

Wednesday 19 May 2021 at 10.00am

By Teams

1. Private meeting of members
 2. Welcome and apologies
 3. Declarations of interests
 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 24 March 2021- Audit Committee meeting 3 March 2021 | For approval
For information |
| 9. Governance arrangements: review of standing orders report | For information |
| 10. Review of action tracker | For information |
| 11. Covid-19 update report | For information |
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Strategic priorities

- | | |
|---|-----------------|
| 12. Strategic Improvement Programme update report | For information |
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Business planning, performance and governance

- | | |
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| 13. 2019-2021 Mainstreaming Equality and Equality Outcomes progress report | For approval |
| 14. Annual report on information governance and security 2020-21 | For approval |
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Items to be taken in private

- | | |
|---|-----------------|
| 15. Environment, Sustainability and Biodiversity plan 2020/21 to 2024/25 report and appendix

[Item to be taken in private to support the effective conduct of business, intended for future publication] | For approval |
| 16. New audit appointments update report and appendix | For information |
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[Item to be taken in private to support the effective conduct of business, commercial sensitivity]

17. Work programme update report and appendix

For information

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

Minutes

Wednesday 24 March 2021, 10.00am

Audit Scotland by Video conference

Present:

Alan Alexander (Chair)
Stephen Boyle
Elma Murray
Jackie Mann
Colin Crosby

Apologies:

There were no apologies.

In attendance:

Diane McGiffen, Chief Operating Officer
Martin Walker, Associate Director, Corporate Performance and Risk
Fraser McKinlay, Director of Performance Audit and Best Value
Antony Clark, Interim Director of Performance Audit and Best Value
Gemma Diamond, Audit Director, Performance Audit and Best Value
David Robertson, Digital Services Manager
Stuart Dennis, Corporate Finance Manager
Mark Taylor, Audit Director, Audit Services
Fiona Diggle, Audit Manager, Performance Audit and Best Value
Charlotte Anderson, L&D Consultant
Tracey Bray, Senior Business Partner (OD)
Gayle Fitzpatrick, Corporate Governance Manager
Elaine Boyd, Associate Director, Audit Quality and Appointments
Kathrine Sibbald, Senior Manager, Performance Audit and Best Value
Carolyn McLeod, Audit Director, Performance Audit and Best Value
Claire Richards, Senior Auditor, Performance Audit and Best Value
Erin McGinley, Correspondence Officer
Joanne Mansell, Communications Adviser
Simon Ebbett, Communications Manager
Mark Roberts, Audit Director, Performance Audit and Best Value

1. Private meeting of Board members

The Board met privately and there were no matters arising.

2. Welcome and apologies

The Chair welcomed attendees to the meeting and noted there were no apologies. The Chair noted that this would be Antony Clark's first meeting since being appointed Interim Director of PABV and Interim Controller of Audit. The Chair noted that this would be Fraser McKinlay's last meeting and expressed his thanks for the service Fraser has given to Audit Scotland, the Accounts Commission and his work in public audit in Scotland over the last 16 years.

3. Declarations of interest

There were no declarations of interest.

4. Items to be taken in private

The Board agreed that items 23, 24, 25 and 26 would be taken in private.

5. Chair's report – verbal update

The Chair advised of regular scheduled meetings with Stephen Boyle, Accountable Officer, Elma Murray, Interim Chair of the Accounts Commission and Diane McGiffen, Chief Operating Officer. In addition, the Chair advised that the New Audit Appointments Steering group had recently held two meetings and advised of his attendance at the Management Team Covid-19 stock take session on 23 March

The Board welcomed the update.

6. Accountable Officer's report – verbal update

Stephen Boyle invited the Board to note his pleasure in the appointment of Antony Clark as Interim Director of Performance Audit and Best Value and Interim Controller of Audit. Stephen also noted his thanks to Fraser McKinlay for his support and contribution to public audit over many years of service.

Stephen advised that all of the 2019/20 financial audits are now complete including the completion of the European Agricultural Fund audit. Stephen highlighted the recent Best Companies results with us receiving One Star accreditation status. He noted that it is an excellent reflection on the work Audit Scotland has done over the past year in difficult circumstances.

Stephen noted that the pre-election period for the Scottish Parliament would now start on 25 March and as such Audit Scotland's public reporting will be more limited until after the election on 6 May 2021.

Stephen noted the NHS overview report published in February and the Education Outcomes report published jointly with the Accounts Commission on 23 March. Stephen also advised of recent external engagements with the ICAS Public Sector Panel and a webinar with the English ICAEW institute.

Stephen advised the Board of the sad loss of a valued colleague, Susan Bloor, who had passed away recently after a period of illness.

The Board welcomed the update.

7. Accounts Commission Chair's report – verbal update

Elma Murray congratulated Antony Clark on his interim appointments and thanked Fraser McKinlay for his many years of service and valued work.

Elma noted the media attention the Education Outcomes report had received and the powerful messages it had delivered.

Elma advised that she attended a workshop held in February with Chief Officers and Chief Finance Officers around developing our approach to auditing Best Value in Integration Joint Boards.

Elma advised that Accounts Commission members are producing videos, blogs and articles, and a two day Strategy Seminar is planned for 20/21 April. Elma also advised she had hosted several round table discussions which would feed into the Commission's work programme

Elma advised that the Commission and the Improvement Service Board have now agreed a strategic alliance and have produced a statement of intent along with a 12 month programme of joint work.

Following discussion, the Board welcomed the updates.

8. Review of minutes:

Board meeting: 27 January 2021

The Board considered the minutes of the meeting of 27 January 2021, which had been previously circulated. The Chair provided clarity around action ASB130, advising that the Board will focus on the Public Audit in Scotland model after its second Board development session to be held later in the year.

The Board approved the minutes as an accurate record of the meeting.

Audit Committee meeting: 4 November 2020

Colin Crosby, Chair of the Audit Committee, noted the work the Committee have been doing around risk methodologies and future work of streamlining Audit Committee papers.

Alan Alexander, chair of the Board, referred to a point at agenda item 8 that stated his appraisal of the performance of new members would take place in early 2021. Alan advised that this would happen in September rather than early 2021 and this should be amended in the minutes.

The Board noted the minutes of the meeting of 4 November 2020, which had been previously circulated.

ACTION ASB133 **Gayle Fitzpatrick to amend the Audit Committee meeting minute of 4 November 2020 to reflect the change of date from early 2021 to September 2021.**

9. Governance arrangements: Review of Standing Orders

Martin Walker introduced the Governance arrangements: Review of Standing Orders report, copies of which were previously circulated.

Martin highlighted two areas, the confirmation of public access to the Board meetings and considerations given to live streaming the meetings.

The Board noted the report and agreed that the variations to the Standing Orders are kept under review and considered at each Board meeting until further notice.

10. Review of action tracker

Elma Murray, Interim Chair of the Accounts Commission asked about the sequence in regard to action ASB131. Diane McGiffen, Chief Operating Officer advised that discussions with Stephen Boyle, the Accounts Commission and the New Audit Appointments (NAA) Steering Group are ongoing and that she would discuss this with Elma at their next meeting and provide further updates to the Board.

The Board noted the updates provided on the action tracker.

ACTION: ASB134 **Diane McGiffen to set out indicative stages and tasks for the next three months and present to the Board in May 2021.**

11. Covid-19 update

Martin Walker introduced the Covid-19 update report, copies of which had been previously circulated.

Martin invited the Board to note the actions taken to date in response to the Covid-19 pandemic, the ongoing actions and next steps.

The Board members thanked Diane McGiffen for the regular Incident Management Team updates and noted the outstanding organisational response to Covid-19 and how that has been reflected in the Best Companies survey.

Diane McGiffen, Chief Operating Officer, advised that preparatory work to make Audit Scotland offices Covid secure is well underway and decisions about the earliest dates under current restrictions when some colleagues might be able to access Audit Scotland's offices would be reviewed by the Incident Management Team (IMT) later in the week. Diane noted that coming out of lockdown will be challenging and that the different levels of restrictions across Scotland will add a further complication. Diane stressed that 2021 will continue to be challenging and that wellbeing and health of colleagues will remain a priority.

Colin Crosby, Chair of the Audit Committee advised that he found the report useful and would welcome a plan which outlined what position the organisation would like to be in at certain dates reflecting on the current position and options for the future. He also noted that quarterly reporting that included narrative around these aims would also be valuable.

