas where improvement was required. Kenny provided assurance, that he and Gordon have been in dialogue on the specifics of delivering any identified training at the appropriate time for colleagues. The Board were assured by the overview of activity that has taken place, particularly the vlog from Stephen Boyle and Vicki Bibby to all staff, and those highlighted in the next steps section of the paper that outlines how staff will be engaged in direct response to the areas identified for improvement.

Gordon confirmed that an abridged survey would be carried out in the autumn, which will cover 25 key questions. The expectation is that the survey results will be available for Executive Team review fairly quickly after the survey closure.

Following discussion, the Board noted the survey results and were content with the proposed next steps as outlined.

Gordon Robertson left the meeting.

18. Any other business

There was no other business for discussion.

19. Review of meeting

The Chair invited members to comment on the papers and the conduct of the meeting.

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

The Chair thanked everyone for their contributions.

20. Date of next meeting: 6 June 2023

The members noted the next meeting of the Audit Scotland Board is scheduled for 6 June 2023.

Items taken in private

21. Our purpose workstream: Public Audit in Scotland and Corporate Plan

Michelle Borland, Business Manager, Performance Audit and Best Value, Simon Ebbett, Communications Manager and Gemma Diamond, Director of Innovation and Transformation joined the meeting.

Michelle Borland, Simon Ebbett and Gemma Diamond introduced Our purpose workstream: Public Audit in Scotland (PAIS) and Corporate Plan (CP), copies of which had been previously circulated.

The Board was invited to review and feedback on the draft Audit Scotland Corporate Plan 2023-2028, attached at Appendix One, noting the discussion points summarised in paragraph 10.

The Board considered each discussion item in turn, focusing on 'audience' first. The Board were in agreement that the content, tone and style were appropriate for the intended target audience. It was agreed that there should be a focus on accessible language and the team agreed to review this again.

The second discussion point on the relationship between PAIS and the corporate plan was discussed with the Board content that there were no inconsistencies between both documents. The board then discussed the 'how we will do it' point, considering the three horizons model that has been used to frame the plans to deliver the strategic priorities. The board were content with the approach taken.

Finally, consideration was given to 'performance measurement', currently 17 KPI's have been identified. The general consensus across the Board is that this feels like too many and there is scope for these to be reduced. The Board asked that the team take this as an action and examine the existing KPI's in the context of the discussions today with a view to achieving a reduction.

Following discussion, the Board agreed that a revised version of the Corporate Plan should come back to the next board meeting on 6 June to further explore the discussion on the KPI element of the paper. There was a recognition that this would result in a slight delay to the publication of the Corporate Plan. Given the short timescales to turn this around for the next meeting, the Board noted they would be content to receive this as a late paper.

ASB218: *Michelle Borland, Gemma Diamond and Simon Ebbett to give consideration to the use of language to ensure fully accessible.*

ASB219: *Michelle Borland, Gemma Diamond and Simon Ebbett to review the existing KPI's in the Corporate Plan with a view to reducing these for further discussion and approval at the 6 June board meeting.*

Michelle Borland, Gemma Diamond and Simon Ebbett left the meeting.

AUDIT SCOTLAND BOARD ACTION TRACKER 2023

ITEM 9

REF	FORUM	Agenda		Action Description	Meeting Date	Due Date	Responsible	Assigned to	Complete/Ongoing	Reported	
		Item No	Item Title							Yes/No	Progress Notes
ASB165	Board	11	Mainstreaming equality and equality outcomes: Interim progress report	Further Board session on HRBA to be arranged.	17/05/2022	Sep-23	Jillian Matthew	Jillian Matthew	Ongoing		Short life working group considering next steps for work on HRBA is meeting on 24 November. At that meeting, consideration will be given to the most appropriate timing for a further session with Board members. 6/2/23 - update paper issued to Board Members by correspondence in March. Further discussion at Board September 2023 (TBC)
ASB200	Board	8	Review of Minutes: Audit Committee meeting: 9 November 2022	Produce a report a COVID 19 lessons learnt report for consideration by correspondence, and option to discuss at later Board meeting	04/04/2023	May-23	Martin Walker	Martin Walker	Ongoing		Lessons Learned report will be issued to Board members late May 2023.
ASB203	Board	11	Strategic Improvement Programme Review	additional indicative timelines and metrics detail for next report	04/04/2023	Sep-23	Kenny Oliver	Gemma Diamond	Ongoing		Noted for the next update report due to September Board meeting.
ASB208	Board	20	External Engagement	Provide alternative options on survey options	04/04/2023	Sep-23	Kenny Oliver	Simon Ebbett	Ongoing		Confirmed September Board meeting for proposal
ASB209	Board	20	External Engagement	Accounts Commission stakeholder survey results to a future meeting	04/04/2023	Sep-23	Kenny Oliver	Simon Ebbett	Ongoing		Confirmed September Board meeting to share results
ASB210	Board	21	Estates Strategy Update	Detailed costings on length of Glasgow lease	04/04/2023	Sep-23	Martin Walker	Stuart Dennis	Ongoing		Scheduled for September Board meeting in planner
ASB211	Board	8	Review of draft minutes: Board meeting: 4 April 2023	Amendment to be made at item 6 as highlighted by Stephen Boyle.	23/05/2023	May-23	Stephen Boyle	Stephen Boyle	Complete		Minutes updated
ASB212	Board	10	Health, Safety and Wellbeing - verbal update	Executive team to review how we capture Covid information in our time recording.	23/05/2023	Jun-23	Martin Walker	Martin Walker	Ongoing		
ASB213	Board	11	2022/23 Annual report on information governance and security	Gayle Fitzpatrick to make the identified amendment at paragraph 5 in the 2022/23 annual report on information governance and security.	23/05/2023	May-23	Gayle Fitzpatrick	Gayle Fitzpatrick	Complete		Report updated and finalised for publication
ASB214	Board	12	2022/23 Annual report on complaints	Ian Metcalfe to confirm to the Board, the date of the last revision to the complaints handling procedure.	23/05/2023	May-23	Gayle Fitzpatrick	Ian Metcalfe	Ongoing		
ASB215	Board	13	2022/23 Annual report on Freedom of Information and Environmental Information	Vicki Bibby to undertake a review of the process by which we reject FOI requests on the basis of cost.	23/05/2023	Sep-23	Vicki Bibby	Gayle Fitzpatrick	Ongoing		
ASB216	Board	13	2022/23 Annual report on Freedom of Information and Environmental Information	Gayle Fitzpatrick to ensure the Accounts Commission receive relevant FOI reporting statistics going forward.	23/05/2023	Jun-23	Gayle Fitzpatrick	Gayle Fitzpatrick	Ongoing		
ASB217	Board	16	Staff handbook policy review	Susan Burgess to make the minor amendment identified on P6 of the Bullying & Harassment Policy	23/05/2023	May-23	Susan Burgess	Susan Burgess	Complete		Report updated and finalised for publication
ASB218	Board	21	Our purpose workstream: Public Audit in Scotland and Corporate Plan	Michelle Borland, Gemma Diamond and Simon Ebbett to give consideration of the use of language to ensure fully accessible.	23/05/2023	Jun-23	Michelle Borland	Michelle Borland	Ongoing		
ASB219	Board	21	Our purpose workstream: Public Audit in Scotland and Corporate Plan	Michelle Borland, Gemma Diamond and Simon Ebbett to review the existing KPI's in the Corporate Plan with a view to reducing these for further discussion and approval at the 6 June Board meeting.	23/05/2023	Jun-23	Michelle Borland	Michelle Borland	Complete		Amended Corporate Plan at June 2023 Board meeting

2022-23 Annual report from the Chair of the Audit Committee to the Board

Chair of the Audit Committee

Item 11
Meeting date: 6 June 2023

Purpose

1. This report presents the annual report from the Audit Committee Chair to the Audit Scotland Board.

Recommendation

2. The Board is invited to:
 - Note the report.

Background

3. The Audit Committee is a standing Committee of the Board established under Audit Scotland's Standing Orders. The Audit Committee consists of the members of the Board, other than the Chair of the Board and the Accountable Officer. In practice the Chair of the Board and the Accountable Officer attend the meetings as observers.
4. In May 2023, William Moyes resigned as Chair of the Accounts Commission. Tim McKay took over as Interim Chair until 6 June when Ronnie Hinds will become the Interim Chair of the Accounts Commission.

Programme of work

5. The Audit Committee met five times in 2022/23 at Audit Scotland's Offices and via Microsoft Teams. In accordance with its Terms of Reference and the Audit Committee Planner the committee considered a broad range of work across 87 agenda items, including 63 papers. This included reports and updates on/from:
 - Information security and governance.
 - Financial management.
 - Governance, including the annual assurance and statement of control process.
 - Internal and external audit.
 - Audit quality.
 - Organisational risk.
 - Business continuity.
 - The annual report and accounts.

6. The Audit Committee reviewed the rolling action tracker at each of its meetings.
7. The Audit Committee carries out an annual review of its effectiveness based on a self-assessment checklist completed by members. A report on the outcome of the review and the actions arising was presented to the meeting of the Audit Committee on 16 May 2023.

The annual report and accounts and financial management

8. The Audit Committee approved the timetable to facilitate the completion of the Statutory Accounts for the Year ended 31 March 2022 at its meeting on 7 March 2022.
9. The audit of the 2022/23 accounts has concluded and will be reported to the Audit Committee on 6 June 2023.
10. The Audit Committee considered financial performance reports each quarter.

Governance

11. The annual review of Audit Scotland's principal governance policies (Standing Orders, Financial Regulations and Scheme of Delegation) was undertaken between the September and November 2022 Audit Committee and Board meetings. The review resulted in minor changes.
12. In addition, the Audit Committee considered its Terms of Reference at the November meeting in line with the agreed annual review. No amendments were made. The next review will be reported to the Audit Committee on 14 November 2023.
13. The Code of Conduct for members and employees was reviewed by the Board in September 2022 to ensure it remained up to date and in line with the model code published by the Scottish Government. The Code is published on the Audit Scotland website along with the annual declaration of members' interests.
14. The Audit Committee reviewed and approved the Business Continuity Plan and its supporting arrangements in May 2023. The Business Continuity Plan, which is subject to annual review, received minor amendments to reflect changes to the Audit Scotland executive structure.
15. The Audit Committee considered a suite of annual assurance reports in accordance with the annual assurance and statement of control process. The reports were on:
 - Information Governance and Security.
 - Data Incidents.
 - Hospitality and Gifts.
 - Bribery and Fraud.
 - Whistleblowing.
 - Correspondence Handling and Whistleblowing.
 - Audit Quality.

- Health, Safety and Wellbeing.
- Governance statement on internal control and Certificate of Assurance.

Internal and external audit

- 16.** The contract with our previous internal auditors BDO concluded in April 2022. Prior to their contract ending Audit Scotland began a tender process for a new appointment in October 2021. The process concluded in April 2022 with the appointment of Wylie & Bisset.
- 17.** The external auditors and internal auditors have attended all of the Audit Committee meetings during 2022/23.
- 18.** At each meeting there is a private session with both external and internal auditors. This provides the opportunity for the auditors to raise issues with members of the committee and for the committee to ask questions and seek the view of auditors. No material issues were raised during 2022/23.
- 19.** At its meeting in March 2023 the Audit Committee considered a report from the internal and external auditors on their joint working arrangements.
- 20.** The Audit Committee approves the programme of internal audit work each year. Wylie & Bisset carried out seven internal audits and one follow-up review during 2022/23. All reports were presented to the Audit Committee. An overall assurance assessment is given in each internal audit report for the design and operational effectiveness of systems and internal controls.
- 21.** The table below details the audits and overall assurance assessments:

Audit	Recommendations	Conclusion
Risk Management October 2022	2 Low	Strong
Digital Strategy November 2022	0	Strong
Review of Suitability of Business Management System December 2022	1 Low	Strong
Green Futures February 2023	2 Medium 3 Low	Substantial
Hybrid Working March 2023	0	Strong
Workforce planning Mar 2023	3 Medium 1 Low	Substantial
Financial Planning April 2023	2 Medium 3 Low	Substantial

22. There were seventeen recommendations from the seven internal audits. Ten recommendations were classified as low significance and seven of medium significance. Management responses have been provided for all audit recommendations and work is being undertaken to implement them as appropriate.
23. Wylie & Bisset conducted a Follow-up review on progress with recommendations made by our previous internal auditor, BDO. This provided a strong level of assurance that Audit Scotland had implemented the recommendations outstanding, with one recommendation not yet due for implementation.
24. Corporate Governance reports on progress with internal audit recommendations at each Audit Committee.
25. The internal audit service and scrutiny provided by Wylie & Bisset offered substantial assurances in the round for the 2022/23 annual internal audit report.
26. The Audit Committee is satisfied with the performance of our new internal auditors with services delivered to the required standard for the year 22/23. Members were appreciative of the 'benchmarking' section within internal audit reports which provided Audit Scotland with a comparison of current and evolving best practice.
27. The cost of the internal audit work for 2022/23 amounted to £31,116. Wylie & Bisset undertook the bulk of this work at a cost of £25,440. Overall, this was a slight underspend against the £30k budget for our new contract. This was a consequence of the timing of their appointment which impacted on delivery of work in year. The remaining costs of the final figure were attributable to two reviews undertaken by our previous internal auditor BDO which equated to £5,676.
28. Wylie & Bisset completed all audits within the agreed 55 days during 22/23. Ten additional audit days were provided by BDO towards the end of their contract.
29. The internal audit plan for 2023/24 was approved on 16 May 2023 by Audit Committee.

Audit quality

30. The Audit Quality Framework approved in November 2019 committed to providing regular reporting to the Audit Committee on audit quality as well as to the Auditor General for Scotland and the Accounts Commission. Over the course of the last four years regular updates have been provided on audit quality to Audit Committee.
31. The framework uses a broad range of tools to assess audit quality including external and internal 'cold' reviews and surveys of audited bodies and auditors. This range of evidence continues to identify good practice and areas for improvement in audit quality.
32. The Quality of Public Audit in Scotland annual report 2022/23 was presented to the May 2023 meeting of the Audit Committee. The Audit Quality and Appointments team concluded that the quality of audit work over the last four years is good in Performance Audit and Best Value audit and accountancy firm and that there has been considerable improvement in Audit Services group quality review results compared to 2020/21.
33. The good and improving quality scores provides a clear indication that high-quality standards are being achieved and that quality improvement plans are taking effect. Further work continues in some areas to ensure that all the audit work meets the standards

expected by all our stakeholders and in particular by the Auditor General for Scotland and the Accounts Commission.

Risk management

34. Audit Scotland's Risk Management Framework was reviewed and approved by the Audit Committee on 07 March 2023. In accordance with the framework the committee reviewed the Risk Register at each of its five meetings.
35. The Audit Committee considered quarterly reports on data incidents and noted the corrective actions proposed by Audit Scotland to reduce and prevent further incidents. It also received detailed six-monthly updates on digital and cyber security risks.
36. A Board development session was held in August 2022 which focused on risk management and digital security. Our internal auditors Wylie & Bisset provided presentations on both areas which led to productive conversations on our strategic direction in both these areas.
37. Prior to the pandemic the Audit Committee agreed an annual schedule of risk interrogations. This allowed the opportunity to consider one or more of the risks on the register in greater detail. In March 2021, the Audit Committee agreed to suspend risk interrogations given the challenges and work pressures of operating amidst a worldwide pandemic. The re-introduction of risk interrogations will be reconsidered during 2023.

Governance statement

38. The Audit Committee considered a report on the effectiveness of the systems of internal control. There were no matters arising from Audit Scotland's business groups which would require to be raised specifically in the Accountable Officer's governance statement.
39. During 2022/23 a new business group, Innovation and Quality (I&Q) was established within Audit Scotland representing a continual drive to keep moving the organisation forward. Given that the recruitment for I&Q was only completed towards the end of 22/23 there was no requirement for a review of their arrangements and operational controls this year. I&Q will be included in next years annual assurance review.
40. Internal auditors provided Audit Scotland with reasonable assurance that there are no major weaknesses in the internal control system for the areas reviewed in 2022/23.
41. It is the Audit Committee's opinion, based on our scrutiny and oversight of the work of Audit Scotland, that the Accountable Officer and Board can take assurance that there are sound systems of internal control in place within Audit Scotland to support the achievement of the organisation's policies, aims and objectives as set out by the Audit Scotland Board.
42. On the basis of the work reviewed and progress made during 2022/23, the Audit Committee can advise the Board that, in its opinion, the internal control systems in Audit Scotland are effective.

Acknowledgements

43. The Chair of the Audit Committee thanks the members of the Audit Committee for their invaluable input during 2022/23, and wished the former Chair of the Accounts Commission, William Moyes well in the future.

Review of Remuneration and Human Resources Committee (Remco) performance

Chair of the Remuneration and Human Resources Committee

Purpose

1. This report is for the Board for their information and assurance.
2. The purpose of this report is to share the review the past 12 months of performance of the Remco and confirm the future priority areas for discussion during 2023/24.

Recommendations

3. The Board is invited to consider the report for their assurance.

Background

4. The Remco Terms of Reference state that a review of past performance of Remco is an annual item of business scheduled to occur at the May meeting. This has taken place on 16 May 2023.
5. This report is shared with the Accountable Officer and Chief Operating Officer following approval by Remco and then onto the Board for assurance. The process follows good practice for the operation of these committees.
6. During 2022/23, Remco have continued to meet as planned, using a combination of MS Teams calls and hybrid in person meetings, where Covid-19 restrictions have allowed.
7. Remco members welcomed Vicki Bibby, new Chief Operating Officer to all Remco meetings from November 2022 onwards and the permanent appointment of Susan Burgess, new Head of Human Resources since February 2023.

Considerations

8. During 2022/23 Audit Scotland's Remco met on four occasions. One of the four meetings was an extraordinary meeting held in September 2022. This was convened to approve an updated pay award proposal which allowed pay negotiations to continue at Audit Scotland.
9. In accordance with its Terms of Reference the committee considered a broad range of work. This has included reports and updates on:
 - approval of the 2022/23 pay award and negotiations with the Public & Commercial Services (PCS), including the latest public sector pay policy in Scotland and the implications of this upon our own pay settlement, budget and fee strategy

Item 12. Review of Remuneration and Human Resources Committee (Remco) performance | 2

- a review and approved change to the Executive Team remuneration structure which takes effect from April 2023
 - annual review and assurance in connection with the expenses of the Auditor General for Scotland
 - planned work around diversity, equality and inclusion. Reviewing Audit Scotland's reports produced throughout the year which includes both the gender pay gap report and annual diversity report
 - consideration of plans for talent management, succession planning and wider workforce plans for 2022/23
 - the introduction of a new employee benefit, Shared Salary Sacrifice Additional Voluntary Contribution scheme for members of the Lothian Pension Fund and an update on the current car lease scheme
 - consideration and discussion of the 2022 employee stress survey results
 - annual review of Remco past performance and the setting of future priorities, and
 - regular updates about our business and workforce as we have managed the continued evolution of a new hybrid operating model of working and the development of a new Innovation and Quality business group.
- 10.** All this work has been effectively achieved in accordance with good employment practice and is consistent with public sector policy guidance affecting organisations such as Audit Scotland.

Future priorities for 2023/24

- 11.** The Head of Human Resources proposed that Remco should consider scheduling in the review of a new people strategy across the upcoming agenda of business for 2023/24. This strategy will incorporate many strands of development work in relation to people at Audit Scotland including:
- a new diversity, equality and inclusion strategy in partnership with [Business in the Community](#) following a successful procurement exercise during 2022/23
 - more regular health and wellbeing updates proposed to support the mental, emotional health and wellbeing across Audit Scotland's workforce in light of our evolving hybrid way of working and stress survey results, and
 - a fully integrated approach to future workforce planning in response to the demands arising from digital auditing, the competitive recruitment market and our early careers widening access ambitions. This will combine business planning, financial planning and people resourcing planning in one.
- 12.** Remco members welcomed and agreed with these priorities as set out.

Policy on the provision of Non-Audit Services by Audit Scotland's external auditor

Director, Audit Quality and Appointments

Item 13
Meeting date: 6 June 2023

Purpose

1. This report invites the Board to approve the Policy on the provision of Non-Audit Services by Audit Scotland's external auditor.

Recommendations

2. The Board is invited to approve the unchanged policy.

Background

3. The Audit Committee is responsible for developing and monitoring a policy on engaging the external auditor to provide non-audit services, taking into account relevant guidance on the provision of non-audit services by the external audit firm. The Audit Committee considered the policy at its meeting on 11 May 2022 and agreed to recommend it to the Board for approval.
4. The Scottish Commission for Public Audit (SCPA) appoints Audit Scotland's external auditors and may impose contractual restrictions/prohibitions on the external auditor providing non-audit services. In the absence of contractual restrictions, the Audit Committee and Audit Scotland Board are responsible for determining in what circumstances Audit Scotland may engage the external auditor to provide non-audit services.
5. The current policy on the provision of Non-Audit Services was approved in June 2021 and is reviewed annually.

Review

6. The Financial Reporting Council's (FRC) Ethical Standard has not been revised since this policy was approved in June 2021. The policy remains appropriate and in line with the FRC's Ethical Standard.
7. The example of audit related services has been changed because the previous example (grant claim certification) is unlikely to arise.
8. AQA will prepare a procedure that sits under the policy that provides further details about the process for Audit Scotland staff to follow to procure Non-Audit Services in line with the policy.

Conclusion

9. The policy remains appropriate and in line with the FRC's Ethical Standard.

Policy on the provision of Non-Audit Services by Audit Scotland's external auditor

Owned and maintained by:	Director of Audit Quality and Appointments
Date checked/ created:	June 2023
Next review date:	June 2024

Introduction

1. The Audit Committee is responsible for developing and monitoring a policy on engaging the external auditor to provide non-audit services, taking into account relevant guidance on the provision of non-audit services by the external audit firm.
2. The SCPA appoints Audit Scotland's external auditors and may impose contractual restrictions/prohibitions on the external auditor providing non-audit services. In the absence of contractual restrictions, the Audit Committee and Audit Scotland Board are responsible for determining in what circumstances Audit Scotland may engage the external auditor to provide non-audit services.
3. The Financial Reporting Council's Ethical Standard 2019 categorises non-audit services as "audit related services" (which includes work normally expected to be undertaken by an external auditor such as 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) and "other non-audit services" (which includes management consultancy and tax work).

Scope

4. This policy applies to Audit Scotland.

Policy

5. It is important that Audit Scotland's external auditors are independent and seen to be independent in the work that they undertake. It is therefore not appropriate for them to provide any non-audit work that might be perceived to create a conflict of interest with their role as external auditors.

Implementation

6. Audit Scotland may engage the external auditors to provide work classified as "audit related services" by the Ethical Standard.

7. Audit Scotland shall notify the Chair of the Audit Committee before any such work is undertaken and notify the Audit Committee at their next available meeting.

8. Audit Scotland shall not engage the external auditors to provide work classified as “other non-audit services.

Governance statement and certificate of assurance 2022-23

Corporate Governance Manager

Item 14
Meeting date: 6 June 2023

Purpose

1. This report informs the Board of the annual review of our internal controls to support the achievement of the organisation's policies, aims and objectives. It forms part of the suite of assurance reports in support of the Accountable Officer's governance statement in the annual report and accounts.
2. The report also provides the Certificates of Assurance on our internal controls from each of Audit Scotland's business groups.

Recommendations

3. The Board is invited to:
 - Note the Audit Scotland certificate of assurance as part of the annual assurance process.

Background

4. Executive Team agreed to adopt the internal control checklist and certificate of assurance process in 2011 to support the Accountable Officer's governance statement.
5. Executive Team was invited to consider the certificates of assurance to determine whether they raise any issues which should be drawn to the attention of the Audit Committee or the Audit Scotland Board at their meetings on 6 June 2023 with the Annual Accounts and governance statements.

Considerations

6. Business groups reviewed their internal controls between 7-24 March 2023 with the aid of the internal control checklist. Based on the review and checklist findings the business group Directors completed and approved their business group's Certificate of Assurance.
7. Business group Directors reported that generally the controls in their areas have been and are working well. The responses, including evidence and detailed action points where relevant are available on SharePoint.
 - [Audit Services](#)
 - [Corporate Services](#)
 - [Performance and Best Value.](#)
8. Innovation and Quality was not included in the assurance process this year given the bulk of the recruitment had not been concluded. Given the recruitment process is now complete they will be included in next year's assurance process.

Good practice

9. The annual assurance process has demonstrated good practice across the organisation's internal controls including:

- robust governance and performance reporting
- strong communication and collaboration within and across business groups
- a focused internal audit programme on existing and new areas of work.

CERTIFICATE OF ASSURANCE



To Audit Scotland's Accountable Officer

ANNUAL ACCOUNTS 2022/23: ASSURANCE FOR THE GOVERNANCE STATEMENT

- I am aware that, as Executive Director of Audit Services, you are required to sign a governance statement for the annual accounts for 2022/23. To assist you in that process, I can confirm that I have received and reviewed the required assurances from my own Audit Directors/Senior Managers.
- Based on that review, and my own knowledge of internal control matters in my business group I can confirm that these controls have been, and are, working well. There are, in my opinion, no significant matters arising in my area of responsibility which would require to be raised specifically in the governance statement.

Name of Director: John Cornett
Business Group: Audit Services

A handwritten signature in blue ink, appearing to read "John Cornett", with a horizontal line underneath.

Signature:

Date: 28 March 2023

CERTIFICATE OF ASSURANCE**To Audit Scotland's Accountable Officer****ANNUAL ACCOUNTS 2021/22: ASSURANCE FOR THE GOVERNANCE STATEMENT**

- I am aware, as Director of Corporate Support, you are required to sign a governance statement for the annual accounts for 2022/23. To assist you in that process, I can confirm that I have received and reviewed the required assurances from my own Assistant Directors/senior managers.
- Based on that review, and my own knowledge of internal control matters in my business group I can confirm that these controls have been, and are, working well. There are, in my opinion, no significant matters arising in my area of responsibility which would require to be raised specifically in the governance statement.

Name of Director: Martin Walker

Business Group: Corporate Services Group



Signature:

Date: 07 April 2023

CERTIFICATE OF ASSURANCE

To: Audit Scotland's Accountable Officer

ANNUAL ACCOUNTS 2021/22: ASSURANCE FOR THE GOVERNANCE STATEMENT

- I am aware that, as Executive Director of Performance Audit and Best Value, you are required to sign a governance statement for the annual accounts for 2022/23. To assist you in that process, I can confirm that I have received and reviewed the required assurances from my own Assistant Directors/senior managers.
- Based on that review, and my own knowledge of internal control matters in my business group I can confirm that these controls have been, and are, working well. There are, in my opinion, no significant matters arising in my area of responsibility which would require to be raised specifically in the governance statement.

Name of Director: Antony Clark

Business Group: Performance Audit and Best Value

A handwritten signature in black ink, appearing to read "Antony Clark", written over a faint horizontal line.

Signature:

Date: 15 March 2023

Purpose

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

Recommendations

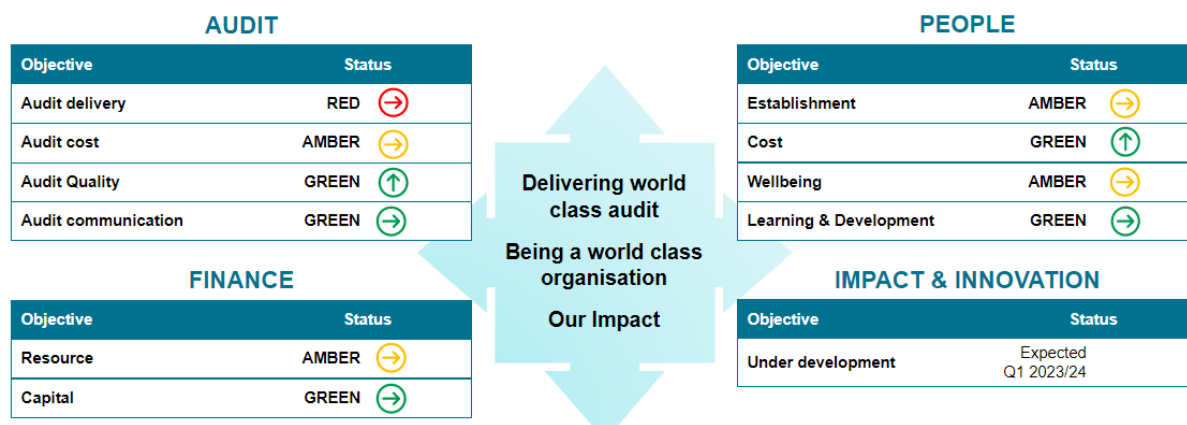
2. The Board is invited to:
 - Review the performance in Q4 set out below and in appendix 1
 - Consider the issues affecting performance, the actions identified and whether any additional management action is required.

Background

3. At its meeting on 4 April 2023 the Board welcomed the new format of the quarterly performance report and noted the plans to refine the reports further on an iterative basis.
4. A variation of the Q3 performance report was also considered by the Accounts Commission at its meeting on 13 April. The Commission provided positive feedback and also identified some areas for further development.
5. The Q4 performance report, attached as appendix 1, is structured as follows:
 - Performance summary/ highlights and challenges (pages 2 to 3).
 - Delivering world class audit – delivery to time and budget, audit focussed time, audit messages and impact and audit quality (pages 4 -17).
 - Being a world class audit organisation – people, finance and services (pages 18 – 32).
 - Impact and innovation – this section is under development (pages 33 – 35).
6. Performance over all in 2022/23 is captured in the Annual Report and Accounts which is also on the agenda for today's meeting of the Board.

Performance overview Q4

7. The graphic below provides a summary of performance.



Audit delivery

8. In 2022/23 we delivered 99% of the all the 2021/22 financial audit and performance reports scheduled for the year.
9. Challenges remain in returning to the pre-pandemic delivery dates for the financial audits. During 2022/23 the delivery of audit has been impacted by a number of factors including:
 - Delays in commencing 2021/22 audit work due to the prior impact of the pandemic
 - Significant technical issues in the accounts under audit, for example, accounting for non-current assets not valued in year
 - Actions taken to safeguard the quality of the audit work and integrity of the Independent Auditors' Report
 - The impact of resourcing and capacity issues for clients and audit teams
 - The governance timetables at audited bodies.
10. The issues affecting the delivery of financial audits were [reported](#) in more detail to the Board at its meeting on the 24 January 2023. The Board noted the report and agreed the recommended actions to address these issues.
11. In 2022/23, 59% of the financial audits for the Auditor General for Scotland (AGS) were delivered to the planning guidance deadline. 44% of the financial audits for the Accounts Commission (AC) were delivered within the deadline.
12. The differential is in part due to how Audit Services Group prioritised the 2021/22 audits to reflect the sequencing of the statutory deadlines. The deadlines are in the following order: NHS Bodies, Local Government, Central Government and Agencies and other bodies and Further Education. Approximately 62% of the AGS portfolio fell within the first three categories compared to approximately 50% of the Accounts Commission portfolio. As a result, a greater proportion of AGS audits were delivered to the target deadlines.
13. Audit Services has now returned to a 'business as usual' approach in the sequencing of audit delivery and moved away from the prioritisation framework that was put in place for the 2021/22 audits. This enables Audit Services to be more agile in resourcing and responding to changing circumstances with a focus on health bodies, Scottish

Government agencies, local authorities involved in year one Best Value work and new group bodies.

14. The objective is to return to pre pandemic deadlines and actions include the phased targets for the Audit Services Group. Audit Services Group have set a target for 2022/23 audits of 72% of all audits within the target sign-off dates (compared to the 51% achieved for the 2021/22 audits).
15. At the time of writing there is one financial audit outstanding and a verbal update on the most up to date position will be provided at the meeting.
16. An update on the impact of the improvement actions will be completed in August and will be reported to Board at its meeting on 26 September 2023.
17. The current measure for audit time and non-audit time in quarter 4 is averaging 52 per cent of time on audit and is showing a slight downward trend as shown in the appendix (slide 21). For the quarter one report in September 2023 the measure will be expanded to provide more detail on time that is being spent on non-audit work the types of work that includes and how this is reflected by grade.

Resourcing the audit work

18. Work is under way to bring the audit delivery groups (ASG and PABV) up to full establishment. This has included recent recruitment campaigns for business managers, senior auditors in both ASG and PABV, a school / college leaver campaign and the finalisation of the graduate recruitment for 2023. Many new external appointments will be joining us from June onwards. We are also planning an upcoming PABV Auditor campaign.

Other key points

19. Key points to note in Q4 are:
 - We delivered 98 per cent of all expected outputs in the year.
 - We delivered 84% of Annual audit plans with 65% on time.
 - Audits/reports were delivered 19% under budget.
 - People costs are below budget.
 - Absence levels remain low.
 - The exam pass rate is 85% compared to 81% in 2021/22.

Developments in performance reporting

20. Work is ongoing in refining the performance data, this includes:
 - the increased use of targets, time series data and benchmarking
 - performance data analysed by customer (AGS and Accounts Commission), provider (ASG and the Firms) and by sector (health, local government, central government and further education)

- the definition of audit and non-audit time (which is an important part of the development of productivity, efficiency and utilisation measures) and the accuracy and timeliness of time recording data
 - the development of performance measures in relation to Impact and Innovation.
- 21.** During March 2023 the Auditor General and the Accounts Commission considered the first six monthly [Impact summary report](#). The New Corporate Plan sets out that we will report on impact six-monthly to the Auditor General and Accounts Commission, and annually to the Audit Scotland Board. We are currently exploring the best mechanism and timing for doing that.
 - 22.** The most significant development work under way is the realignment of the performance reporting to reflect the new Corporate Plan, which is being considered by the Board at its meeting on 6 June 2023.
 - 23.** The next corporate performance report, Q1 2023/24 will be considered by Board on 26 September 2023. The 2023/24 Q1 report will be aligned to the new Corporate Plan and will introduce a range of new performance targets, the inclusion of audit delivery data by customer, sector and audit provider (the Firms and Audit Scotland).
 - 24.** We are also focussing on the measures relating to productivity and the balance between audit and non-audit time. This includes the definition and categorisation of the time recording (TR) codes, the timeliness of the recording of TR data and TR reporting. This will inform an analysis of the current utilisation rates and a review of utilisation targets.
 - 25.** We will also expand the breakdown of the Audit time and non-audit time by business group and by grade. Additional Learning and Development measures are also being developed for inclusion in the Quarter 1 report.

Q4 Corporate Performance Report

Appendix 1

Summary | Key Measures

AUDIT

Objective	Status
Audit cost	AMBER →
Audit Quality	GREEN ↑
Audit communication	GREEN →

PEOPLE

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

FINANCE

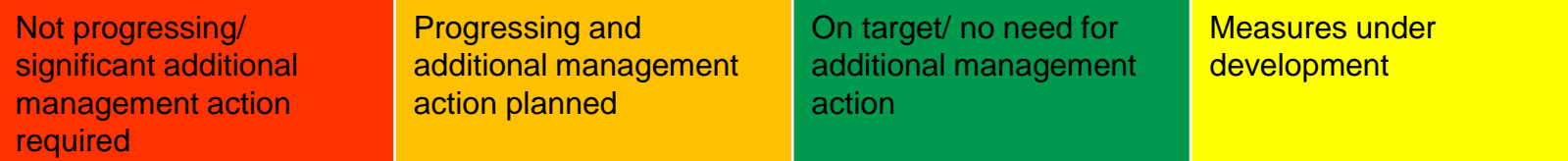
Objective	Status
Capital	GREEN →

IMPACT & INNOVATION

Objective	Status
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Delivering world class audit
Being a world class organisation
Our Impact

RAG key



Summary | Highlights, challenges and actions

Highlights

Audit

- We delivered 99% of all expected outputs
- 86% of performance audits have been delivered on time
- In Q4 Audits/reports were delivered 19% under budget
- The quality of Audit is improving
- Double the number of Annual Audit Plans have been delivered compared to this time last year

People

- People costs 2.5% below budget
- Absence levels remain low at 1.27 days
- Exam pass rate year for the year 85%

Finance

Audit Scotland services delivered within budget.

Challenges

Delivery

2021/22 Financial Audits:

- 51% on time against planning guidance
- 44 % AC reports delivered on time
- 59% AGS reports delivered on time

People

- The average number of staff at the end of Q4 was 324 against an establishment of 341.1, equating to 95% of establishment.
- The business group were under establishment:
 - Audit Service 6.3 WTE (3%) below establishment
 - Performance Audit and Best Value 7.4 WTE (9%) below establishment
 - Corporate services 4.2 WTE (7%) below establishment

Finance

- Audit Scotland's Net Operating Expenditure was 6.3% better than budget.

Actions

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

Delivering world class public audit

Objective

We deliver our products on time

KPQ1

Are audits delivered on **time**?

Target

95% of audits delivered on time



OVERVIEW **RED**

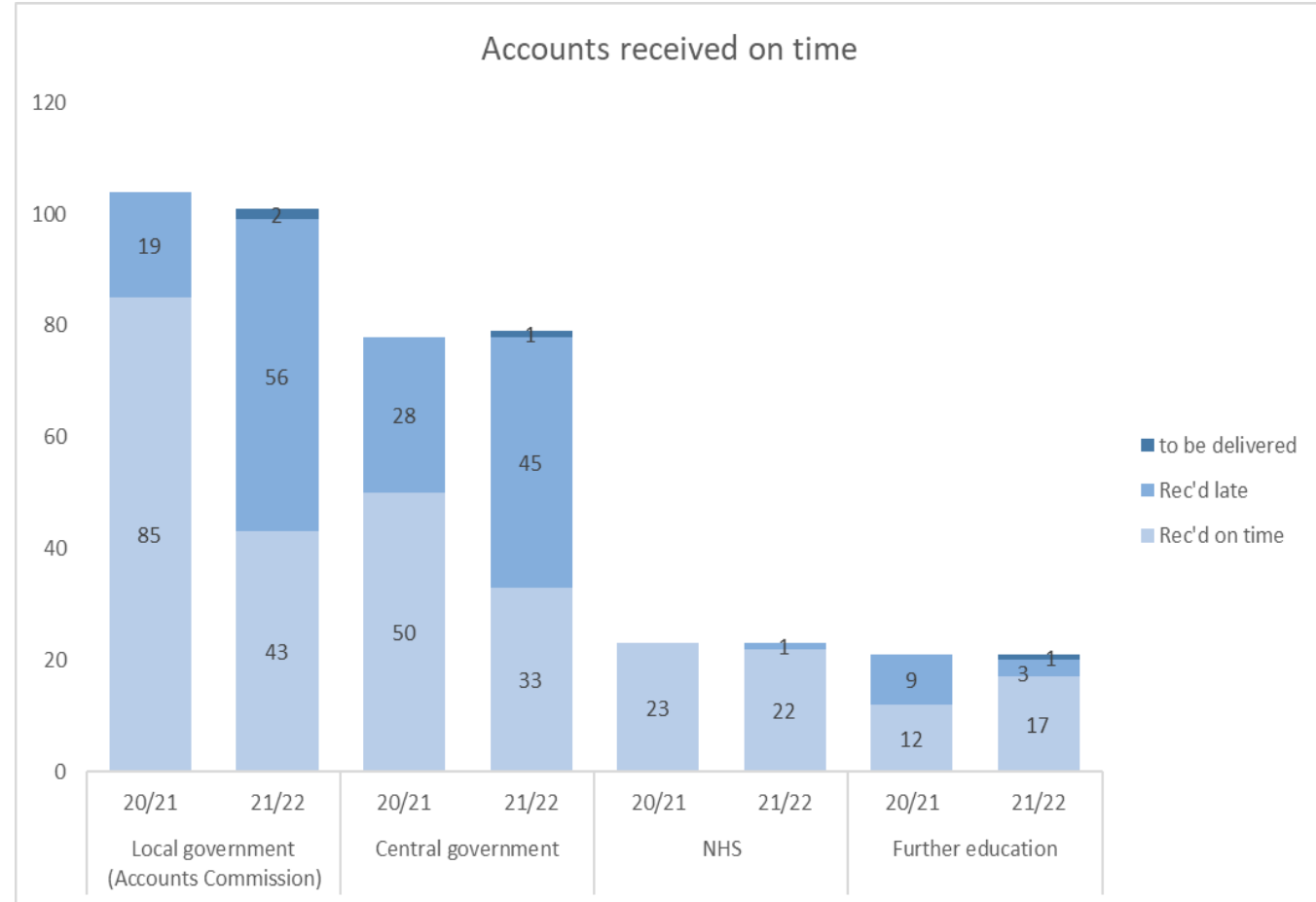
- 51% of the financial audits (delivered by the firms and Audit Scotland) were on time. This is significantly below target of 95%.

Delivery for **Financial Audits**:

- 1 of the 2021/22 accounts are outstanding
- 51% accounts were delivered on time
- 59% Auditor General for Scotland accounts were on time
- 44% Accounts Commission accounts were on time
- To date 170 of the 207 annual audit plans (2022/23) due, were delivered and 65% were on time

Delivery for **Performance Audits**:

- 86% Performance audit reports on time
- 94% Accounts Commission performance reports on time report
- 75% Auditor General for Scotland performance reports on time report
- 50% Joint performance reports on time
- Overall we have delivered 99% of expected outputs



Objective

We deliver our products **on time**

KPQ1

Are audits delivered on **time**?

Target

95% of audits delivered on time



Performance, trend and RAG

Audit delivery is rated as **RED**. Annual audit delivery

- For 2022/23 there is one outstanding 2021/22 annual audits to be delivered in Q1. The auditor is working with the audited body on the last audit to secure a date for completion.

2022/23 Audits

- To date 170 (84%) of the 202 Annual Audit Plans (AAPs) were delivered with 65% delivered on time.
- The 38 Annual audit plans delivered late were due to either the late conclusion of the prior year audit, audit staff resourcing, or ongoing discussions about technical disclosures.

Annual Audit Plans by customer

- Accounts Commission: due 99 reports with 59 (60%) on time.
- Auditor General: due 103 reports with 73 (71%) on time.

Annual Audit Plans by provider

- ASG due 126 with 90 (71%) on time more than double the performance of this time last year.
- Firms due 76 with 42 (55%) on time.


Risk

Audit delivery misses statutory deadline

Delay in delivery this year's audit impacts on the ability to deliver next years audit on time

Risk register

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

A4 - Failure to deliver audit to deadlines 

M2 - Failure of independence, reputation, focus and relevance 

Objective

We deliver our products **on time**

KPQ1

Are audits delivered on **time**?

Target

95% of audits delivered on time



Performance, trend and RAG

Delays to Performance Audit

During 2022/23 we delivered 37 of the 43 performance audit products (86%) on time. Of the six products that were delivered later than planned, four of these were statutory reports (Commissioner for Ethical Standards s22, Ferguson Marine Port Glasgow s22, Scottish Canals s22). These were late due to the late sign off of the audited bodies' accounts.

Exception reports for the other three reports that were later than planned are outlined below:

- Tackling child poverty (briefing, September 2022) – joint report
 - We agreed with the AGS and Accounts Commission sponsors to delay this briefing from May until September, after the summer parliamentary recess. It was agreed a shorter gap between publication and the briefing going to the Public Audit Committee would increase its impact. This also allowed the team more time to digest the Scottish Government's new child poverty delivery plan and other key documents.
- Data gaps – getting the basics right...what more public sector leaders can do (other, September 2022) – Audit Scotland report
 - We delayed this product from August to September due to resource capacity and to ensure we secured a suitable date that key panel members could attend.
- Resourcing the benefit service (thematic study) (other, February 2023) – Commission
 - We delayed this product from October to February due to issues with data availability and data validation. This ensured we had a complete and accurate dataset to analyse and inform the final report.

Objective

We deliver our products **on time**

KPQ1

Are audits delivered on **time**?

Target

95% of audits delivered on time



Issues / Actions	Actions to improve performance	Who	Timescales	Comment / update
Late delivery of Audit	Report to Board 24/01/23 summarising issues and actions	EDASG	Jan 2023	<p>Paper delivered to Board 24 January 2023 including an action plan for improving delivery. An update on the impact of changes planned will be provided to the Board in August 2023.</p> <p>ASG has returned to a business as usual approach in the sequencing of audit delivery and moved away from the prioritisation framework that was applied in 2021/22.</p>
Audit Time V Non Audit time	<p>Audit Services Group have set a target for 2022/23 audits of 72% of all audits within the target sign-off dates (compared to the 51% achieved for the 2021/22 audits).</p> <p>Review of KPI to ensure accuracy of information being reported</p> <p>Review of utilisation rates to industry standards</p>	<p>Chair of PRMG</p> <p>Chair of PRMG</p>	<p>For 2023/24 Q1 report</p> <p>For 2023/24 Q1 report</p>	<p>This target is contingent of Audit Services Group addressing shortfall of colleagues in post against establishment</p> <p>The PRMG will review how we record Audit time and non audit time to ensure we have the most accurate picture.</p>
Breakdown of delivery on time performance by Audit Services and by firms	Will provided further breakdown		For 2023/24 Q1 report	

Objective

We deliver our products within **budget**

KPQ2

Are audits delivered on **budget**?

Target

+/-5% of budget



OVERVIEW Amber

- Audits/reports are being delivered on average 19% under budget.
- The Annual Audit variance of 29% is due to a number of factors. The Audit Services Budget cycle does not align to the financial year and the cost of Audit represented here is for the 2022/23 financial audits. Other issues include the phasing of the audit and current capacity to deliver. Overall audits are under-resourced to deliver against budgets.
- In-house income was in total £419k (4.6%) worse than budget.
- Fee income for 2021/22 audits has a negative volume variance of £135k and a positive price variance of £61k. Audit work for 2022/23 has commenced and is currently £387k behind plan. The prior year income of £42k is the balance due on the completion of the 2021 EAFA audit.
- Fee income earned for audits carried out by external firms net of fees and expenses paid to the firms was £57k worse than budget. Income recognition was £818k (13.3%) worse than budget with fees and expenses payable to the external firms being £761k (14.0%) better than budget.

Budget

Product	Total budget £	AC budget	AGS budget	Total costs £	Variance £	% Variance
Annual audits	4,034,988	2,270,783	1,764,205	2,863,452	-1,171,536	-29
Performance audits	3,666,329	1,704,924	1,923,272	3,382,848	-283,481	-8
Total	7,701,317	3,975,707	3,687,477	6,246,301	-1,455,017	-19

Objective

We deliver our products within **budget**

KPQ2

Are audits delivered on **budget**?

Target

+/-5% of budget

Performance, trend and RAG

In Q4 Audits/reports are being delivered 19% under budget compared to 16% under budget in Q3.

- ASG -29% under budget
- PABV - 8% under budget


Trend is variable throughout the year with some of the variation due to the way budgets are phased for the quarterly reports.

Risk

In Q4 Audits were 19% under budget. This is expected to vary during the year and does not present a significant risk at this time.

Risk register

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

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

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

Objective

Colleagues focus is on **delivering** our products

KPQ3

Are colleagues **audit focused**?

Target

TBC

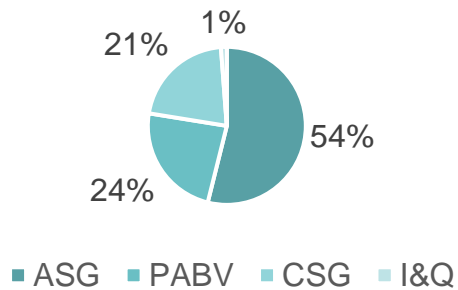


OVERVIEW **AMBER**

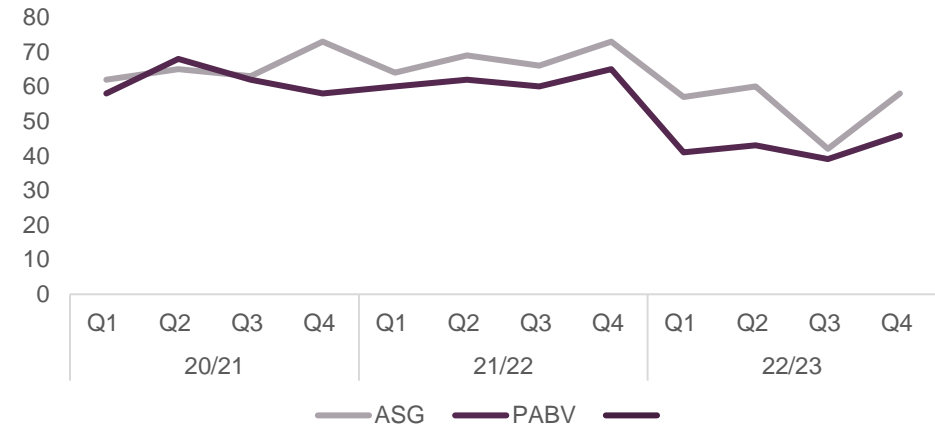
- Average time spent on Audit 52%

Percentage of colleagues delivering Audit:
ASG 95%
PABV 73%

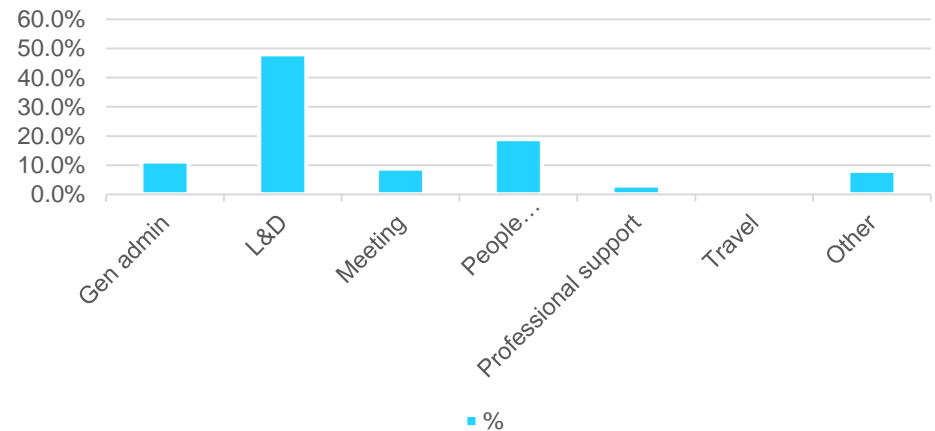
% colleagues by business group delivery



Percentage Audit time



Non Audit Hours (excluding leave)



Objective

Colleagues focus is on delivering our products

KPQ3

Are colleagues **audit focused**?

Target

TBC

Performance, trend and RAG

In Q4 time spent on audit was 52%.

Risk

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

Risk register

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

A3 – Failure of audit quality ● →

A4 – Failure to deliver audits to deadlines ● →

Issues / Actions	Actions to improve performance	Who	Timescales	Comment / update
Current utilisation rate metrics are not sufficient.	Review and implement new KPIs to provide further insight to the amount of time colleagues are spending on delivering audit.	PRMG	For 2023/24 Q1 report	PRMG will review data available to provide a more detailed picture of performance in this area.
New KPI	The Financial Reporting Council (FRC) definition of Staff utilisation rates includes Number of hours worked per week, as a percentage of contracted hours.	PRMG	For 2023/24 Q1 report	
Target for percentage of time spent on audit to be agreed		PRMG	For 2023/24 Q1 report	

Objective

We deliver high **quality** work

KPQ4

Are we assured about the **quality** of our work?

Target

80% of reviews achieve level 1 or 2 (over a three year period)



OVERVIEW **GREEN**

- All six accountancy firms subject to an independent review in the last four years have met the expected quality standard for financial audit. One financial audit was awarded the highest score available by the independent reviewer.
- Nine of the 11 (82 per cent) ASG financial audits reviewed met the expected standard. This is the first time that ASG, who conduct most financial public sector audits in Scotland has met the expected standard since the AQF arrangements began.
- Three of the four Performance audit and Best Value audits reviewed met the expected standards. One Performance audit was awarded the highest score available by the independent reviewer.
- Stakeholder feedback shows high levels of satisfaction with external audit services provided, the usefulness of the annual audit report, and indicates that the audit work has had impact.
- Auditor surveys provide evidence that there continues to be a strong culture of support for performing high-quality audit and that audit organisations are continuing to invest in staff training.
- Audit staff within most audit providers continue to report concerns they do not feel they have sufficient time and resources to deliver high quality audit work. There is evidence that plans put in place by most audit providers in response to these concerns have improved matters.
- There is increasing evidence of a shortage of skilled and qualified audit staff available in the auditing profession across the UK.

Objective

We deliver high **quality** work

KPQ4

Are we assured about the **quality** of our work?

Target

80% of reviews achieve level 1 or 2 (over a three year period)



Performance, trend and RAG

Performance in this area is **improving**.

The overall scores applied to financial audit quality reviews have improved this year. This provides a clear indication that high-quality standards are being achieved and that quality improvement plans are taking effect. It is important that trend is sustained.

Risk

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

Risk register

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

A3 – Failure of audit quality ● →

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

Issues / Actions	Actions to improve performance	Who	Timescales	Comment / update
All auditors included in the quality reviews have been informed of findings	The improvement actions will be reviewed in Q1/Q2 and reported in Q3 2023/24	AQA	Q3 2023/23	

Objective

Audit impact: we deliver **impact** through our work

KPQ5

Are we assured about the impact of our work?

Target

None

Performance, trend and RAG

Examples of impact recorded in quarter four are available on [SharePoint](#)


The next impact monitoring and evaluation data for Performance Audit will be available in August 2023 and will be reported in the Q2 report.

Risk

Our work is not delivering impact

Risk register

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

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

A8 – Failure to maximise the value, impact and influence of public audit 

Issues / Actions	Actions to improve performance	Who	Timescales	Comment / update
No significant issues have been identified in this quarter.				

Objective

We **communicate** with external stakeholders

KPQ6

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

Target

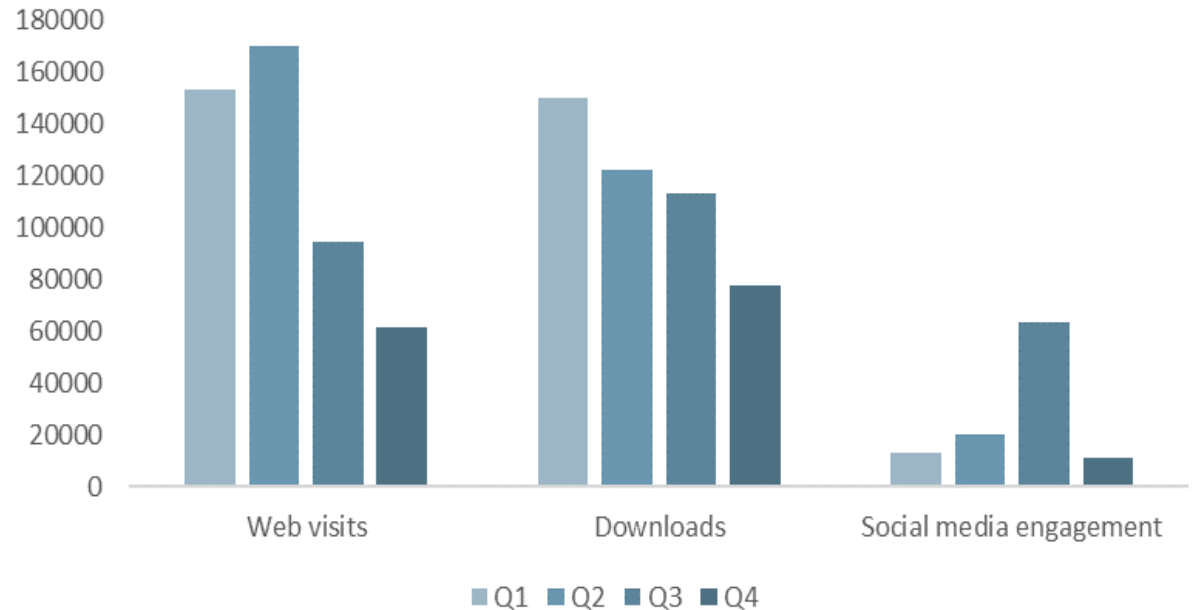
Comparison with previous years performance.



OVERVIEW **GREEN**

- Stakeholder engagement is rated green.
- We continue to get our messages out through a variety of means. We attended 7 Parliament committees and attended 8 external working groups.
- Supporting Covid-19 enquiry response submitted 10 May 2023
- The Auditor General for Scotland top three reports covered by the media included:
 - NHS Overview (56 items);
 - s22: Ferguson Marine Port Glasgow (31 items)
 - s22 Commissioner of Ethical Standards (2 items).
- The Accounts Commission top three media items included:
 - LG financial bulletin 2021/22 (20 items);
 - Thematic: Resourcing the benefit service (4 items)
 - Web: Public sector gender pay gap (Joint) (1 items).
- The Accounts Commission's Twitter account achieved the highest engagement for all our social media accounts in January, due to the LG Financial Bulletin.

Transparent reporting in public - Web stats



Objective

We **communicate** with external stakeholders

KPQ6

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

Target

Comparison with previous years performance.

Performance, trend and RAG

During this quarter, coverage focussed on:

- Auditor General reports on the NHS, Ferguson Marine and the NHS Overview. The Parliament’s Public Audit Committee report on the two delayed CalMac ferries also allowed the media to make mention of the AGS’s s22 on Ferguson Marine.
- The Accounts Commission’s reports on Local Government Financial Bulletin drew wide local and national commentary on the challenges facing councils. The report was often referenced by the media alongside stories about local authorities raising their council tax levels to try and balance their books.

Risk

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

Risk register

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

A8 – Failure to maximise the value, impact and influence of public audit

M2 – Failure of independence, reputation, focus and relevance

Issues / Actions	Actions to improve performance	Who	Timescales	Comment / update
On 23 March we received a ‘Rule 8 notice’ from the Scottish Covid-19 Inquiry requesting a submission to the Inquiry.	We issued the <u>submission</u> with relevant accompanying documents on 10/05/23.	n/a	Complete	n/a

Being a world class organisation



Our people

Objective

We manage our resources effectively

KPQ7a

People establishment

Target

tbc



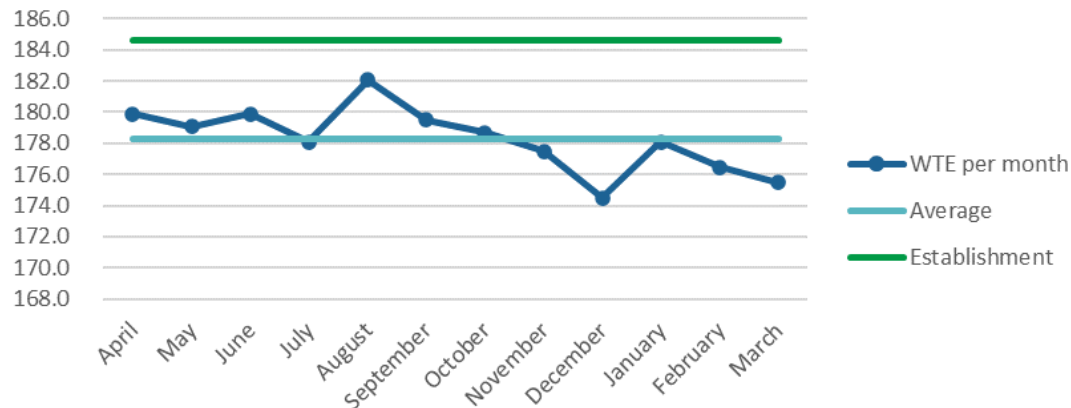
OVERVIEW **AMBER**

- Current staffing level versus establishment.
- The average number of staff in 2022/23 was 324, against an establishment level 341.1 WTE. This equates to 95% - up from Q3 (93.9%).

