

Wednesday 5 June 2019 at 11.30am

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

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

Standing items

4. Chair's report – verbal update For information
 5. Accountable Officer's report – verbal update For information
 6. Accounts Commission Chair's report – verbal update For information
 7. Review of minutes: Board meeting 1 May 2019 For approval
 8. Review of action tracker For information
-

Business performance

9. Q4 Financial performance report For information
 10. Q4 Corporate performance report For information
 11. Q4 Becoming world class improvement programme update report For information
-

Governance

12. 2018/19 Annual report on International work For approval
 13. 2018/19 Annual report on Freedom of information and environmental information requests For approval
 14. 2018/19 Annual report on complaints For approval
 15. 2018/19 Annual report from the Chair of the Remuneration and Human Resources Committee For approval
 16. 2018/19 Annual report from the Chair of the Audit Committee For approval
 17. 2018/19 Governance statement on internal control and certificate of assurance For approval
 18. Policy on the provision of non-audit services by Audit Scotland's external auditor For approval
 19. Review of HR policies For approval
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Conclusion

- 20. Any other business
- 21. Review of meeting
- 22. Date of next meeting: 18 September 2019

Items to be taken in private

- 23. 2018/19 Audit Scotland Annual report For approval
[Item to be taken in private to support the effective conduct of business, intended for future publication]
- 24. 2018/19 Annual report on Quality of public audit in Scotland For approval
[Item to be taken in private to support the effective conduct of business, intended for future publication]
- 25. Preparations for audit procurement: project update For approval
[Item to be taken in private due to commercial sensitivity]

Wednesday 1 May 2019, 10.45am

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

Present:

Ian Leitch (Chair)
Caroline Gardner
Graham Sharp
Heather Logan
Alan Alexander

Apologies:

None

In attendance:

Diane McGiffen, Chief Operating Officer
Martin Walker, Assistant Director, Corporate Performance and Risk
Joy Webber, Senior Executive Assistant
Mark Taylor, Audit Director, Audit Services and Performance Audit and Best Value
Mark Roberts, Senior Manager, Performance Audit and Best Value
David Robertson, Digital Services Manager
Nicola Paton, PMO Analyst, Digital Services
Stuart Dennis, Corporate Finance Manager
Fiona Kordiak, Director, Audit Services
Simon Ebbett, Communications Manager
Fiona Daley, Consultant, Audit Quality and Appointments
Owen Smith, Senior Manager, Audit Quality and Appointments

1. Welcome and apologies

The Chair welcomed members and attendees to the meeting in public of the Audit Scotland Board, the agenda and papers for which had been published on Audit Scotland's website on Monday 29 April 2019.

2. Declarations of interest

There were no declarations of interest.

3. Decision on items to be taken in private

The Board agreed the items to be taken in private.

4. Chair's report – verbal update

Ian Leitch provided a verbal update of meetings with Caroline Gardner and Diane McGiffen on general business matters and of meetings with the Scottish Commission for Public Audit regarding succession planning for Audit Scotland's Board.

The Board welcomed the update.

5. Accountable Officer's report – verbal update

Caroline Gardner invited the Board to note ongoing engagement with the Scottish Parliament on the next round of budget scrutiny. She advised that Mark Taylor attended a meeting of the Convenors

Group and there was ongoing discussion about how to support the Parliament's scrutiny of devolved financial powers.

Caroline invited the Board to note recent Public Audit and Post Legislative Scrutiny committee (PAPLS) sessions which had considered The Control of Dogs (Scotland) Act 2010, the coverage of Freedom of Information legislation and evidence sessions on IT system issues.

Caroline advised members that the Social Security report was scheduled to be published on 2 May 2019.

Caroline invited the Board to note that Audit Scotland colleagues were heading into the busiest period of the audit year and that work supporting colleagues' wellbeing over this period was being given a clear priority.

The Board welcomed the update.

6. Accounts Commission Chair's report – verbal update

Graham Sharp invited the Board to note that since the Accounts Commission's meeting on 11 April 2019, it had published Best Value Assurance Reports (BVARs) on South Lanarkshire and Stirling and the 'How Council's work – Safeguarding public money' report.

Graham advised of the forthcoming Local Government and Communities Committee meeting of the Scottish Parliament on 8 May 2019 which would consider the Local Government Overview report.

Graham invited the Board to note that the next meeting of the Accounts Commission would consider its draft Annual report, draft Strategy and draft Engagement Strategy and the BVAR on North Lanarkshire Council.

Graham advised that shortlisting for the Deputy Chair position would take place on 2 May 2019.

7. Review of minutes: Board meeting 18 March 2019

The Board considered the minutes of the meeting of 18 March 2019, which had been previously circulated, and agreed that these were an accurate record, subject to updating when some attendees had joined and left the meeting.

The Chair invited members to note that in relation to Item 20 Graham Sharp had confirmed that the Accounts Commission was content with the timelines set out in the report and would welcome more detailed information on flexibility and contingency in the project plan.

The Board noted that regular updates would be provided as the project progresses.

8. Review of action tracker

The Board noted the updates provided by the action tracker.

9. Audit and Accountability framework update

Mark Taylor, Audit Director, Audit Services and Performance Audit and Best Value, joined the meeting.

Mark Taylor introduced the Audit and accountability framework update report, which had been previously circulated.

Mark invited the Board to note the contents of the report and welcomed any comments or questions.

During discussion, the Board welcomed the agreed framework setting out arrangements for the audit and accountability of devolved matters between the Scottish and UK Governments. The

Board noted the formal consultation by the Scottish Government with Audit Scotland on the draft framework and the constructive engagement between Audit Scotland and the National Audit Office throughout its development.

Mark advised the Board that Audit Scotland is undertaking the first financial audit of Social Security Scotland, working with the National Audit Office to agree and formalise the audit arrangements for aspects of this work and obtain assurance over areas administered by the Department of Work and Pensions. Mark advised that the team continues to build skills and capacity for auditing wider aspects for the devolved powers, drawing on the skills and experience of the National Audit Office.

The Chair noted the concerns of the Cabinet Secretary in that the framework does not fully satisfy arrangements for Audit Scotland's access to UK public bodies and Mark advised that the Auditor General for Scotland and Audit Scotland share those concerns. Turning to the potential implications of the joint work referred to in paragraph 15, the Chair asked how significant the risk was that agreement is not reached on the audit arrangements. Mark advised, that from a Scottish perspective, the risk relates to the relationship with the National Audit Office and the provision in the framework for the Comptroller and Auditor General to explain any issues to the Scottish Government. Caroline Gardner advised that, while not without risk, the framework will be tested over the next three years when a review of the fiscal arrangements will be carried out by 2022.

Heather Logan asked about planning for the audit work in light of these issues and Mark Taylor advised that Audit Scotland has a plan for the short and medium term.

Alan Alexander welcomed the paper which provided a summary of the risk. Turning to the Memorandum of Understanding (MOU) between Audit Scotland and the National Audit Office, Mark advised of initial discussions with the National Audit Office in advance of the review of the MOU and ahead of starting audit work in late summer 2019. Mark also advised that the MOU is one element of risk mitigation and that Audit Scotland is also considering other options.

Diane McGiffen advised that, in terms of risk and the wider strategic impact on public audit, Audit Scotland regularly explores areas of common interest and concern across the UK through engagement with the UK audit agencies and regular meetings with the Auditors General and Chief Operating Officers.

Following discussion, the Board welcomed the report and expressed its support for the Auditor General for Scotland's position.

Mark Taylor, Audit Director, Audit Services and Performance Audit and Best Value, left the meeting.

10. EU Withdrawal – verbal update

Mark Roberts, Senior Manager, Performance Audit and Best Value, joined the meeting.

Mark Roberts provided a verbal update on the recent decision to extend the EU departure date to 31 October 2019.

Mark invited the Board to note the ongoing uncertainty and outlined of what Audit Scotland has done to prepare for EU withdrawal both in audit reporting for 2018/19 and operationally through business continuity planning.

The Chair welcomed the update and Caroline Gardner and Graham Sharp expressed their thanks to Mark and his colleagues for their work in planning, communicating with colleagues and noted the wider benefits for business continuity planning brought by the work.

Mark Roberts, Senior Manager, Performance Audit and Best Value, left the meeting.

11. Information security management policy review

David Robertson, Digital Services Manager and Nicola Paton, PMO Analyst, Digital Services, joined the meeting.

David Robertson introduced the Information security management policy review report, a copy of which had been previously circulated.

Nicola Paton invited the Board to note the policy had been reviewed internally by the Audit Scotland Knowledge, Information and Technology Governance Group (KITGG). She advised that this review had highlighted minor changes which had been incorporated into the policy prior to its consideration and approval by Management Team on 9 April 2019. Nicola invited the Board to approve the updated policy.

Following discussion, the Board approved the Information Security Management Policy.

David Robertson, Digital Services Manager and Nicola Paton, PMO Analyst, Digital Services, left the meeting.

12. Data protection policy

Martin Walked introduced the revised draft Data protection policy, which had been previously circulated.

Martin invited the Board to consider and approve the amended policy which incorporated changes to reflect guidance issued by information commissioners relating to the processing of personal data and detailed guidance on the rights of the individual. Martin also advised that that only one subject access request had been received in the current year.

The Board discussed a couple of points for minor clarification and noted that GDPR rules would most likely still apply for some time following the withdrawal from the EU.

Following discussion, the Board approved the updated policy subject to minor amendments.

13. 2018/19 Accounting policies, key accounting estimates and judgements

Stuart Dennis, Corporate Finance Manager, joined the meeting.

Stuart Dennis introduced the 2018/19 Accounting policies, key accounting estimates and judgements report, a copy of which had been previously circulated.

Stuart invited the Board to approve the inclusion of the accounting policies, key accounting estimates and judgements in to the notes of the 2018/19 accounts.

The Board noted the good practice and approved the inclusion of the key accounting policies in the notes of the 2018/19 accounts.

Stuart Dennis, Corporate Finance Manager, left the meeting.

14. Equality outcomes and mainstreaming progress report

Gillian Woolman, Audit Director, Audit Services and Richard Robinson, Senior Manager, Performance Audit and Best Value, joined the meeting.

Gillian Woolman introduced the Mainstreaming equality and equality outcomes progress report, which had been previously circulated.

Gillian invited the Board to review the progress reported, consider and comment on the proposed new outcome and to approve the report for publication.

During discussion, the Board welcomed the new outcome to consider how public bodies address human rights and socio-economics disadvantage.

Caroline Gardner reflected on the excellent work done by the team which captured the range of responsibilities well. Heather Logan welcomed the report, in particular highlighting the examples throughout the report which brought the issues to life. Heather asked if there was any gaps or duplication around the work undertaken on audited bodies by different teams or other regulators. Gillian advised that there were no concerns given the good lines of communication between audit teams on the scope of audits. Richard Robinson advised the overview reports provide one vehicle to draw the key messages together.

Following discussion, the Board welcomed the report and approved its publication.

Gillian Woolman, Audit Director, Audit Services and Richard Robinson, Senior Manager, Performance Audit and Best Value, left the meeting.

15. Strategic improvement programme 2019-2021 and the Performance management framework project

Martin Walker introduced the Strategic improvement programme 2019-2021 and Performance management framework project update report which had been previously circulated.

Martin invited the Board to note the progress reported on the overall strategic improvement programme and that the Management Team review of the digitally enabled projects for 2019 on 12 March 2019 had confirmed the need to reschedule the next phase of the performance management framework (PMF) project in order to prioritise system resilience projects.

The Board noted the progress to date and the key messages from the reports previously considered by Management Team. The Board also noted the decision to rephrase the projects.

Heather Logan asked about the options appraisal process for the Time Recording (TR) and PMF systems and the assessment of 'in-house' and 'off the shelf products'. She also asked whether the objective to have a single audit system for electronic working papers (EWP) remained.

Martin advised that a TR and expenses system has been developed in-house which would be assessed against other off the shelf products available in the market. Martin also confirmed that the objective is to have all colleagues use a single TR system.

On the PMF, Martin advised that the Management Team decision to progress the in-house business intelligence led solution was consistent with the recommendation made by external consultants. He advised that the external consultant's report had included an options appraisal which considered three main solutions. These were, an enterprise solution (which typically offers modules for a variety of organisational functions including Human Resources and Finance as well as PMF), a 'stand alone' PMF system and the business intelligence led solution.

Martin advised that EWP would be a significant project and that the objective would be to procure a single EWP system for all of the audit work.

Heather Logan noted that the TR and PMF projects had been running for some time and sought assurance that the proposed solutions would be fit for purpose, cost effective and proportionate for an organisation of Audit Scotland's size. She advised that she would like additional information on project governance and the options appraisal work, and in particular information on the financial implications of the projects and the projected business benefits.

Martin advised the cost of the in-house developed TR system was covered in existing budgets, compared favourably with off the shelf solutions and would provide all the functionality required.

On the PMF, Martin advised that changes to the licensing model for the software to deliver the solution had changed during the course of the project and this amounted to around £35k. In terms of current performance management arrangements Martin advised that these were fit for

purpose as confirmed by an internal audit. However, he also advised that the current process was more labour intensive than he would like and that the new approach would be more efficient and provide for more timely and flexible analysis of the performance data.

Alan Alexander sought clarification on resourcing outlined in Appendix 2 to the report. Martin advised that the Finance system upgrade, the HR system upgrade, TR system and the PMF system have costs and timings attached to them. He advised that the SharePoint on-line project was progressing to schedule and was being delivered within existing resources.

Martin advised that the EWP project was at a very early stage and that an initial project scoping workshop would take place on 8 May 2019. He advised that this would inform the project objectives, scope, timescales, risks, resource requirements and governance and that reports would come forward to the Management Team and the Board as appropriate.

Alan Alexander asked whether the projects are on track. Martin advised that the HR and Finance systems would be upgraded by the end of July and that the TR and expenses system would be in place by October following a period of parallel running in accordance with the schedule. Martin also confirmed that the SharePoint online project is progressing well and is expected to be completed by the end of December as planned.

Diane McGiffen advised that the report was for information only and sought to provide a summary of the strategic improvement programme and an update on the interconnected projects being delivered to support the organisational objectives. Diane advised that further information on the option appraisals, costs and benefits would be shared with members in advance of the next meeting of the Board.

Action ASB90: Martin Walker to circulate additional information on the projects. (June 2019)

16. Review of audit market – update

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

Fiona Kordiak introduced the Review of audit market update report, a copy of which had been previously circulated.

Fiona invited the Board to consider and comment on the high level summary of issues for audit as reported in the Kingman Review, Competition and Markets Authority report, the Brydon review and the House of Commons Business, Energy and Industrial Strategy Committee inquiry on audit.

The Board emphasised that the public audit model in Scotland, approved by the Audit Scotland Board, has for some years implemented key elements of what is now proposed for the commercial sector. The Board agreed to continue to consider developments as part of the preparation of the new Code of Audit Practice, procurement strategy and the update of the audit quality framework.

The Chair noted Audit Scotland intends to respond to the Brydon Review and advised that the Board would like to see any proposed response.

Following the discussion, the Board welcomed the report.

Action ASB91: Fiona Kordiak to circulate a copy of the proposed response to the Brydon Review. (May 2019)

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

17. Any other business

There was no further business.

18. Review of meeting

The members agreed that items of business had been carefully considered and the Chair thanked everyone for their contributions.

19. Date of next meeting: 5 June 2019

The members noted the draft agenda for the next meeting of the Audit Scotland Board scheduled for 5 June 2019 in the offices of Audit Scotland, 102 West Port, Edinburgh.

Items taken in private

20. Draft Corporate plan update 2019/20

Martin Walker introduced the Draft Corporate plan update 2019/20, which had been previously circulated.

Martin invited the Board to consider and comment on the draft Corporate Plan and subject to any amendments approve the publication of the plan in June 2019.

The Board considered the draft Corporate plan and approved it for publication in June 2019 subject to minor amendments.

21. Communication and engagement strategy review

Simon Ebbett, Communications Manager, joined the meeting.

Simon Ebbett introduced the Communication and engagement strategy review update report, which had been previously circulated.

Simon invited the Board to note the workshops with colleagues to refresh the Communications and engagement strategy which had identified common themes about independence and getting messages out to public services users.

The Board welcomed the update.

Simon Ebbett, Communications Manager, left the meeting.

22. Preparations for audit procurement: project update

Fiona Daley, Consultant and Owen Smith, Senior Manager, Audit Quality and Appointments, joined the meeting.

Fiona Daley introduced the Preparations for audit procurement: Project update report, which had been previously circulated.

Fiona invited the Board to note progress and consider the proposed project governance arrangements outlined in the appendix to the report.

The Board considered the progress reported and agreed with the proposed governance structure.

Following discussion, the Board welcomed the report.

Fiona Daley, Consultant and Owen Smith, Senior Manager, Audit Quality and Appointments, 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
ASB87	Board	8	Review of action tracker	Diane McGiffen to circulate the output from the Board development session on 8 February 2019.	18/03/2019	01/05/2019	Diane McGiffen	Diane McGiffen	Complete	Yes	The outputs from the Board Development session on 8 February were circulated with the Board papers for the meeting on 1 May 2019.
ASB88	Board	9	Q3 Financial performance report	Stuart Dennis to liaise with Audit Quality and Appointments to provide a briefing on fee setting as part of the forthcoming procurement strategy. (May 2019)	18/03/2019	31/05/2019	Stuart Dennis	Stuart Dennis	Ongoing	No	A verbal update will be provided at Item 8 of today's meeting.
ASB89	Board	11	Q3 Becoming world class improvement programme report	Martin Walker to circulate the reports considered by Management Team on 12 February 2019 and 12 March 2019 to members for their information.	18/03/2019	01/05/2019	Martin Walker	Martin Walker	Complete	Yes	The report which appears at Item 15 of today's agenda provides an update and summarises the reports to Management Team.
ASB90	Board	15	Strategic Improvement programme	Martin Walker to circulate additional information on the projects.	01/05/2019	05/06/2019	Martin Walker	Martin Walker	Ongoing		The additional information will be shared in June.
	Board	16	Review of audit market update	Fiona Kordiak to circulate a copy of the proposed response to the Brydon Review	01/05/2019	05/06/2019	Fiona Kordiak	Fiona Kordiak	Ongoing		A copy of Audit Scotland's proposed response to the Brydon Review will be circulated at 3 June 2019.