The Board received an update on the stocktake session which had taken place at Management Team on March 23.

It was noted that previous business continuity planning had proved to be very beneficial and that the completion of audits whilst working remotely was also a great achievement. Diane advised that colleagues will have a range of working preferences as we exit lockdown carefully. Diane advised that offers of employment have been made to 46 FTE (including backfilling positions), which will allow Audit Scotland to build capacity and deliver the programme of work.

Alan Alexander advised that he had joined the stocktake session for the last 30 minutes and was assured by the focus being applied to the organisation's response to Covid-19 and the plans for the future.

Following discussion, the Board welcomed the report and the regular communication and support for colleagues.

12. Strategic improvement programme update

Fraser McKinlay, outgoing Director of Performance Audit and Best Value, Gemma Diamond, Audit Director and David Robertson, Digital Services Manager joined the meeting.

Martin Walker introduced the Strategic improvement programme update, copies of which had been previously circulated.

Martin invited the Board to consider the appended Digital Audit Strategy and the Digital Services Strategy.

Gemma Diamond, Audit Director, introduced the Digital Audit Strategy noting that building skills and capacity are essential to Audit Scotland's growth and development.

David Robertson, Digital Services Manager introduced the Digital Services Strategy. The strategy covers enhancing our cyber security, providing the systems and services to provide a virtual business and digital transformation.

Following discussion, the Board noted the report and approved the Digital Services strategy.

ACTION ASB135: Alan Alexander, Colin Crosby, Diane McGiffen and Martin Walker to meet to discuss aspects of the programme governance, management and reporting (April 2021).

Fraser McKinlay, outgoing Director of Performance Audit and Best Value, Gemma Diamond, Audit Director, and David Robertson, Digital Services Manager left the meeting.

13. Operational budget 2021/22

Stuart Dennis, Corporate Finance Manager, joined the meeting.

Stuart Dennis introduced the Operational budget 2021/22 report, copies of which had been previously circulated.

Diane McGiffen, Chief Operating Officer advised that communications are ongoing regarding the annual pay award and all parties are working towards set timescales.

ACTION ASB136: Colin Crosby and Stuart Dennis to meet to discuss aspects of the budget including the pension fund.

The Board approved the operational budget for 2021/22 and noted that any budget adjustments will be scrutinised as part of the quarterly reporting process.

14. Q3 Financial performance report

Stuart Dennis introduced the Q3 Financial performance report, copies of which had been previously circulated.

It was noted that the Q3 financial performance report has been reviewed by the Audit Committee at its meeting on 4 March 2021.

The Board noted the operational budget for 2021/22

Stuart Dennis, Corporate Finance Manager, left the meeting.

15. Q3 Corporate performance report

Martin Walker introduced the Q3 Corporate performance report, copies of which had been previously circulated.

Martin highlighted the Q3 information as well as a forward look at the Q4 information. He advised that performance had been strong in Q3 but noted that significant risks remain and that these are set out in the Corporate Risk Register. It was also noted that the Strategic Improvement Programme (SIP) is central to future performance.

The Board noted the Q3 Corporate performance report.

16. Best Companies survey results

Charlotte Anderson, Learning & Development consultant, and Tracey Bray, Senior Business Partner (OD), joined the meeting.

Diane McGiffen, Chief Operating Officer introduced the report on the Best Companies survey results, copies of which had been previously circulated.

Diane advised that the Leadership Team were extremely pleased with the results and Audit Scotland had achieved its highest ever scores. Audit Scotland is now recognised as a “One Star” company.

Diane advised that Jonathon Austin from Best Companies will be joining the Leadership Team next week to discuss the results in more depth and that the results will feed into the Strategic Improvement Programme.

The Board members welcomed the survey results and expressed their congratulations.

ACTION ASB137: Elma Murray and Diane McGiffen to discuss how best to share the Best Companies results with the Accounts Commission. (April 2021)

Charlotte Anderson, Learning & Development consultant, and Tracey Bray, Senior Business Partner (OD), left the meeting.

17. Financial devolution and constitutional change update

Mark Taylor, Audit Director, and Fiona Diggle, Audit Manager, joined the meeting.

Mark Taylor introduced the Financial devolution and constitutional change update paper, copies of which had been previously circulated.

The Board members discussed the report and noted the complexities of identifying Covid and non-Covid spend. The Board noted that there had been around 170 funding announcements and that “following the pandemic pound” will be a vital piece of work.

The Board noted the update and congratulated Mark and Fiona on the clear and comprehensive content.

Mark Taylor, Audit Director, and Fiona Diggle, Audit Manager, left the meeting

18. Corporate governance review of Board arrangements

Gayle Fitzpatrick introduced the Corporate governance review of Board arrangements paper, copies of which had been previously circulated.

Gayle expressed her thanks to all who had contributed to the report and advised that the recommendations related to items to be taken in private, the minuting of meetings, individual member induction, and personal development and collective Board development.

Elma Murray noted the practical impact of the statutory Board composition should members not be available.

ACTION ASB138: Martin Walker to prepare a discussion paper for members of the Board. (April 2021)

After discussion, The Board approved the recommendations in the Corporate Governance review of Board arrangements report.

19. Data protection policy

Gayle Fitzpatrick introduced the Data Protection policy paper, copies of which had been previously circulated.

Gayle advised the Board of the changes to the data protection policy following the end of transition arrangements between the United Kingdom and the European Union and that references to the GDPR have been updated to UK GDPR to reflect that the Data Protection Act 2018 enshrined the EU GDPR.

The Board approved the Data Protection policy.

20. Any other business

There was no further business.

21. Review of meeting

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

The Chair thanked everyone for their contributions.

22. Date of next meeting: 19 May 2021

The members noted the next meeting of the Audit Scotland Board is scheduled for 19 May 2021.

Items taken in private

23. New audit appointments update

Elaine Boyd, Associate Director, and Kathrine Sibbald, Senior Manager, joined the meeting.

Elaine Boyd and Kathrine Sibbald introduced the New audit appointments update paper, copies of which had been previously circulated.

Elaine provided an update on the progress of the Code of Audit Practice (COAP), the New Audit Appointments (NAA) steering group and the Invitation to Tender (ITT) preparation. The Board members discussed the paper.

The Board noted the progress and approved, that barring further unexpected changes, current audit appointments would not be extended beyond 2021/22.

Elaine Boyd, Associate Director, and Kathrine Sibbald, Senior Manager, left the meeting.

24. Proposed equalities outcomes 2021-2025

Carolyn McLeod, Audit Director, Claire Richards, Senior Auditor, Erin McGinley, Correspondence Officer, Tracey Bray, Senior Business Partner (OD) and Joanna Mansell, Communications Adviser, joined the meeting.

Carolyn McLeod introduced the proposed equalities outcomes 2021-2025 report, copies of which had been previously circulated.

The Board members discussed the outcomes as stated in the report and noted that it would be valuable to draw on the insights from the EHRAG group. The Board were supportive of the report and noted the importance of setting the right measures and targets.

The Board noted the report.

Carolyn McLeod, Audit Director, Claire Richards, Senior Auditor, Erin McGinley, Correspondence Officer, Tracey Bray, Senior Business Partner (OD) and Joanna Mansell, Communications Adviser, left the meeting.

25. 2020 stakeholder engagement report

Simon Ebbett, Communications Manager and Mark Roberts, Audit Director, joined the meeting.

Simon introduced the 2020 stakeholder engagement report, copies of which had been previously circulated.

Simon advised that the survey results are very positive and demonstrate the effective relationships that Audit Scotland has with parliamentary committees. Simon clarified that the survey does not cover the products (reports etc) that Audit Scotland produces.

The Board members recognised that the stakeholder results and the Best Companies results provide a very positive snapshot of the internal and external views of Audit Scotland.

The Board noted the report.

Mark Roberts, Audit Director, left the meeting.

26. 2020/21 Annual report

Simon Ebbett introduced a report on the plan for the 2020/21 Annual Report and Accounts, copies of which had been previously circulated. Simon confirmed that the stocktake session did not change any of the content of the report.

The Board noted the plan for the 2020/21 Annual report.

Minutes

Audit Committee



Wednesday 3 March 2021
By Microsoft Teams

Present:

Colin Crosby (Chair)
Jackie Mann
Elma Murray, Interim Chair of the Accounts Commission

Apologies:

There were no apologies.