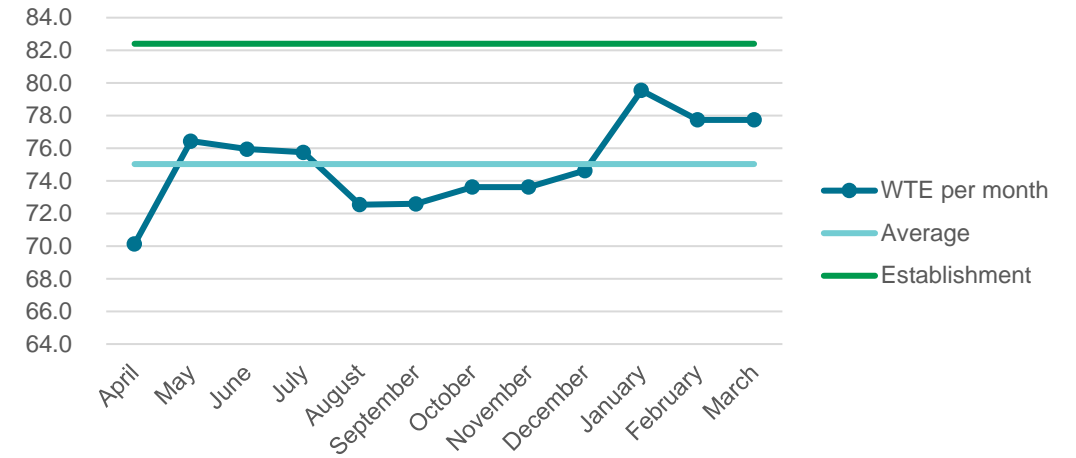
The business groups were under establishment:

- Audit Services 6.3 WTE (3%) below establishment
- Performance Audit and Best Value 7.4 WTE (9%) below establishment
- Corporate services 4.2 WTE (7%) below establishment

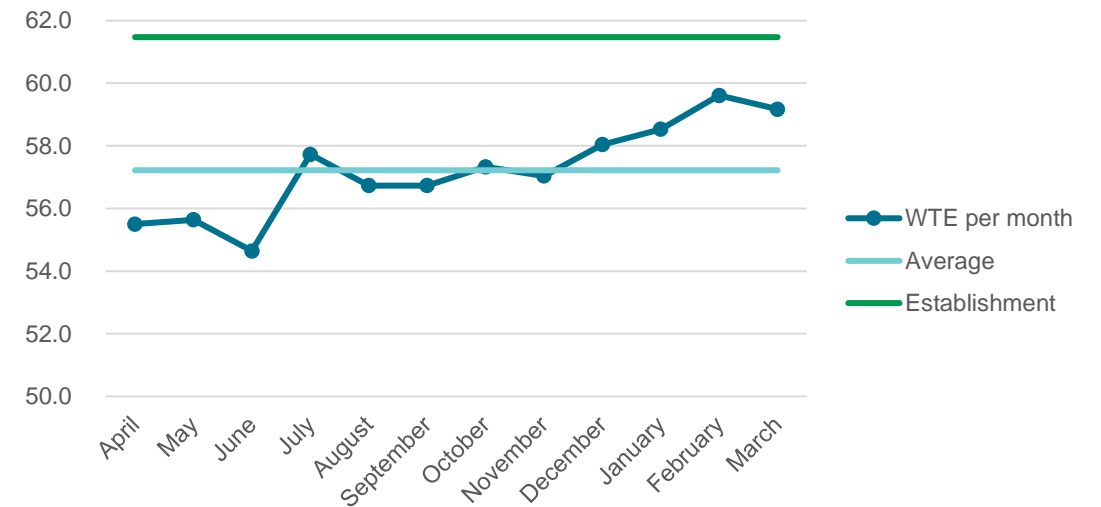
ASG - WTE staff in post 2022/23



PABV - WTE staff in post 2022/23



CSG - WTE staff in post 2022/23



Objective

We manage our resources effectively (**People**)

KPQ7a

People establishment

Target

tbc


Performance, trend and RAG

- Overall this measure is rated amber due to FTE being at 324 which is 95% of establishment (341.4).
- Audit Service 6.3 WTE (3%) below current establishment which is under review to reflect the additional requirements to deliver the new audit allocations.
- The establishment figures for ASG and PABV do not yet recognise the transfers to I&Q which will be reported separately in future reports.
- Following the conclusion of the audit procurement process the ASG establishment has now been reviewed and revised to reflect the audit allocations and requirements of the new Code of Audit Practice (CoAP). A five-year ASG establishment plan has been developed to support the delivery of the audit portfolios and address the short term corporate priority to recover the audit delivery timescales and address the red delivery rating currently being reported.

Risk

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

Risk register

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

Issues / Actions	Actions to improve performance	Who	Timescales	Comment / update
ASG establishment	The ASG establishment has been reviewed in response to the outcome of the audit appointment process and the impact of the new CoAP alongside the short-term priority to recovery audit delivery timescales.	ASG	May 2023	

Objective

We manage our **resources** effectively

KPQ7b

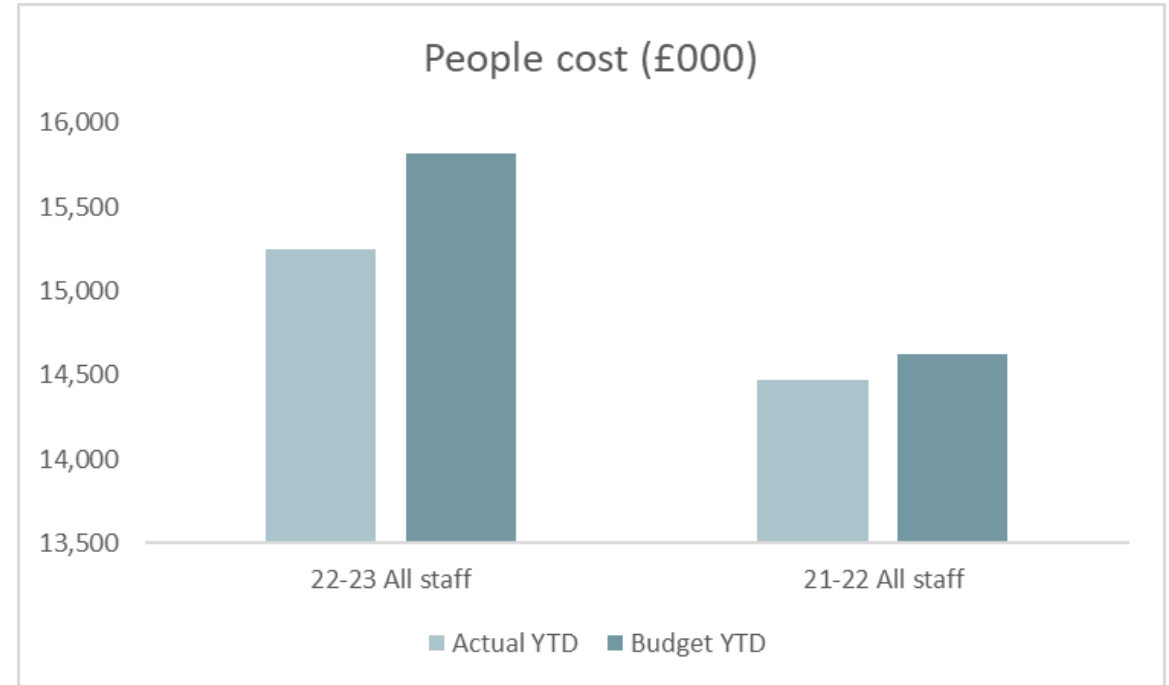
Are we managing our people resources effectively

Target

+/- %5 of budget

OVERVIEW **GREEN**

- The cost of Audit Scotland staff in twelve months to 31 March 2023 was 2.5% better than budget year to date.



Objective

We manage our resources effectively

KPQ7b

Are we managing our people resources effectively

Target

+/- %5 of budget



Performance, trend and RAG

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

Risk

None

Risk register

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

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

Issues / Actions	Actions to improve performance	Who	Timescales	Comment / update
Workforce planning	Workforce planning internal audit report underway	Internal Audit	May 2023	To be considered by Audit Committee in May 2023.
	Workforce plan 2023/24	Head of HR	April 2023	WFP to Exec Team 21/03/23
	Executive Team People Strategy workshop	Executive Team	14 June 2023	

Objective

We manage our resources effectively

KPQ7c

Wellbeing

Target

TBC



OVERVIEW **AMBER**

- Colleague turnover (1.19%)
- 1.27 days Sickness absence equates to 2% of available days
- Average of 1.27 Days lost to illness

Areas under development

- Annual leave taken/planned
- Time sheet completion
- Flexitime



Average of 1.27 days of sickness per employee during Q4

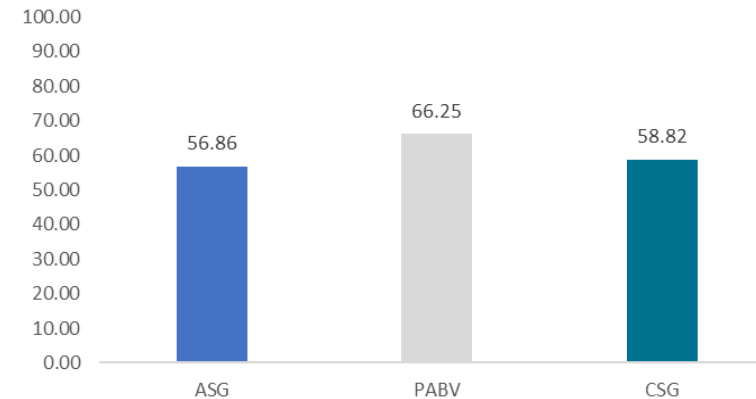


409.02 contracted working days lost to sickness during Q4

Staff turnover Analysis, 2019-2023



% of staff with at least one recorded sickness absence over the last 12 months



Objective

We manage our resources effectively

KPQ7c

Wellbeing

Target

TBC

Performance, trend and RAG


- Overall wellbeing is rated as green with low levels of turnover and absence
- However, recent survey results including best companies indicate further work needs to be done in this area

Risk

Risk register

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

A5 - Failure of capacity –establishment, deployment, skills 

M1 - Failure of health, safety and wellbeing 

Issues / Actions	Actions to improve performance	Who	Timescales	Comment / update
We are developing additional KPIs to support the reporting of this KPQ.	N/A	PRMG/HR	TBC	TBC
During Q4 The Best companies survey was completed				An update will be included in the 2023/24 Q1 report.

Objective

We manage our **resources** effectively

KPQ7d

Learning and development

Target

Prior year performance



OVERVIEW **GREEN**

L&D

- Forty trainees sat 159 Exams with 135 passed (rate 85%)
- 292 Training events with 3,139 attendees

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

KPIs under development:

- Average L&D days per colleague
- % Mandatory training completed

Objective

We manage our resources effectively

KPQ7d

Learning and development

Target

Prior year performance




Performance, trend and RAG

- Learning and development KPIs are rated green.
- Exam pass rates year to date are 85% compared to 81% in 2021/22
- One KPI is reported annually and will be reported in Q1 2023-24.

Risk register

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

A5 – Failure of capacity – establishment, deployment, skills 

Issues / Actions	Actions to improve performance	Who	Timescales	Comment / update
KPI development	Two new KPIs have been developed and data to be collected.	Corporate Performance Officer and HR	For Q1 report	



Our finances and services

Objective

We manage our **financial resources** effectively

KPQ8

Are we managing our financial resources effectively

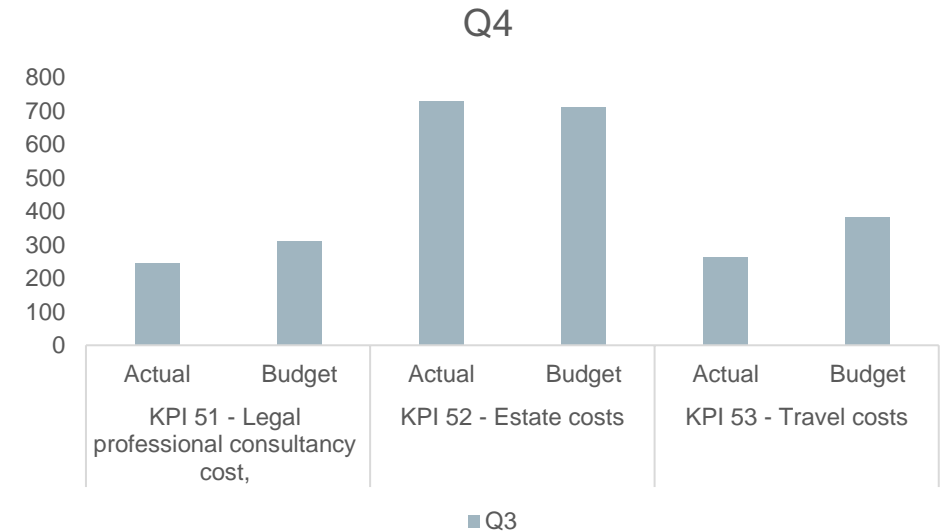
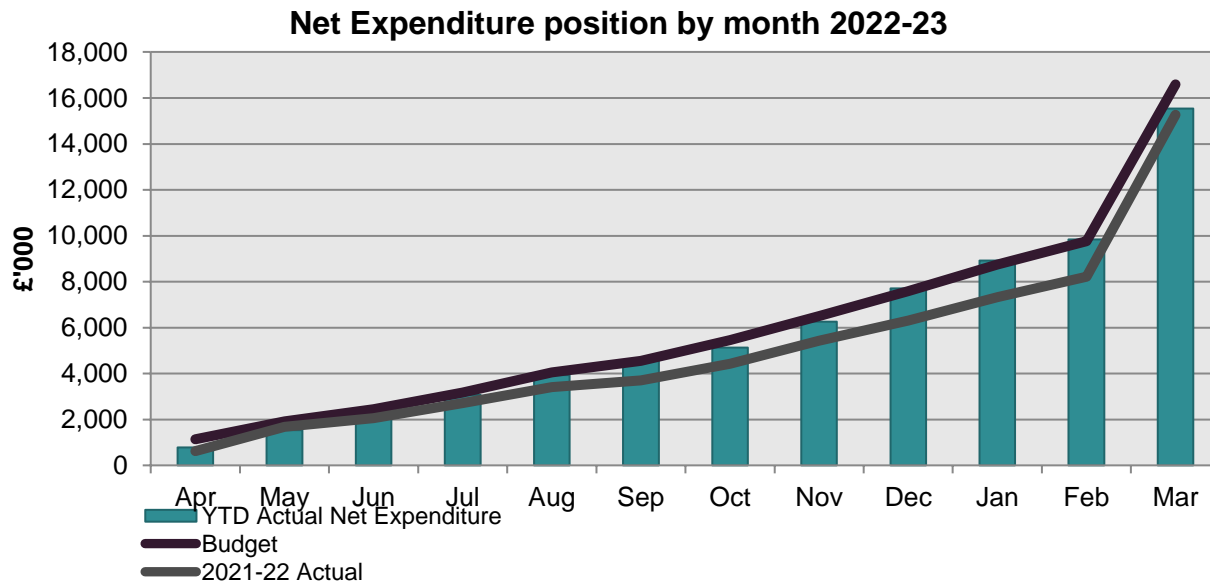
Target

Break even



OVERVIEW **AMBER**

- The Target for Audit Scotland is break even as required by the Public Finance and Accountability (Scotland) Act 2000.
- At the end of the March 2023 Audit Scotland's Net Operating Expenditure was £15,538k which was £1,049k (6.3%) better than budget. Excluding the IAS 19 pension underspend the actual budget underspend for 2022/23 in respect of operational activity was £255k (2.1%).
- The total Capital expenditure for 2022/23 was £203k, £47k less than budget. The budget planned to spend the allocation on potential office re-configuration and new IT hardware and software.



Objective

We manage **our financial resources** effectively

KPQ8

Are we managing our financial resources effectively

Target

TBC

Performance, trend and RAG

At the end of the March 2023 Audit Scotland's net operating expenditure was £15,538k. This was £1,049k (6.3%) better than budget. Excluding the IAS 19 pension underspend the actual budget underspend for 2022/23 in respect of operational activity was £255k (2.1%).

- Income - behind plan on completion of 21/22 audits and commencement of 22/23 audits. Impact of change in central charges approach under new best value regime.
- Pay - underspend broken down into pay (£457k) and IAS 19 pension adjustments (£794k). The pay underspend is due to the average whole time equivalents (WTE) position being 13.9 below funded establishment which has been reduced by the increase in the final pay settlement. The pension position reflects and underspend of £459k in the adjustment for the funded scheme and an underspend of £335k for the unfunded schemes.
- Non-pay - underspend in firms expenses, travel & subsistence, depreciation and other costs reduced by overspends in IT, recruitment and property.
- Capital – expenditure on laptops, furniture, mobiles, office enhancements and business management system.
- Management contingency - £224k allocated to meet increase in Edinburgh office rent, depreciation adjustment and recruitment costs. Unallocated balance £276k.

Risk

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

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

Risk register

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

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



Objective

We respond to **enquiries** from the public

KPQ10

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

Target

95% of enquiries responded to on time



OVERVIEW **GREEN**

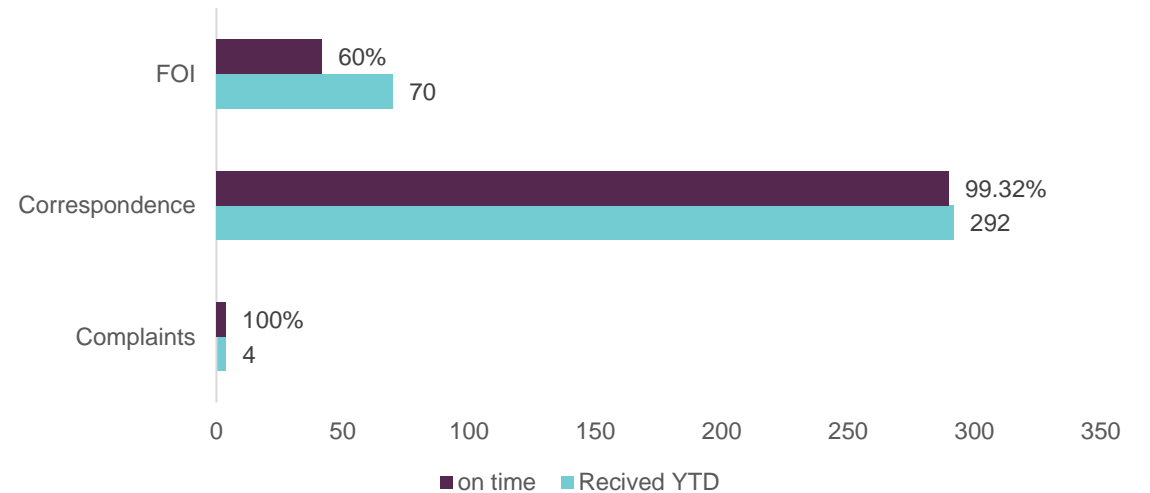
Two of the KPIs are better than target response time and the RAG is rated green.

One KPI (FOI) is rated amber as this is achieving 60% on time against a target of (95%). The reason for the decrease in performance in responding to Freedom of Information requests is due to the increase in volume, the complexity of requests and in one day we received 17 requests.

Compared to 2021/22:

- Correspondence has increased by 58%
- FOI increased 89%
- One Data Subject Access requests compared to three last year.

Public enquires answered on time



Objective

We respond to **enquiries** from the public

KPQ10

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

Target

95% of enquiries responded to on time



Performance, trend and RAG

- Complaints: There is a slight increase in numbers received and response times are better than target.
- Correspondence: There is an increase in numbers received and response times are above target.
- FOI: There is an increase in numbers received and response times are significantly below target due to the increasing complexity of requests received and in Q4 17 requests from the same requestor were received on the same day.
- DSARS: One DSAR received this year, compared to three last year.

Risk

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

Risk register

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

A8 – Failure to maximise the value, impact and influence of public audit

Issues / Actions	Actions to improve performance	Who	Timescales	Comment / update
The increase in communication from members of the public is being managed and we will monitor to see if this increase is maintained in 2022/23.	N/A	N/A	N/A	We will continue to monitor the increase and its impact on resources available.

Impact and innovation

Objective

Impact and innovation

KPQX

TBC

Target

TBC

OVERVIEW

- During March 2023 the Auditor General and the Accounts Commission considered the first six monthly [Impact summary report](#) . We plan to report on impact annually to the Board and are currently exploring the best mechanism and timing for doing that.
- Outcome measures are being developed as part of the development of Public Audit in Scotland and the Corporate Plan
- Improvement work is currently reported through the Strategic Improvement Programme update and further KPIS are being developed

Performance, trend and RAG


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


Risk


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

Risk register

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

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

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

A8 - Failure to maximise the value, impact and influence of public audit and meet stakeholder expectations as an independent, trusted and authoritative voice with oversight of the public sector in Scotland and as an agent for change and improvement 

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

Review of corporate governance policies

Purpose

1. This paper invites the Board to review and approve the updates as appropriate to the Standing Orders, Financial Regulations, Scheme of Delegation for approval.

Recommendations

2. Board is invited to:
 - Approve the updates to the Standing Orders, Financial Regulations, Scheme of Delegation.

Background

3. The Standing Orders, Financial Regulations, Scheme of Delegation and Codes of Conduct for members and staff were most recently reviewed and updated in September and November 2022.
4. This report covers updates to the Standing Orders, Financial Regulations and the Scheme of Delegation, following the Controller of Audit becoming a member of the Audit Scotland Executive Team in May 2023.

Considerations

5. A review of our Standing Orders, Financial Regulations and Scheme of Delegation took place during May 2022. The review found that some amendments were required to reflect the addition of the Controller of Audit to the Audit Scotland Executive Team.
6. The amendments are as follows:
 - Standing Orders – the addition of a footnote to paragraph 60 on page 12 to confirm the membership of the Executive Team
 - Financial Regulations - inclusion of 'Controller of Audit' in paragraph 9.4 on page 5
 - Scheme of Delegation – naming of Executive Team and addition of a footnote to confirm the membership of the Executive Team on page 5 and update to the note on page 10.
7. The documents are attached, and changes are tracked for ease of review.
8. Subject to approval by the Board on 6 June 2023, the policies will come into effect on 7 June 2023.
9. The next review of all corporate governance policies will be submitted to Audit Committee and Board for approval in September 2023 in line with the annual review cycle.

Standing Orders



Audit Scotland Board

~~June 2023~~ ~~October 2022~~

Audit Scotland is a statutory body set up in April 2000 under the Public Finance and Accountability (Scotland) Act 2000. It provides services to the Auditor General for Scotland and the Accounts Commission. Together they ensure that the Scottish Government and public sector bodies in Scotland are held to account for the proper, efficient and effective use of public funds.

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Standing orders

Introduction

1. The Constitution and membership of Audit Scotland is unusual in having both members appointed by the Scottish Parliament and members with or having access to Direction giving powers. The Board will seek to operate on a consensus basis recognising that on occasion a majority decision may be reached and that the Auditor General and the Accounts Commission may issue Directions for the purpose of or in connection with the exercise of Audit Scotland's functions in relation to either or both of them.

Constitution

2. Audit Scotland is a body corporate established under section 10 of the [Public Finance and Accountability \(Scotland\) Act 2000](#) ("the Act").
3. The function of Audit Scotland is to provide such assistance and support as the Auditor General and the Accounts Commission require in the exercise of their respective functions and, in particular, to provide them, or ensure that they are provided, with the property, staff and services which they require for the exercise of those functions. Section 98 of the [Local Government \(Scotland\) Act 1973](#) provides that the Commission shall have power to incur such expenses as appear to them to be necessary or expedient for the proper discharge of their functions, and such expenses shall be met by Audit Scotland.
4. The Auditor General and the Accounts Commission may give directions to Audit Scotland in connection with the exercise of their functions. Detailed provisions about the operation of Audit Scotland are contained in Schedule 2 to the Act as amended by the Public Services Reform (Scotland) Act 2010.
5. The Board remains responsible for the exercise of all functions of Audit Scotland. It exercises its powers and authorities through the Scheme of Delegation, which it determines and approves on an annual basis.
6. Under [section 18](#) of the Public Finance and Accountability (Scotland) Act 2000 the Accountable Officer is responsible for ensuring the propriety and regularity of the finances of Audit Scotland and ensuring that the resources of Audit Scotland are used economically, efficiently and effectively.
7. The members of Audit Scotland are the Auditor General, the Chair of the Accounts Commission and three other members appointed by the Scottish Commission for Public Audit.
8. The three other members will be appointed under terms and conditions, including remuneration, as determined by the Scottish Commission for Public Audit. The Auditor General and the Chair of the Accounts Commission may not receive any remuneration as members of Audit Scotland.

9. Members of Audit Scotland may terminate their appointments at any time by notifying, in writing, the appropriate appointing body, and following the prescribed period in the letter of engagement.
10. In these Standing Orders the members of Audit Scotland meeting together to discharge their functions are referred to as the Board.

Chair

11. The Scottish Commission for Public Audit will appoint one of the members of Audit Scotland which it has appointed to preside at the meetings of the Board ("the Chair").

Meetings

12. Meetings will be held in public at times, dates and places agreed by the members. In addition, a meeting may be called at any time by the Chair or by not less than three members giving the Chief Operating Officer a written request for such a meeting stating the business to be transacted. The use of MS Teams video or telephone conferencing by members will be deemed as attendance at the meeting.
13. In exceptional circumstances, for example, where office locations are closed and all employees are required to work from home, meetings will take place by MS Teams. To ensure digital security during this time, these meetings may not be open to the public. Meetings will be recorded and shared online alongside the agenda and reports from the meetings. Audit Scotland is currently considering live streaming of Board meetings and investigating options for extending the public access to face to face and hybrid meetings.

Agenda and Papers

14. The Chair will approve the Board agenda, including the consideration of items to be taken in private, 10 working days prior to the scheduled meeting, following discussion with the Chief Operating Officer.
15. At least five clear working days before a meeting of the Board the Chief Operating Officer will send written notice of the approved time and place of the meeting and of the business to be transacted to each member. So far as possible, reports and other papers relating to agenda items will be circulated with the agenda.
16. At least two clear working days before a meeting of the Board the Chief Operating Officer will publish the meeting agenda and reports and papers to be taken in public on the Audit Scotland website.

Conduct of Business

17. The Chair, if present, will preside. If the Chair cannot be present the Board must appoint one of the other members appointed by the Scottish Commission for Public Audit to preside at the meeting.

18. No business other than that stated in the notice of the meeting will be transacted at that meeting other than with the consent of the Chair and a minuted explanation of why the matter had to be conducted without the standard notice.
19. The Chair of the meeting will decide all questions of order, relevancy and conduct of business during the meeting.
20. A quorum for a meeting of the Board is three members including those present by MS Teams. The Auditor General and the Chair of the Accounts Commission must be present for a quorum to be constituted, save that in the event that the Auditor General and/or the Chair of the Accounts Commission are unable to attend a meeting of the Board, either may confirm, by giving notice in writing, by email or where circumstances require verbally by telephone prior to the commencement of the meeting, that (i) they consent to the meeting proceeding in their absence; (ii) that the meeting may be deemed to be quorate notwithstanding their absence provided the other requirements for a quorum to be constituted as set out in paragraphs 18, 19 and 20 are met; and (iii) that any business detailed on the agenda circulated pursuant to paragraph 13 and transacted at the meeting shall be deemed to be transacted validly provided that all other requirements of these Standing Orders are complied with.
21. Where the Auditor General and/or the Chair of the Accounts Commission consents to a meeting proceeding in their absence, they shall, within five working days of the date of the meeting, be provided with a copy of the draft minutes of the meeting produced pursuant to paragraph 22.
22. No business which is not detailed on the agenda circulated pursuant to paragraph 12, and which the Board deems to be material to the operation of Audit Scotland, shall be transacted at a meeting at which either the Auditor General and/or the Chair of the Accounts Commission is not present.

Minutes

23. Minutes of every meeting of the Board will be drawn up and will be approved at the following meeting.

Directions

24. Section 10(4) of The Public Finance and Accountability (Scotland) Act 2000 (“the Act”) provides that:-
25. 'Directions may be given to Audit Scotland—
26. (a) by the Auditor General, for the purpose of or in connection with the exercise of Audit Scotland’s functions in relation to the Auditor General,
27. (b) by the Accounts Commission, for the purpose of or in connection with the exercise of Audit Scotland’s functions in relation to the Commission.'
28. Section 27(4) of the Act provides that:

29. 'Directions under sections 10(4) and 19(4) and paragraph 6 of schedule 3 are to be given in writing and may be varied or revoked by subsequent directions under the same provision.'
30. In accordance with the provisions of sections 10(4) and 27(4) of the Act any directions given by the Auditor General or the Accounts Commission to Audit Scotland must be given in writing.
31. Following receipt of any direction given by the Auditor General or the Accounts Commission, Audit Scotland will hold a board meeting to consider the direction with regard to its own response.

Vacancy

32. The proceedings of the Board will not be invalidated by any vacancy in membership or by any defect in the appointment of any person.

Code of Conduct

33. Each member will abide by the Code of Conduct for Members of the Audit Scotland Board current at any time.

Committees

34. The Board may appoint standing or ad hoc committees consisting of such numbers as the Board may determine. Committees may consist of members and other suitable persons chosen by the Board.
35. The Board will establish an Audit Committee with the terms of reference contained in Appendix 1.
36. The Board will establish a Remuneration & Human Resources Committee with the terms of reference contained in Appendix 2.
37. The Board will establish an Appeals Committee with the terms of reference contained in Appendix 3.
38. Any committee will operate within the terms of remit and any delegation made to it by the Board.

Deeds and Documents

39. Any deed or document requiring formal execution by Audit Scotland will be signed for and on behalf of Audit Scotland by the Chair of the Accounts Commission or the Auditor General for Scotland and the Chief Operating Officer.

Advisers and Committee Co-optees

40. The Board may appoint advisers and/or co-optees to Committees and pay them such remuneration and expenses as the Board decide. The co-option appointment procedure is contained in Appendix 4.

41. Employees of Audit Scotland, advisers and others may be present at items taken in private at meetings of the Board at the invitation of the members.

Openness and Transparency

42. The Board meet in public where possible. Agendae, minutes and papers to be considered will be published on the Audit Scotland website. Meetings may be conducted by video conference. In these instances, meetings may not be held publicly, though in the interests of inclusivity and upholding our commitment to transparency agendas, minutes, reports and recordings of meetings will be published online.

Board Effectiveness

43. The Board will conduct a self-evaluation of its effectiveness on an annual basis.

Application of Standing Orders

44. These Standing Orders will apply to meetings of committees of the Board subject to any due modification of details.

Alteration

45. These Standing Orders may be altered by the Board provided that the alteration is approved by a majority of the members of the Board.

Appendix 1: Audit Committee remit

46. The Audit Committee will consist of members of the Board. The Board may appoint persons who are not members of the Board to be members of or advisers to the Audit Committee and may pay them such remuneration and expenses as the Board decides. The Chair of the Board and the Accountable Officer may not be members of the Audit Committee but may attend meetings.
47. The purposes of the Audit Committee are detailed in the Audit Committee terms of reference. The key points are:

Internal Control and Corporate Governance

48. To evaluate the framework of internal control, strategic processes for risk and corporate governance comprising the following components:
 - Control Environment.
 - Risk Management.
 - Information and Communication.
 - Control Procedures.
 - Monitoring and Corrective Action.
 - Audit quality monitoring and arrangements.
49. To review the system of internal financial control, which includes:
 - The safeguarding of assets against unauthorised use and disposal.
 - The maintenance of proper accounting policies and records and the reliability of financial information used within the organisation or for publication.
 - To ensure that Audit Scotland's activities are within the law and regulations governing them.
 - To monitor performance and best value by reviewing the economy, efficiency and effectiveness of operations.
 - To present an annual statement of assurance to the Board to support the Accountable Officer's governance statement.

Internal Audit

- To review the Terms of Reference and appointment of the internal auditors.
- To review and approve the internal audit strategic and annual plans.
- To monitor audit progress and review audit reports.
- To monitor the management action taken in response to the audit recommendations through an appropriate follow up mechanism.

- To consider internal audit's annual report and assurance statement.
- To review the operational effectiveness of internal audit by considering the audit standards, resources, staffing, technical competency and performance measures.
- To ensure that there is direct contact between the Audit Committee and internal audit and that the opportunity is given for discussions with internal audit who should attend every meeting of the Committee.

External Audit

50. To consider all audit material, in particular:
 - Audit Reports.
 - Annual Reports.
 - Management Letters.
 - Management Reports.
51. To monitor management action taken in response to all external audit recommendations.
52. To hold meetings with the external auditors at least once per year and, as required, without the presence of senior management.
53. To review the extent of co-operation between external and internal audit.
54. The external auditor will be appointed by the Scottish Commission for Public Audit under Section 25 of the 2000 Act. The external auditor will examine and certify the account and report on the account to the Commission. The Commission must lay before the Parliament a copy of the account and the auditor's report and publish the account and that report.

Annual Accounts

55. To review and recommend approval of the Annual Accounts.

Standing Orders, Financial Regulations and Scheme of Delegation

56. To keep under review the Standing Orders, Financial Regulations and Scheme of Delegation and recommend to the Board any amendments.

Other duties

57. The Audit Committee may take on other duties as determined by the Audit Scotland Board.

Appendix 2: Remuneration & Human Resources Committee remit

58. The Remuneration & Human Resources Committee (Remco) will consist of members of the Board. The Accountable Officer became a formal member of Remco during 2021. The Board may appoint persons who are not members of the Board to be members of or advisers to the Remuneration & Human Resources Committee and may pay them such remuneration and expenses as the Board decided.
59. The purposes are detailed in the Remuneration & Human Resources Committee terms of reference.

Remuneration & Human Resources Committee responsibilities

60. In relation to members of Audit Scotland's Executive Team¹, are to:
- Review and approve all terms & conditions of employment, including job descriptions, all pay and benefit reward elements associated with each post.
 - Ensure remuneration policy and strategy is aligned to the relevant public sector policies being implemented by the UK and Scottish Governments.
 - Set and review the overall reward structure, including the value of pay ranges and general annual pay award strategy.
 - Assure itself that effective arrangements are followed for performance assessments in respect of Audit Scotland's Executive Team, including any changes to pay and benefits arising from the assessment of performance during the review period.
 - Review talent management and succession planning arrangements.
 - Approve remuneration packages for newly appointed members of the Executive Team.
 - Recommend appointments and changes affecting Executive Team to the Board.
 - Decide on applications for early retirement.
 - Determine compensation payments for loss of office.
 - Agree, oversee and review the operation of expenses policy.
 - Review the expense claims of the Accountable Officer on an annual basis.
61. In relation to other staff employed by Audit Scotland, are to:

¹ [Executive Team is comprised of the Accountable Officer, Chief Operating Officer, Controller of Audit, Executive Director of Audit Services Group, Executive Director or Performance Audit and Best Value and the Executive Director of Innovation and Quality](#)

- Determine the remuneration policy governing all terms and conditions of employment, including pay, benefits, retirement policy and other policies relating to compensation for loss of office.
- Ensure remuneration policy and strategy is aligned to the relevant public sector policies being implemented by the UK and Scottish Governments.
- Approve the parameters for the annual pay award cycle.
- Review, not less than annually, the application of remuneration policy.
- Assure itself about any issues relating to the overall performance of employees.

Other duties

62. The Remuneration & Human Resources Committee may take on other duties as determined by the Audit Scotland Board.

Appendix 3: Appeals Committee remit

63. The Appeals Committee will consist of at least two members of the Board.
64. The purpose of the Appeals Committee is:
 - To consider and dispose of any matters requiring independent deliberation which may be referred to it by the Board.
 - To hear and dispose of appeals by members of the Executive Team under the Audit Scotland disciplinary and grievance procedures.

Appendix 4: Co-option procedure

Introduction

65. Audit Scotland's standing orders state that:

- The Board may appoint standing or ad hoc committees consisting of such numbers as the Board may determine. Committees may consist of members and other suitable persons chosen by the Board.
- The Board may appoint advisers and/or co-optees to Committees and pay them such remuneration and expenses as the Board decide. Employees of Audit Scotland, advisers and others may be present at items taken in private at meetings of the Board at the invitation of the members.

Reasons for co-option

66. There may be times when specialist expertise is required which the Board may be unable to fulfil, or when the current or future balance of skills available to the Board's committees may need strengthened.
67. The Board should discuss and agree the specification of skills and experience being sought through co-option.

Nominations process

68. If the Board agrees to co-opt to its committees to fulfil requirements identified under 60 above, an advertisement seeking expressions of interest will be placed on Audit Scotland's website.

Application process

69. Applicants for co-option should provide a written statement of their relevant skills and a CV.
70. Following a shortlisting process, applicants will be interviewed by the Chair of the Board and the Chair of the relevant committee, plus one other member of the Board.
71. Candidates and interviewers must declare any relationships or potential conflicts of interest to the Chair.
72. The Board should approve the final recommendation from the Chair.

Term of Office

73. Co-option is intended to provide specific skills for a fixed term as determined by the Board.
74. There is potential for renewal, subject to the approval of the Board.

Remuneration

75. Remuneration, where applicable, will be determined by the Board and will be no greater than the rate set by the SCPA for Board members.

Conduct of co-opted members

76. Co-opted members will be required to follow the Audit Scotland Code of Conduct for Board members, and the associated disclosure requirements, and their appointment may be terminated by the Chair, subject to the approval of the Board.

Engagement with Scottish Commission for Public Audit

77. The Board will write to the Scottish Commission for Public Audit in advance of the co-option of members to a Committee, setting out:
 - 77.1. the reason for co-opting
 - 77.2. the process by which any appointments will be made.

Financial Regulations



Audit Scotland Board

June 2023

Audit Scotland is a statutory body set up in April 2000 under the Public Finance and Accountability (Scotland) Act 2000. It provides services to the Auditor General for Scotland and the Accounts Commission. Together they ensure that the Scottish Government and public sector bodies in Scotland are held to account for the proper, efficient and effective use of public funds.

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Financial regulations

Introduction

1. Audit Scotland is a body corporate established under section 10 of the Public Finance and Accountability (Scotland) Act 2000. It came into existence on 1 April 2000 under the Public Finance and Accountability (Scotland) Act 2000 (Commencement) Order 2000 (SSI 2000 Number 10(c.1)).
2. The Board of Audit Scotland consists of the Auditor General for Scotland (AGS), the Chair of the Accounts Commission and three other members appointed by the Scottish Commission for Public Audit, one of which will be appointed as Chair.
3. Audit Scotland's function is to provide such assistance and support as the AGS and the Accounts Commission require in the exercise of their respective functions and, in particular, is to provide them, or ensure that they are provided, with the property, staff and services which they require for the exercise of those functions. The Accounts Commission shall have power to incur such expenses as appear to them to be necessary or expedient for the proper discharge of their functions, and such expenses shall be met by Audit Scotland.
4. Directions may be given to Audit Scotland by:
 - 4.1. The Auditor General, for the purpose of, or in connection with the exercise of Audit Scotland's functions in relation to the Auditor General,
 - 4.2. The Accounts Commission, for the purpose of, or in connection with the exercise of Audit Scotland's functions in relation to the Accounts Commission
5. Audit Scotland may impose reasonable charges in respect of the exercise of its functions. In determining the amounts of the charges Audit Scotland must seek to ensure that the total sum received in respect of the charges is, taking one year with another, broadly equivalent to its expenditure. Any expenditure not met out of sums received is payable out of the Consolidated Fund.
6. The Scottish Commission for Public Audit (SCPA), established under section 12 of the Public Finance and Accountability (Scotland) Act 2000, has the duty to designate an accountable officer for Audit Scotland. The SCPA has designated the Auditor General as the Accountable Officer. The responsibilities of the Accountable Officer are set out in section 18 of the 2000 Act. They are:
 - 6.1. signing the accounts of the expenditure and receipts of Audit Scotland;
 - 6.2. ensuring the propriety and regularity of the finances of Audit Scotland; and
 - 6.3. ensuring that the resources of Audit Scotland are used economically, efficiently and effectively.

7. All members of the Board and all employees, shall conduct their business with diligence and with a view to the security of the property of Audit Scotland, avoiding loss, exercising economy and efficiency in the use of resources and conforming with the requirements of Standing Orders, Financial Regulations and the Scheme of Delegation.
8. The Board has made Standing Orders, these Regulations and a Scheme of Delegation to govern the operation of Audit Scotland. They should be read together.

Definitions and interpretation

9. In these Regulations terms will have the following meanings:
 - 9.1. “the 2000 Act” means the Public Finance and Accountability (Scotland) Act 2000
 - 9.2. “the 1973 Act” means the Local Government (Scotland) Act 1973
 - 9.3. “the Board” means the members of Audit Scotland acting together to discharge the functions of Audit Scotland
 - 9.4. “the Executive Team” consists of the Accountable Officer for Audit Scotland, the Chief Operating Officer, [the Controller of Audit](#), the Executive Director of Audit Services, the Executive Director of Performance Audit and Best Value and the Executive Director of Innovation and Quality, or such other combination of officers as may be determined from time to time by the Board.

Corporate Plan

10. A Corporate Plan will be prepared and will be reviewed annually by the Board. It will set out the strategic approach to be adopted by Audit Scotland in performing its functions. So far as possible, it will outline the financial consequences of proposals contained in it.
11. The Corporate Plan will be approved by the Board.

Budget

12. The financial year of Audit Scotland is 1 April to 31 March.
13. Proposals for the use of resources and expenditure for each financial year will be submitted to the SCPA at such times as the Commission requires to enable it to examine the proposals and report to the Parliament under section 11(9) of the 2000 Act.
14. Estimates of expenditure and income will be submitted as budget proposals to the Board for approval prior to the submission to the SCPA. Provided the SCPA report has been submitted to and approved by Parliament, a final version of the budget will be submitted to the Board not later than 31 March in the year preceding the financial year to which it relates.
15. In the event that Parliament has not approved the budget, a version of the budget that includes our best estimate of operational changes will be submitted to the Board by 31 March. A final version to be submitted when the Scottish Government budget is passed.

16. No expenditure will be incurred unless there is provision for the expenditure within the overall budget approved by the Board. Approval of expenditure where there is no provision within the overall budget will be made by the Board. (Scheme of delegation 3.1)
17. There may be virement within the budget, in accordance with the Scheme of Delegation. (Scheme of delegation 3.2 and 3.3)

Budgetary control and reporting

18. Financial performance will be monitored against budget and reported regularly to the Executive Team and at least quarterly to the Board.
19. Systems of budgetary control will be devised and maintained to include:
 - 19.1. Regular financial reports as prescribed above containing -
 - 19.1.1. income and expenditure to date and, when relevant, forecast year end position
 - 19.1.2. explanations of any material variations
 - 19.1.3. details of any corrective action necessary
 - 19.1.4. virement
 - 19.2. The issue of timely, accurate and comprehensible advice on financial reports to each budget holder covering the areas for which they are responsible
 - 19.3. Arrangements for the authorisation of virement.
20. Each budget holder will be responsible for the management of their budgets within the approved policies of the Board.
21. In exceptional circumstances, for example, a national pandemic increased reporting on financial performance may be required by the Incident Management Team, Audit Committee and Board.

Accounting

22. An effective system of internal financial control will be maintained including detailed financial procedures and systems incorporating the principles of separation of duties and internal checks. These will be documented and maintained.
23. Proper records will be maintained to show and explain Audit Scotland's transactions in order to disclose, with reasonable accuracy, the financial position of Audit Scotland at any time.
24. Accounting policies will be set consistent with appropriate guidance and all accounting procedures and records will be consistent with any form of accounts prescribed. Accounting policies will be approved by the Board. (Scheme of delegation 3.4)
25. Annual Accounts will be prepared and submitted to the Board for approval no later than 31 August in respect of the financial year finishing on the 31 March.

Bank accounts

26. HM Treasury require public bodies to operate a bank account through the Government Banking Service (GBS), to allow the transfer of monies from central accounts to public bodies and vice-versa.
27. Apart from the requirement to use a bank specified by the GBS for the transfer of central funds, Audit Scotland will, for day to day banking and transactions, make arrangements for the appointment of bankers in accordance with the provisions for the letting of contracts set out in these Regulations.
28. No Audit Scotland monies will be held in any bank accounts outwith those approved by the Board.
29. Detailed arrangements and instructions on the operation of bank accounts will be prepared and maintained as Treasury Management Procedures by the finance department, and will include:
 - 29.1. The conditions under which each bank account is to be operated.
 - 29.2. The limit to be applied to any overdraft.
 - 29.3. Those authorised to sign cheques or other orders drawn on Audit Scotland's bank accounts, and the limits of their authority in accordance with the Scheme of Delegation.
30. Banking arrangements will be reviewed at regular intervals to ensure that they reflect best practice and represent best value for money.
31. Controlled stationery (e.g. cheques) will be held securely at all times and proper records will be maintained in relation to such stationery.

Credit Cards

32. Credit cards will be offered to members of the Executive Team automatically. Credit cards will also be offered to other members of staff, with the specific approval of the Accountable Officer, the Chief Operating Officer, and/or Incident Management Team where there is an on-going requirement for credit card use.
33. The default credit limit for all cards will be set in the Scheme of Delegation and variations for individual cards will be approved by the Executive Team and/or the Incident Management Team. (Scheme of delegation 3.5)

Income

34. Systems will be designed and maintained for the proper recording, invoicing, collection and coding of all monies due to Audit Scotland.
35. All monies received will be banked promptly.
36. Arrangements will be made for appropriate recovery action on all outstanding debts.

37. Fees and charges, including fees to audited bodies, will be determined in accordance with policies decided by the Board.

Investments and borrowings

38. No borrowing or investments will be made without the expressed agreement of the Board. In exceptional circumstances the Accountable Officer may consult with the Chair of the Board and agree a short term borrowing strategy, but this must be reported to, and ratified by the full Board at the earliest opportunity.
39. All short term borrowings will be kept to the minimum period of time possible, consistent with the overall cash flow position.
40. Any long term borrowing must be consistent with policies decided by the Board.
41. Detailed procedural instructions will be prepared on the operation of investment accounts and regular reports will be made to the Board on the performance of any investments held.

Insurance

42. Arrangements will be made to ensure that all insurance cover is effected, periodically reviewed and adjusted as necessary.
43. Insurance arrangements will be reviewed regularly and the market will be competitively tested and costs will be sought for insurance services in accordance with the provisions set out in these Regulations at least every three years.

Tendering procedures

44. Tendering procedures are contained in the Procurement Handbook, which is published on SharePoint. This document provides information on the procedures to be adopted by Audit Scotland staff when purchasing any goods and services and the need to follow value for money principles when carrying out this activity.
45. No contract for the supply of goods and materials, the provision of services or for the execution of works will be made where the probable cost, over the contract period, exceeds £50,000 unless tenders have been invited by advertisement on Public Contracts Scotland, the Scottish Government procurement system.
46. In exceptional circumstances the Chair of the Board, on a report by the Accountable Officer, may except a contract from the above provisions and direct adoption of such other procedure for the letting of the contract as seems appropriate. The decision will be notified to the full Board at the earliest opportunity.
47. Standing contracts for the provision of goods, materials, services or works will be kept under review and competitive tenders for such standing contracts will be sought at least every three years, or later if the contract has been extended under the terms of the original contract. No extension will be greater than three additional years before retendering.

48. The overall value of the tender will determine who is required to approve the acceptance of the tender and place the order for the goods, materials or service. The Scheme of Delegation will list those authorised to accept and place orders. (Scheme of delegation 3.6)
49. All orders will be generated through the electronic ordering system. Orders will be sent for authorisation in accordance with the procedure contained within the Scheme of Delegation (Scheme of Delegation 3.10). All orders must be made in accordance with the procedures and controls and within the terms of the Scheme of Delegation.
50. Official orders will be issued for all work, goods or services to be supplied to Audit Scotland except for supplies of public utility services or periodical payments such as rent or rates or such other exceptions as may be approved by the Executive Team.
51. Government directives prescribing procedures for awarding forms of contracts shall have effect as if incorporated in these Regulations and Audit Scotland's Procurement Handbook should be followed as appropriate.
52. The appointment of auditors under section 97(6) of the 1973 Act and section 21(3) of the 2000 Act will be recommended to the Accounts Commission and the Auditor General for Scotland respectively at such intervals as they require. With the exception of the interval between awards (see paras 42-44), the procedure relating to these contracts should follow the procedure set out in these Regulations.

Payment of accounts

53. Before an invoice is paid the certifying officers will satisfy themselves that the account has not been previously passed for payment and is a proper liability of Audit Scotland and that:
 - 53.1. The works, goods or services to which the account relates have been received or carried out satisfactorily.
 - 53.2. Prices, extensions, calculations, trade discounts, other allowances, credits and tax are correct.
 - 53.3. The expenditure has been authorised and is within the relevant estimate provisions.
54. All duly certified invoices shall be authorised for payment by the officer authorised under the Scheme of Delegation. (Scheme of delegation 3.8)
55. An officer shall not add any additional items to an invoice rendered to Audit Scotland by a supplier.
56. When an order has been placed using the electronic purchase ordering (EPO) system, this process incorporates authorisation of the payment prior to an order being placed. In these circumstances the authoriser will be advised of the cost of the goods or services, or an estimate if a firm cost is not available, at the time they receive the EPO. Authorisers are required to satisfy themselves that the cost displayed is reasonable and represents value for money, before they electronically sign the order. Once an EPO is signed the system will not allow any changes to the order by the authoriser or the originator.

57. The EPO system maintains a list of staff with delegated authority to authorise expenditure, as per para. 51 above.
58. When the goods or services have been received the originator records the receipt through the EPO system.
59. On receipt of the invoice, Finance will check whether the goods or services have been marked as received. The invoiced amount charged will be checked against the EPO submitted and, if the amount is within the parameters agreed by the Executive Team, the invoice will be accepted and paid. (Scheme of delegation 3.10)
60. Executive Team will set agreed parameters and if the value of the invoice is outwith the agreed parameters it will be sent back to the authoriser for an additional manual authorisation. The invoice will not be paid until the second authorisation has been received. (Scheme of delegation 3.11)
61. The receipt, certification and payment of accounts to approved auditors are subject to separate arrangements under the Scheme of Delegation. (Scheme of delegation 3.12)

Audit

62. The Board will establish an Audit Committee with clearly defined terms of reference under Standing Orders.
63. The external auditor is appointed by the SCPA to report on whether expenditure and income have been applied lawfully and the accounts comply with the accounts direction. The external auditor will report to the SCPA who must lay the report and accounts before Parliament and publish them.
64. The internal auditor is appointed by Audit Scotland and reports to the Executive Team and the Audit Committee on systems of internal control.
65. The external and internal auditor are entitled to:
 - 65.1. enter any Audit Scotland establishment at all reasonable times with or without previous notice;
 - 65.2. have access to all records, documents and correspondence (including computer records) relating to financial and other transactions of Audit Scotland;
 - 65.3. require and receive explanations as are necessary concerning any matter under examination;
 - 65.4. require any employee of Audit Scotland to produce cash, equipment or any other property under his/her control; and
 - 65.5. direct access to the Chair of the Audit Committee.

Security and Fraud Prevention

66. Arrangements will be made to develop and document effective policies on:
- 66.1. Prevention of fraud and irregularity.
 - 66.2. IT security.
 - 66.3. Security of assets.
67. Proper security must be maintained, at all times, for all buildings, stores, furniture, equipment, cash, information, etc.
68. A register of secure key containers will be maintained by Business Support and kept under review by the Chief Operating Officer. Keys removed from the secure key containers will be signed for and are to be kept safe at all times until returned. The loss of any such keys must be reported immediately to Business Support staff.
69. A register of staff ID (office access) badges and building access fobs will be maintained by Business Support. The loss of ID badges will be reported immediately to Business Support and the Corporate Governance Manager. The ID badges will be deactivated immediately.
70. The Chief Operating Officer is responsible for maintaining proper security and privacy relative to information held in the computer installations.
71. Under the terms of the Counter Fraud Policy, employees are required to notify their Business Group Executive Director or Director of any financial irregularity or suspected irregularity. Such concerns may be raised under the terms of the Whistleblowing Policy if considered appropriate. The employee, or senior management to whom the concerns are reported, must also advise the Chief Operating Officer. Details of these policies are available to all staff through the staff handbook.

Salaries, wages and pensions

72. Arrangements will be made for the payment of all salaries, wages, pensions, compensation and other emoluments due to all employees or former employees of Audit Scotland or the Accounts Commission, the Auditor General for Scotland, appropriate members of the Board and to members of the Accounts Commission.
73. Salaries and other payments will normally be paid by direct transfer to a nominated bank account.
74. A record of all matters affecting the payment of such emoluments shall be kept and in particular the following information will be recorded:
- 74.1. appointments, resignations, dismissals, suspensions, secondments and transfers;
 - 74.2. absences from duty for sickness or other reason, including approved leave;
 - 74.3. changes in remuneration, including those arising from normal increments and pay awards and agreements of special and general application;

- 74.4. information necessary to maintain records of service for superannuation, income tax, national insurance and the like;
- 74.5. particulars of any deduction from salary for loans, subscriptions and the like, and the authority for such deduction.
- 75. All deductions and changes in gross pay entitlement will be certified by Human Resources or other appropriate person and checked by a second officer prior to payment.
- 76. Pension payments are paid to former staff through the appropriate pension agency. Audit Scotland's role is to make the required deductions from salary and to provide the information which is required from time to time by the pension supplier to allow them to maintain their records, provide information about pensions and make payments.
- 77. There are special arrangements in place relating to pensions for former Ombudsman staff and the former Auditors General, which are separate from the arrangements for Audit Scotland.

Travelling, subsistence, expenses and other allowances

- 78. The Secretary to the Accounts Commission shall review, authorise and ensure all travelling or other allowances are paid to Commission Members and advisers who are entitled to claim them upon receipt of a fully completed expense claim form.
- 79. The Chief Operating Officer shall review, authorise and ensure all travelling or other allowances are paid to Board members and advisers who are entitled to claim them upon receipt of a fully completed expense claim form.
- 80. All claims by staff for payment of car mileage allowances, subsistence allowances, travelling and incidental expenses and any advances shall be submitted duly certified and made up to the end of each month and in accordance with the current travel and subsistence policy, published in the staff handbook, and the expenses procedures published on the intranet. The officers authorised to certify such records shall be determined by the Scheme of Delegation. Initial delegation is £2,000. (Scheme of delegation 3.13)

Observance of Financial Regulations

- 81. It shall be the duty of the Accountable Officer to ensure that these regulations are made known to the appropriate Audit Scotland staff and to ensure that they are adhered to.
- 82. Any breach or non-compliance with these Regulations must, on discovery, be reported immediately to the Chief Operating Officer who will discuss the matter with the Accountable Officer in order to determine the proper action to be taken. Such concerns may be raised under the terms of the Whistleblowing Policy if considered appropriate.

Variation of Financial Regulations

- 83. These Regulations may be varied from time to time by the Board on receipt of a report and recommendations from the Accountable Officer.

84. The Chair of the Board may authorise, on a report from the Accountable Officer, exceptional treatment of a matter covered by these Regulations. Any such exceptions will be reported in writing to the next available meeting of the Board.

Scheme of Delegation



June 2023 ~~September 2022~~

Audit Scotland is a statutory body set up in April 2000 under the Public Finance and Accountability (Scotland) Act 2000. It provides services to the Auditor General for Scotland and the Accounts Commission. Together they ensure that the Scottish Government and public sector bodies in Scotland are held to account for the proper, efficient and effective use of public funds.

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Scheme of Delegation

Introduction

1. The Board remains responsible for the exercise of all the functions of Audit Scotland. Regardless of the provisions of this Scheme of Delegation the Board may at any time determine any matter within the competence of Audit Scotland either at the Board's initiative or on the recommendation of an officer to whom the matter is delegated.
2. This Scheme sets out the matters reserved for determination by the Board. All powers which have not been retained as reserved to the Board or specifically delegated in this Scheme will be exercised by the Executive Team or their nominees.
3. The following areas are matters reserved for the Auditor General for Scotland and the Accounts Commission under the provisions of the Local Government (Scotland) Act 1973 and the Public Finance and Accountability (Scotland) Act 2000:
 - 3.1. Appointment of auditors
 - 3.2. Approval of audit work programme

Conditions of delegation

4. The delegations made in this Scheme are subject to the following conditions:
 - 4.1. All delegated powers will be exercised in accordance with the relevant policies decided by the Board.
 - 4.2. Before exercising any delegated function, all appropriate consultations will be undertaken and, in particular, decisions with financial or personnel consequences will be the subject of consultation with the Chief Operating Officer.
 - 4.3. Delegated powers will not be exercised in a manner which is likely to be a cause for public concern.

Reservations to the Board

5. The following matters are reserved for determination by the Board:
 - 5.1. Approval of the Corporate Plan.
 - 5.2. Approval of annual estimates of expenditure and income.
 - 5.3. Approvals of strategic policies relating to the governance of Audit Scotland are a matter for the Board. (Approval of operational policies of Audit Scotland are a matter for the Accountable Officer and the Management Team).
 - 5.4. Approval of Standing Orders, Financial Regulations and Scheme of Delegation.

- 5.5. Approval of Annual Accounts and Annual Reports.
 - 5.6. Approval of internal audit arrangements.
 - 5.7. Approval of conditions of service affecting all employees.
 - 5.8. Approval of specific matters referred to in the attached Schedule.
6. Approvals can be remotely provided via DocuSign, an electronic signature system which allows for all parties to sign accounts remotely and securely. DocuSign is acceptable for laying accounts in Parliament and complies with all relevant legislative requirements.
 7. In exceptional circumstances where a decision of the Board is required and it is not possible to convene a meeting of the Board, a member of the Executive Team ¹in consultation with the Chair, or another Board member if the Chair is unavailable, may take the necessary decision and report the action taken to the next meeting of the Board.

Quorum for Executive Management Team

8. The quorum for the Executive -Team is three, comprising of the Accountable Officer or the Chief Operating Officer plus two others.

8.1 In the event of a vacancy at Executive Team level, a member of staff at Audit Director level may attend Executive Team and will count towards the quorum.

8.2 In the event of a vacancy in the role of Chief Operating Officer a member of staff nominated by the Accountable Officer and approved by the Board may take their place for the purposes of Executive Team quorum.

Making, revocation and variation

9. The matters reserved to the Board and delegated to officers of Audit Scotland are as detailed above and as shown in the Schedule.
10. This Scheme of Delegation may be varied or revoked by the Board.