Purpose

1. This report presents the un-audited financial results for the twelve months to 31 March 2019.

Background

2. The finance performance report for the twelve months to 31 March 2019 is attached to this paper.
3. The report was discussed by Management Team on 30 April 2019.

Discussion

4. In the twelve months to 31 March 2019, Audit Scotland's Net Operating Expenditure was £9,827k which was £64k less than budget.
5. In-house income was in total £30k less than plan with the 2017/18 audit year and prior year fees generating a surplus of £100k. Progress on 2018/19 audit work was on average 2.56% below plan leading to a negative volume variance of £187k, partially compensated by a positive price variance of £57k.
6. Fee income earned for audits carried out by external firms net of fees and expenses paid to the firms was £58k better than budget. Income was £408k higher than budget which is offset by the £350k increase in fees and expenses payable to the external firms. The 2017/18 audit year generated a surplus of £212k on fee income and is in recognition of additional work the firms have carried out. Progress on 2018/19 audit work is on average 2.85% ahead of plan leading to the recognition of positive volume (£133k) and price (£48k) variances.
7. Staff costs represent 67% of Audit Scotland's total expenditure budget. In 2018/19 the staff establishment was based on 278 whole time equivalents with the approved budget providing cover for a pay award of 1%. Following changes to public sector pay guidance we negotiated a pay award of 2% or 3%, dependent on pay scale position. This pay award settlement was in line with the Scottish Government's public sector pay policy. Cash savings of £355k were identified and delivered to enable us to meet our budget allocation.
8. Taking into account the financial challenge of an unplanned pay award increase, the final outturn on staff costs of £42k less than budget was a positive outcome. This figure is inclusive of agency costs and the net position in respect of secondment costs and income.
9. IAS 19 pension costs were £105k higher than budget due to a reduction in the discount factor and an increase in the pensionable payroll costs used to calculate the service cost.
10. The Management Contingency budget of £150k has been allocated in full to fund increased IAS 19 employee benefit costs and essential agency spend within Corporate Services.
11. Other expenditure contributed £78k to the favourable position. The main areas of variance were recorded in legal, professional and consultancy (+£46k), property (+£27k) and training and recruitment (-£25k).
12. More detailed variance analysis and explanation is provided in the attached report.

Virement

13. There were no instances of budget virement in excess of £20k in the twelve months to 31 March 2019.

Recommendation

14. The Board is invited to discuss and note the un-audited financial results for the 12 months to 31 March 2019.

Appendix: Q4 Headline results

The summary financial position to 31 March 2019:

£000	Annual Budget	Actual	Budget	Var.	% Var.	Prior Year	Note
Fee Income - In House	7,589	7,559	7,589	(30)	-0.4%	7,568	1
Fee Income - Audit Firms	4,603	5,011	4,603	408	8.9%	4,862	2
Central Charges	5,453	5,462	5,453	9	0.2%	5,460	3
Rebate	0	0	0	0	-	0	
Interest	0	4	0	4	-	7	
Other Income	0	53	0	53	-	58	4
IAS 19 Income	(797)	(798)	(797)	(1)	0.1%	(893)	
TOTAL INCOME	16,848	17,291	16,848	443	2.6%	17,062	
Approved auditors	4,125	4,475	4,125	(350)	-8.5%	4,355	2
Staff salaries and oncosts	15,832	15,825	15,832	7	0.0%	15,063	5
Payroll provisions incl. severance	0	0	0	0	-	1	
Agency and secondment costs	125	135	125	(10)	-8.0%	387	5
IAS 19 Pension costs	2,221	2,325	2,221	(104)	-4.7%	1,831	6
Property costs	936	908	936	28	3.0%	938	
Travel and subsistence	906	889	906	17	1.9%	866	
Legal, professional and consultancy	774	728	774	46	5.9%	473	
Training	483	464	483	19	3.9%	430	7
Recruitment	105	149	105	(44)	-41.9%	128	7
Printing and office costs	271	286	271	(15)	-5.5%	227	
Information technology	458	470	458	(12)	-2.6%	414	
Audit	60	52	60	8	13.3%	55	8
Depreciation	383	369	383	14	3.7%	372	
Other costs	60	43	60	17	28.3%	36	9
EXPENDITURE	26,739	27,118	26,739	(379)	-1.4%	25,576	
NET OPERATING (EXPENDITURE)	(9,891)	(9,827)	(9,891)	64	0.6%	(8,514)	

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 the previous year. 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 at 31 March 2019 for the in-house audits:

	2017/18 Audit Year			2018/19 Audit Year			Prior Years	Total
	Volume		Price	Volume		Price	£	£
	WIP %	£	£	WIP %	£	£		
Local Government	-	-	+58	-3.34	-146	+20	+6	-62
Health	-	-	-	+2.92	+42	+12	-	+54
FE	-	-	+4	-35.16	-15	-	-	-11
Central Government	-	-	+38	-3.07	-31	+4	-	+11
Non-statutory	-	-	-6	-4.55	-37	+21	-	-22
Total – March 19	-	-	+94	-2.56	-187	+57	+6	-30

Local Government

Local Government audits for 2017-18 are complete with a positive variance to budget of £58k. The positive price variance is due to increased fees being applied with the most significant increases being applied to North Lanarkshire Council, Aberdeenshire Council, Angus Council and Scottish Borders Council. The 2018-19 audits are behind plan and are being partially reduced by the recognition of positive price variances. The £6k prior year fee income relates to charitable trust fees for 2016-17 audits at Moray and East Lothian councils.

Health

All 2017-18 health audits are complete and within the expected fee. For 2018-19 audits we are slightly ahead of plan with the accounts highlighting positive volume and price variances. The price variance is due to an increase in the fee for NHS Tayside.

Further Education (FE)

ASG audit two FE bodies, Dundee & Angus College and Edinburgh College. The two 2017-18 audits are complete with the accounts recognising a positive price variance of £4k. Audit work for 2018-19 is behind budget though the completion level is line with the audit completion percentages of the firms.

Central Government

2017-18 Central Government chargeable audits are complete leading to a positive price variance of £38k which is attributable to increased fees being applied to a number of audited bodies with the most significant increases allocated to the Scottish Police Authority and Scottish Land Commission. Progress on 2018/19 audits is 3.07% worse than budget leading to a volume variance of £31k.

Non-statutory

The European Agricultural Fund Account (EAFA) audit for 2017-18 is complete with the final fee being slightly less than expected (£6k). Work has started on the 2018-19 audit which is 4.55% behind plan (£37k) and this is being reduced by a favourable price variance of £21k.

2. Fee income and expenditure – Audit Firms

The positive income variance of £408k should be offset with the adverse expenditure variance of £350k for approved auditors. Effectively the position highlights a net favourable variance of £58k on chargeable audits.

Audit firms can negotiate fee increases within set parameters above indicative 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 2019:

	2017/18 Audit Year			2018/19 Audit Year			Prior Year	Total
	Volume		Price	Volume		Price	Price	
	WIP %	£	£	WIP %	£	£	£	£
Local Government	-	-	+147	+2.38	+66	+39	-	+252
Health	-	-	+35	+3.78	+38	+3	+3	+79
Water	-	-	-	+15.49	+22	-	-	+22
FE	-	-	+11	-0.53	-2	-	+12	+21
Central Government	-	-	+19	+2.20	+9	+6	-	+34
Total – March 19	-	-	+212	+2.85	+133	+48	+15	+408

Local Government

2017-18 audits in the local government sector are complete leading to a positive variance of £147k. The audit firms have agreed fees above expected fees with the most significant increases to fees agreed by Aberdeen City Council, City of Edinburgh Council and Midlothian Council. The 2018-19 audits are 2.38% ahead of plan leading to the recognition of a positive volume variance of £66k and price variance of £39k.

Health

All 2017-18 audits are complete which has generated a positive variance of £35k and this is mainly due to agreed fees being higher than expected for 3 health boards (Lothian, Ayrshire & Arran and Highland). 2018-19 health audits are 3.78% ahead of plan leading to a positive volume variance of £38k. The prior year income of £3k is in relation to an additional audit fee for the 2016/17 audit of NHS Health Scotland.

Water

The favourable volume variance for the 2018-19 audit is due to the firm being ahead of the planned trajectory which was based on prior year actual.

Further Education (FE)

Progress on 2017-18 audits is complete leading to a £11k positive price variance. The main fee increases have been agreed with Lews Castle College and Moray College. For 2018-19 audits there is a minor adverse variance of £2k. The prior year fee income of £12k relates to fee increases agreed by Moray College and Glasgow Kelvin College.

Central Government

Central government 2017-18 audits are complete leading to a positive variance of £19k which is mainly due to the recognition of agreed fee increases for Crown Estate Scotland and Historic Environment Scotland. 2018-19 audits are currently 2.20% ahead of plan leading to a £9k positive volume variance and the recognition of a £6k price variance.

3. Central Charges

Central charges income is the agreed process used to recover pooled costs, audit support costs and contributions to best value audits. The over recovery of £9k in 2018-19 is the adjustment required following the reconciliation of the 2017-18 audit fee balance and the proposed 2018-19 audit fee calculation.

4. Other Income

Other income is mainly the recovery of staff costs with one member of staff seconded to Deloitte and another member of staff seconded to deliver a specific project for the Cayman Islands government.

5. Staff & Agency Costs

Business Group	Annual Budget £000	Actual £000	Budget £000	Variance £000	Actual Average w.t.e.	Budget w.t.e.	Note
ASG staff costs (incl NFP)	8,315	8,408	8,315	(93)	157.7	148.7	a)
ASG agency & secondments	70	67	70	3			
PABV (incl Professional Support) staff costs	3,773	3,635	3,773	138	60.8	64.4	b)
PABV agency & secondments	0	8	0	(8)			
CSG (incl Audit Quality & Appointments) staff costs	1,996	2,058	1,996	(62)	37.4	35.3	c)
CSG agency & secondments	0	46	0	(46)			
Business Support staff costs	649	619	649	30	17.9	18.1	d)
Business Support agency & secondments	0	14	0	(14)			
Governance & Other staff costs	1,099	1,105	1,099	(6)	19.3	20.0	e)
Governance & Other agency & secondments	55	0	55	55			
Total staff costs	15,832	15,825	15,832	7	293.1	286.5	
Total agency & secondments	125	135	125	(10)			

- a) The average number of staff employed in ASG has been 9.0 w.t.e. more than the funded budget. The establishment is based on 153.1 w.t.e. with the application of a 3% vacancy/turnover factor reducing the funded w.t.e. to 148.7. Overall the additional cost of employing the increased staffing level (£501k) has been partially funded by the reduction in average actual salary costs per employee (£408k). The £93k overspend is funded by additional secondment income of £33k and the trainee underspend within PABV of £68k. The budget was set for 34 trainees with 30 in ASG and 4 in PABV for the whole year. There were periods in the year trainee numbers in PABV were reduced with ASG incurring the additional cost.
- b) PABV is on average 3.6 w.t.e. below budget (£215k) and this is being reduced by the average actual salary cost being above plan (£77k). The recruitment exercise undertaken in May/June led to the majority of vacant positions being filled by September, however, reduced trainee costs and leavers since September has led to reduced average w.t.e. The

£8k secondment costs relate to a Scottish Government employee working in PABV before they were a successful candidate in the recruitment exercise.

- c) The average staff resource requirement in CSG has been higher than the funded w.t.e. (£116k) mainly due to the application of the 3% vacancy factor. This overspend is currently funded by the favourable variance on actual average salary costs (£54k) and the planned generation of savings within non-payroll expenditure budget headings. Agency costs have been incurred to provide essential cover for a vacancy within Digital Services.
- d) Business support w.t.e. below funded figure (£7k) due to one supernumerary member of staff providing maternity cover to Human Resources from April to October and a manager vacancy at the start of the financial year. In addition to a positive volume variance the actual average salary costs are better than budget (£23k). Agency expenditure covered a vacant post which has now been filled.
- e) The reduced average w.t.e. in Governance & Other is due to two non-exec vacancies within the Accounts Commission to the end of July. The overall small overspend is due to the application of spot rate increases effective from April 2018. A budget of £55k in agency & secondments has been allocated from Management Contingency to part fund the overspends in Corporate Services and Business Support.

6. IAS 19 Pension Costs

IAS 19 pension costs were £105k worse than budget. Net interest was £1k worse than budget with the current service cost £104k worse than budget.

The service cost for unfunded benefits and ombudsmen was £27k higher than budget due to a decrease in the discount rate from 2.7% to 2.4%.

The service cost for the funded scheme was £77k higher than budget. This is due to the pensionable payroll for the pension calculations being £11,431k compared to the budget assumption of £11,240k. This is due to in year retirements of members of the Civil Service pension scheme being replaced by new staff who become members of the Local Government Pension Scheme and some pay increases higher than projected.

7. Training and Recruitment

In addition to the requirement to fill vacancies as they arise we have incurred the additional cost in 2018/19 of the significant recruitment campaign that was undertaken in May and June to bring in a mix of qualified and unqualified staff to backfill vacancies generated through the creation of teams to work on new financial powers.

There has also been two assessment centres in respect of the professional trainee recruitment programme. This was undertaken to ensure that we were in a position to benefit from being able to compete with other bodies in offering positions to high calibre candidates.

The underspend in the training budget has been used to partially fund the recruitment costs in 2018-19.

8. Audit costs

All planned external and internal audit outputs have been delivered this financial year for a fee lower than budget.

9. Other costs

The underspend of £17k is due to budgets for complaints/correspondence and freedom of information not being utilised.

Management Contingency

The 2018-19 budget included a contingency allocation of £150k controlled by the Management Team.

Allocations of £95k and £55k have been made from the Management Contingency to cover increased IAS 19 employee benefit costs and essential agency spend within Corporate Services.

Capital Expenditure and Funding

Capital investment for the twelve months to March 2019 was £174k, £1k less than the available budget of £175k.

The investment was all IT related and included mobile phones, chromebooks and laptops. The purchase of this equipment complements our digital services strategy with the emphasis on replacing old technology with the latest enhanced security enabled equipment

Actual position compared to November forecast

The forecast out-turn prepared in November 2018 projected an underspend of £228k for 2018-19. The actual final outturn of £64k represents an adverse movement of £164k.

IAS 19 – employee benefit requirements account for £160k of the movement.

Pension costs under IAS 19 calculations were £105k higher than forecast. Unfunded benefits and the ombudsmen were £27k worse than projection due to a reduction in the discount rate. The funded scheme was £77k worse than projection with the total payroll costs used for pension calculations being higher than forecast.

The holiday year is the calendar year which therefore leads to the outstanding leave position being high at 31 March each year as the majority of leave is taken during the summer months. The increase in provision of £105k was £55k worse than the forecast projection.

Statement of Financial Position and Cash flow statement

For information, appendix 1 presents the statement of financial position as at 31 March 2019 and appendix 2 the cash flow statement for the year ended 31 March 2019

Stuart Dennis

Corporate Finance Manager
22 May 2019

Statement of Financial position

As at 31 March 2019

Appendix 1

	31 March 2018 (Audited) £(000)'s	31 March 2019 £(000)'s
Non-Current Assets		
Property, Plant and Equipment	1,400	1,229
Intangible Assets	67	43
Total non-current assets	1,467	1,272
Current Assets		
Trade and other receivables	3,482	2,687
Cash and cash equivalents	179	1,206
Total current assets	3,661	3,893
Total assets	5,128	5,165
<u>Less: Current Liabilities</u>		
Trade and other payables < 1 year	2,255	3,364
Provision for early retirement < 1 year	100	102
Other provisions < 1 year	0	0
Total current liabilities	2,355	3,466
Non-current assets plus/net current assets/liabilities	2,773	1,699
Non-current liabilities		
Deferred liabilities	(839)	(826)
Provision for Early Retirement	(1,758)	(1,832)
Other provisions	(218)	(290)
Net Funded Pension Liabilities	(26,665)	(34,954)
Total non-current liabilities	(29,480)	(37,902)
ASSETS LESS LIABILITIES	(26,707)	(36,203)
<u>Represented by:</u>		
Taxpayers' Equity		
Net funded pension liabilities	26,665	34,954
General Fund	42	1,249
	26,707	36,203

Cash Flow Statement to 31 March 2019

Appendix 2

£(000)'s

Cashflows from operating activities

Net Operating expenditure	(9,827)
<i>Adjustment for non cash items:</i>	
- Depreciation	369
- Other non-cash items	0
- Pension scheme - net revenue (debit)	2,947
(Increase)/Decrease in trade and other receivables	795
(Decrease)/Increase in trade/other payables/deferred liabilities	69
(Decrease)/Increase in provisions for early retirement	76
(Decrease)/Increase in other provisions	72
Net cash outflow from operating activities	(5,499)

Cashflows from investing activities

Purchase of property, plant and equipment	(171)
Purchase of intangible assets	(3)
Less / (add) movement in accrued expenditure	0
	(174)

Cashflows from financing activities

From Consolidated Fund (supply)	6,700
Net increase / (decrease) in cash and cash equivalents in the period	1,027

Cash and cash equivalents at the beginning of the period	179
Cash and cash equivalents at the end of the period	1,206

Net cash requirement

Cashflows from financing activities	6,700
(Increase)/ decrease in cash	(1,027)
	5,673

Purpose

1. This report provides the Board with an overview of Audit Scotland's performance during quarter four and for 2018/19 overall.

Background

2. Performance reports are considered by the Management Team and the Board on a quarterly basis alongside the quarterly financial performance report and Becoming World Class improvement programme update.
3. The quarter three report was considered at meetings of the Management Team and the Board on 23 February 2019 and 20 March 2019 respectively.
4. The quarter four report also provides a summary of performance for 2018/19. It was considered by the Management Team at its meeting on 14 May 2019.
5. The performance information is reported under the three strategic objectives of Delivering World Class Audit, Making a Difference and Being a Better Organisation.
 - Appendix 1 (pages 3 – 5) provides a one-page summary of performance for each strategic objective.
 - Appendix 2 (pages 6 – 24) provides the detailed performance information.