In attendance:

A Alexander, Chair, Audit Scotland Board
S Boyle, Accountable Officer and Auditor General for Scotland
D McGiffen, Chief Operating Officer
C Robertson, BDO
J So, Alexander Sloan
S Cunningham, Alexander Sloan
M Walker, Associate Director, Corporate Performance and Risk
G Fitzpatrick, Corporate Governance Manager
S Dennis, Corporate Finance Manager
E Boyd, Associate Director, Audit Quality and Appointments
O Smith, Senior Manager, Audit Quality and Appointments
P O'Brien, Senior Manager (Technical), Public Audit and Best Value

1. Private meeting with BDO and Alexander Sloan

A private meeting was held with Audit Committee members, Alexander Sloan and internal auditors, BDO.

2. Welcome and apologies

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

3. Declarations of interests

There were no declarations of interest.

4. Minutes of the last meeting: 4 November 2020

The Audit Committee members reviewed the minutes of the meeting of 4 November 2020, which had previously been circulated.

The Chair invited any questions or comments.

Elma Murray, Interim Chair of the Accounts Commission, advised that her apologies for the meeting on 4 November 2020 were due to a pre-existing commitment on Accounts Commission business.

The Audit Committee approved the minutes of the previous meeting.

5. Review of action tracker

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

The Chair asked whether there were any questions or comments, and invited Gayle Fitzpatrick, Corporate Governance Manager to provide any additional updates.

Gayle advised that the tracker has been updated and was for noting.

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

6. Audit delivery 2019/20

Elaine Boyd, Associate Director, Audit Quality and Appointments and Owen Smith, Senior Manager joined the meeting

Elaine Boyd, Associate Director, Audit Quality and Appointments introduced the Audit delivery 2019/20 report, which had been previously circulated.

Elaine advised that, with the exception of two audits, all public audits are signed off and those still outstanding would be finalised this week. Elaine highlighted that this outcome was a significant achievement for the audit teams given the challenges of delivering audit work in the current climate. She further advised that feedback will be sought to establish the reasons for delays. This intelligence will be used to assist improvements in audit work and help ensure the achievement of future audit deadlines.

Elaine advised that the delivery of financial audit work in Scotland compared very favourably to audit delivery elsewhere in the UK. Elaine emphasised that the impact of the pandemic was only felt for one month of the 2019/20 audits, and that the full year impact of the pandemic will be felt this year and audit deadlines may require to be moved again.

The Audit Committee recognised the incredible achievement of audit teams and agreed that it was real testament to the commitment and talent of Audit Scotland colleagues and work by the Firms.

The Audit Committee noted the Audit delivery 2019/20 report.

7. Audit Quality update

Elaine Boyd, Associate Director, Audit Quality and Appointments introduced the Audit Quality update report, which had been previously circulated.

Elaine provided an update on the areas that had worked well in the last year including the successful introduction of DocuSign and the streamlined audit quality returns. In addition, Elaine provided an update on the progress of the Audit Quality complaints procedure which was near completion and the focus on audit transparency and equality reporting.

The Audit Committee members noted that the Complaints Procedure reflected the Scottish Public Sector Ombudsman (SPSO) approach and discussed the areas which might benefit from further expansion and refinement. These included the annual reporting on these types of complaints even if none arose, and additional information on the protocols that are already in place to address performance and quality issues where they exist.

The Audit Committee noted the audit quality update report.

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

8. Q3 financial performance report

Stuart Dennis, Corporate Finance Manager, introduced the Q3 Financial Performance report, copies of which had been previously circulated.

Stuart advised that there was a £349K variance to budget at the end of December 2020 and that this was largely due to the impact of the pandemic on income recognition. Stuart advised the Scottish Commission for Public Audit (SCPA) had recommended the Spring Budget Revision and the 2021/22 Budget to the Parliament's Finance Committee. It is anticipated that confirmation of this would be provided by March 2021.

The Audit Committee discussed the current financial position and asked whether any surprises might be expected before the end of the financial year. Assurance was provided that Audit Scotland would come in on budget at year end subject to the approval of the Spring Budget Revision.

The Audit Committee members discussed the potential future shape of working and noted the impact this may have on offices accommodation. Assurance was provided that Audit Scotland is actively reviewing the long-term property strategy and there has been a commitment made to SCPA that an update will be provided on this matter when there is a view of longer-term plans and the shape of audit work.

The Audit Committee noted the Q3 Financial report.

9. Review of Risk Management Framework

Martin Walker, Associate Director, Corporate Performance and Risk, introduced the review of risk management framework report, copies of which had been previously circulated.

Martin advised that the risk management framework is reviewed every two years and was last reviewed in May 2020. Given the current pandemic-related working context, it was recognised a review would be beneficial. The review found that the framework, with some refinements, remains fit for purpose and the categorisation of risk and the descriptors are helpful in identifying organisational risks and focussing management responses.

Martin sought approval from Audit Committee to temporarily suspend the risk interrogations due to capacity challenges resulting from the pandemic. Martin advised that they would be picked up again when there was capacity to re-introduce these.

The Audit Committee thanked Martin for the overview and noted that the document was well considered. Members discussed the nuances around the way ownership and responsibility for risks at Management Team and Board level were articulated, and agreed it would be beneficial to explore this further in a risk workshop before November 2021.

The Audit Committee noted the review of risk management framework report and approved the temporary suspension of the risk interrogations.

AC120: Martin Walker to arrange a workshop on Risk Management to be held before November 2021. (August 2021)

AC121: Martin Walker to add a paragraph in the Risk Management Framework which references the role of the IMT. (May 2021)

10. Review of risk register

Martin Walker, Associate Director, Corporate Performance and Risk, introduced the Review of risk register report, copies of which had been previously circulated.

Martin advised that the continued impact of Covid-19 is evident within the risk register and highlighted two particular risks reflective of this - the risk to audit delivery in the coming year and the issue of demand outstripping supply. Martin assured members that these risks are

being actively managed at various levels across the business groups, and corporately at Leadership Team, Management Team and IMT.

The Audit Committee reflected on the five risks rated red and the management of these within the current working context. It was agreed that the Risk Management Framework should place stronger emphasis on the regularity of the IMT meetings, as this demonstrates that there are regular and proactive efforts being made to mitigate the impact of these risks.

The Audit Committee members discussed the importance of managing the expectations of our external stakeholders as well as engaging the broader stakeholder community in the progression of audit work. It was noted that the impact of the pandemic had accelerated the rate at which information was expected and consumed and that this has implications for audit work and how it should evolve.

The Audit Committee also considered the impact of Covid-19 on staff wellbeing. It was agreed that while performance is strong, the sustainability of these efforts for staff in the current context was challenging and had consequences. Members recognised that wellbeing continues to be a risk given the potential legacy impact of the pandemic. Assurance was provided to the Audit Committee that the organisation remains committed to staff health and wellbeing and this is addressed in a variety of ways including corporate messaging and individual discussions with managers.

The Audit Committee noted the review of the risk register.

11. Annual review of business continuity arrangements 2021

Martin Walker, Associate Director, Corporate Performance and Risk, introduced the annual review of business continuity arrangements 2021, copies of which had been previously circulated.

Martin advised that the business continuity arrangements had been tested significantly in 2020. He noted that prior to the pandemic, the Business Continuity Plan had focused on theoretical risks. The experience of Covid-19 allowed the organisation to test the plan in the fluid and fast-moving context of operating amidst a global pandemic. Martin advised that overall, the response has been good across the piece.

The Audit Committee members discussed various business continuity scenarios and how they would work in the scope of the Business Continuity Plan, particularly around communicating with the Board, the Accounts Commission, and the internal communications team. It was agreed that the policies are comprehensive and the organisation has managed through this challenging period extremely well.

The Audit Committee recognised the efforts of Finance colleagues in Audit Scotland for their work on Payroll during the pandemic.

The Audit Committee noted the annual review of business continuity arrangements for 2021 and approved the plans.

12. Internal audit reports

Claire Robertson, BDO, introduced the internal audit report, which had been previously circulated.

IT Strategy and service capacity – Claire advised that the review had provided substantial assurance for design and operational effectiveness and the report outlined good practice. There were no recommendations made.

IT Procurement – Claire advised that the review had provided moderate assurance for design and operational effectiveness. The recommendations made relate to procedural documentation including the procurement handbook. Claire advised that the Management responses will address these concerns.