¹ Executive Team is comprised of the Accountable Officer, Chief Operating Officer, Controller of Audit, Executive Director of Audit Services Group, Executive Director or Performance Audit and Best Value and the Executive Director of Innovation and Quality

Schedule

	Matter	Reserved or delegated to	Comment
1	Appointment of employees		
1.1	Appointment of Executive Team	Board	
1.2	Appointment of Audit Directors	Executive Team	
1.3	All other appointments	Executive Team, Directors or their nominees	The Accounts Commission Chair/members will select for appointment the Secretary to the Accounts Commission
1.4	Appointment of Controller of Audit	Not applicable	The Board does not have a role here. The Controller of Audit is appointed by the Accounts Commission
2	Personnel matters		
2.1	Disciplinary action, including dismissal	Appeals Committee and as per approved disciplinary procedure	See Discipline Policy in staff handbook
2.2	Grading of Executive Team posts	Board	See also Job Evaluation procedure in staff handbook
2.3	Grading of Audit Director posts and all other posts	Executive Team	See also Job Evaluation procedure in staff handbook
2.4	Changes to Executive Team	Board	
2.5	Changes to approved establishment below Executive Team	Executive Team	
2.6	Variation of conditions of service for members of the Executive Team	Board	

2.7	Variation of conditions of service for Audit Directors and all other staff	Executive Team	All staff have a right of appeal to the Remuneration & Human Resources Committee or the Board following discussion by the Remuneration & Human Resources Committee
2.8	Decisions on applications for early retirement: <ul style="list-style-type: none"> Executive Team All other employees 	Board Executive Team	
3	Financial matters		
3.1	Approval of expenditure for which there is no provision in the overall budget.	Board	Financial Regulations 15
3.2	Approval of virement within agreed budget: <ul style="list-style-type: none"> Virement between budget groups Virement between budget heads Virement between budget lines 	Executive Team Relevant Executive Directors Budget Holders	Financial Regulations 16
3.3	Virement of salary budget over £250,000, cumulatively in one year	Board	Financial Regulations 16
3.4	Approval of Accounting Policies	Board	Financial Regulation 23
3.5	Approval for the issue of credit cards to members of staff and credit limit to be applied. (To be reported at next Executive Team meeting) Credit Card default limits: <ul style="list-style-type: none"> Executive Team £1,500 Other staff £1,000 	Accountable Officer and Chief Operating Officer	Financial Regulation 31 – 32 See also Credit Card Procedures. Default amounts may be varied by Executive Team, Incident Management Team (IMT) for individuals

			on either a permanent or temporary basis.
3.6	<p>Acceptance of tenders and placing of orders:</p> <ul style="list-style-type: none"> • Above £250,000 • Between £100,000 and £250,000 • Up to £100,000 • Below £50,000 	<p>Board</p> <p>Accountable Officer and Chief Operating Officer</p> <p>Management Team</p> <p>Budget Holders</p>	<p>Financial Regulations 47</p> <p>Financial Regulations 51 (appointment of auditors)</p> <p>See also the Procurement Handbook</p>
3.7	<p>Acceptance of offers for disposal of assets</p>	<p>As for acceptance of tenders and placing of orders</p>	
3.8	<p>Approval of expenditure within agreed budget:</p> <ul style="list-style-type: none"> • Any budget group • Specific budget group • Specific cost centre budget 	<p>Executive Team</p> <p>Relevant Executive Director</p> <p>Budget Holder</p>	<p>Financial Regulations 53</p>
3.9	<p>Payment of accounts other than to approved auditors:</p> <ul style="list-style-type: none"> • Above £50,000 • Below £50,000 	<p>Executive Team</p> <p>Member of Executive Team or as delegated</p>	<p>Financial Regulations 52 – 58</p> <p>Delegated signatories are approved by Executive Team and are responsible for the expenditure approved. As evidence a delegated purchasing authority letter will be issued. Those with delegated authority may request authority to be passed to members of their staff, but the limit of authority granted must be notified to Executive Team and Finance who will maintain a list of those approved.</p>

3.10	Payment of accounts for orders placed using electronic purchase orders.	Member of Executive Team or as delegated	Electronic purchase orders are sent, via email, to be authorised. The process requires the authoriser to be selected from a list, maintained within the finance system, of signatories delegated to sign for the cost centre and for the value of goods or services being ordered. The signatories are the same as those delegated in the previous section.
3.11	Parameters for automatic payment of electronic purchase orders.	Executive Team	<p>Financial Regulations 59</p> <p>Where an invoice is received as the result of an order placed using the electronic purchase order system it can be processed by Finance for payment if:</p> <ul style="list-style-type: none"> • The order has been marked as received in the electronic purchase order system, • The value shown on the invoice is within the parameters of +5% or - 10% of the value authorised for that order. <p>Any invoice where the value is outwith these parameters must be sent for an additional, manual, authorisation before payment can be made.</p>
3.12	Certification of accounts for payment to approved auditors:	A member of the Audit Quality and Appointments team	Financial Regulations 60

	<ul style="list-style-type: none"> Interim invoices up to £50,000 and final invoices up to £10,000 Interim invoices over £50,000 and final invoices over £10,000 	Director, Audit Quality and Appointments or member of Executive Team	
3.13	Miscellaneous expenditure (including travel & subsistence)	The Chief Operating Officer, Secretary to the Accounts Commission, senior managers & other line managers as appropriate. (Details available in Finance)	Financial Regulations 77 - 79 Delegation requires appropriate Executive Director approval and notification to Finance. The initial delegation is £2,000. Variations from this amount may be agreed by the Budget Holder and notified to the Executive Team and Finance who will maintain a list of those approved.

Budget Holders comprise: Executive Team members, and Corporate Services managers.

Note: Executive Team is defined in section 8 of the Financial Regulations as follows “the Executive Team consists of the [Accountable Officer](#), the Chief Operating Officer, [the Controller of Audit](#), the Executive Director of Audit Services, the Executive Director of Performance Audit and Best Value, and the Executive Director of Innovation and Quality or such other combination of officers as may be determined from time to time by the Board”. Decisions can only be made by Executive Team when they are quorate as defined in section 6 of this document as follows “The quorum for the Executive Team is three, comprising of the Accountable Officer or the Chief Operating Officer plus two others”.

Agenda

10.00 Tuesday 26 September 2023
Audit Scotland, 102 West Port, Edinburgh



1. Private meeting of members
2. Welcome and apologies
3. Declarations of interest
4. Items to be taken in private

Standing items – 25mins

- | | |
|---|----------------------------|
| 5. Chair's report – verbal update | For information |
| 6. Accountable Officer's report – verbal update | For information |
| 7. Accounts Commission Chair's report – verbal update | For information |
| 8. Review of draft minutes: <ul style="list-style-type: none">• Board meeting: 6 June 2023• Audit Committee: 6 June 2023 | For approval
For noting |
| 9. Review of action tracker | For assurance |

Strategic Priorities

- | | |
|---|---------------|
| 10. Strategic Improvement Programme: Update | For assurance |
| 11. Human Rights Based Approach update | For assurance |

Business planning, performance and governance

- | | |
|--|---------------|
| 12. Q1 Corporate performance report | For assurance |
| 13. Q1 Financial performance report | For assurance |
| 14. Annual review of corporate governance policies <ul style="list-style-type: none">• Standing Orders• Scheme of Delegation• Financial Regulations• Members' Code of Conduct• Code of Conduct: Staff policy | For approval |

15. Annual policy review of records management policies For approval

16. 2024 Proposed Board and Committee meeting schedule For approval

Comfort Break – 5 mins

Items to be taken in private

17. Estate Update For approval

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

18. Operational planning: Draft Audit Scotland Business Plan 2023-2025 For discussion

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

19. 2024/25 Draft Budget Submission For discussion

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

20. Stakeholder research For assurance

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

Conclusion – 5mins

21. Any other business For discussion

22. Review of meeting For discussion

23. Date of next meeting: 21 November 2023 For information

Minutes Board



Tuesday 6 June 2023, 10.00am
Audit Scotland, 102 West Port and Microsoft Teams

Present:

Colin Crosby (chair)
Stephen Boyle
Jackie Mann

Apologies:

Ronnie Hinds
Alan Alexander

In attendance:

Tim McKay, Deputy Chair of the Accounts Commission
Vicki Bibby, Chief Operating Officer
Martin Walker, Director of Corporate Support
John Cornett, Executive Director of Audit Services
Kenny Oliver, Executive Director of Innovation and Quality
Antony Clark, Executive Director of Performance Audit and Best Value
Helena Gray, Controller of Audit
Gayle Fitzpatrick, Corporate Governance Manager (items 11, 14, 16 and 17)
John Gilchrist, Manager, Audit Quality and Appointments (item 13)
Stuart Dennis, Corporate Finance Manager (items 15 and 22)
Ian Metcalfe, Corporate Performance Officer (item 16)
Sara Tait, Corporate Support Officer (item 16)
Gemma Diamond, Director of Innovation and Transformation (items 16 and 23)
Elaine Boyd, Director of Audit Quality and Appointments (item 21)
Owen Smith, Senior Manager, Audit Quality and Appointments (item 21)
Parminder Singh, Manager, Audit Quality and Appointments (item 21)
Simon Ebbett, Communications Manager (items 22 and 23)
Michelle Borland, Business Manager, Performance Audit and Best Value (item 23)

1. Private meeting of Board members

The Board met privately and there were no matters arising.

2. Welcome and apologies

Vicki Bibby, Chief Operating Officer, and Martin Walker, Director of Corporate Support, John Cornett, Executive Director of Audit Services, Kenny Oliver, Executive Director of Innovation, Quality and Antony Clark, Executive Director of Performance Audit and Best Value and Helena Gray, Controller of Audit and Gayle Fitzpatrick, Corporate Governance Manager joined the meeting.

Apologies were noted from Ronnie Hinds and Alan Alexander.

The meeting was quorate in the absence of the Chair of the Accounts Commission as provided for by paragraph 20 of the Standing Orders and the relevant conditions having been met.

The Chair welcomed attendees to the meeting. The Chair also welcomed Tim McKay, Deputy Chair of the Accounts Commission, who was attending as an observer in the absence of Ronnie Hinds, and from whom the Chair welcomed contributions to the discussions.

3. Declarations of interest

There were no declarations of interest noted.

4. Items to be taken in private

The Chair invited members to agree that items 21 to 23 of the agenda be considered in private for the reasons stated on the agenda. The members agreed.

5. Chair's report – verbal update

The Chair advised that there would be no Chair's report due Alan Alexander's absence.

6. Accountable Officer's report – verbal update

Stephen Boyle advised of his regular and ongoing engagement with the Chair and the Chair of the Accounts Commission.

Stephen noted that internal engagement and publications have continued. He advised that the Courts Backlog audit report had been published and that a briefing session at Public Audit Committee would take place on Thursday 8 June. Stephen also noted the publication of the joint report with Accounts Commission on Early Learning and Childcare and the section 22 report on South Lanarkshire College. He also advised that the final section 22 of 2021/22 on Scottish Canals would be published next week and that Public Audit Committee briefings on all reports would be held before Scottish Parliament's summer recess.

In relation to external engagement, Stephen invited members to note that Antony Clark recently attended the Finance and Public Administration Committee as part of the inquiry into Scottish Government's progress on public service reform. Stephen advised of an introductory meeting with the Deputy First Minister to discuss progress on public service reform and the fiscal framework and that he and Vicki Bibby had attended the UK and Republic of Ireland Auditors General meeting in Cardiff to discuss approaches to auditing climate change and various areas of common interest across the five jurisdictions. Stephen had also recently attended the Scottish Council for Development and Industry (SCDI) Forum dinner.

Stephen invited the Board to note that, following a submission to the Scottish Covid-19 public inquiry, Audit Scotland had also responded to a request for reports from the UK Covid-19 public Inquiry.

In terms of upcoming activity, Stephen highlighted that he would speaking at the CIPFA Scotland Annual Conference taking place in September and he also recorded his congratulations to John Cornett who has been appointed Vice Chair of CIPFA in Scotland.

Following discussion, the Board welcomed the update and echoed their congratulations to John Cornett.

7. Accounts Commission Chair's report – verbal update

Tim McKay advised that Ronnie Hinds has commenced post as Interim Accounts Commission Chair with effect from 6 June 2023.

Tim noted that the Accounts Commission's Strategy Day was being held on 7 June.

Following discussion, the Board welcomed the update.

8. Review of minutes

Board meeting: 23 May 2023

The Board noted the minutes of the Board meeting of 23 May 2023, copies of which had been previously circulated.

Subject to a minor amendment to those in attendance, the Board noted the minutes were an accurate record of the meeting.

ASB220: *Amendment to be made to listed attendees.*

9. Review of action tracker

The Board noted the updated action tracker.

10. Health, Safety and Wellbeing – verbal update

Martin Walker provided a verbal update on matters related to Health, Safety and Wellbeing. As part of his update, Martin advised the World Health Organisation has downgraded Covid-19 as being of international significance and that Public Health Scotland would be reducing the frequency of reporting against various indicators. It was noted that Audit Scotland would continue to monitor public health and internal statistics and bring issues to the attention of the Board as and when required.

Following discussion, the Board noted the update.

11. 2022/23 Annual report: Audit Committee

Colin Crosby introduced the 2022/23 Annual Report: Audit Committee, copies of which had been previously circulated, and which had been recommended to the Board by the Audit Committee at its meeting that morning.

The Board was invited to note the contents of the report.

Following discussion, the Board noted the content of the report as per the discussion at the Audit Committee (item 14) which had preceded the Board meeting.

12. Review of Remuneration and Human Resources Committee (Remco) performance

Jackie Mann introduced Review of Remuneration and Human Resources Committee (Remco) performance, copies of which had been previously circulated.

The Board was invited to consider the contents of the report for their assurance.

During discussion, members noted the report had been recommended to the Board by the Remuneration and Resources Committee meeting on 16 May 2023.

Following discussion, the Board noted the content of the report.

13. Policy on the provision of Non-Audit Services by Audit Scotland's external auditor

John Gilchrist, Manager, Audit Quality and Appointments joined the meeting.

John Gilchrist introduced Policy on the provision of Non-Audit Services by Audit Scotland's external auditor, copies of which had been previously circulated.

The Board was invited to approve the policy.

During discussion, the Board noted that there were no substantive changes to the policy and noted one minor change where the example of audit related non-audit services had been changed as the previous example was deemed unlikely to arise.

Following discussion, the Board approved the policy on the provision of Non-Audit Services by Audit Scotland's external auditor.

John Gilchrist left the meeting.

14. Governance statement and certificate of assurance 2022-23

Gayle Fitzpatrick introduced Governance statement and certificate of assurance 2022-23, copies of which had been previously circulated, and which had been recommended to the Board by the Audit Committee at its meeting that morning.

The Board was invited to note the Audit Scotland certificate of assurance as part of the annual assurance process.

During discussion, the Board noted that John Cornett, Antony Clark and Martin Walker were satisfied with the arrangements, as signatories to the certificates of assurance and that Kenny Oliver will become a signatory for I&Q business group next year.

Following discussion, the Board noted the Audit Scotland certificate of assurance as part of the annual assurance process as per the recommendation of the Audit Committee (at item 7) at the Audit Committee meeting which preceded the Board meeting.

15. Audit summary report for the year ended 31 March 2023

Stuart Dennis, Corporate Finance Manager joined the meeting.

Stuart Dennis introduced Audit summary report for the year ended 31 March 2023, copies of which had been previously circulated, and which had been considered by the Audit Committee at its meeting that morning.

The Board was invited to note the Audit Summary report for the year ended 31 March 2023.

During discussion, the Board noted the adjustments made to the financial statements and an update in relation to articulation of pension assets from the Audit Committee meeting which preceded the Board meeting.

Stuart invited the Board to note the methodology used for the pension asset and the pension asset ceiling in accordance with IAS19 and IFRIC 14.

Following discussion, the Board noted the Audit Summary report for the year ended 31 March 2023 as per the discussion at Audit Committee (item 8) which preceded the Board meeting.

Stuart Dennis left the meeting.

16. Q4 Corporate performance report

Ian Metcalfe, Corporate Performance Officer, Sara Tait, Corporate Support Officer and Gemma Diamond, Director of Innovation and Transformation joined the meeting.

Gayle Fitzpatrick introduced Q4 Corporate performance report, copies of which had been previously circulated.

The Board was invited to:

- Review the performance in Q4
- Consider the issues affecting performance, the actions identified and whether any additional management action is required.

During discussion, the Board was invited to note that audit delivery is rated as red due to the ongoing challenges to return to pre pandemic delivery dates. The Board also noted that 99% of all 2021/22 financial audit and performance reports had been delivered in 2022/23.

During discussion, the Board noted ongoing discussions within Audit Scotland on audit / non-audit time / non-work time and noted that this will be reported back to the Board.

In relation to people establishment, John Cornett confirmed that recruitment for Senior Auditors and Graduate Trainees had taken place in Audit Services to increase establishment. There is further work ongoing to increase Audit Services establishment to reflect the challenges in bringing delivery back to pre-pandemic dates, reflect the increased number of audits compared to previous years and to maintain the quality of work delivered. This work is set in the context of the wider approach to resourcing across the organisation, reflecting the challenges in PABV, I&Q and CSG.

In relation to clarity on targets, it was noted that there will be targets in place for most KPIs. Targets not met will be discussed at PRMG in connection with discussions around the risk register.

Following discussion, the Board noted the Q4 Corporate performance report.

Ian Metcalfe, Sara Tait and Gemma Diamond left the meeting.

17. Review of corporate governance policies

Martin Walker and Gayle Fitzpatrick introduced Review of corporate governance policies, copies of which had been previously circulated.

The Board was invited to approve the updates to the Standing Orders, Financial Regulations, Scheme of Delegation.

During discussion, members noted the updates reflected the addition of the role of Controller of Audit to the Audit Scotland Executive Team.

Following discussion, the Board approved the updates to the Standing Orders, Financial Regulations, Scheme of Delegation.

Gayle Fitzpatrick left the meeting.

18. Any other business

There was no other business for discussion.

19. Review of meeting

The Chair invited members to comment on the papers and the conduct of the meeting.

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

The Chair thanked everyone for their contributions.

20. Date of next meeting: 26 September 2023

The members noted the next meeting of the Audit Scotland Board is scheduled for 26 September 2023.

Items taken in private

21. Quality of public audit in Scotland

Elaine Boyd, Owen Smith and Parminder Singh joined the meeting.

Elaine Boyd introduced Quality of public audit in Scotland, copies of which had been previously circulated.

The Board was invited to approve the Quality of public audit in Scotland annual report 2022/23 for publication as part of the suite of annual reports.

During the discussion, the Board noted that this is the report had previously been considered by the Executive Team, Audit Committee and the Accounts Commission. The Board noted that the Audit Quality and Appointments (AQA) will follow up on any improvement action plans in the Audit Quality Interim Report in November.

In relation to the recommendations, the Board was invited to note that I&Q will collate all improvement points from external and internal reviews and work I&Q have done and that AQA will follow up independently in the November interim report.

In relation to a query at appendix 1 on grading of conclusions, the Board noted that this would be reviewed in the refresh of the Audit Quality Framework and considered for future QPAS reporting.

Following discussion, the Board approved the Quality of Public Audit in Scotland annual report 2022/23 for publication as part of the suite of annual reports.

Elaine Boyd, Owen Smith and Parminder Singh left the meeting.

22. Audit Scotland annual report and accounts 2022/23

Stuart Dennis re-joined the meeting.

Simon Ebbett, Communications Manager joined the meeting.

Stuart Dennis and Simon Ebbett introduced Audit Scotland annual report and accounts 2022/23, copies of which had been previously circulated.

The Board was invited to approve the draft Annual report and accounts for the year ended 31 March 2023 and recommend that the Auditor General for Scotland, being Accountable Officer of Audit Scotland, sign the accounts on Monday 12 June 2023.

During discussion, the Board noted that Executive Team members and Martin have been involved at various drafting stages and are content with the Audit Scotland annual report and accounts 2022/23.

The Board gave thanks to Stuart and Simon for their work on the annual report and accounts 2022/23.

The Board approved the Annual Report and Accounts subject to the articulation of an item in relation pension assets as discussed at the Audit Committee earlier that day.

Stuart Dennis left the meeting.

23. Our purpose workstream: Public Audit in Scotland and Corporate Plan

Gemma Diamond re-joined the meeting.

Michelle Borland, Business Manager, Performance Audit and Best Value joined the meeting.

Michelle Borland introduced Our purpose workstream: Public Audit in Scotland and Corporate Plan, copies of which had been previously circulated.

The Board was invited to:

- discuss the changes made, primarily to the performance measurement framework
- and agree the final version of the Corporate Plan.
- note that the development of the underpinning operational measures for the new performance measurement framework is ongoing, and we will continue to update the Board on this through regular performance reporting.

During discussion, Michelle invited the Board to note the changes to the performance measurement framework – reduced to 12 measures from 17 - and that the development of the underpinning operational measures is ongoing.

The Board was invited to note the change on page 8 in relation to Strategic priorities where the fifth strategic priority 'Insights' has since been amended to 'Insights driving innovation and improvement'.

Following discussion, the Board approved the Corporate Plan.

Simon Ebbett, Michelle Borland and Gemma Diamond left the meeting.

Minutes

Audit Committee



Tuesday 6 June 2023, 10.00am

Audit Scotland, 102 West Port, Edinburgh / MS Teams

Present:

C Crosby (Chair)
J Mann

Apologies:

Alan Alexander, Chair, Audit Scotland Board
Ronnie Hinds, Interim Chair of the Accounts Commission
Graham Gillespie, Wylie & Bisset

In attendance:

S Boyle, Accountable Officer and Auditor General for Scotland
V Bibby, Chief Operating Officer
M Walker, Director of Corporate Support
G Fitzpatrick, Corporate Governance Manager
S Dennis, Corporate Finance Manager
D Jeffcoat, Alexander Sloan
J So, Alexander Sloan
S Pringle, Wylie & Bisset
K Oliver, Executive Director of Innovation & Quality
P O'Brien, Director of Quality and Support
S Burgess, Head of HR
S Kewley, Business Support Manager
C Calder, Audit Director, PABV
D Santhakumaran, Senior Manager, PABV

1. Private meeting with Wylie & Bisset LLP

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

2. Welcome and apologies

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

3. Declarations of interests

There were no declarations of interest.

4. Minutes of the last meeting: 16 May 2023

The Audit Committee members reviewed and agreed the minutes of the 16 May 2023 meeting, copies of which had previously been circulated.

The Audit Committee approved the minutes of the previous meeting.

5. Review of action tracker

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

The members noted that action 158AC relating to risk A4, failure of delivery had been reframed for the May Risk Register to highlight the impact of internal and external factors. Further opportunity to discuss the risk register at agenda item 10 was noted.

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

6. Internal audit annual report 2022/23

Stephen Pringle, Wylie & Bisset introduced the internal audit annual report 2022/23, copies of which had been previously circulated.

Stephen advised the internal auditor provides the Audit Committee with an annual opinion on the adequacy and effectiveness of Audit Scotland's risk management, control and governance processes.

Stephen advised that Audit Scotland has proper arrangements in place to promote and secure value for money, efficiency and effectiveness.

The members discussed the report noting the clarity of first year reporting from Wylie & Bisset. They welcomed the added value from benchmarking in the reports and assurance they provide.

The Audit Committee noted the internal audit annual report 2022/23 and thanked Stephen and Graham for their work.

7. Governance statement and certificate of assurance 2022/23

Gayle Fitzpatrick, Corporate Governance Manager introduced the Governance statement and certificate of assurance report, copies of which had been previously circulated.

Gayle advised that the review process provided positive assurance on controls across all business groups. The members noted evidence of the robust reporting in place and acknowledged that next year Innovation & Quality (I&Q) will be included in the reports.

The Audit Committee members noted the Governance statement on internal control and approved certificate of assurance report.

Kenneth Oliver, Executive Director of Innovation and Quality and Paul O'Brien, Director of Quality and Support joined the meeting.

8. External audit letter and opinion on financial year 2022/23

David Jeffcoat of Alexander Sloan introduced the external audit letter and opinion of financial year 2022/23, copies of which had been previously circulated.

David advised the letter of representation was a standard document and was similar to last year. David noted the audit issue regarding the calculation of an asset ceiling to comply with new accounting standards, IAS19 and IFRC14 as regards pensions.

The members discussed the reporting of Audit Scotland's position in respect of the pension balance in the financial statements. David noted it was a technical accounting point regarding reporting and agreed it would be helpful to get a confirmed position from CIPFA. This action was agreed to be taken forward by Kenneth Oliver and Paul O'Brien.

The members agreed an explanation in the "disclosure in financial statements" section would be appropriate and transparent. The position was agreed subject only to a potential modification should the awaited CIPFA ruling be in direct conflict with what was agreed.

The Chair and the Finance Manager agreed to meet to agree future presentation of this information for the organisation.

Stephen Boyle, Accountable Officer and Auditor General for Scotland will sign the accounts on Monday 12 June 2023.

The members noted the external audit letter and opinion on financial year 2022/23 and welcomed a confirmed position regarding the pension balance figure in the financial statements.

ACTION: 161AC Kenneth Oliver and Paul O'Brien to establish a confirmed position regarding reporting the pension balance figure, and to inform members of where discussions have reached.

ACTION: 162AC Colin Crosby and Stuart Dennis agreed to meet before the next Audit Committee meeting on 5 September to discuss future presentation of the accounts in respect of pensions.

Kenny Oliver and Paul O'Brien left the meeting.

Simon Ebbett, Communications Manager joined the meeting.

9. Draft Audit Scotland Annual report and Accounts 2022/23

Martin Walker, Director of Corporate Support, Stuart Dennis, Corporate Finance Manager and Simon Ebbett, Corporate Communications manager introduced the draft Annual report and accounts 2022/23, copies of which had previously been circulated.

Stuart advised that the outturn in the report was the same as the Q4 figures reported to the Board and Audit Committee in May. Further explanation around IAS19 and IFRC14 was included in the report as well as explanations of movements and changes since last year.

Simon advised that the report set out the performance of Audit Scotland in 2022/23 and provided positive assurances about the impact of the audit work over the past year and the governance arrangements in place.

The Audit Committee members discussed various aspects of the report and accounts. Some minor final edits, relating to the Accounts Commission were agreed. The members discussed some suggested changes for next year's report noting that a summary snapshot of the report would be welcome.

The Chair thanked the officers involved for their work on the report.

The Audit Committee noted the next steps in the process and recommended the draft Annual report and accounts for approval by the Board.

Simon Ebbett left the meeting.

10. Review of risk register

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

Martin noted that while risk A3, failure of audit quality, remains amber it has reduced in light of the findings of the Quality of Public Audit in Scotland (QPAS) and Transparency Reports which were considered by the Audit Committee at its meeting on 16 May 2023.

Martin noted risk A9 was a new risk covering the importance of an effective working relationship with the Accounts Commission.

The Audit Committee members welcomed the discussion and noted the review of the risk register.

11. Report on progress with Internal Audit recommendations

Gayle Fitzpatrick, Corporate Governance Manager introduced the progress with Internal Audit recommendations report, copies of which had been previously circulated.

Gayle advised that the report provides members with an update on the implementation of internal audit report recommendations. The report did not reference recommendations made in reports shared with the Audit Committee at the May meeting due to timing.

The Audit Committee members noted the progress on the implementation of outstanding audit recommendations.

12. Annual report on Health, Safety and Wellbeing 2022/23

Susan Burgess, Head of Human Resources and Sharon Kewley, Business Support Manager joined the meeting.

Susan Burgess, Head of HR introduced the annual report on Health, Safety and Wellbeing 2022/23 report, copies of which had been previously circulated.

Susan advised that the focus will be taking forward the actions that are identified in the report. Audit Scotland will be working closely with an organisation called Headtorch who will be delivering mental health training. They will take a holistic review of all sources of information gathered in these sessions which will provide intelligence and direction for the organisation.

The members noted the report is more appropriate to the Remuneration and Human Resources Committee (Remco) but it comes to the Audit Committee as a result of the timing of the meetings. The members agreed it would be worth considering the timings for 2024.

The Audit Committee members noted the annual report on Health, Safety and Wellbeing 2022/23.

Susan Burgess and Sharon Kewley left the meeting.

13. Annual report on Correspondence and Whistleblowing

Carol Calder, Audit Director, Performance Audit and Best Value and Dharshi Santhakumaran, Correspondence Manager joined the meeting.

Carol Calder, Audit Director introduced the annual report on Correspondence and Whistleblowing, copies of which had been previously circulated.

Carol noted the increase in correspondence, with volumes growing by a third from the previous year. It was noted that may be attributed to the higher expectations of public bodies, correspondence generated by some audit reports and ongoing correspondence from some individuals. It was noted that the increase in volume of correspondence is being managed and all performance targets continue to be met.

It was acknowledged that the increase in volume reflects positively on the visibility and profile of the audit work. There has been no significant change in the themes of correspondence received during 2022/23.

The Audit Committee noted the annual report on Correspondence and Whistleblowing and thanked the team for meeting the performance targets.

Carol Calder and Dharshi Santhakumaran left the meeting.

14. Annual report from the Chair of the Audit Committee to the Board.

The Chair of the Audit Committee introduced the annual report from the Chair of the Audit Committee to Board, copies of which had been previously circulated.

The Audit Committee members were satisfied with the report and agreed it provided a comprehensive summary of the committee's work in 2022/23.

The Audit Committee noted the Annual report from the Chair of the Audit Committee and recommended it to the Board.

15. Any other business

There were no items of other business.

16. Review of meeting

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

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

17. Date of next meeting

The next meeting of the Audit Committee is scheduled for 5 September 2023.

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

DRAFT

Board actions

Tracker 2023

Ref	Forum	Agenda item no	Item title	Action description	Meeting date	Due date	Responsible	Assigned to	Complete/ongoing	Reported Yes/No	Progress notes
ASB165	Board	11	Mainstreaming equality and equality outcomes: Interim progress report	Further Board session on HRBA to be arranged.	17/05/2022	01/09/2023	Jillian Matthew	Jillian Matthew	Complete		Short life working group considering next steps for work on HRBA is meeting on 24 November. At that meeting, consideration will be given to the most appropriate timing for a further session with Board members. 6/2/23 - update paper issued to Board Members by correspondence in March. Further discussion at Board September 2023
ASB200	Board	8	Review of Minutes: Audit Committee meeting: 9 November 2022	Produce a report a COVID 19 lessons learnt report for consideration by correspondence, and option to discuss at later Board meeting	04/04/2023	01/05/2023	Martin Walker	Martin Walker	Complete		Lessons Learned report will be issued to Board members late May 2023. Paper issued to Board members 4 September 2023
ASB203	Board	11	Strategic Improvement Programme Review	additional indicative timelines and metrics detail for next report	04/04/2023	01/09/2023	Kenny Oliver	Gemma Diamond	Ongoing		Noted for the next update report due to September Board meeting.
ASB208	Board	20	External Engagement	Provide alternative options on survey options	04/04/2023	01/09/2023	Kenny Oliver	Simon Ebbett	Complete		Confirmed September Board meeting for proposal
ASB209	Board	20	External Engagement	Accounts Commission stakeholder survey results to a future meeting	04/04/2023	01/09/2023	Kenny Oliver	Simon Ebbett	Complete		Confirmed September Board meeting to share results
ASB210	Board	21	Estates Strategy Update	Detailed costings on length of Glasgow lease	04/04/2023	01/09/2023	Martin Walker	Stuart Dennis	Complete		Scheduled for September Board meeting in planner
ASB211	Board	8	Review of draft minutes: Board meeting: 4 April 2023	Amendment to be made at item 6 as highlighted by Stephen Boyle.	23/05/2023	01/05/2023	Stephen Boyle	Stephen Boyle	Complete		Minutes updated
ASB212	Board	10	Health, Safety and Wellbeing - verbal update	Executive team to review how we capture Covid information in our time recording.	23/05/2023	01/06/2023	Martin Walker	Martin Walker	Ongoing		Work ongoing - September 2023
ASB213	Board	11	2022/23 Annual report on information governance and security	Gayle Fitzpatrick to make the identified amendment at paragraph 5 in the 2022/23 annual report on information governance and security.	23/05/2023	01/05/2023	Gayle Fitzpatrick	Gayle Fitzpatrick	Complete		Report updated and finalised for publication

Ref	Forum	Agenda item no	Item title	Action description	Meeting date	Due date	Responsible	Assigned to	Complete/ongoing	Reported Yes/No	Progress notes
ASB214	Board	12	2022/23 Annual report on complaints	Confirm to the Board, the date of the last revision to the complaints handling procedure.	23/05/2023	01/05/2023	Gayle Fitzpatrick	Ian Metcalfe	Complete		The Complaint Handling process was last updated in 2020 in line with the Model Complaints handling process from the SPSO. The Annual report on complaints that went to Board in May included in Paragraph 5 references to the updates in 2014 and 2018 and then para 6 explains it was further updated in September 2020.
ASB215	Board	13	2022/23 Annual report on Freedom of Information and Environmental Information	Undertake a review of the process by which we reject FOI requests on the basis of cost.	23/05/2023	01/09/2023	Gayle Fitzpatrick	Gayle Fitzpatrick	Complete		Following the Board Meeting a meeting was held with the executive Director of I&Q. Procedures were reviewed and found to be in line with statutory requirements.
ASB216	Board	13	2022/23 Annual report on Freedom of Information and Environmental Information	Ensure the Accounts Commission receive relevant FOI reporting statistics going forward.	23/05/2023	01/06/2023	Gayle Fitzpatrick	Gayle Fitzpatrick	Complete		From Quarter one 2023/24 Freedom statistics will be broken down to identify Audit Scotland, Accounts Commission and Auditor general for Scotland
ASB217	Board	16	Staff handbook policy review	Susan Burgess to make the minor amendment identified on P6 of the Bullying & Harassment Policy	23/05/2023	01/05/2023	Susan Burgess	Susan Burgess	Complete		Report updated and finalised for publication
ASB218	Board	21	Our purpose workstream: Public Audit in Scotland and Corporate Plan	Michelle Borland, Gemma Diamond and Simon Ebbett to give consideration of the use of language to ensure fully accessible.	23/05/2023	01/06/2023	Michelle Borland	Michelle Borland	Complete		Documents went through our usual desktop publishing process where they were proofread in line with our house style and accessibility requirements. We also shared the drafts with a range of colleagues at all levels of the organisation, asking them for feedback on clarity and accessibility of language. We took this feedback on board as part of final editing
ASB219	Board	21	Our purpose workstream: Public Audit in Scotland and Corporate Plan	Michelle Borland, Gemma Diamond and Simon Ebbett to review the existing KPI's in the Corporate Plan with a view to reducing these for further discussion and approval at the 6 June Board meeting.	23/05/2023	01/06/2023	Michelle Borland	Michelle Borland	Complete		Amended Corporate Plan at June 2023 Board meeting

Ref	Forum	Agenda item no	Item title	Action description	Meeting date	Due date	Responsible	Assigned to	Complete/ongoing	Reported Yes/No	Progress notes
ASB220	Board	8	Review of draft minutes: Board meeting: 23 May 2023	Amendment to be made to attendees	06/06/2023	01/06/2023	Martin Walker	Miranda Nicoll	Complete		Amendment made to approved minutes.

Strategic Improvement Programme: Update

Director of Innovation and Transformation and Head of Organisational Improvement

Purpose

1. This report updates the Board on progress with the Strategic Improvement Programme, following the Board agreeing the refreshed SIP in April 2023 and SIP Board meetings in June 2023 and September 2023.

Recommendations

2. The Board is invited to:
 - Note decisions the SIP Board has taken on the mix of projects in the SIP and alignment of the SIP with the new corporate plan and emerging business plan.
 - Note the programme update provided in Appendix 1 and ambitions to improve the overall project and programme management approach for the SIP.

Background

3. In April 2023 the Audit Scotland Board [agreed the refreshed SIP](#). The purpose of the SIP is to provide a framework for transformational change projects to receive more capacity, scrutiny and direction to ensure that we deliver on our corporate plan strategic priorities and the outcomes in Public Audit in Scotland. By transformational change we mean:
 - Change that evolves the basic structure of our business – our strategy, culture, structure or processes – and leads to a fundamental shift in how we operate, completely reshaping the organisation.
 - Transformational change is often pursued to address major concerns, challenges or risks we are facing. It can be sudden and dramatic, like changes to ways of working during the Covid-19 pandemic. Or it can be planned out over a longer period, like how we aim to approach audit modernisation.
4. The agreed criteria for SIP projects are as follows:
 - The actions and intended outcomes impact more than one business group.
 - The projects intend to deliver transformational change, not just business as usual.
 - Intended outcome will require a significant change in approach, skills, and resources.
 - Intended outcome is critical to the achievement of the corporate plan.
 - Activity can be framed as a project with appropriate measurement criteria.
 - Activity is a SIP board priority.

SIP project mix and alignment with corporate plan and business plan

5. At its June 2023 meeting the SIP Board reviewed project updates on the seven projects agreed as part of the SIP review: Accounts Commission Change Programme, Developing Hybrid Working, Electronic Working Papers, Insights, Longer-term estates strategy, One organisation working, Partnership Working Framework.
6. At its June 2023 and September 2023 meetings the SIP Board considered how the SIP is supporting delivery of the corporate plan strategic priorities and Public Audit in Scotland outcomes, and its role in improving direction, scrutiny and capacity for key projects emerging through the operational planning process. The aim is to ensure the SIP has the right level of ambition to deliver the required change and transformation.
7. The SIP Board's discussions have centred around which projects will deliver genuine transformational change versus which projects are more adaptive, delivering smaller, incremental changes to how we run our business (more 'business as usual' than transformational). The SIP Board agreed it needed to make good use of the range of governance mechanisms in place to manage these different projects, including Executive Team, Leadership Group and the new operational planning process.
8. Through its June and September meetings the SIP Board has agreed the SIP should focus on a smaller a number of projects. These are summarised in Table 1.

Table 1: Current SIP projects

Project	Summary
Audit modernisation project	Deliver a transformed audit approach that is clearly defined, risk-based and data driven, to ensure compliance, quality and efficiency; delivered through integrated auditing software and tools that automate and standardise processes.
Integrated resourcing and performance information	<p>Develop an integrated resourcing model, initially covering operational and technical support to business groups (ASG, PABV and I&Q), and looking to expand to encompass Corporate Services as appropriate.</p> <p>Scope the requirements and costs for a new resource allocation and organisational performance information system to ensure we have the right data and intelligence to support our understanding of feedback on colleague stress and resourcing pressures, and to deliver an efficient and impactful service.</p>
Insights	<p>Gather excellent intelligence to:</p> <ul style="list-style-type: none"> • support agility • improve decision making • drive continuous improvement and innovation • promote the value of public audit

9. The programme update in Appendix one summaries progress with the audit modernisation project and the insights project as they were agreed SIP projects at its meeting in June 2023. At the meeting in September 2023 the SIP Board agreed to add the integrated resourcing and performance information project as a new project.
10. Both the audit modernisation and insights projects were assessed as amber by the SIP programme management team. This is largely due to capacity constraints to deliver the planned project milestones. At its meeting in September 2023 the SIP Board agreed to the following:
 - Releasing 2 x Band 2 posts from ASG to I&Q to support the review and implementation of the audit approach, including the development of supporting guidance and training.
 - Releasing funding from management contingency in 2023/24 to bring in short-term project management expertise for both the audit modernisation project and the integrated resourcing and performance information project. We will draw on this expertise to support us to develop the SIP programme and project management framework.
 - Discuss with the Board a case for additional funding from SCPA to procure additional specialist skills (project management/change management) to support the delivery of the project. This year's budget bid to SCPA to also set the ground for the Audit Modernisation project and the likely additional resource requests (capital or otherwise) to support the new software element of the project.
 - Internal discussions about ring-fencing Band 2 resource within PABV and ASG to support delivery of the insights project's impact strand.

Project management for SIP projects

11. We are committed to developing a consistent and appropriate project management framework and tools for SIP projects to ensure they integrate change management principles and have the scrutiny they need to deliver our change ambitions. This will allow for flexibility in the project management approach, depending on the nature of the project.
12. We have made progress on project management since the April Board with improved information on project planning, including milestones and delivery dates, improved risk assessment and information on lessons learned.
13. There is further work to do around the overall approach to project management to ensure it is sophisticated enough to provide the level of assurance and scrutiny the SIP Board requires for SIP projects. This includes setting out the resource requirements of projects and reporting on project costs versus budget, more detail on project milestones and risks, as well as performance monitoring, communications planning and stakeholder management.

SIP criteria review

14. At the April Audit Scotland Board meeting we noted that the criteria for SIP projects would be subject to periodic review to ensure appropriate projects were being captured and included. We proposed that the first review would be after six months, which is now. Having used the current criteria in June and in September to frame discussions and support decisions about what should be part of the SIP, and to analyse how well the SIP reflects

corporate plan and business plan priorities, our view is that the current criteria (outlined on slide 2 of Appendix one) are fit for purpose. We propose these are subject to annual review and this should be timetabled for the April 2024.

Conclusion

15. The SIP Board has had two meetings since the Audit Scotland Board signed off the refreshed SIP. It continues to review and challenge the project mix in the SIP according to the agreed criteria and take decisions to ensure adequate capacity and direction for SIP projects. The operational planning process has identified one new project to add to the SIP (integrated resourcing and performance information). The SIP programme management team continues to develop the project management framework for SIP projects to improve scrutiny. The next SIP Board meeting is in December and we will bring a further update to the Board in January.

SIP Board: Current projects update

26 September 2023

Purpose

To provide a framework for transformational change projects to receive more capacity, scrutiny and direction to ensure that we deliver on our corporate plan strategic priorities and the outcomes in Public Audit in Scotland.

Criteria for SIP projects

- The actions and intended outcomes impact more than one business group
- The projects intend to deliver transformational change, not just business as usual
- Intended outcome will require a significant change in approach, skills, and resources
- Intended outcome is critical to the achievement of the corporate plan
- Activity can be framed as a project with appropriate measurement criteria
- Activity is a SIP board priority


Vision and intended outcomes: Audit modernisation

Vision	Intended outcomes
<p>A transformed audit approach that is clearly defined, risk-based and data driven, to ensure compliance, quality and efficiency; delivered through integrated auditing software and tools that automate and standardise processes</p>	<ul style="list-style-type: none">• Our audit approach is risk-based, effective and can be delivered efficiently.• Our audit approach, audit software and digital tools:<ul style="list-style-type: none">○ Support our quality framework and ambitions.○ Are fit for audit now and in the future, and we have sustainable and efficient ways of updating them.• The supporting software is interoperable and enables efficient and automated processes, analysis and documentation where appropriate.• Our staff are supported and empowered to deliver new ways of working.• Our organisation reflects the skills, capacity and grade mix required to deliver our new approach to audit.

Vision and intended outcomes: Insights

Vision	Intended outcomes
<p>Gather excellent intelligence to:</p> <ul style="list-style-type: none">• support agility• improve decision making• drive continuous improvement and innovation• promote the value of public audit	<ul style="list-style-type: none">• We have a holistic approach to impact monitoring, evaluation and reporting in place, looking at all audit work as well as stakeholder perceptions and awareness of public audit.• We have better coordinated intelligence from impact evaluation, horizon scanning and stakeholder engagement driving our decision-making, innovation and improvement.

Progress and upcoming milestones: Audit modernisation

Project status:  Amber – Progressing and additional management action required


Latest progress (June to August)

- Started discussions with ASG and PABV audit approach and digital audit leads to establish potential resource requirements and timescales.
- Identified areas for improvement in PABV audit approach, including to meet new ISQM standards.
- Continued roll out of Asc with 35 audits now Ac-enabled.
- Started market research, holding discussions with the NAO, Audit Wales and the Queensland Audit Office to understand how they approached similar projects.

Upcoming milestones (September to December)

- Deliver planned audit approach improvement projects including updated guidance and programmes, as part of iterative improvement approach (October 2023).
- Conclude ISA 315 post project implementation review and feed action plan and lessons learned into AMP (October 2023).
- Complete project initiation phase including finalising market research, establishing governance and project management arrangements and resource requirements. This will culminate in a project initiation document. (December 2023).
- Collect feedback from auditors on Asc to support improvements and inform AMP requirements building process (December 2023).

Progress and upcoming milestones: Insights

Project status:  Amber – Progressing and additional management action required

Latest progress (June to September)	Upcoming milestones (September to December)
<ul style="list-style-type: none">• Finalised and issued guidance for performance audit teams on developing recommendations.• Delivered impact evaluation report for Public Audit Committee business planning day.• Proposed core performance metrics to monitor progress with insights project.• Refreshed stakeholder mapping undertaken for Public Audit in Scotland project and proposed stakeholder research options for ET and Board to consider.	<ul style="list-style-type: none">• Launch impact monitoring and evaluation pilot in ASG (Planned for August 2023, delayed to September 2023 due to resource constraints in I&Q and ASG.)• Deliver six-monthly impact report for AGS and Accounts Commission (Planned for August 2023, delayed to October 2023 due to resource constraints in I&Q.)• Develop data collection methods for project performance monitoring (October 2023).• Pilot new post-audit review stakeholder feedback mechanisms in PABV (Planned for August 2023, delayed to October 2023 due to resource constraints in I&Q.)• Finalise and issue guidance for performance audit teams on following up on recommendations (November 2023).

Risk summary: Audit modernisation

Summary of risk	Net score	Mitigation and further planned actions
The continued use of Pentana carries cyber security and data storage risks. The system is unlikely to be supported long-term.	15	<p>Upgrading to Pentana Cloud will mitigate the current security and data risks and the functionality may meet our needs better in the short term although it is likely to require more training.</p> <p>Longer-term it is unlikely to support changes to financial audit approach and is unlikely to be compatible with performance audit. This is why we need to explore other options through this project.</p>
We do not have adequate resource to deliver the planned activity within the audit modernisation project. We will need to pause planned activity and there will be delays to planned milestones.	20	<p>Business planning discussions with Leadership Group support the transfer of resource from audit business groups to the project. The timing, allocation and mechanism for this need to be agreed which may lead to delays.</p> <p>SIP board agreed procurement of short-term resource in this financial year to support the development of a project management framework and develop a project initiation document. Also agreed to make case for additional funding for investment in specialist skills and capacity over life of project.</p>

Risk summary: Insights

Summary of risk	Net score	Mitigation and further planned actions
<p>We do not have adequate resource to deliver the planned activity within the insights project. We will need to pause planned activity and there will be delays to planned milestones.</p>	15	<p>Priority has been given to resourcing key milestones related to impact. The SIP Board agreed the need to prioritise allocation of internal resources, and discussions are to be taken forward with PABV and ASG about retaining the support from the Band 2A PABV Policy and Information Officer and allocating some dedicated Band 2B (business managers) resource.</p> <p>Impact milestones have been prioritised over other insights activity (stakeholder engagement and horizon scanning strands), which will commence upon the availability of the necessary capacity.</p>

Human Rights Based Approach update

Purpose

1. This report sets out an update on our work implementing a human rights-based approach since March 2023.

Recommendations

2. The Board is invited to:
 - Note the activity we have completed since March and current priorities.
 - Note the Scottish Government consultation on a new Human Rights Bill for Scotland, the areas of focus for Audit Scotland, and what it might mean in practice.

Background

3. In March 2023 we circulated an update to Board members on our approach to taking a human rights-based approach. This approach is about using international human rights standards to ensure that people's human rights are put at the centre of policies and practice. A human rights-based approach empowers people to know and claim their rights. It increases the ability of organisations, public bodies and businesses to fulfil their human rights obligations. It also creates solid accountability so people can seek remedies when their rights are violated.
4. The update highlighted that we had undertaken self-assessment workshops and considered how this would apply to internal policies. We are also piloting a human rights approach in a performance audit on digital exclusion. The update highlighted that we would bring a paper to a Board meeting later in 2023 to allow further discussion. The paper is included in Appendix 1.

Considerations

5. We have undertaken a range of work continuing to embed human rights in our internal policies and practices. As well as building human rights considerations into our audit work.
6. The Scottish Government is consulting on a new Human Rights Bill for Scotland which aims to incorporate international human rights standards into domestic law. There will be some implications for the scrutiny role of Audit Scotland, the Accounts Commission, and the Auditor General in relation to monitoring, reporting, and supporting improvement across the public sector. Audit Scotland will also be subject to the duties set out in the Bill framework and required to report on progress in meeting these.
7. As we develop future strategies covering our equalities and human rights ambitions and legislative requirements, we are keen to look holistically at the overall framework to ensure that it is integrated and works together.

Conclusion

8. Implementing a human rights-based approach is an important strand of activity for Audit Scotland. We are making good progress in building it into our internal policies and our audit approach. The landscape is complex and changing and we will keep the Board updated on any significant events.

Human Rights Based Approach – Board update

Gemma Diamond

Jillian Matthew

26 September 2023

- We've started to review our internal policies and how they consider human rights. We developed prompts and trialled them reviewing some HR policies.
- We are considering developing a template and guidance for human rights impact assessments. However, we needed to update our equality impact assessment guidance first. This is currently being finalised and rolled out.
- Next, we will consider how human rights can be incorporated into integrated impact assessments.
- We have been working closely with the Scottish Government's equality mainstreaming team who have recently updated equalities and human rights guidance for the public sector. The team also did a training session with Audit Scotland staff.
- We are building human rights considerations into our audit work and piloting new methodology, e.g. in a performance audit on digital exclusion.
- As we develop a diversity, inclusion and equality strategy we are considering how to integrate human rights into the wider equalities legislative framework that we need to comply with.

- The Scottish Government is [consulting on proposals for a Human Rights Bill](#), which it has committed to passing by May 2026. It will be a phased approach to implementation.
- The Bill aims to incorporate international human rights standards into domestic law in Scotland, including economic, social, and cultural rights (e.g., rights to adequate housing, food, and health), and a right to a healthy environment.
- It will mean all new law and policy will need to be assessed against human rights, public bodies will need to build human rights into their decision making on budgets and services, and people will have access to justice if their rights are not being met.
- This is just the start of an extensive process, which we will continue to monitor as the Bill develops. We will be involved in ongoing discussions with a wide range of stakeholders about the content and implications of the Bill framework.

In our joint response to the consultation we have focused on key priorities and our role in public audit, including:

- clear accountability within complex governance arrangements for implementing the Bill
- highlighting existing scrutiny coordination, intelligence sharing, how this has evolved and improved, and Crerar's recommendations on minimising and duplication of scrutiny
- transparent reporting with a focus on outcomes, to assess whether the Bill is delivering the intended benefits
- participation and co-design with rights holders and those with lived experience, and highlighting learning and good practice
- prioritising limited resources and targeting them to where they are most needed to tackle inequalities
- the need for good data and financial information, to effectively measure progress with outcomes but not to be burdensome for public bodies
- the need for strong leadership and collaborative working.

- The Bill proposals are high level. We highlighted where more clarity and detail are needed and where there are likely to be resource and capacity implications.
- There will be some implications for the scrutiny role of Audit Scotland, the Accounts Commission, and the Auditor General in relation to monitoring, reporting, and supporting improvement across the public sector.
- Audit Scotland will be subject to the duties set out in the Bill framework and required to report on progress in meeting these.
- We plan to keep colleagues updated on developments with the Bill and organise awareness raising sessions.
- We will start to consider what resources and skills will be needed and work with the Scottish Government around the support and guidance it can provide.

Q1 Corporate performance report

Corporate Governance Manager

Item 12
Meeting date: 26 September 2023

Purpose

1. This report provides the Board with a review of organisational performance as at quarter one (Q1) 2023/24.

Recommendations

2. The Board is invited to:
 - Review the performance in Q1 set out below and in appendix 1.
 - Consider the issues affecting performance, the actions identified and whether any additional management action is required.

Background

3. The Performance framework and the quarter one report is aligned to the [Audit Scotland corporate plan 2023-2028](#) published in June 2023.
4. The four sections in the slide deck attached as appendix one are:

Section	Strategic Priorities
Summary	
Delivery	Timely and impactful annual audit Dynamic performance audit programme Enhanced audit approaches
Resources	Developing our people and our business
Innovation and learning	Insights driving innovation

5. Further developments in performance reporting are detailed in the final section of this report.

Key messages

6. We want to draw your attention to the following areas.

Performance Overview

7. The graphic below provides a summary of performance.

Summary | Key Measures



Audit delivery

8. Quarter one focussed on the delivery of annual audit plans, NHS accounts and nine Performance and Best Value (PABV) reports. There were no Accounts Commission (Local Government) accounts due in Q1.
9. We delivered 87 per cent of expected outputs in the quarter. Performance improved in Q1 but delivery going forward stays at red as projected performance indicates that delivery targets are not going to be met.
10. At the time of writing, there is one financial audit outstanding from 2021/22. A verbal update on the most up to date position will be provided at the meeting.
11. The issues affecting the delivery of financial audits were [reported](#) in detail to the Board at its meeting on the 24 January 2023. The Board noted the report and agreed the recommended actions to address these issues.
12. 2022/23 financial audits are the first year of the new audit appointments following the procurement process which concluded at the end of 2021. The total size of the Audit Services Group portfolio under the new appointments has increased by 14% when compared to the previous appointment round (159 audits in 2022/23 compared to 139 in 2021/22).
13. Initial calculations at the beginning of Quarter 1 indicated a shortfall in resources required to deliver the work associated with the increased portfolio of 8.5% (2,043 days or approximately 10 FTE's). The actions undertaken during the quarter, to challenge budget assumptions, fill vacant positions, as well as appointing short term temporary staff have reduced the indicative shortfall in resources to approximately 5% (1,192 days or 7 FTE's) as at the end of July 2023.

14. The primary focus for Audit Services in Quarter 1 has been the delivery of health audits and 10 of the 12 Health Boards (83%) were signed off by the 30 June target date. The delays in signing off the remaining two health boards were due to a combination of; issues identified during the audits; poor quality accounts/working papers; the ability of the boards to service the audits and action on the part of the auditor to improve the quality of work on the file and safeguard the integrity of the Independent Auditors Report. Five central government bodies' accounts and two annual audit reports were also signed off in Quarter 1.
15. However, delays in signing off the two NHS audits, combined with issues on other health audits, means that Audit Services has overrun the planned Health resource budget by 6%. When combined with the continued 5% shortfall in required resources this has a knock-on effect on our ability to deliver other audits to planned/target timescales.
16. Overall, Audit Services is currently forecasting the delivery of 62% of 2022/23 audits within target timescales, compared to 51% delivered for 2021/22. The breakdown by sector and customer is set out below:

Forecast delivery by Sector	Forecast delivery by Customer
NHS Bodies – 83% (Actual)	Auditor General – 72%
Central Government – 68%	
Further Education – 88%	
Local Government – 49%	Accounts Commission – 49%

17. Audit Services is forecast to deliver 158 (99%) of all financial statements audits by 31 December 2023 with one Further Education audit forecast to complete in January 2024. However, this position is not without risk and a repeat of the circumstances encountered on health audits summarised above and/or a change in wider environmental factors will lead to a deterioration in the forecast position.
18. Looking beyond the 2022/23 audits, Audit Services has, on paper at least, sufficient resources to deliver its portfolio commitments within a 12-month period. However, the end date of this 12-month period is entirely dependent upon its starting point and inherently assumes a status quo in wider environmental factors. Consequently, given the forecast delivery position for 2022/23 audits, any improvement in delivery against target completion dates for subsequent years requires the portfolio of work to be delivered in a timeframe which is less than 12 months.
19. Recognising that the current fiscal environment severely curtails Audit Services ability to expand its resource base, a series of actions have been initiated to build on work undertaken to date and include:
 - A focus on resourcing flexibilities within current budget envelope
 - A planned review of Audit Services job sizing and structures

- Closer coordination between Audit Services and Innovation and Quality to understand the workload & resourcing impact of changes in audit requirements and expectations
 - Closer coordination between Audit Services and Performance Audit & Best Value in relation to the scope as well as resourcing and delivery of Best Value requirements in local government
 - Identifying and quantifying the impact of a range of options for stopping or pausing wider work to improve the timely delivery of financial statement audits.
- 20.** The risk in relation to delivery was reframed for the May risk register to highlight the impact of external factors, many of which are out with our control, and also internal factors. Delivery in recent years has been impacted by a combination of delays in starting 2021/22 audit work due to the impact of COVID-19, technical issues in the accounts, the impact of resourcing and capacity issues at clients and in Audit Scotland and audited body governance timetables.

Resources and capacity

- 21.** The average WTE number of staff in Q1 was 328.6, against an establishment level 341.1 WTE. This equates to 96.3%. The breakdown by Business Group is included in Appendix 1.
- 22.** Work is ongoing through recruitment campaigns to achieve establishment. We have recently made appointments to a range of posts including, Assistant HR Manager and Senior HR advisor, a Communications Officer and Graphic Designer, senior and trainee auditors, the Secretary to the Accounts Commission and its Policy Manager and Business Managers in ASG and PABV. Recruitment campaigns are currently under way for a range of posts including HR administrator, a Forum Support Co-ordinator, Manager and Assistant Manager posts in I&Q, graduate trainees, and an auditor in PABV.
- 23.** The Executive Team held strategic workshop sessions on 13 and 14 June to inform our new People Strategy and our short and longer-term workforce planning. The strategy will be considered by the Executive Team in October and the Remuneration and Human Resources Committee on 14 November 2022.
- 24.** Work is also well under way in the integrated business, workforce, and budget planning processes with recent meetings of the operational group and a session at the Leadership Group on 29 August 2023.
- 25.** Audit Scotland operational costs were delivered within 24% of budget.

Developments in performance reporting

- 26.** Work continues to refine the performance data and reporting, this includes:
- the increased development of targets, time series data and benchmarking
 - where appropriate performance data to be analysed and presented by customer (AGS and Accounts Commission), provider (ASG and the Firms) and by sector (health, local government, central government, and further education).

- the development of performance measures in relation to innovation, learning and impact.

Q1 Corporate Performance Report

Appendix 1

Summary | Key Measures

Corporate Plan 2023-28: Strategic Priorities

Timely & impactful annual audit
Dynamic performance audit programme
Enhanced audit approaches

Developing our people and our business

Insights driving innovation and improvement

Delivery

Resources

Innovation and learning

Objective	Status	
Audits delivered on time	RED	⬆️
Audits delivered on budget	AMBER	⬆️
Audits delivered on time and on budget - Audit focus	AMBER	⬆️
Audit quality assurance results	GREEN	➡️
Impact through our work	GREEN	➡️
Progress towards net zero and climate resilience targets	GREEN	➡️
Progress against our equality outcomes	-	⬆️

Objective	Status	
Our finances: Spend against budget	AMBER	⬆️
Our people: capacity to delivery - Establishment	AMBER	⬆️
Our people: capacity to delivery - Cost	GREEN	➡️
Our people: capacity to delivery - Wellbeing	AMBER	⬆️
Our people: capacity to delivery - Working across business groups	GREEN	➡️
Our people: right skills - Learning & Development	AMBER	⬆️

Objective	Status	
Innovation driving audit transformation	-	⬆️
Application of insights to decision-making, audit delivery & organisational change	-	⬆️

Not progressing/ significant additional management action required

Progressing and additional management action planned

On target/ no need for additional management action

Measures under development

Summary | Highlights, challenges and actions

Highlights

Delivery

- We delivered 87% of the expected outputs (target 100%).
- 66% of expected outputs delivered on time (target 95%).
- 78% of performance audits have been delivered on time. (target 95%).
- In Q1 Audits/reports were delivered 18% under budget (target +/-5%%).

Resources

- Pay costs 7.3% less than budget
- Absence levels remain low at 0.86 days
- Audit Scotland organisational costs delivered within 24% of budget (target breakeven)
- Exam pass rate for the year to date is 81% (Target 85%)
- We delivered 102 training events with 1,802 attendees

Challenges

Delivery

- Improved performance in Q1 but delivery going forward stays at red as projected performance indicates that delivery targets are not going to be met.

Resources

- Impact of April 2023 pay award is still unknown
- Average number of staff at end of Q1 was 328.6 against an establishment level 341.1 WTE (96.3%)

Actions

- ASG action plan for returning to pre-pandemic delivery schedules within the duration of the current audit appointments
- Continue to recruit to increase staff levels to establishment levels
- Continue to develop Innovation and Learning KPIs

Delivery

Objective

Audits delivered on time and on budget

KPQ

Are audits delivered on **time**?

Target

95% of audits delivered on time



OVERVIEW **RED**

Financial audit

Annual Audit plans

In Q1 we expected to deliver 228 annual audit plans (AAPs). We delivered:

- 201 (88%) Annual Audit plans. 27 are outstanding (AS 9, Firms 18).
- 129 (65%) of the AAPs were on time.

Financial Accounts

In Q1 we expected to deliver 23 NHS accounts . We delivered:

- 19 (83%) NHS Accounts - 4 NHS Accounts are outstanding (AS 2 Firms 2)
- 17 (74%) of the NHS accounts were on time.