Q4 performance summary

6. The Q4 report demonstrates continued strong performance over all. Performance headlines include:
 - **Delivering World Class Audit** - we are conducting relevant, timely and high-quality audits.

Publications in Q4 include:

- 200 annual audit plans
- 3 annual audit reports
- 1 Best Value Assurance report
- 1 Overview report

The Q3/Q4 and annual audit quality reports provide positive assurance on the quality of the audit work across all auditors.

- **Making a Difference** - we are getting our messages out effectively and delivering new and improved products:
 - 16 parliamentary engagements including five evidence sessions across two committees
 - 196,033 downloads and 3,841 social media engagements
 - 125 media mention of Audit Scotland and/ or Accounts Commission
 - Positive feedback from audited bodies and other stakeholders on the audit work

- **Being a Better Organisation** - we are managing our workforce effectively and investing in learning and development. Financial planning and budget management are effective:
 - 99.6% of 279.5 establishment in place at the end of the quarter
 - Absence rate:1.4%
 - Net operating cost 2018/19: £64k less than budget – variance of 0.6% of net operating expenditure budget.

2018/19 Performance summary

Securing world class audit

7. We produced 457 audit reports/outputs in 2018/19.
8. The reports which form part of the Audit Quality Framework provide positive assurance on the quality of the audit work.

	Planned	Delivered	%
Annual Audit Plans	221	193	87
• Audit Scotland	(122)	(106)	87
• Firms	(99)	(87)	88
Annual Audit Reports	222	222	100
• Audit Scotland	(123)	(123)	100
• Firms	(99)	(99)	100
Performance Audits	7	6	86
BV Assurance & Follow-up Reports	7	7	100
Overviews	5	5	100
Housing Benefit Reports	8	5	62.5
Statutory Reports	8	11	138
Other	10	8	80
Total	488	457	93.6%

9. The remaining 28 Annual Audit Plans, one performance audit and one How Councils Work report were delivered by 2 May 2019. We have delivered 99.8 percent of the 2017/18 planned audits/reports of which almost 94% percent were to schedule.
10. We produced 11 statutory reports in 2018/19, this is more than in any previous year.
11. Audit work was delivered 0.48% over budget – this is within the 5% tolerance level.

Making a difference

12. We are getting our messages out effectively
 - In 2018/19 there were a total of 87 attendances, at meetings of the Scottish parliament including the Public Audit and Post Legislative Scrutiny Committee, eight other committees and 15 other engagements.

- We attended all Accounts Commission and committee meetings and supported the Commission's engagement activity with councils, the Strategic Scrutiny Group, COSLA and other local government sector forums
- Our website received 108,641 visits (up from 72,000 in 2017/18), there were 817,436 report downloads (up from 690,113 in 2017/18) and there were 26,118 social media engagements (up from 20,636 in 2017/18).
- There is evidence over the year of impact at a national and local level and providing insight and increasing amounts of foresight.
- There were 99 new correspondence cases and 98% received a final response within the agreed time limit.

Being a better organisation

13. We are managing our resources well:

- The Best Companies survey was completed by 84% of staff and achieved: our highest overall score to date and we are now in the top 100 not for profit organisations. We achieved an increase in five of the eight factors with the largest increases in 'my company' and 'fair deal' groupings
- net operating expenditure to March 2019; 0.6% below budget
- efficiencies, cost reduction and additional income delivered £1.1m of budget savings against a target of £1.0m
- average number of staff employed in the 12 months to March 2019 278.6 w.t.e. (0.9 w.t.e lower than establishment figure of 279.5 w.t.e)
- staff absence rate 4.85 days (4.4 days in 2017/18)
- over 99% IT up time.

14. Despite being at establishment, sustaining a low absence rate and positive Best Company engagement results we are conscious that there continues to be pressures on colleagues and limited 'spare capacity' to respond to increasing and unplanned demands, the increasingly complex and rapidly changing operating environment and an ambitious improvement agenda. Feedback from colleague surveys and engagement indicates that there are capacity challenges in terms of the demand for audit work and the supply and deployment of resources.

15. The 2019/20 Corporate Plan Update highlights wellbeing, resourcing and learning and development as key areas of focus for 2019/20. Audit Directors are reviewing the 'demand side' capacity pressures in terms of the volume and nature of outputs, audit methodologies and our improvement agenda, with a focus on prioritisation and streamlining. On the 'supply side' reviews of our resourcing arrangements are under-way alongside the development of the workforce and learning and development plans.

Recommendations

16. The Board is invited to review the Q4 performance report and consider whether any additional management attention is required.

Summary of 2018-19 Q4 performance

 Delivering world-class audit	Our objective is to ensure that public audit in Scotland applies the highest professional and ethical standards, is efficient, proportionate and risk based. Audit work should be informed by an excellent understanding of the strategic and operational context and respond effectively to changing circumstances and emerging issues. We must report clearly and authoritatively and follow the public pound wherever it is spent. Audit must promote transparency, accountability and Best Value.
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Headline:	Relevant, high quality audits published to schedule and within budget.
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Objectives	2017-18				2018-19				Actions
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
We conduct relevant and timely audits and report in public.	G	G	G	G	G	G	G	G	
We make clear and relevant recommendations for improvement	G	G	G	G	G	G	G	G	
Audits are of high quality	G	G	G	G	G	G	G	G	
We systematically improve the quality of our work	G	G	G	G	G	G	G	G	Actions arising from quality reviews

Key performance indicators

Annual Audit in Q4 <ul style="list-style-type: none"> • Published in Q4 <ul style="list-style-type: none"> ○ 3 annual audit reports (2 Audit Scotland and 1 Firm) ○ 120 Audit Scotland Annual Audit plans. ○ 80 Firms Annual Audit plans. 	Performance/ best value/ overviews/housing benefit/Section 22 in Q4 <ul style="list-style-type: none"> • Two reports published in Q4: <ul style="list-style-type: none"> ○ 1 Local Government - challenges and performance report ○ 1BVAR
On budget in Q4 <ul style="list-style-type: none"> • Expenditure on audit work was 0.48% above budget in Q4 – this is within the 5% tolerance range. 	Quality in Q4 <ul style="list-style-type: none"> • Positive assurances re audit quality in <ul style="list-style-type: none"> ○ Q3/4 audit quality report ○ Audit Scotland annual quality report ○ Quality of Public Audit in Scotland report 2018/19

 Making a difference	Our objective is to maximise the difference our audit work makes to public services in Scotland.
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Headlines:	Sustained interest in reports published in Q4 (in terms of downloads and social media) and evidence of national and local impact.
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Objectives	2017-18				2018-19				Actions
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
We get our messages out effectively	G	G	G	G	G	G	G	G	
We systematically deliver impact through our work	G	G	G	G	G	G	G	G	
We offer insight and foresight through our audit work	Y	Y	Y	Y	Y	G	G	G	
We develop new and improved processes, products and services	G	G	G	G	G	G	G	G	

Key performance indicators in Q4

- 16 parliamentary engagements including 5 evidence sessions across two committees
- 125 media mention of Audit Scotland and/ or Accounts Commission (a 64% decrease on Q4 2017/18).
- 196,033 downloads (an increase of 5% compared to Q4 2017/18).
- 3,841 social media engagements (a decrease of 20% compared to Q4 2017/18).
- 98% correspondence responses issued within 30 days, once the ongoing cases are completed this is expected to be 100%.

Key performance indicators in 2018/19

- 87 Parliamentary engagements including:
 - PAPLS 37, Local Government and Communities 9, SCPA 4, Finance and constitution 8, Equalities and Human rights 4, Social Security 3, Health and Sport 3, Education and Skills 2, Justice 2, Other 15.
- 1,283 media mentions of Audit Scotland and/ or Accounts Commission (a decrease of 4% from 1,340 in 2017/18).
- 817,436 downloads (an increase of 18% compared to 690,113 2017/18).
- 26,118 social media engagements (an increase of 26% compared to 20,636 in 2017/18).
- 98% correspondence responses issued within 30 days (compared to 97% in 2017/18)

 <p>Being a better organisation</p>	<p>Our objective is to make the best use of our resources so that we can deliver audit work that improves the use of public money. We want to make Audit Scotland a great place to work so that we can attract and retain a highly skilled workforce who provide high-quality audit services.</p>
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Headlines:	Staff complement at establishment and low rates of absence. Net operating cost 0.6% below budget. Some indications of demand and supply side pressures on capacity.
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Objectives	2017-18				2018-19				Actions
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
We manage our resources effectively	G	G	G	G	G	G	G	G	Review of audit resourcing arrangements under way.
We maximise our efficiency	G	G	G	G	G	G	G	G	
We manage information and intelligence effectively (internal)	A	A	A	A	A	A	A	A	Digital Audit Strategy implementation and performance management framework project.
We empower and support our people to be engaged, highly skilled and perform well	A	A	A	A	G	G	G	G	Best Companies survey results being discussed in business groups/ teams etc.

Key Performance Indicators in Q4

<p>People</p> <ul style="list-style-type: none"> Staff complement (w.t.e): 99.6% of 279.5 establishment at the end of the quarter (98.9% of 274.9 in Q4 2017/18). Absence rate:1.4% (1.12% in Q4 2017/18). Resignations YTD: 6.72% (6.75% in 2017/18). L&D events: 24 in-house events offering 484 places. Exams: 11 exams with 100% pass rate for professional trainees. 	<p>Resources ytd</p> <ul style="list-style-type: none"> Net operating cost: £64k less than budget – variance of -0.6% of net operating expenditure budget. Staff costs: £7k less than budget – variance 0% Agency and secondment costs: £10k more than budget Capital investment on IT hardware: £1k less than budget – variance of 0.57% on budget. Property costs: £28k less than budget – variance of 3% on budget. Travel and subsistence expenditure: £17k less than budget – variance of 1.9%. Legal, Professional and consultancy costs £46k less than budget– variance of 5.9%.
<p>Key Performance Indicators in 18/19</p> <ul style="list-style-type: none"> Absence rate:4.85% (4.4% in 2017/18). L&D events: 103 in-house events covering 1,352 places. Exams: 112 exams with 86 % pass rate for professional trainees. Best Companies survey - highest overall score to date, ‘ones to watch’ status maintained and entry into the top 100 not for profit organisations There were 11.26% of leavers ytd compared with 12.79% in 2017/18 	

Key Performance Indicators in 18/19

Delivering
world-class
audit

We conduct relevant and timely audits and report in public.

Key Performance Questions	2017-18				2018-19				Actions
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
Are relevant audits being delivered?	G	G	G	G	G	G	G	G	
Are audits delivered on time?	G	G	G	G	G	G	G	G	New performance management framework will provide additional data and analysis in these areas
Are audits delivered on budget?	G	G	G	G	G	G	G	G	

Relevant

The joint Auditor General and Accounts Commission rolling five year rolling work programme 2019/20 to 2023/24 was published on 26 March. The programme sets out performance audit, Best Value and overview reporting commitments for the next two years, and indicative areas of audit work for years three to five. Provision has been made within the rolling work programme for EU withdrawal related performance audit work. The timing and scope of any performance audit work will be dependent upon development within this fast-moving area. The central EU withdrawal team continue to monitor developments and liaise with audit colleagues as appropriate.

The Accounts Commission considered the Controller of Audit's Annual Assurance and Risks Report on Local Government in Q4. This report provides assurance to the Accounts Commission on the delivery of audit outputs across the local government sector, and in relation to the Commission's Strategic Audit Priorities. The report's key findings included:

- auditors have an effective approach to identifying and following up audit risks in individual councils, integration authorities and pension funds.
- auditors have provided good coverage of the Commission's five SAPs. There are some areas in which we could provide more assurance in future, such as the quality of public performance reporting, councils' approach to people development and the effectiveness of community engagement.

In the MDCR survey audited bodies were asked to respond to questions using a scale of 1 to 5 where 1 is 'very poor' and 5 is 'very good'.

Stakeholders' aggregate views on the key questions are:

Annual Audit	Average Score
Usefulness of the annual audit overall	4.1
Usefulness of the annual audit report overall	4.2
Appropriate coverage of Best Value	3.5

Performance Audit	Average Score
Performance audits	3.6
Best Value	3.4
Overviews	3.6

Published in Quarter 4

Audit Scotland published 120 and the Firms 80 Annual Audit Plans.

The Local Government Overview 2019 report was published on 21 March 2019.

Best Value– the South Lanarkshire BVAR report was published on 28 March 2019 per the schedule.

The EAFA 2018 annual audit report was delivered on the 14th February 2019. The audit was completed within the agreed budget and the accounts package was delivered for certification within the Commission's deadline.

The Non-Domestic Rates Account (NDR) annual audit report was agreed and issued in final form on 14 February 2019, the planning guidance deadline was 31 October 2018. The draft annual audit report (AAR) was issued in draft on 2 August 2018, but the audit team had issues getting the client to respond and agree. The accounts were audited before the statutory deadline of 31 Dec 2018, but the AAR was late.

The timescale for publication of the Social Security performance audit was revised from Q4 2018/19 to Q1 2019/20 due to the complexity of auditing a new body and social security arrangements alongside the statutory financial audit. The performance audit report was published on 2 May 2019.

Publication of the 'How Councils Work: protecting public money' report was rescheduled to avoid a clash with the LG overview report. It was published on 11 April 2019.

A series of Impact Report had been tentatively scheduled for publication in Q3. With the exception of the Social Work in Scotland Impact Report (published December 2018) the remaining impact reports will be completed either as part of other ongoing audits (e.g. Higher Education) or during 2019/20 (Q1 and Q2).

2018/19 summary

In 2018/19, we planned to publish 488 audit plans, audit and performance reports and published 457. Almost 94 per cent percent were delivered on time. Including those published by 2 May 2019 this rises to 485 (99.4%). 98%, of the audit opinions delivered to schedule (96% in 2017/18).

The variation between planned and published is due to:

- Additional audit/reports - we produced three more statutory reports than provided for and published two additional briefing papers
- Annual audit reports - two Local Government and one Central Government AARs were delivered late due to issues outwith the Auditors control.
- One Performance audit, one How Councils Work and three impact reports were rescheduled. The performance audit and How Councils Work report have now been published.
- Annual audit plans – 193 of the 221 plans were submitted to AQA as per the planning guidance deadline (87%). 28 were submitted later than the deadline. 16 of these were delayed to accommodate Audit Committee meeting dates at the audited body. Seven had been presented to audited body on schedule but not submitted to AQA. The remaining five were late for a variety of reasons (two audited bodies moving office, one delay in agreeing an audit fee, one waiting for a management response and one which was simply late).
- Housing Benefit – five of the eight planned reports were published. One of the remaining audits due to be published in Q4 will be published in Q1. In December the Accounts Commission considered proposals on a new approach for HB performance audit. Under the new agreed approach there will be a continued focus on risk-assessments, but a greater focus on thematic issues (e.g. over-payments, resource models) to allow better comparisons across councils. The phased approach includes two to three themed audits along with approximately two audits on individual councils.

Variation in the schedule is shown as ✓ = delivered, (XQ) = rescheduled to or from quarter identified in the brackets.

Appendix 2 – Performance detail

	Q1	Q2	Q3	Q4
Annual Audit Plans – AS (122)	2 FE ✓			10 NHS✓ 66 LG✓ 44 CG ✓
Annual Audit Plans – Firms (99)	19 FE ✓			13 NHS✓ 39 LG✓ 28 CG✓
Audit – Audit Scotland (123)	10 NHS ✓ 6 CG ✓	66 65 LG✓ 25 28 CG✓	1 LG (Q2) ✓ 2 FE ✓ 9 CG✓	1 CG – NDR (Q3) 1 CG (EAFA) ✓
Audit – Firms (99)	13 NHS ✓ 5 CG ✓	39 38 LG✓ 14 CG✓	1 LG (Q2) ✓ 18 FE ✓ 9 CG ✓	1 FE✓
Performance Audit (7)	ALEOS ✓ Scottish fire and rescue services ✓	Forth Replacement Crossing ✓ Children & YP mental health✓ Superfast broadband for Scotland: update✓	Health and social care integration: update✓	Scotland's new financial powers: Social security (Q1)
Best Value Assurance Report (7)	East Ayrshire Council ✓ Fife Council ✓ West Dunbartonshire Council ✓	Glasgow City Council ✓	Dumfries and Galloway Council✓ East Lothian Council✓	South Lanarkshire✓
Overview Report (5)	Local government in Scotland: challenges and performance ✓ Scotland's Colleges ✓		NHS in Scotland✓ Local Government: financial overview✓	Local government in Scotland: challenges and performance✓
Housing benefit (8)	✓West Dunbartonshire x City of Edinburgh (Q2)	City of Edinburgh (Q1) ✓ East Renfrewshire (Q3) x Housing benefit annual report(Q3) x	East Renfrewshire (Q2) ✓ Renfrewshire✓ Glasgow* Housing benefit annual report(Q2) ✓	Perth* Falkirk* Midlothian (Q1) Aberdeenshire*
Statutory (8)	s102 City of Edinburgh Council ✓ s22 Edinburgh College ✓ s22 New College Lanarkshire ✓	s22 Scottish Government Consolidated Accounts✓	s22 Scottish Police Authority✓ s22 NHS Ayrshire and Arran✓ s22 NHS Highland✓ s22 NHS Tayside✓ s22 Community justice✓ s22 Scottish Public Pensions Agency✓ S22Scottish Social Services Council✓	

Other (10)	National Scrutiny Plan ✓ Two Impact reports: Modern Apprenticeships ✓ Maintaining Scotland's roads: a follow-up report ✓	National Fraud Initiative ✓ Impact report: Community Planning in Scotland ✓	Impact reports: Efficiency of Sherriff courts x Scotland's economic growth Higher education X Social work in Scotland ✓ Issues paper: EU Withdrawal ✓ Briefing: New financial powers ✓	How councils work - Safeguarding public money: are you getting it right? X (Q1)
Planned (488)	68	139	74	207
Published	69	153	58	205

*Originally planned but removed after change of approach agreed with the Accounts commission.