Audit Profession changes and preparedness - Claire advised that the review had provided substantial assurance on design and operational effectiveness and there were no recommendations given Audit Scotland is clearly taking a comprehensive approach.

The Audit Committee members thanked Claire for her input and noted the positive nature of the reports. In relation to the Audit profession review, members discussed the importance of the skills and capacity of newly appointed auditors. Claire provided assurance that Audit Scotland is where it should be on this. The members also noted that colleagues have strong relationships with the Institute of Chartered Accountants Scotland (ICAS) and the Financial Reporting Council (FRC). This strong presence serves Audit Scotland well in terms of responding to and influencing developments.

The Audit Committee noted the internal audit report.

13. Internal audit progress report

Claire Robertson, BDO introduced the BDO's internal audit progress report, copies of which had been previously circulated.

Claire advised the report was for information and invited questions, of which there were none.

The Audit Committee noted the internal audit recommendations progress report.

14. Internal audit recommendations progress report

Gayle Fitzpatrick, Corporate Governance Manager, introduced the Internal Audit recommendations progress report, copies of which had been previously circulated.

Gayle summarised the progress on the internal audit recommendations and invited questions or comments of which there were none.

The Audit Committee noted the internal audit recommendations progress report.

15. Co-operation between internal and external auditors

Claire Robertson, BDO introduced the Co-operation between internal and external auditors report, copies of which had been previously circulated.

The Audit Committee noted the Co-operation between internal and external auditors report.

16. Annual internal audit plan 2021/22

Diane McGiffen, Chief Operating Officer introduced the Annual internal audit plan 2021/22 report, copies of which had been previously circulated.

Diane advised that the plan outlined a strong programme of work which will help Audit Scotland develop from the experience of operating during the Covid-19 pandemic. Diane also noted that more discussion would take place to fine tune the plan given the ongoing challenges with homeworking and that this may include revisiting the advisory work outlined. The assurance review on the Procurement of audit plans which had been postponed during 2020 is planned to proceed during 2021.

The Chair welcomed questions, of which there were none.

The Audit Committee members agreed broad approval of the plan, with the caveat that there would be further fine tuning.

The Audit Committee agreed the Annual internal audit plan 2021/22 report subject to pending minor revisions.

17. 2020/21 Year-end statutory accounts timetable

Stuart Dennis, Corporate Finance Manager, introduced the 2020/21 year-end statutory accounts timetable, copies of which had been previously circulated.

Stuart sought approval for the timetable for the year end statutory accounts and advised that the dates were the similar to previous years. He outlined that there was reliance on external information from the Lothian Pension Fund and Civil Service pension scheme to meet the deadlines and that this is being proactively managed.

The Chair welcomed questions, of which there were none.

The Audit Committee approved the timetable for the completion of the 2020/21 year - end statutory accounts.

18. 2020/21 Accounting policies, key accounting estimates and judgements

Stuart Dennis, Corporate Finance Manager, introduced the 2020/21 Accounting policies, key accounting estimates and judgements paper, copies of which had been previously circulated.

Stuart sought approval for the policies that are included in the organisation's annual accounting policies. He outlined the main change around the implementation of IFRS16 leases which has been delayed until April 2022. In addition, he advised that there is also a statement on the impact of Covid-19 in the key sources of judgement section.

The Chair welcomed questions, of which there were none.

The Audit Committee approved the 2020/21 Accounting policies, key accounting estimates and judgements report.

19. External auditors plan 2020/21

Steven Cunningham, Alexander Sloan introduced the external auditors plan 2020/21, copies of which had been previously circulated.

Stephen advised the Committee on the changes to the approach and invited questions.

The Chair encouraged adherence to the plan's timetable and advised that should there be the need to revisit the timeline the Audit Committee can reconvene as required.

The Chair welcomed questions, of which there were none.

The Audit Committee noted the External auditors plan 2020/21 report.

Stuart Dennis, Corporate Finance Manager, left the meeting

20. Digital security update

David Robertson, Digital Services Manager, joined the meeting.

David Robertson, Digital Services Manager, introduced the Digital security update, copies of which had been previously circulated.

David advised that additional security arrangements provided by Cloud based computing are in place, and while this strengthens digital defences it does not eliminate threats. David

referred to the recent Scottish Environment Protection Agency (SEPA) cyber security incident as an example of the cyber security risks.

David advised that fake phishing tests have been carried out in the organisation with positive results.

The Audit Committee members noted the report was excellent and very accessible. Discussion focused on the risks around colleagues using their own devices and the work Digital Services is undertaking in supporting the IT needs of the Accounts Commission.

The Audit Committee noted the Digital security update.

David Robertson, Digital Services Manager, left the meeting

21. Data incident/loss report

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

Gayle highlighted that there were five incidents during quarter three and that this was an increase from quarter two where one incident had been reported. Gayle assured the Committee that all incidents were low risk and therefore did not require to be reported to the Information Commissioners Office (ICO).

Gayle advised that the Corporate Governance team continue to provide communications across the organisation to support data protection, including the January Data Protection blog and the Information Security Survey undertaken in December 2020 to identify gaps in organisational knowledge.

The Chair invited questions and comments, of which there were none.

The Audit Committee noted the Data incident/loss report.

22. Annual assurance and statement of control processes 2021

Gayle Fitzpatrick, Corporate Governance Manager, introduced the Annual assurance and statement of control processes 2021 report, copies of which had been previously circulated.

Gayle advised that a copy of the flow chart had been circulated to Audit Committee members on 14 January 2020 by email. No further changes had been made since then to the flow chart. She also advised that the process had been streamlined to reflect the pandemic working context but that all the necessary controls remained in place.

The Audit Committee noted the annual assurance and statement of control processes for 2021.

23. Any other business

There were no items of any other business

24. Review of meeting

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

Audit Committee members agreed that everything had received comprehensive coverage.

It was noted that today's agenda had been a full agenda and there was agreement that in future some reports could be summarised.

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

AC122: Audit Committee Chair, Martin Walker and Gayle Fitzpatrick to meet to discuss the volume and structure of Audit Committee reports. (May 2021)

25. Date of next meeting

The next meeting of the Audit Committee was scheduled on 21 May 2021, 10.30am via video conference, to be chaired by Colin Crosby.

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

DRAFT

Purpose

1. This report provides the Board with an opportunity to review its governance arrangements and the standing orders in the context of the current Covid-19 pandemic.

Background

2. On 16 March 2020 Audit Scotland's Incident Management Team initiated the Business Continuity Plan in light of the Covid-19 situation. Colleagues were advised to work from home with immediate effect and the offices were closed.
3. At its meeting on 25 March 2020 the Board agreed to temporarily suspend some of the standing orders. These were in relation to; meeting in public, the requirement for papers to be issued to members five days before the meeting and the publication of papers on the website in advance of meetings. The Board also agreed to keep the standing orders under review at each meeting.
4. At its meeting on 13 May 2020 the Board agreed that the temporary suspension of the standing orders in relation to the issue and publication of board papers were no longer required.
5. At its meeting on 27 January 2021 the Board agreed that public access to observe Board meetings would be made available using MS Teams with effect from 24 March 2021. In addition, it was agreed that the Chair record a short video following the Board meetings to summarise the key items of business and decisions. These arrangements mirror those being used by the Accounts Commission.

Options for extending access to public meetings

6. Colleagues from the Accounts Commission support team, Communications and Digital Services are developing proposals to cover the livestreaming of meetings to support greater accessibility, openness and transparency.
7. In the first phase the group is developing an approach to address the livestreaming of virtual meetings. It is likely that this will be outsourced to a supplier who is a well-established provider of such services to local councils. We are aiming for this to be in place from the June meeting of the Accounts Commission.
8. In the second phase the team will consider options and develop proposals for the livestreaming of 'face to face' and 'hybrid' meetings (where some participants may be attending the meeting remotely) when these begin to take place. The timing of these remains under review in the context of the Scottish Government guidance and Covid-19 data.
9. In developing the proposals, the team is considering a range of issues including:
 - Openness, transparency and accessibility.
 - Digital security, data protection and other regulatory requirements.
 - Technical requirements, including the installation of additional equipment in meeting rooms.
 - Service quality and functionality.
 - Delivery options, including outsourcing.
 - Financial/resourcing implications and value for money.

10. An options paper will be considered by the Management Team in May 2021, followed by an update report to the Accounts Commission and the Board in June 2021.