Performance Audit

In Q1 we expected to deliver nine Performance Audits. We delivered:

- Nine performance reports of which 78% were on time including:
- Two for the Accounts Commission 100% delivered on time.
- Four for the AGS 50% (2 reports on time 2 late).
- Three joint Accounts Commission/AGS reports - 100% delivered on time.

Objective

Audits delivered on time and on budget

KPQ

Are audits delivered on **time**?

Target

95% of audits delivered on time



Performance, trend and RAG

Audit delivery is rated as red. There was improved performance in Q1 in delivering audits on time, however the RAG status remains at red as the projected performance indicates that delivery will not remain at quarter one levels.

Annual Audit Plans For Accounts Commission

88 (88%) of the Local Government annual audit plans delivered in Q1 (68% of Audit Scotland plans on time & 46% of firms plans on time).

Annual Audit Plans For Auditor General for Scotland

113 (88%) of the NHS, CG and FE annual audit plans have been delivered in Q1 (60% of Audit Scotland plans on time & 46% of firms plans on time).

NHS Accounts 19 NHS accounts delivered in Q1 (9 Audit Scotland and 7 firms)
Improvement on last year when 13 NHS Accounts completed in Q1 (5 AS & 8 Firms)

PABV Audits included two late reports these were section 22 reports for the AGS

Risk

Audit delivery misses statutory deadline
Delay in delivery this year's audit impacts on the ability to deliver future year audits on time

Risk register

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

A4 - Failure to deliver audit to deadlines

M2 - Failure of independence, reputation, focus and relevance

Issues / Actions	Actions to improve performance	Who	Timescales	Comment / update
ASG action plan for delivery of financial audits.	The objective of the action plan is to return to pre-pandemic delivery schedules within the duration of the current audit appointment.	ASG	Appointment period	Phased targets are <ul style="list-style-type: none"> 70% delivery of audits within planning guidance timescales by the end of the 2023/24 audits and 95% by the end of the 2026/27 audits.
33% of audits are expected to be delivered after target dates.	Active monitoring of expected completion dates and reasons for delays.	AQA	Monthly	

Objective

Audits delivered on time and on budget

KPQ

Are audits delivered on **budget**?

Target

+/-5% of budget

OVERVIEW **Amber**

The Q1 audit variance of 18% is due to staffing levels being below establishment and the volume of work and associated budgets where audit work is not delivered in line with the anticipated profile.

Recruitment campaigns over the spring for Senior Auditors and Professional Trainees have brought new staff into post. The impact of this in realigning the financial profile against budgeted profile will start to be realised in the Autumn.

Actual costs do not include any pay award, but the budgeted costs do include pay award assumptions. The short-term secondment of staff to AC support and I&Q has also impacted this, reducing the amount of time charged to audits.

The percentage variance is outwith the target of +/-5% and is rated amber as progress is being made on recruitment and delivery of audit.

Budget

Product	Total budget £	AC budget	AGS budget	Total costs £	Variance £	% Variance
Annual audits	3,899,909	2,127,453	1,772,456	3,245,779	654,130	17%
Performance audits	935,760	409,265	510,450	737,455	198,305	21%
Total	4,835,669	2,536,718	2,282,906	3,983,234	852,435	18%

Risk

In Q1 Audits were 18% under budget. This is expected to vary during the year and does not present a significant risk at this time.

Risk register

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

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

Issues / Actions	Actions to improve performance	Who	Timescales	Comment / update
Budget report across quarters and sectors	We are working to identify a more accurate way to capture budget across the quarters and will work closely with the new business managers to further developing the reporting in this area.	CSG/ ASG/ PABV	Q2	

Objective

Audits delivered on time and on budget

KPQ

Are colleagues **audit focused**?

Target

70% of available time on audit

OVERVIEW **AMBER**

The graph shows the percentage of available time recorded against audit codes and non-audit codes.

Available time does not include leave.

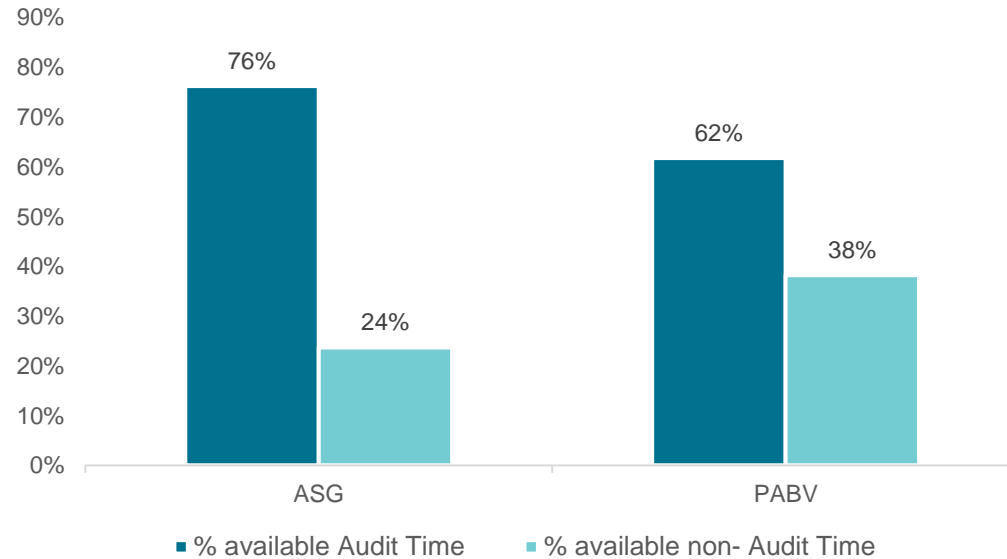
Non audit time includes time codes for:

- Learning & Development
- Improvement Projects
- Business Group Management
- Meetings
- Travel
- Other (including general administration)

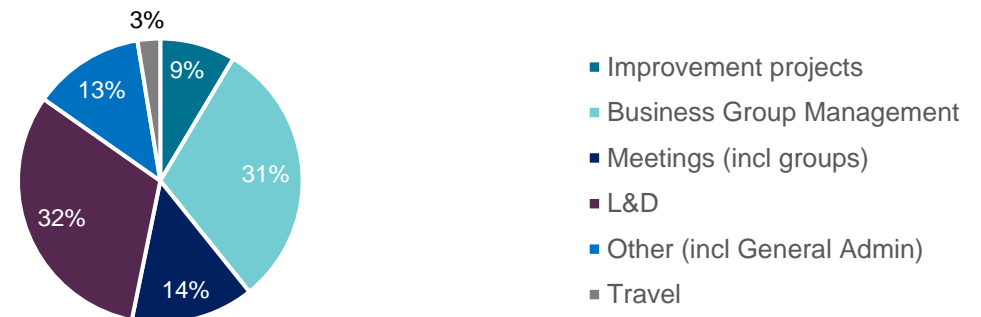
Percentage of colleagues delivering audit:

- ASG 95%
- PABV 73%

Percentage of available time spent on Audit



% Breakdown of non-audit activity for ASG & PABV



Objective

Audits delivered on time and on budget

KPQ

Are colleagues **audit focused**?

Target

70% of available time on audit

Performance, trend and RAG

We are further developing our data collection and analysis in this area.

Non audit time includes time codes for:

Learning & Development, Improvement Projects, Business Group management, meetings, travel and other (including general administration)

Leave time codes include the following:

Annual leave, Public holiday, Flexi leave, Sickness, Medical appointment, Phased return, Maternity/Paternity leave, Compassionate, Secondment, Unpaid leave, Parental, Jury service/ public duties, Career break and Transport disruption.

Risk

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

Risk register

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

A3 – Failure of audit quality ● ⇨

A4 – Failure to deliver audits to deadlines ● ⇨

Issues / Actions	Actions to improve performance	Who	Timescales	Comment / update
The target of 70% of available time spent on Audit	Time Codes are being reviewed to assure they are appropriate, and we will communicate with colleagues to ensure that time codes are used timeously, consistently and accurately	PRMG/ Business Groups	Q2	The new Business Managers starts in Q2 2023. They will take forward actions to improve quality, accuracy and timeliness of data.

Objective

Audit quality assurance results

KPQ

Are we assured about the **quality** of our work?

Target

80% of reviews achieve level 1 or 2 (over a three year period)



OVERVIEW GREEN

During Q1 we published the [Quality of public audit in Scotland annual report 2022/23](#) which identified areas of good practice and areas for improvement.

The institute of chartered accountants in England and Wales (ICAEW) and I&Q jointly delivered the full internal and external cold review programme in 2022/23.

We completed 4 PABV products reviews and 11 financial audit reviews (a combination of in-house reviews and external ones by ICEAW).

The reviewers discussed findings with the audit team and fed relevant actions into the quality improvement action plan. This includes prioritised activities aimed at improving quality within both financial and performance audit.

ICAEW and I&Q delivered a joint quality feedback session in May to summarise findings from the cold reviews. This was a mandatory training session for all ASG and PABV auditors. To support the cold review programme, I&Q facilitated a root cause analysis (RCA) for all audits subject to cold review and presented an RCA summary paper to ASGMT and PABV LT.

In Q1 we also:

- undertook a thematic review of our ISA 315 IT audit approach, with findings issued to eight out of nine audit teams sampled in this programme.
- started a hot file review programme in ASG, with one out of six reviews completed in Q1. This programme will continue until Q4.
- issued a Quality Bulletin to summarise the findings of a thematic review of the Asc data analytics tool.
- issued a new Engagement Quality Review procedure (and guidance) to ASGMT, to support implementation of ISQM 2 and to enhance our quality monitoring arrangements.

Objective

Audit quality assurance results

KPQ

Are we assured about the **quality** of our work?

Target

80% of reviews achieve level 1 or 2 (over a three year period)

Performance, trend and RAG

The Audit Committee considered the [Audit Quality Action Plan](#) at its meeting on 05/09/23.

Progress on Audit Quality is monitored by the Quality and Ethics Committee on a quarterly basis.. The next progress update will be included in the Q2 report.

The Board will consider the Interim Audit Quality Report in November 2023. We will review the impact of the actions taken through year's quality reviews and report on this in Q4 2023/24 and Q1 2024.

Risk

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

Risk register

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

A3 – Failure of audit quality

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

Issues / Actions	Actions to improve performance	Who	Timescales	Comment / update
Audit Quality Action Plan	Priority actions include: <ul style="list-style-type: none"> those that will be completed in time for the start of the 2023/24 financial statements audit Enhancements to the Audit Management Framework An integrated quality framework to apply to all PABV products. A root cause analysis exercise 	I&Q, ASG, PABV	Ongoing	Includes reviewing the approach to group audits, improving audit sampling methods, and the audit of shared services and service organisations). Significant quality improvement and audit modernisation activity is undertaken across the organisation, with leadership from I&Q. This includes an improvement action plan that is monitored by the Quality and Ethics Committee and reported to the Executive Team and Audit Committee
Interim Audit Quality Report	Update on quality review findings	AQA	Board – November 2023	

Objective

We engage with stakeholders

KPQ

How are we engaging with stakeholders

Target

Engagement - time series comparison

OVERVIEW GREEN

Stakeholder engagement is rated green. We continue to get our messages out effectively through a variety of means.

- The Auditor General for Scotland top three reports covered by the media included:
 - Climate change: Scottish Government delivery arrangements
 - Criminal courts backlog
 - ELC follow up (joint)The engagements with Auditor General posts = 38,562
- The Accounts Commission top three media items included:
 - Local Government in Scotland 2023
 - ELC Follow-up (Joint)
 - IJB Financial analysis 2021/22The engagements with Accounts Commission posts = 4,176

Engagements with Audit Scotland posts =12,168

- Responses to the Scottish and UK Covid-19 enquiries
- We attended 11 Parliament committees and attended 8 external working groups.
- We responded to 3 consultations on Minimum School hours, Thematic Review of Noninvestment Asset Valuation for Financial Reporting Purposes and the Proposed ISA 500.

Measure	Q1 23/24	Q1 22/23
Consultation responses	5	7
PAC attendance	11	16
External working groups	8	19
Web visits	161,331	153,474
Downloads	102,153	150,271
Media mentions	310	428
Social media engagement	12,168	13,061

Objective

We respond to **enquiries** from the public

KPQ

How are we engaging with stakeholders

Target

95% of enquiries responded to on time

Performance, trend and RAG

- There were no significant changes compared to Q1 last year and the RAG remains green for this measure.
- The top three publications for media coverage were – the audit of the Scottish Government’s climate change arrangements, the Courts backlog audit and the Accounts Commission’s Local Government Overview, which generated widespread national coverage. Other areas included Scotland’s proposed Deposit Return Scheme, National Care Service plans and the replacement ferries
- The Local Government Overview was the most popular report of the quarter (see below) with over 2,270 downloads.

Innovations

- City Region and Growth Deals animation. This animation was used to explain to followers what a City Region and Growth Deal was. It’s had nearly 1,000 views across our Social Media channels so far and will continue to be useful content when speaking about City Region and Growth Deals.

Risk

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

Risk register

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

M1– Failure to maximise the value, impact and influence of public audit

Issues / Actions	Actions to improve performance	Who	Timescales	Comment / update
Proposals for stakeholder surveys	Reports to Board and Accounts Commission – September 2023	Comms	September 2023	
Revised Comms & Engagement Strategies for Audit Scotland and the Accounts Commission		Comms	AS strategy – Jan 2024 AC strategy – Mar 2024	

Objective

We communicate with stakeholders

KPQ

How are we responding to enquiries from the public

Target

Communication - Better than 95% on time

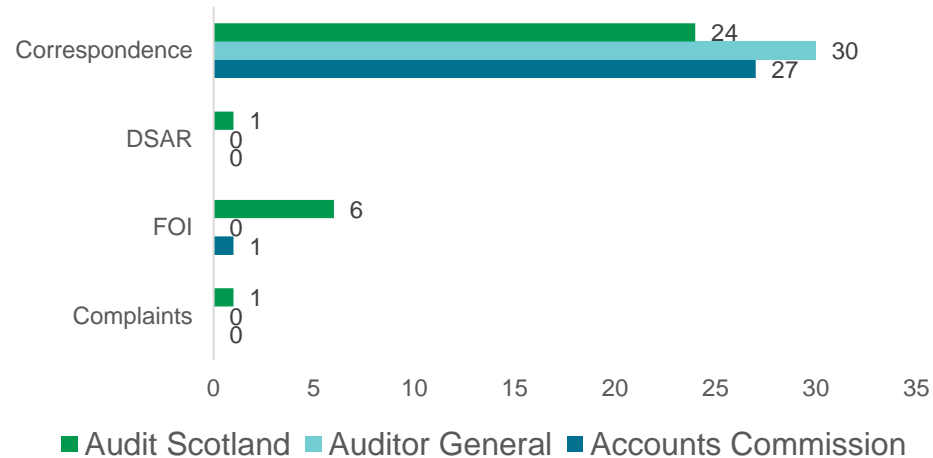


OVERVIEW

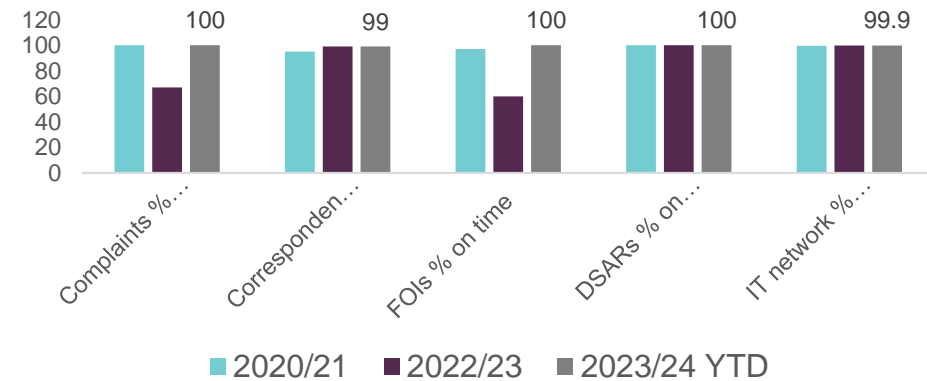
In Q1 we responded to:

- 81 items of correspondence/ issues of concern (99% on time)
- 7 FOI/EIRs (100% on time)
- 1 Data Subject access request (100% on time)
- 1 Complaint addressed to Audit Scotland (100% on time)

Stakeholder engagement in Q1



Percentage on time



Objective

Progress towards **net zero and climate resilience**

KPQ

Are we progressing towards Net Zero and to our climate resilience outcomes?

Target

133 tCO₂e emissions by 2029/30

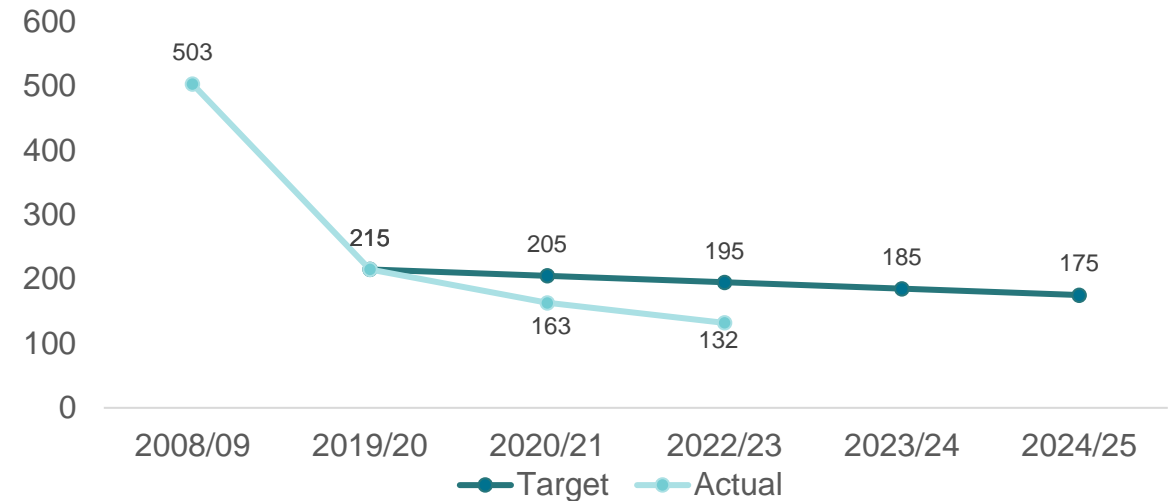


This key performance measure is new. It reflects the aspiration in our corporate plan to lead by example with our organisational response to key strategic issues facing public services, including climate change.

Our current [Environment, Sustainability and Biodiversity plan 2021-2025](#) sets targets to reduce Audit Scotland's Total Carbon emissions to no more than 178 tCO₂e by 2024/25 and no more than 133 tCO₂e by 2029/30

In our last [Environment, Sustainability and Biodiversity 2021/22 annual report](#) we reported our emissions as 132 tCO₂e.

Audit Scotland reported emissions tCO₂e



Issues / Actions	Actions to improve performance	Who	Timescales	Comment / update
Progress towards Net Zero	The new Green Future Strategic Team met in Q1 and the key actions are a new strategy and reporting on 2022/23 emissions	GFT	Q3	
Quarterly reporting	we are currently exploring which feeder measures for this measure we can report more often.	GFT	Q3	
Annual reporting	Climate Change is reported to the Board in November	GFT	Q3	

Objective

Progress against our **equality outcomes**.

KPQ

Are we progressing towards our equality outcomes

Target

TBC



OVERVIEW

This key performance measure is new. It reflects the aspiration in our corporate plan to lead by example with our organisational response to key strategic issues facing public services, including tackling inequalities. Historically we have reported on progress towards our equality outcomes on an annual basis through our mainstreaming equality report, however there are some 'feeder' measures for this measure where we can report more often. In this report we have set out proposed feeder measures for this key performance measure, including our planned timelines for data collection and reporting, and we would welcome the feedback on these.

Data Measure	Source	Comment
Percentage of PABV products that: <ul style="list-style-type: none">• reference social and economic factors and protected characteristics• reference social and economic factors and protected characteristics in audit recommendations• improve accessibility by producing alternative outputs	PABV six-monthly monitoring	Aiming to have data collection and reporting in place for Q3 2023/24.
References to equalities across strategy and planning documents, in corporate meetings and in consultation responses	CSG / I&Q six-monthly monitoring	Aiming to have data collection and reporting in place for Q3 2023/24.
Diversity of our workforce in relation to Scottish population	HR annual monitoring	Annual diversity, equality and inclusion report published in September.
Percentage of employees declaring diversity information	HR annual monitoring	Annual diversity, equality and inclusion report published in September.
Levels of activity within staff networking groups and internal awareness raising events	HR / I&Q / EHRSG quarterly monitoring	Aiming to have data collection and reporting in place for Q3 2023/24.
Topics discussed / progress with actions from internal Equality and Human Rights Steering Group and external Equality and Human Rights Advisory Group	EHRSG quarterly monitoring	Aiming to have data collection and reporting in place for Q3 2023/24.
Number of examples of equalities good practice highlighted in AARs	ASG annual monitoring	Aiming to have data collection and reporting in place for Q1 2024/25.

Resources

Objective

Our finances: Spend against budget

KPQ

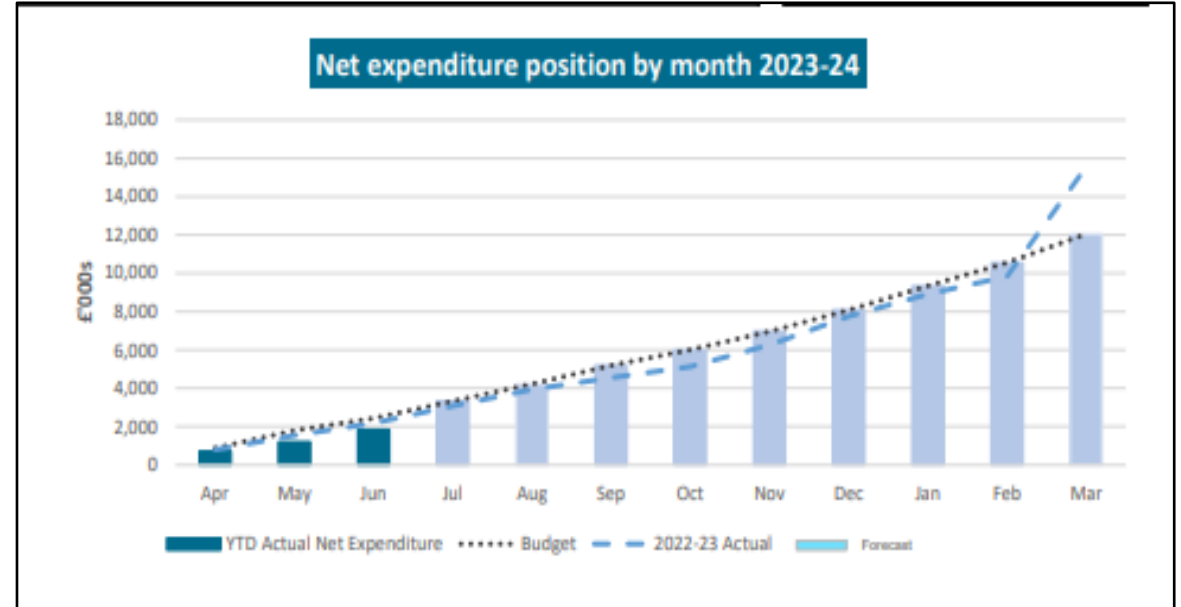
Spend against budget - Organisation

Target

Break even

OVERVIEW **AMBER**

- The Target for Audit Scotland is break even as required by the Public Finance and Accountability (Scotland) Act 2000.
- At the end of the June 2023 Audit Scotland's Net Operating Expenditure was £1,839k which was £593k (24%) less than budget. The Graph shows an anticipated spike in February due to annual pension costs.
- **Income** – recognition of income on completion of outstanding 21/22 audits for both firms and in-house work. Firms additional income (£224k) offset by increased firms payments (£213k). For 22/23 audits firms ahead of plan and inhouse work slightly behind plan.
- **Pay** – budgets include pay award assumption which is still under negotiation with staff representatives. In addition to this favourable price variance the average whole-time equivalents (w.t.e.) position is 11.7 below funded establishment which includes a 2% vacancy/turnover factor.
- **Non-pay** - underspends in professional services, travel & subsistence, recruitment and depreciation reduced by overspends in firms payments, IT, training and property.
- **Capital expenditure** - budget is 150k and in Q1 38k was spent on Glasgow meeting room furniture and Audio equipment for Edinburgh's EH1/2 meeting room
- **Management contingency** - £500k budget unallocated year to date.



Objective

Our finances: Spend against budget

KPQ

Spend against budget - Organisation

Target

Break even

The current financial risks are:

- Impact of April 2023 pay award.
- Firms' payments linked to April 2023 pay award.
- Implications of 2023/24 audit fee increase.
- Work in progress position for 2023/24 audit work as at 31 March 2024
- Resourcing pressures leading to additional cost of audit
- Inflationary pressures (e.g. utility and service charges).
- Financial implications of Estate strategy.
- Additional audit modernisation pressures (e.g. digital audit, climate change).
- Pension fund pressures (e.g. IAS 19 implications and outcome of triennial valuation).

Risk

The financial risks that could impact on our ability to deliver within the 2023/24 budget allocation include:

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

Risk register

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

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

Issues / Actions	Actions to improve performance	Who	Timescales	Comment / update
New integrated business, financial and people planning process	Audit Scotland Business Plan	I&Q	Board 26/09/23	
Regular budget monitoring	Monthly financial dashboards Quarterly update reports to Audit Committee and Board	Finance	Ongoing	
2024/25 budget development		Finance	Board 26/09/23	

Objective

Our people: Right skills and capacity to deliver

KPQ

Capacity to deliver - people establishment

Target

+/-5%

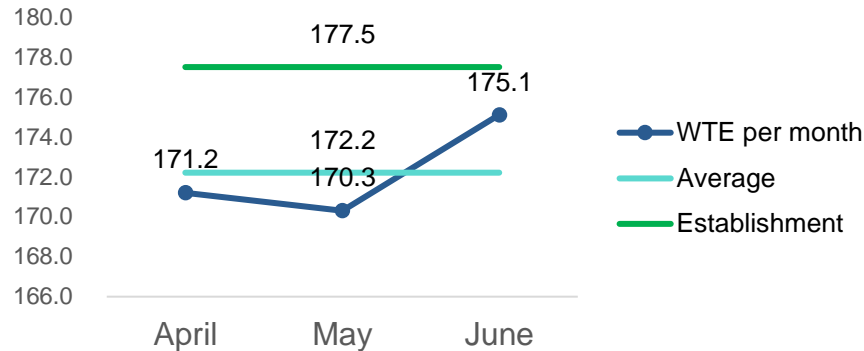
OVERVIEW **AMBER**

- Current staffing level vs establishment
- The average WTE number of staff in Q1 was 328.6, against an establishment level 341.1 WTE. This equates to 96.3% - which is the same slightly higher than Q4 2022/23 (95%).

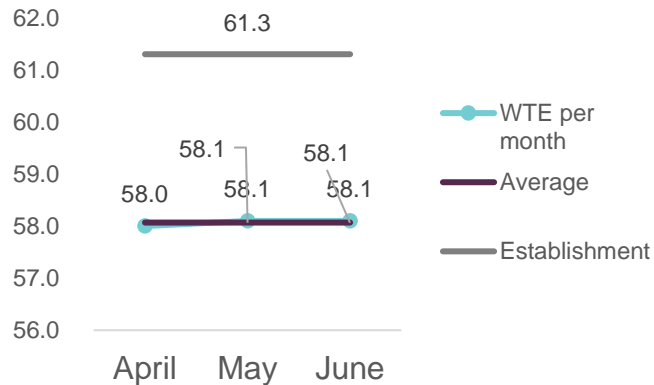
The business groups were under establishment:

- Audit Services 98.1% of establishment. This excludes six summer interns
- Performance Audit and Best Value was 85.9% of establishment
- Corporate services was 94.88% of establishment
- Innovation and Quality was 93.9% of establishment.

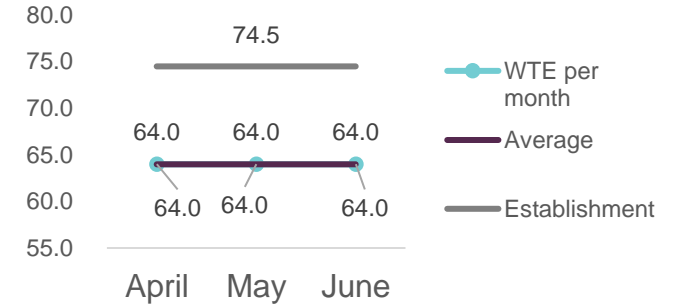
ASG - WTE staff in post 2023/24



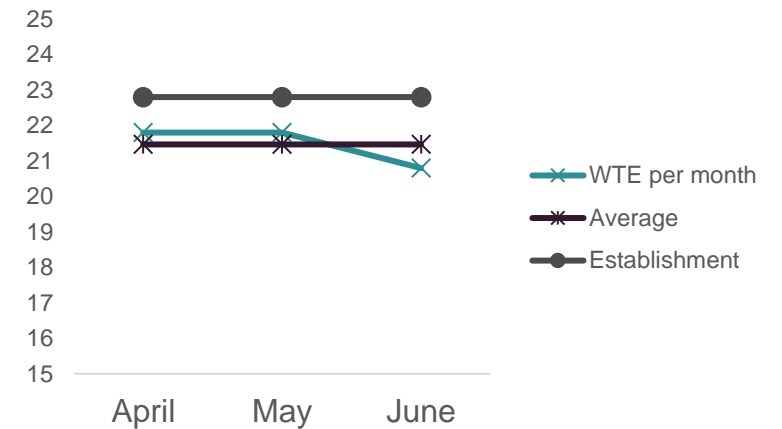
CSG - WTE staff in post 2023/24



PABV - WTE staff in post 2023/24



I&Q - WTE staff in post 2023/24



Objective

Our people: Right skills and capacity to deliver

KPQ

Capacity to deliver - People establishment

Target

+/-5%

Performance, trend and RAG

Overall, this measure is rated amber due to FTE being at 328.6 which is 96.3% of establishment (341.1).

Actions include:

- Current recruitment campaigns
- Focus on resourcing flexibilities within current budget envelope Planned review of ASG job sizing and structures
- For the 2023/24 audits, closer coordination between ASG and I&Q to understand the workload and resourcing impact of changes in audit requirements and expectations. Monitored and reported to ET, Board and Accounts Commission
- Closer coordination implemented between ASG and PABV in relation to the resourcing and delivery of Best Value requirements.
- Scenario planning and development of a new Target Operating Model

Risk

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

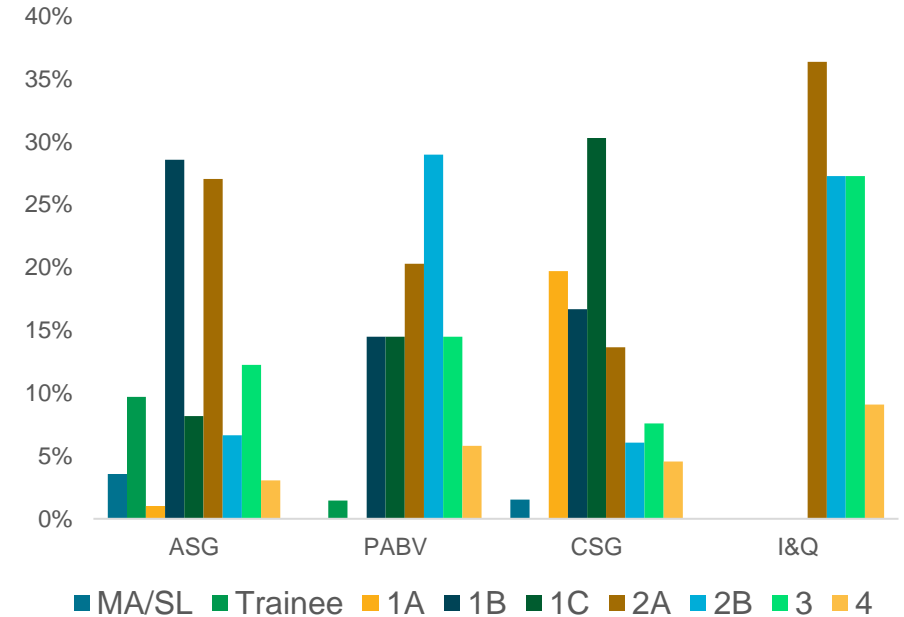
Risk register

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

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



% Breakdown of Colleagues by grade



Issues / Actions	Actions to improve performance	Who	Timescales	Comment / update
Capacity to deliver.	Integrated business, workforce and budget planning processes	I&Q/CSG/LG	AS Business Plan Board 26/09/23	
	People Strategy	CSG	RemCo 14/11/23	

Objective

Our people: Right skills and capacity to deliver

KPQ

People spend against budget.

Target

+/- %5 of budget

OVERVIEW **GREEN**

Expenditure on pay and agency costs of £5,270.6k is £414.9k (7.3%) less than budget.

The year-to -date underspend on staff pay is due to:

- A volume variance of £188.4k with the average vacancy level for the period being 11.4 whole time equivalents (3.4%) less than funded establishment.
- There is also a favourable price variance of £229.8k which is due to the inclusion of a pay award assumption in the budget that is still subject to ongoing negotiation and final agreement with staff representatives.
- Agency expenditure year to date of £11.2k is £7.4k (197.5%) more than budget and is providing cover for vacant positions in Corporate Support. This is being funded by the volume savings within the Corporate Support staff pay budget.

	Actual £K YTD	Budget £K YTD	Variance
Cost of AS staff V budget	5,260	5682	422
Cost of Agency staff V budget	11	4	-7

Risk

None

Risk register

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

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

Issues / Actions	Actions to improve performance	Who	Timescales	Comment / update
	People Strategy	CSG	11 November 2023	Remuneration Committee

Objective

Our people: Right skills and capacity to deliver

KPQ

Capacity to deliver - Wellbeing

Target

Per KPI

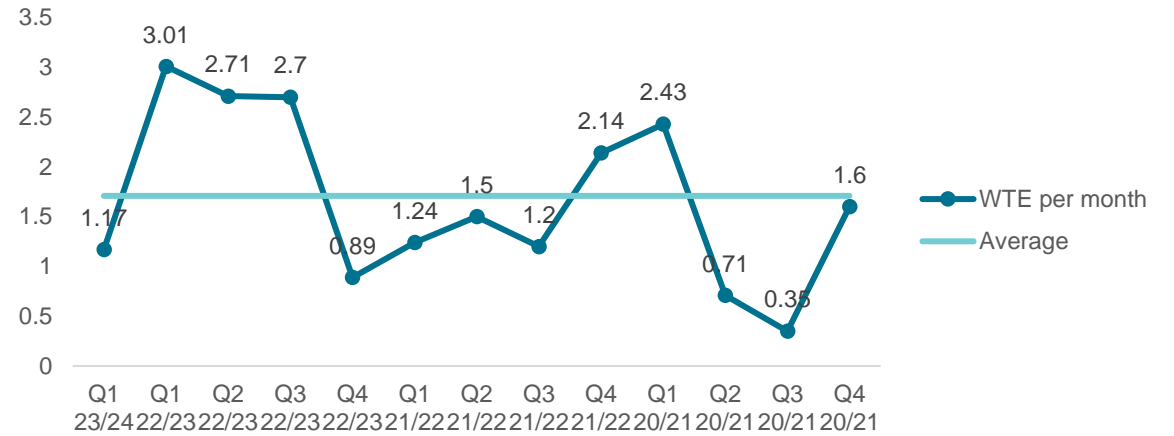
OVERVIEW Amber

Staff turnover YTD All leavers in Q1 was 1.17% compared to 3.01% in Q1 last year

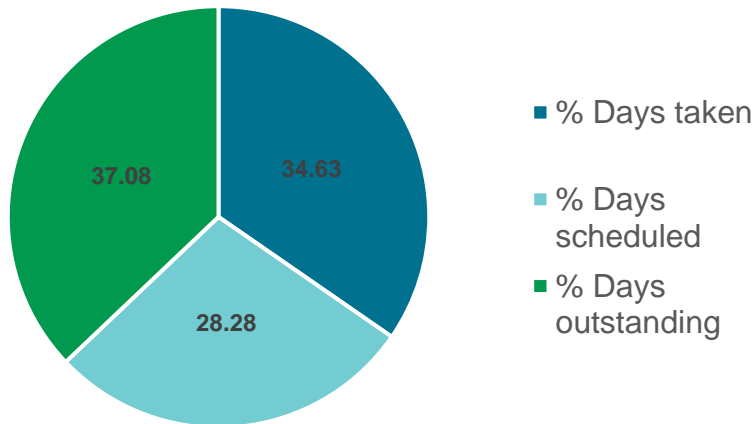
Sickness absence YTD was 0.86 days compared to 1.11 days in Q1 Last year.

Flexitime balances include flexitime to date and may have been accrued over a significant time period. Some individuals who moved across business groups will have carried their flexi balances with them.

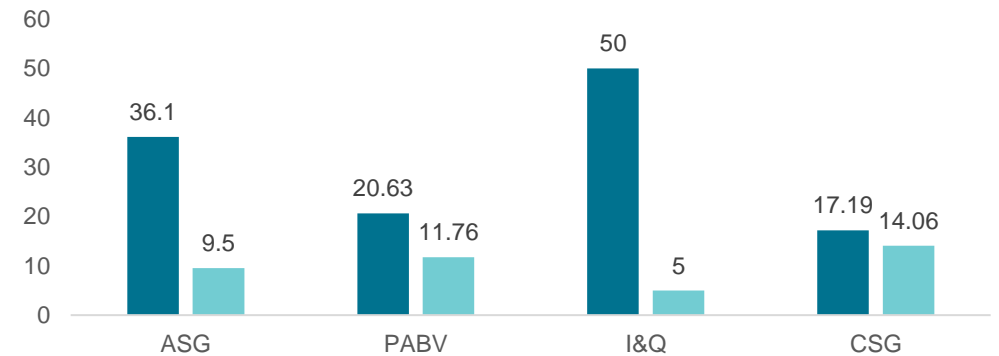
All Leavers 2021 to Q1 2023/24



% leave taken from 12,212 days available



Flexitime balances



■ % of colleagues with greater than 14.5 Hours flexi
■ % of colleagues with greater than -7.25 negative flexi balance

Objective

Our people: Right skills and capacity to deliver

KPQ

Capacity to deliver - Wellbeing

Target

Per KPI

Performance, trend and RAG

Wellbeing KPIS are similar to or better than last year's Q1 data. However, the HSE stress survey results are challenging.

We are implementing an action plan in response to the stress survey results and further action will take place under the new People Strategy.

Monitoring will take place through the Best Companies and future stress surveys.

We have introduced new measures for leave taken and flexi balances. There is no comparative data for these, and we will monitor in future reports to establish a baseline benchmark. We expect it will take four quarters to give a balanced view for comparison going forward.

Risk

Wellbeing of colleagues is key to capacity to deliver

Risk register

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

A5 - Failure of capacity –establishment, deployment, skills ● ⇨

Issues / Actions	Actions to improve performance	Who	Timescales	Comment / update
Stress survey action plan	Various actions including communications and training	CSG	Ongoing	
People Strategy	Actions being taken forward under the People Strategy	HR	RemCo 14/11/23	
Annual leave and flexi leave balances	Actions being taken in business groups and through 121s to manage down balances	All	Ongoing	

Objective

Our people: right skills - Learning & Development

KPQ

Learning (L&D)

Target

Target per KPI

OVERVIEW **AMBER**

- Learning (L&D) In Q1 there has been a high level of activity on both instructor-led content and e-learning. There was a high volume of attendees for Emotional Intelligence, the joint ICAEW and I&Q quality review feedback seminar and ISA 315 training.
- Completion of agreed mandatory has been impacted by the focus on audit delivery, the clarity of comms re which training courses are mandatory and recording of attendance. We will include further guidance on mandatory training in communications on the 2023-24 L&D plan in Q2

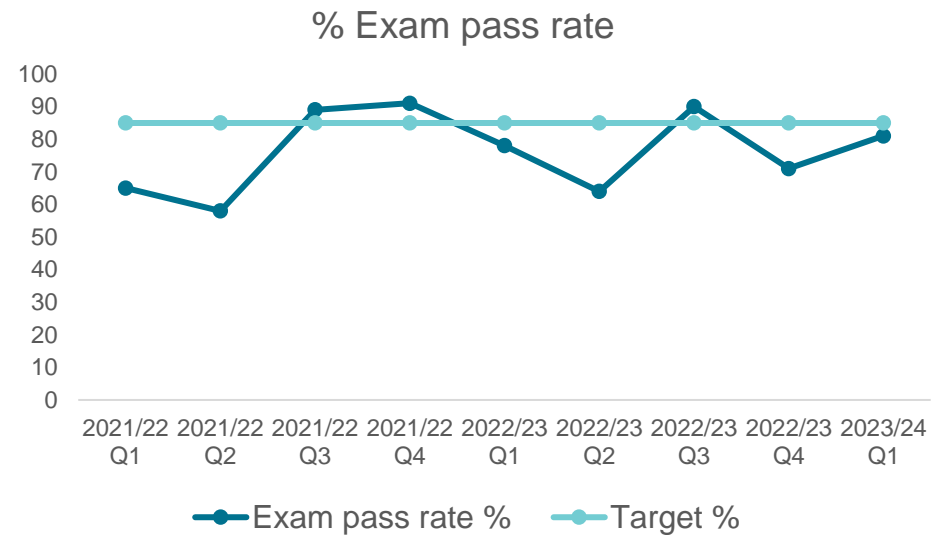
L&D

- 24 trainees sat 36 exams with 29 passed (rate 81%) (Target 85%)
- 102 training events with 1,802 attendees (Target N/A)
- Average L&D days per Colleague 1 (Target N/A)
- Percentage of mandatory training Days completed 53.3% (Target 95%)
- Percentage of completed 3Ds 50.9% (Target 100%)

Risk register

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

A5 – Failure of capacity – establishment, deployment, skills



Issues / Actions	Actions to improve performance	Who	Timescales	Comment / update
Mandatory training	Further guidance on mandatory training to be included in communications on the 2023-24 L&D plan in Q2. We will continue to review the data sources and definitions.	I&Q	Q2 2023/24	A processes will be put in place to monitor and communicate compliance across the organisation, along with consistent processes for managing non-compliance.
Rolling 3Ds	Data collection for this measure has changed And there has been a series of communications on this.			We are aware there is still under-recording and will take further action to increase recording.

Objective

Our people: Right skills and capacity to deliver

KPQ

Working across business groups

Target

Score greater than four

OVERVIEW GREEN

Measures to be confirmed

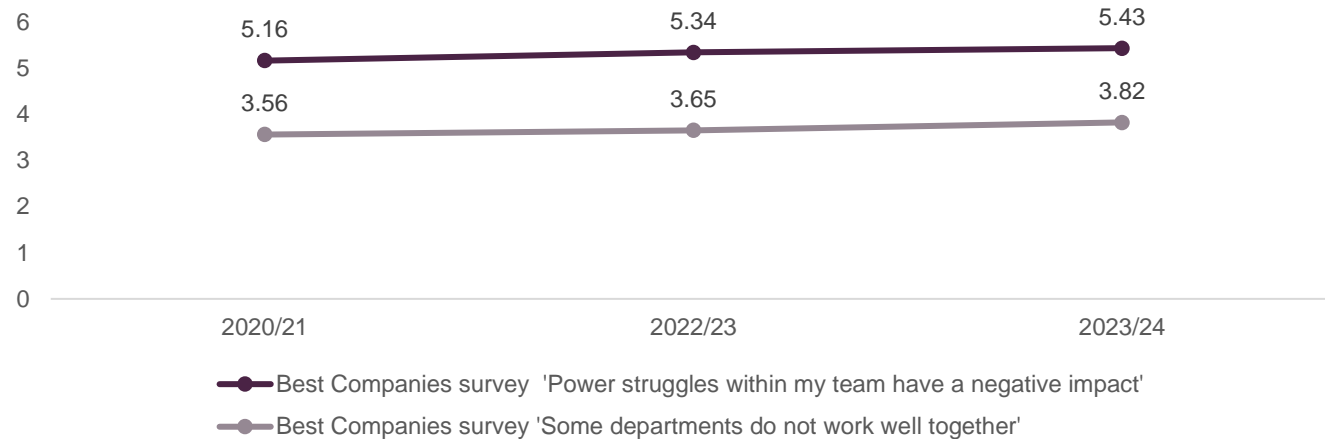
- Results from the Best Companies survey held in November 2022 showed that the two questions about colleagues working across business groups showed improvement on previous years. The target for both questions is for a score above four.

Risk register

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

A5 – Failure of capacity – establishment, deployment, skills  

Working Across business groups
(Target great than four)



Innovation & Learning

Objective

Innovation driving audit transformation

KPQ

TBC

Target

TBC

OVERVIEW

This key performance measure is new. It aims to help us monitor performance against a range of priorities and aspirations for change in our corporate plan, but in particular the enhanced audit approaches strategic priority. In this report we have set out proposed feeder measures for this key performance measure, including our planned timelines for data collection and reporting, and we would welcome feedback on these.

The main project in this area is the Audit Modernisation Project (AMP), which is the key project in the Strategic Improvement Programme. The AMP is on track at scoping stage. However, given the level of maturity of the overall measure and the work required to set up new data collection to adequately measure performance, we have assessed it as amber.

Management action during Q2 will focus on setting up data collection and reporting for performance monitoring.

The proposed indicators for this are shown on the next slide.

Objective

Innovation driving audit transformation

KPQ

Target per KPI

Target

Prior year performance



Data Measure	Source	Comment
Progress with audit modernisation project	I&Q quarterly monitoring	<p>The Strategic Improvement Programme Board has agreed with the proposal to re-frame the Electronic Working Papers project to focus on audit modernisation more broadly.</p> <p>The project is at scoping stage. A detailed road map, including a draft timetable and key milestones, is due to go to Strategic Improvement Programme Board and Audit Scotland Board in September.</p> <p>As part of scoping, we are speaking to other audit organisations and potential system providers to learn from experience and explore what is on the market. Our aim is to update our understanding of the current 'problem' and design a process to capture requirements.</p> <p>We are also delivering incremental improvements to the ASG audit approach during 2023/24 and beyond as stepping stone to pave the way for a new approach and supporting system.</p>
Innovative behaviour identified in audit approach, learning shared and impact as a result (quality reviews, data analytics groups, impact evaluation)	I&Q quarterly monitoring	Aiming to have data collection and reporting in place for Q2 2023/24.
Information and advice shared to drive innovation and improvement	I&Q quarterly monitoring	Aiming to have data collection and reporting in place for Q2 2023/24.
Number of suggestions that have led to products	I&Q quarterly monitoring	Aiming to have data collection and reporting in place for Q3 2023/24.
Use of new products / analysis	I&Q quarterly monitoring	Aiming to have data collection and reporting in place for Q3 2023/24.
Colleague feedback on data analytics tools (Asc, etc)	I&Q six monthly monitoring	Aiming to have data collection and reporting in place for Q3 2023/24.
Colleague feedback on audit approach (programmes / templates / audit guide / AMF revisions)	I&Q six monthly monitoring	Aiming to have data collection and reporting in place for Q3 2023/24.
Auditors' feedback on technical documents and helpdesk responses (technical support)	I&Q six monthly monitoring	Aiming to have data collection and reporting in place for Q3 2023/24.

Objective

Innovation & Learning - Insights

KPQ

Application of insights to decision making, audit delivery and organisational change

Target

TBC



OVERVIEW

This key performance measure is new. It aims to help us monitor performance against a range of priorities and areas of focus in our corporate plan, but in particular the insights driving innovation and improvement strategic priority. In this report we have set out proposed feeder measures for this key performance measure, including our planned timelines for data collection and reporting, and we would welcome the Board's feedback on these.

The main project in this area is the insights project, which is part of the Strategic Improvement Programme. This project is currently amber due to some slippage with the stakeholder engagement and horizon scanning strands of the project. This is due to prioritising resources on completing Public Audit in Scotland and the new corporate plan. We have assessed the measure as amber due to this slippage and given the level of maturity of the overall measure and the work required to set up new data collection to adequately measure performance.

Management action during Q2 will focus on progressing project planning for stakeholder engagement and horizon scanning and setting up data collection and reporting for performance monitoring.

The proposed indicators for this are shown on the next slide.

Data Measure	Source	Comment
Progress with Insights project	I&Q quarterly monitoring	The main focus for the insights project during Q1 was to complete the PABV pilot project on evaluating the impact of our performance audit recommendations. We collected data from the teams involved on what worked well and what needed to be improved and used this to develop guidance on developing and following up on audit recommendations. We also introduced new data collection tools to support this project. We took the new guidance to PABV LT for sign off and have now issued the new guidance on developing recommendations to the PABV team. We have more development work to do on the follow up guidance and will continue to work on this with PABV LT with the aim of issuing it during Q2. We are using learning from the PABV pilot to design and implement a similar pilot in ASG and this is kicking off during Q2.
Percentage of audit products applying new impact evaluation approaches	I&Q quarterly monitoring	Aiming to have data collection and reporting in place for Q2 2023/24.
Number of insights events delivered internally / feedback on impact of these	I&Q quarterly monitoring	Aiming to have data collection and reporting in place for Q2 2023/24.
Number of events we contribute to externally and learning shared	I&Q quarterly monitoring	Aiming to have data collection and reporting in place for Q2 2023/24.
Stakeholder feedback on how well public audit responds to key risks and issues	TBC	TBC
Colleague satisfaction with levels and effectiveness of intelligence sharing	I&Q annual monitoring	Aiming to have data collection and reporting in place for Q4 2023/24.

Q1 Financial performance report

Corporate Finance Manager



Item 13

Meeting date: 26 September 2023

Purpose

1. This report presents the financial results for the three months to 30 June 2023.

Recommendation

2. The Board is invited to note the financial results for the three months to 30 June 2023.

Background

3. A Financial Performance Executive Summary is provided in the appendix to support this report.
4. This report was discussed by Audit Scotland's Leadership Group on 29 August and Audit Committee on 5 September.

Summary position

Financial Position as at end of June 2023						
	Actual YTD £'000s	Budget YTD £'000s	Variance YTD £'000s	FY Forecast £'000s	FY Budget £'000s	Variance YTD £'000s
Income	(6,718.3)	(6,135.6)	582.8	(22,942.5)	(22,942.5)	0.0
Pay	5,270.6	5,685.5	414.9	23,060.9	23,060.9	0.0
Non-pay	3,287.0	2,880.4	(406.6)	11,931.7	11,931.7	0.0
Capital Expenditure	38.0	50.0	12.0	150.0	150.0	0.0
Funded by Scottish Consolidated Fund	1,877.2	2,480.3	603.1	12,200.0	12,200.0	0.0

5. At the end of June 2023 Audit Scotland's total expenditure funded by the Scottish Consolidated Fund was £1,877.2k which was £603.1k (24.3%) less than budget.
6. Net operating expenditure of £1,839.2k was £591.1k (24.3%) less than budget.
7. Total capital expenditure year to date is £38k, which is £12k (24.0%) less than phased budget.
8. At this early stage of the new financial year the current forecast is that we will operate within the budget allocation. The biggest financial risks are:
 - managing the impact of the final April 2023 pay award settlement compared to the budget assumption.

- the closing work in progress position on 31 March 2024 as we start the 2023/24 audit work.
9. A full year forecast is currently being prepared which will be included in the quarter 2 report.
10. Variance analysis is provided in the main body of this report.

Income

11. Income recognition year to date of £6,718.3k is £582.8k (9.5%) more than budget.
12. In-house audit income £6.3k (0.2%) less than budget broken down as follows:
- Unbudgeted prior audit year income of £118.1k recognised for the completion of 2021/22 audits in the local government sector.
 - 2022/23 audit fee income in local government (£35.3k) and health (£70.9k) more than budget with central government (£113.7k), EAFA (£104.0k) and further education (£12.9k) less than budget.
13. Income recognition for the firms is £578.7k (29.6%) more than budget due to:
- Unbudgeted prior year audit income of £223.8k recognised for completion of 2021/22 audits in local government (£85.0k), central government (£134.4k) and further education (£4.4k).
 - Fee income recognition for 2022/23 audits is more than budget in local government (£60.1k), health (£151.9k), central government (£100.7k) and further education (£42.2k).
 - The majority of the additional income is offset by the actual payments to firms being more than budget.
14. The completion of all 2022/23 audits is planned in this financial year and the position is being closely monitored on a monthly basis to ensure that this is deliverable.
15. The balancing variance of £10.4k is mainly due to unbudgeted bank interest on deposit balances.

Pay expenditure

16. Expenditure on pay and agency costs of £5,270.6k is £414.9k (7.3%) less than budget.
17. The year to date underspend on staff pay is due to:
- A volume variance of £188.4k with the average vacancy level for the period being 11.4 whole time equivalents (3.4%) less than funded establishment.
 - There is also a favourable price variance of £229.8k which is due to the inclusion of a pay award assumption in the budget that is still subject to ongoing negotiation and final agreement with staff representatives.

18. Agency expenditure year to date of £11.2k is £7.4k (197.5%) more than budget and is providing cover for vacant positions in Corporate Support. This is being funded by the volume savings within the Corporate Support staff pay budget.
19. There is also a favourable outturn of £4.1k due to expenditure being less than budget for Accounts Commission members, apprenticeship levy and class1A NI contributions.

Non-pay expenditure

20. Non-pay expenditure includes the payments to firms under the audit appointments contract and other operating expenditure. Year to date expenditure of £3,287.0k is £406.6k (14.1%) more than budget.
21. The main variances appear in Firms payments, professional services, travel & subsistence, IT, depreciation and property.
22. **Firms payments** £482.4k (24.7%) more than budget with £213.0k relating to the completion of 2021/22 audit work, which is offset by the recognition of additional unbudgeted income. The position in respect of 2022/23 audit work is ahead of plan leading to payments for work being £269.4k more than budget, which is funded by income recognition being more than budget. The expenditure for 2022/23 audit work includes the additional savings generated through local government VAT recovery and expenses.
23. **Professional services** £60.6k (54.3%) less than budget due to timing of expenditure in Innovation & Quality and PABV business groups. The budget in Innovation and Quality relates to the digital audit project. PABV use their budget allocation for any independent expert support required to deliver on work programme commitments.
24. **Travel & subsistence** £30.0k (26.3%) less than budget mainly due to savings generated in the car lease scheme with the number of eligible drivers decreasing at a faster pace than planned due to promotions and leavers.
25. **IT** expenditure £20.6k (14.0%) more than budget due to one off payments for cyber security training and penetration testing. It is projected that IT expenditure for the full year will be within the budget allocated.
26. **Depreciation** is £25.7k (23.0%) less than budget due to reduced capital expenditure in 2022/23 and also the budget phasing assumption being different from the timing of in year capital expenditure. This leads to a delay in the commencement of depreciation following the purchase of new assets.
27. **Property** expenditure £14.1k (5.9%) more than budget due to increase in property service charges and business rates. The rates increases are being challenged with the valuation boards and the outcome of this will not be known until later in the financial year. The impact of the increased floor space in Glasgow will take effect from the start of quarter 2.

Contingency and financial risks

28. The 2023/24 budget includes a contingency allocation of £500k to meet any unexpected financial pressures that may arise in the year. Any allocation is the responsibility of the Executive Team and it is anticipated that allocations will need to be made to meet pay award pressures and the additional floor space acquired in the Glasgow office.

- 29.** The financial risks that have the potential to impact on our ability to deliver a balanced budget include:
- April 2023 pay award settlement (budget 3%).
 - Work in progress position for 2023/24 audit work at 31 March 2024.
 - Inflationary pressures.
 - Pension fund pressures.
 - 2023/24 audit fees.
- 30.** We continue to operate in an extremely unpredictable and volatile environment which will impact on longer-term financial planning and future budget proposals. Factors that need to be considered include:
- Future pay award settlements.
 - SCF funding pressures.
 - Future direction of fees and funding.
 - Audit modernisation (digital, climate change).
 - Electronic working papers system.
 - EAFA audit.
 - Implementation of estate strategy.

Capital expenditure

- 31.** The capital programme for 2023/24 plans to invest in IT hardware, software and a potential website upgrade. The total budget allocation is £150k.
- 32.** Year to date capital expenditure of £38k has been spent on meeting room furniture for the Glasgow office (£4k) and audio equipment for meeting room EH1/2 in Edinburgh (£34k).
- 33.** The balance of £112k will be spent on IT and the website upgrade.

Virement

- 34.** There were no instances of budget virement in excess of £20k in the three months to 30 June 2023.

Financial Position

Income – recognition of income on completion of outstanding 21/22 audits for both firms and in-house work. Firms additional income (£224k) offset by increased firms payments (£213k). For 22/23 audits firms ahead of plan and in-house work slightly behind plan.

Pay – budgets include pay award assumption which is still under negotiation with staff representatives. In addition to this favourable price variance the average whole time equivalents (w.t.e.) position is 11.7 below funded establishment which includes a 2% vacancy/turnover factor.

Non-pay - underspends in professional services, travel & subsistence, recruitment and depreciation reduced by overspends in firms payments, IT, training and property.

Capital – £38k expenditure this financial year.

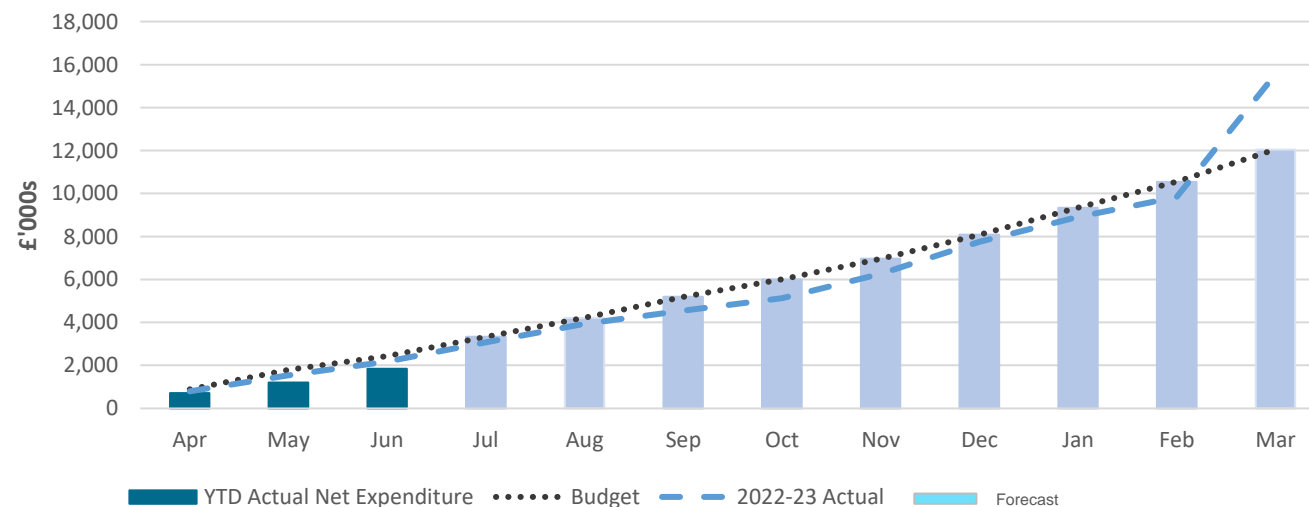
Management contingency - £500k budget unallocated year to date.