On budget

Audits on budget: In Q4 the expenditure on audit is 0.48% above budget and within our 5 percent budget tolerance.

	2018/19			
	Budget	Actual	£ Variance	% Variance
ASG	10,378,717	10,484,026	105,309	1.01
PABV	£1,910,676	£1,864,045	-£46,631	-2.4%
Total	12,289,393	12,348,071	58,678	0.48

Forward look:

- A suite of additional materials detailing the refreshed rolling work programme is being developed for parliamentary committees, audit teams and other key stakeholders. These will be rolled out during Q1.
- Performance and risk management group to develop methodology for further analysis and reporting of audit cost information as per the Internal Audit report recommendation.



We make clear and relevant recommendations for improvement

Key Performance Questions:	2017-18				2018-19				Actions
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
Are there practical, clear and relevant recommendations in everything published?	G	G	G	G	G	G	G	G	Annual summary review of audit recommendations (acceptance and response) Annual planning guidance update Audit Quality framework reports

A review of the total number of recommendations made and accepted in the 2017/18 annual reports showed there were 793 recommendations of which 783 (98.7%) were accepted. The ten instances of disputed action plan points were in three audited bodies (one council, one health board and one integration joint board).

The issues raised, mainly related to those raised in the interim management reports to the council and the health board. While for the council these mainly related to the lack of controls in key financial systems, the risks raised in the health board's interim report were mainly wider code risks such as effectiveness of scrutiny and lack of transparency.

Issues/ risks/ actions:

- Continued encouragement of teams to record and report value added impacts in impact logs and annual audit reports.

Forward look:

- Four audit reports (two performance audit and two s22 statutory reports) are being quality reviewed by peer UK audit agencies. This will include a review of audit recommendations and the extent to which they are clear, practical and relevant.

 Delivering world-class audit	Audit work is of high quality and we are systematically improving the quality of our work
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Key Performance Questions:	2017-18				2018-19				Actions
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
Are we assured about the quality of our work?	G	G	G	G	G	G	G	G	Adoption of INTOSAI standards for non-financial audit work is under way
Are we improving the quality of our work?	G	G	G	G	G	G	G	G	Ongoing refinements to the Audit Quality arrangements including analysis of client survey results and the issues escalation process.

Assurance

In Q4 we finalised three reports on audit quality:

- Q3/4 audit quality report
- Audit Scotland annual quality report
- Quality of Public Audit in Scotland report 2018/19

The reports draw from all aspects of the Audit Quality Framework and include external and internal cold reviews, internal hot reviews and surveys of audited bodies and auditors. They provide positive assurance on quality overall and also identify areas where further improvements are required.

The new contract for Plain English report editing and proofreading commenced during Q4. This provides external review of our draft reports to ensure they contain clear messages and make effective use of the Plain English principles in our audit reports.

Q4 Reviews

- 10 quality reviews were completed this quarter, eight reviews of financial audits, one review of a performance audit and one review of a section 22 report.
- All 11 planned reviews of financial audits are now completed and feedback sessions have been held with audit teams.
- A report summarising the key issues emerging from the recent quality reviews will be completed in Q1 and action taken where deemed there is a requirement.
- ICAS did not identify any concerns with audit opinions.
- ICAS noted considerable improvements in the documentation of Performance Audit and Best Value Assurance Report audits.

Technical guidance in Q4 included:

- The quarterly technical bulletin and a quick guide on statutory reporting
- Technical guidance notes on statutory objections to local government accounts, General Grant claims, Belwin Scheme claims and Education Maintenance Allowance claims
- Advice and support on issues including retirement benefits audit assurance protocols, loans fund
- 3 technical training workshops on professional scepticism and 2 training events on PABV issues and investigations methodology
- Core audit training sessions for new colleagues joining the PABV team, including audit skills and methodologies.
- 7 technical updates to ASG super teams.

Issues/ risks/ actions:**Forward look:**

- Q1 - Quality of Public Audit in Scotland report 2018/19, Annual Audit Scotland Quality Report and quality improvement actions report (June 2018)
- ICAS training event based on 2018/19 review findings (April 2019)
- Results of peer reviews on performance audit work by NAO, WAO and NIAO to the PABV Leadership Team (April 2019)
- Action plan to address the issues raised in both internal quality reviews and external (ICAS) quality reviews (Q1). The action plan will focus on the most significant issues including ASC's approach to substantive sampling and supporting a better understanding of analytical reviews by audit teams.
- Further training sessions will be run throughout the remainder of 2019, with additional sessions included on records and information management.
- Professional Support colleagues are working with several newly established audit teams to pilot the new approach to planning within the Audit Management Framework. These include the NHS overview, the School education and the Early learning and Childcare audit teams.



We get our messages out effectively

Key Performance Questions:	2017-18				2018-19				Actions
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
Are we getting messages getting out effectively?	G	G	G	G	G	G	G	G	New communications and engagement strategy – September 2019

Examples of getting our messages out includes:

In Q4 we attended 16 Parliamentary engagements including:

- 5 committees (four Public Audit and Post Legislative Scrutiny and one Finance and Constitution Committee)
- 10 other Parliamentary engagements including meetings with Conveners, Committee Clerks and the SCPA
- 1 MSP meeting

The Audit Scotland conference focused on the issues of trust in Audit and was attended by over 260 staff.

Media

	Q1	Q2	Q3	Q4	YTD	17/18
Media	477	268	413	125	1,283	1,340
Downloads	215,008	191,886	214,509	196,033	817,436	690,113
Engagements*	7,286	6,420	8,571	3,841	26,118	20,636

*Engagements = not only received but reacted to one of our tweets

- Quarter four was a relatively quiet end to the reporting year, with just two audits published within the quarter. The BVAR on South Lanarkshire Council got one piece of coverage in a local newspaper – a reflection of the very positive nature of the report (good news generally doesn't garner headlines). The Local Government Overview performed well, with over 20 pieces of broadcast and print coverage, most at the national level. Coverage all carried a clear message around the need for 'fundamental changes' to the way public services are delivered.
- Health issues also kept Audit Scotland's mentions in the media up over the quarter, including the infections and deaths at Queen Elizabeth Hospital and NHS Tayside's management team giving evidence to PAPLs on governance issues related to its former chief executive's departure.

Month	Broadcast coverage (radio & tv)	Print Coverage: National (newspapers & online)	Print Coverage: Local	Total
Jan	8	31	9	48
Feb	1	9	11	21
Mar	3	36	17	56
Total	12	76	37	125

Downloads

- Across the quarter, it was notable that the Health and Social Care Integration update report proved consistently popular, receiving 3,700 downloads. The audit team were particularly active in promoting the report's findings at conferences and other events in early 2019, and this may have impacted on downloads.
- Performing even better was our 2012 Health Inequalities in Scotland report, which ranks very highly on Google, and has done well for at least a year now. Type in 'health inequalities' and the PDF of the report is one of the first things to appear in the search ranks. It had over 4,500 downloads across the quarter.

Social media activity

- Twitter continues to be the most effective social media platform for generating engagement with online audiences without paying for targeted advertising. We are beginning to develop stronger content for the Accounts Commission Twitter account. For example, an animation explains what the AC is, and what it does, has been viewed around 700 times.
- Animations and video continue to play well on our social media channels and the Communications Team is looking to widen its skills in this area to increase the volume and quality of content produced.
- January's social media performance was boosted by the annual conference. The communications team tweeted snippets of content from the conference's key speakers and this helped engage an online audience around the topics covered, such as trust in public services and the barriers to health and social care integration
- LinkedIn continues to be of value, particularly in the last three months when there has been significant recruitment activity. Our audience on WordPress is steady as we look to increase the number of blogs posted by the AGS and colleagues. A post-conference blog post by the AGS garnered around 350 views (around half of those coming from external people) and was picked up by Public Finance Magazine and Sceptical Scot.
- Facebook is likely to become a channel we use solely for targeted advertising of our content. This is one of the things being looked at as part of a social media scoping exercise being carried out by the Communications Team. Focussing on what our audiences are interested in – rather than what we want to tell them – will continue to be a big focus for the team, especially on social media.
- Social media posts account for a small fraction of the traffic to our website, at less than 5 per cent of the total. Over 90 per cent of our website users either go directly to our site or land there via Google search results.

Engagement with the profession

In Q4 external engagements by Professional Support included:

- a presentation on updates to the FReM to central government Directors of Finance
- attending 12 external working group meetings to ensure Audit Scotland is engaging with relevant standard setters as they prepare and review relevant codes, manuals, standards and guidance.
- responding to seven consultations issued by external standard setters.
- issuing technical guidance notes on independent auditor's reports in health and central government and a good practice note on performance reports in central government.

Freedom of Information (FOI), Environmental Information Regulations (EIR) and Complaints

- There were eight FOI requests, no EIRs and no complaints in Q4. All FOI requests were dealt with within the statutory 20 working days and 50% were dealt with within seven working days.

Correspondence

Audit Scotland handles a wide range of correspondence from members of the public, elected representatives and organisations.

New correspondence cases	Q1	Q2	Q3	Q4	YTD	17/18
Number of cases	24	28	22	25	99	136
Acknowledgement within five working days (%)	100	96	100	100%	99%	100
Final response within 30 working days	92 100*	82 93	95 100	98%	98%	97

- Two final responses are pending and are still currently within our deadline and no acknowledgements have been missed this quarter.
- One final response was missed this quarter – the correspondent received a holding response and phone call to update them on progress to date.
- In addition, we had 25 audit enquiries relating to queries about our work (e.g. figures within our reports, guidance and access to materials/reports)
- The quarter 3 figure has been updated to reflect the outstanding responses completed after the Q3 report was published.

Issues/ risks/ actions:

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Forward look:

- New Communications and Engagement Strategy (September 2019)

 Making a difference	We systematically deliver impact through our work
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Key Performance Questions:	2017-18				2018-19				Action
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
Is our work delivering impact?	G	G	G	G	G	G	G	G	
Are our recommendations leading to improvements?	Y	G	G	G	G	G	G	G	Further quantitative measures being developed to supplement qualitative assessments as part of the PMF project.

Examples of where our work has made a positive impact in Q4 include:

As part of the internal quality review of ASG audits, reviewers met with the Directors of Finance and Chairs of Audit Committees. The feedback from five bodies in Q4 included:

- Positive comments on the professionalism of audit staff
- That audit teams are open, responsive and accessible and regularly attend and participate in discussions at Audit Committee
- That the Audit Teams add value by identifying key risks and recommendations
- Prompt responses on technical queries
- Good communication throughout the audit process.

The Scottish Parliament Information Centre (SPICe) provided positive feedback on the Local Government overview report and positive feedback was also received from MSPs. The overview team has been invited to attend the Argyll and Bute Council Audit Committee in June to present the report.

The NHS in Scotland overview team was invited to present to a range of groups, including the board of the Scottish Ambulance Service, and the board of the National Waiting Times Centre during Q4.

Other examples of impact include:

- *Central Government body* - the 2017 AAR report highlighted several serious matters, the most significant being our review of internal audit which found widespread inadequacies in the quality of work supporting reports issued by internal audit. The 2018 AAR identified that significant improvements had been made by the internal audit service in response to the recommendations.
- *Central Government body* - we identified that there were areas of non-compliance with Public Sector Internal Audit Standards and that significant improvements were required. Internal Audit has now put in place additional measures to remedy the weaknesses identified, an action plan for has been agreed and monthly updates are now provided to the appropriate committee.
- *Local Government body* - we recommended that the council introduce registers of interest for senior staff. Although initially rejected by officers we presented the recommendation to the council's Audit and Scrutiny Panel. It agreed with the recommendation and instructed officers implement the required changes. As of January 2019, registers of interest are now in place for senior council officers and are available on the council website.
- *Local Government body* – we had made recommendations about improving the scope and timeliness of the reporting of internal audit investigations. The 28 March 2019 Audit & Scrutiny Panel received a full investigation report as a result of an amended internal audit reporting protocol and a commitment to openness and transparency.

- *Local Government body* - the 2017 AAR concluded that performance reporting was insufficient and that the Audit and Scrutiny Panel had not received meaningful 2017/18 performance information. We have since seen improvements in performance reporting with a full report in November 2018 and further reports drilling into the detail of performance areas (requested by the members) in December 2018 and March 2019.
- *NHS body* - the audit team actively engaged with officers around annual leave accrual. Initially the body queried whether an annual leave accrual was required for the accounts. The audit team liaised with Professional Support colleagues and collated information on other NHS boards to confirm the position across NHS in Scotland and confirm our expectations for the accounts. The board have since confirmed that an accrual will be included within the 2018/19 accounts.

Issues/ risks/ actions:

- Development of quantitative KPIs re recommendations and actions

Forward look:

 Making a difference	We offer insight and foresight through our work
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Key Performance Questions:	2017-18				2018-19				Action
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
Are we making information and intelligence available to others?	G	G	G	G	G	G	G	G	Development of an assessment framework and more systematic approach to measuring progress on this objective as part of PMF project.

We offer insight and foresight through our work:

The Accounts Commission's 'Local Government in Scotland: Challenges and performance 2019' overview report highlighted:

'councils across Scotland have continued to work hard to maintain services to their communities, despite the increasing challenges and pressures. They have stepped up and have continued to improve how they use their resources. But, in many councils the change and improvement work has focused on efficiencies. To address the growing gap between demand and resources, more fundamental, transformational changes are needed in service provision, and the pace of change needs to improve in some councils'.

In its findings on the Best Value Assurance Report on South Lanarkshire Council the Accounts Commission found

'Our previous Best Value audit report in 2009 noted strong leadership, clear direction, a strong culture of continuous improvement and a well-performing council. We are pleased to note the council continues to demonstrate all of these elements and is making significant progress in fulfilling its duty of Best Value and improving outcomes for its communities'.

During Q4 we published 200 annual audit plans for NHS, Central and Local Government bodies. The annual audit plans identify the risks and planned work for the 2018/19 annual audits.

Audit Scotland is working with scrutiny partners through the Operational Scrutiny Group to develop the next iteration of the National Scrutiny Plan. Audit Scotland and partners have been sharing information on respective work programmes to (where possible) align these and coordinate scrutiny activity.

Issues/ risks/ actions

Forward look:

- Further analysis of the client surveys (Q1 2019/20)
- Publication of the Social security: Implementing the devolved powers report (May 2019).

 Making a difference	We develop new and improved processes, products and services
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Key Performance Questions:	2017-18				2018-19				Action
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
Are new processes, products and services being developed?	G	G	G	G	G	G	G	G	
Are products and study programmes suitable and appropriate for emerging issues?	G	G	G	G	G	G	G	G	

Examples of new improved processes, products and services in Q4 include:

- a new Animation explaining the role of the Accounts Commission.
- ASGMT has approved a significant change to ASG's audit sampling methodology for 2019/20. This should ensure greater consistency across audits. In the short term, we will improve the existing sampling methodology to ensure a consistent approach is taken for the 2018/19 audits.
- revised audit programmes have been issued for the financial statements audit for 2018/19.
- a refresh of the scoping/methodology sections of the performance audit management framework was approved.

Issues/ risks/ actions

Forward look:

- Animation for Audit Scotland Annual Report and Accounts 2018/19 (June 2019)
- Risk interrogation on focus and scope to Management Team and Audit Committee (May 2019)
- internal and external quality review findings will be reported to ASG/PABV and areas for improvement will be used to inform future training (Q1)
- All 2019/20 planning, controls and final accounts programmes will be updated to ensure that they are fully compliant with International Auditing Standards and incorporate findings from quality reviews as appropriate



We manage our resources effectively and maximise efficiency

Key Performance Questions:	2017-18				2018-19				Action
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
Are we managing our resources effectively	G	G	G	G	G	G	G	G	Reviews of demand side and capacity pressures under way
Are we maximising efficiency?	G	G	G	G	G	G	G	G	

Resource management

In the 12 months to March 2019:

- Audit Scotland's Net Operating Expenditure was £64k less than budget.
- Capital investment for the twelve months to March 2019 was £174k, £1k less than the available budget of £175k.
- Staff costs £10K (0.1%) less than budget.
- We delivered £1.1 million of efficiency savings against a target of £1.0 million. This was 4% of our budget. The majority of savings came from staff costs, additional income, organisational efficiencies, travel and subsistence expenditure and legal, professional and consultancy costs.

Net operating (expenditure) in the 12 months to March 2019:

	Q1	Q2	Q3	Q4	17/18
Actual	(1,180)	(2,165)	(4,467)	(9,827)	(8,514)
Budget	(1,237)	(2,269)	(4,586)	(9,891)	(9,157)
Variance	-4.6%	-4.6%	-2.6%	0.6%	-7.0%

Staff

The average number of staff in the quarter was 99.6% of the establishment

	Q1	Q2	Q3	Q4	17/18
2018/9 establishment w.t.e:	279.5	279.5	279.5	279.5	274.9
Average number of staff employed in 2018/19 w.t.e:	271.9	274.2	278.0	278.6	271.9
No. of staff at end of quarter w.t.e:	270.3	278.3	284.4	283.6	272.0

Staff and Agency costs – The total staff costs in the 12 months to March 2019 are below budget.

	Annual Budget £000	Actual YTD	Budget YTD	Variance	Actual Average WTE	Budget WTE
Total Staff costs	15,832	15,825	15,832	7	293.1	286.5
Total agency & secondments	125	135	125	(10)		

Legal, professional and consultancy

The underspend position of £46k in the year to is mainly due to reduced expenditure within PABV.

Estate - costs in the 12 months to March 2019 are £28k (3%) lower than budget and lower than previous years spend of £938k.

£000 YTD	Q1	Q2	Q3	Q4	17/18
Actual spend	208	392	618	908	938
Budget	215	427	643	936	930
Prior year spend	211	418	640	938	

Costs of travel - Travel and subsistence costs in the year were £17k lower than budget and 23k higher than last year.