Recommendations

11. The Board is invited to:

- agree that the variations to the standing orders are kept under review and considered at each Board meeting until further notice
- note the development work on live streaming virtual meetings and a proposal for extending the access to face to face and hybrid meetings.

REF	FORUM	Agenda Item No	Item Title	Action Description	Meeting Date	Due Date	Responsible	Assigned to	Complete/Ongoing	Reported Yes/No	Progress Notes
ASB129	Board	8	Governance arrangements: Review of Standing Orders	Martin Walker to report on longer term options in relation to public meetings. (March 2021)	27/01/2021	Mar-21	Martin Walker	Martin Walker	Complete	Yes	An update was considered at the Board meeting on 24 March 2021.
ASB130	Board	10	Strategic improvement programme update	The agenda for the forthcoming Board workshop to consider the Public Audit in Scotland model and partnership working. (March 2021)	27/01/2021	Mar-21	Martin Walker	Martin Walker	Complete	Yes	The agenda for the Board development workshop on 10 May 2021 included a discussion on partnership working.
ASB131	Board	14	Scottish Commission for Public Audit: Official report	Consideration of Audit Scotland's medium and longer term fees and funding model to be scheduled. (March 2021)	27/01/2021	Mar-21	Diane McGiffen	Stuart Dennis	Ongoing		Work is underway and a verbal update will be shared with the Board at its meeting on 19 May 2021.
ASB133	Board	8	Review of minutes: Audit Committee meeting: 4 November 2020	Gayle Fitzpatrick to amend the Audit Committee meeting minute of 4 November 2020 to reflect the change of date from early 2021 to September 2021.	24/03/2021	Apr-21	Gayle Fitzpatrick	Gayle Fitzpatrick	Complete	No	The amendment has been made to the minute.
ASB134	Board	9	Review of action tracker	NAA: Diane McGiffen to set out indicative stages and tasks for the next three months and present to the Board in May.	24/03/2021	May-21	Diane McGiffen	Diane McGiffen	Complete	No	The appendix to the report at item 17 of today's agenda contains details of the key areas and timeline.
ASB135	Board	12	Strategic improvement programme update	Alan Alexander, Colin Crosby, Diane McGiffen and Martin Walker to meet to discuss aspects of the programme governance, management and reporting (April 2021).	24/03/2021	Apr-21	Colin Crosby	Colin Crosby	Complete	No	A meeting to discuss these areas took place on 22/04/2021.
ASB136	Board	13	Operational budget 2021/22	Colin Crosby and Stuart Dennis to meet to discuss aspects of the budget including the pension fund.	24/03/2021	Apr-21	Colin Crosby	Colin Crosby	Complete	No	A meeting is scheduled for 19/05/2021.
ASB137	Board	16	Best Companies survey results	Elma Murray and Diane McGiffen to discuss how best to share the Best Companies results with the Accounts Commission (April 2021).	24/03/2021	Apr-21	Elma Murray	Elma Murray	Complete	No	An update on the Best Companies survey results were shared with the Accounts Commission at its meeting 15/04/2021.
ASB138	Board	18	Corporate governance review of Board arrangements	Martin Walker to prepare a discussion paper for members of the Board (April 2021).	24/03/2021	Apr-21	Martin Walker	Martin Walker	Ongoing		A discussion paper will be shared with the Board in May 2021.

Purpose

1. This report provides an update on Audit Scotland's response to the Covid-19 pandemic. It summarises the current position and the implications for Audit Scotland as an organisation and for the audit work.
2. The situation continues to evolve, and a verbal update will accompany this report.

Background

3. The Audit Scotland Board considered a Covid-19 update report at its meeting on 24 March 2021.
4. The strict suppression measures which had been in place in January, February and March in response to the new variants are being relaxed in accordance with the [timetable for easing coronavirus restrictions](#). The data on transmission rates, hospitalisations and deaths are providing signs for cautious optimism. All parts of the country moved to [level 3](#) on Monday 26 April.
5. On 17 May all parts of the mainland will move to [level 2](#) with the probable exception of Moray which will remain at level 3. The islands will move to [level 1](#) on 17 May with the exception of Skye.
6. Significant progress has been made on the vaccination programme. As at 11 May 2.93 million first vaccinations had been administered, this equates to 64.5% of the population aged 16 or over. 1.51 million second vaccinations had been administered; this equates to 33.2% of the population.
7. The Incident Management Team (IMT) continues to meet on a weekly basis, Covid-19 remains a standing item on the agenda for Management Team and the Board and regular updates have been issued to all colleagues and Board members.

Organisational implications and responses

8. On January 25 2021 we published '[Covid-19: What it means for public audit in Scotland](#)'. The report restated the principles of being pragmatic, flexible and consistent in guiding our response to the pandemic. The report set out our approach following the reintroduction of significant restrictions in Scotland and provided an update our financial and performance audit programmes and how we are assessing the pandemic's impact on public bodies and reviewing the Scottish public sector's response.

Our people

9. From the start of the pandemic we have prioritised the health, safety and wellbeing of our colleagues. This continues to be a key priority. We have worked hard to support colleagues who are currently all dispersed, working from home and juggling sometimes quite difficult home and work responsibilities. This support has taken a variety of forms, including regular communications and engagement, advice and guidance, access to systems and the provision of digital and office equipment.
10. More recently, the re-opening of schools and the new strategic framework are providing colleagues with increased signs of optimism.
11. Since the last update:
 - No new colleagues have tested positive for Covid-19 and fewer than five colleagues are currently shielding. Two colleagues are absent due to persisting Covid-19 symptoms.
 - The sickness absence statistics show that there has been a slight increase in the absence rate in 2020/21 compared to 2019/20 (5.81 sick days per employee compared to 4.96 days).
 - Based on the national vaccination statistics we estimate that 52% of colleagues may have received their first vaccination jab and 15% their second.

- An analysis of the time logged by colleagues to the C-19 business continuity time recording codes tells us that 2,599.75 days have been logged to this code since March 2020. This equates to an average of 8.9 days per FTE over a 13-month period.
- The annual Best Companies survey results have been shared with colleagues, the Board and the Accounts Commission. The results provided positive feedback overall and significant increases in relation to wellbeing, my manager, my team and my company.
- We are nearing the end of the first phase of our building capacity project which was targeted at audit roles. Our recruitment campaign attracted almost 200 applications from one of the most diverse pool of applicants we have ever had. We appointed 46 people to a range of audit roles, including 24 to newly established posts. The appointments are a mix of new starters who are joining us in early May and early June and promotions for existing colleagues. We are now moving to phase 2 of the project which will include building capacity in specialist and support roles and services.

Digital and office equipment

12. We continue to support people with home working. To date we have issued 328 items of digital equipment to 239 colleagues. These items have mainly been screens, keyboards and mice. The total cost to date has been £2,915.50, an average of £95.88 per colleague who has needed equipment.
13. Colleagues can gain secure access to Audit Scotland systems via their own devices and we have also issued/replaced new laptops for 67% of the workforce and anticipate 78% coverage by early May.
14. We have also issued 338 items of office equipment to 254 colleagues. These items have included desks, chairs, footrests, and some items have been issued from existing stock in the offices. The number of requests received each week is now down to one or two items. The total cost to date has been £16,898.31, an average of £65.52 per person who has needed equipment.

Future working preferences

15. In April we ran a survey to gauge colleagues current thinking on how and where they will work in the future. We invited colleagues to share their thoughts on the amount of time they expected to work in the office, on-site working and also the factors which were influencing their thinking.
16. The response rate was 86% and the results indicate very clearly that colleagues anticipate a hybrid working model in the future. Over 80% of colleagues indicated they would work mostly from home while being in the office for specific events/to do specific pieces of work or work in the office two to three days a week. In a similar vein, 84.7% of colleagues who would typically do on-site work indicated that this would be particular events/pieces of work or be around half as much as was the case pre pandemic.
17. Colleagues also shared their thoughts on what factors were influencing their thinking. This covered a broad range of areas, the most common being work life balance, travelling to work, health, safety and wellbeing, efficiency and productivity and social interaction with colleagues.
18. We have also begun a series of drop-in sessions for colleagues to share their thoughts, ask questions and receive updates as we develop the approach the future ways of working. Over 200 colleagues attended those events in the week of 26 April 2021.
19. The survey and the drop-in sessions will help inform our planning for how we work in future and what this means for the office accommodation.