Financial Risks

- Impact of April 2023 pay award.
- Firms' payments linked to April 2023 pay award.
- Implications of 2023/24 audit fee increase.
- Work in progress position for 2023/24 audit work as at 31 March 2024
- Resourcing pressures leading to additional cost of audit
- Inflationary pressures (e.g. utility and service charges).
- Financial implications of Estate strategy.
- Additional audit modernisation pressures (e.g. digital audit, climate change).
- Pension fund pressures (e.g. IAS 19 implications and outcome of triennial valuation).

Financial Position as at end of June 2023						
	Actual YTD £'000s	Budget YTD £'000s	Variance YTD £'000s	FY Forecast £'000s	FY Budget £'000s	Variance YTD £'000s
Income	(6,718.3)	(6,135.6)	582.8	(22,942.5)	(22,942.5)	0.0
Pay	5,270.6	5,685.5	414.9	23,060.9	23,060.9	0.0
Non-pay	3,287.0	2,880.4	(406.6)	11,931.7	11,931.7	0.0
Capital Expenditure	38.0	50.0	12.0	150.0	150.0	0.0
Funded by Scottish Consolidated Fund	1,877.2	2,480.3	603.1	12,200.0	12,200.0	0.0

Net expenditure position by month 2023-24



Summary Balance Sheet £'000s

	31/03/2023	30/06/2023
Total Non Current Assets	2,083	1,985
Total Current Assets	6,528	12,713
Total Current Liabilities	(8,649)	(11,523)
Total Non Current Liabilities	(2,751)	(2,773)
Assets Less Liabilities	(2,789)	402
Taxpayers Equity	2,789	(402)

Non-current assets – reduction due to depreciation of assets and right-of-use assets higher than new investment.

Current assets – increase in debtors due to 2nd invoice instalment issued in June and increase in work in progress levels.

Current liabilities – increase in deferred income and monthly payroll payments due to HMRC and Lothian Pension Fund.

Non-current liabilities – minor adjustments to unfunded pension provision and obligations under leases.

Summary Cash Flow £'000s

Net cash outflow from operating activities	(4,255)
Cashflows from investing activities	38
Obligations under leases	12
Drawdown from Consolidated Funds	5,000
Net increase/(decrease) in cash/cash equivalents	795
Net Cash requirement	4,205

- Draw down from Scottish Consolidated Fund of £5 million.
- Net increase in cash / cash equivalents of £0.8 million from 31 March.
- Next instalment of fee invoicing issued in June with outstanding debt at end of June £5.2 million.
- Outstanding debt at 20 July £2.2 million.

Capital Expenditure £'000s

Total Funding	150
Glasgow meeting room furniture	4
Audio equipment EH1/2	34
Balance	112

- Year to date spend on upgrading audio equipment in Board meeting room at WP and meeting room furniture for the Glasgow office extension.
- Remainder of spend to be used for phased upgrade to Glasgow office (digital and furniture), digital service requirements and website upgrade.

Appendix | Financial Performance by Business Group – June 2023



YTD financial position for each business group

The current YTD financial position for each business group is detailed here.

- **Overall** - at the end of June the revenue financial position was £591k less than budget. At this early stage of the new financial year the forecast is on budget.
- **Audit Services Group** - 21/22 audits complete with income fully recognised. 22/23 audit work slightly behind plan due to central government and EAFA. Pay less than budget with lower than planned average w.t.e and 2023 pay award included in budget which is yet to be agreed. Non-pay less than budget mainly due to reduced travel and lease car expenditure.
- **Performance Audit and Best Value** - pay costs less than budget with average w.t.e. 9.0 below funded establishment and a price variance due to the pay award being included in budget allocation. Vacant posts in the process of being filled. Non-pay costs less than budget due to timing of expenditure on professional services.
- **Innovation and Quality** - pay costs less than budget with average w.t.e. 1.0 below funded establishment and pay award included in budget allocation. Non-pay costs reflect expenditure on professional fees (digital audit project) being less than budget.
- **Audit Quality and Appointments** - pay costs less than budget due to pay award included in budget allocation.
- **Corporate Services Group and Corporate Costs** - income variance relates to bank interest on deposits. Pay less than budget due to pay award included in budget and an average 2.0 w.t.e. below plan. Non-pay less than budget with the most significant favourable variance in depreciation.
- **Approved Auditors** – completion of 21/22 audit work and 22/23 audit work ahead of trajectory leading to fee income recognition being more than budget. This is reduced by firm expenditure being more than budget.
- **Accounts Commission and Secretary** - pay less than budget due to vacant Commission Chair post in May. Non-pay expenditure more than budget due to timing of members travel & subsistence expenditure.
- **Board, AGS and Exec Team** - pay costs more than budget due to impact of pay progression for AGS and Exec Team for which no budget was allocated. This will be corrected with a budget virement from other identified savings. Non-pay more than budget due to travel and subsistence expenditure.

Business Group	Cost type	Actual YTD £'000s	Budget YTD £'000s	Variance YTD £'000s	FY Forecast £'000s	FY Budget £'000s	Variance YTD £'000s
Audit Services Group	Income	(3,306.9)	(3,313.2)	(6.3)	(11,851.9)	(11,851.9)	0.0
	Pay	2,549.1	2,685.5	136.4	10,846.4	10,846.4	0.0
	Non-pay	83.7	126.2	42.6	554.2	554.2	0.0
	Total	(674.1)	(501.5)	172.7	(451.3)	(451.3)	0.0
Performance Audit and Best Value	Income	0.0	0.0	0.0	0.0	0.0	0.0
	Pay	1,080.4	1,260.2	179.8	5,040.9	5,040.9	0.0
	Non-pay	15.5	39.3	23.9	179.4	179.4	0.0
	Total	1,095.9	1,299.6	203.7	5,220.3	5,220.3	0.0
Innovation and Quality	Income	0.0	0.0	0.0	0.0	0.0	0.0
	Pay	406.9	452.4	45.5	1,809.5	1,809.5	0.0
	Non-pay	87.7	109.2	21.6	617.2	617.2	0.0
	Total	494.6	561.6	67.0	2,426.7	2,426.7	0.0
Audit Quality and Appointments	Income	0.0	0.0	0.0	0.0	0.0	0.0
	Pay	88.6	90.0	1.4	360.1	360.1	0.0
	Non-pay	1.2	2.7	1.5	142.5	142.5	0.0
	Total	89.9	92.7	2.9	502.5	502.5	0.0
Corporate Services Group and Corporate costs	Income	(877.5)	(867.1)	10.4	(3,492.7)	(3,492.7)	0.0
	Pay	806.0	857.5	51.5	3,644.7	3,644.7	0.0
	Non-pay	652.2	642.2	(10.0)	3,208.7	3,208.7	0.0
	Total	580.7	632.7	51.9	3,360.8	3,360.8	0.0
Approved Auditors	Income	(2,533.9)	(1,955.2)	578.7	(7,597.9)	(7,597.9)	0.0
	Pay	0.0	0.0	0.0	0.0	0.0	0.0
	Non-pay	2,432.9	1,950.5	(482.4)	7,070.0	7,070.0	0.0
	Total	(101.0)	(4.7)	96.3	(527.9)	(527.9)	0.0
Accounts Commission and Support	Income	0.0	0.0	0.0	0.0	0.0	0.0
	Pay	106.0	110.6	4.6	442.5	442.5	0.0
	Non-pay	10.4	8.8	(1.6)	137.5	137.5	0.0
	Total	116.4	119.4	3.0	580.0	580.0	0.0
Board, AGS and Exec Team	Income	0.0	0.0	0.0	0.0	0.0	0.0
	Pay	233.5	229.2	(4.3)	916.8	916.8	0.0
	Non-pay	3.4	1.4	(2.0)	22.1	22.1	0.0
	Total	236.9	230.6	(6.3)	938.9	938.9	0.0
Funded by Scottish Consolidated Fund		1,839.2	2,430.3	591.1	12,050.0	12,050.0	0.0

Annual review of corporate governance policies

Corporate Governance Manager

Item 14
Meeting date: 26 September 2023

Purpose

1. This paper invites the Board to review and approve the Standing Orders, Scheme of Delegation, Financial Regulations and Codes of Conduct for members and staff for a further year.

Recommendations

2. The Board is invited to:
 - Note the annual review of the corporate governance documents
 - Note they were reviewed and recommended to the Board by the Audit Committee at its meeting on 5 September 2023
 - Approve the suite of corporate governance documents.

Background

3. The Standing Orders state that the Audit Committee is to keep under review the Standing Orders, Financial Regulations and Scheme of Delegation and recommend to the Board any amendments.
4. The Audit Committee's Terms of Reference (TOR) states that it will advise the Board on corporate governance requirements and are to be provided with a report on policy documentation reviews.
5. The Standing Orders, Financial Regulations, Scheme of Delegation and Codes of Conduct for members and staff were updated as part of the normal annual cycle in September and November 2022.
6. The Standing Orders, Financial Regulations, Scheme of Delegation were most recently [reviewed](#) and approved by the Board at its meeting on 6 June 2023. This was to reflect the new composition of the Executive Team.
7. The suite of documents comprises:
 - Standing Orders
 - Scheme of Delegation
 - Financial Regulations
 - Members Code of Conduct
 - Staff Code of Conduct

Annual review

8. This report covers the proposed updates to the Standing Orders, Scheme of Delegation, Financial Regulations and the Codes of Conduct for members and staff. The suite of documents was reviewed by the Audit Committee at its meeting on 5 September and have been recommended to the Board for approval.
9. In reviewing and applying proposed amendments to the suite of corporate governance policies, the following national guidance was considered:
 - Scottish Government publication, 'On Board' guidance (2015)
 - The UK Corporate Governance Code (2018)
 - The Financial Reporting Council's Revised Ethical Standard (2019)
 - Scottish Government publication, 'Members of devolved public bodies: model code of conduct' (2021).
10. All proposed changes are shown as tracked changes in the attached documents.
11. Subject to approval by the Board on 26 September 2023, the policies will come into effect on 27 September 2023.

Annual review of corporate governance policies

12. A review of our Standing Orders, Financial Regulations and Scheme of Delegation took place in July 2023.
13. The review found no substantive amendments were required given the previous changes that took place in Autumn 2022 and Summer 2023.
14. The minor changes relate to nomenclature. The documents are attached, and the amendments are shown as tracked change for ease of reference.

Annual review of codes of conduct

15. The Codes of Conduct for members and staff are reviewed on an annual basis.
16. The Code of Conduct for members has been reviewed and remains consistent with the national guidance.
17. The Code of Conduct for staff has been reviewed and amendments have been applied to reflect the new values for Audit Scotland as set out in the [Corporate Plan 2023-28](#), more explicit guidance on political neutrality and the introduction of the Executive Director of Innovation and Quality holding the dual roles of Compliance Partner and Ethics Partner.
18. The documents are attached, and the amendments are shown as tracked change for ease of reference.

Standing Orders



Audit Scotland is a statutory body set up in April 2000 under the Public Finance and Accountability (Scotland) Act 2000. It provides services to the Auditor General for Scotland and the Accounts Commission. Together they ensure that the Scottish Government and public sector bodies in Scotland are held to account for the proper, efficient and effective use of public funds.

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Standing orders

Introduction

1. The Constitution and membership of Audit Scotland is unusual in having both members appointed by the Scottish Parliament and members with or having access to Direction giving powers. The Board will seek to operate on a consensus basis recognising that on occasion a majority decision may be reached and that the Auditor General and the Accounts Commission may issue Directions for the purpose of or in connection with the exercise of Audit Scotland's functions in relation to either or both of them.

Constitution

2. Audit Scotland is a body corporate established under section 10 of the [Public Finance and Accountability \(Scotland\) Act 2000](#) ("the Act").
3. The function of Audit Scotland is to provide such assistance and support as the Auditor General and the Accounts Commission require in the exercise of their respective functions and, in particular, to provide them, or ensure that they are provided, with the property, staff and services which they require for the exercise of those functions. Section 98 of the [Local Government \(Scotland\) Act 1973](#) provides that the Commission shall have power to incur such expenses as appear to them to be necessary or expedient for the proper discharge of their functions, and such expenses shall be met by Audit Scotland.
4. The Auditor General and the Accounts Commission may give directions to Audit Scotland in connection with the exercise of their functions. Detailed provisions about the operation of Audit Scotland are contained in Schedule 2 to the Act as amended by the Public Services Reform (Scotland) Act 2010.
5. The Board remains responsible for the exercise of all functions of Audit Scotland. It exercises its powers and authorities through the Scheme of Delegation, which it determines and approves on an annual basis.
6. Under [section 18](#) of the Public Finance and Accountability (Scotland) Act 2000 the Accountable Officer is responsible for ensuring the propriety and regularity of the finances of Audit Scotland and ensuring that the resources of Audit Scotland are used economically, efficiently and effectively.
7. The members of Audit Scotland are the Auditor General, the Chair of the Accounts Commission and three other members appointed by the Scottish Commission for Public Audit.
8. The three other members will be appointed under terms and conditions, including remuneration, as determined by the Scottish Commission for Public Audit. The Auditor General and the Chair of the Accounts Commission may not receive any remuneration as members of Audit Scotland.

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9. Members of Audit Scotland may terminate their appointments at any time by notifying, in writing, the appropriate appointing body, and following the prescribed period in the letter of engagement.
 10. In these Standing Orders the members of Audit Scotland meeting together to discharge their functions are referred to as the Board.

Chair

11. The Scottish Commission for Public Audit will appoint one of the members of Audit Scotland which it has appointed to preside at the meetings of the Board ("the Chair").

Meetings

12. Meetings will be held in public at times, dates and places agreed by the members. In addition, a meeting may be called at any time by the Chair or by not less than three members giving the Chief Operating Officer a written request for such a meeting stating the business to be transacted. The use of MS Teams video or telephone conferencing by members will be deemed as attendance at the meeting.
13. In exceptional circumstances, for example, where office locations are closed and all employees are required to work from home, meetings will take place by MS Teams. To ensure digital security during this time, these meetings may not be open to the public. Meetings will be recorded and shared online alongside the agenda and reports from the meetings. Audit Scotland is currently considering live streaming of Board meetings and investigating options for extending the public access to face to face and hybrid meetings.

Agenda and Papers

14. The Chair will approve the Board agenda, including the consideration of items to be taken in private, 10 working days prior to the scheduled meeting, following discussion with the Chief Operating Officer.
15. At least five clear working days before a meeting of the Board the Chief Operating Officer will send written notice of the approved time and place of the meeting and of the business to be transacted to each member. So far as possible, reports and other papers relating to agenda items will be circulated with the agenda.
16. At least two clear working days before a meeting of the Board the Chief Operating Officer will publish the meeting agenda and reports and papers to be taken in public on the Audit Scotland website.

Conduct of Business

17. The Chair, if present, will preside. If the Chair cannot be present the Board must appoint one of the other members appointed by the Scottish Commission for Public Audit to preside at the meeting.

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18. No business other than that stated in the notice of the meeting will be transacted at that meeting other than with the consent of the Chair and a minuted explanation of why the matter had to be conducted without the standard notice.
 19. The Chair of the meeting will decide all questions of order, relevancy and conduct of business during the meeting.
 20. A quorum for a meeting of the Board is three members including those present by MS Teams. The Auditor General and the Chair of the Accounts Commission must be present for a quorum to be constituted, save that in the event that the Auditor General and/or the Chair of the Accounts Commission are unable to attend a meeting of the Board, either may confirm, by giving notice in writing, by email or where circumstances require verbally by telephone prior to the commencement of the meeting, that (i) they consent to the meeting proceeding in their absence; (ii) that the meeting may be deemed to be quorate notwithstanding their absence provided the other requirements for a quorum to be constituted as set out in paragraphs 18, 19 and 20 are met; and (iii) that any business detailed on the agenda circulated pursuant to paragraph 13 and transacted at the meeting shall be deemed to be transacted validly provided that all other requirements of these Standing Orders are complied with.
 21. Where the Auditor General and/or the Chair of the Accounts Commission consents to a meeting proceeding in their absence, they shall, within five working days of the date of the meeting, be provided with a copy of the draft minutes of the meeting produced pursuant to paragraph 22.
 22. No business which is not detailed on the agenda circulated pursuant to paragraph 12, and which the Board deems to be material to the operation of Audit Scotland, shall be transacted at a meeting at which either the Auditor General and/or the Chair of the Accounts Commission is not present.

Minutes

23. Minutes of every meeting of the Board will be drawn up and will be approved at the following meeting.

Directions

24. Section 10(4) of The Public Finance and Accountability (Scotland) Act 2000 (“the Act”) provides that:-
25. 'Directions may be given to Audit Scotland—
26. (a) by the Auditor General, for the purpose of or in connection with the exercise of Audit Scotland’s functions in relation to the Auditor General,
27. (b) by the Accounts Commission, for the purpose of or in connection with the exercise of Audit Scotland’s functions in relation to the Commission.'
28. Section 27(4) of the Act provides that:

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29. 'Directions under sections 10(4) and 19(4) and paragraph 6 of schedule 3 are to be given in writing and may be varied or revoked by subsequent directions under the same provision.'
 30. In accordance with the provisions of sections 10(4) and 27(4) of the Act any directions given by the Auditor General or the Accounts Commission to Audit Scotland must be given in writing.
 31. Following receipt of any direction given by the Auditor General or the Accounts Commission, Audit Scotland will hold a board meeting to consider the direction with regard to its own response.

Vacancy

32. The proceedings of the Board will not be invalidated by any vacancy in membership or by any defect in the appointment of any person.

Code of Conduct

33. Each member will abide by the Code of Conduct for Members of the Audit Scotland Board current at any time.

Committees

34. The Board may appoint standing or ad hoc committees consisting of such numbers as the Board may determine. Committees may consist of members and other suitable persons chosen by the Board.
35. The Board will establish an Audit Committee with the terms of reference contained in Appendix 1.
36. The Board will establish a Remuneration & Human Resources Committee with the terms of reference contained in Appendix 2.
37. The Board will establish an Appeals Committee with the terms of reference contained in Appendix 3.
38. Any committee will operate within the terms of remit and any delegation made to it by the Board.

Deeds and Documents

39. Any deed or document requiring formal execution by Audit Scotland will be signed for and on behalf of Audit Scotland by the Chair of the Accounts Commission or the Auditor General for Scotland and the Chief Operating Officer.

Advisers and Committee Co-optees

40. The Board may appoint advisers and/or co-optees to Committees and pay them such remuneration and expenses as the Board decide. The co-option appointment procedure is contained in Appendix 4.

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41. Employees of Audit Scotland, advisers and others may be present at items taken in private at meetings of the Board at the invitation of the members.

Openness and Transparency

42. The Board meet in public where possible. Agendae, minutes and papers to be considered will be published on the Audit Scotland website. Meetings may be conducted by video conference. In these instances, meetings may not be held publicly, though in the interests of inclusivity and upholding our commitment to transparency agendas, minutes, reports and recordings of meetings will be published online.

Board Effectiveness

43. The Board will conduct a self-evaluation of its effectiveness on an annual basis.

Application of Standing Orders

44. These Standing Orders will apply to meetings of committees of the Board subject to any due modification of details.

Alteration

45. These Standing Orders may be altered by the Board provided that the alteration is approved by a majority of the members of the Board.

Appendix 1: Audit Committee remit

46. The Audit Committee will consist of members of the Board. The Board may appoint persons who are not members of the Board to be members of or advisers to the Audit Committee and may pay them such remuneration and expenses as the Board decides. The Chair of the Board and the Accountable Officer may not be members of the Audit Committee but may attend meetings.
47. The purposes of the Audit Committee are detailed in the Audit Committee terms of reference. The key points are:

Internal Control and Corporate Governance

48. To evaluate the framework of internal control, strategic processes for risk and corporate governance comprising the following components:
 - Control Environment.
 - Risk Management.
 - Information and Communication.
 - Control Procedures.
 - Monitoring and Corrective Action.
 - Audit quality monitoring and arrangements.
49. To review the system of internal financial control, which includes:
 - The safeguarding of assets against unauthorised use and disposal.
 - The maintenance of proper accounting policies and records and the reliability of financial information used within the organisation or for publication.
 - To ensure that Audit Scotland's activities are within the law and regulations governing them.
 - To monitor performance and best value by reviewing the economy, efficiency and effectiveness of operations.
 - To present an annual statement of assurance to the Board to support the Accountable Officer's governance statement.

Internal Audit

- To review the Terms of Reference and appointment of the internal auditors.
- To review and approve the internal audit strategic and annual plans.
- To monitor audit progress and review audit reports.
- To monitor the management action taken in response to the audit recommendations through an appropriate follow up mechanism.

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- To consider internal audit's annual report and assurance statement.
 - To review the operational effectiveness of internal audit by considering the audit standards, resources, staffing, technical competency and performance measures.
 - To ensure that there is direct contact between the Audit Committee and internal audit and that the opportunity is given for discussions with internal audit who should attend every meeting of the Committee.

External Audit

50. To consider all audit material, in particular:
 - Audit Reports.
 - Annual Reports.
 - Management Letters.
 - Management Reports.
51. To monitor management action taken in response to all external audit recommendations.
52. To hold meetings with the external auditors at least once per year and, as required, without the presence of senior management.
53. To review the extent of co-operation between external and internal audit.
54. The external auditor will be appointed by the Scottish Commission for Public Audit under Section 25 of the 2000 Act. The external auditor will examine and certify the account and report on the account to the Commission. The Commission must lay before the Parliament a copy of the account and the auditor's report and publish the account and that report.

Annual Accounts

55. To review and recommend approval of the Annual Accounts.

Standing Orders, Financial Regulations and Scheme of Delegation

56. To keep under review the Standing Orders, Financial Regulations and Scheme of Delegation and recommend to the Board any amendments.

Other duties

57. The Audit Committee may take on other duties as determined by the Audit Scotland Board.

Appendix 2: Remuneration & Human Resources Committee remit

58. The Remuneration & Human Resources Committee (Remco) will consist of members of the Board. The Accountable Officer became a formal member of Remco during 2021. The Board may appoint persons who are not members of the Board to be members of or advisers to the Remuneration & Human Resources Committee and may pay them such remuneration and expenses as the Board decided.
59. The purposes are detailed in the Remuneration & Human Resources Committee terms of reference.

Remuneration & Human Resources Committee responsibilities

60. In relation to members of Audit Scotland's Executive Team¹, are to:
- Review and approve all terms & conditions of employment, including job descriptions, all pay and benefit reward elements associated with each post.
 - Ensure remuneration policy and strategy is aligned to the relevant public sector policies being implemented by the UK and Scottish Governments.
 - Set and review the overall reward structure, including the value of pay ranges and general annual pay award strategy.
 - Assure itself that effective arrangements are followed for performance assessments in respect of Audit Scotland's Executive Team, including any changes to pay and benefits arising from the assessment of performance during the review period.
 - Review talent management and succession planning arrangements.
 - Approve remuneration packages for newly appointed members of the Executive Team.
 - Recommend appointments and changes affecting Executive Team to the Board.
 - Decide on applications for early retirement.
 - Determine compensation payments for loss of office.
 - Agree, oversee and review the operation of expenses policy.
 - Review the expense claims of the Accountable Officer on an annual basis.
61. In relation to other staff employed by Audit Scotland, are to:

¹ Executive Team is comprised of the Accountable Officer, Chief Operating Officer, Controller of Audit, Executive Director of Audit Services Group, Executive Director of Performance Audit and Best Value and the Executive Director of Innovation and Quality

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- Determine the remuneration policy governing all terms and conditions of employment, including pay, benefits, retirement policy and other policies relating to compensation for loss of office.
 - Ensure remuneration policy and strategy is aligned to the relevant public sector policies being implemented by the UK and Scottish Governments.
 - Approve the parameters for the annual pay award cycle.
 - Review, not less than annually, the application of remuneration policy.
 - Assure itself about any issues relating to the overall performance of employees.

Other duties

62. The Remuneration & Human Resources Committee may take on other duties as determined by the Audit Scotland Board.

Appendix 3: Appeals Committee remit

63. The Appeals Committee will consist of at least two members of the Board.
64. The purpose of the Appeals Committee is:
- To consider and dispose of any matters requiring independent deliberation which may be referred to it by the Board.
 - To hear and dispose of appeals by members of the Executive Team under the Audit Scotland disciplinary and grievance procedures.

Appendix 4: Co-option procedure

Introduction

65. Audit Scotland's standing orders state that:

- The Board may appoint standing or ad hoc committees consisting of such numbers as the Board may determine. Committees may consist of members and other suitable persons chosen by the Board.
- The Board may appoint advisers and/or co-optees to Committees and pay them such remuneration and expenses as the Board decide. Employees of Audit Scotland, advisers and others may be present at items taken in private at meetings of the Board at the invitation of the members.

Reasons for co-option

66. There may be times when specialist expertise is required which the Board may be unable to fulfil, or when the current or future balance of skills available to the Board's committees may need strengthened.
67. The Board should discuss and agree the specification of skills and experience being sought through co-option.

Nominations process

68. If the Board agrees to co-opt to its committees to fulfil requirements identified under 60 above, an advertisement seeking expressions of interest will be placed on Audit Scotland's website.

Application process

69. Applicants for co-option should provide a written statement of their relevant skills and a CV.
70. Following a shortlisting process, applicants will be interviewed by the Chair of the Board and the Chair of the relevant committee, plus one other member of the Board.
71. Candidates and interviewers must declare any relationships or potential conflicts of interest to the Chair.
72. The Board should approve the final recommendation from the Chair.

Term of Office

73. Co-option is intended to provide specific skills for a fixed term as determined by the Board.
74. There is potential for renewal, subject to the approval of the Board.

Remuneration

75. Remuneration, where applicable, will be determined by the Board and will be no greater than the rate set by the SCPA for Board members.

Conduct of co-opted members

76. Co-opted members will be required to follow the Audit Scotland Code of Conduct for Board members, and the associated disclosure requirements, and their appointment may be terminated by the Chair, subject to the approval of the Board.

Engagement with Scottish Commission for Public Audit

77. The Board will write to the Scottish Commission for Public Audit in advance of the co-option of members to a Committee, setting out:
- 77.1. the reason for co-opting
 - 77.2. the process by which any appointments will be made.

Scheme of Delegation

Audit Scotland is a statutory body set up in April 2000 under the Public Finance and Accountability (Scotland) Act 2000. It provides services to the Auditor General for Scotland and the Accounts Commission. Together they ensure that the Scottish Government and public sector bodies in Scotland are held to account for the proper, efficient and effective use of public funds.

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Scheme of Delegation

Introduction

1. The Board remains responsible for the exercise of all the functions of Audit Scotland. Regardless of the provisions of this Scheme of Delegation the Board may at any time determine any matter within the competence of Audit Scotland either at the Board's initiative or on the recommendation of an officer to whom the matter is delegated.
2. This Scheme sets out the matters reserved for determination by the Board. All powers which have not been retained as reserved to the Board or specifically delegated in this Scheme will be exercised by the Executive Team or their nominees.
3. The following areas are matters reserved for the Auditor General for Scotland and the Accounts Commission under the provisions of the Local Government (Scotland) Act 1973 and the Public Finance and Accountability (Scotland) Act 2000:
 - 3.1. Appointment of auditors
 - 3.2. Approval of audit work programme

Conditions of delegation

4. The delegations made in this Scheme are subject to the following conditions:
 - 4.1. All delegated powers will be exercised in accordance with the relevant policies decided by the Board.
 - 4.2. Before exercising any delegated function, all appropriate consultations will be undertaken and, in particular, decisions with financial or personnel consequences will be the subject of consultation with the Chief Operating Officer.
 - 4.3. Delegated powers will not be exercised in a manner which is likely to be a cause for public concern.

Reservations to the Board

5. The following matters are reserved for determination by the Board:
 - 5.1. Approval of the Corporate Plan.
 - 5.2. Approval of annual estimates of expenditure and income.
 - 5.3. Approvals of strategic policies relating to the governance of Audit Scotland are a matter for the Board. (Approval of operational policies of Audit Scotland are a matter for the Accountable Officer and the Management Executive Team / Leadership Group).
 - 5.4. Approval of Standing Orders, Financial Regulations and Scheme of Delegation.

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- 5.5. Approval of Annual Accounts and Annual Reports.
 - 5.6. Approval of internal audit arrangements.
 - 5.7. Approval of conditions of service affecting all employees.
 - 5.8. Approval of specific matters referred to in the attached Schedule.
6. Approvals can be remotely provided via DocuSign, an electronic signature system which allows for all parties to sign accounts remotely and securely. DocuSign is acceptable for laying accounts in Parliament and complies with all relevant legislative requirements.
 7. In exceptional circumstances where a decision of the Board is required and it is not possible to convene a meeting of the Board, a member of the Executive Team ¹in consultation with the Chair, or another Board member if the Chair is unavailable, may take the necessary decision and report the action taken to the next meeting of the Board.

Quorum for Executive Team

8. The quorum for the Executive Team is three, comprising of the Accountable Officer or the Chief Operating Officer plus two others.

8.1 In the event of a vacancy at Executive Team level, a member of staff at Audit Director level may attend Executive Team and will count towards the quorum.

8.2 In the event of a vacancy in the role of Chief Operating Officer a member of staff nominated by the Accountable Officer and approved by the Board may take their place for the purposes of Executive Team quorum.

Making, revocation and variation

9. The matters reserved to the Board and delegated to officers of Audit Scotland are as detailed above and as shown in the Schedule.
10. This Scheme of Delegation may be varied or revoked by the Board.

¹ Executive Team is comprised of the Accountable Officer, Chief Operating Officer, Controller of Audit, Executive Director of Audit Services Group, Executive Director or Performance Audit and Best Value and the Executive Director of Innovation and Quality

Schedule

	Matter	Reserved or delegated to	Comment
1	Appointment of employees		
1.1	Appointment of Executive Team	Board	
1.2	Appointment of Audit Directors	Executive Team	
1.3	All other appointments	Executive Team, Directors or their nominees	The Accounts Commission Chair/members will select for appointment the Secretary to the Accounts Commission
1.4	Appointment of Controller of Audit	Not applicable	The Board does not have a role here. The Controller of Audit is appointed by the Accounts Commission
2	Personnel matters		
2.1	Disciplinary action, including dismissal	Appeals Committee and as per approved disciplinary procedure	See Discipline Policy in staff handbook
2.2	Grading of Executive Team posts	Board	See also Job Evaluation procedure in staff handbook
2.3	Grading of Audit Director posts and all other posts	Executive Team	See also Job Evaluation procedure in staff handbook
2.4	Changes to Executive Team	Board	
2.5	Changes to approved establishment below Executive Team	Executive Team	
2.6	Variation of conditions of service for members of the Executive Team	Board	

2.7	Variation of conditions of service for Audit Directors and all other staff	Executive Team	All staff have a right of appeal to the Remuneration & Human Resources Committee or the Board following discussion by the Remuneration & Human Resources Committee
2.8	Decisions on applications for early retirement: <ul style="list-style-type: none"> Executive Team All other employees 	Board Executive Team	
3	Financial matters		
3.1	Approval of expenditure for which there is no provision in the overall budget.	Board	Financial Regulations 15
3.2	Approval of virement within agreed budget: <ul style="list-style-type: none"> Virement between budget groups Virement between budget heads Virement between budget lines 	Executive Team Relevant Executive Directors Budget Holders	Financial Regulations 16
3.3	Virement of salary budget over £250,000, cumulatively in one year	Board	Financial Regulations 16
3.4	Approval of Accounting Policies	Board	Financial Regulation 23
3.5	Approval for the issue of credit cards to members of staff and credit limit to be applied. (To be reported at next Executive Team meeting) Credit Card default limits: <ul style="list-style-type: none"> Executive Team £1,500 Other staff £1,000 	Accountable Officer and Chief Operating Officer	Financial Regulation 31 – 32 See also Credit Card Procedures. Default amounts may be varied by Executive Team, Incident Management Team (IMT) for individuals

			on either a permanent or temporary basis.
3.6	<p>Acceptance of tenders and placing of orders:</p> <ul style="list-style-type: none"> • Above £250,000 • Between £100,000 and £250,000 • Up to £100,000 • Below £50,000 	<p>Board</p> <p>Accountable Officer and Chief Operating Officer</p> <p>Executive Team</p> <p>Budget Holders</p>	<p>Financial Regulations 47</p> <p>Financial Regulations 51 (appointment of auditors)</p> <p>See also the Procurement Handbook</p>
3.7	Acceptance of offers for disposal of assets	As for acceptance of tenders and placing of orders	
3.8	<p>Approval of expenditure within agreed budget:</p> <ul style="list-style-type: none"> • Any budget group • Specific budget group • Specific cost centre budget 	<p>Executive Team</p> <p>Relevant Executive Director</p> <p>Budget Holder</p>	Financial Regulations 53
3.9	<p>Payment of accounts other than to approved auditors:</p> <ul style="list-style-type: none"> • Above £50,000 • Below £50,000 	<p>Executive Team</p> <p>Member of Executive Team or as delegated</p>	<p>Financial Regulations 52 – 58</p> <p>Delegated signatories are approved by Executive Team and are responsible for the expenditure approved. As evidence a delegated purchasing authority letter will be issued. Those with delegated authority may request authority to be passed to members of their staff, but the limit of authority granted must be notified to Executive Team and Finance who will maintain a list of those approved.</p>

3.10	Payment of accounts for orders placed using electronic purchase orders.	Member of Executive Team or as delegated	Electronic purchase orders are sent, via email, to be authorised. The process requires the authoriser to be selected from a list, maintained within the finance system, of signatories delegated to sign for the cost centre and for the value of goods or services being ordered. The signatories are the same as those delegated in the previous section.
3.11	Parameters for automatic payment of electronic purchase orders.	Executive Team	<p>Financial Regulations 59</p> <p>Where an invoice is received as the result of an order placed using the electronic purchase order system it can be processed by Finance for payment if:</p> <ul style="list-style-type: none"> • The order has been marked as received in the electronic purchase order system, • The value shown on the invoice is within the parameters of +5% or - 10% of the value authorised for that order. <p>Any invoice where the value is outwith these parameters must be sent for an additional, manual, authorisation before payment can be made.</p>
3.12	Certification of accounts for payment to approved auditors:	A member of the Audit Quality and Appointments team	Financial Regulations 60

	<ul style="list-style-type: none"> • Interim invoices up to £50,000 and final invoices up to £10,000 • Interim invoices over £50,000 and final invoices over £10,000 	Director, Audit Quality and Appointments or member of Executive Team	
3.13	Miscellaneous expenditure (including travel & subsistence)	The Chief Operating Officer, Secretary to the Accounts Commission, senior managers & other line managers as appropriate. (Details available in Finance)	Financial Regulations 77 - 79 Delegation requires appropriate Executive Director approval and notification to Finance. The initial delegation is £2,000. Variations from this amount may be agreed by the Budget Holder and notified to the Executive Team and Finance who will maintain a list of those approved.

Budget Holders comprise: Executive Team members, and Corporate Services managers.

Note: Executive Team is defined in section [8-9](#) of the Financial Regulations as follows “the Executive Team consists of the Accountable Officer, the Chief Operating Officer, the Controller of Audit, the Executive Director of Audit Services, the Executive Director of Performance Audit and Best Value, and the Executive Director of Innovation and Quality or such other combination of officers as may be determined from time to time by the Board”. Decisions can only be made by Executive Team when they are quorate as defined in section 6 of this document as follows “The quorum for the Executive Team is three, comprising of the Accountable Officer or the Chief Operating Officer plus two others”.

Financial Regulations



Audit Scotland Board
~~June-September~~ 2023

Audit Scotland is a statutory body set up in April 2000 under the Public Finance and Accountability (Scotland) Act 2000. It provides services to the Auditor General for Scotland and the Accounts Commission. Together they ensure that the Scottish Government and public sector bodies in Scotland are held to account for the proper, efficient and effective use of public funds.

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Financial regulations

Introduction

1. Audit Scotland is a body corporate established under section 10 of the Public Finance and Accountability (Scotland) Act 2000. It came into existence on 1 April 2000 under the Public Finance and Accountability (Scotland) Act 2000 (Commencement) Order 2000 (SSI 2000 Number 10(c.1)).
2. The Board of Audit Scotland consists of the Auditor General for Scotland (AGS), the Chair of the Accounts Commission and three other members appointed by the Scottish Commission for Public Audit, one of which will be appointed as Chair.
3. Audit Scotland's function is to provide such assistance and support as the AGS and the Accounts Commission require in the exercise of their respective functions and, in particular, is to provide them, or ensure that they are provided, with the property, staff and services which they require for the exercise of those functions. The Accounts Commission shall have power to incur such expenses as appear to them to be necessary or expedient for the proper discharge of their functions, and such expenses shall be met by Audit Scotland.
4. Directions may be given to Audit Scotland by:
 - 4.1. The Auditor General, for the purpose of, or in connection with the exercise of Audit Scotland's functions in relation to the Auditor General,
 - 4.2. The Accounts Commission, for the purpose of, or in connection with the exercise of Audit Scotland's functions in relation to the Accounts Commission
5. Audit Scotland may impose reasonable charges in respect of the exercise of its functions. In determining the amounts of the charges Audit Scotland must seek to ensure that the total sum received in respect of the charges is, taking one year with another, broadly equivalent to its expenditure. Any expenditure not met out of sums received is payable out of the Consolidated Fund.
6. The Scottish Commission for Public Audit (SCPA), established under section 12 of the Public Finance and Accountability (Scotland) Act 2000, has the duty to designate an accountable officer for Audit Scotland. The SCPA has designated the Auditor General as the Accountable Officer. The responsibilities of the Accountable Officer are set out in section 18 of the 2000 Act. They are:
 - 6.1. signing the accounts of the expenditure and receipts of Audit Scotland;
 - 6.2. ensuring the propriety and regularity of the finances of Audit Scotland; and
 - 6.3. ensuring that the resources of Audit Scotland are used economically, efficiently and effectively.

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7. All members of the Board and all employees, shall conduct their business with diligence and with a view to the security of the property of Audit Scotland, avoiding loss, exercising economy and efficiency in the use of resources and conforming with the requirements of Standing Orders, Financial Regulations and the Scheme of Delegation.
 8. The Board has made Standing Orders, these Regulations and a Scheme of Delegation to govern the operation of Audit Scotland. They should be read together.

Definitions and interpretation

9. In these Regulations terms will have the following meanings:
 - 9.1. “the 2000 Act” means the Public Finance and Accountability (Scotland) Act 2000
 - 9.2. “the 1973 Act” means the Local Government (Scotland) Act 1973
 - 9.3. “the Board” means the members of Audit Scotland acting together to discharge the functions of Audit Scotland
 - 9.4. “the Executive Team” consists of the Accountable Officer for Audit Scotland, the Chief Operating Officer, the Controller of Audit, the Executive Director of Audit Services, the Executive Director of Performance Audit and Best Value and the Executive Director of Innovation and Quality, or such other combination of officers as may be determined from time to time by the Board.

Corporate Plan

10. A Corporate Plan will be prepared and will be reviewed annually by the Board. It will set out the strategic approach to be adopted by Audit Scotland in performing its functions. So far as possible, it will outline the financial consequences of proposals contained in it.
11. The Corporate Plan will be approved by the Board.

Budget

12. The financial year of Audit Scotland is 1 April to 31 March.
13. Proposals for the use of resources and expenditure for each financial year will be submitted to the SCPA at such times as the Commission requires to enable it to examine the proposals and report to the Parliament under section 11(9) of the 2000 Act.
14. Estimates of expenditure and income will be submitted as budget proposals to the Board for approval prior to the submission to the SCPA. Provided the SCPA report has been submitted to and approved by Parliament, a final version of the budget will be submitted to the Board not later than 31 March in the year preceding the financial year to which it relates.
15. In the event that Parliament has not approved the budget, a version of the budget that includes our best estimate of operational changes will be submitted to the Board by 31 March. A final version to be submitted when the Scottish Government budget is passed.

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16. No expenditure will be incurred unless there is provision for the expenditure within the overall budget approved by the Board. Approval of expenditure where there is no provision within the overall budget will be made by the Board. (Scheme of delegation 3.1)
 17. There may be virement within the budget, in accordance with the Scheme of Delegation. (Scheme of delegation 3.2 and 3.3)

Budgetary control and reporting

18. Financial performance will be monitored against budget and reported regularly to the Executive Team and at least quarterly to the Board.
19. Systems of budgetary control will be devised and maintained to include:
 - 19.1. Regular financial reports as prescribed above containing -
 - 19.1.1. income and expenditure to date and, when relevant, forecast year end position
 - 19.1.2. explanations of any material variations
 - 19.1.3. details of any corrective action necessary
 - 19.1.4. virement
 - 19.2. The issue of timely, accurate and comprehensible advice on financial reports to each budget holder covering the areas for which they are responsible
 - 19.3. Arrangements for the authorisation of virement.
20. Each budget holder will be responsible for the management of their budgets within the approved policies of the Board.
21. In exceptional circumstances, for example, a national pandemic increased reporting on financial performance may be required by the Incident Management Team, Audit Committee and Board.

Accounting

22. An effective system of internal financial control will be maintained including detailed financial procedures and systems incorporating the principles of separation of duties and internal checks. These will be documented and maintained.
23. Proper records will be maintained to show and explain Audit Scotland's transactions in order to disclose, with reasonable accuracy, the financial position of Audit Scotland at any time.
24. Accounting policies will be set consistent with appropriate guidance and all accounting procedures and records will be consistent with any form of accounts prescribed. Accounting policies will be approved by the Board. (Scheme of delegation 3.4)
25. Annual Accounts will be prepared and submitted to the Board for approval no later than 31 August in respect of the financial year finishing on the 31 March.

Bank accounts

26. HM Treasury require public bodies to operate a bank account through the Government Banking Service (GBS), to allow the transfer of monies from central accounts to public bodies and vice-versa.
27. Apart from the requirement to use a bank specified by the GBS for the transfer of central funds, Audit Scotland will, for day to day banking and transactions, make arrangements for the appointment of bankers in accordance with the provisions for the letting of contracts set out in these Regulations.
28. No Audit Scotland monies will be held in any bank accounts outwith those approved by the Board.
29. Detailed arrangements and instructions on the operation of bank accounts will be prepared and maintained as Treasury Management Procedures by the finance department, and will include:
 - 29.1. The conditions under which each bank account is to be operated.
 - 29.2. The limit to be applied to any overdraft.
 - 29.3. Those authorised to sign cheques or other orders drawn on Audit Scotland's bank accounts, and the limits of their authority in accordance with the Scheme of Delegation.
30. Banking arrangements will be reviewed at regular intervals to ensure that they reflect best practice and represent best value for money.
31. Controlled stationery (e.g. cheques) will be held securely at all times and proper records will be maintained in relation to such stationery.

Credit Cards

32. Credit cards will be offered to members of the Executive Team automatically. Credit cards will also be offered to other members of staff, with the specific approval of the Accountable Officer, the Chief Operating Officer, and/or Incident Management Team where there is an on-going requirement for credit card use.
33. The default credit limit for all cards will be set in the Scheme of Delegation and variations for individual cards will be approved by the Executive Team and/or the Incident Management Team. (Scheme of delegation 3.5)

Income

34. Systems will be designed and maintained for the proper recording, invoicing, collection and coding of all monies due to Audit Scotland.
35. All monies received will be banked promptly.
36. Arrangements will be made for appropriate recovery action on all outstanding debts.

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37. Fees and charges, including fees to audited bodies, will be determined in accordance with policies decided by the Board.

Investments and borrowings

38. No borrowing or investments will be made without the expressed agreement of the Board. In exceptional circumstances the Accountable Officer may consult with the Chair of the Board and agree a short term borrowing strategy, but this must be reported to, and ratified by the full Board at the earliest opportunity.
39. All short term borrowings will be kept to the minimum period of time possible, consistent with the overall cash flow position.
40. Any long term borrowing must be consistent with policies decided by the Board.
41. Detailed procedural instructions will be prepared on the operation of investment accounts and regular reports will be made to the Board on the performance of any investments held.

Insurance

42. Arrangements will be made to ensure that all insurance cover is effected, periodically reviewed and adjusted as necessary.
43. Insurance arrangements will be reviewed regularly and the market will be competitively tested and costs will be sought for insurance services in accordance with the provisions set out in these Regulations at least every three years.

Tendering procedures

44. Tendering procedures are contained in the Procurement Handbook, which is published on SharePoint. This document provides information on the procedures to be adopted by Audit Scotland staff when purchasing any goods and services and the need to follow value for money principles when carrying out this activity.
45. No contract for the supply of goods and materials, the provision of services or for the execution of works will be made where the probable cost, over the contract period, exceeds £50,000 unless tenders have been invited by advertisement on Public Contracts Scotland, the Scottish Government procurement system.
46. In exceptional circumstances the Chair of the Board, on a report by the Accountable Officer, may except a contract from the above provisions and direct adoption of such other procedure for the letting of the contract as seems appropriate. The decision will be notified to the full Board at the earliest opportunity.
47. Standing contracts for the provision of goods, materials, services or works will be kept under review and competitive tenders for such standing contracts will be sought at least every three years, or later if the contract has been extended under the terms of the original contract. No extension will be greater than three additional years before retendering.

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48. The overall value of the tender will determine who is required to approve the acceptance of the tender and place the order for the goods, materials or service. The Scheme of Delegation will list those authorised to accept and place orders. (Scheme of delegation 3.6)
 49. All orders will be generated through the electronic ordering system. Orders will be sent for authorisation in accordance with the procedure contained within the Scheme of Delegation (Scheme of Delegation 3.10). All orders must be made in accordance with the procedures and controls and within the terms of the Scheme of Delegation.
 50. Official orders will be issued for all work, goods or services to be supplied to Audit Scotland except for supplies of public utility services or periodical payments such as rent or rates or such other exceptions as may be approved by the Executive Team.
 51. Government directives prescribing procedures for awarding forms of contracts shall have effect as if incorporated in these Regulations and Audit Scotland's Procurement Handbook should be followed as appropriate.
 52. The appointment of auditors under section 97(6) of the 1973 Act and section 21(3) of the 2000 Act will be recommended to the Accounts Commission and the Auditor General for Scotland respectively at such intervals as they require. With the exception of the interval between awards (see paras 42-44), the procedure relating to these contracts should follow the procedure set out in these Regulations.

Payment of accounts

53. Before an invoice is paid the certifying officers will satisfy themselves that the account has not been previously passed for payment and is a proper liability of Audit Scotland and that:
 - 53.1. The works, goods or services to which the account relates have been received or carried out satisfactorily.
 - 53.2. Prices, extensions, calculations, trade discounts, other allowances, credits and tax are correct.
 - 53.3. The expenditure has been authorised and is within the relevant estimate provisions.
54. All duly certified invoices shall be authorised for payment by the officer authorised under the Scheme of Delegation. (Scheme of delegation 3.8)
55. An officer shall not add any additional items to an invoice rendered to Audit Scotland by a supplier.
56. When an order has been placed using the electronic purchase ordering (EPO) system, this process incorporates authorisation of the payment prior to an order being placed. In these circumstances the authoriser will be advised of the cost of the goods or services, or an estimate if a firm cost is not available, at the time they receive the EPO. Authorisers are required to satisfy themselves that the cost displayed is reasonable and represents value for money, before they electronically sign the order. Once an EPO is signed the system will not allow any changes to the order by the authoriser or the originator.

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57. The EPO system maintains a list of staff with delegated authority to authorise expenditure, as per para. 51 above.
 58. When the goods or services have been received the originator records the receipt through the EPO system.
 59. On receipt of the invoice, Finance will check whether the goods or services have been marked as received. The invoiced amount charged will be checked against the EPO submitted and, if the amount is within the parameters agreed by the Executive Team, the invoice will be accepted and paid. (Scheme of delegation 3.10)
 60. Executive Team will set agreed parameters and if the value of the invoice is outwith the agreed parameters it will be sent back to the authoriser for an additional manual authorisation. The invoice will not be paid until the second authorisation has been received. (Scheme of delegation 3.11)
 61. The receipt, certification and payment of accounts to approved auditors are subject to separate arrangements under the Scheme of Delegation. (Scheme of delegation 3.12)

Audit

62. The Board will establish an Audit Committee with clearly defined terms of reference under Standing Orders.
63. The external auditor is appointed by the SCPA to report on whether expenditure and income have been applied lawfully and the accounts comply with the accounts direction. The external auditor will report to the SCPA who must lay the report and accounts before Parliament and publish them.
64. The internal auditor is appointed by Audit Scotland and reports to the Executive Team and the Audit Committee on systems of internal control.
65. The external and internal auditor are entitled to:
 - 65.1. enter any Audit Scotland establishment at all reasonable times; ~~with or without previous notice;~~
 - 65.2. have reasonable and appropriate access to all records, documents and correspondence (including computer records) relating to financial and other transactions of Audit Scotland;
 - 65.3. require and receive explanations as are necessary concerning any matter under examination;
 - 65.4. require any employee of Audit Scotland to produce cash, equipment or any other property under his/her control; and
 - 65.5. direct access to the Chair of the Audit Committee.

Security and Fraud Prevention

66. Arrangements will be made to develop and document effective policies on:
- 66.1. Prevention of fraud and irregularity.
 - 66.2. IT security.
 - 66.3. Security of assets.
67. Proper security must be maintained, at all times, for all buildings, stores, furniture, equipment, cash, information, etc.
68. A register of secure key containers will be maintained by Business Support and kept under review by the Chief Operating Officer. Keys removed from the secure key containers will be signed for and are to be kept safe at all times until returned. The loss of any such keys must be reported immediately to Business Support staff.
69. A register of staff ID (office access) badges and building access fobs will be maintained by Business Support. The loss of ID badges will be reported immediately to Business Support and the Corporate Governance Manager. The ID badges will be deactivated immediately.
70. The Chief Operating Officer is responsible for maintaining proper security and privacy relative to information held in the computer installations.
71. Under the terms of the Counter Fraud Policy, employees are required to notify their Business Group Executive Director or Director of any financial irregularity or suspected irregularity. Such concerns may be raised under the terms of the Whistleblowing Policy if considered appropriate. The employee, or senior management to whom the concerns are reported, must also advise the Chief Operating Officer. Details of these policies are available to all staff through the staff handbook.

Salaries, wages and pensions

72. Arrangements will be made for the payment of all salaries, wages, pensions, compensation and other emoluments due to all employees or former employees of Audit Scotland or the Accounts Commission, the Auditor General for Scotland, appropriate members of the Board and to members of the Accounts Commission.
73. Salaries and other payments will normally be paid by direct transfer to a nominated bank account.
74. A record of all matters affecting the payment of such emoluments shall be kept and in particular the following information will be recorded:
- 74.1. appointments, resignations, dismissals, suspensions, secondments and transfers;
 - 74.2. absences from duty for sickness or other reason, including approved leave;
 - 74.3. changes in remuneration, including those arising from normal increments and pay awards and agreements of special and general application;

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- 74.4. information necessary to maintain records of service for superannuation, income tax, national insurance and the like;
 - 74.5. particulars of any deduction from salary for loans, subscriptions and the like, and the authority for such deduction.
- 75. All deductions and changes in gross pay entitlement will be certified by Human Resources or other appropriate person and checked by a second officer prior to payment.
 - 76. Pension payments are paid to former staff through the appropriate pension agency. Audit Scotland's role is to make the required deductions from salary and to provide the information which is required from time to time by the pension supplier to allow them to maintain their records, provide information about pensions and make payments.
 - 77. There are special arrangements in place relating to pensions for former Ombudsman staff and the former Auditors General, which are separate from the arrangements for Audit Scotland.

Travelling, subsistence, expenses and other allowances

- 78. The Secretary to the Accounts Commission shall review, authorise and ensure all travelling or other allowances are paid to Commission Members and advisers who are entitled to claim them upon receipt of a fully completed expense claim form.
- 79. The Chief Operating Officer shall review, authorise and ensure all travelling or other allowances are paid to Board members and advisers who are entitled to claim them upon receipt of a fully completed expense claim form.
- 80. All claims by staff for payment of car mileage allowances, subsistence allowances, travelling and incidental expenses and any advances shall be submitted duly certified and made up to the end of each month and in accordance with the current travel and subsistence policy, published in the staff handbook, and the expenses procedures published on the intranet. The officers authorised to certify such records shall be determined by the Scheme of Delegation. Initial delegation is £2,000. (Scheme of delegation 3.13)

Observance of Financial Regulations

- 81. It shall be the duty of the Accountable Officer to ensure that these regulations are made known to the appropriate Audit Scotland staff and to ensure that they are adhered to.
- 82. Any breach or non-compliance with these Regulations must, on discovery, be reported immediately to the Chief Operating Officer who will discuss the matter with the Accountable Officer in order to determine the proper action to be taken. Such concerns may be raised under the terms of the Whistleblowing Policy if considered appropriate.

Variation of Financial Regulations

- 83. These Regulations may be varied from time to time by the Board on receipt of a report and recommendations from the Accountable Officer.

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84. The Chair of the Board may authorise, on a report from the Accountable Officer, exceptional treatment of a matter covered by these Regulations. Any such exceptions will be reported in writing to the next available meeting of the Board.

Members' Code of Conduct



Audit Scotland is a statutory body set up in April 2000 under the Public Finance and Accountability (Scotland) Act 2000. We help the Auditor General for Scotland and the Accounts Commission check that organisations spending public money use it properly, efficiently and effectively.

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Guidance on the Code of Conduct

Introduction

1. The Scottish public has a high expectation of those who serve on the boards of public bodies and the way in which they should conduct themselves in undertaking their duties for the public body. You must meet those expectations by ensuring that your conduct is above reproach and by embracing our core values, which are:
 - Independence, integrity and objectivity.
 - Valuing people and ensuring equality and fairness.
 - Effective communication.
2. As a member of Audit Scotland, it is your responsibility to make sure that you are familiar with, and that your actions comply with, the provisions of this Code of Conduct.
3. You must observe the rules of conduct contained in this Code. It is your personal responsibility to comply with these and review regularly, and at least annually, your personal circumstances with this in mind, particularly when your circumstances change. You must not at any time advocate or encourage any action contrary to the Code of Conduct.
4. The Code has been developed in line with the key principles listed in paragraph 6 and provides additional information on how the principles should be interpreted and applied in practice. No Code can provide for all circumstances and if you are uncertain about how the rules apply, you should seek advice from the [Ethics Partner Chief Operating Officer](#). You may also choose to consult your own legal advisers and, on detailed financial and commercial matters, seek advice from other relevant professionals.
5. You should familiarise yourself with the Scottish Government publications "On Board – a guide for board members of public bodies in Scotland" and "Members of devolved public bodies: model code of conduct - revised edition December 2021". These publications will provide you with information to help you in your role as a member of a public body in Scotland and can be viewed on the Scottish Government website.

Key principles of the Code of Conduct

6. The general principles upon which this Code of Conduct are based are:

Duty

You have a duty to uphold the law and act in accordance with the law and the public trust placed in you. You have a duty to act in the interests of Audit Scotland of which you are a member and in accordance with its core functions and duties.

Selflessness

You have a duty to take decisions solely in terms of public interest. You must not act in order to gain financial or other material benefit for yourself, family or friends.

Integrity

You must not place yourself under any financial, or other, obligation to any individual or organisation that might reasonably be thought to influence you in the performance of your duties.

Objectivity

You must make decisions solely on merit and in a way that is consistent with the functions of Audit Scotland when carrying out public business including making appointments, awarding contracts or recommending individuals for rewards and benefits.

Accountability and stewardship

You are accountable for your decisions and actions to the public. You have a duty to consider issues on their merits, taking account of the views of others and must ensure that Audit Scotland uses its resources prudently and in accordance with the law.

Openness

You have a duty to be as open as possible about your decisions and actions, giving reasons for your decisions and restricting information only when the wider public interest clearly demands.

Honesty

You have a duty to act honestly. You must declare any private interests relating to your public duties and take steps to resolve any conflicts arising in a way that protects the public interest.

Leadership

You have a duty to promote and support these principles by leadership and example, to maintain and strengthen the public's trust and confidence in the integrity of Audit Scotland and its members in conducting public business.

Respect

You must respect fellow members of Audit Scotland and its employees and the role they play, treating them with courtesy at all times. Similarly, you must respect members of the public when performing duties as a member of Audit Scotland.

7. You should apply the principles of this Code to your dealings with fellow members of Audit Scotland, its employees and other stakeholders. Similarly, you should also observe the principles of this Code in dealings with the public when performing duties as a member of a public body.

General conduct

8. The rules of good conduct in this section must be observed in all situations where you act as a member of Audit Scotland.

Conduct

9. You must treat the chair, your colleagues and employees of Audit Scotland with courtesy and respect. This includes in person, in writing, at meetings, when you are online and when you are using social media.
10. You must comply with rulings from the chair in the conduct of the business of these meetings.

Relationships with Board Members, employees of Audit Scotland and others

11. Audit Scotland values and promotes diversity and equality of opportunity. You will carry out your duties following the principles within our Diversity and Equality policy.
12. You will treat your fellow board members and any staff employed by Audit Scotland with courtesy and respect. It is expected that fellow board members and employees will show you the same consideration in return. It is good practice for employers to provide examples of what is unacceptable behaviour in their organisation. Public bodies should promote a safe, healthy and fair working environment for all. As a board member you should be familiar with, and understand the policies of Audit Scotland in relation to bullying and harassment in the workplace and also lead by exemplar behaviour. You will accept exhibiting certain behaviours is as important as what you communicate, given that disrespect, bullying and harassment can be physical, verbal and non-verbal conduct.
13. You will not become involved in operational management of Audit Scotland, except where it is explicit within your role. You acknowledge and understand that operational management is the responsibility of the Chief Operating Officer and the Executive Team.
14. You will not undermine any individual employee or a group of employees, or raise concerns about their performance, conduct or capability in public. You will raise any concerns on such matters in private with the Executive Team as appropriate
15. You will not take, or seek to take, unfair advantage of your position in dealing with employees of Audit Scotland or bring undue influence to bear on employees to take a certain action. You will not ask or direct employees which you know, or should reasonably know, could compromise them or prevent them from undertaking their duties properly and appropriately.
16. You will accept the principle of collective decision-making and corporate responsibility. This means that once the Board has made a decision, you will support that decision, even if you did not agree with it or vote with it.

17. Relationships may be developed with you by others to influence our work or to acquire confidential or sensitive information for personal gain. Those seeking to develop a relationship with you may also offer a financial or other benefit to supply them with information. These relationships are inappropriate and bring risks to your personal reputation and that of Audit Scotland (see Section on Bribery and Corruption). You must inform the Chair of the Board and [the Ethics Partner/Chief Operating Officer](#) of any such approaches, relationships or offers of financial or other benefits, and you should discuss any concerns about any such issues as soon as possible so that Audit Scotland can support and advise you.

Remuneration, allowances and expenses

18. You must comply with any rules of Audit Scotland regarding remuneration, allowances and expenses.

Bribery and corruption

19. Bribery is the offering, giving, receiving, or soliciting of any item of value or advantage to influence the actions of an official or any other person in charge of a public or legal duty.
20. It is important that you are aware that it is a serious criminal offence for you to:
- give, receive or solicit a bribe (i.e. to corruptly receive or give any gift, loans, fee, reward or advantage) in return for doing or not doing anything
 - show favour or disfavour to any person in the course of your work with Audit Scotland.
21. It is also important to be aware that an act of bribery by an individual may render Audit Scotland liable of committing an offence.
22. Audit Scotland has a zero tolerance to bribery and corruption therefore corrupt actions, including bribery, can lead to dismissal and prosecution.