£000 YTD	Q1	Q2	Q3	Q4	17/18
Actual spend	227	455	635	889	866
Budget	230	452	674	906	922
Prior year spend	204	428	654	866	

Capital Expenditure and Funding - Capital investment for the twelve months to March 2019 was £174k, £1k less than the available budget of £175k.

The investment was all IT related and included mobile phones, Chromebooks and laptops. The purchase of this equipment complements our digital services strategy with the emphasis on replacing old technology with the latest enhanced security enabled equipment.

IT network up time

IT Network	Q1	Q2	Q3	Q4	17/18
IT uptime (%)	99.14	99.38	99.73	100	99.6
Working hours lost	1992.5	1432.1	681.45	11.5	3758
Average time lost per person	6.69 hrs	4.77hrs	2.13hrs	4 mins	660

Most of the downtime this quarter was due to an issue with a patch causing 2 Citrix servers to reboot during production hours. Glasgow lost connection for 10 minutes and ishare was down for 45 minutes however both of these were before 9am and minimal users affected before service was restored.

IT Incident management summary

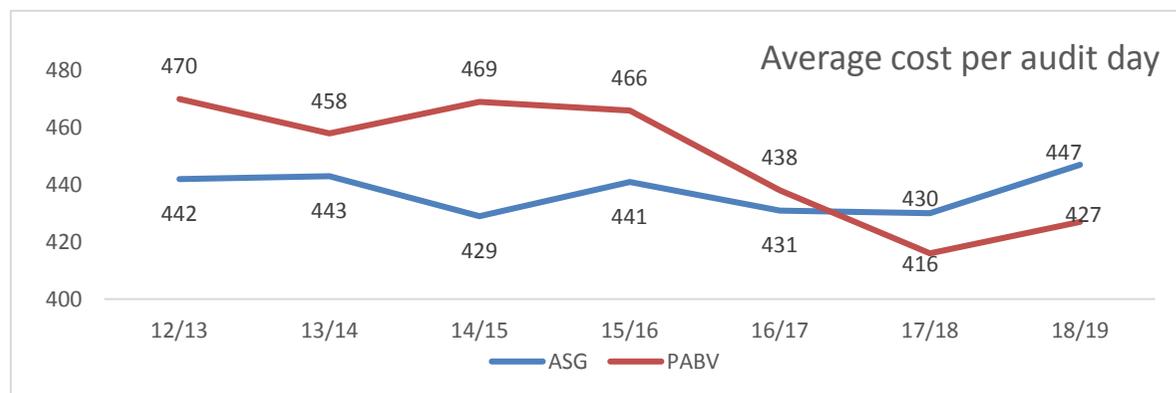
- 97.33% (1529/1571) of incidents were accepted within the response time SLA.
- 93.95% (1476/1571) of requests were closed by an Analyst within the fix time SLA
- An average of 4.2 incidents were logged per user

A new car lease contract has been awarded and commenced March 19

Productivity

Business group productivity remains broadly consistent with productivity/ planning assumptions.

	18/19%				17/18%			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
ASG	60	73	60	64	57	74	59	67
PABV	70	70	65	69	76	74	67	76



The average cost per audit day of PABV and ASG audits fluctuates between audits and throughout the year. This is due to the timing of audit work, the grade mix deployed and any changes in the daily rate for audit staff made by the finance team each April.

Equalities

We published our second gender pay gap report in March 2019. The report is based on a snapshot date of 31 March 2018. There are more women than men in our workforce (53% to 47%) and our Management Team is 75 per cent female. Audit Scotland's Mean Gap is 9.91% and the Median Gap is 7.96%. This compares with a national median of 8.6 %.

Issues/ risks/ actions:**Forward look:**

- Medium Financial Plan (MTFP) drafted and consultation ongoing. MTFP will inform the 2020/21 budget development process.



We manage information and intelligence effectively (internal)

Key Performance Questions:	2017-18				2018-19				Actions
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
Are we managing information and intelligence effectively (Internal)	Y	Y	Y	Y	Y	G	G	G	

Examples of managing information and intelligence during Q4:

- Feedback on the Annual Conference January 2019 was positive regarding the content and what staff took from the event.
- Colleagues from the new financial powers and constitutional change programme team attended Super team meetings to update colleagues on work in this area. Management Team held a Brexit 'summit', looking at the impact of leaving the EU for Scotland's public finances and services, and for our audit work.
- Considerable progress on the development of the new SharePoint on-line file management system
- Extensive internal communications through ishare, Yammer, Abacus on a wide range of subjects including; public audit, audit quality, new financial powers, charitable activity
- The Annual Assurance process took place in Q4 providing positive assurance on information governance

Issues/ risks/ actions:

- PMF project has been re-phased based on a review of options and proposals and as part of a re-prioritisation of the programme of digitally enabled improvement projects.

Forward look:

- Annual assurance reporting to the Audit Committee and Board (May & June 2019)
- SharePoint on line in place by December 2019



We empower and support our people to be engaged, highly skilled and perform well

Key Performance Questions:	2017-18				2018-19				Actions
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
Are our people empowered and engaged?	G	G	G	G	G	G	G	G	
Are our people highly skilled?	G	G	G	G	G	G	G	G	
Are people performing well?	Y	Y	Y	Y	G	G	G	G	
How effective is communication and collaboration across the organisation?	G	G	G	G	G	G	G	G	
Are career paths offered across the organisation?	G	G	G	G	G	G	G	G	
Do we understand and support diversity within the workforce?	G	G	G	G	G	G	G	G	Annual diversity report (June 2019)

Empowered and engaged:

Best companies – In January it was announced that Audit Scotland has been placed in the Top 100 not-for-profit workplaces in the UK.

The PDGG and L&D Consultant are drafting the L&D Plan for 2019/20 and consulting with a range of colleagues to ensure it captures the business priority development required for the year ahead. The final plan will be published as part of the Annual L&D Report.

A new 'internal opportunities' section went live on ishare promoting opportunities across the organisation and a series of cross-business group meetings took place to consider how the organisation supports development within resourcing and recruitment.

During Q4:

- 127 colleagues had 3D conversations
- 2 Career Development Gateway (CDG) applications (15 CDG progressions year to date).
- 181 wellness checks attended by colleagues.

Absence levels - Absence levels remain low and in line with previous years.

	Q1 days	Q2 days	Q3 days	Q4 days	ytd days
Audit Scotland - 18/19	1.28	0.76	1.41	1.4	4.85
Audit Scotland - 17/18	0.69	1.16	1.07	1.12	4.40
Audit Scotland - 16/17	1.03	1.37	1.27	1.28	5.32
Audit Scotland - 15/16	0.89	0.98	1.49	2.05	5.62

Staff turnover - All leavers (3.59) are higher than the same quarter last year (3.18). For the whole year the percentage of leavers is slightly down on last year and below the CIPD benchmark.

2018/19	Q1	Q2	Q3	Q4	YTD	17/18	CIPD benchmark
Resignations %	1.08	0.70	1.71	3.23	6.72	6.75	5.5
All Leavers %	1.08	2.82	3.77	3.59	11.26	12.79	13.6

Exam results: In Q4 there were 11 exams taken and 11 passes (100%)

	Q1	Q2	Q3	Q4	YTD	17/18
Exams taken	3	20	78	11	112	121
Exams passed	3	16	66	11	96	106
% pass rate	100	80	85	100	86	88

Career paths and secondments

Vacancies filled	18/19 YTD	17/18
Internal	15	15
External	15	21
Total	30	36

Secondments	18/19 YTD	17/18
New	0	0
Existing	2	7

Highly skilled - L&D events are summarised below.

	Q1		Q2		Q3		Q4		YTD		17/18	
	Events	Attendees										
Health & Safety	1	1	3	15	1	1	0	0	5	17	1	25
Knowledge Cafes	2	15	0	0	6	107	1	19	9	141	12	266
Learning & Development	1	6	1	7	5	39	11	106	18	158	8	64
Management Development	4	41	2	24	2	30	3	18	11	113	8	54
Organisational Development	2	20	3	24	16	93	3	279	24	434	26	496
Technical Training	12	227	2	33	16	185	6	62	36	507	31	469
Total	22	310	11	103	46	455	24	484	103	1352	86	1,374

Issues/ risks/ actions:

- Despite a number of positive metrics we continue to consider the organisation is 'running hot' and work is ongoing to analyse demand and supply side pressures and solutions.

Forward look:

- 2018/19 Annual Diversity Report (June 2019)
- The Workforce Plan and the Learning and Development plan (June 2019)

Purpose

1. To invite the Board to consider the progress made to date on the Becoming World Class (BWC) improvement programme and the planned actions.

Background

2. The BWC strategic improvement programme is a key enabler for achieving our vision to be a world class audit organisation. On 14 November the Audit Committee considered a report on the [strategic improvement programme](#). The report set out how the development objectives in the [Corporate Plan](#) will be achieved through a combination of core audit work, working groups forums and professional leads and development projects.
3. Update reports on the strategic improvement plan were considered by Management Team on 12 March and the Board on 1 May 2019. A summary of the strategic improvement programme is available [here](#).
4. The quarterly update reports provide a summary of recent activity and the future plans and milestones in key areas of work.

Progress on the BWC improvement programme

5. We continue to make good progress on the programme over all. Headlines since the last report include:
 - Delivering World Class Audit:
 - Positive assurance on the quality of audit through the Q3/Q4 quality report, the Audit Scotland Annual Quality Report and the Quality of Public Audit in Scotland 2018/19 report.
 - We published our performance audit on the Scottish Government's implementation of devolved social security powers in May 2019 and the financial audit of Social Security Scotland is underway.
 - Project to deliver a new Code of Audit Practice and the next round of audit appointments is under way.
 - Being a Better Organisation:
 - Audit Director led development work on analysing capacity demand and on the supply side improving the flexibility of audit resourcing.
 - Development of the workforce plan and the learning and development strategy.
 - Ongoing support for learning and development and extensive programme of wellness checks.
 - Agreement of the 2019/20 pay award.
 - Prioritisation of digitally enabled projects for 2019/20.
 - Making a Difference:
 - Publication of the five-year rolling work programme.

- Launch of social media handbook and engagement top inform the new communications and engagement strategy.
- Digital audit – phase 1 assessment of bids for the data enabled audit GovTech project led by the NIAO.

6. The appendix provides more detailed information on each of the BWC workstreams.

7. The Board agreed the 2019/20 update to the Corporate Plan at its meeting on 1 May 2019 and this included streamlining the organisational strategic priorities. Future improvement programme update reports will reflect these revised priorities.

Recommendations

8. The Board is invited to note the progress made in Q4 and the planned next steps and milestones.

	<p>Our objective is to ensure that public audit in Scotland: • applies the highest professional and ethical standards • is efficient, proportionate and risk based • is informed by an excellent understanding of the strategic and operational context • responds effectively to changing circumstances and emerging issues • reports clearly and authoritatively • follows the public pound wherever it is spent • promotes transparency, accountability and Best Value.</p>	
Project/ initiative/ product	Status update	Next steps
<p>Implementing the Audit Quality Framework</p>	<p>The Quality of public audit in Scotland annual report 2018/19 and Q3/Q4 quality report conclude that ‘there is evidence of compliance with auditing standards and the Code of Audit Practice, together with good levels of qualitative performance and some scope for improvements for audit work delivered in the period 1 April 2018 to 31 March 2019.’ There are however specific areas where improvements are required to improve compliance with the ISAs particularly around documentation, sampling method and sizes and the use of analytical procedures.</p> <p>The 2018 Audit Scotland quality report provided positive assurance on independence, timeliness, client feedback, and adding value. Quality review work provided assurance and identified areas for improvement and the survey of auditors reinforced the address some resourcing challenges – a review is under way in this area.</p> <p>The public audit model in Scotland is well placed to meet the challenges arising from the reviews of the auditing profession.</p>	<p>The key milestones are:</p> <ul style="list-style-type: none"> • The Q3/Q4 quality report will be presented to the Audit Committee in May along with the draft Annual Audit Quality Report. • The Audit Quality annual report will be presented to the Audit Scotland Board in June 2019 along with a report on improvement actions • Stakeholder surveys – the first round of survey work carried out by external consultants concluded in April and further analysis is under away • Audit issues investigation process – proposals in place by June 2019 • The Audit Quality Framework will be refreshed in 2019/20 • KPIs - A revised suite of indicators will be introduced in 2019/20. • The structure and transparency of audit quality reporting will be reviewed in 2019/20
<p>Devolved financial powers and constitutional change (DFPCC) including EU withdrawal</p>	<p>The Management Team and the Board considered updates on the Audit & Accountability Framework on 02/04/19 and 01/05/19 respectively</p> <p>Social security</p> <p>We published our performance audit report examining how effectively the Scottish Government is managing the delivery of</p>	<p>The key milestones are:</p> <ul style="list-style-type: none"> • Social security performance audit report at PAPLSC (16 May) and Social Security Committee (30 May). • First (1/2 year) Social Security annual audit report – June/July 2019.

Project/ initiative/ product	Status update	Next steps
	<p>the devolved social security powers on 2 May 2019. It will be considered by PAPLSC and the Social Security Committee. Engagement with the NAO on the financial audit of the new Social Security Scotland agency continues. The part-year annual audit of Social Security Scotland (for 2018/19) is underway.</p> <p>Scottish budget process</p> <p>We hosted workshops with the Scottish Parliament at the end of March 2019 to share experiences of the first year of the new budget process and identify how best to build on this. Mark Taylor discussed the key themes with the Parliament's Convenors Group on 25 April and our Internal Parliamentary Engagement Group is considering what this means for our approach to supporting budget scrutiny.</p> <p>EU withdrawal</p> <p>We continue to assess and plan for the potential organisational implications of EU withdrawal. Auditors are considering public bodies' preparations as part of the 2018/19 audits and we are currently scoping potential options for performance audit work in this area. We are using various channels to share up-to-date information and seek the views of colleagues. Management Team are reviewing our response monthly and will return to discussing it weekly as and when required.</p>	<ul style="list-style-type: none"> To agree what audit work we will do in response to EU withdrawal in 2019/20 – summer 2019.
Development of a new Code of Audit Practice and a procurement strategy for the next round of audit appointments	On 18 March 2019 the Board agreed the overall approach and timeline for this project. Work is ongoing in terms of project governance and resourcing.	<p>The key project workstreams are:</p> <ul style="list-style-type: none"> 2020 Code development and approval (March 2019 to May 2020). Procurement strategy development and approval (March 2019 to September 2020). Tender and appointments exercise (October 2020 to May 2021).



Being a better organisation

Our objective is to make Audit Scotland a great place to work so that we can attract and retain a highly skilled workforce. We want to make the best use of our resources so that we can deliver audit work that improves the use of public money.

Project/ initiative/ product	Status update	Next steps
Resourcing	<p>Key actions since the last report include:</p> <ul style="list-style-type: none">• Discussion on updated medium-term financial strategy with Leadership Group and revised strategy to Management Team and Board to inform budget planning process.• In May Management Team and the Audit Directors group have been reviewing the ‘demand side’ capacity pressures in terms of the volume and nature of outputs, audit methodologies and our improvement agenda. On the ‘supply side’ reviews of our resourcing arrangements are under-way alongside the development of the workforce and learning and development plans.• Joint ASG/PABV review work on resourcing models ongoing (March – December):<ul style="list-style-type: none">○ Review of annual audit and PABV resourcing requirements against existing work commitments○ Development of options for more strategic approach to resource transfer across business groups○ Development of future model for corporate resourcing of overview reporting activity (local government, NHS and colleges)○ Development of resource planning and staff guidance and support arrangements for future S22 reporting to the Scottish Parliament○ Identification of opportunities for aligning planning and performance monitoring arrangements across ASG and PABV• PABV cluster resourcing work ongoing:	<p>Key actions/ milestones are:</p> <ul style="list-style-type: none">• Review and options appraisal work to improve corporate resourcing – June 2019.• Engagement and consultation with business groups – Spring/Summer 2019• Further engagement with MT re: corporate resourcing model(s) – Autumn 2019.

Project/ initiative/ product	Status update	Next steps
	<ul style="list-style-type: none"> ○ Analysis of work programme cluster resourcing. ○ Implementation of cluster-led monitoring of work programme delivery – from April 2019 ○ Development of longer-term plan for more cross-organisational approach to cluster-led programme development activity ○ Develop process and timetable for cluster-led approach to future work programme refreshes 	
<p>How we work together</p> <ul style="list-style-type: none"> • Job Design • Reward & Recognition • Performance Appraisal • Wellbeing 	<p>Key actions since the last report include:</p> <ul style="list-style-type: none"> • Continuing to share and discuss Best Companies results in business groups and teams. • Outcomes of 2019 wellness checks shared at the April HSW Committee meeting. • Integrating our approach to wellbeing within our learning and development strategy and plan for 2019/20 • The Human Resources and Remuneration Committee considered update reports on pay, BaBO and recruitment and selection at its meeting on 18/03/19 • Pay negotiations for the April 2019 pay award • Mental health awareness week w/c 13/05/19 	<p>The key actions/ milestones are:</p> <ul style="list-style-type: none"> • Finalisation for the workforce plan – June 2019 • Annual Health, Safety & Wellbeing Report - sharing with MT on 7 May and Audit Committee on 5 June 2019 • 2019 Pay Award –implementation May 2019 (following PCS ballot outcome)
<p>How we learn and develop</p> <ul style="list-style-type: none"> • planning careers • developing skills • professional training scheme 	<p>Key actions since the last report include:</p> <ul style="list-style-type: none"> • We facilitated coaching clinics on various topics as part of the Management Development offering, e.g. managing performance, staff engagement. • A second ‘Train the Trainer’ workshop took place in March 2019, with the 3rd year Trainees delivering training to their peers on 1 April. • 3D completion statistics continue to be considered in quarterly meetings between HR and business group people leads • Refresh of the self-directed learning programme. 	<p>The key actions/ milestones are:</p> <ul style="list-style-type: none"> • Finalisation of L&D strategy and L&D plan – June 2019. • Introduction of a new online L&D booking system (to replace Eventbrite) – August 2019 • Continuing to make sure our onboarding process is a success, in particular for individual new starters. • HR&OD and the PTSG will continue to deliver and expand peer to peer training over 2019.