Office accommodation

20. The Audit Scotland offices have been closed with effect from 17 March 2020 and we expect this to be the default position for some time to come. Currently we have advised colleagues that there will not be access to offices before the end of June at the earliest and even then, this will be limited access for a small number of colleagues based on specific criteria.
21. Substantial planning has already taken place on this and in the coming weeks we will review and update our risk assessment, engage with our external health and safety adviser and PCS and update the guidance for colleagues.

22. On 23 February 2021 the Scottish Government published a revised Covid-19 Strategic Framework which sets out the conditions and planned next steps in responding to the pandemic and easing the suppression measures. This, and the outcome of the planned reviews and associated revised guidance, will inform our approach to providing access to the offices using a slow and cautious approach. It is worth noting that even the [guidance for level zero](#) remains 'you should work from home where possible'.
23. Management Team will review the position in June 2021.

Financial management

24. We continue to monitor the financial situation very closely. The focus on the 2019/20 financial audits and the consequential impact of the delayed start to the 2020/21 audits has had an impact on income recognition. Provision was made for this in the 2020/21 Spring Budget Revision (SBR) submitted to the Scottish Commission for Public Audit.
25. On 19 February 2021 the Scottish Commission for Public Audit (SCPA) published its [report](#) recommending approval by the Finance Committee. The Stage 3 Budget Bill was passed by the Parliament at its meeting on 9 March 2021.
26. In terms of the current cash flow position, we invoiced the first fee instalment for the 2020/21 chargeable audits in January. This totalled £5.7 million. To date we have received payments of £5.6 million leaving an outstanding balance of £0.1 million and we expect that payment of all outstanding invoices will be fully received in the first quarter of the new financial year.

Audit implications and responses

27. On 24 February we published '[Tracking the implications of Covid-19 on Scotland's public finances](#)'. This was accompanied by a blog by the Auditor General for Scotland highlighting the need for greater transparency to follow the pandemic pound.
28. To date we have prioritised our statutory audit obligations and, in consultation with the Auditor General for Scotland and the Accounts Commission, paused/re-scheduled areas of audit work where we have more discretion. We have also been clear that we will do what is achievable, but that we cannot guarantee all deadlines can be met. This is due to the disruption in audited bodies as well as to Audit Scotland. We have also been clear that, while timescales may change, audit quality remains a priority and is even more important at times of significant disruption.
29. On 23 March the Auditor General for Scotland and the Accounts Commission published '[Improving outcomes for young people through school education](#)'. The report noted that:

'The Covid-19 pandemic has affected children and young people in many ways, including their learning, wellbeing and economic circumstances. Pupils living in the most challenging circumstances have been most affected by school closures. Those involved in planning, delivering and supporting school education were working well together prior to the pandemic. This strong foundation helped them to collaborate to deliver a rapid response to Covid-19 in exceptionally challenging circumstances. The pandemic has reinforced the importance of school education and other sectors working together to tackle issues which affect young people's life chances and outcomes, such as child poverty and health and wellbeing.'

30. Publications were put on hold with effect from 25 March 2021 due to the election moratorium.
31. The Auditor General for Scotland and the Interim Chair of the Accounts Commission agreed the refreshed work programme on 27 April and the programme will be published on 21 May 2021. They also agreed to move to a quarterly update of the work programme rather than an annual refresh to ensure it remains dynamic and flexible. A separate paper on the work programme will be considered by the Board at its meeting on 19 May 2021. The programme contains a range of Covid-19 related work including approaches to 'following the pandemic pound'. The programme is the subject of a specific report to the Board on 19 May 2021.

Next steps

32. The experience of dealing with the pandemic to date has demonstrated how flexible and resilient Audit Scotland is as an organisation.

33. As we move beyond the 'response phase' we are keen to learn from what this phase has told us and harness and build on the innovation, creativity and flexibility to develop new ways of working. This has informed our refreshed Strategic Improvement Programme which was considered by the Board at its meeting on 25 November 2020. The most recent update report was considered by the Board at its meeting on 24 March 2021 and an update is on the agenda for today's meeting.

Recommendations

34. The Board is invited to:

- note the actions taken to date in response to the Covid-19 pandemic
- note the ongoing actions and next steps.

Purpose

1. This report provides an update on the Strategic Improvement Programme.

Background

2. The Audit Scotland Board considered a report on the Strategic Improvement Programme (SIP) at its meeting on 25 November 2020. The report noted that Scotland's public services are facing greater challenges than at any point since devolution, that the pandemic has brought significant increases in public spending, with corresponding public and Parliamentary interest in how this money is being spent. In this context, high quality, independent public audit is more important than ever.
3. The key objectives of the Strategic Improvement Programme (SIP) are to:
 - drive our organisational transformation and improvement over the next 18 months
 - provide a bridge between the 'recovery phase' 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. The most recent SIP update report was considered by Management Team and the Board at their meetings on 2 and 23 March 2021 respectively.
5. All projects now have project leads in place and we have made good progress in a number of areas. These are detailed below.
6. A more detailed list of the projects in the programme is attached at Appendix 1.

Delivering world class audit – What we do

7. The Auditor General for Scotland and the Interim Chair of the Accounts Commission agreed the refreshed **dynamic work programme** on 27 April and the [programme](#) will be published on 21 May 2021. The programme focusses on producing timely and relevant products in the short-term while actively analysing our impact and delivery against longer-term strategic goals. It was also agreed to move to a quarterly update of the work programme rather than an annual refresh to ensure it remains dynamic and flexible. The programme is the subject of a specific report to the Board on 19 May 2021.
8. The development of the new approaches to **best value auditing** in councils and Integration Joint Boards (IJBs) is progressing well, under the direction of the Accounts Commission's Best Value Working Group. A high-level description of the new approaches is included in the new Code of Audit Practice and will be described in the supplementary guidance being prepared to support the Code.
9. Work has continued on refining the **Code of Audit Practice**. The Code is due to be considered by the Auditor General for Scotland and by the Accounts Commission in May for approval, in advance of the 2 June Board meeting. The Board will be invited to sign-off the Code for publication on 8 June 2021.
10. The financial audit quality results for 2020 have served to underline the need for urgent and sustained investment in our **financial audit approach**, immediately and over the next two years, including the need to expand and protect resource for this business-critical activity.

11. Developing our approach to financial audits to ensure we focus on significant risks and compliance with forthcoming changes to auditing standards is a key project for 2021. This work was paused in 2020 when the staff involved were redeployed to support direct audit delivery. The work recommenced at the start of 2021 and we are making good progress, with a revised approach to audit planning designed to address recurring quality review points about the approach and related documentation. The quality review work has also helped inform further development of data analytics, an emerging element of our audit approach which supports analysis of financial data and audit sampling.
12. The **New Audit Appointments** Steering Group met on 17 March and 22 April 2021. At the first of these meetings the group decided that the appointment process will retain interviews as part of the evaluation. These interviews are likely to take place in January 2022 and will likely involve the Auditor General for Scotland, the Interim Chair of the Accounts Commission, the Chair of Audit Scotland's Audit Committee and an independent external panel member. In April, the group agreed to a revised timeline for the tender period. The invitation to tender will be published on 6 September and the closing date will be 29 November 2021.
13. On 23 March 2021 the Board considered the **Digital Audit Strategy**. This will develop our approach and capacity to harness digital technology in delivering and reporting audit work.
14. The current **electronic working papers** (EWP) system (MKI) is currently undergoing final testing in advance of a new release being implemented by the end of May. On completion of this the focus will then turn to the development of the specification and procurement process for the new EWP.