Gifts and hospitality

23. You must never ask or seek gifts or hospitality.
24. You must not accept any offer by way of a gift or hospitality which could give rise to a real or substantive personal gain or reasonable suspicion of influence on your part to show favour, or disadvantage, to any individual or organisation. You should also consider whether there may be any reasonable perception that any gift received by your spouse or cohabitee or by any company in which you have a controlling interest, or by a partnership of which you are a partner, can or would influence your judgement. The term 'gift' includes benefits such as relief from indebtedness, loan concessions, or provision of services at a cost below that generally charged to members of the public.
25. You are personally responsible for all decisions connected with the offer or acceptance of gifts or hospitality offered to you and for avoiding the risk of damage to public confidence in Audit Scotland. As a general guide, it is usually appropriate to refuse offers except:

- isolated gifts of a minor nature or token of modest intrinsic value offered on an infrequent basis, the value of which must not exceed £50
 - normal hospitality associated with your duties, hospitality which has been approved in advance by Audit Scotland and which would reasonably be regarded as appropriate; or
 - gifts received on behalf of Audit Scotland.
26. You must not accept any offer of a gift or hospitality from any individual or organisation which stands to gain or benefit from a decision Audit Scotland may be involved in determining, or who is seeking to do business with us, and which a person might reasonably consider could or would influence my judgement. If you are making a visit in your capacity as a member of Audit Scotland then, as a general rule, you should ensure that Audit Scotland pays for the cost of the visit.
27. You must not accept repeated hospitality from the same source.
28. You will not allow the promise of money or other financial advantage to induce you to act improperly in your role as a Board member. You accept that the money or advantage (including any gift or hospitality) does not have to be given to you directly. The offer of monies or advantages to others, including community groups, may amount to bribery, if the intention is to induce me to improperly perform a function.
29. You will not accept any gift or hospitality from any individual or applicant who is awaiting a decision from, or seeking to business with Audit Scotland.
30. Members of Audit Scotland should familiarise themselves with the terms of the Bribery Act 2010 which provides for offences of bribing another person and offences relating to being bribed.
31. You **must declare the giving and acceptance of any gifts or hospitality received by you or gifts and hospitality declined in your capacity as a member of Audit Scotland** to the ~~Chief Operating Officer~~ Ethics Partner who will record the declaration in a register kept for that purpose.

Audit Scotland only recognises and approves the giving of gifts or hospitality if recorded in the register and the expenditure is detailed in our financial accounting system. All reimbursement claims for gifts or hospitality given through expenses must be in accordance with the remuneration, allowances and expenses policy.

To assist Members the following guidance indicates items that do not require recording or disclosure:

- Working lunches at audited bodies, partner firms, working groups/committees/boards, professional institutes and other public bodies.
- Meals and accommodation incidental to the attendance at conferences, seminars and workshops.
- Giving or receiving gifts of modest value such as a pen or book.

Items that do require disclosure would therefore include:

- Isolated gifts in excess of £50.
 - Meals in external restaurants whether working or not.
 - Attendance at functions organised/hosted by professional bodies e.g. Institute Annual Dinners.
 - Receptions held by public bodies, partner firms or other parties where there is a widespread range of attendees e.g. gallery viewings.
 - Functions where the focus of the event is an awards ceremony which involves a public sector element.
 - Meals paid for by visiting delegations from other audit offices, organisations and Parliaments/Governments.
 - Provision of accommodation, travel or corporate hospitality to others.
32. Details of any gift or hospitality will be made available for public inspection through publication of the register on Audit Scotland's website.

Confidentiality requirements

33. Audit Scotland carries out its work in the public interest and is committed to the principle of openness. However, there may be times when you will be required to treat discussions, documents or other information relating to the work of Audit Scotland in a confidential manner. You will often receive information of a private nature which is not yet public, or which perhaps would not be intended to be public. There are provisions in other legislation, such as the Data Protection Act 2018 and the Freedom of Information (Scotland) Act 2002, on the categories of confidential and exempt information and you must always respect and comply with the requirement to keep such information private.
34. You will only use confidential information to undertake your duties as a Board member. It is unacceptable to disclose any information to which you have privileged access, for example derived from a confidential document, either orally or in writing. In the case of other documents and information, you are requested to exercise your judgement as to what should or should not be made available to outside bodies or individuals. In any event, such information should never be used for the purpose of personal or financial gain, or used in such a way as to bring Audit Scotland into disrepute.
35. Breaches of confidentiality or information security will be treated with utmost seriousness and could prompt an investigation. Any wilful breach such as, unauthorised access or supply of information to others could lead to termination of your position with Audit Scotland and could lead to a criminal prosecution under Data Protection legislation. If you are in any doubt about a matter of confidentiality or information security, please check with the [Ethics Partner Chief Operating Officer](#).
36. If you are involved in an act that could cause Audit Scotland reputational risk or bring the organisation into disrepute e.g. you are arrested or charged for a criminal offence, you must inform Audit Scotland at the earliest available opportunity.

Use of Audit Scotland's resources

37. Members of Audit Scotland must not misuse facilities, equipment, stationery, telephony, computer, information technology equipment and services, or use them for party political or campaigning activities. Use of such equipment and services, etc must be in accordance with Audit Scotland's policy and rules on their usage. Care must also be exercised when using social media networks not to compromise your position as a member of Audit Scotland.
38. You will not use, or in any way enable others to use Audit Scotland's resources imprudently, unlawfully, for any political activities or matters relating to these, or improperly.

Other Appointments

39. Non-Executive Members must seek the approval of the SCPA prior to accepting any additional office, employment or appointment or engaging in any other occupation.

Conflicts of Interest

40. You may not hold any other office, employment or appointment or engage in any other occupation which would conflict with your responsibilities and duties as a member of Audit Scotland.

Registration of Interests

Introduction

41. The following paragraphs set out the kinds of interests, financial and otherwise which you have to register. These are called 'Registerable Interests'. You must at all times ensure that these interests are registered, when you are appointed and/or within one month of whenever your circumstances change in such a way as to require change or an addition to your entry in the Register. It is your duty to ensure any changes in circumstances are reported within one month of them changing. It is a breach of this Code not to comply with these requirements.
42. You should review regularly and at least once a year your personal circumstances. The interests which require to be registered are those set out in the following paragraphs and relate to you. It is not necessary to register the interests of your spouse or cohabitee.

Remuneration

43. You have a registrable interest where you receive remuneration by virtue of being:
 - employed;
 - self-employed;
 - the holder of an office;
 - a director of an undertaking;
 - a partner in a firm;
 - appointed or nominated by Audit Scotland to another body; or
 - undertaking a trade, profession or vocation or any other work.
44. In relation to [42-43](#) above, the amount of remuneration does not require to be registered and remuneration received as a member does not have to be registered.
45. If a position is not remunerated it does not need to be registered under this category. However, you must note that unremunerated directorships may need to be registered under the category of 'Related undertakings' or 'Other roles'.
46. If you receive any allowances in relation to membership of any organisation, the fact that you receive such an allowance must be registered.
47. When registering employment, you must give the name of the employer, the nature of its business, and the nature of the post held in the organisation.
48. When registering self-employment, you must provide the name and give details of the nature of the business. When registering an interest in a partnership, you must give the name of the partnership and the nature of its business.
49. When registering a directorship, it is necessary to provide the registered name of the undertaking in which the directorship is held and provide information about the nature of its

business, organisation, undertaking, partnership or body as appropriate. You will recognise that certain employments may be incompatible with your role as a Board member of Audit Scotland in terms of lobbying and access.

50. Where you undertake a trade, profession or vocation, or any other work, the detail to be given is the nature of the work and its regularity. For example, if you write for a newspaper, you must give the name of the publication and the frequency of articles for which you are paid.
51. Registration of a pension is not required as this falls outside the scope of the category.

Related undertakings

52. You must register any directorships held which are themselves not remunerated but where the company (or other undertaking) in question is a subsidiary of, or a parent of, a company (or other undertaking) in which you hold a remunerated directorship.
53. You must register the name of the subsidiary or parent company or other undertaking and the nature of its business, and its relationship to the company or other undertaking in which you are a director and from which you receive remuneration.
54. The situations to which the above paragraphs apply are as follows:
 - You are a director of a board of an undertaking and receive remuneration declared under remuneration - and
 - You are a director of a parent or subsidiary undertaking but do not receive remuneration in that capacity.

Contracts

55. You have a registrable interest where you (or a firm in which you are a partner, or an undertaking in which you are a director or in which you have shares of a value as described in [60-59](#) below) have made a contract with the public body of which you are a member:
 - under which goods or services are to be provided, or works are to be executed; and
 - which has not been fully discharged.
56. You must register a description of the contract, including its duration, but excluding the consideration.

Houses, land and buildings

57. You have a registrable interest where you own or have any other right or interest in houses, land and buildings, which may be significant to, of relevance to, or bear upon, the work and operation of Audit Scotland to which you are appointed.
58. The test to be applied when considering appropriateness of registration is to ask whether a member of the public acting reasonably might consider any interests in houses, land and buildings could potentially affect your responsibilities to the organisation to which you are appointed and to the public, or could influence your actions, speeches or decision making.

Interest in shares and securities

59. You have a registerable interest where you have an interest in shares comprised in the share capital of a company or other body which may be significant to, of relevance to, or bear upon, the work and operation of (a) the body to which you are appointed and (b) the nominal value of the shares is:
- (i) greater than 1% of the issued share capital of the company or other body; or
 - (ii) greater than £25,000.
60. Where you are required to register the interest, you should provide the registered name of the company in which you hold shares; the amount or value of the shares does not have to be registered.

Non-financial interests

61. You may also have a registerable interest if you have non-financial interests which may be significant to, of relevance to, or bear upon, the work and operation of Audit Scotland to which you are appointed. It is important that relevant interests such as membership or holding office in other public bodies, companies, clubs, societies and organisations such as trades unions and voluntary organisations, are registered and described.
62. In the context of non-financial interests, the test to be applied when considering appropriateness of registration is to ask whether a member of the public might reasonably think that any non-financial interest could potentially affect your responsibilities to the organisation to which you are appointed and to the public, or could influence your actions, speeches or decision-making in Audit Scotland.

Related party disclosure

63. Related Party Disclosures is a requirement of International Accounting Standard 24. It is a requirement of the Code of Conduct that Board Members and Directors sign an annual declaration at the financial year end stating that you were not aware of any related party transactions in the year.
64. A related party is a person or entity that is related to the entity that is preparing its financial statements.
- (a) A person or a close member of that person's family is related to a reporting entity if that person:
 - (i) has control or joint control over the reporting entity;
 - (ii) has significant influence over the reporting entity; or
 - (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.
 - (b) An entity is related to a reporting entity if any of the following conditions applies:

- (i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment defined benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
- (vi) The entity is controlled or jointly controlled by a person identified in (a).
- (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Declaration of interests

Introduction

65. The key principles of the Code, especially those in relation to integrity, honesty and openness, are given further practical effect by the requirement for you to declare certain interests in proceedings of Audit Scotland. Together with the rules on registration of interests, this ensures transparency of your interests which might influence, or be thought to influence, your actions. The objective test involved in determining whether you should make a declaration of your interests fall into three stages: connection, interest and participation as set out below:

Connection

- 65.1. For each particular matter you are involved in as a Board Member, you will first consider whether you have a connection to that matter.
- 65.2. You understand that a connection is any link between the matter being considered and you, as a person or body you are associated with. This could be a family relationship or a social or professional contact.
- 65.3. A connection includes anything that you have registered as an interest.
- 65.4. A connection does not include being a member of a body to which you have been appointed or nominated by Audit Scotland, unless (a) the matter being considered by Audit Scotland is quasi-judicial or regulatory, or (b) You have a personal conflict by reason of your actions, your connections, or your legal obligations.

Interest

- 65.5. You understand your connection is an interest that requires to be declared where the objective test is met - that is where a member of the public with knowledge of the relevant facts would reasonably regard your connection to a particular matter as being so significant that it would be considered as being likely to influence the discussion or decision-making.

Participation

- 65.6. You will declare your interest as early as possible in meetings. You will not remain in the meeting nor participate in any way in those parts of the meetings where you have declared an interest.
- 65.7. You will consider whether it is appropriate for transparency reasons to state publicly where you have a connection, which you do not consider amounts to an interest.
- 65.8. You note that you can apply to the Standards Commission and ask it to grant a dispensation to allow you to take part in the discussion and decision-making on a matter where you would otherwise have to declare an interest and withdraw (as a result of having a connection to the matter that would fall within the objective test). You note that

such a dispensation is sought and that you cannot take part in any discussion or decision-making on the matter in questions, unless, and until, a conclusion is reached.

65.9. You note that public confidence in a public body is damaged by the perception that decisions taken by that body are substantially influenced by factors other than public interest. You will not accept a role or appointment if doing so means you will have to declare interests frequently at meetings in respect of your role as a Board member. Similarly, if any appointment or nomination to another body would give rise to objective concern because of your existing personal involvement or personal affiliations, you will not accept the appointment or nomination.

- 66.** Public bodies inevitably have dealings with a wide variety of organisations and individuals and this Code indicates the circumstances in which a business or personal interest must be declared. Public confidence in Audit Scotland and its members depends on it being clearly understood that decisions are taken in the public interest and not for any other reason.
- 67.** In considering whether to make a declaration in any proceedings, you must consider not only whether you will be influenced but whether anybody else would think that you might be influenced by the interest. You must, however, always comply with the objective test ('the objective test') which is whether a member of the public, with knowledge of the relevant facts, would reasonably regard the interest as so significant that it is likely to prejudice your discussion or decision making in your role as a member of Audit Scotland.
- 68.** If you feel that, in the context of the matter being considered, your involvement is neither capable of being viewed as more significant than that of an ordinary member of the public, nor likely to be perceived by the public as wrong, you may continue to attend the meeting and participate in both discussion and voting. The relevant interest must however be declared. It is your responsibility to judge whether an interest is sufficiently relevant to particular proceedings to require a declaration and you are advised to err on the side of caution. If a board member is unsure as to whether a conflict of interest exists, they should seek advice from the board chair.
- 69.** As a member of Audit Scotland you might serve on other bodies. In relation to service on the boards and management committees of limited liability companies, public bodies, societies, and other organisations, you must decide, in the particular circumstances surrounding any matter, whether to declare an interest. Only if you believe that, in the particular circumstances, the nature of the interest is so remote or without significance, should it not be declared. You must always remember the public interest points towards transparency and, in particular, a possible divergence of interest between Audit Scotland and another body. Keep particularly in mind the advice in paragraph [34-41](#) of this Code about your legal responsibilities to any limited company of which you are a director.

Interests which require declaration

- 70.** Interests which require to be declared, if known to you may be financial or non-financial. They may or may not cover interests which are registerable under the terms of this Code. Most of the interests to be declared will be your personal interests but, on occasion, you will have to

consider whether the interests of other persons require you to make a declaration. The paragraphs which follow deal with (a) your financial interests (b) your nonfinancial interests and (c) the interests, financial and non-financial, of other persons.

71. You will also have other private and personal interests and may serve, or be associated with, bodies, societies, and organisations as a result of your private and personal interests and not because of your role as a member of Audit Scotland. In the context of any particular matter you will need to decide whether to declare an interest. You should declare an interest unless you believe that, in the particular circumstances, the interest is too remote or without significance. In reaching a view on whether the objective test applies to the interest, you should consider whether your interest (whether taking the form of association or the holding of office) would be seen by a member of the public acting reasonably in a different light because it is the interest of a person who is a member of Audit Scotland as opposed to the interest of an ordinary member of the public.

Your financial interests

72. You must declare, if it is known to you, any financial interest (including any financial interest which is registerable under any of the categories prescribed in the remuneration section of this Code).
73. There is no need to declare an interest which is so remote or insignificant that it could not reasonably be taken to fall within the objective test.
74. You must withdraw from the meeting room until discussion of the relevant item where you have a declarable interest is concluded. There is no need to withdraw in the case of an interest which is so remote or insignificant that it could not reasonably be taken to fall within the objective test.

Your non-financial interests

75. You must declare, if it is known to you, any non-financial interest if:
 - (i) that interest has been registered under Non-Financial Interests (paragraphs 52 and 53) of the Code; or
 - (ii) that interest would fall within the terms of the objective test.
76. There is no need to declare an interest which is so remote or insignificant that it could not reasonably be taken to fall within the objective test.
77. You must withdraw from the meeting room until discussion of the relevant item where you have a declarable interest is concluded. There is no need to withdraw in the case of an interest which is so remote or insignificant that it could not reasonably be taken to fall within the objective test.

The financial interests of other persons

78. The Code requires only your financial interests to be registered. You also, however, have to consider whether you should declare any financial interest of certain other persons.
79. You must declare if it is known to you any financial interest of: -
- (i) a spouse, a civil partner or a co-habitee;
 - (ii) a close relative, close friend or close associate;
 - (iii) an employer or a partner in a firm;
 - (iv) a body (or subsidiary or parent of a body) of which you are a remunerated member or director;
 - (v) a person from whom you have received a registerable gift or registerable hospitality;
 - (vi) a person from whom you have received registerable expenses.
80. There is no need to declare an interest if it is so remote or insignificant that it could not reasonably be taken to fall within the objective test.
81. You must withdraw from the meeting room until discussion of and voting on the relevant item where you have a declarable interest is concluded. There is no need to withdraw in the case of an interest which is so remote or insignificant that it could not reasonably be taken to fall within the objective test.
82. This Code does not attempt the task of defining “relative” or “friend” or “associate”. Not only is such a task fraught with difficulty but is also unlikely that such definitions would reflect the intention of this part of the Code. The key principle is the need for transparency in regard to any interest which might (regardless of the precise description of relationship) be objectively regarded by a member of the public, acting reasonably, as potentially affecting your responsibilities as a member of Audit Scotland and, as such, would be covered by the objective test.

The non-financial interests of other persons

83. You must declare if it is known to you any non-financial interest of: -
- (i) a spouse, a civil partner or a co-habitee;
 - (ii) a close relative, close friend or close associate;
 - (iii) an employer or a partner in a firm;
 - (iv) a body (or subsidiary or parent of a body) of which you are a remunerated member or director;
 - (v) a person from whom you have received a registerable gift or registerable hospitality;
 - (vi) a person from whom you have received registerable expenses.

- 84. There is no need to declare an interest if it is so remote or insignificant that it could not reasonably be taken to fall within the objective test.
- 85. There is only a need to withdraw from the meeting if the interest is clear and substantial.

Making a declaration

- 86. You must consider at the earliest stage possible whether you have an interest to declare in relation to any matter which is to be considered. You should consider whether agendas for meetings raise any issue of declaration of interest. Your declaration of interest must be made as soon as practicable at a meeting where that interest arises. If you do identify the need for a declaration of interest only when a particular matter is being discussed you must declare the interest as soon as you realise it is necessary.
- 87. The oral statement of declaration of interest should identify the item or items of business to which it relates. The statement should begin with the words “I declare an interest”. The statement must be sufficiently informative to enable those at the meeting to understand the nature of your interest but need not give a detailed description of the interest.

Frequent declarations of interest

- 88. Public confidence in Audit Scotland is damaged by perception that decisions taken by us are substantially influenced by factors other than the public interest. If you would have to declare interests frequently at meetings in respect of your role as a board member you should not accept a role or appointment with that attendant consequence. If members are frequently declaring interests at meetings then they should consider whether they can carry out their role effectively and discuss with their chair. Similarly, if any appointment or nomination to another body would give rise to objective concern because of your existing personal involvement or affiliations, you should not accept the appointment or nomination.

Lobbying and access

Introduction

90. In order for Audit Scotland to fulfil its commitment to being open and accessible, it needs to encourage participation by organisations and individuals in the decision-making process. Clearly however, the desire to involve the public and other interest groups in the decision-making process must take account of the need to ensure transparency and probity in the way in which Audit Scotland conducts its business.
91. You will need to be able to consider evidence and arguments advanced by a wide range of organisations and individuals in order to perform your duties effectively. Some of these organisations and individuals will make their views known directly to individual members. The rules in this Code set out how you should conduct yourself in your contacts with those who would seek to influence you. They are designed to encourage proper interaction between members of public bodies, those they represent and interest groups.
92. The Lobbying (Scotland) Act 2016 (the Act) makes provisions about lobbying a member of the Scottish Parliament, a member of the Scottish Government, a junior Scottish Minister, a special adviser or the permanent secretary. Communications with the Scottish Government and Parliament by Audit Scotland are not classed as regulated lobbying by the provisions in section 22 (d) of the Schedule to the Act. This exemption only applies to engagement by members on Audit Scotland business and members should be mindful of the legislation if engaging with any of the above in any other capacity.

Rules and guidance

93. You understand that a wide range of people will seek access to you as a Board member and try to lobby you, including individuals, organisations and companies. Using the objective test below, you must distinguish between;
 - 93.1. Any role you have in dealing with enquiries from the public;
 - 93.2. Any community engagement where you are working with individuals and organisations to encourage their participation and involvement, and;
 - 93.3. Lobbying, which is where I am approached by any individual or organisation who is seeking to do business with Audit Scotland.
94. You must not, in relation to contact with any person or organisation who lobbies, do anything which contravenes this Code of Conduct or any other relevant rule of Audit Scotland or any statutory provision.
95. You must not, in relation to contact with any person or organisation who lobbies, act in any way which could bring discredit upon Audit Scotland.

96. The public must be assured that no person or organisation will gain better access to, or treatment by, you as a result of employing a company or individual to lobby on a fee basis on their behalf. You must not, therefore, offer or accord any preferential access or treatment to those lobbying on a fee basis on behalf of clients compared with that which you accord any other person or organisation who lobbies or approaches you. Nor should those lobbying on a fee basis on behalf of clients be given to understand that preferential access or treatment, compared to that accorded to any other person or organisation, might be forthcoming from another member of Audit Scotland.
97. Before taking any action as a result of being lobbied, you should seek to satisfy yourself by applying the objective test about the identity of the person or organisation who is lobbying and the motive for lobbying. You may choose to act in response to a person or organisation lobbying on a fee basis on behalf of clients but it is important that you know the basis on which you are being lobbied in order to ensure that any action taken in connection with the lobbyist complies with the standards set out in this Code.
98. You should not accept any paid work:
- which would involve you lobbying on behalf of any person or organisation or any clients of a person or organisation
 - to provide services as a strategist, adviser or consultant, for example, advising on how to influence Audit Scotland and its members. This does not prohibit you from being remunerated for activity which may arise because of, or relate to, membership of Audit Scotland, such as journalism or broadcasting, or involvement in representative or presentational work, such as participation in delegations, conferences or other events.
99. If you have concerns about the approach or methods used by any person or organisation in their contacts with you, you must seek the guidance of Audit Scotland.

Appendix 1: Definitions

1. "Remuneration" includes any salary, wage, share of profits, fee, expenses, other monetary benefit or benefit in kind. This would include, for example, the provision of a company car or travelling expenses by an employer.
2. "Bullying" is inappropriate and unwelcome behaviour, which is offensive and intimidating, and which makes an individual or group feel undermined, humiliated, or insulted.
3. "Chair" is the individual discharging a similar function to that of a Chair or Convenor under alternative decision-making structures
4. "Confidential information" includes:
 - 4.1. Any information passed on to Audit Scotland by a Government department (even if it is not clearly marked as confidential) which does not allow the disclosure of that information to the public;
 - 4.2. Information of which the law prohibits disclosure (under statute or by the order of a Court);
 - 4.3. Any legal advice provided to Audit Scotland, or;
 - 4.4. any information which could reasonably be considered a breach of confidence should it be made public.
5. "Undertaking" means:
 - (a) a body corporate or partnership; or
 - (b) an unincorporated association carrying on a trade or business, with or without a view to profit.
6. "Related undertaking" is a parent or subsidiary company of a principal undertaking of which you are also a director. You will receive remuneration for the principal undertaking though you will not receive remuneration as director of the related undertaking.
7. "Parent undertaking" is an undertaking in relation to another undertaking, a subsidiary undertaking, if a) it holds a majority of voting rights in the undertaking; or b) it is a member of the undertaking and has the right to appoint or remove a majority of its board of directors; or c) it has the right to exercise a dominant influence over the undertaking (i) by virtue of provisions contained in the undertaking's memorandum or articles or (ii) by virtue of a control contract; or d) it is a councillor of the undertaking and controls alone, pursuant to an agreement with other shareholders or councillors, a majority of voting rights in the undertaking.
8. "Group of companies" has the same meaning as "group" in section 474(1) of the Companies Act 2006. A "group", within s 474(1) of the Companies Act 2006, means a parent undertaking and its subsidiary undertakings.

9. "A person" means a single individual or legal person and includes a group of companies.
10. "Any person" includes individuals, incorporated and unincorporated bodies, trade unions, charities and voluntary organisations.
11. "Spouse" does not include a former spouse or a spouse who is living separately and apart from you.
12. "Cohabitee" includes a person, whether of the opposite sex or not, who is living with you in a relationship similar to that of husband and wife.
13. "Code" code of conduct for members of public bodies.

Code of Conduct

Staff policy

Audit Scotland is a statutory body set up in April 2000 under the Public Finance and Accountability (Scotland) Act 2000. We help the Auditor General for Scotland and the Accounts Commission check that organisations spending public money use it properly, efficiently and effectively.

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Code of Conduct

Introduction

1. Audit Scotland and our staff must demonstrate high standards of corporate and personal conduct. This can be achieved by embracing our core values, which are:

- ~~Independence, integrity and objectivity.~~ Equality
- Independence
- Innovation
- Integrity
- Respect.
- ~~Valuing people and ensuring equality and fairness.~~
- ~~Effective communication.~~

4.2. This Code of Conduct gives you clear and helpful advice about the standards of behaviour expected of you as a member of staff. The Code will be reviewed annually and is subject to change. A serious breach of the Code may lead to disciplinary action.

5.3. In addition, you are expected to comply with the principles of the Ethical Standards for Auditors issued by the Financial Reporting Council. Guidance on the application of those standards can be found in the Staff Handbook ('Ethical Standards'), which must be read as part of the annual Fit and Proper process. Our Ethical Standards Application Guide has five main sections which cover:

- General requirements and guidance.
- Financial, business, employment and personal relationships.
- Long association with the audit engagement and with entities relevant to engagements.
- Fees, remuneration and evaluation policies, gifts and hospitality, litigation.
- Non-audit / Additional services provided to entities.

6.4. You should also keep to the Codes of Conduct of the professional bodies of which you are a member.

7.5. The general principles upon which this Code of Conduct is based are:

- **Duty** - You have a duty to uphold the law and act in accordance with the law and the public trust placed in you. You have a duty to act in the interests of Audit Scotland of which you are a staff member and in accordance with its core functions and duties.
- **Selflessness** - You have a duty to take decisions solely in terms of public interest. You must not act in order to gain financial or other material benefit for yourself, family or friends.

- **Integrity** - You must not place yourself under any financial, or other, obligation to any individual or organisation that might reasonably be thought to influence you in the performance of your duties.
- **Objectivity** - You must make decisions solely on merit and in a way that is consistent with the functions of Audit Scotland when carrying out public business including making appointments, awarding contracts or recommending individuals for rewards and benefits.
- **Accountability and stewardship** - You are accountable for your decisions and actions to the public. You have a duty to consider issues on their merits, taking account of the views of others and must ensure that Audit Scotland uses its resources prudently and in accordance with the law.
- **Openness** - You have a duty to be as open as possible about your decisions and actions, giving reasons for your decisions and restricting information only when the wider public interest clearly demands.
- **Honesty** - You have a duty to act honestly. You must declare any private interests relating to your public duties and take steps to resolve any conflicts arising in a way that protects the public interest.
- **Leadership** - You have a duty to promote and support these principles by leadership and example, and to maintain and strengthen the public's trust and confidence in the integrity of Audit Scotland and its members in conducting business.
- **Respect** - You must respect colleagues and the role they play, treating them with courtesy at all times. Similarly, you must respect members of the public when performing duties as a staff member of Audit Scotland.

Diversity and Equality

8.6. We value and promote diversity and equality of opportunity. We expect you to carry out your work following the principles within our Diversity and Equality policy.

Relationships

9.7. You may have contact with audited bodies, other organisations or members of the public. You should deal fairly, equitably and consistently with those you come in contact with, and you should always be polite and portray a positive and professional image of Audit Scotland.

10.8. People may develop a relationship with you to influence our work or to acquire confidential or sensitive information for personal gain. They may also offer a financial or other benefit to supply them with information. These relationships are inappropriate and bring risks to your personal reputation and that of Audit Scotland (see Bribery and Corruption paragraphs 40 - 42). You must tell your line manager of any such approaches, relationships or offers of financial or other benefits, and you should do this as soon as possible so that Audit Scotland can support and advise you.

~~44.9.~~ Staff must notify the [Compliance Partner](#) ~~appropriate Compliance Partner~~ if applying for any employment in a public body subject to audit by auditors appointed by the Auditor General or Accounts Commission (see the Ethical standard policy, section 2).

~~42.10.~~ Audit Scotland recognises that close personal or domestic relationships with colleagues may exist or develop during the course of their employment. In order that Audit Scotland's business is conducted and perceived to be conducted in a professional and proper manner it is necessary to distinguish between, and take account of, personal relationships which overlap with professional ones in the workplace. If you have any close personal or domestic relationships where that relationship may impinge on your duties and responsibilities this must be declared in confidence to your line manager or senior manager. If necessary, upon disclosure of such a relationship and after consultation with both parties, reasonable arrangements will be made to ensure that future working arrangements and potential conflicts do not arise.

Contractors, suppliers and consultants

~~43.11.~~ You must be fair and impartial in your dealings with contractors, suppliers and consultants. If you are involved in the procurement or tendering process to appoint contractors, suppliers or consultants you must follow Audit Scotland's [procurement handbook](#), and any other guidance issued.

~~44.12.~~ If you have access to confidential information on tenders or costs for contractors, suppliers or consultants you must not show that information to any unauthorised person or organisation.

~~45.13.~~ All private relationships with actual or potential contractors, suppliers or consultants must be declared, as set out below.

Independence, objectivity and conflicts of interest

~~46.14.~~ It is important that you carry out your work with independence and objectivity, and that you do not allow any private interest to influence your decisions. You must not use your position to further your own interests or the interests of others who do not have a right to benefit from our work.

~~47.15.~~ You, or a member of your family or household, may have a private interest which relates to the work of Audit Scotland. It may be a financial one or one which a member of the public might reasonably think could influence your judgement. For example, you may be a member of a public body, an organisation or club and membership might lead to a conflict of interest with your work. This also applies to membership of organisations or clubs which are not open to the public e.g. Freemasonry.

~~48.16.~~ You must declare all such interests to [Audit Scotland's the your Compliance Partner and Ethics Partner - the Executive Executive-Director of Innovation and Quality. A Compliance Partner is appointed for each business group within Audit Scotland.](#) The best way of making such a declaration is to use the Fit & Proper Self-Assessment Form. This information is then retained in a secure area of SharePoint for three years, after which it is destroyed. The

Compliance Partner will contact you and discuss any issues arising from your disclosure, as appropriate.

19.17. Fit & Proper Self-Assessment forms are completed by all new staff and other workers when starting their employment / assignment with Audit Scotland. Audit Scotland annually requests that the form is refreshed. If, between the annual cycle, your circumstances change and you have information that should be reported to the Compliance Partner then it is your responsibility to do so immediately.

20.18. The Fit & Proper Self-Assessment form is available to download from the Staff Handbook within SharePoint. Your completed form should be emailed to [your business groups the Compliance Partner](#) using the email address on the form. [Business group Compliance Partners are:](#)

Business Group	Compliance Partner
Audit Services	John Cornett
Corporate Services	Vicki Bibby
Innovation & Quality	Kenneth Oliver
Performance Audit & Best Value	Antony Clark

Openness, disclosure and protection of information

24.19. Audit Scotland carries out its work in the public interest and is committed to the principle of openness. You should follow the Freedom of Information (Scotland) Act and our Freedom of Information and Environmental Information Regulations policy.

22.20. There are occasions when information gathered during the course of your work must be kept confidential, both inside and outside the organisation and after leaving Audit Scotland. For example, when its disclosure would prejudice an investigation, breach confidentiality or contravene Data Protection legislation. This does not apply where there is a legal duty to provide information. You should follow our information management policy and procedures, including completing information management training if asked to do so.

23.21. We take information security very seriously. You must protect our information from inappropriate access, abuse, loss or damage. You must report any instance of this as quickly as possible and help fully in any investigation. Any breach of confidentiality or security may lead to an investigation under our discipline policy. Any wilful breach, such as unauthorised access or supply of information to others, could lead to the termination of your employment and to a criminal prosecution under Data Protection legislation. If you are in any doubt about a matter of confidentiality or security, please check with your manager.

24-22. If you are involved in an act that could cause Audit Scotland reputational risk or bring us into disrepute, e.g. you are arrested or charged for a criminal offence, you must tell Audit Scotland as soon as possible.

Paid employment outside Audit Scotland

25-23. We will normally allow you to undertake paid employment outside Audit Scotland in your own time unless there is a conflict of interest, or it is likely to have an adverse effect on the work of Audit Scotland or on your own performance. A conflict of interest can arise where a member of staff seeks to do work for an audited body or to carry out work which relates to the work of Audit Scotland. Outside employment can adversely affect the work of Audit Scotland if it damages the organisation's reputation. It can affect your own performance if it significantly reduces your ability to carry out your duties. If you do work outside Audit Scotland you must first get the approval of your ~~director~~[Executive Director](#) and then advise the Human Resources team. This procedure is in your interests. It will also allow us to meet our legal obligations in relation to family friendly benefits and Working Time Regulations. You are not allowed to use the equipment and resources of Audit Scotland in any outside employment.

26-24. If you receive a fee for a publication, broadcast, speech or lecture where you have used official information or your own work experience you must remit that fee to Audit Scotland. This also applies to external work carried out in working hours which attracts a fee. You may keep tokens of appreciation such as book tokens or commemorative items. You should let the Chief Operating Officer know of any tokens received as it will be recorded in a register kept for that purpose.

Hospitality

27-25. You should not accept or offer hospitality connected with your work unless you can justify it and be sure that it will not lead to criticism from colleagues or the public. In general, modest hospitality may be acceptable in some circumstances for example, a sandwich lunch.

28-26. Accepting, declining or giving of hospitality should be declared and recorded in the register kept for that purpose. When accepting or giving hospitality, you should get approval from your ~~director~~[Executive Director](#) and then let the Chief Operating Officer know. Hospitality given must be recorded in the register and the expenditure detailed in our financial accounting system. You must make sure that you charge the hospitality to the hospitality code 1255 and the appropriate cost centre for your business group. All reimbursement claims for hospitality given through expenses must follow the travel and expenses policy.

29-27. To help you decide what to declare, the following guidance may be useful:

Reporting hospitality received

30-28. Items not requiring declaration and recording are:

- Working lunches at audited bodies, partner firms, working groups/committees, boards, professional institutes and other public bodies.

- Meals and accommodation related to attendance at conferences, seminars and workshops.

31-29. Items that would require disclosure include:

- Meals in external restaurants, whether working or not.
- Attendance at functions organised/hosted by professional bodies.
- Receptions held by public bodies, partner firms or other parties where there is a widespread range of attendees, e.g. gallery viewings.
- Functions where the focus of the event is an awards ceremony which involves a public-sector element.
- Meals paid for by visiting delegations from other audit offices and Parliaments/Governments.

32-30. You should not accept offers to attend social or sporting events unless it would be of benefit to Audit Scotland or where Audit Scotland would expect to be represented.

33-31. In exceptional circumstances it may be appropriate to accept hospitality in order to avoid embarrassment or offence for example, hospitality offered from overseas hosts when we are carrying out international work.

34-32. You should not accept repeated hospitality from the same source.

Reporting hospitality declined

35-33. Any offers of hospitality that you decline must be recorded.

Reporting hospitality given

36-34. Items not requiring declaration and recording are:

- Working lunches when hosting meetings and conferences with audited bodies, partner firms, working groups/committees/boards, professional institutes and other public bodies. Lunches should be modest in scale and may typically consist of a buffet/sandwiches and tea and coffee throughout the day.
- Travel costs as part of recruitment.
- Consultant travel and accommodation costs where this is part of the consultant's fee.

37-35. Items that would require disclosure would therefore include:

- Meals provided in external restaurants whether working or not.
- Meals provided to international visitors/groups.
- Provision of overnight accommodation.
- Provision of travel, e.g. flights or train tickets.
- Hospitality at or the provision of theatre or sporting event tickets.

Gifts

38-36. As a general rule, you must not accept personal gifts although you may keep isolated gifts of a trivial character such as a pen or diary, the token value of which must not exceed £50. Sometimes it may be appropriate to accept a gift of more than token value, for example where refusal would embarrass Audit Scotland or damage an important relationship. The acceptance of such a gift should be approved by your ~~director~~[Executive Director](#). Where an inappropriate gift is received and you are unable to return it or the donor refuses to accept its return, you should report the circumstances to your ~~director~~[Executive Director](#).

39-37. All gifts above token value will belong to Audit Scotland and are not a personal gift to you. The Chief Operating Officer keeps a register to record gifts, whether they are accepted or declined and to show that acceptance was authorised. [Innovation and Quality](#)~~The International Liaison Manager keeps~~ [retains and maintains](#) a subsection of the gifts register for work with other countries. Any gifts received while carrying out work for other countries should be recorded in the register.

40-38. The giving of gifts is generally limited to international visits, the rules for which are set out in the Policy on visits, and the provision and acceptance of gifts and hospitality in relation to work with other countries. Gifts to visiting delegations are given as mementoes of their visit to Audit Scotland. They should be of modest value (e.g., book, Quaich, paper weight) and should exclude alcohol. Gifts given to non-international visitors or organisations should be recorded in the hospitality and gifts register. Items that would not require disclosure are modestly priced books and pens; alcohol should not be given as a gift.

41-39. Gifts recorded in the register must have the expenditure detailed in our financial accounting system. You must make sure that you charge the gift to the hospitality code 1255 and the appropriate cost centre for your business group. All reimbursement claims for gifts given through expenses must follow the travel and expenses policy.

Bribery and corruption

42-40. Bribery is the offering, giving, receiving, or soliciting of any item of value or advantage to influence the actions of an official or any other person in charge of a public or legal duty.

43-41. It is a serious criminal offence for you to:

- give, receive or solicit a bribe (i.e., to corruptly receive or give any gift, loans, fee, reward or advantage) in return for doing or not doing anything
- show favour or disfavour to any person in the course of your work.

44-42. An act of bribery by an individual may make Audit Scotland liable of committing an offence. We have a zero tolerance to bribery and corruption, and such an act can lead to dismissal and prosecution.

Use of resources

45.43. You and your colleagues serve the public, and you must remember this principle when you use Audit Scotland's equipment, materials and resources to ensure value for money and economy, efficiency and effectiveness.

46.44. The equipment of Audit Scotland is available to you for use in your personal affairs, provided that:

- it is in your own time
- the cost of any consumables, e.g. paper, postage, telephone calls is met by you
- you are not receiving any fee or reward for the purpose
- you don't store your personal (non-work related) information on Audit Scotland equipment you follow our policy on the use of electronic media such as email and the Internet.

Appointments

47.45. All appointments must be made on merit. If you are involved in the recruitment and selection process and have any kind of relationship which might affect your ability to be impartial, it must be declared to your ~~director~~[Executive Director](#) and Human Resources.

48.46. Your ~~director~~[Executive Director](#) and the person chairing the selection process will decide whether you can take part in the process. The same procedure must be followed in other HR processes such as grievance, discipline or performance reviews.

49.47. You must not try to influence board members or a colleague either directly or indirectly to secure your own appointment or promotion, or the appointment or promotion of another person. You must report any instances of this occurring to your ~~Director~~[Executive Director](#) and the Head of HR.

Disclosure

50.48. We have access to a broad range of sensitive data and a number of the bodies we audit request staff to be security checked. The integrity and security of public information is core to the values of Audit Scotland and therefore all employees are subject to Disclosure checks in line with our [Security Clearance policy](#) which can be found in the Staff Handbook.

51.49. Baseline Personnel Security Standard (BPSS) is the entry level check and forms part of a package of checks that represent good recruitment and employment practice. It provides an appropriate level of assurance as to the trustworthiness and integrity of prospective and existing workers. It involves verification of identity, nationality and immigration status together with employment history and criminal record declaration. The basic criminal record check (through Disclosure Scotland) will be carried out which will show any unspent convictions. Everyone working with Audit Scotland will be asked to consent to this baseline level of security clearance.

52-50. The next level is called Standard Disclosure and is required for all workers across Audit Services and some across Performance Audit & Best Value. Only those who are accountants by definition require a standard check. Some workers in our Finance team may be required to participate in checks to this level due to the nature of their work as accountants. Standard Disclosure enables Audit Scotland to check for certain spent convictions.

53-51. Enhanced Disclosure will only be needed when a worker, normally within Audit Services or Performance Audit & Best Value, is working with children or vulnerable people in the course of their work. If the worker is to be involved in such work on a long-term basis then Audit Scotland may decide to include security clearance in line with the Protection of Vulnerable Groups (PVG) to ensure continuous monitoring of the workers status. If necessary, all of the foregoing is undertaken by our HR team.

54-52. Security Clearance, Counter-terrorism checks and Developed Vetting will normally only be required when workers are involved in dealing with secret or sensitive data. Your manager will discuss this with you if it is required. This may be undertaken by the HR team or by our client organisation (i.e. Scottish Police Authority, Scottish Corporate Parliamentary Body etc.).

Media

55-53. In your work with Audit Scotland, any contact with the media is likely to come from the Audit Scotland Communications team. If you are approached directly by the media, you should speak with the Communications Manager or one of the communications officers, unless circumstances make that impossible and it is better for you to respond to the media enquiry. In this case you must tell the Communications team afterwards. More detailed advice for Audit Services staff can be found in the Audit Manual. Media training is available for staff most likely to need it. Contact the Communications team or your line manager for more information.

Social Media

56-54. Audit Scotland has a [Social Media Strategy Hub](#) which sets out guidance for staff on how to conduct themselves on social media platforms. Employees must conduct themselves according to high standards at all times and be conscious that they act in the best interests of Audit Scotland.

57-55. In particular, when posting on social media platforms staff must be vigilant about:

- posting political views, or comments that could compromise your duty to be politically neutral in public
- commenting on issues linked to public bodies or public figures, even in a private capacity, so as to not compromise the objectivity of the audit
- posting derogatory or inflammatory comments, or getting into heated exchanges with others
- understanding whether a post is public or private. It can be easy to think you are posting to a private group but in fact be posting for anybody to see.

Political neutrality

56. It is essential that Audit Scotland is seen to be free from political bias. The public expects you to carry out your work in a politically neutral way. You must follow our policies, despite any personal views, and you must not do anything which might call into question the independence and political neutrality of Audit Scotland.
57. We support an individual's freedom to participate in public affairs and hold personal beliefs and opinions, and to this end our people can be members of political parties, and they can engage in local and national political activities outside of the restrictions set out below.
58. All staff must, however, must receive the written permission of the Ethics Partner before any activity is undertaken. You have the right to be a member of a political party, but it would be unsuitable to take part in high profile public party political activity. If you are in any doubt, you should take advice from your director
58. The restrictions in respect of political activity are as follows. Our people cannot:
- 58.1. Stand as candidates for, or be co-opted into any local or national assembly.
 - 58.2. Hold roles in any party political organisations in the field of national or local government
 - 58.3. Speak in public on matters of local or national political controversy where the impartiality of the comments may be called into question.
 - 58.4. Express views on such matters in letters to the press, books, articles, or in any other media, including social media.
 - 58.5. Canvas on behalf of candidates for any local or national assembly or on behalf of a political party.
59. In seeking the written permission from the Ethics Partner, individuals should give precise details of the intended activities and the period over which the activity is likely to take place. If permission is given the activity must not take place while the individual is on duty as an employee of Audit Scotland or on official premises.
60. Staff must observe the Official Secrets Acts at all times.
61. Individuals must not make any reference to their employment by Audit Scotland when speaking in public, except where they are required by law to declare an interest. If any risks to the interests of Audit Scotland arise from involvement in approved political activities, individuals will be required to withdraw their participation. Failure to do so may result in formal disciplinary procedures.
62. The Ethics Partner is the senior authority on what constitutes political activity and what is subject to restriction.
63. The above measures are not intended to discourage people from participating in public service activities such as school governors, approved non-executive directors, trade union

[work, or volunteering. The key consideration is that staff should avoid any possibility that their activities might impact on Audit Scotland's political neutrality.](#)

Health and safety at work

59-64. We have a duty to ensure that all reasonable steps are taken to provide staff with a safe and healthy working environment. We will comply with the Health and Safety at Work Act, any other associated legislation and statutory codes of practice.

60-65. You have a duty under the Health and Safety at Work Act 1974 for the health, safety and welfare of yourself and others, including members of the general public who may be affected by what you do or fail to do at work. You must comply with our Health and Safety policy and cooperate with us in our compliance with health and safety legislation.

Fair and reasonable treatment at work

61-66. You should expect fair and reasonable treatment from your colleagues and managers. If you feel that you have been unfairly treated or have been discriminated against, there is a grievance procedure that you can use.

62-67. We expect you to support and comply with our policies, practices and procedures, both in your dealings with colleagues and those outside the organisation. You should not do anything which might undermine or adversely affect any position or decision of Audit Scotland.

63-68. We also have a whistleblowing policy. You should refer to this if you feel that you have been required to act in a way, or have become aware of practices in the organisation, which might be illegal, improper, unethical or in conflict with the principles of this Code.

Working [at](#)from home

64-69. Audit Scotland has a clear commitment to a range of flexible working options, including working [at](#)from home. This provides you with the freedom to choose where and when you work.

65-70. Working [at](#)from home can be required by the Incident Management Team for all staff during a national pandemic, and for an unspecified duration.

66-71. While working [at](#)from home, we expect you to adhere to our policies, practices and procedures on digital security and data protection.

67-72. Health and safety is an organisational priority. While working [at](#)from home, it is essential that you adhere to organisational requests around home workstation assessments to ensure that your health and safety needs are met. Assistance and advice is available from Digital Services and Business Support Services who will assist in determining your requirements.

Annual policy review of records management policies

Corporate Governance Manager

Item 15
Meeting date: 26 September 2023

Purpose

1. This report invites the Board to approve the submission of Audit Scotland's Records Management Policy for a further year.

Recommendations

2. The Board is invited:
 - to approve the updated records management policy.

Background

3. Audit Scotland has a policy, records management plan and procedures in place to ensure compliance with the Public Records (Scotland) Act 2011 (PRSA).
4. Records management is regularly discussed at the internal forum, the Knowledge, Information and Technology Governance Group (KITGG) which meets six times a year. Records management is a standing item for scrutiny via the Information Risk Register.
5. Information Asset Owners (IAOs) from across the organisation undertake an annual review of the Information Asset Register (IAR) to ensure that all records are managed effectively and efficiently.
6. The policy is reviewed on an annual basis to ensure it is up to date and submitted to the KITGG, Executive Team and Board for approval.
7. This also forms part of the annual assurance process in support of the Accountable Officer's Governance Statement.

Annual review of Records Management Policy

8. The Corporate Governance Manager and KITGG carried out a review of the Records Management Policy during July 2023. The Executive Team reviewed the policy in August 2023.
9. The review found no amendments were required given the formal approval of the [Records Management Plan 2021-26](#) by The Keeper of the Records, and the subsequent publication of our [assessment](#) online by National Records of Scotland (NRS) in summer 2022.

Records Management Policy

Owned and maintained by:	Corporate Governance Manager			
Approved from:	September 202 3 ²	Next review:	September 202 4 ³	Version: 100 ⁹

Introduction

1. The Public Records (Scotland) Act 2011 (the Act) places a duty on us to prepare and implement a records management plan which sets out proper arrangements for the management of our public records.
2. We recognise that the efficient management of our knowledge, information and records is essential to support our work, to facilitate our governance and management, to manage risk and to comply with our legal obligations under the Act and other legislation as enacted from time to time.
3. Records, like any other company asset, are vital to our past, present and future work. They show decisions made and the steps taken towards those decisions. Records and the information they contain form part of our corporate memory and therefore must be managed systematically from creation to disposal.
4. Records are fundamental to our Audit Quality arrangements and professional standards and running Audit Scotland efficiently and effectively.

Scope

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

Definition

6. A record is information in any medium, created, received and maintained as evidence and information by an organisation or person, in pursuance of legal obligations or in the transaction of business.

Roles and responsibilities

7. The Chief Operating Officer is responsible for ensuring there are appropriate arrangements for managing information and records.
8. In support of the Chief Operating Officer the Corporate Governance Manager is responsible for the day-to-day records management arrangements for Audit Scotland, the Accounts

Commission and the Auditor General. The security of our electronic information systems is the responsibility of Audit Scotland's Digital Services Manager.

9. It is the Knowledge, Information & Technology Governance Group's (KITGG) role to ensure this policy remains relevant, represents good practice and is implemented effectively.
10. However, records management is the responsibility of everyone and this principle is embedded in our Code of Conduct. We are all expected to ensure the effective management of our records and the information we collect, create, store, share and dispose of, and to undergo training as required.

The principles of good records management

11. It is our policy to fully comply with the Public Records (Scotland) Act 2011 and to apply the guiding principles of records management to ensure that information is available when and where it is needed, in an organised and efficient manner, and in a well maintained environment.

12. We must therefore ensure that our records are:

1. Authentic

It must be possible to prove that records are what they purport to be and who created them is known, by keeping a record of their management through time. Where information is later added to an existing document within a record, the added information must be signed and dated. With electronic records, changes and additions must be identifiable through audit trails.

2. Accurate

Records must accurately reflect the transactions and other business activities that they describe.

3. Accessible

Records must be readily available when needed.

4. Complete

Records must be sufficient in content, context and structure to reconstruct the relevant activities and transactions that they describe.

5. Comprehensive

Records must document the complete range of an organisation's business.

6. Compliant

Records must comply with any record keeping requirements resulting from legislation, audit rules, professional standards and other relevant regulations.

7. Effective

Records must be maintained for specific purposes and the information contained in them must

meet those purposes. Records will be identified and linked to the business process to which they are related.

8. Secure

Records must be securely maintained to prevent unauthorised access, alteration, damage or removal. They must be stored in a secure environment, the degree of security reflecting the sensitivity and importance of the contents. Where records are migrated across changes in technology, the evidence preserved must remain authentic and accurate.

13. Guidance in support of this policy has been prepared and is available to all staff in [SharePoint](#).
14. Business groups across Audit Scotland are responsible for the appropriate retention and disposal of files within their SharePoint sites, including the labelling of files to accurately determine ownership, sensitivity, file type and the current status of the document.

Training and awareness

15. It is vital that everyone understands their information and record management responsibilities as set out in this policy. Therefore, directors and managers will ensure that staff are appropriately trained/briefed on how to manage records in accordance with this policy and our records management guidance.
16. In addition, training has been established to ensure that all staff are aware of their information obligations regarding Data Protection, Data Security and Freedom of Information.

Supplementary documentation

17. The following Acts, policies, standards, procedures and guides should be used to support and supplement this policy:
 - Audit Scotland Records Management Plan, 2021-26
 - Public Records (Scotland) Act 2011
 - Model Records Management Plan (revised 2019)
 - Data Protection Act 2018 & UK General Data Protection Regulation (UK GDPR)
 - European Union (Withdrawal) Act 2018
 - Freedom of Information (Scotland) Act 2002 (FOISA)
 - Audit Scotland's Data Protection Policy
 - Audit Scotland's Freedom of Information Policy
 - Audit Scotland's Clear Desk and Screen Policy
 - Audit Scotland's Information Security Management Policy
 - FOSIA section 61 Code of Practice on records management
 - Managing records - a staff guide
 - Procedure for transferring information to the National Archive of Scotland
 - Audit Scotland's records retention schedule

- Audit requirements:
 - Audit standards e.g. ISA's
 - Audit Services audit and MKI guidance
 - Audit Management Frameworks.

2024 Proposed Board and Committee meeting schedule

Chief Operating Officer

Item 16
Meeting date: 26 September 2023

Purpose

1. This report details the proposed meeting schedule for the Audit Scotland Board and Committees in 2024.

Recommendation

2. The Board is invited to:
 - Approve the proposed meeting dates for 2024.
 - Approve the option of holding a meeting in the Glasgow office annually.

Background

3. The Board typically agrees its schedule of meeting dates for the year to come in September of each year. In 2023 six Board meetings were scheduled.
4. We have reviewed the content, timing and profile of Board and Committee work from previous years to inform the schedule for the year to come. In doing so we have also considered key dates and actions, for example the timing of meetings to take account of:
 - the budget submission
 - the annual assurances process
 - the annual report and accounts
 - review dates for strategies, plans, policies and procedures
 - performance reporting
 - meetings of Parliamentary committees and the Accounts Commission.
5. The proposed schedule of meeting dates is attached at Appendix 1 and a schedule of indicative Board items is attached at Appendix 2.
6. Currently all meetings are scheduled to be held in West Port. However, there is an option to hold a meeting in the Glasgow office to allow the opportunity for members to meet colleagues if members would welcome this.
7. The Standing Orders provide for any additional meetings to be called should they be required.

Proposed meeting schedule 2024

Audit Committee*	Human Resources and Remuneration Committee*	Board⁺
		23 January 2024
19 March 2024	19 March 2024	
		27 March 2024
7 May 2024	7 May 2024	21 May 2024
7 June 2024 (AR&Accs)		7 June 2024 (AR&Accs)
3 September 2024		24 September 2024
11 November 2024	11 November 2024	26 November 2024

⁺ Board meetings will be held in West Port and will be open to the public.

* Committee meetings will be held in West Port.

Indicative Work Programme 2024 – Audit Scotland Board

23 January 2024	27 March 2023	21 May 2024	7 June 2024	24 September 2024	26 November 2024
<p>Agenda items include:</p> <ul style="list-style-type: none"> • Standing items • SIP update • Environmental scan • Publication programme • SCPA report on budget submission • Openness and transparency/Board development • Operational Planning 	<p>Agenda items include:</p> <ul style="list-style-type: none"> • Standing items • SIP update • Q3 performance reporting • Annual report and accounts timeline and outline plan • Equality outcomes • Board development • Draft Corporate Plan 	<p>Agenda items include:</p> <ul style="list-style-type: none"> • Standing items • Draft Annual report and accounts • Review of information, governance and security policies • Best companies results 	<p>Agenda items include:</p> <ul style="list-style-type: none"> • Standing items • SIP update • Q4 performance reporting • Annual report and accounts • Annual reporting • Governance and assurance reporting 	<p>Agenda items include:</p> <ul style="list-style-type: none"> • Standing items • SIP update • Q1 performance reporting • Audit Scotland’s draft budget submission • PSRA Annual statements • Openness and transparency/meeting schedule • Review of FOI, EIR and records management policies 	<p>Agenda items include:</p> <ul style="list-style-type: none"> • Standing items • SIP update • Q2 performance reporting • Audit Scotland’s budget submission • Review Scheme of delegation/Financial regulations and Standing orders • Board development/self-evaluation

Agenda

10.00 Tuesday 21 November 2023
Audit Scotland, 102 West Port, Edinburgh



-
1. Private meeting of members
 2. Welcome and apologies
 3. Declarations of interest
 4. Items to be taken in private

Standing items

- | | |
|--|--|
| 5. Chair's report – verbal update | For information |
| 6. Accountable Officer's report – verbal update | For information |
| 7. Accounts Commission Chair's report – verbal update | For information |
| 8. Review of draft minutes: <ul style="list-style-type: none">• Board meeting: 26 September 2023• Audit Committee: 5 September 2023• Remuneration and Human Resources Committee 29 August 2023 | For approval
For noting
For noting |
| 9. Review of action tracker | For assurance |

Business planning, performance and governance

- | | |
|---------------------------------------|---------------|
| 10. Q2 Corporate performance report | For assurance |
| 11. Q2 Financial performance report | For assurance |
| 12. Board and committee meetings 2024 | For approval |

Comfort Break

Items to be taken in private

- | | |
|---|--------------|
| 13. SCPA Budget proposal 2024/25
[Item to be taken in private to support the effective conduct of business, intended for future publication] | For approval |
|---|--------------|

- | | |
|--|---------------|
| 14. Partnership Working Framework
[Item to be taken in private to support the effective conduct of business, intended for future publication] | For approval |
| 15. Environment, Sustainability and Biodiversity Annual Report 2022/23 and Green Future Strategy
[Item to be taken in private to support the effective conduct of business, intended for future publication] | For approval |
| 16. Interim audit quality report
[Item to be taken in private to support the effective conduct of business] | For assurance |
| 17. Quality Update
[Item to be taken in private to support the effective conduct of business] | For assurance |
| 18. Edinburgh Trams Inquiry
[Item to be taken in private to support the effective conduct of business] | For assurance |
| 19. Edinburgh office development
[Item to be taken in private to support the effective conduct of business, commercial sensitivity] | For approval |

Conclusion

- | | |
|--|-----------------|
| 20. Any other business | For discussion |
| 21. Review of meeting | For discussion |
| 22. Date of next meeting: 23 January 2024 | For information |

Minutes Board



Tuesday 26 September 2023, 10.00am
Audit Scotland, 102 West Port and Microsoft Teams

Present:

Alan Alexander (chair)
Colin Crosby
Stephen Boyle
Jackie Mann
Ronnie Hinds

Apologies:

There were no apologies.

In attendance:

Vicki Bibby, Chief Operating Officer
Martin Walker, Director of Corporate Support
John Cornett, Executive Director of Audit Services
Kenny Oliver, Executive Director of Innovation and Quality
Antony Clark, Executive Director of Performance Audit and Best Value
Helena Gray, Controller of Audit
Gemma Diamond, Director of Innovation and Transformation (items 10, 11, 18 and 20)
Michelle Borland, Head of Organisational Improvement (items 10 and 18)
Jillian Matthew, Senior Manager (item 11)
Ian Metcalfe, Corporate Performance Manager (item 12)
Stuart Dennis, Corporate Finance Manager (items 13, 17 and 19)
Sharon Kewley, Business Support Manager (item 17)
Andrew Reilly, Space Solution (item 17)
Howard Brooke, Space Solution (Item 17)

1. Private meeting of Board members

The Board met privately and there were no matters arising.

2. Welcome and apologies

Vicki Bibby, Chief Operating Officer, and Martin Walker, Director of Corporate Support, John Cornett, Executive Director of Audit Services, Kenny Oliver, Executive Director of Innovation, Quality and Antony Clark, Executive Director of Performance Audit and Best Value and Helena Gray, Controller of Audit joined the meeting.

There were no apologies to note.

The Chair welcomed attendees to the meeting, especially Ronnie Hinds to his first Board meeting in his role as Interim Chair of the Accounts Commission.

3. Declarations of interest

There were no declarations of interest noted.

4. Items to be taken in private

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

5. Chair's report – verbal update

The Chair advised of regular meetings with Stephen Boyle, Auditor General for Scotland and Accountable Officer, Vicki Bibby, Chief Operating Officer and Ronnie Hinds, Interim Chair of the Accounts Commission.

The Chair advised of his attendance at two of the Executive Team Keynote sessions: Stephen Boyle's 'Challenge, influence and impact - How can public audit in Scotland help services work better together?' and Kenny Oliver's 'Continuing our journey of innovation and improvement'.

The Chair advised of his attendance at an additional Remuneration and Human Resources Committee meeting on Audit Scotland's pay award.

In addition, the Chair noted correspondence and meetings in relation to the Partnership Working Framework (PWF) refresh noting the agreement to defer conclusion of the PWF until November 2023.

The Chair advised of his attendance at the Audit Committee meeting earlier this month along with a deep dive of Audit Scotland's risk register.

In relation to Parliamentary Business, the Chair advised of his attendance at the Scottish Commission for Public Audit (SCPA) session on our Annual Report and Accounts on 28 June 2023.

The Chair advised there has been no external engagement since the last update report.