Project/ initiative/ product	Status update	Next steps
Strategic leadership	Key actions since the last report include: <ul style="list-style-type: none"> themed Leadership Group meetings continue to take place 360 feedback exercise for members of the Leadership is under way 	The key milestones are: <ul style="list-style-type: none"> LG 360 roll out to LG – January to June 2019 ongoing Leadership Group meetings.
Digitally enabled projects	The Board considered an update report on the strategic improvement programme at its meeting on 1 May 2019. An EWP project scoping workshop took place on 8 May to inform the initiation phase of the project.	The priority projects are: <ul style="list-style-type: none"> e-HR upgrade – by July 2019 Navision finance upgrade – by July 2019 New TR system – by October 2019 Sharepoint On-Line – by December 2019 Performance management framework - by March 2020 New Electronic working papers system – scoping May 2019 – timescales tbc

 Making a difference	Our objective is to maximise the difference our audit work makes to public services, the people that they serve, the outcomes that those people experience and the use of public money.
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Project/ initiative/ product	Status update	Next steps
World Class Programme Development	The revised five year rolling work programme was published in March 2019	<ul style="list-style-type: none"> Ongoing refinements to the programme development process
Communications and engagement	Communications are currently working with representative groups from Audit Services, Best Value, Performance Audit and Corporate Services to develop a new Communications and Engagement Strategy. Workstreams are looking at: linking with the corporate plan; data and design; publications and formats; the wider public sector communications environment in Scotland; and social media. The findings from the work to date was reported to the Board on 1 May 2019.	The key milestones are: <ul style="list-style-type: none"> Strategy for Board approval – September 2019.

Project/ initiative/ product	Status update	Next steps
	<p>In May we launched our 2019/20 Social Media Handbook. It includes advice on how colleagues can protect themselves on social media, tips on how to set up a social media profile, and information on how social media channels including Twitter, Facebook and LinkedIn benefit our work.</p>	
Strategic approach to Parliamentary Engagement	<p>We continue to work closely with the Parliament and its committees, in particular the Public Audit and Post-legislative Scrutiny Committee (PAPLS), through our audit work and by supporting budget scrutiny.</p> <p>In addition to our ongoing support for PAPLS the key focus of our activity since the last update has been reviewing the impact of our involvement in the Parliament's most recent budget setting exercise, focusing in particular on how effectively the arrangements adopted by committees reflected the new budget scrutiny process recommended by the Budget Process Review Group (BPRG).</p> <p>We have also 'launched' our refreshed work programme with all MSPs and begun briefing committees on its content and how our work links with their key areas of interest.</p>	<p>The key milestones are:</p> <ul style="list-style-type: none"> • Development of medium-term engagement plan with Scottish Parliament – Spring/summer 2019 • Engagement with PAPLS and subject committees over refreshed AGS/Commission work programme – ongoing through to summer 2019 • Development of future budget scrutiny arrangements with PAPLS and subject committees – Summer 2019 • Second Round BPRG budget scrutiny activity – Autumn/Winter 2019 and then ongoing.
Digital Audit	<p>The Digital Audit Strategy contains a variety of commitments under three main streams of work:</p> <p>Auditing digital</p> <ul style="list-style-type: none"> • New Digital e-Hub published <p>Digital auditing</p> <ul style="list-style-type: none"> • Refinements to audit analytics in ASG and staff workshop on SG technical assurance framework • Bid assessments for the NIAO led GovTech audit analytics project. <p>Digital capacity and resilience</p> <ul style="list-style-type: none"> • Ongoing review of digital audit capacity. • Ongoing meetings with the other UK agencies and topics for collaboration and lead agencies agreed. 	<p>The key milestones are:</p> <p>Auditing digital – rolling work programme includes:</p> <ul style="list-style-type: none"> • Digital progress in CG and health (reporting early 2019/20). • Digital progress in LG (reporting early 2020/21). • Digital services (learning or justice tba) (reporting 2021/22). <p>Digital auditing/ capacity - Audit analytics</p> <ul style="list-style-type: none"> • NIAO led GovTech analytics project (phase 1 Dec 2018 – Jul 2019).

Project/ initiative/ product	Status update	Next steps
	Management Team held a digital audit themed summit session on 21 May focussed on digital audit techniques and digital capacity	

Purpose

1. This report invites the Board to approve the draft 2018/19 Annual report on International work.

Background

2. Each year Audit Scotland reports publicly on its international work as part of its corporate performance reporting. The International Annual Report 2018/19 was considered at the Audit Scotland Management Team meeting of 7 May 2019. The proposed publication date is 14 June 2019, where it will be published alongside the Audit Scotland Annual Report and other corporate reports.
3. The report shows that 2018/19 has been an eventful year. We have continued our emphasis on building learning from international work into what we do. We have also had some good exposure in working with others to share good practice. Highlights from the year include:
 - Working directly with other audit agencies and parliaments to share good practice in public governance.
 - Attending and presenting at selected overseas events and sharing lessons from these with colleagues in Audit Scotland.
 - Continuing to use our International performance audit database to inform our audit and how we scope our forward work programme.
 - Increasing the profile of our international work through social media, blogs and knowledge cafes, and involving staff from across the organisation.
4. Our 2017-20 International Strategy remains valid and we do not propose to update it this year. However, we propose that it is updated late next year, to accommodate any changes in emphasis following the appointment of a new Auditor General.
5. International activities which are planned or have already taken place in 2019/20 include:
 - Attending the EURORAI conference on public debt in Warsaw (May 2019).
 - An invitation to attend the EUROSAL youth conference aimed at younger auditors (November 2019).
 - Expressing our interest in supporting the Auditor General of Alberta (Canada) initiative to explore good practice in auditing efficiency and effectiveness.
 - Supporting Audit Scotland Cluster teams with overseas good practice research to tie in with our rolling 5-year work programme.
 - Seeking further opportunities for working with others through the OECD and the Westminster Foundation for Democracy.

Recommendation

6. The Board is invited to approve the 2018/19 Annual report on International work.

International work

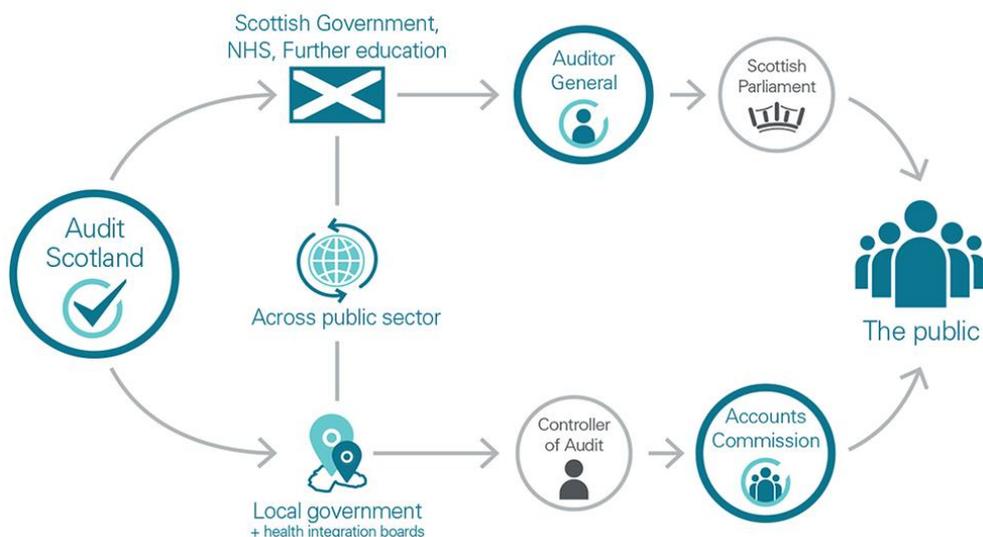
Annual report 2018/19



Who we are

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

- The Auditor General is an independent crown appointment, made on the recommendation of the Scottish Parliament, to audit the Scottish Government, NHS and other bodies and report to Parliament on their financial health and performance.
- The Accounts Commission is an independent public body appointed by Scottish ministers to hold local government to account. The Controller of Audit is an independent post established by statute, with powers to report directly to the Commission on the audit of local government.
- Audit Scotland undertakes audit work on behalf of the Auditor General and the Accounts Commission. It is governed by a board, consisting of the Auditor General, the chair of the Accounts Commission, a non-executive board chair, and two non-executive members appointed by the Scottish Commission for Public Audit, a commission of the Scottish Parliament.



About us

Our vision is to be a world-class audit organisation that improves the use of public money.

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

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

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Welcome

Over the last year we have seen a significant increase in interest in Audit Scotland's international activity and we have made real progress in linking it more directly with our audit and quality improvement work.

Some of my personal highlights over 2018/19 have included meeting with other UK audit agencies and Public Accounts Committees at the Isle of Man and meeting colleagues from across the globe including Australia, China, and the Republic of North Macedonia here in Edinburgh to share experiences and learn from each other.

This year we have worked directly with parliaments and audit bodies from overseas. We shared good practice in public accountability with representatives from the parliaments of Armenia and North Macedonia, as well as working directly with the North Macedonia state audit office. We also supported the Cayman Islands Audit Office in its performance audit of school education.

Our international work has informed our thinking in new and challenging areas for us such as auditing digital public services, and our approach to auditing Scotland's new financial powers.

Beyond important practical benefits of our international work, meeting and hearing from colleagues from other parts of the world also provides a useful perspective on the Scottish Public Audit Model. A key lesson for me from last year's international activity is that Audit Scotland is fortunate to operate within a public accountability system which recognises and values the contribution that independent public audit brings.

At a time of much change, not least the ongoing uncertainty around the UK's decision to leave the EU, we are keen as ever to continue connecting, sharing and learning from our colleagues from around the globe.



Antony Clark
Audit Director



Antony Clark
Audit Director

**Performance Audit
and Best Value**

Highlights of the year



Visits by international delegations

We hosted delegates interested in hearing more about our work from seven audit institutions / government bodies spanning the globe including Armenia, Australia, China and the Republic of North Macedonia.



International Performance Audit Database

We use an International Performance Audit Database to source audit reports and good practice to inform our future and current audit work.



Knowledge Cafes

We held three learning workshops each with an international theme, the role of auditor general Cayman Islands; overseas good practice; and Australia's health service.



Learning from overseas

We presented at international conferences on topics including performance audit, police reform, information security and the audit of companies owned by local authorities.

We attended relevant events on auditors and technology; and global anti-corruption.



Social media and communications

We have a dedicated international [web page](#) on our Audit Scotland website.

We use social media to share key events and messages with audit colleagues across the UK and overseas.



Sharing our expertise

This year we worked with the North Macedonia State Audit Office in a project organised by the Westminster Foundation for Democracy.

We also provided performance audit expertise to the Cayman Islands Audit Office.

Our priorities

Being world class

Learning from good audit practice beyond Scotland is key to our ambition of being a world-class audit organisation. It helps keep our work relevant and make a greater impact on improving public services.

Our [International Strategy for 2017-20](#) sets out our approach to international work. It focuses on how we can apply our learning from overseas to support Audit Scotland's priorities to improve the use of public money. It aligns closely with our [Corporate plan 2018–21](#) and Becoming World Class improvement programme.



International
Strategy for
2017-2020 
June 2017



Corporate plan
2018–21 
June 2018



Our approach and priorities

During 2018/19, our international work has contributed to the three aims of our Becoming World Class improvement programme as follows:

Delivering world-class audit

- Bringing international good practice to our performance audit work programme through participating in selected conferences and using the international performance audit database.
- Sharing professional, technical and audit expertise with other audit institutions, parliaments and public sector bodies through hosting visits and developing networks.

Being a better organisation

- Sharing the knowledge and learning we gather from international work with our colleagues throughout Audit Scotland.
- Developing the skills of our team by involving them in international work such as presenting to delegations and working with our audit peers from other countries.

Making a difference

- Working directly with overseas audit bodies and parliaments to promote good public governance.

2018/19 in review

Our focus in 2018/19

This year our international work has had two main areas of focus:

- applying lessons and good practice from overseas to our audit work
- working directly with others to share good practice in public governance.

Over the course of 2018/19, we have undertaken international work, both here in the UK, and overseas, as shown in our [Highlights of the year](#) summary on page 5. We hosted eight visiting overseas delegations; we attended or presented at international conferences, both in the UK and overseas. We also worked in partnership with audit institutions from Armenia, Australia, Canada, Cayman Islands Ireland, North Macedonia, Norway and the UK. The following chapter, Spotlight: Learning from overseas, gives further details.

We have had much interest from overseas in our work, particularly China. We were visited by five delegations from various Chinese finance ministries and provincial audit offices. Topics covered included the role of audit in parliamentary scrutiny and lessons from our environmental audit work. Participants asked challenging questions and all the exchanges were very well received by the delegations, for example, conference organisers and delegations fed back to us:

“We are really grateful for the excellent presentation... the delegation found it very inspiring even though the auditing in China and the UK are very different.

“The delegates had lively and fruitful discussion with colleagues from Audit Scotland and found the experience very rewarding.”

This year we were invited to speak at five international conferences. This included representing Audit Scotland at two major European Organisation of Regional Audit Institutions (EURORAI) seminars. These were attended by around 150 delegates from 25 different countries. We spoke about our experience in conducting audits on cyber and information security, and about the audit of companies owned by local authorities.

We are also adopting the International Organisation of Supreme Audit Institutions (INTOSAI) standards for our performance audit work. We have shared lessons with our peers, including the Norwegian and Irish audit offices, who have already adopted the standards.

Staying connected

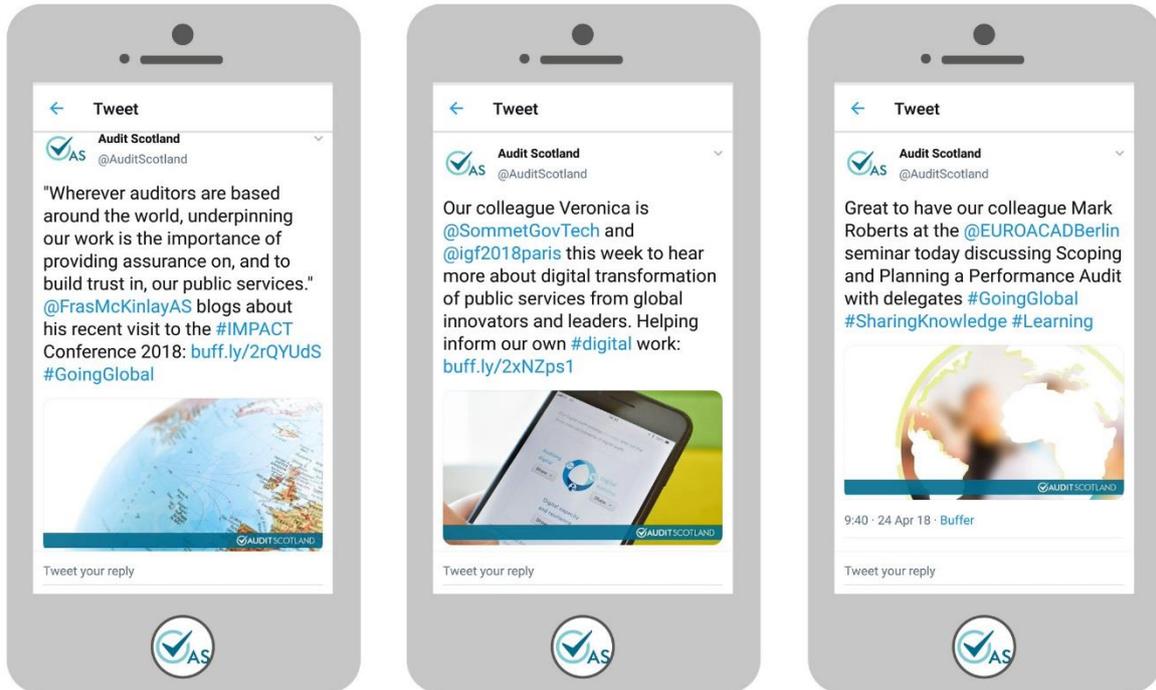
Audit Scotland aims to make greater use of social media to promote its work and share good practice. It's now a hugely important part of how we communicate with the world outside of our offices.

[Going Global](#) is our external-facing web page for our international work. It has been viewed by people from over 160 countries since its launch in 2017, with the most frequent views coming from the UK, Japan, Canada, United States and

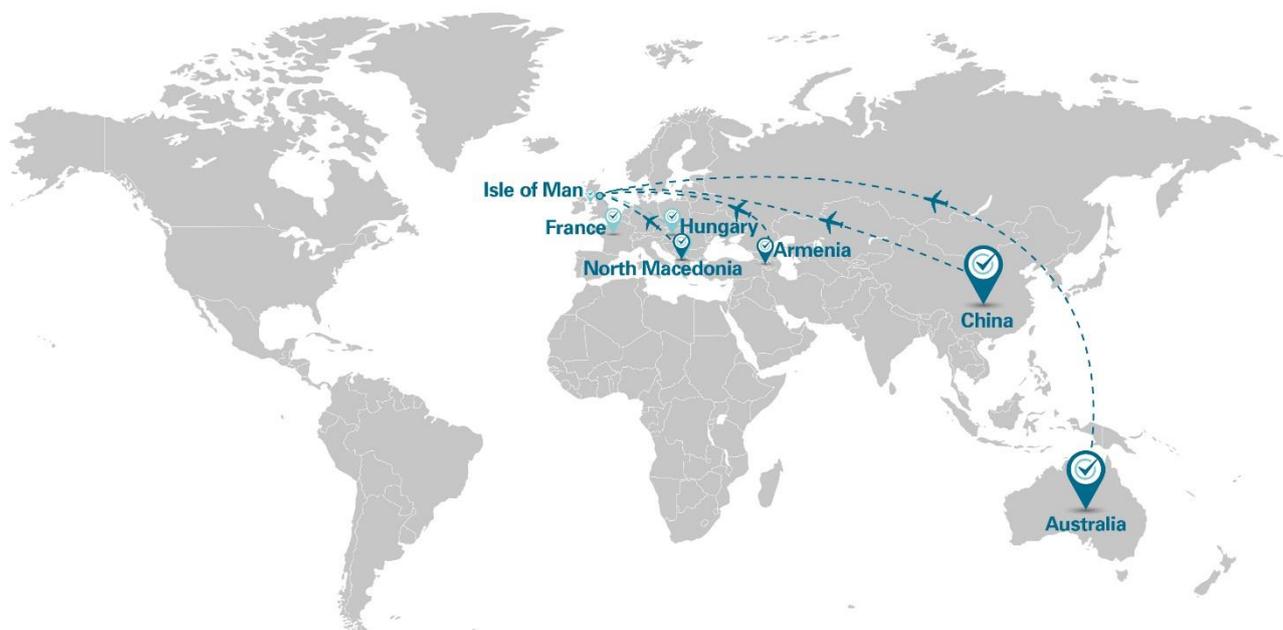


Going global
webpage 

Australia. We use social media posts to reach a wider audience with news and updates of our international work.