Being a world class organisation – How we work

15. The 2021/22 **budget submission** provided for capacity building to help meet our increased audit responsibilities and support organisational resilience and improvement. On 19 February 2021 the Scottish Commission for Public Audit (SCPA) published its report recommending approval by the Finance Committee. The Budget Bill was approved by Parliament on 9 March 2021.
16. The **building capacity** workstream has made significant progress. The recent recruitment campaign is the first step in our wider work to develop our capacity and skills as an organisation, so we can meet the needs of public audit in Scotland in the future. The campaign went live on 22 January 2021.
17. We are nearing the end of the first phase of this workstream which was targeted at audit roles. Our recruitment campaign attracted almost 200 applications from one of the most diverse pool of applicants we have ever had. We appointed 46 people to a range of audit roles, including 24 to newly established posts. The appointments are a mix of new starters who are joining us in early May and early June and promotions for existing colleagues. We are now moving to phase 2 of the project which will include building capacity in specialist and support roles and services. A working group is developing a proposal for the scope, purpose and approach for this second phase for Management Team to consider in June.
18. The January campaign also formed an element of our diversity, equality and inclusion (DE&I) programme with input from our external specialist partners at Business in the Community (BITC). An update on this and our wider progress with DE&I is being provided to the Remuneration & Human Resources Committee (Remco) at its meeting on 12 May 2021. This includes a facilitated discussion with Remco members by BITC and is being sponsored by Audit Scotland's DE&I executive sponsor, Fiona Kordiak, and the Human Resources & Organisational Development Manager.
19. Audit Scotland has made good progress in its negotiations with the Public and Commercial Services (PCS) Union in relation to both the 2021 pay award and agreement on how further negotiations will take place in 2021 covering **how we work** – including matters relating to working hours, location, allowances and travel. An update will be provided to the Remco on 12 May 2021 by the Chief Operating Officer.
20. The draft People Strategy has been considered by Audit Scotland's Management Team. The final version is scheduled for Management Team approval on 1 June 2021 along with the Workforce Plan. Both documents will be shared with Remco for information in June 2021.
21. On 23 February the Scottish Government published a revised [Covid-19 Strategic Framework](#) which sets out the conditions and planned next steps in responding to the pandemic and easing suppression measures. This, and the outcome of the planned reviews and associated revised guidance, will inform our approach to **providing access to the offices**. Substantial planning has already taken place on this and in the coming weeks we will review and update our risk assessment, re-survey colleagues on their expected working arrangements, engage with our external health and safety adviser and PCS and update the guidance for colleagues. We have carried out a survey and have held two drop-in sessions to

date to engage with colleagues on their future working preferences. Further information on the survey is included in the Covid-19 update report which is also on the agenda for today's meeting. It is clear that hybrid working will be the predominant approach in the future.

22. On 23 March the Board approved the **Digital Services Strategy**. This is designed to ensure that we maximise the use of technology to support core service delivery and new ways of working. The three key objectives are enhancing our cyber security, providing the systems and services for a virtual business and supporting our digital transformation.

- We have engaged with a Cyber Incident Response partner to better prepare us for a possible cyber-attack while at the same time enhancing our behaviour monitoring and endpoint protection, using third party security experts to test our defences.
- We continue to provide colleagues with equipment to facilitate safe, secure working from home. 68% of colleagues currently have secure Audit Scotland laptops, allowing them to work from any location, and we plan to ensure all colleagues are equipped with laptops by September 2021.
- We have extended our service desk hours to support colleagues' changing work patterns and now deliver all our support virtually over voice, video and remote assistance. We have also developed training resources specifically designed to assist colleagues working from home and provided cyber security training that targets the new risks of home working.

23. Our Digital Strategy identifies the need to implement an integrated **Business Management System (BMS)** that can meet our core objectives of providing:

- Core Finance services including:
 - employee self service area
 - expenses
 - payroll.
- Core HR&OD employee lifecycle support, including:
 - employee self service area
 - recruitment including external facing self-service recruitment portal and employee on-boarding
 - performance management that records and manages development (3D)
 - learning and development
 - talent management, diversity, equality and inclusion support/workforce data analytics.

24. We are currently developing a business case to progress the procurement of a BMS which will enable us to benefit from the improved digital security and functionality of a modern integrated software system. The business case is scheduled to be considered by the Management Team in May 2021.

Our purpose

25. The key project under this workstream is the refresh of [Public Audit in Scotland](#). Public Audit in Scotland, published in 2015, is a high-level strategic statement by the Auditor General for Scotland, the Accounts Commission and Audit Scotland which sets out the purpose and principles of public audit, why public audit matters, and the respective roles of the three partners. It also sets out some common themes that were of particular relevance at that time, particularly new financial powers.

26. A review of Public Audit in Scotland, and the partnership working agreement underpinning it, will provide an opportunity to clearly articulate the role of public audit in the new operating environment. The proposal is that the refresh will be carried out by the Auditor General for Scotland, the Accounts Commission and Audit Scotland between now and Summer 2021.

27. The refresh will be informed by a number of scheduled events and processes including:
- the Board development sessions (April, May and September)
 - the Accounts Commission strategy seminars (April)
 - engagement with the Auditor General for Scotland (April/May)
 - confirmation of the forward work programme (May)
 - the new Code of Audit Practice (June).
28. The refresh will also be informed by specific engagement sessions as agreed. More detailed planning is required with the key parties to agree the process, and to align the production of the various strategies and publications over the summer period.
29. In turn, this will inform the new Audit Scotland Corporate Plan. The plan will draw from all of the above and articulate how the Strategic Improvement Programme will deliver on the commitments in the plan. The plan will also be informed by engagement with colleagues, with a view to publishing the new Corporate Plan in the summer.

Programme governance, reporting and resourcing

30. The programme governance arrangements are designed to ensure that appropriate governance is in place, while retaining sufficient agility and flexibility to support innovation.
31. Management Team is the Programme Board. Its main role is to oversee the programme as a whole. The next meeting of the Programme Board is on 25 May 2021 and in June and it will consider a report on resourcing and capacity building for the programme.
32. We are committed to engaging with the Auditor General for Scotland, Accounts Commission, the Audit Scotland Board and colleagues, as well as key external stakeholders, throughout the development and implementation of the programme. How we propose to do this was set out in the March update report.
33. Following the SCPA session on the Spring Budget Revision and the 2021/22 Budget proposal, the Convenor wrote to request updates on a quarterly basis on how the additional budget allocation is being spent. The format and content of these quarterly updates is being developed and the first one will be submitted in July 2021.

Programme communications and engagement

34. The SIP was launched internally on 11 March 2021. The communications team has produced a high-level SIP communications and engagement strategy, as well as branding and core messaging for use across the programme itself and its constituent projects and workstreams. This includes informing colleagues of the SIP and its purpose and providing regular high-level updates, engagement across the organisation on key themes and areas, and ensuring consistent and clear messaging and branding across all projects. The [Our Plan Sharepoint site](#) is being updated as appropriate.
35. Over the course of the last month SIP updates and discussions have taken place at sessions involving the Accounts Commission, the Leadership Group and team, Superteam and group meetings and drop-in sessions.
36. On 4 May 2021 Management Team approved a [communications and engagement plan](#) centred around the Strategic Improvement Programme.
37. The approach provides an opportunity for colleagues to collaboratively design a diverse and ambitious programme of events and activities that will engage different audiences across the business on topics that are relevant to their work, have opportunities to bring all colleagues together and consider the external environment in which Audit Scotland operates. It includes series of keynote events aimed at all colleagues, 'insight events' and 'perspectives' communications (using a combination of guest blogs, interviews or podcasts of panel discussions) and internal blogs and Yammer updates from project leads.

Recommendations

- 38.** The Board is invited to note the progress update on the Strategic Improvement Programme and next steps.

Appendix 1

19 May 2021

Projects and leads May 2021



What we do

Project/ workstream	Project Lead
New work programme	Gemma Diamond & Mark Roberts
Code of Audit Practice	Elaine Boyd
New audit appointments & Tender	Elaine Boyd
Audit approach <ul style="list-style-type: none"> Financial Audit Best Value (LG) Best Value (IJBs) LCBs 	<ul style="list-style-type: none"> Gordon Smail Fiona Mitchell-Knight tbc/ Leigh Johnstone John Gilchrist
Following the pandemic pound (methodology and team)	Gordon Smail/ tbc
Digital Audit	Gemma Diamond/ Mark Roberts
Electronic Working Papers	Carol Grant
Equalities and human rights	Carolyn McLeod



How we work

Project/ workstream	Project Lead
People strategy (how we work, workforce plan, L&D)	David Blattman
Building capacity	Angela Canning/ Mark Taylor
One organisational deployment	John Cornett
Business Management System <ul style="list-style-type: none"> Payroll HR & OD 	Gavin Byers Stuart Dennis David Blattman
Medium term financial strategy (inc. fees and funding)	Stuart Dennis
Our offices <ul style="list-style-type: none"> Covid secure offices Longer term estate strategy 	Sharon Kewley Stuart Dennis
Digital services strategy	David Robertson
Green Future	Graeme Greenhill



Our purpose

Project/ workstream	Project Lead
Public Audit in Scotland	Martin Walker
Partnership Framework	Martin Walker
Corporate Plan	Martin Walker

Purpose

1. This report invites Board members to confirm retrospective approval for the publication of our Mainstreaming Equality and Equality Outcomes: Progress Report 2019-2021 (the Progress Report).