The Chair confirmed the reappointment of Jackie Mann and Colin Crosby for a further three year term as Board members. Annual appraisal meetings for Jackie and Colin have been held and reported to SCPA.

The Chair advised that the new Board Chair and the Auditor General for Audit Wales are visiting in November: Alan, Stephen and Vicki will meet them for dinner 20 November before they join the November Board meeting as Observers. The Chair will also have a private meeting with the Chair before the Board meeting.

6. Accountable Officer's report – verbal update

Stephen Boyle advised of his regular and ongoing engagement with the Chair and the Chair of the Accounts Commission.

Stephen noted the publication of Lord Hardie's report on the public inquiry into the Edinburgh Tram project, Audit Scotland having had sight of the report through the clearance process. Internal discussions are ongoing in relation to the findings and further updates will be brought to the Board as and when required.

In relation to parliamentary business, the Board noted Stephen's attendance at Public Audit Committee (PAC) for sessions on Early Learning and Childcare, South Lanarkshire Council section 22 and Scottish Government Climate Change delivery arrangements as well as an evidence session on the Courts Backlogs report.

In addition to PAC sessions, Stephen invited the Board to note his regular meeting with the PAC Convener. PAC has concluded its consultation on our work programme with the subject committees, Stephen also reported on engagement with the Chief Executive, Scottish Parliament.

Stephen invited the Board to note that Audit Scotland hosted a PAC business planning session at the end of August to discuss our work programme and impact reporting.

In relation to external engagement, Stephen advised of meetings with the Chief Executive, HMIPS, Director-General Economy, Permanent Secretary regular catch up, Comptroller & Auditor General, NAO, and Chair, The Promise.

Stephen noted his attendance at CIPFA's annual conference to speak on the subject of the impact public audit can have in improving the lives of people in Scotland.

Following discussion, the Board welcomed the update.

7. Accounts Commission Chair's report – verbal update

Ronnie Hinds invited the Board to note the four new Commission members joining from 1 October 2023 bring a breadth of experience and skills and reported that their induction programme is underway.

Ronnie noted that the recruitment for the Commission Chair has commenced with the advert out yesterday. The timeline runs to end December 2023 with the Ministerial announcement planned before the festive break.

Ronnie advised that the Partnership Working Framework (PWF) was deferred from the September Commission meeting and will be presented to the November Commission meeting instead, before being presented to the Audit Scotland November Board meeting.

Ronnie invited the Board to note the Best Value in Scotland report published today, providing assurance to the public on services delivered.

Following discussion, the Board welcomed the update.

Ronnie Hinds left the meeting.

8. Review of minutes

Board meeting: 6 June 2023

The Board noted the minutes of the Board meeting of 6 June 2023, copies of which had been previously circulated.

The Board noted the minutes were an accurate record of the meeting.

Audit Committee: 6 June 2023

The Board noted the minutes of the Audit Committee meeting of 6 June 2023, copies of which had been previously circulated.

9. Review of action tracker

The Board noted the updated action tracker.

Martin Walker confirmed action ASB212 is now complete, having shared the relevant information with Executive Team yesterday. The action tracker will be updated to reflect this.

10. Strategic Improvement Programme Update

Gemma Diamond and Michelle Borland joined the meeting.

Gemma Diamond and Michelle Borland introduced the Strategic Improvement Programme: Update, copies of which had been previously circulated.

The Board was invited to:

- Note decisions the SIP Board has taken on the mix of projects in the SIP and alignment of the SIP with the new corporate plan, with Public Audit in Scotland (PAIS) and with the emerging business plan.
- Note the programme update provided in Appendix 1 and ambitions to improve the overall project and programme management approach for the SIP.

During discussion, the Board noted management contingency would be used to bring in short-term project management expertise to develop a business case to present to the Board as part of the 2025/26 budget considerations to SCPA.

During discussion, the Board suggested that a timeline alongside the report would be helpful to gauge progress. Given the clarity on organisational priorities and commitment from staff to invest time, it is anticipated that there will be fewer delays in future.

Following discussion, the Board noted the decisions the SIP Board has taken and the programme update and are assured of progress and look forward to the next iteration of the report to include some approximate timelines.

Michelle Borland left the meeting.

11. Human Rights Based Approach Update

Jillian Matthew joined the meeting.

Gemma Diamond and Jillian Matthew introduced the Human Rights Based Approach Update, copies of which had been previously circulated.

The Board was invited to:

- Note the activity we have completed since March and current priorities.

- Note the Scottish Government consultation on a new Human Rights Bill for Scotland, the areas of focus for Audit Scotland, and what it might mean in practice.

Following discussion, the Board noted the activity completed since March and current priorities and the Scottish Government consultation.

Gemma Diamond and Jillian Matthew left the meeting.

12. Q1 Corporate performance report

Ian Metcalfe joined the meeting.

Martin Walker and Ian Metcalfe introduced the Q1 Corporate performance report, copies of which had been previously circulated.

The Board was invited to:

- Review the performance in Q1 set out below and in appendix 1.
- Consider the issues affecting performance, the actions identified and whether any additional management action is required.

During discussion, the Board noted the progress reported against audit delivery. Some audits will still be delivered late but improved from last year's sign off dates. John Cornett confirmed that the one outstanding financial audit from 2021/22 is now complete.

During discussion, the Board noted that work is ongoing to explore and benchmark the current target of 70% delivery of audits within planning timescales.

Following discussion, the Board reviewed the Q1 Corporate performance and noted work is ongoing to further develop reporting in this area.

Ian Metcalfe left the meeting.

13. Q1 Financial performance report

Stuart Dennis joined the meeting.

Stuart Dennis introduced the Q1 Financial performance report, copies of which had been previously circulated.

The Board was invited to:

- note the financial results for the three months to 30 June 2023.

During discussion, the Board noted that this report had already been presented and discussed at the Audit Committee meeting on 5 September 2023.

Following discussion, the Board noted the Q1 Financial performance report.

Stuart Dennis left the meeting.

14. Annual review of corporate governance policies

Martin Walker introduced the Annual review of corporate governance policies, copies of which had been previously circulated.

The Board was invited to:

- Note the annual review of the corporate governance documents
- Note they were reviewed and recommended to the Board by the Audit Committee at its meeting on 5 September 2023
- Approve the suite of corporate governance documents.

During discussion, the Board noted the potential for the Board to co-opt individuals to committees if a skill shortage were to be identified.

Following discussion, the Board approved the corporate governance policies.

15. Annual policy review of records management policies

Martin Walker introduced the Annual policy review of records management policies, copies of which had been previously circulated.

The Board was invited to:

- to approve the updated records management policy.

Following discussion, the Board approved the updated records management policy.

16. 2024 Proposed Board and Committee meeting schedule

Vicki Bibby introduced the 2024 Proposed Board and Committee meeting schedule, copies of which had been previously circulated.

The Board was invited to:

- Approve the proposed meeting dates for 2024.
- Approve the option of holding a meeting in the Glasgow office annually.

During discussion, the Board advised they wish to broaden their geographical reach within Audit Scotland. Stephen will bring a proposal to the November Board meeting on visits to Aberdeen, Inverness and Glasgow offices.

Following discussion, the Board approved the proposed Board and Committee meeting schedule.

ASB221: *Stephen Boyle to bring a paper to the November Board meeting with proposals for visiting Aberdeen, Inverness & Glasgow.*

ASB222: *Miranda Nicoll to check and confirm June 2024 Board meeting and confirm via correspondence.*

Items taken in private

17. Estate Update

Stuart Dennis, Sharon Kewley, and Andrew Reilly and Howard Brooke from Space Solutions joined the meeting.

Stuart Dennis, Sharon Kewley, Andrew Reilly and Howard Brooke introduced the Estate Update, copies of which had been previously circulated.

The Board was invited to:

- Note the implications of the length of office leases.
- Note the progress on the extension of the Glasgow office and actions to mitigate associated increases in carbon emissions.
- Approve the proposal to reduce the office capacity in Edinburgh to generate financial and carbon savings earlier than the lease termination on 31 March 2025.

During the discussion, the Board noted the work on audit modernisation presumes hybrid working will continue and would not result in a need to increase office space again in future.

Following discussion, the Board noted the implications of the length of office leases and the progress on the extension of the Glasgow office and approved the proposal to reduce office capacity in Edinburgh.

Stuart Dennis, Sharon Kewley, Andrew Reilly and Howard Brooke left the meeting.

18. Operational planning: Draft Audit Scotland Business Plan 2023-2025

Gemma Diamond and Michelle Borland joined the meeting.

Gemma Diamond and Michelle Borland introduced Operational planning: Draft Audit Scotland Business Plan 2023-2025, copies of which had been previously circulated.

The Board was invited to:

- to discuss the draft Audit Scotland Business Plan 2023-2025 and advise on any further developments it would like to see before we finalise and publish the plan.

During discussion, the Board noted that the report contains more detail than future reports will, to give the Board assurance on the new approach. Consideration will be given to the focus of detail in the plan over the rolling three year period.

During discussion, the Board was invited to note that the 2024/25 budget proposals are integrated into the planning but the 2024/25 workforce plan is yet to be developed. The 2024/25 workforce plan will be presented to the Board in January and work will continue to integrate organisational values into next year's planning.

Following discussion, the Board were content with progress and recognised that future reports would be less detailed and more high level.

Gemma Diamond and Michelle Borland left the meeting.

19. 2024/25 Draft Budget Submission

Stuart Dennis joined the meeting.

Stuart Dennis introduced 2024/25 Draft Budget Submission, copies of which had been previously circulated.

The Board was invited to:

- to discuss and note the current position in respect of the 2024/25 Draft Budget Proposal.
- to note the intention to bring a more detailed proposal to the Board in November to request additional funding from SCPA for specialist skills to support the audit modernisation project.
- to note the potential for a request in the final proposal for some additional non-chargeable audit work funding in respect of the replacement for EAFA.

Following discussion, the Board noted the current position in respect of the 2024/25 Draft Budget and issues raised by members of the Board and agreed any further consultation ahead of the November Board meeting can be done via correspondence.

Stuart Dennis left the meeting.

20. Stakeholder research

Gemma Diamond joined the meeting.

Gemma Diamond and Martin Walker introduced the Stakeholder research report, copies of which had been previously circulated.

The Board was invited to:

- Note the paper's analyses of data needs, stakeholders and research approaches.
- Approve the recommendations set out in paragraphs 36-59, and below:
 - Conduct an annual quantitative telephone or online survey of the general public.
 - Conduct an annual quantitative survey of councillors, subject to Accounts Commission confirming that this is needed.
 - Host annual roundtables with third sector representatives as a form of focus group.
 - Use the existing Strategic Scrutiny Group meetings and structure to get feedback from that stakeholder group.
- Note the attached paper on the local government survey, in **Appendix One**, which was reported to the AS Executive Team and the Commission earlier this month. The survey finds very high awareness and regard for both AS and the Commission among council

leaders and chief executives. It also gives useful information on how to better communicate and engage with council leadership.

During discussion, the Board noted the data will be useful and would dedicate some specific time to focus on it as and when received.

Following discussion, the Board noted the analyses of data needs, stakeholders and research approaches and approved the recommendations set out in paragraphs 36-59.

Gemma Diamond left the meeting.

21. Any other business

There was no other business for discussion.

22. Review of meeting

The Chair invited members to comment on the papers and the conduct of the meeting.

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

The Chair thanked everyone for their contributions.

23. Date of next meeting: 21 November 2023

The members noted the next meeting of the Audit Scotland Board is scheduled for 21 November 2023.

Minutes

Audit Committee



Tuesday 5 September 2023, 10.00am
Audit Scotland, 102 West Port, Edinburgh / MS Teams

Present:

C Crosby (Chair)
J Mann
A Alexander

Apologies:

Ronnie Hinds, Interim Chair of the Accounts Commission
J So, Alexander Sloan

In attendance:

S Boyle, Accountable Officer and Auditor General for Scotland
V Bibby, Chief Operating Officer
M Walker, Director of Corporate Support
G Fitzpatrick, Corporate Governance Manager
S Dennis, Corporate Finance Manager
D Jeffcoat, Alexander Sloan
S Pringle, Wylie & Bisset
K Oliver, Executive Director of Innovation & Quality
P O'Brien, Director of Quality and Support
M MacPherson, Audit Director, PABV
C Calder, Audit Director, PABV
G Miller, Senior Manager, Innovation & Quality
E Bayne, Digital Security Specialist
N Paton, Digital Project Manager

1. Private meeting with Wylie & Bisset LLP

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

2. Welcome and apologies

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

Apologies were noted from Ronnie Hinds, Interim Chair of the Accounts Commission and Jillian So, Alexander Sloan.

The Chair of the Audit Committee and the Chair of the Board noted that this would be last meeting attended by Gayle Fitzpatrick, Corporate Governance Manager. Both noted thanks to Gayle for valued contribution to the committee and for the invaluable help Gayle had provided the members. They expressed their thanks and wished Gayle good luck in her new role.

Martin Walker, Director of Corporate Support advised that a recruitment campaign to fill the Corporate Governance Manager role would be underway soon and in the interim period he and the wider Corporate Governance team would cover the responsibilities. He also advised that David Robertson, Digital Services Manager would be responsible for the Data Protection Officer elements of the role during the interim period.

3. Declarations of interests

There were no declarations of interest.

4. Minutes of the last meeting: 6 June 2023

The Audit Committee members reviewed and agreed the minutes of the 6 June 2023 meeting, copies of which had previously been circulated.

The Audit Committee approved the minutes of the previous meeting.

5. Review of action tracker

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

Gayle Fitzpatrick, Corporate Governance Manager advised there were no issues to highlight and noted that discussions around the Covid19 lessons learned were still to take place.

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

6. Q1 Financial report

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

Stuart highlighted the change in the format and presentation of the report and welcomed any feedback from the members.

Stuart advised that the key financial risks currently were the implications of the ongoing pay award negotiations and that the closing work in progress figure were being managed in line with expectations.

The members discussed the content of the report noting the risks and how they are being managed.

The Audit Committee welcomed the discussion and noted the Q1 Financial report.

7. Review of risk register

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

Martin advised the risk register had been reviewed by the Executive Team on 15 August and had been aligned with the new strategic priorities set out in the Corporate Plan.

Martin noted that risk A9 has been escalated from the risk for monitoring register to the risk for action register in light of the recent stress survey results.

Risks A1 and A2 relating to cyber security remain the highest risks on the register. The members received an update on the Incident Management Team's recent simulated cyber incident, noting that it went well, and that the principles Cyber Incident Response plan had held good, and that the session provided the level of assurance required. Some practical steps for consideration were identified and the exercise was beneficial to the attendees.

The Audit Committee members welcomed the discussion and noted the review of the risk register.

Kenneth Oliver and Paul O'Brien joined the meeting.

8. Audit Quality update

Kenneth Oliver, Executive Director of Innovation & Quality and Paul O'Brien, Director of Quality & Support introduced the Audit quality update, copies of which had been previously circulated.

Kenneth advised the purpose of the paper was to provide assurance to the Audit Committee that quality improvements are being planned and managed. He noted the shift from previous years, with actions now being SMARTer and having evidence of completion. He also advised that root cause analyses inform the actions, with the focus being on the underlying causes rather than the symptoms.

The Committee noted that the action plan is a live document and that the timetable of priorities is being driven by reports from Audit Quality & Assurance (AQA) and the Institute of Chartered Accountants in England and Wales (ICAEW).

The members discussed the plan, they welcomed the joined-up approach with I&Q and AQA and noted how comprehensive the document was.

The Audit Committee noted the audit quality update.

Kenneth Oliver and Paul O'Brien left the meeting.

9. Internal audit annual report 2023/24

Stephen Pringle, Wylie & Bisset introduced the internal audit annual report 2022/23, copies of which had been previously circulated.

Stephen provided a summary of the audit work undertaken in 2023/24 to date. He advised that two audits had been completed with a further seven scheduled to be concluded by March 2024. Stephen confirmed that progress is on track to deliver all audits as planned for 2023/24.

The Audit Committee noted the internal audit progress report for 2023/24.

Mark MacPherson, Carol Calder and Gill Miller joined the meeting.

10. Internal audit report: Performance Audits and Best Value audits

Stephen Pringle, Wylie & Bisset, introduced the Performance Audits and Best Value report, copies of which had been previously circulated.

Stephen advised the audit provided a strong level of assurance surrounding Performance Audits and Best Value audit work, no risks or weaknesses had been identified and that 18 good practice points were highlighted with no recommendations for improvement made.

The members discussed the impact of external events on the timetable for performance and best value audits and were advised that the dynamic work programme has flexibility to accelerate or de-prioritise items on the timetable as required.

The members noted the audit was a useful experience for Audit Scotland colleagues and noted thanks to Wylie & Bisset.

The Audit Committee members noted the IAR on Performance Audits and Best Value audits.

Mark MacPherson, Carol Calder and Gill Miller left the meeting.

11. Internal audit report: GDPR

Stephen Pringle, Wylie & Bisset introduced the General Data Protection Regulations report, copies of which had been previously circulated.

Stephen advised the audit provided a strong level of assurance over the controls and systems in place around Data Protection and compliance with GDPR. 28 areas of good practice and two low graded recommendations for improvement were noted during the review.

Gayle Fitzpatrick advised that both recommendations had already been actioned.

The members noted the strong and positive report and welcomed the reassurance the report provided.

The Audit Committee members noted the IAR on General Data Protection regulations.

12. Internal Audit recommendations progress report

Gayle Fitzpatrick, Corporate Governance Manager introduced the progress with Internal Audit recommendations report, copies of which had been previously circulated.

Gayle advised the report provides members with an update on the implementation of internal audit report recommendations. Following the final Wylie & Bisset Internal Audit report for 2022/23, published in May 2023, there are 19 recommendations to be concluded. Of these, eight are complete and eleven are in progress.

The Audit Committee members noted the progress on the implementation of outstanding audit recommendations.

13. Annual review of Corporate Governance policies

Gayle Fitzpatrick, Corporate Governance Manager, introduced the annual review of corporate governance policies, copies of which had been previously circulated.

Gayle provided a summary of the non-material amendments relating to the policies and noted that the Audit Committee are to review and recommend updates, as appropriate, to the Board.

The Chair invited comments from members on the substantial changes to the following policies:

- Standing Orders
- Scheme of Delegation
- Financial Regulations
- Code of Conduct for members
- Code of Conduct for Employees

The members thanked the Corporate Governance Manager for presenting the policies with tracked changes. They noted in particular that the code of conduct for employee policy needs to be proofed once the changes have been accepted in advance of submission to Board on 26 September 2023 for approval.

The Audit Committee recommended the policies be approved by the Board.

14. Q1 Data incidents / loss report

Gayle Fitzpatrick, Corporate Governance Manager, introduced the Q1 Data Incidents/loss report, copies of which had been previously circulated.

Gayle advised that there were six data incidents recorded during quarter one. All six incidents did not require reporting to the Information Commissioner's Office (ICO) given the low risk level associated with the incidents and swift action undertaken.

The members noted that the incidents were low level and were due to human error.

The Audit Committee noted the data incidents/loss report.

Ethan Bayne and Nicola Paton joined the meeting.

15. Digital Security

Ethan Bayne, Digital Security Specialist and Nicola Paton, Digital Project Manager introduced the Digital security update report, copies of which had been previously circulated.

Nicola noted the benefits of the recent simulated cyber incident noting the preparedness of Audit Scotland to respond as effectively as possible to any cyber incident. The plan will be to carry out tests regularly to ensure we identify and strengthen any responses required. Nicola advised that the recent procurement of a cyber training system had been effective in delivering short, specialised cyber training to all staff. Email phishing testing is now being carried out by Ethan on a rolling basis.

Ethan updated the members on the progress of working through the network since March. Improvements have been made to the core switches and the network configuration to ensure a more secure and efficient network. Ethan advised he is currently reviewing how laptops connections are made with the aim of automatically connecting at logon rather than via AS Primary.

The members discussed the benefits of the cyber training and noted the importance of ensuring all staff completed the training. The members noted the comprehensive report and agreed less detail in future reports would be appropriate for the Audit Committee.

The Audit Committee noted the Digital security update.

Ethan Bayne and Nicola Paton left the meeting.

16. Any other business

There were no items of other business.

17. Review of meeting

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

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

18. Date of next meeting

The next meeting of the Audit Committee is scheduled for 14 November 2023.

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

Board actions

Tracker 2023

Item 9

Ref	Forum	Agenda item no	Item title	Action description	Meeting date	Due date	Responsible	Assigned to	Complete/ongoing	Reported Yes/No	Progress notes
ASB203	Board	11	Strategic Improvement Programme Review	additional indicative timelines and metrics detail for next report	04/04/2023	01/09/2023	Kenny Oliver	Gemma Diamond	Ongoing		Noted for the next update report due to September Board meeting. Raised again at Sept 23 Board meeting To be included in paper for January Board meeting
ASB212	Board	10	Health, Safety and Wellbeing - verbal update	Executive team to review how we capture Covid information in our time recording.	23/05/2023	01/06/2023	Martin Walker	Martin Walker	Complete		Data sources considered by Executive in w/c 25/09/23
ASB221	Board	16	2024 Proposed Board and Committee meeting schedule	Stephen Boyle to submit a proposal to the November Board for Board members visiting Aberdeen, Glasgow and Inverness offices.	25/09/2023	21/11/2023	Stephen Boyle	Stephen Boyle	Ongoing		Paper included in November Board agenda
ASB222	Board	16	2024 Proposed Board and Committee meeting schedule	Miranda Nicoll to check and confirm June 2024 Board meeting via correspondence	25/09/2023	09/10/2023	Nicola Constable	Nicola Constable	Complete		Emailed Board members 11 October 2023

Q2 Corporate performance report

Director of Corporate Support

Item 10
Meeting date: 21 November 2023

Purpose

1. This report provides the Board with a review of organisational performance as at quarter two (Q2) 2023/24.

Recommendations

2. The Board is invited to:
 - Review the performance in Q2 as set out below and in appendix 1.
 - Consider the issues affecting performance, the actions identified and whether any additional management action is required.

Background

3. The performance framework and the performance reporting are aligned to the [Audit Scotland corporate plan 2023-2028](#) published in June 2023.
4. The four sections in the slide deck attached as appendix one are:

Section	Strategic Priorities
Summary	
Delivery	Timely and impactful annual audit Dynamic performance audit programme Enhanced audit approaches
Resources	Developing our people and our business
Innovation and learning	Insights driving innovation

Performance overview

5. The infographic below provides a summary of performance as at Q2.

Audit Scotland Corporate Plan 2023-28: Strategic Priorities

Timely & impactful annual audit
Dynamic performance audit programme
Enhanced audit approaches
















Developing our people and our business

Insights driving innovation and
improvement

Delivery

Resources

Innovation and learning

Objective	Status	Objective	Status	Objective	Status
Audits delivered on time	RED 	Our finances: Spend against budget	AMBER 	Innovation driving audit transformation	- 
Audits delivered on budget	AMBER 	Our people: capacity to delivery - Establishment	AMBER 	Application of insights to decision-making, audit delivery & organisational change	- 
Audits delivered on time and on budget - Audit focus	AMBER 	Our people: capacity to delivery - Cost	GREEN 		
Audit quality assurance results	GREEN 	Our people: capacity to delivery - Wellbeing	AMBER 		
Impact through our work	GREEN 	Our people: capacity to delivery - Working across business groups	GREEN 		
Progress towards net zero and climate resilience targets	GREEN 	Our people: right skills - Learning & Development	AMBER 		
Progress against our equality outcomes	- 				

Not progressing/ significant additional management action required

Progressing and additional management action planned

On target/ no need for additional management action

Measures under development

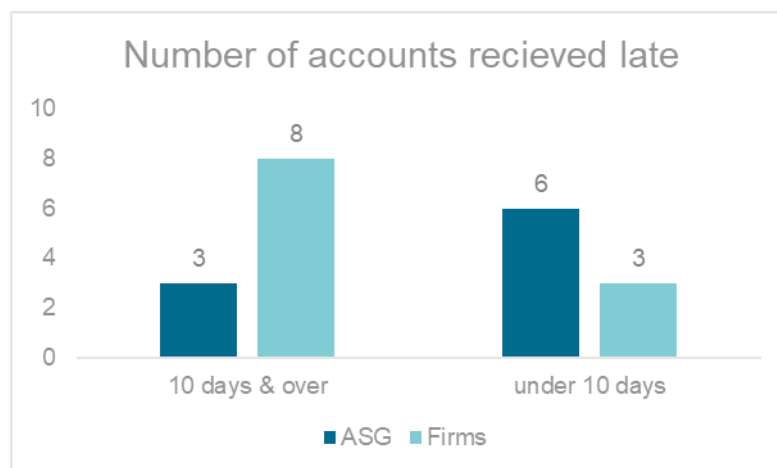
Note some measures are reported annually and do not feature in this report. The Board will consider the annual environment, sustainability, and biodiversity report at its meeting on 21 November 2023 and progress towards Net Zero will be reported in the Q3 report.

Audit delivery

Financial audits

- In quarter two we focussed on the delivery of the outstanding NHS accounts, Local Government (LG) accounts and some Central Government (CG) agency accounts.
 - In the year to date 94 per cent of annual audit plans have been delivered (57% to schedule)
 - 48% of Annual Accounts have been delivered. There are two outstanding deadline dates for CSG and Further education Audits and these will be reported in Q3.
 - All of the NHS audits are now complete (the last being signed off on 24 August 2023)
 - 33% of the Local Government (LG) accounts were delivered to the planning guidance deadline of 30 September (40% have been delivered at the time of writing)
 - 44% of the Central Government - agencies (CG - A) accounts were delivered to the planning guidance deadline of 31 August are complete. (76% have been delivered at the time of writing)
 - 45% of the Central Government – NDPBs (CG - NDPB) accounts were delivered to the planning guidance deadline of 31 October are complete. (45% have been delivered at the time of writing). The deadline for this is not passed at time of writing and will be updated in the Q3 report.
 - At the time of writing, there is one financial audit outstanding from 2021/22. A verbal update on the most up to date position will be provided at the meeting.

7. The delayed delivery of the 2021/22 audits meant that the planning and delivery of the 2022/23 audits commenced later than it would have in pre covid years.
8. The deadline dates for the financial audits have returned to the pre covid dates. This means that the time available to complete the NHS and Local Government audits is shorter than it was for the 2021/22 audit year.
9. An analysis of the audits that have been delayed indicates that:
 - 55% of delayed audits are due to audited body (including Board sign off date after deadline, availability of finance staff, body late providing evidence and audit amendments)
 - 25% due to auditor (including phasing to accommodate scaling up, availability of staff, necessary prioritisation of other audits)
 - 20% other (including late sign off of 2021/22 audits and Pension Fund auditor assurances not being available)
10. There is some variation in how late the reports (year to date) are:



ASG delivery

11. The Audit Services Group (ASG) portfolio of audits for this appointment round is larger than in the last appointment round (159 compared to 139 previously). The portfolio also contains some large and complex audits, as well as more audits of Further Education (FE) colleges, these have a later sign-off deadline of 31 December 2023.
12. The change in deadline dates mean that direct year-on-year comparisons are more complex than in previous years. An analysis of delivery using rebased target dates for ASG is attached as **annexe 1** at pages 6 and 7. This indicates that timeliness of audit delivery against planned sign-off dates is improving for ASG audits.
13. As outlined within our [Audit Scotland Business Plan 2023-25](#), approved by the Board in September 2023, our aim remains to use 2022/23 audits as the baseline, and to improve the timeliness in delivery of the annual audit of 159 public bodies against the timescales specified by the Auditor General and Accounts Commission in the planning guidance, through focused, risk-based improvements over the remaining four years of the current appointment round that maintain audit quality.

14. ASG is developing realistic annual risk based interim milestones to measure progress against this objective. The milestones for the 2023/24 audits will be available in January 2024. Audit delivery is monitored on an ongoing basis and is formally reviewed by the ASG Management Team at its monthly meetings.
15. The objective is to return to delivering 95% of the audits to the planning guidance deadlines by the end of the 2026/27 (the current audit round).

Performance audits

16. Eight performance audits/ other reports were scheduled for Q2. Six were delivered on time and two delivered late. The reports were:

AGS

- [Scotland's Colleges 2023 for the Auditor General](#) – published 7 September 2023
- [Investing in Scotland's infrastructure](#) – Audit Scotland Briefing paper – published 28 September 2023

Accounts Commission

- [The 2021/22 audit of Glasgow City Council Update on equal pay arrangements](#) published 24 August 2023
- [20 years of Best Value auditing in Scotland](#) Blog published 26 September 2023
- [20 years of Best Value auditing in Scotland](#) report published 26 September 2023

Joint

- [Adult Mental Health](#) a joint report for the Auditor General and Accounts Commission – published 13 September 2023

Audit Scotland

- [Approaches to achieving net zero across the UK](#) – Audit Scotland in conjunction with the NAO, Audit Wales, and Northern Ireland Audit Office – published 15 September 2023
- [Fraud and irregularity Annual report 2022/23](#) published 13 July 2023

Resources and capacity

17. The number of WTE at end of September was 329.1, against an establishment level 347.1 WTE. Year to date this equates to 94.8%. The breakdown by business group is included in Appendix 1.
18. We currently have recruitment and selection campaigns under way to fill vacancies of audit officers in PABV, trainee auditors in ASG, a Senior Manager for the financial audit approach in I&Q and a variety of roles within the Business Support team in CSG following a review of the structure of the team and roles.
19. On 9 October we published the new Learning and Development Plan. The plan is based on our strategic priorities, areas identified through quality reviews and engagement with

colleagues. The plan aims to ensure that all colleagues are equipped with the skills they need now and, in the future, and facilitates delivery of our corporate values. It expands mandatory learning to cover professional developments. This will provide the basis for colleagues to meet relevant Continuous Professional Development (CPD) requirements.

20. The sickness absence rate in Q2 was 1.56 days per employee which is still below average benchmarking figures for UK workplaces. The recent CIPD health and well-being at work 2023 report explores health, wellbeing, and absences in UK workplaces. The survey has found the highest absence rate in over a decade, 7.8 days per employee.
21. We are being more flexible in how we deploy the staffing budget. In practical terms this means that any vacancy which arises will not automatically be backfilled. The business group will consider how best the available staffing budget may be used, for example by having additional posts at lower grades, where this is a more effective use of the resources.
22. Audit Scotland operational costs were delivered within 15% of budget.

Innovation & Learning

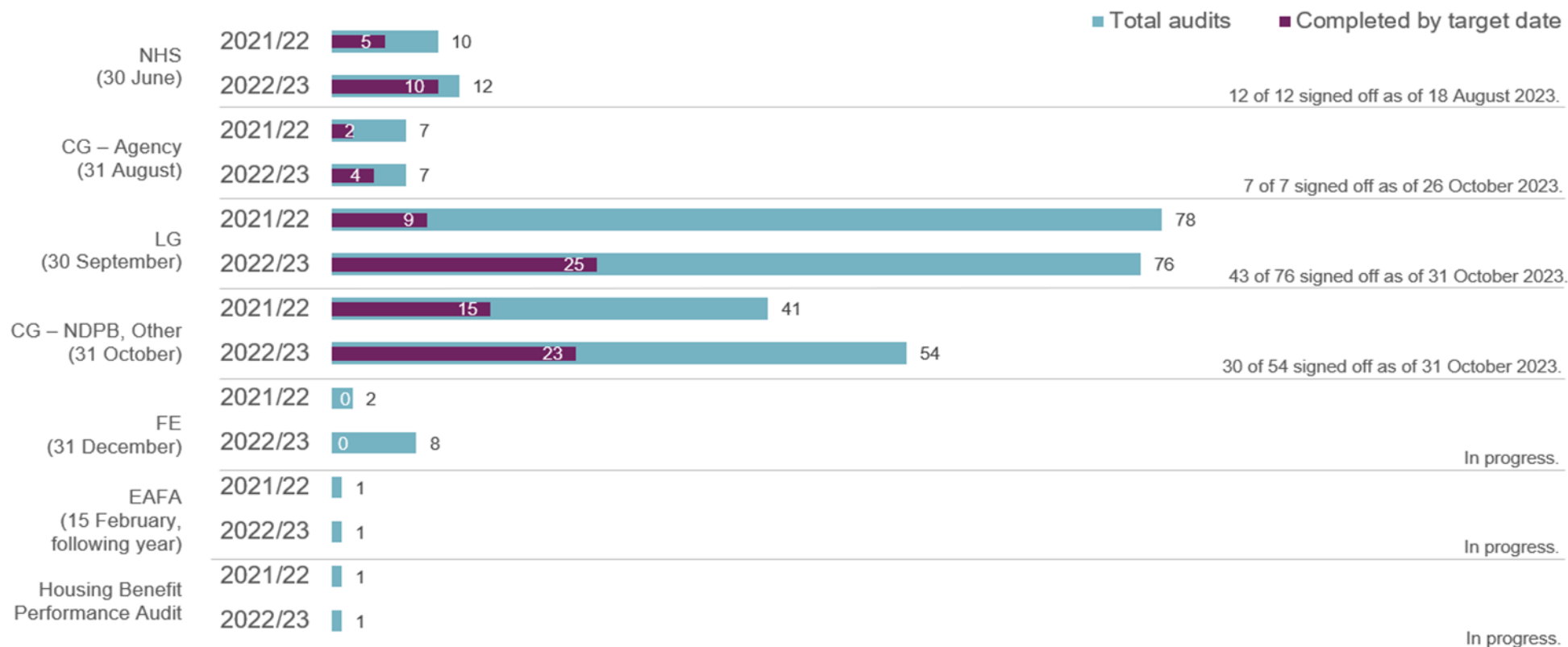
23. Key performance indicators for this area have been developed and data collection is taking place. A large number of the measures will be available in the quarter three report.

Developments in performance reporting

24. We are continuing to develop our data collection, analysis, and reporting arrangements. This includes the increased use of targets, time series data and benchmarking.
25. We have recently initiated a Resourcing and Performance Information project as part of the Strategic Improvement Programme. The purpose of this project is to assess the business need for and market availability of a resourcing and performance management system so that we can deploy our people and analyse and report on performance in a more effective and timely way.
26. The project team held a scoping meeting on 9 October 2023, and we are in the process of procuring some project management support for the project. This will enable the development of the project initiation document and a detailed project plan.
27. Members of the Performance and Risk Management Group are also analysing how we can streamline and optimise our current performance report arrangements while this project is delivered.

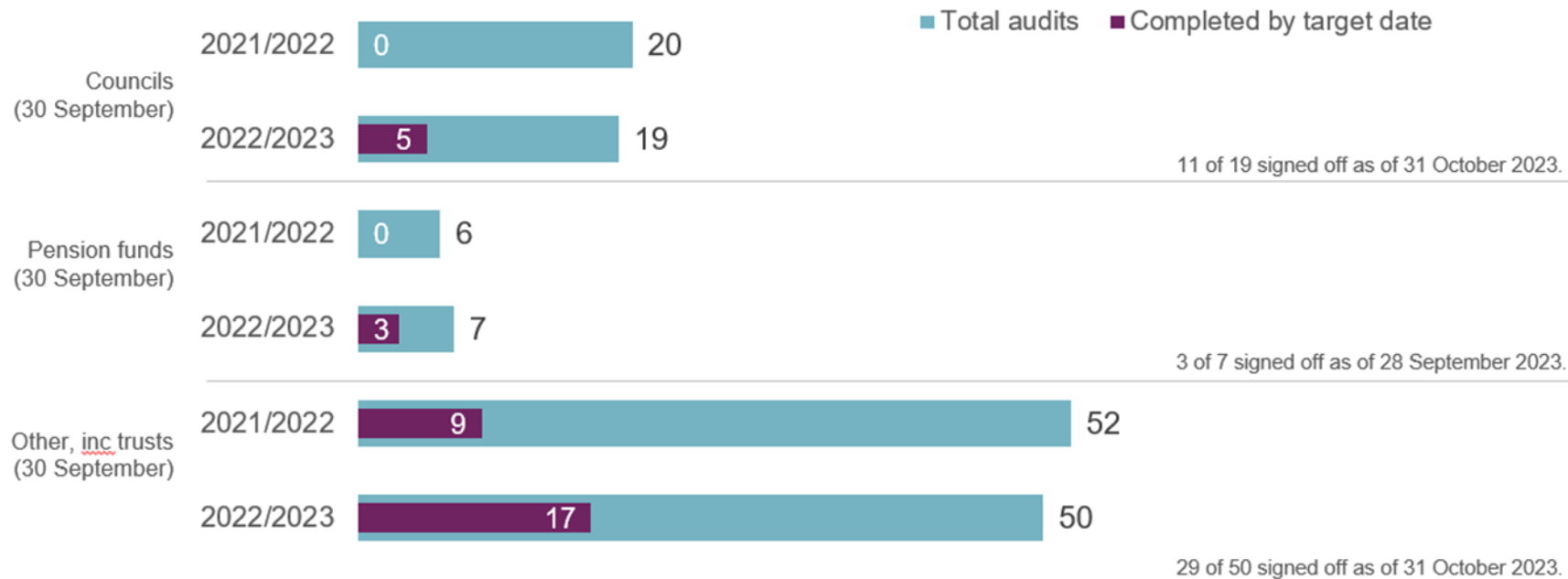
Annex 1: ASG audit progress delivery update

Audit delivery – progress update



2021/2022 has been restated for consistency with 2022/2023 performance reporting. Target date relates to planning guidance target date (rather than the statutory reporting deadlines, which are later).

LG splits – progress update



2021/2022 has been restated for consistency with 2022/2023 performance reporting. Target date relates to planning guidance target date (rather than the statutory reporting deadlines, which are later).

Q2 Corporate Performance Report

Appendix 1

Audit Scotland Corporate Plan 2023-28: Strategic Priorities

Timely & impactful annual audit
Dynamic performance audit programme
Enhanced audit approaches

Developing our people and our business

Insights driving innovation and improvement

Delivery

Objective	Status	
Audits delivered on time	RED	⬆️
Audits delivered on budget	AMBER	➡️
Audits delivered on time and on budget - Audit focus	AMBER	➡️
Audit quality assurance results	GREEN	➡️
Impact through our work	GREEN	➡️
Progress towards net zero and climate resilience targets	GREEN	➡️
Progress against our equality outcomes	-	➡️

Resources

Objective	Status	
Our finances: Spend against budget	AMBER	➡️
Our people: capacity to delivery - Establishment	AMBER	➡️
Our people: capacity to delivery - Cost	GREEN	➡️
Our people: capacity to delivery - Wellbeing	AMBER	➡️
Our people: capacity to delivery - Working across business groups	GREEN	➡️
Our people: right skills - Learning & Development	AMBER	➡️

Innovation and learning

Objective	Status	
Innovation driving audit transformation	-	➡️
Application of insights to decision-making, audit delivery & organisational change	-	➡️

Not progressing/ significant additional management action required

Progressing and additional management action planned

On target/ no need for additional management action

Measures under development

Summary | Highlights, challenges and actions

Highlights

Delivery year to date

- We have delivered 94% of the Annual Audit plans (target 100%).
- All NHS audits have now been delivered

Resources

- In Q2 audits/reports were delivered 10% under budget (target +/-5%%).
- Absence levels remain low at 0.98 days
- Audit Scotland organisational costs delivered within 15.7% of budget (target breakeven by year end)
- We delivered 76 training events with 495 attendees

Actions

- As outlined within our [Audit Scotland Business Plan 2023-25](#), approved by the Board in September 2023, our aim remains to use 2022/23 audits as the baseline, and to improve the timeliness in delivery of the annual audit of 159 public bodies against the timescales specified by the Auditor General and Accounts Commission in the planning guidance, through focused, risk-based improvements over the remaining four years of the current appointment round that maintain audit quality.
- ASG is developing realistic annual risk based interim milestones to measure progress against this objective. The milestones for the 2023/24 audits will be available in January 2024. The objective is to return to delivering 95% of the audits to the planning guidance deadlines by the end of the 2026/27 (the current audit round).
- A new people strategy is being considered by the Remuneration and Human Resources Committee (Remco) on 14 November 2023.
- Ongoing recruitment to fill vacancies

Challenges

Delivery

- We delivered 48% of the financial audits that were due by 30 September
- Delivery on time YTD for PABV is 76% and for ASG is 57% for Annual Audit Plans and 44% for Accounts.

Resources

- The average WTE number of staff year to date is 330.5. This equates to 95.2% of the establishment

Delivery

Objective

Audits delivered on time and on budget

KPQ

Are audits delivered on **time**?

Target

95% of audits delivered on time

OVERVIEW **RED**

Financial Annual Audit plans:

Year to date (YTD) we delivered:

- 213 (94%) of the 228 Annual Audit plans (AAPs), 130 (61%) of the AAPs were on time.
- On time: ASG = 64% Firms = 46%

Financial Accounts: Deadlines for delivery of financial Audit are now in line with pre covid dates. Available time for delivery of both NHS and Local Government audits is shorter than for last year. Therefore, a direct comparison with last year is not comparing like for like but the following is provided for indicative purposes.

YTD delivery of audit, by Audit Scotland and the firms was:

- 109 (48%) of financial audits were completed (52% on time compared to 51% 2021/22).
- 40 (40%) of local government audits were completed (33% on time compared to 43% in 2021/22)
- 23 (100%) of NHS audits were completed (74% were on time compared to 96% in 2021/22)
- 19 (76%) of central government agencies were completed (44% on time compared to 35% 2021/22)
- One 2021/22 audit remains outstanding.

Performance Audit

In Q2 we expected to deliver eight Performance Audits.

Six (75%) were on time:

- Two for the Accounts Commission - both on time
- Two for the AGS - both on time
- Two for Audit Scotland - both on time
- One S102 report and one joint Accounts Commission/AGS reports were delivered late

Year to Date

We have delivered 17 Performance audits/reports with 76% on time.

- Five for the Accounts Commission (80% on time)
- Six for the AGS (67% on time)
- Two for Audit Scotland (100% on time)
- Four Joint reports (75% on time)

Objective

Audits delivered on time and on budget

KPQ

Are audits delivered on **time**?

Target

95% of audits delivered on time



Performance, trend and RAG

Audit delivery is rated as red as the projected performance indicates that delivery by Audit Scotland and the firms will remain below the interim target levels of 70%.

Financial Accounts For Accounts Commission YTD:

33 (33%) of the Local Government accounts due by the end of September were delivered in Q2 (22 Audit Scotland and 11 firms).
On time: AS = 37% and Firms = 27%

Financial Accounts For Auditor General for Scotland YTD:

39 of the 48 (81%) NHS and CG agency accounts due by the end of June and September 2023 respectively were delivered. We have also delivered 25 Central Government NDPB (due 31/10/2023) were delivered in Q2 Audit Scotland were 50% on time and Firms 50% on time

100% NHS accounts have been delivered.

76% of Central Government agencies accounts have been delivered.

44% of Central Government NDPBs accounts have been delivered (these are not yet due until 31 October 2023)

Reasons for late delivery of audits year to date

An analysis of the audits which have been delayed indicates that:

- 33 (55%) are due to audited body (including Board sign off date after deadline, availability of finance staff, body late providing evidence and audit amendments)
- 25% due to auditor (including phasing to accommodate scaling up, availability of staff, prioritisation of other audits)
- 20% other (including late sign off of 2021/22 audits and Pension Fund auditor assurances not being available)

Performance Audit

Eight PABV Audits were delivered with six (75%) on time.

Two reports were delivered late in Q2, a section 102 report for the Accounts Commission (AC) and one joint AGS/ Accounts Commission report.

The S102 report was initially due to go to the AC in June, however, the scope was not agreed until late in April. With no AC meeting in July, the next available meeting was August. Along with the delayed start, this was also the new CoA's first statutory report and therefore involved more engagement than originally anticipated, as well as some extension to the scope. There was also a request from the council to delay our publication as much as possible to allow them to brief elected members on its position around equal pay.

The joint report AC/AGS report was delayed due to sickness absence in the team. In addition, the Scottish Government confirmed that the new mental health and wellbeing strategy, originally expected by the end of 2022, would now not be published until Spring 2023. The team proposed extending the fieldwork timescales to carry out further audit work, and to enable an informed critique of the content of the new strategy and how well it might address the findings of the audit work.

Objective

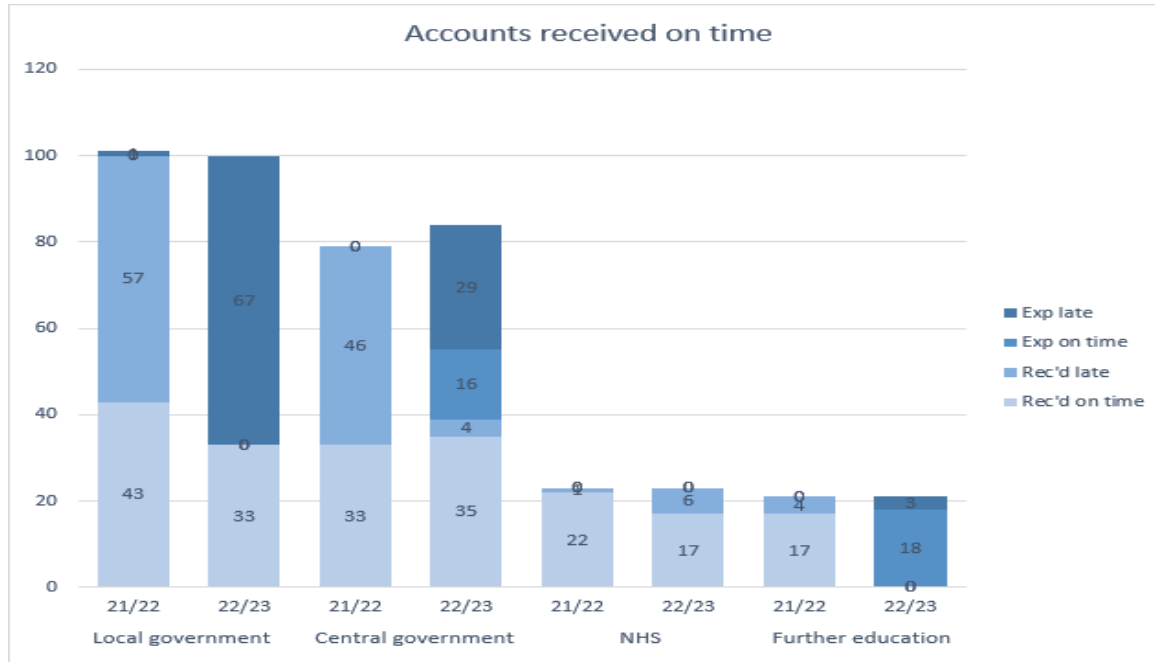
Audits delivered on time and on budget

KPQ

Are audits delivered on **time**?

Target

95% of audits delivered on time



Risk

Audit delivery misses statutory deadline
Delay in delivery this year's audit impacts on the ability to deliver future year audits on time

Risk register

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

A3 - Failure to deliver audit to deadlines ● ⇨

M2 - Failure of independence, reputation, focus and relevance ● ⇨

Issues / Actions	Actions to improve performance	Who	Timescales	Comment / update
ASG action plan for delivery of financial audits.	The objective is to return to pre-pandemic delivery schedules within the duration of the current audit appointment.	ASG	Appointment period	ASG is developing realistic annual risk based interim milestones to measure progress against this objective. The milestones for the 2023/24 audits will be available in January 2024.).
Audit Scotland Business Plan published September 2023	Use 2022/23 audit delivery as the baseline and apply a risk-based approach to map out how the delivery of the annual audit will improve throughout the current appointment round (to 2026/27).	ASG Supported by I&Q and CSG	Appointment period	

Objective

Audits delivered on time and on budget

KPQ

Are audits delivered on **budget**?

Target

+/-5% of budget

OVERVIEW **Amber**

The Q2 audit variance of 10% is due to the phasing of the audit costs and staffing levels.

Actual costs do not include the pay award. However, the budgeted costs do include pay award assumptions. The short-term secondment of staff to AC support and I&Q has also impacted on this, reducing the amount of time charged to audits.

The percentage variance is outwith the target of +/-5% and is rated amber as progress is being made on recruitment and the delivery of audit.

Budget

Product	Total budget £	AC budget	AGS budget	Total costs £	Variance £	% Variance
Annual audits	3,899,909	2,127,453	1,772,456	3,701,522	-198,387	-5
Performance audits	1,856,319	834,060	999,254	1,505,947	-350,372	-19
Total	5,756,228	2,961,513	2,771,710	5,207,469	-548,759	-10

Risk

In Q2 Audits were 10% under budget. This is expected to vary during the year and does not present a significant risk at this time.

Risk register

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

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

A9 - Failure of timely & efficient access to performance & business management information

Issues / Actions	Actions to improve performance	Who	Timescales	Comment / update
Budget report across quarters and sectors	We are working to identify a more accurate way to capture budget across the quarters and will work closely with the new business managers to further developing the reporting in this area.	CSG/ ASG/ PABV	ongoing	The Resourcing and Performance Information project team met to scope the project on 9 October. This project will help to progress reporting in this area.

Objective

Audits delivered on time and on budget

KPQ

Are colleagues **audit focused**?

Target

70% of available time on audit

OVERVIEW **AMBER**

The graph shows the percentage of available time recorded against audit codes and non-audit codes. Available time does not include leave.

The combined ASG and PABV time spent on Audit (69%) is close to the target.

Across the whole organisation 54% of time was recorded as audit time and 46% recorded as non-audit time. The breakdown by Audit delivery business groups is shown in the graphic.

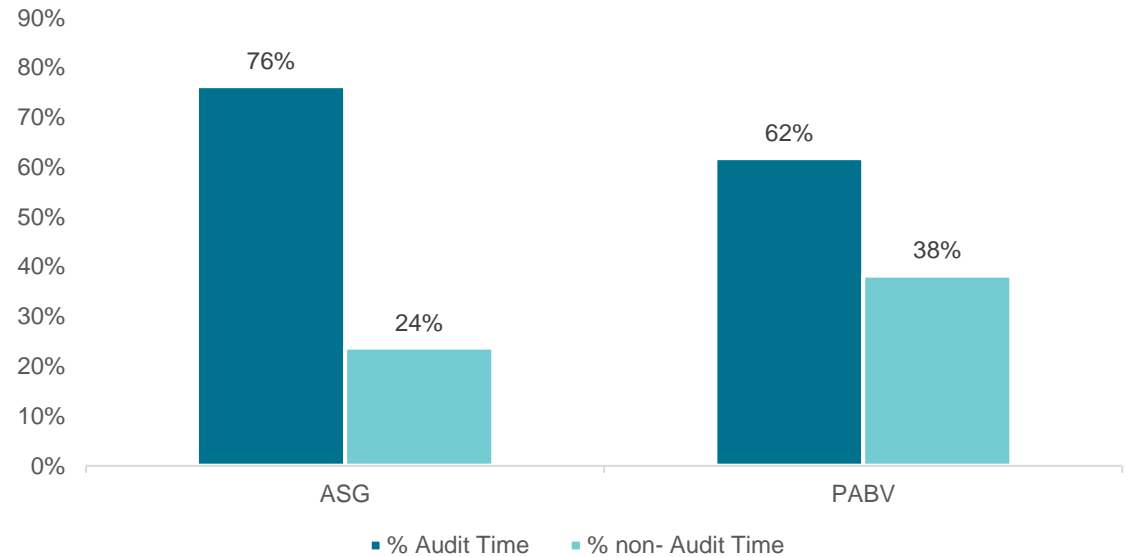
Non audit time includes time codes for:

- Learning & Development
- Improvement Projects
- Business Group Management
- Meetings
- Travel
- Other (including general administration)

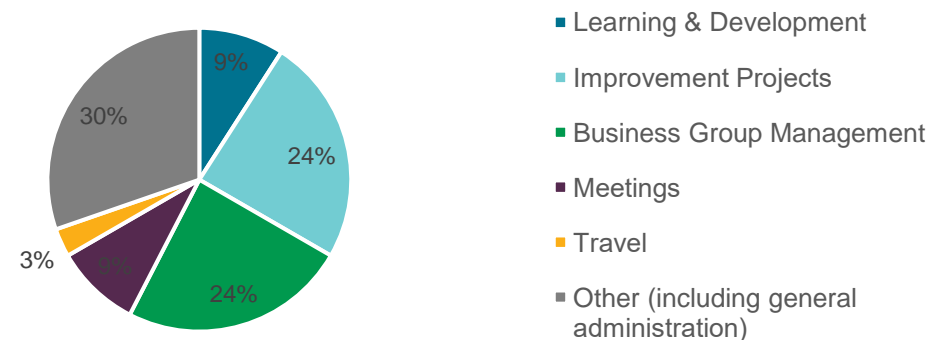
Percentage of colleagues delivering audit in Audit delivery business groups:

- ASG 95%
- PABV 88.8%

Percentage of available time spent on Audit



% Breakdown of non-audit activity for ASG & PABV



Objective

Audits delivered on time and on budget

KPQ

Are colleagues **audit focused**?

Target

70% of available time on audit

Performance, trend and RAG

Non audit time includes time codes for:

Learning & Development, Improvement Projects, Business Group management, meetings, travel and 'other' (including general administration)

Leave time codes include the following:

Annual leave, Public holiday, Flexi leave, Sickness, Medical appointment, Phased return, Maternity/Paternity leave, Compassionate, Secondment, Unpaid leave, Parental, Jury service/ public duties, Career break and Transport disruption.

Risk

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

Risk register

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

A5 – Failure of audit quality ● ⇨

A3 – Failure to deliver audits to deadlines ● ⇨

Issues / Actions	Actions to improve performance	Who	Timescales	Comment / update
The target of 70% of available time spent on Audit	Time Codes are being reviewed to assure they are appropriate, and we continue to communicate with colleagues to ensure that time codes are used timeously, consistently and accurately	PRMG/ Business Groups	Q2	Time codes have been reviewed to ensure they reflect need. However, accuracy of data entry is an ongoing issue that all business groups will manage. The Time codes will continue to be monitored to ensure they are fit for purpose.

Objective

Audit quality assurance results

KPQ

Are we assured about the **quality** of our work?

Target

80% of reviews achieve level 1 or 2 (over a three year period)



OVERVIEW **GREEN**

The Interim Audit Quality Report will be considered by the Board at its meeting on 21 November 2023.

During Q2:

- ICAEW's final report, 'Audit Scotland 2021-22 QAD report' was received on 8 August 2023. This was ICAEW's first report for Audit Scotland and concluded, 'The quality of audit work reviewed was of a generally good standard' for both ASG and PABV engagements.
- The quality improvement action plan has been extensively revised to reflect the most recent internal and external quality findings and ensure actions are SMART and focused on key areas. Work is underway with improvement actions progressed in Q2 which will continue through to Q3 & Q4.
- To support ASG, the Quality team completed a thematic review of audit work to implement revised ISA (UK) 315. Key findings were shared with ASG colleagues in a Quality Bulletin issued in July 2023. The post implementation review of our ISA (UK) 315 audit approach was carried out in Q2 with some valuable lessons learned, and an action plan for agreement with management is planned for Q3.
- A programme of hot file reviews (HFRs) for ASG has continued throughout Q2 with a focus on supporting new Engagement Leads completing their first sign offs. HFRs will conclude in Q3, and emerging findings will be shared with ASG colleagues.
- To support PABV, we implemented all the actions from the hot and cold reviews, and RCA process, in relation to the AMF and other outputs guidance. I&Q also completed the Peer review and Post-Project reviews exercises and discussed the findings with PABVLT. We have prepared a summary of our quality results and actions and will share with the PABV team imminently.
- To support our whole organisation quality arrangements, we have progressed our monitoring and compliance with ISQM1 in Q2, with a detailed questionnaire returned to our AQA team and Executive Team updated.

Objective

Audit quality assurance results

KPQ

Are we assured about the **quality** of our work?

Target

80% of reviews achieve level 1 or 2 (over a three-year period)



Performance, trend and RAG

I&Q monitor the progress with and impact of audit quality improvement actions. Progress to date is 4 actions completed, 11 in progress, 4 not started. The remaining actions are scheduled for completion in Q3 & Q4.

The action plan is subject to regular review by the Quality & Ethics Committee. We will look at the impact of the actions through next year's quality reviews and report on this in Q4 2023/24 and Q1 2024/25.

Risk

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

Risk register

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

A5 – Failure of audit quality ● ⇨

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

Issues / Actions	Actions to improve performance	Who	Timescales	Comment / update
ISQM1 areas for development	ISQM1 action plan	Head of Quality	ISQM1 improvement actions due for completion by December 2023.	The annual review of ISQM1 and revised risk assessment was reviewed by the Quality and Ethics Committee on 26 October. Actions have been progressed in Q2 and an update will be provided to ET in early 2024.

Objective

We engage with stakeholders

KPQ

How are we **engaging** with stakeholders

Target

Engagement - time series comparison



OVERVIEW **GREEN**

Stakeholder engagement is rated green.

The Parliamentary Summer recess was between 1 July and 2 September 2023. This typically impacts on engagement metrics.

We continue to get our messages out effectively through a variety of means.

- The Auditor General for Scotland's top three reports covered by the media included:
 - PA: Adult Mental Health
 - Briefing: Scotland's Colleges
 - Briefing: Investing in Scotland's InfrastructureEngagements with Auditor General posts = 2,399
- The Accounts Commission top media items included:
 - PA: Adult Mental Health
 - S102 Glasgow City CouncilEngagements with Accounts Commission posts = 2,457

Engagements with Audit Scotland posts =16,516

Measure	Q2 23/24	Q2 22/23
Consultation responses	5	7
PAC attendance	3	6
Web users	34,257	Not available
Downloads	360,179	122,489
Media mentions	172	226
Social media engagement	21,372	20,473

Objective

We engage with stakeholders

KPQ

How are we **engaging** with stakeholders

Target

Engagement - time series comparison

Performance, trend and RAG

Parliament was in recess for much of the summer and there was a smaller number of reports published during the quarter. This impacted on levels of media coverage, as in other years.

- The top performing reports were the PA: Adult Mental Health, the briefing on Scotland’s colleges and the briefing on Investing in Scotland’s infrastructure.
- Ferries, and the Auditor General’s role in investigating how public money was used at Ferguson Marine, continues to feature prominently as a story in wider media coverage mentioning Audit Scotland/the Auditor General.

The Accounts Commission considered the results of the [Local Government Survey](#) at its September meeting. Overall Chief Execs and Leaders regarded the Commission and Audit Scotland favourably.

Accounts Commission members attended the Solace and Cosla conferences in September 2023.

Innovation


Our adult mental health lived experience video was the first time we have put the service user’s voice at the front of our social media content. The human aspect of this seemed to go down well with followers.

Risk

The risk is to Audit Scotland's reputation if we do not engage with key stakeholders.