Sharing messages within Audit Scotland is an important part of our learning. We use online networking groups to share information across a range of topics. One of these relates to our international work and provides updates on events including points of interest and lessons learned.



Spotlight on learning from overseas

Our international work brings benefits to Audit Scotland

Building on good practice from other countries is a strong feature of Scottish public policy. It follows that public sector audit should take a similar approach to stay relevant and add value. The following summarises how we use our international work to improve our audit and develop as an organisation:

- Knowledge of overseas good practice helps us scope our audits and shape our recommendations to increase their impact.
- We use international audit standards and good practice networks to improve how we carry out our audits.
- Promoting our work within the UK and internationally helps us build good practice networks and improve as an audit organisation.
- Getting involved in international work is a powerful learning opportunity for our staff, building on their skills and broadening the outlook they bring to our work.

Audit Scotland aims to 'giving something back' through its work. We welcome opportunities to contribute to good public governance in other countries. Our work with other audit agencies and parliaments has been a major highlight this year. All this reminds us that we are in a good place here in Scotland, with strong guiding principles for independent and public scrutiny.

The following 'Spotlight' features give more information about our international work over 2018/19. These focus on the year's two main priorities for our international work: applying good practice, and working with others:

- Spotlight 1: Developing the audit of Scotland's new financial powers.
- Spotlight 2: International lessons for our audit of digital services.
- Spotlight 3: Building on our networks with Australia and Canada.
- Spotlight 4: Promoting good governance and sharing expertise with Armenia, North Macedonia and the Cayman Islands.

Spotlight 1: Auditing digital services

Digital technology is an increasingly important part of public service delivery. This brings opportunities to improve how people access services; it also brings risks should systems fail or succumb to a cyberattack. In our role as public sector watchdog, it is vital that we keep up to speed with developments in this fast-moving area. So, this is one area where we bring an international dimension to our work.

Our 2017 [Principles for a digital future](#) report reflects our learning from New Zealand and Australia. This year we attended selected OECD international events including the Internet Governance Forum and the OECD [Auditors Alliance](#) conferences on auditors and technology and anti-corruption.

'It really was a global affair, with insights into data analytic from panellists from Korea, Australia, Chile, Argentina, and Finland to name but a few!'

All this helps alert us to the risks and opportunities that our growing reliance on digital technology brings. In turn, this helps us assure people here in Scotland about our own digital services. Indeed our [Enabling digital government](#) performance audit (to be published in June 2019) draws on many examples of good governance from other countries.

Want to find out more:



Principles for a digital future 
May 2017

Digital Audit Strategy 2017 
October 2017

Spotlight 2: Scotland's new fiscal framework

The Scotland Act 2016 brings many 'firsts' for Scotland through its new financial powers. Since 2017 we have seen the first collection of Scottish Income Tax, the first use of the Scotland Reserve, the first use of new social security powers, and many more. This brings greater complexity and challenges for our audit.

These may be new areas for Scotland, but there is important international experience to draw on. The International Monetary Fund and OECD set standards for fiscal transparency and budgetary governance, and identify examples of good practice, for example in New Zealand.

We drew on such practice when we prepared our [Operation of the fiscal framework](#) briefing paper. Both the UK and Scottish governments reference Canada's sales tax in their methodology for assigning value added tax (VAT) powers to the Scottish budget. As part of our work on VAT, we are looking in more detail at the example of Canada and how sales tax works between its federal state and provinces.

Want to find out more:



The e-Hub on our website contains further information relating to Scotland's new financial powers

Spotlight 3: Building on our networks with Australia and Canada

In March 2018, our performance audit director, Fraser McKinlay spoke at the International Meeting of Performance Audit Critical Thinkers (IMPACT) conference in Australia. Delegates shared their insights on challenges facing the public sector, citizen-centred auditing and cyber security threats.

Audit Scotland have taken forward work resulting from this event. This includes how we apply our audit to community-delivered public services; how we make use of complex data; and how we link our financial and performance audits and report our findings. Our director also shared key learning points at a dedicated knowledge café attended by around 40 colleagues.

He also set up a National Performance Audit Forum to share good practice, based on practice he observed in Australia. This involves performance audit leads from the UK and Irish audit agencies. So far it has highlighted mutual interest around fraud and cybercrime, digital audit, EU-withdrawal, budget management and auditing new financial powers.

We continue to make use of the Canadian Audit and Accountability Foundation database to identify good practice. This helps us scope significant areas of our forward work programme including educational attainment and digital services. It also helps us develop our performance audit practice.

In February 2019 our communications team took part in a conference call with peers from across Canadian audit offices to explore how we promote our audits to different audiences. This was organised by Office of the Auditor General of British Columbia and involved representatives from the federal government, British Columbia, Manitoba and Saskatchewan audit offices.



Spotlight 4: Sharing expertise

We participated in a West Balkans Democracy Initiative project funded by the Westminster Foundation for Democracy (WFD). This was to help state institutions apply good practice to improve public spending and democratic participation. Initiatives such as these are a great opportunity for us to influence emerging public audit practice in other countries.



In March 2019, senior representatives from the Assembly of the Republic of North Macedonia visited the Scottish Parliament to find out about their budget office - something they plan to emulate in North Macedonia. As part of that visit they met with us here at Audit Scotland to hear more about our role public scrutiny. This was a productive and engaging meeting and we really welcomed their interest and probing questions.

Mark Roberts, one of our senior audit managers is also working with their State Audit Office (SAO) in a project to increase the impact of their audit. He met with the SAO in February 2019 to share how we promote our audit messages to different audiences.

In September 2018, we met with representatives from the National Assembly of the Republic of Armenia who were visiting Scotland to help them develop their own audit committee. They were interested in our independent role in supporting Scottish Parliament scrutiny.

Last year, one of our directors, Angela Cullen was seconded as Director of Performance Audit to the Office of the Auditor General in the Cayman Islands. This year we provided additional support from Kirsty Whyte, one of our audit managers, who worked on a performance audit of their school education.

"We are grateful for the resource that Audit Scotland provided. This allowed us to audit such an important and wide-ranging area for the first time. The audit manager had extensive experience of auditing education systems and this really helped us identify the areas that would add most value. She was able to draw on her experience and identify good practice that could here in the Cayman Islands.

"She was also able to coach and develop the staff that she worked with, who were doing performance audit for the first time. This has helped us build up our in-house capacity for performance audit, which is one of the objectives in our strategic plan."

Our people



During 2018/19, over 70 colleagues from across Audit Scotland have been involved in international work. This includes presenting to visiting delegations, participating in workshops to share lessons from our overseas work, attending conferences and working with overseas audit institutions. All this is good development experience for our staff in areas such as presentations, understanding our business, and getting a different perspective on our work:

“Presenting to large delegations of senior politicians and officials has really helped build my confidence in public speaking.”

“The reactions often put you on the spot – you need to be able to respond clearly to the ‘*why do you do it this*’ way questions.”

“I really enjoyed presenting to delegations from China and Armenia. Explaining our work to an audience who know very little about Audit Scotland is a bit challenging, but it helped me focus on the key principles of how we work and why we do things.”

We make sure that messages and lessons from our international activity are shared across Audit Scotland. Our online international work group is well subscribed with over 90 members, more than a third of our organisation. We also use blogs and workshops to share our learning on topics ranging from digital auditing through to government-owned companies. Finally, the assignments we have undertaken with overseas audit bodies are a valuable development opportunity for some of our more senior staff:

“Working with colleagues in North Macedonia gave me the opportunity to explain how we focus on key messages and to highlight the range of work we do to maximise the impact of our reports.”

International work

If you require this publication in an alternative format and/or language, please contact us to discuss your needs: 0131 625 1500 or info@audit-scotland.gov.uk

For the latest news, reports and updates, follow us on:



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Purpose

1. This is the 2018/19 annual report to the Board on Audit Scotland's 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.
2. The report concludes that Audit Scotland's FOI/EIR arrangements are working well and that there are no significant issues that should be brought to the attention of the Board. The Board is invited to note the contents of this report.

Background

3. Audit Scotland, the Auditor General for Scotland 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, on a quarterly basis, to the Scottish Information Commissioner (SIC). Audit Scotland has complied timeously with this requirement.

FOI/EIR overview for 2018/19

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 Management 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 Management Team and re-approved by the Board in August 2018. Staff acknowledged compliance with the policy via the fit and proper form in November and December 2018.
10. We reviewed our FOI publication scheme to ensure it remained up-to-date.

Approach to requests

11. It is our policy to be as open and transparent as possible, and therefore our approach to FOI/EIR requests is to treat them as a 'business as usual' activity. This means that where we would normally supply information to those we work with we will continue to 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 and legal we can apply exemptions and exceptions to the information being requested. Audit Scotland has established a group of senior managers (an FOI panel) trained in considering FOI/EIR exemptions and exceptions to complex requests. This year a further two managers were trained and joined the FOI panel pool and we have 14 members in total.

14. The following statistics and analysis are based on our recorded FOI/EIR requests for 2018/19.

Statistics and Analysis

Number of requests received

15. Audit Scotland recorded 38 FOI and no EIR requests this year. These were received in:

Requests received	2018/19		2017/18	
	FOI	EIR	FOI	EIR
Q1 (April – June)	11	0	7	0
Q2 (July – September)	6	0	19	0
Q3 (October – December)	13	0	11	0
Q4 (January – March)	8	0	14	0
Total	38	0	51	0

16. Thirty-six requests were addressed to Audit Scotland and two to the Accounts Commission.

Type of requester

17. We categorise the requests we receive for analysis purposes. This year we received:

Requester type	2018/19		2017/18	
	FOI	EIR	FOI	EIR
Media	7	0	11	0
MSP/MP	1	0	8	0
Organisation	10	0	8	0
Members of the public	19	0	22	0
Other	1	0	2	0
Total	38	0	51	0

18. Themes emerging from the information being requested are:

- 46% - Reports, draft reports and correspondence relating to those reports
- 22% - Data held on other organisations
- 19% - Audit Scotland's governance, policies, procedures
- 13% - Contract information: Information technology, equipment, other contracts

Responding to requests

19. Information requested was released in full on 19 (50%) occasions, partially released on seven (18%) occasions, the information requested was not held by us on eight (21%) occasions and there were four refusals (11%). Two of the four refusals were in relation to annual audit reports that were still ongoing, one regarding audit notes relating to Equal pay and one related to information that was subject to an ongoing procurement process. Information on three of the four requests was subsequently released once the information was publicly available. Information on the equal pay request was not released due to exemptions relating to personal information, free and frank exchange of views and the audit exemption.

Cost of administrating and responding to requests

20. 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 training and development job code.

21. 11 members of staff recorded 416 hours (410 in 17/18) for administering our FOI systems and procedures, replying to some requests and dealing with complex requests at FOI panels. This equates to approximately £23,514 (£20,574 in 17/18) using the average hourly rate from the Time Recording System. However, 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

22. FOISA and the EIRs require public bodies to reply to requests within 20 working days and within 40 working days for complex or voluminous EIRs.
23. Audit Scotland met this requirement on all occasions, this is an improvement on last year's 98%.

Charging for dealing with requests

24. Public bodies can make charges for dealing with FOI and EIR requests. We issued no fee notices in 2018/19.
25. 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.
26. No requests were refused on excessive cost of compliance this year.

FOI/EIR panels, reviews and appeals

27. FOI Panels met four times this year to consider applying exemptions to some or all the information being requested. In six requests, we applied exemptions to the information we held. This included information which was otherwise accessible, or which related to law enforcement, personal information and the audit function. The most common exemption used was for personal information.
28. Where an applicant is not satisfied with our initial response to their request they can ask Audit Scotland for a review and in 2018/19 there was one request for a review. Following review, the information was released in full as the initial refusal was due to there being an ongoing procurement exercise that might have been affected by the release of the information at that point in time. At the time of the FOI review the procurement had finished and the information was released in full.
29. 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 were no appeals to the SIC this year.

FOI/EIR Training

30. Audit Scotland staff undertake basic FOI/EIR training when they join Audit Scotland and refresher training is given as necessary.
31. In addition, staff updates are published when changes occur. A staff brief was issued in September 2018 and on FOI Day in March 2019 to remind staff of our FOI/EIR arrangements, performance and changes to legislation.
32. Maintaining training records is dynamic process due to staff joining and leaving the organisation at any point during the year. As at 4 April all staff had undertaken FOI/EIR training.

Recommendation

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

Purpose

1. This is the 2018/19 annual report to the Board on complaints received by Audit Scotland about its work. 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.
2. The report on complaints handling concludes that there are no significant issues that should be brought to the attention of the Board.
3. The Board is invited to note the contents of this report.

Background

4. Audit Scotland has three processes which provide for stakeholders to express concerns:
 - Complaints about Audit Scotland – the subject of this report.
 - Complaints/ concerns about the quality of audit – these are covered in the Public Audit in Scotland annual quality report.
 - Issues of concern/whistleblowing disclosures about audited bodies – these are covered on the annual report on correspondence and whistleblowing.
5. 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 have to adhere.
6. Audit Scotland, the Auditor General for Scotland 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. A further review of our guides for staff and members of the public was undertaken in December 2018 and our complaints handling procedure continues to work effectively.

Complaints received

7. Audit Scotland staff actively engage with the public through a number of channels for example: the inspection period for local government unaudited accounts, the correspondence process, freedom of information requests, our main office receptions and our telephone switchboard, etc. If our interaction with the public is handled well it enhances our reputation and contributes to our goal of delivering world class audit. However, if handled poorly it may harm our reputation and lead to dissatisfaction and complaints.
8. Complaints are dealt with at stage one, front line resolution within five working days. However, when complaints are more complex or are not resolved at stage one they are investigated at stage two, within 20 working days.
9. Corporate Services maintains the register of complaints received. The register shows that there were five complaints received in 2018/19 (four in 2017/18).
10. Three complaints were rejected as being out with the complaints handling process as they were about audit quality.
11. Two complaints were investigated and not upheld. The complaints were that issues of concern about audited bodies were not dealt with to the satisfaction of the complainant. The investigations found that the complaints had been dealt with in accordance with the complaints/issues of concern policy and procedures.

Scottish Public Services Ombudsman (SPSO)

- 12.** The Scottish Public Services Ombudsman Act 2002 (the Act) provides a framework for matters that can be considered by the SPSO for investigation. This year there were no appeals to the SPSO.

Recommendation

- 13.** The Board is invited to note the contents of this report.

Purpose

1. This paper informs the Audit Scotland Board that the Remuneration and Human Resources Committee (Remco) has completed the review of the past twelve months performance of Remco and identified the future priority areas for 2019/20.
2. The report is provided to the Board for approval.

Background

3. Remco Terms of Reference (ToR) state that a review of Remco past performance and the identification of future priorities is an annual item of business. This process follows good practice for the operation of remuneration committees and the discussion forms the basis of a report to the Audit Scotland Board and Accountable Officer. Remco considered this matter on 22 May 2019.

Progress update

4. During 2018/19, Audit Scotland's Remco met on four occasions. Key items of business considered by Remco are shown below:
 - review of the operation, impact and savings achieved from earlier years' Voluntary Early Release Arrangement (VERA) and redundancy schemes
 - review of employment policies
 - input into the consultation process for the future structure of the Scottish Local Government Pension Scheme
 - consideration of Audit Scotland's approach and effectiveness of talent management and succession planning
 - consideration of Audit Scotland's gender pay gap report
 - progress report on the embedding of improvements flowing from the Building a Better Organisation organisational development programme
 - assurance about the effectiveness of Audit Scotland's recruitment strategy
 - consideration and approval of the parameters relating to the 2019 pay award and negotiations with the Public and Commercial Services (PCS), including the latest public sector pay policy in Scotland and the implications of this upon our own pay settlement and budget, and
 - the review of spot rate salaries for Management Team members.
5. All of this work has been achieved in accordance with good employment practice and is consistent with public sector policy guidance affecting organisations such as Audit Scotland.

Future priority areas

6. Remco has proposed that the following list of potential items will be considered as priority items for future discussion:
 - transition and business planning arrangements in connection with the change of Accountable Officer in 2020

- Audit Scotland's future pay and reward strategy, and
- the mental, emotional health and wellbeing across Audit Scotland's workforce.

Conclusion

7. The operation of the Remco during 2018/19 has been effective and in accordance with the terms of reference. Good governance exists and the Committee has continued to challenge and support the effective and efficient operation of Audit Scotland.

Recommendation

8. Board members are invited to:
 - take note and comment upon the work of Remco during 2018/19, and
 - approve the areas which Remco is planning to take forward as priority areas for 2019/20.

Next steps

9. The Remco Chair will facilitate the next review of Remco performance at the meeting scheduled in May 2020. A report will then be submitted to the Audit Scotland Board and Accountable Officer in June 2020.

Purpose

1. To present the 2018/19 Annual report from the Chair of the Audit Committee to the Board for approval.

Background

2. 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.