Background

2. Audit Scotland and the Accounts Commission for Scotland must, as listed public bodies, adhere to 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 a number of specific duties. One of the specific duties is the requirement to publish a biennial Mainstreaming Report showing progress we have made against our equality outcomes. In view of the overlap of the material which relates to both bodies we have, as in 2017 and 2019, prepared one report.
3. We published our previous [Equality Outcomes](#) on 27 April 2017, adding a third outcome when we published the last [Mainstreaming Report](#) in 2019.

Approach

4. On 27 April 2021, we published our [Mainstreaming Equality and Equality Outcomes: Progress Report 2019-21](#) progress and [Equality Outcomes 2021-25 report](#).
5. The Progress Report outlines how progress against Outcomes One and Three (published in 2017 and 2019, respectively) has been made through our audit work, with reference to supporting case studies. Areas for development have also been highlighted. The Accounts Commission and Audit Scotland both delivered Outcomes One and Three
6. In addition, the Progress report describes advancements against Outcome Two (published in 2017), which relates only to Audit Scotland, in its capacity as an employer.
7. Given the tight timescales for this work, we are following the process adopted for the publication of the last Progress Report in 2019 by seeking retrospective approval. To support this process, we shared a copy of the draft report with Board members on 21 April 2021, for information and awareness.
8. On 21 April 2021, we also invited Board members to approve publication of the Equality Outcomes 2021-25 report via correspondence. We received approval on that date, subject to amending references to 'world class audit' to read 'world class public audit'. We made this adjustment to relevant references in both the Outcomes and Progress Reports.
9. The Progress report was considered at the Accounts Commissions's meeting on 15 April and approved on 19 April 2021, following revisions in response to their feedback. Management team approved the report at their meeting on 20 April 2021, subject to slight adjustments/points of clarification.

Next Steps

10. We will promote both reports through our internal Audit Scotland communication channels.
11. To help explain our new Equality Outcomes to the public, we will also publish a joint animation along with blogs on the website reflecting the Commission's and Audit Scotland's respective interests and make use of our respective social media channels. These will include reference to the Progress Report.

Recommendation

12. Board members are invited to retrospectively approve publication of the Progress Report.

Purpose

1. This report provides assurance to the Board 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 and was considered by the Audit Committee at its meeting on 12 May 2021.

Background

2. 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.
3. The Knowledge, Information and Technology Governance Group (KITGG) oversee the arrangements for information governance, risk and security management within Audit Scotland.
4. This report has been considered by the KITGG and Management Team and it contributes to the Accountable Officer's governance statement for 2020/21.
5. The KITGG met eight times via MS Teams in 2020/21 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.
6. Audit Scotland maintains its ISO 27001 – Information Security Management certification through six-monthly external surveillance audits. The surveillance audits have had positive outcomes to date, with the latest audit in March 2021.
7. In November 2020 we distributed an Information security survey to Audit Scotland staff. The survey was completed by 51 per cent of colleagues and is used to provide assurance about level of awareness and knowledge regarding information security practice throughout the organisation. Results showed that we continued to demonstrate good practice in many areas. The response rate was lower than the benchmark of 78 per cent for previous surveys of a similar nature due to the impact of the pandemic. An additional survey on Information security will be held again in winter 2021.
8. This year, the Information Asset Owners (IAOs) completed the assurance review checklists for Accountable Officers and Boards and Records Management Compliance during March 2021.
9. The findings from the annual assurance review checklists provide positive assurance about our information governance arrangements.
10. 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 2020.
 - Information Management Guidance updated in October 2020.
 - Data protection blog in support of Data Protection Day in January 2021.
 - During 2020-21 the Corporate Governance team posted two blogs on the work of the team (1 blog and 1 vlog), and five Yammer posts on data protection and FOI changes due to Covid-19.

- During 2020-21 the Digital Services Teams posted 34 Cyber Security specific Yammer posts and 11 more detailed Cyber Security blogs on SharePoint Online.

Information governance, security and incidents in 2020/21

11. The Information Security Policy was reviewed, presented to the KITGG and Management Team and approved by the Board in May 2020.
12. This year Digital Services have completed on the following actions to improve our information security and governance:
 - Helping colleagues identify external emails with a large yellow banner and reminding them of the five points they should consider before interacting with an email.
 - Increasing the number of blocked file type email attachments, particularly those that can contain a script or active content and active blocking of insecure video conferencing and file sharing web services, whose vulnerabilities in these services could provide unauthenticated access to our network.
 - Implementing an additional “air-gapped” backup solution for MKI data to provide an additional level of protection against a successful ransomware attack.
 - Engaging 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.
 - Procured cloud-powered endpoint management and threat protection tools to deploy, manage, and secure all our devices, allowing us to remotely monitor devices for suspicious/malicious behaviour and remotely implement rapid configuration changes to mitigate against real-time attacks.
 - Installed new firewalls to provide improved Virtual Private Network (VPN) tunnel security and modern robust security features.
 - Upgraded our email connector to support more secure email transfer and greater resilience to vulnerabilities and upgraded our domain controllers to provide additional security configuration and reporting.
 - Successfully performed annual systems recovery testing to test our incident management procedures and ensure we can recover all systems after a simulated incident.
 - Finalised our Digital Services Strategy for 2021 - 2024 with a strategic objective to enhance our cyber security, committing to continuously improving the safety of our online and remote work environments, ensuring cyber security is a priority and embedded in everything we do.
 - Completed two remote ISO surveillance audit covering network & technical vulnerability management, mobile device management, access control, business continuity, incident management, physical and environmental security, supplier management, staff awareness, training and compliance. Across both audits our Information Security Management System (ISMS) was found to meet the requirements of the standard and there were no Non-Conformances and one Opportunities for Improvement (OFIs).
 - Completed a rigorous penetration test that identified a number of areas that we could further strengthen and tested user awareness and response to placebo phishing emails.
 - Implemented mandatory user training for increased phishing awareness.
13. 2020/21 saw a significant increase in digital security threats and incidents. We continue to see increasingly sophisticated phishing attacks, many are now actively managed and generated by people in call centre type establishments in India and Vietnam, that:

- Target senior colleagues with access to financial systems, these attacks either attempt to trick colleagues to redirect funds to fraudulent accounts or include a malicious payload to gather banking access information.
 - Attempt to insert or deceive into downloading ransomware malware which will encrypt our information and then demand money to decrypt it. We are also seeing ransom threats to release sensitive information and incur the owner a GDPR fine.
 - Use shopping voucher scams where the attacker spoofs the identity of senior management and request urgent purchase of shopping vouchers that can be transferred via email.
 - Attempt to capture Office 365 login credentials by posing as a known contact and use a “man in the middle attack” to capture login details even tricking a user into approving access via multi factor authentication.
 - Use information hacked from third parties to craft targeted phishing, for example knowing a colleague has claimed childcare vouchers allows the attacker to create an email that the recipient considers legitimate and so opens.
14. We have also seen an increase in hacking and attacks targeting new or zero-day vulnerabilities that require immediate patching or mitigation, requiring a 24/7 response. Our Citrix environment was subject to such an attack and required rapid mitigation and constant monitoring until a security patch was released.

Key information legislative and governance developments

15. 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.
 - 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

16. 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 Associate Director of Corporate Performance and Risk, 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.
 - A monthly meeting on cyber security between a Digital Services Manager and the Chief Operating Officer.
 - 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, and a staff information security survey every 18 months. The last one was conducted in December 2020.
 - Mandatory staff training on information security and data protection.
 - Six monthly reporting on information risk and security to Management Team and the Audit Committee.

Risk management

17. 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-five main information and security risks for Audit Scotland. Thirteen of these are active risks and twelve are for monitoring due to the low net risk scores.
18. Ten of the active risks have a high gross risk score (red), one has a red net risk score and 11 have amber net risk scores defined as 'acceptable level of risk that requires constant active monitoring. There is a new risk of Covid-19/Coronavirus – Failure of network/services to support all colleagues to work from home.

Conclusion

19. The arrangements and results summarised above provide positive assurance on Audit Scotland's information governance security.

Recommendations

20. The Board is invited to note the contents of this report.