Risk register

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

M1– Failure to maximise the value, impact and influence of public audit 

Issues / Actions	Actions to improve performance	Who	Timescales	Comment / update
Proposals for stakeholder surveys	Reports to Board and Accounts Commission – September 2023	Comms	September 2023	
Revised Comms & Engagement Strategies for Audit Scotland and the Accounts Commission		Comms	AS strategy – Jan 2024 AC strategy – Mar 2024	

Objective

We communicate with stakeholders

KPQ

How are we responding to enquiries from the public

Target

Communication - Better than 95% on time

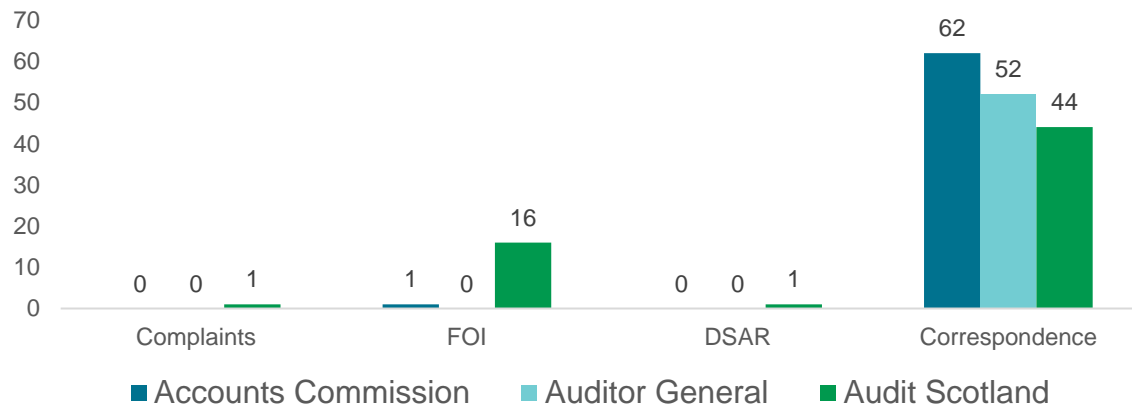


OVERVIEW

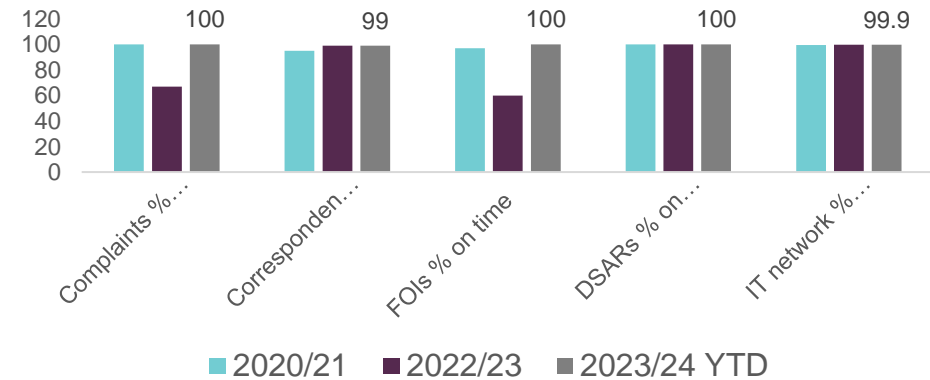
In Q2 we responded to:

- 77 items of correspondence/ issues of concern (100% on time)
- 10 FOI/EIRs (100% on time)
- No data subject access requests in Q2
- No complaints in Q2

Stakeholder engagement in YTD



Percentage on time



Objective

Progress against our **equality outcomes**.

KPQ

Are we progressing towards our equality outcomes

Target

TBC

OVERVIEW

During Q2 we published our [2022/23 annual diversity report](#). Key findings includes:

- We have a broader level of ethnic diversity across our workforce than in the Scottish population. We continue to receive an increasing number of recruitment applications from candidates who have declared they are from an ethnic minority.
- We have a higher proportion of females working at Audit Scotland than in the Scottish population. Although the percentage of women transitioning through our Career Development Gateway process has increased, there is still vertical segregation in pay with women under-represented in our highest two pay bands.
- Compared to the Scottish working population, we have fewer colleagues in the 16-24 age group and more in the 25-49 age group. However, we have continued to increase the proportion of colleagues in the 16-24 age group, reflecting our commitment to early career development and progression.
- The percentage of employees reporting a disability has increased but disabled people are still under-represented in Audit Scotland compared to the Scottish population and this remains a key priority for us to address.
- Predominantly employees are heterosexual, however, there have been slight reductions in employees self-identifying as LGBO and preferring not to state their sexual orientation.
- The percentage of employees with no religion is lower than the Scottish population.

We are committed to using data to understand whether our efforts to promote diversity and equality across our workforce are delivering results. While we continue to make good progress improving ethnic diversity within Audit Scotland, we have more work to do to increase the representation of disabled people and young people in our workforce and to address vertical segregation of males and females.

In April 2023 we started working with our new diversity, equality and inclusion (DEI) partner, Business in the Community (BiTC). The aim of this partnership is to support us to deliver on our equality outcomes around increasing the diversity of people into Audit Scotland and their progression through every level of our organisation, and to broaden our culture of diversity and inclusion, so all employees feel valued, engaged and contribute. Through the partnership we are receiving support to develop a new EDI strategy, learning and development support for colleagues and support with benchmarking our progress. Since April 2023, the partnership with BiTC has delivered the following:

- Training for colleagues leading employee networking groups on how to run effective network groups.
- Advice and tools, including on DEI data collection, reasonable adjustments and responsible business.
- Guidance and facilitation support for the project team developing our new DEI strategy.

ObjectiveProgress against our **equality outcomes**.**KPQ**Are we progressing towards our **equality outcomes****Target**

TBC

Data Measure	Source	Comment
Percentage of PABV products that: <ul style="list-style-type: none"> • reference social and economic factors and protected characteristics • reference social and economic factors and protected characteristics in audit recommendations • improve accessibility by producing alternative outputs 	PABV six-monthly monitoring	Aiming to have data collection and reporting in place for Q3 2023/24.
References to equalities across strategy and planning documents, in corporate meetings and in consultation responses	CSG / I&Q annual monitoring	Aiming to have data collection and reporting in place for Q1 2024/25.
Percentage of employees declaring diversity information	HR annual monitoring	Rates of declaration vary by protected characteristic due to data collection methods: <ul style="list-style-type: none"> • Ethnicity – 93.5% • Gender – 100% • Disability – 43.8% • Age – 100% • Sexual orientation – 91.2% • Religion – 94.4% • Marital status – 97.4%

ObjectiveProgress against our **equality outcomes**.**KPQ**

Are we progressing towards our equality outcomes

Target

TBC

Data Measure	Source	Comment
Diversity of our workforce in relation to Scottish population	HR annual monitoring	We published our 2022/23 annual diversity report during Q2. Appendix A on page 26 sets out the diversity of our workforce in relation to the Scottish population.
Topics discussed / progress with actions from internal Equality and Human Rights Steering Group and external Equality and Human Rights Advisory Group	EHRSG quarterly monitoring	<p>YTD position as at end of Q2:</p> <p>Equality and Human Rights Steering Group (Internal)</p> <p>Our internal steering group has progressed a range of areas including:</p> <ul style="list-style-type: none"> • Equality impact assessments (EIAs) – Reviewing and refreshing our EIA guidance, including working with an external specialist and Scottish Government on development and training for colleagues. The EHRSG has also been involved in an EIA on our new occupational health provider. • Human rights-based approach – Developing our organisational response to the Human Rights Bill for Scotland consultation. EHRSG members are active in this area externally including attending think tank events and external advisory and implementation groups. <p>Equality and Human Rights Advisory Group (external)</p> <p>We have engaged with our external advisory group on a range of audit reports and topics, including the following: heat in homes, social care, local government overview, drug and alcohol services, and our response to the Human Rights Bill for Scotland consultation.</p>

Resources

Objective

Our finances: Spend against budget

KPQ

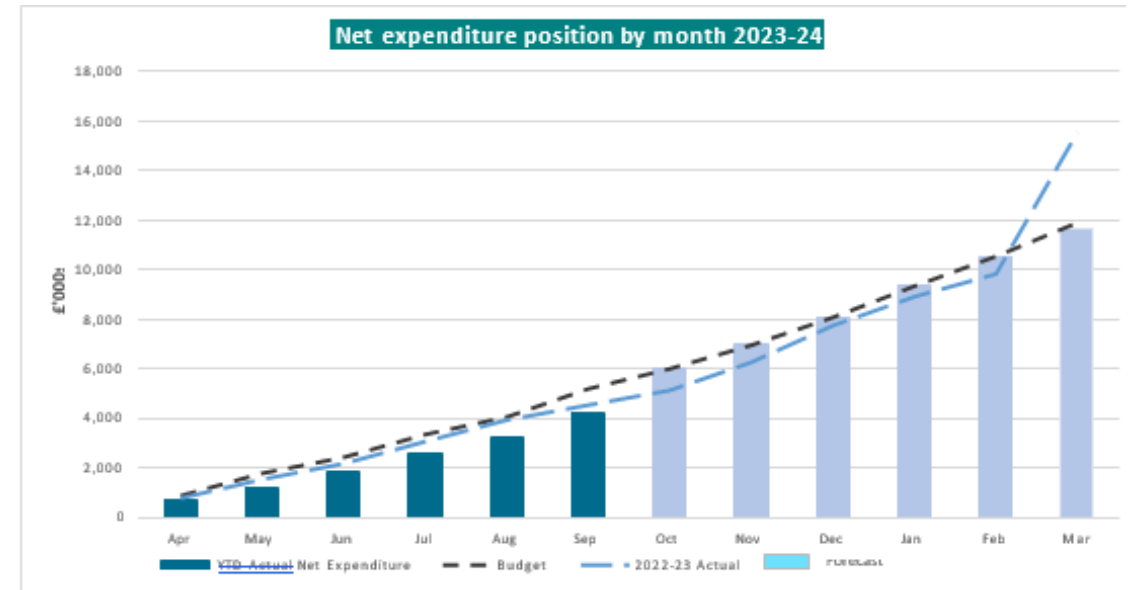
Spend against budget - Organisation

Target

Break even

OVERVIEW **AMBER**

- The Target for Audit Scotland is break even as required by the Public Finance and Accountability (Scotland) Act 2000.
- At the end of September 2023 Audit Scotland's total expenditure funded by the Scottish Consolidated Fund was £4,285.7k which was £780.9k (15.4%) less than budget.
- Net operating expenditure of £4,229.7k was £786.9k (15.7%) less than budget.
- Income – recognition of income on completion of outstanding 21/22 audits for both firms and in-house work. Firms additional income (£225k) offset by increased firms payments (£212k). For 22/23 audits, in-house and firms slightly behind plan with delivery in local government being better than other sectors.
- Pay – budgets include pay award assumption of 3% with the implementation of a pay settlement outstanding. This leads to a favourable price variance year to date. There is also a favourable variance due to the average whole time equivalent (w.t.e.) position being 9.8 below funded establishment which includes a 2% vacancy/turnover factor
- Non-pay - underspends in professional services, travel & subsistence, recruitment and depreciation reduced by overspends in firms' payments, IT, training, property and occupational health costs.
- Management contingency - £500k budget. £150k allocated to capital investment and a further requirement to allocate funds to meet increased accommodation costs and the impact of the final pay award. Forecast - based on June result with the assumption that the current pay offer is accepted. Forecast to be updated following September result.



Objective

Our finances: Spend against budget

KPQ

Spend against budget - Organisation

Target

Break even

The current financial risks are:

- Impact of April 2023 pay award (ballot result expected mid November).
- Firms' payments are linked to April 2023 pay award.
- Uncertainty of 2023/24 audit fee increase.
- Closing work in progress position for 2023/24 audit work at 31 March 2024.
- Planning for loss of EAFA income.
- Resourcing pressures and staff wellbeing.
- Inflationary pressures (utility and service charges).
- Financial implications of Estate strategy.
- Additional audit modernisation pressures (digital audit, climate change).
- Pension fund pressures (IAS 19 implications and outcome of triennial valuation).

Risk

The financial risks that could impact on our ability to deliver within the 2023/24 budget allocation include:

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

Risk register

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

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

Issues / Actions	Actions to improve performance	Who	Timescales	Comment / update
New integrated business, financial and people planning process	Audit Scotland Business Plan	I&Q	Board 26/09/23	Approved by the Board 26/09/23
Regular budget monitoring	Monthly financial dashboards Quarterly update reports to Audit Committee and Board	Finance	Ongoing	
2024/25 budget proposal		Finance	Board 21/11/23	Budget proposal on the agenda for today's meeting of the Board. SCPA on 11 December 2023

Objective

Our people: Right skills and capacity to deliver

KPQ

Capacity to deliver - people establishment

Target

+/-5%

OVERVIEW **AMBER**

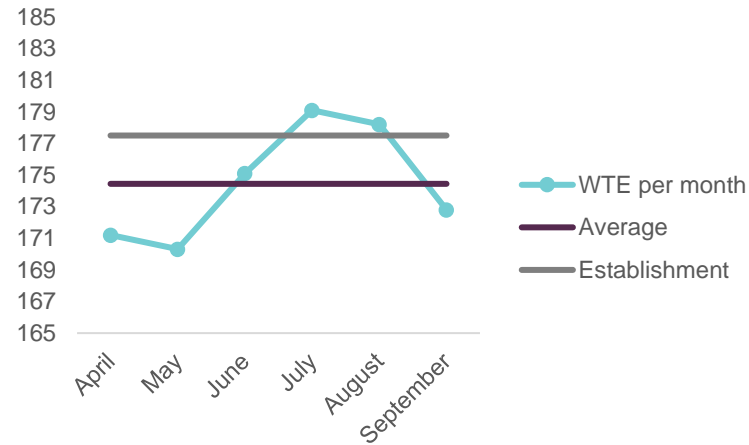
Current staffing level vs establishment

- The number of WTE at the end of September was 329.1, (establishment level 347.1 WTE.)
- This equates to 94.8% - which is slightly lower than Q1 (96.3%).

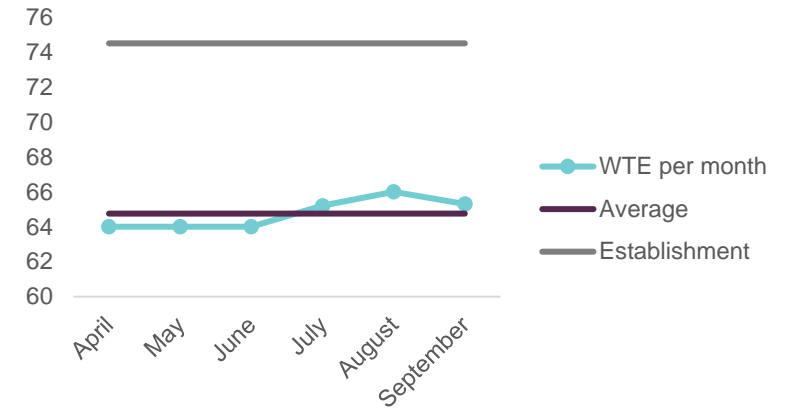
The business groups were under establishment:

- Audit Services = 98.1% of establishment. This excludes six summer interns
- Performance Audit and Best Value = 85.9% of establishment
- Corporate services = 94.88% of establishment
- Innovation and Quality = 93.9% of establishment.

ASG - WTE staff in post 2023/24



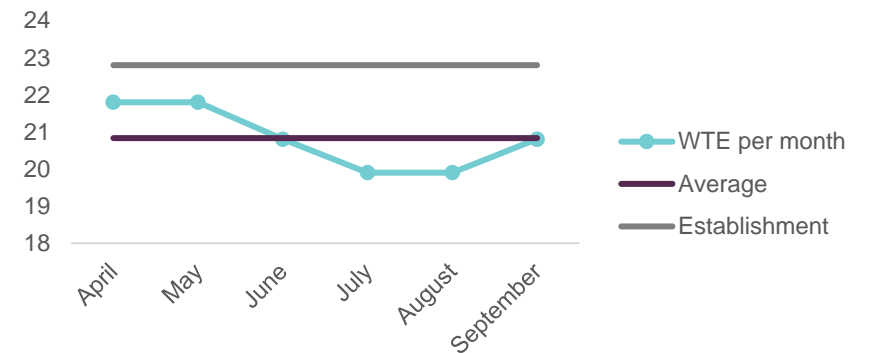
PABV - WTE staff in post 2023/24



CSG - WTE staff in post 2023/24



I&Q - WTE staff in post 2023/24



Objective

Our people: Right skills and capacity to deliver

KPQ

Capacity to deliver - People establishment

Target

+/-5%

Performance, trend and RAG

• Overall, this measure is rated amber due to FTE being at 330.5 which is 95.2% of establishment (347.1).

Actions include:

- Current recruitment campaigns
- Focus on resourcing flexibilities within current budget envelope
- Review of ASG job sizing and structures
- Closer coordination between ASG and I&Q to understand the workload and resourcing impact of changes in audit requirements & expectations.
- Closer coordination implemented between ASG and PABV in relation to the resourcing and delivery of Best Value requirements.
- Monitoring and reporting to ET, Board and AC
- Scenario planning and development of a new Target Operating Model

Risk

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

Risk register

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

A4 - Failure of capacity –establishment, deployment, skills. 

Issues / Actions	Actions to improve performance	Who	Timescales	Comment / update
Capacity to deliver.	Integrated business, workforce and budget planning processes	I&Q/CSG/LG	AS Business Plan Board 26/09/23	
	People Strategy	CSG	RemCo 14/11/23	

Objective

Our people: Right skills and capacity to deliver

KPQ

People spend against budget.

Target

+/- %5 of budget



OVERVIEW **GREEN**

- Expenditure on pay and agency costs of £10,621.6k is £743.9k (6.5%) less than budget.
- The year-to-date underspend on staff pay is mainly due to:
 - A volume variance of £526.7k with the average vacancy level for the period being 9.8 whole time equivalents (2.9%) less than funded establishment.
 - A favourable price variance of £223.0k which is due to the inclusion of a pay award assumption in the budget that is still subject to ongoing negotiation and final agreement with staff representatives.
- Agency expenditure YTD of £11.2k is £3.7k (48.8%) more than budget and is providing cover for vacant positions in Corporate Support. This is being funded by the volume savings within the Corporate Support staff pay budget.

Risk

None

Risk register

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

A4 - Failure of capacity – establishment, deployment, skills ● ⇨

A9 - Failure of timely & efficient access to performance & business management information ●

Issues / Actions	Actions to improve performance	Who	Timescales	Comment / update
Capacity	People Strategy	CSG	14 November 2023	Remuneration Committee 14 November 2023

Objective

Our people: Right skills and capacity to deliver

KPQ

Capacity to deliver - **Wellbeing**

Target

Per KPI



OVERVIEW Amber

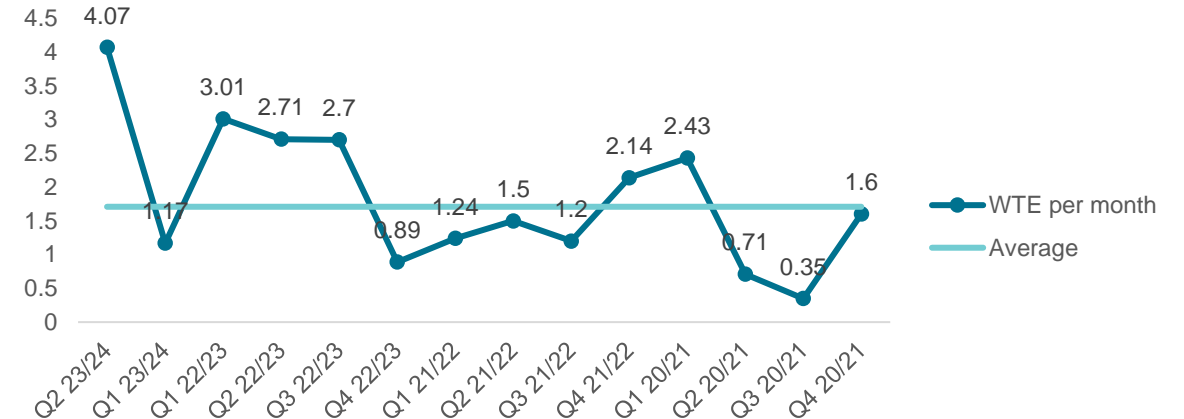
Staff turnover YTD for all leavers in Q2 was 4.07% (2.71% in Q1 last year). The increase in leavers is due to the number of temporary summer interns leaving on completion of their contract.

Sickness absence YTD was 1.56 days compared to 0.98 days in Q2 Last year.

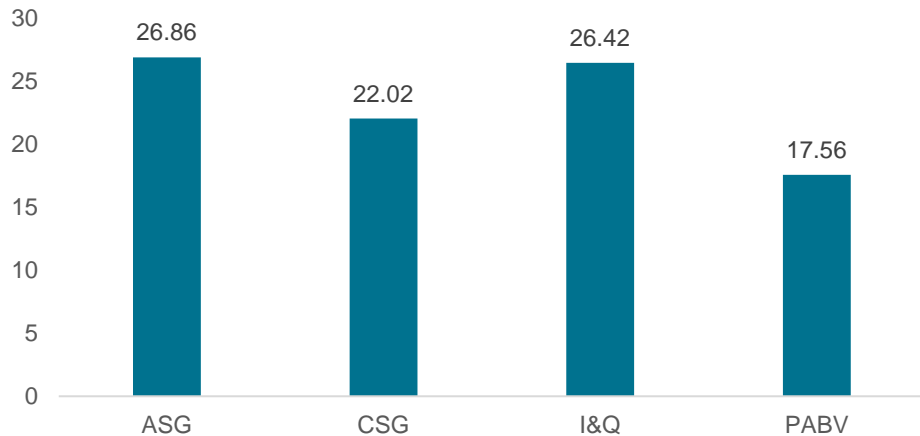
Flexitime balances include flexitime to date and which may have been accrued over a significant time period. Some individuals who moved across business groups will have carried their flexi balances with them.

Flexi balances in ASG increased in Q2 by 11.5% and there were decreases in the other business groups.

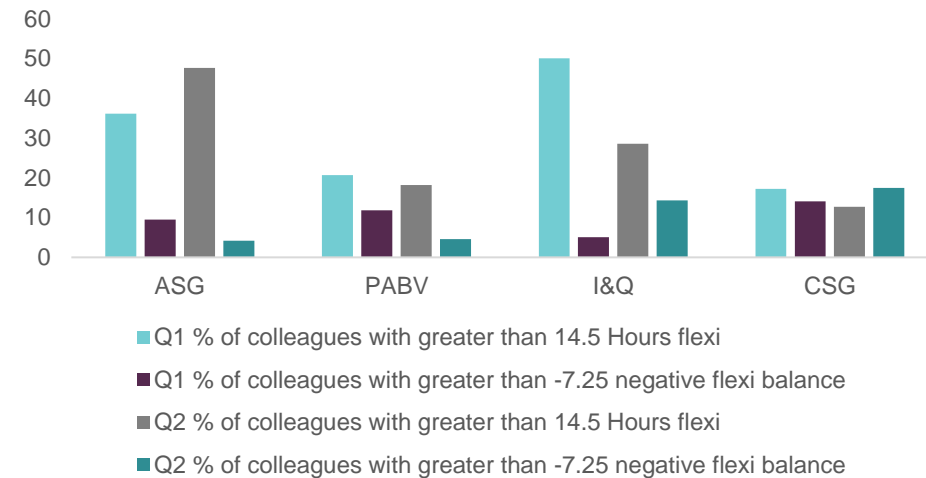
All Leavers 2021 to Q1 2023/24



% Days leave outstanding



Flexitime balances



Objective

Our people: Right skills and capacity to deliver

KPQ

Capacity to deliver - **Wellbeing**

Target

Per KPI

Performance, trend and RAG

We are implementing an action plan in response to the stress survey results and further action will take place under the new People Strategy.

Monitoring will take place through the Best Companies and future stress surveys.

We have introduced new measures for leave taken and flexi balances. Managing down balances formed part of the pay and negotiations process. There is no comparative data for these, and we will monitor in future reports to establish a baseline benchmark.

We expect it will take four quarters to give a balanced view for comparison going forward.

Risk

Wellbeing of colleagues is key to capacity to deliver

Risk register

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

A4 - Failure of capacity –establishment, deployment, skills ● ⇨

Issues / Actions	Actions to improve performance	Who	Timescales	Comment / update
Stress survey action plan	Various actions including communications and training	CSG	Ongoing	Update report to RemCo 14/11/23
People Strategy	Actions being taken forward under the People Strategy	HR	RemCo 14/11/23	
Annual leave and flexi leave balances	Actions being taken in business groups and through 121s to manage down balances	All	Ongoing	Quarterly monitoring by People Leads

Objective

Our people: right skills - Learning & Development

KPQ

Learning (L&D)

Target

Target per KPI

OVERVIEW **AMBER**

We have respected how busy people were and limited the volume of face-to-face delivery and added additional online content to LMS. This allowed 330 attendees to access 57 online events when it best suited them.

I&Q undertook a root cause analysis to identify the reasons for a decline in the satisfaction with learning activities provided in 2022. This work will be used to inform the development and delivery of future learning events. A summary of the findings was reported to the Executive Team on 24th October.

I&Q have built the Learning & Development plan and Line Managers programme for 2023 /24. Events as part of the 2023/24 plan have started to be delivered including 29 colleagues attending Emotional Intelligence learning events.

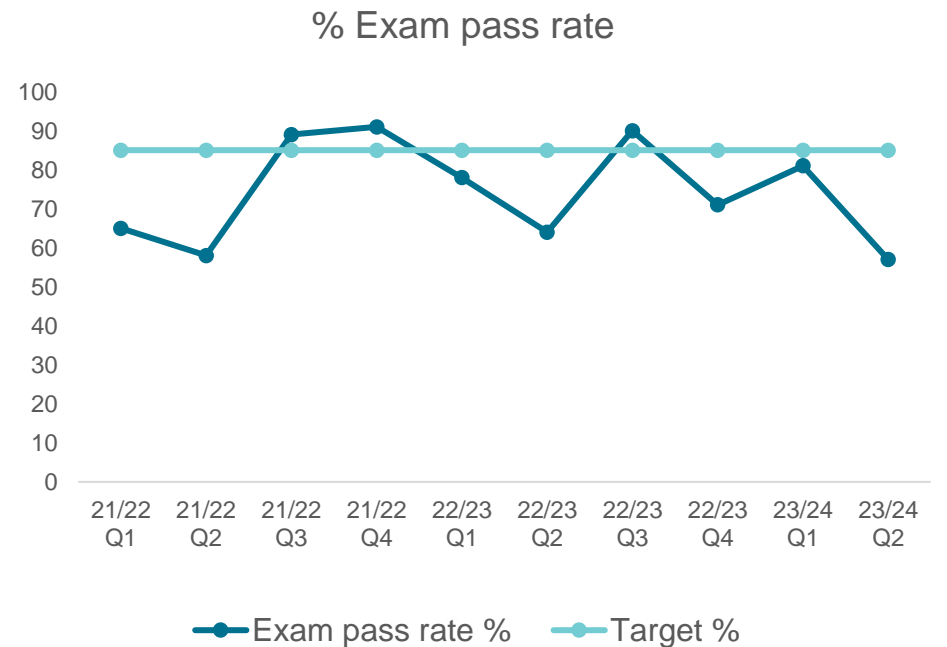
L&D

- In Q2 six trainees sat 7 exams with four exams passed (57%) against a Target of 85%. YTD the pass rate is 77%.
- 76 training events with 495 attendees (Target N/A)
- Average L&D days per Colleague xx (Target N/A)
- Percentage of mandatory training Days completed 60% (Target 95%)

Risk register

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

A4 – Failure of capacity – establishment, deployment, skills



Note due to the small numbers of exams in Q2 the percentage pass rate is significantly impacted by a small number of exams not being passed.

Objective

Our people: right skills - Learning & Development

KPQ

Learning (L&D)

Target

Target per KPI

Issues / Actions	Actions to improve performance	Who	Timescales	Comment / update
On 9 October we publish the new Learning and Development Plan.	Further guidance on mandatory training to be included in communications on the 2023-24 L&D plan in Q2. We will continue to review the data sources and definitions.	I&Q	Q3 2023/24	The plan is based on our strategic priorities, areas identified through quality reviews and engagement with colleagues. The plan aims to ensure that all colleagues are equipped with the skills they need now and in the future and facilitates delivery of our corporate values. It expands mandatory learning to cover professional developments. This will provide the basis for colleagues to meet relevant Continuous Professional Development (CPD) requirements.
Rolling 3Ds	Data collection for this measure has changed And there has been a series of communications on this.	People leads	Ongoing	We are aware there is still under-recording and will take further action to increase recording.

Innovation & Learning

Objective

Innovation driving audit transformation

KPQ

TBC

Target

TBC

OVERVIEW

Note most KPIs are due to be reported from Q3.

The Audit Modernisation Project was discussed at Leadership Group, SIP Board and the AS Board during September 2023. A formal PID and milestones are being developed for the December SIP Board meeting. Capacity remains an issue and we are looking at bringing in specialist project management resource for this project.

The Ideas board was launched 26th September by I&Q. This is designed to be an electronic suggestions box where staff can suggest processes/ or things they'd like to change. I&Q will work with relevant business groups to identify or develop solutions to address suggested idea. Suggested ideas will also help inform the audit modernisation programme. We will start reporting on outcomes from the ideas board in Q3.

We continued to roll out Asc for ASG audit teams and develop new tools to support some PABV audit teams. Good progress was made on the development of our Scottish Budget dashboard and our DataClipper prototype, with some teams starting to test these in Q2. Both of these tools will formally launch in Q3.

We will collect user feedback on Asc during Q3. The Digital Audit team is developing an analytics package which will help to collect data on what tools have been used and how. I&Q is developing a plan for user engagement/auditor feedback so that any surveys are timely and coordinated. This may impact the proposed reporting on some measures set out below.

Issues / Actions	Actions to improve performance	Who	Timescales	Comment / update
Audit Modernisation	SIP project	I&Q	tbc	PID under development for SIP Board December 2023

Objective

Innovation driving audit transformation

KPQ

Target per KPI

Target

Prior year performance



Data Measure	Source	Comment
Progress with audit modernisation project	I&Q quarterly monitoring	<p>The Strategic Improvement Programme Board discussed a paper at its September meeting which provided an overview of the programme, provisional timescales, and an update on work to date. A PID will be presented to the December SIP Board meeting to formally start the project. Project management resource is being identified with formal governance arrangements being scoped and team put in place. We continue to engage with other audit organisations and firms to learn from experience and explore what is on the market.</p> <p>Incremental improvements are being made to the audit approaches for 2023/24 which are captured in the quality improvement action plan.</p>
Innovative behaviour identified in audit approach, learning shared and impact as a result (quality reviews, data analytics groups, impact evaluation)	I&Q quarterly monitoring	Reporting on this KPI was originally proposed for Q2. I&Q are currently reviewing this measure and how we will collect meaningful data on this in a timely manner. An update will be provided in Q3.
Information and advice shared to drive innovation and improvement	I&Q quarterly monitoring	Reporting on this KPI was originally proposed for Q2. I&Q are reviewing this measure and how we will collect meaningful data on this in a timely manner. An update will be provided in Q3.
Number of suggestions that have led to products	I&Q quarterly monitoring	Aiming to have data collection and reporting in place for Q3 2023/24.
Use of new products / analysis	I&Q quarterly monitoring	Aiming to have data collection and reporting in place for Q3 2023/24.
Colleague feedback on data analytics tools (Asc, etc)	I&Q six monthly monitoring	Aiming to have data collection and reporting in place for Q3 2023/24.
Colleague feedback on audit approach (programmes / templates / audit guide / AMF revisions)	I&Q six monthly monitoring	Aiming to have data collection and reporting in place for Q3 2023/24.
Auditors' feedback on technical documents and helpdesk responses (technical support)	I&Q six monthly monitoring	Aiming to have data collection and reporting in place for Q3 2023/24.

Objective

Innovation & Learning - Insights

KPQ

Application of insights to decision making, audit delivery and organisational change

Target

TBC



OVERVIEW

The main project in this area is the insights project, which is part of the Strategic Improvement Programme. The project aims to achieve the following outcomes:

- We have a holistic approach to impact monitoring, evaluation and reporting in place, looking at all audit work as well as stakeholder perceptions and awareness of public audit.
- We have better coordinated intelligence from impact evaluation, horizon scanning and stakeholder engagement driving our decision-making, innovation and improvement.

The insights project continues to experience resourcing challenges and slippage with the stakeholder engagement and horizon scanning strands of the project. We have prioritised available resources on the impact strand of the project and are due to start the planned impact evaluation pilot in ASG during Q3. This was delayed from Q2. We have assessed the performance measure as amber due to these issues and given the level of maturity of the overall measure and the work required to set up new data collection to adequately measure performance. Management action during Q3 will focus on ensuring adequate resources in place to deliver the impact strand of the project.

Issues / Actions	Actions to improve performance	Who	Timescales	Comment / update
Resource availability	Discussions to be taken forward with PABV and ASG about allocating some dedicated Band 2B (business managers) and Band 2A (PABV policy and information officer) resource to supporting insights project.	Kenny / Antony / John	During Q3	

Data Measure	Source	Comment
Progress with Insights project	I&Q quarterly monitoring	<p>During Q2 we:</p> <ul style="list-style-type: none"> developed the first impact evaluation report for the Public Audit Committee developed the second six-monthly impact report for the AGS and Commission prepared proposals on our approach to stakeholder research, which were agreed by ET and Board. <p>We paused planned activity related to the stakeholder engagement and horizon scanning strands due to resource constraints, which allowed us to prioritise the resource we have on key milestones related to impact.</p>
Percentage of audit products applying new impact evaluation approaches	I&Q quarterly monitoring	Aiming to have data collection and reporting in place for Q3 2023/24.
Number of insights events delivered internally / feedback on impact of these	I&Q quarterly monitoring	<p>YTD position as at end of Q2:</p> <p>7 insights events</p> <ul style="list-style-type: none"> Average attendance: 40 people Topics covered: Human rights, United Nations Convention on the Rights of the Child, Audit quality, Data science, External networking, Climate change <p>3 keynotes</p> <ul style="list-style-type: none"> Average attendance: 210 people Topics covered: Public audit in Scotland outcomes, Values-based culture, Innovation and improvement

Objective

Innovation & Learning

KPQ

TBC

Target

TBC

Data Measure	Source	Comment
Number of events we contribute to externally and learning shared	I&Q quarterly monitoring	YTD position as at end of Q2: 4 external engagements with learning shared internally, covering topics including: <ul style="list-style-type: none"> • Strengthening integrity, building trust and fighting corruption in government organisations • Performance audit methodologies and how they are changing • Audit modernisation and audit software • Audit quality
Stakeholder feedback on how well public audit responds to key risks and issues	TBC	Aiming to have data collection and reporting in place for Q4 2023/24.
Colleague satisfaction with levels and effectiveness of intelligence sharing	I&Q annual monitoring	Aiming to have data collection and reporting in place for Q4 2023/24.

Q2 Financial performance report

Corporate Finance Manager

Item 11
Meeting date: 21 November 2023

Purpose

1. This report presents the financial results for the six months to 30 September 2023.

Recommendation

2. The Board is invited to:
 - note the financial results for the six months to 30 September 2023.

Background

3. A Financial Performance Executive Summary is provided in the appendix to support this report.
4. The report was discussed by Audit Scotland's Leadership Group on 31 October and Audit Committee on 14 November 2023.

Summary position

Financial Position as at end of September 2023						
	Actual YTD £'000s	Budget YTD £'000s	Variance YTD £'000s	FY Forecast £'000s	FY Budget £'000s	Variance YTD £'000s
Income	(12,779.4)	(12,939.2)	(159.8)	(23,323.5)	(22,942.5)	381.0
Pay	10,621.6	11,365.5	743.9	23,264.1	23,060.9	(203.2)
Non-pay	6,387.5	6,590.3	202.8	11,673.2	11,781.7	108.5
Capital Expenditure	56.0	50.0	(6.0)	300.0	300.0	0.0
Funded by Scottish Consolidated Fund	4,285.7	5,066.6	780.9	11,913.8	12,200.0	286.2

5. At the end of September 2023 Audit Scotland's total expenditure funded by the Scottish Consolidated Fund was £4,285.7k which was £780.9k (15.4%) less than budget.
6. Net operating expenditure of £4,229.7k was £786.9k (15.7%) less than budget.
7. The main reason for the underspend is pay related. The budget includes a 3% uplift for a pay award from 1 April 2023 and this has not been implemented. Staff representatives are currently considering a revised offer. We have also been running at a higher vacancy level than planned.

8. Total capital expenditure year to date is £56k, which is £6k (12.0%) more than phased budget.
9. At this stage of the new financial year the current forecast is £286.2k (2.3%) less than the budget allocation. The biggest financial risks are:
 - the final April 2023 pay award settlement compared to the forecast assumption.
 - the closing work in progress position on 31 March 2024 as we start the 2023/24 audit work.
10. Variance analysis is provided in the main body of this report.

Income

11. Income recognition year to date of £12,779.4k is £159.8k (1.2%) less than budget.
12. In-house audit income £124.5k (1.9%) more than budget broken down as follows:
 - Unbudgeted prior audit year income of £118.1k recognised for the completion of 2021/22 audits in the local government sector.
 - 2022/23 audit fee income in local government (£323.6k) and health (£5.0k) more than budget with central government (£151.0k), EAFA (£146.0k) and further education (£25.2k) less than budget.
13. Income recognition for the firms is £307.4k (6.5%) less than budget due to:
 - Unbudgeted prior year audit income of £223.8k recognised for completion of 2021/22 audits in local government (£85.0k), central government (£134.4k) and further education (£4.4k).
 - Fee income recognition for 2022/23 audits is less than budget in local government (£841.3k), further education (£71.9k) and water (£4.2k). Central government (£173.1k) and health (£213.1k) income is more than budget.
14. The completion of all 2022/23 audits is planned in this financial year and the position is being closely monitored on a monthly basis.
15. The balancing variance of £23.1k is mainly due to unbudgeted bank interest on deposit balances.

Pay expenditure

16. Expenditure on pay and agency costs of £10,621.6k is £743.9k (6.5%) less than budget.
17. The year-to-date underspend on staff pay is mainly due to:
 - A volume variance of £526.7k with the average vacancy level for the period being 9.8 whole time equivalents (2.9%) less than funded establishment.

- There is also a favourable price variance of £223.0k which is due to the inclusion of a pay award assumption in the budget that is still subject to ongoing negotiation and final agreement with staff representatives.

18. Agency expenditure year to date of £11.2k is £3.7k (48.8%) more than budget and is providing cover for vacant positions in Corporate Support. This is being funded by the volume savings within the Corporate Support staff pay budget.

Non-pay expenditure

19. Non-pay expenditure includes the payments to firms under the audit appointments contract and other operating expenditure. Year to date expenditure of £6,387.5k is £202.8k (3.1%) less than budget.

20. The main variances appear in Firms payments, professional services, travel & subsistence, IT, depreciation, property and health & wellbeing.

21. Firms payments £135.2k (2.9%) less than budget with £213.0k relating to the completion of 2021/22 audit work, which is offset by the recognition of additional unbudgeted income. The position in respect of 2022/23 audit work being behind plan leads to payments for work being less than budget which leads to income recognition also being less than budget. The expenditure for 2022/23 audit work includes the additional savings generated through local government VAT recovery and expenses.

22. Professional services £87.7k (38.7%) less than budget due to timing of expenditure in Innovation & Quality and PABV business groups. The budget in Innovation and Quality relates to the digital audit project. PABV use their budget allocation for any independent expert support required to deliver on work programme commitments.

23. Travel & subsistence £50.3k (21.2%) less than budget mainly due to savings generated in the car lease scheme with the number of eligible drivers decreasing at a faster pace than planned due to promotions and leavers.

24. IT expenditure £25.0k (7.9%) more than budget due to one off payments for cyber security training and penetration testing. It is projected that IT expenditure for the full year will be within the budget allocated.

25. Depreciation is £45.8k (20.5%) less than budget due to the budget phasing assumption being different from the timing of in year capital expenditure. This leads to a delay in the commencement of depreciation following the purchase of new assets.

26. Property expenditure £38.5k (7.9%) more than budget due to increase in property service charges and business rates. The rates increases are being challenged with the valuation boards and the outcome of this will not be known until later in the financial year. The financial impact of the lease for the increased floor space in Glasgow also leads to the overspend.

27. Health & wellbeing relates to the cost of the annual health checks offered to staff. The cost of this contract increased and the take up by staff also increased leading to an overspend of £18.5k (61.6%) which will be funded by savings within other Human Resources budgets.

Contingency and financial risks

- 28.** The 2023/24 budget includes a contingency allocation of £500k to meet any unexpected financial pressures that may arise in the year. An allocation of £150k has been made to capital. Allocations are the responsibility of the Executive Team and it is anticipated that further allocations will need to be made to meet pay award pressures and the running costs of the additional floor space acquired in the Glasgow office.
- 29.** The financial risks that have the potential to impact on our ability to deliver a balanced budget include:
- April 2023 pay award settlement (budget 3%).
 - Work in progress position for 2023/24 audit work at 31 March 2024.
 - Inflationary pressures.
 - 2023/24 audit fees.
- 30.** We continue to operate in an extremely unpredictable and volatile environment which will impact on longer-term financial planning and future budget proposals. Factors that need to be considered include:
- Future pay award settlements.
 - SCF funding pressures.
 - Audit delivery and resourcing.
 - Future direction of fees and funding.
 - Audit modernisation.
 - Electronic working papers system.
 - EAFA audit.
 - Implementation of estate strategy.

Capital expenditure

- 31.** The capital programme for 2023/24 plans to invest in IT hardware and software. The revised total budget allocation is £300k.
- 32.** Year to date capital expenditure of £56k has been spent on furniture for Glasgow and Edinburgh offices (£14k) and audio equipment for meeting room EH1/2 in Edinburgh (£42k).
- 33.** The balance of £244k will be spent on building work on the Glasgow office extension and IT hardware and software.

Virement

34. Executive Team approved the virement of £150k revenue budget from management contingency to the capital investment budget. This will enable us to complete the building work required in Glasgow this financial year.

Appendix | Financial Performance Executive Summary – September 2023

Financial Position

Income – recognition of income on completion of outstanding 21/22 audits for both firms and in-house work. Firms additional income (£225k) offset by increased firms payments (£212k). For 22/23 audits, in-house and firms slightly behind plan with delivery in local government being better than other sectors.

Pay – budgets include pay award assumption of 3% with the implementation of a pay settlement outstanding. This leads to a favourable price variance year to date. There is also a favourable variance due to the average whole time equivalent (w.t.e.) position being 9.8 below funded establishment which includes a 2% vacancy/turnover factor.

Non-pay - underspends in professional services, travel & subsistence, recruitment and depreciation reduced by overspends in firms' payments, IT, training, property and occupational health costs.

Capital – £56k expenditure this financial year.

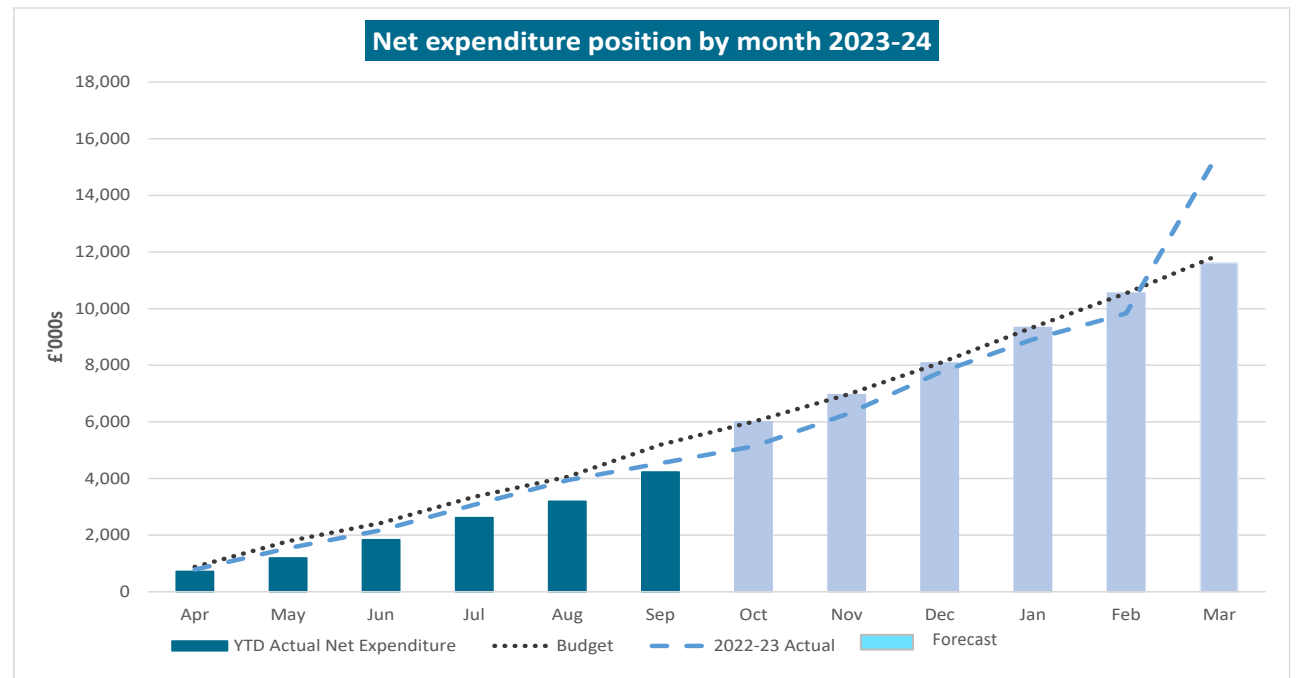
Management contingency - £500k budget. £150k allocated to capital investment and a further requirement to allocate funds to meet increased accommodation costs and the impact of the final pay award.

Forecast - based on June result with the assumption that the current pay offer is accepted. Forecast to be updated following September result.

Financial Risks

- Impact of April 2023 pay award settlement.
- Firms' contractual payments linked to April 2023 pay award.
- Uncertainty of 2023/24 audit fee increase.
- Closing work in progress position for 2023/24 audit work at 31 March 2024.
- Planning for loss of EAFA income.
- Resourcing pressures and staff wellbeing.
- Inflationary pressures (utility and service charges).
- Financial implications of Estate strategy.
- Additional audit modernisation pressures (digital audit, climate change).
- Pension fund pressures (IAS 19 implications and outcome of triennial valuation).

Financial Position as at end of September 2023						
	Actual YTD	Budget YTD	Variance YTD	FY Forecast	FY Budget	Variance YTD
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
Income	(12,779.4)	(12,939.2)	(159.8)	(23,323.5)	(22,942.5)	381.0
Pay	10,621.6	11,365.5	743.9	23,264.1	23,060.9	(203.2)
Non-pay	6,387.5	6,590.3	202.8	11,673.2	11,781.7	108.5
Capital Expenditure	56.0	50.0	(6.0)	300.0	300.0	0.0
Funded by Scottish Consolidated Fund	4,285.7	5,066.6	780.9	11,913.8	12,200.0	286.2



Appendix | Financial Performance Executive Summary – September 2023



Summary Balance Sheet £'000s

	31/03/2023	30/09/2023
Total Non Current Assets	2,083	3,010
Total Current Assets	6,528	14,350
Total Current Liabilities	(8,649)	(11,465)
Total Non Current Liabilities	(2,751)	(4,074)
Assets Less Liabilities	(2,789)	1,821
Taxpayers Equity	2,789	(1,821)

Non-current assets – increase in right-of-use assets (Glasgow lease and cars) and capital investment being reduced by year-to-date depreciation of assets.

Current assets – increase in debtors, cash and work in progress levels.

Current liabilities – increase in deferred income, balance due to SCF and monthly payroll payments due to HMRC and Lothian Pension Fund.

Non-current liabilities – adjustments reflect movement in unfunded pension provision and remeasurement of obligations under leases for Glasgow office.

Summary Cash Flow £'000s

Net cash outflow from operating activities	(7,333)
Cashflows from investing activities	56
Obligations under leases	1,113
Drawdown from Consolidated Funds	6,000
Net increase/(decrease) in cash/cash equivalents	(164)
Net Cash requirement	6,164

- Draw down from Scottish Consolidated Fund of £6 million.
- Net decrease in cash / cash equivalents of £0.2 million from 31 March.
- Next instalment of fee invoicing issued in September with current outstanding debt of £1.7 million.

Capital Expenditure £'000s

Total Funding	300
Glasgow meeting room furniture	4
Audio equipment EH1/2	42
40 office chairs	10
Balance	244

- Year to date spend on upgrading audio equipment in Board meeting room at WP, chairs and meeting room furniture for the Glasgow office extension.
- Virement of £150k from Revenue to Capital approved by ET to undertake Glasgow office building work.
- Remainder of spend to be used for upgrade to Glasgow office (digital and furniture) and digital service requirements.

Appendix | Financial Performance by Business Group – September 2023



YTD financial position for each business group

The current YTD financial position for each business group is detailed here.

- **Overall** - at the end of September the revenue financial position was £787k less than budget. The forecast is based on the acceptance of the current pay award offer.
- **Audit Services Group** - 21/22 audits complete with some residual income recognised this financial year. 22/23 audit work behind plan in central government and EAFA compensated by audits being ahead of trajectory in local government. Pay less than budget with lower than planned average w.t.e and 2023 pay award included in budget which is yet to be agreed. Non-pay less than budget mainly due to reduced travel and lease car expenditure.
- **Performance Audit and Best Value** - pay costs less than budget with average w.t.e. 8.3 below funded establishment and a price variance due to the pay award being included in budget allocation. Vacant posts in the process of being filled. Non-pay costs less than budget due to timing of expenditure on professional services.
- **Innovation and Quality** - pay costs less than budget with average w.t.e. 1.5 below funded establishment and pay award included in budget allocation. Non-pay costs less than budget due to expenditure on professional fees (digital audit project) being less than budget with training costs being more than budget.
- **Audit Quality and Appointments** - pay costs less than budget due to pay award included in budget allocation and non-pay costs budget phasing of professional fees.
- **Corporate Services Group and Corporate Costs** - Pay less than budget due to pay award included in budget and an average 2.3 w.t.e. below plan. Non-pay less than budget with the most significant favourable variance in depreciation. This is being reduced by property, occupational health and IT costs being more than budget.
- **Approved Auditors** – completion of some 21/22 audit work in 23/24 financial year and 22/23 audit work behind trajectory leading to fee income recognition being less than budget. Firm expenditure being more than budget due to prior year work.
- **Accounts Commission and Support** - pay less than budget due to vacant Commission Chair post in May. Non-pay expenditure less than budget due to budget phasing of change programme.
- **Board, AGS and Exec Team** - pay costs more than budget due to impact of pay progression for AGS and Exec Team for which no budget was allocated. This will be corrected with a budget virement as part of the budget adjustments required on agreement of the pay award for 2023. Non-pay more than budget due to travel and subsistence and training expenditure.

Business Group	Cost type	Actual YTD £'000s	Budget YTD £'000s	Variance YTD £'000s	FY Forecast £'000s	FY Budget £'000s	Variance YTD £'000s
Audit Services Group	Income	(6,583.1)	(6,458.6)	124.5	(12,062.3)	(11,851.9)	210.4
	Pay	5,163.1	5,365.6	202.5	11,142.0	10,846.4	(295.6)
	Non-pay	209.2	238.8	29.6	391.7	554.2	162.5
	Total	(1,210.9)	(854.2)	356.6	(528.6)	(451.3)	77.3
Performance Audit and Best Value	Income	0.0	0.0	0.0	0.0	0.0	0.0
	Pay	2,165.3	2,508.4	343.1	4,898.0	5,040.9	142.9
	Non-pay	32.1	81.3	49.2	144.6	179.4	34.8
	Total	2,197.4	2,589.7	392.3	5,042.6	5,220.3	177.7
Innovation and Quality	Income	0.0	0.0	0.0	0.0	0.0	0.0
	Pay	818.1	904.7	86.6	1,800.4	1,809.5	9.1
	Non-pay	192.6	234.6	42.0	530.7	617.2	86.5
	Total	1,010.8	1,139.4	128.6	2,331.1	2,426.7	95.6
Audit Quality and Appointments	Income	0.0	0.0	0.0	0.0	0.0	0.0
	Pay	177.1	180.0	2.9	375.6	360.1	(15.5)
	Non-pay	5.1	29.1	23.9	146.2	142.5	(3.7)
	Total	182.3	209.1	26.8	521.8	502.5	(19.3)
Corporate Services Group and Corporate costs	Income	(1,757.3)	(1,734.1)	23.2	(3,522.9)	(3,492.7)	30.2
	Pay	1,605.9	1,715.1	109.1	3,632.3	3,644.7	12.4
	Non-pay	1,387.3	1,296.3	(91.0)	2,945.1	3,058.7	113.6
	Total	1,235.9	1,277.2	41.3	3,054.5	3,210.8	156.3
Approved Auditors	Income	(4,438.9)	(4,746.4)	(307.4)	(7,738.3)	(7,597.9)	140.4
	Pay	0.0	0.0	0.0	0.0	0.0	0.0
	Non-pay	4,520.5	4,655.8	135.2	7,405.5	7,070.0	(335.5)
	Total	81.6	(90.6)	(172.2)	(332.8)	(527.9)	(195.1)
Accounts Commission and Support	Income	0.0	0.0	0.0	0.0	0.0	0.0
	Pay	225.9	233.3	7.5	443.7	442.5	(1.2)
	Non-pay	24.6	44.7	20.1	97.4	137.5	40.1
	Total	250.4	278.0	27.6	541.1	580.0	38.9
Board, AGS and Exec Team	Income	0.0	0.0	0.0	0.0	0.0	0.0
	Pay	466.2	458.4	(7.8)	972.1	916.8	(55.3)
	Non-pay	16.0	9.7	(6.3)	12.0	22.1	10.1
	Total	482.2	468.1	(14.1)	984.1	938.9	(45.2)
Funded by Scottish Consolidated Fund		4,229.7	5,016.6	786.9	11,613.8	11,900.0	286.2

Board and committee meetings 2024

Director of Corporate Support

Item 12
Meeting date: 21 November 2023

Purpose

1. This report sets out some options on the location for Board and committee meetings in 2024.

Recommendations

2. The Board is invited to:
 - Note the report
 - Consider the options outlined below
 - Decide on the venues for the 2024 meetings of the Board/ its committees.

Background

3. At its meeting on 26 September the Board approved the [schedule](#) of Board and committee meetings for 2024. Board typically meets six to eight times a year at the Edinburgh office. The meeting schedule for 2024 is attached as appendix 1.
4. 102 West Port is the primary location for Board and committee meetings. In discussion on the 2024 schedule of meetings the Board members noted the benefits of holding some of its meetings at locations other than 102 Westport in Edinburgh. Although that discussion focussed on meetings of the Board this report includes options in relation to the Board's committees. The benefits of meeting in locations other than 102 West port include:
 - Reinforcing the message that Audit Scotland is a national organisation and not solely based in Edinburgh/ the central belt
 - Demonstrating a one organisation approach in that one office not the primary/ sole location for conducting business
 - Improving the visibility of Board - providing an opportunity to engage with colleagues based in the other offices who they would not typically come into contact with.
5. This report provides options for, and considers the practical implications of, meeting in other locations.

Considerations

6. In developing options a range of factors have been considered. These include:
 - The facilities at the office locations – including meeting space and technology

- Base locations, travel and accommodation – where meeting attendees will be travelling from and to
- Time and diary commitments/ constraints and the impact of travel
- The principle of meetings being open to the public
- The financial implications of meetings in other locations.

Office locations

7. The Board and its committees typically meet in West Port in Edinburgh. This office has all of the necessary facilities in terms of space and technology. Meetings in Inverness and Aberdeen will incur additional costs, these are outlined below.

Glasgow

8. The office at Nelson Mandel Place (NMP) in Glasgow has been used for meetings in the past. Before the pandemic NMP office has been used on a number of occasions for meetings of the Audit Committee and the Remuneration and Human Resources Committee.
9. The office has the necessary meeting space and technology in place.
10. This makes it a viable and simple option and meetings of the Leadership Group and other meetings have been/ are hosted at NMP.
11. The only issue to consider in relation to NMP will be the timing of the meeting. Given the work is under way to expand the office it would make sense for a meeting to be hosted later in the year. This means that members will be able to see the new accommodation and use the enhanced meeting space. We anticipate that the fit out of the additional space in Glasgow, which includes additional and upgraded meeting space will be completed by between April and June 2024.

Inverness

12. The Inverness Office is located at The Green House. This is located at the [Beechwood Business Park, Inverness, IV2 3B](#). The business park is approximately 2 miles from the train station and just off the A9 and A96.
13. We currently rent desk space only for the 8 colleagues based from this office. Meeting rooms, with the required technology, are available to rent at the Green House for between £100 - £150 per day.

Aberdeen

14. The Aberdeen office is located at the [Summerhill Community Education Centre](#), Aberdeen. This forms part of Aberdeenshire Council property estate and is situated on Stronsay Drive, Aberdeen, AB15 6JA. The office is approximately 2.7 miles from the train station and just off the A944.
15. We currently rent desk space for the 9 colleagues based from this office. Meeting rooms, with the required technology, are available at the office location, though there are no standard rates. We anticipate the rates would be similar to those at the Inverness office.

Travel and accommodation

16. Two of the five Board members are based in Aberdeen and the other Board members are currently based in the broader central belt. (This may change based on the outcome of the recruitment process for the Chair of the Accounts Commission). Board meetings are typically attended by members of the Executive Team, the officers presenting reports and the secretariat.
17. If we were to replicate this in other locations this could involve around 10 – 15 travelling. It may be that for financial and logistical considerations more people attend any meetings held in Aberdeen or Inverness virtually.
18. Using the rail fare from Edinburgh as a proxy travel costs to Inverness and Aberdeen are approximately £65 per person. If an overnight stay was required there is accommodation available near each of the offices at a rate of between £70 - £100 per person.
19. Shared car travel is of course another option. Using Edinburgh as a proxy starting point this would be approximately £160 per car (return) for Inverness and £130 (per car) to Aberdeen.

Time and diary commitments

20. In holding a meeting elsewhere we would want to be mindful of the other diary commitments of those attending. The Board and its committees typically meet on a Tuesday and the Public Audit Committee and the Accounts Commission typically meet on a Thursday.
21. The volume and focus of business for the June meetings (around the annual reporting process) means that these dates do not lend themselves to holding meetings elsewhere.
22. A proportion of the travel time is likely to be 'unproductive'.

Accessibility

23. The Board meetings are held in public, though to date very few members of the public have attended.
24. There is technology in place for the meetings to be accessible to any member of the public who wishes to observe a Board meeting virtually, as is the case currently.
25. The meeting spaces in both Inverness and Aberdeen are smaller and there may be some limitations here, depending on the number of Board members and officers attending and if members of the public wanted to attend the meeting in person.

Financial Implications

26. The financial implications vary depending on the location of the meeting and the numbers attending.
27. A meeting in Glasgow would be considered business as usual and the additional costs would be marginal.
28. The indicative costing for a meeting in Inverness or Aberdeen would be in the following range.

- 'Minimum option' - hybrid enabled meeting, 10 people in person, shared travel by car, one day return trip = £350 – 500.
- 'Maximum option' – in person, 15 people, travelling by train, overnight stay = £3,000 - £3,500.

Options

29. Taking into consideration the factors above the most appropriate meeting date options appear to be:

- 27 March 2024 – Board meeting in Inverness or Aberdeen
- 24 September 2024 – Board meeting in Glasgow (post completion of the fit out).
- Board/ committee meetings in 2025 in Glasgow and Aberdeen or Inverness in addition to Edinburgh.

30. Members may wish to defer making the final decision until its meeting in January 2024 when the appointment of the new Chair of the Accounts Commission has been made.

Conclusion

31. This report provides options for holding Board/ Committee meetings at other Audit Scotland offices and identifies the practical and cost implications associated with those options.

Appendix 1



Item 12

Meeting date: 21 November 2023

Meeting schedule 2024

Audit Committee*	Human Resources and Remuneration Committee*	Board+
		23 January 2024
19 March 2024	19 March 2024	
		27 March 2024
7 May 2024	7 May 2024	21 May 2024
7 June 2024 (AR&Accs)		7 June 2024 (AR&Accs)
3 September 2024		24 September 2024
11 November 2024	11 November 2024	26 November 2024