Programme of work

3. The Audit Committee met five times in 2018/19. In accordance with its Terms of Reference and the Audit Committee Planner it considered a broad range of work across 108 agenda items, including 80 papers. This included reports on/from:
 - the annual report and accounts and financial management
 - governance, including the annual assurance and statement of control process
 - internal and external audit
 - audit quality and
 - risk.
4. The Audit Committee reviewed the rolling action tracker at each of its meetings.
5. The Audit Committee carries out the 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 22 May 2019.

The annual report and accounts and financial management

6. The Audit Committee considered the annual report from the External Auditors, Alexander Sloan Chartered Accountants, relating to the certification of Audit Scotland's 2017/18 accounts at its meeting on 6 June 2018.
7. The Audit Committee approved the timetable to facilitate the completion of the Statutory Accounts for the year ended 31 March 2019 at its meeting on 27 February 2019. The audit of the 2018/19 accounts has concluded and was reported to the Audit Committee on 5 June 2019.
8. The Audit Committee considered financial performance reports each quarter.

Governance

9. The annual review of Audit Scotland's principal governance policies (Standing Orders, Financial Regulations and Scheme of Delegation) was undertaken in November 2018. The review resulted in minor changes.
10. In addition, the Audit Committee considered its Terms of Reference at each of its meetings and minor amendments were made where appropriate during the year.

11. The Code of Conduct for members and employees was reviewed by the Board in August 2018 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.
12. The Audit Committee reviewed and approved the Business Continuity Plan and its supporting arrangements in November 2018.
13. 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

14. The external auditors and internal auditors have attended all the Audit Committee meetings during 2018/19.
15. 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 for 2018/19.
16. At its meeting in February 2019 the Audit Committee considered a report from the internal and external auditors on their joint working arrangements.
17. The Audit Committee approves the programme of internal audit work each year. BDO carried out seven internal audits and one follow-up review during 2018/19; 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.
18. Audits and overall assurance assessments were:
 - Core Financial Controls (substantial assurance (design); substantial assurance (operational effectiveness)).
 - Follow-up and Impact (substantial assurance (design); substantial assurance (operational effectiveness)).
 - Complaints Management (substantial assurance (design); substantial assurance (operational effectiveness)).
 - Data Protection (substantial assurance (design); substantial assurance (operational effectiveness)).
 - Cost of Audit (reasonable assurance (design); reasonable assurance (operational effectiveness)).

- Risk Management (assurance audit providing positive assurance and the highest maturity assessment available).
 - Preparedness for New Audit Responsibilities and a Changing Operating Environment (substantial assurance (design); substantial assurance (operational effectiveness)).
 - Follow-up review (good progress).
- 19.** There were eight recommendations from the seven internal audits. All eight recommendations were classed as low significance. Management responses have been provided for all audit recommendations and work is being undertaken to implement them as appropriate.
- 20.** The internal audit service and scrutiny provided by BDO offered substantial assurances in the round for the 2018/19 annual internal audit report.
- 21.** The Audit Committee was satisfied with the performance of internal audit and that the internal audit programme had been delivered to the required standard for the year.
- 22.** The cost of the internal audit work for 2018/19 was within budget at £23,227.68. The number of days planned to be used for audit by BDO was 48 days and this target was met.

Audit quality

- 23.** The Audit Quality Framework approved by the Board in October 2017 committed to providing regular reporting to the Audit Committee on audit quality as well as to the Auditor General for Scotland and the Account's Commission.
- 24.** The Audit Quality and Appointments team have concluded that there are no major concerns on the quality of the audit work reviewed to date or in the delivery of audit reporting to timescales.
- 25.** The quarter three and four audit quality monitoring report and 2018/19 audit quality annual report were presented to the Audit Committee at its meeting on 22 May 2019. The annual report concluded that for all auditors, there is strong evidence of high compliance with auditing standards and the Code of Audit Practice and overall good levels of other evidence of audit quality with some limited improvements required. There are however specific areas where improvements are required to improve compliance with the International Standards of Auditing (ISAs) particularly around documentation, sampling method and sizes and the use of analytical procedures.
- 26.** The Chair of the Audit Committee also attended two meetings of the Audit Quality Committee as an observer in 2018/19.

Risk management

- 27.** Audit Scotland's Risk Management Framework was reviewed and approved by the Audit Committee on 22 May 2019. In accordance with the framework the committee reviewed the Risk Register at each of its five meetings.
- 28.** Each year the Audit Committee also agrees a schedule of risk interrogations which consider one or more of the risks on the register in greater detail. In 2018/19, the committee considered four detailed risk interrogations on:
- EU withdrawal
 - capacity and one organisational working
 - audit quality and
 - innovation.
- 29.** The Audit Committee considered reports on data incidents and noted the corrective actions proposed by Audit Scotland to reduce further incidents. It also received detailed six-monthly updates on digital and cyber security risks.

Governance statement

- 30.** 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 Officers governance statement.
- 31.** Internal auditors provided Audit Scotland with reasonable assurance that, there are no major weaknesses in the internal control system for the areas reviewed in 2018/19.
- 32.** 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.

Recommendation

- 33.** The Board is invited to consider and approve the 2018/19 Annual report from the Chair of the Audit Committee.

Purpose

1. This report informs the Board of the review of Audit Scotland's internal controls that support the achievement of the organisation's policies, aims and objectives as set by the Board. The report also provides the Certificate of Assurance on Audit Scotland's internal controls.
2. The Audit Committee will consider the statement at its meeting immediately before the Board meeting on 5 June 2019. The Board is invited to approve the contents of this report and recommend it to the Accountable Officer to support the Governance Statement.

Review of our internal control arrangements in support of the Governance Statement

3. Audit Scotland uses the Scottish Public Finance Manual's internal control checklist and certificate of assurance process to support the Accountable Officer's Governance Statement in the annual report and accounts. The checklist has been amended to reflect our organisation and is attached to this report for ease of reference.
4. A review of the checklist was conducted in March 2019 to ensure it conforms to the Scottish Government's Finance Guidance Notes as they apply to Audit Scotland.
5. Business groups reviewed their internal controls against the checklist between 1 March and 19 March 2019. Business group Directors reported that generally the controls in their areas have been and are working well. The Directors then returned their signed business group's Certificate of Assurance.
6. Management Team considered a report on the review of internal controls and business group certificates on 2 April 2019. Following discussion, the report was noted and the overall Certificate of Assurance was approved for submission to the Audit Committee. Management Team agreed that there were no issues that should be brought to the attention of the Audit Committee, Board and Accountable Officer.

Recommendation

7. The Board is invited to approve the contents of this report and recommend it to the Accountable Officer.

CERTIFICATE OF ASSURANCE

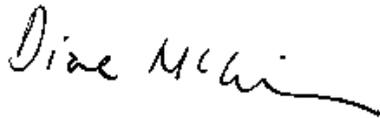
To Audit Scotland's Accountable Officer

ANNUAL ACCOUNTS 2018/19: ASSURANCE FOR THE GOVERNANCE STATEMENT ON INTERNAL CONTROL

1. I am aware that, as **Chief Operating Officer**, you are required to sign a governance statement for the annual accounts for 2018/19. To assist you in that process, I can confirm that I have received and reviewed the required assurances from Audit Scotland's business group directors.
2. Based on that review, and my own knowledge of internal control matters in **Audit Scotland** I can confirm that these controls have been, and are, working well. There are, in my opinion, no significant matters arising which would require to be raised specifically in the governance statement.

Name: Diane McGiffen

Audit Scotland's Chief Operating Officer



Signature:

Date: 2 April 2019

Purpose

1. This report invites the Board to approve the updated Policy on the provision of Non-Audit Services by Audit Scotland's external auditor. The policy was considered by the Audit Committee on 22 May 2019 and the Committee agreed to recommend the policy to the Board for approval.

Background

2. 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.
3. 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.
4. The current policy on the provision of Non-Audit Services was approved in June 2018 and is reviewed annually.

Update

5. The policy remains appropriate and in line with the FRC's Ethical Standard.
6. The Competitions and Market Authority has recommended market reforms of the audit industry. One proposal is an operational split between audit and non-audit services. It is for the Westminster Government to implement any changes, most of which require primary legislation. No changes are expected in 2019.
7. The policy allows "audit related services" (which includes work normally expected to be undertaken by an external auditor such as grant claim certification) but prohibits "other non-audit services" (which includes management consultancy and tax work). The Competitions and Market Authority recommendation for an operational split between audit and non-audit services would see "audit related services" remain with the audit part of the business.

Recommendations

8. The Board is invited to approve the updated policy as recommended by the Audit Committee.

Policy on the provision of Non-Audit Services by Audit Scotland's external auditor

Author:	Associate Director – Audit Quality and Appointments
Version:	05
Date:	June 2019, next review June 2020

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 2016 categorises non-audit services as "audit related services" (which includes work normally expected to be undertaken by an external auditor such as grant claim certification) 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."

Purpose

1. This report informs Audit Scotland's Board of the review of policies within the staff handbook in accordance with the standard review cycle.
2. The Board is invited to:
 - note the review of policies
 - provide any comments of feedback, and
 - approve the updated policies annexed to this report.

Background

3. Audit Scotland's staff handbook sets out policies and guidance for colleagues about their employment and ways of working.
4. The HR & OD team review the handbook each year and liaise with Corporate Governance to ensure that all sections are up to date and accurate. Several parts of the handbook require Board approval, and these are shown in the table shown below.
5. HR & OD sections of the staff handbook are typically reviewed on a biennial basis with review dates falling each June. Content is clear, unambiguous, easy to find and provides a basis for resolving queries, disputes or grievances. Material is often originally based upon good-practice templates provided by our employment law advisers [XpertHR](#). Much of the staff handbook is either directly or indirectly influenced by UK employment law and the style and content reflects this. Sections of the staff handbook would be important documents in the event of a dispute, including determination through an employment tribunal.

Review process

6. The HR & OD team review the staff handbook to ensure that it is legally compliant, supports Audit Scotland's objectives and is accurate.
7. The HR & OD Manager presents to Audit Scotland's Management Team, Remuneration and Human Resources Committee (Remco) or Board for approval of any new policies with significant or substantive changes to existing policies.
8. The approval levels for policies are shown in appendix 1. Guidelines are general, non-mandatory recommendations that often underpin more specific policy statements. Policies are formalised statements that apply to a specific area or task. Policies are mandatory, employees who violate a policy may face a sanction, perhaps under the disciplinary policy.

Outcome of the 2019 review process

9. Management Team reviewed and approved a suite of policies that have been reviewed by the HR & OD Manager at meetings during May 2019. Approval for a smaller number of policies is reserved to Remco and these policies were considered at the Remco meeting on 22 May 2019. Approval for four policies is reserved to Audit Scotland's Board, as indicated in the table overleaf.

Policy description	Outcome	Approval level
Counter Fraud Policy (Annex A)	Minor revisions to include reference to Acceptable Use Policy and information about the enhanced security vetting (who has responsibility for this and the way in which we hold this confidential data)	Board
Diversity and Equality Policy (Annex B)	Additional statement about our commitment to excellence in recruitment and selection, the training we provide to recruiting managers, how we support our managers and reference to the annual diversity report which we publish	Board
Health, Safety and Wellbeing Policy (Annex C)	Minor, non-substantive revisions	Board
Whistleblowing Policy (Annex D)	No changes	Board

10. Appendix 2 contains each of the policies shown above.

11. Subject to Board approval as well as follow-up discussion with the PCS union, the staff handbook will be updated.

Recommendations

12. The Board is invited to:

- note the review of HR & OD policies and guidance
- provide any comments or other feedback and
- approve the updated policies annexed to this report.

Appendix 1

Policies and approval level

Board	Management Team
<ul style="list-style-type: none">• Code of Conduct – Staff• Counter Fraud Policy• Diversity and Equality Policy• Health, Safety and Wellbeing Policy• Whistleblowing	<ul style="list-style-type: none">• Accident and Near Miss Policy• Agency Workers Policy• Alcohol and Drugs Policy• Bullying and Harassment Policy• Children and Young Workers Policy• Clear Screen and Desk Policy• Counter Fraud Policy• Driving for Business Policy• Emergency Leave Policy• Eye Care Policy• Fixed-Term Contract Policy• Flexi-time Policy (ASG & Others)• Gender Reassignment Policy• Ill Health Capability Policy• Induction Policy• Job Evaluation Policy• Manual Handling Policy• New and Expectant Mothers' Policy• Occupational Health Wellbeing Policy• Other Employment Policy• Personal Property Policy• Pool Car – BIK Policy• Recruitment and Selection Policy• References Policy• Religious Beliefs and Observance Policy• Safe Evacuation Policy• Season Ticket Policy• Secondment Policy• Slips, Trips and Falls Policy• Smoking Policy• Working Time Policy• Workplace Parties and Events Policy
Remuneration and Human Resources Committee	
<ul style="list-style-type: none">• Compassionate Leave Policy• Disciplinary Policy• Equal Pay Policy• Family Friendly Policy• Flexible Working and Career Break Policy• Grievance Policy• Holiday Policy• Home Working Policy• Lease Car Policy• Life Assurance Policy• Lothian Pension Fund Appeal Process• Lothian Pension Fund Policy Statement• Public Duties Policy• Redeployment Policy• Redundancy Policy• Relocation Policy• Retirement Policy• Sickness Absence Policy• Travel and Expenses Policy	HR&OD Manager <ul style="list-style-type: none">• Working from Anywhere Guidance• Asbestos Guidance• Display Screen Equipment Guidance• EAFA – Essential H&S Guidance• Leaving Audit Scotland Guidance• Lone Working Guidance

	<ul style="list-style-type: none">• Lothian Pension Fund Contribution Guidance• Salary Scales & Annual Pay Award Information• Self-Employed Consultants Guidance• Starting Salaries Guidance• Stress Guidance
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Counter Fraud Policy

Owned and maintained by:	Human Resources
Date checked/created:	June 2019
Next review date:	June 2021

1. This policy sets out our approach to preventing, investigating and reporting fraud. All staff must ensure they are familiar with this policy. Audit Scotland takes a zero tolerance approach to fraud including bribery and corruption.
2. Fraud is a common law offence in Scotland and therefore does not have a legal definition. However, the [Fraud Act 2006](#) provides a useful definition which should be referred to. A person commits a fraud if they intend to make a gain for themselves or another, cause loss to another or to expose another to a risk of loss by:
 - dishonestly making a false representation;
 - dishonestly failing to disclose to another person information which they are under a legal duty to disclose; or
 - dishonestly abusing a position that they occupy in which they are expected to safeguard, or not to act against, the financial interests of another person.
3. Audit Scotland requires a standard of absolute honesty and integrity from its staff. Trust is an essential part of this process and there is no room for dishonesty, either within Audit Scotland or with its clients or stakeholders. This approach has been endorsed strongly by Audit Scotland's Board, which requires that all fraud investigations be reported to it via the Audit Committee.
4. Audit Scotland subscribes to the principles outlined in the Scottish National Fraud Initiative (NFI) instructions and the associated privacy notices. We will include data on our staff as part of the NFI exercise. Further information on the National Fraud Initiative is available from our intranet and external website. This policy should be read in conjunction with:
 - Audit Scotland's Code of Conduct
 - [Scheme of Delegation and Financial regulations](#)
 - [Information security management policy and Information Acceptable Use policy](#)
 - Whistleblowing Policy
 - Disciplinary Policy
 - Grievance Policy
 - Ethical Standards Policy.

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5. Copies of these documents are located in Audit Scotland's Staff Handbook within ishare and are also available from Human Resources.
 6. This policy requires Audit Scotland employees to report any instance of suspected fraud to their Director or Audit Director. Where staff do not understand any aspect of the policy, they should seek clarification from their Director or Audit Director.
 7. All staff are required to read and agree to Audit Scotland's Code of Conduct annually. This includes disclosing any potential conflicts of interest. The Compliance Partner/Compliance Manager is responsible for reviewing all disclosures and addressing any conflicts that arise.
 8. Educational information may be issued to staff from time to time by Audit Scotland concerning fraud prevention by way of briefing notes, training programmes or ad-hoc advice. The Board and Management Team strongly support the counter fraud efforts of Audit Scotland. Please ensure you take note of any guidance issued and raise any queries or concerns with your line manager.
 9. It is important to be clear that, as an employee of Audit Scotland, you have stewardship responsibilities for any property and information of Audit Scotland and/or the bodies we audit entrusted to you and under your control. This property and information must be safeguarded from inappropriate access, loss or theft.
 10. It must also be recognised and accepted that fraud is possible in our organisation. If this is not recognised or accepted, then it is unlikely that fraud will be identified even if it is evident. Symptoms of fraud are frequently viewed as administrative errors because staff cannot believe that a colleague could possibly have committed such an act, particularly where affiliation has developed over a long period of time. Therefore, you should consider the following to help reduce the risk of any impropriety:
 - Identify property for which you have responsibility e.g. computers, flashdrives, audit files (including those in archive), departmental expenditure, supplies and company cars.
 - Identify risks associated with safeguarding this property and information. Ask yourself:
 - How could this property or information be misused or improperly used?
 - If this property or information were misused or misappropriated, how would I know?
 - What controls exist to prevent or detect inappropriate use or loss of property or information?
 - What additional controls are necessary to ensure the property or information is adequately protected from loss?
 - Is the cost of these additional controls reasonable in relation to the risk involved?
 - Establish a positive control environment in your department. It is important to demonstrate control consciousness – interest and concern for internal control should be communicated to all staff members. Ensure that an adequate system of internal control exists within your department. The key points to consider are:

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- separation of duties
 - physical safeguards over property
 - proper documentation and authorisations
 - adequate supervision e.g. independent checking of key transactions.

11. Audit Scotland aims to recruit honest employees. The degree of background checking is dependant on the level of accessibility to significant Audit Scotland assets. ~~Consultation with Human Resources is required prior to commencing any background check and will help determine the appropriate course of action.~~ Certain information available from background and security checks is classified as personal, sensitive and / or confidential. This means that access to this information is restricted and it must be held in a secure manner. Human Resources lead on security and background checks¹ which is why you should speak with them prior to any formal checks being undertaken.

What should you do if you suspect fraud or corruption, or that ‘something is wrong’?

12. Staff are often the first to realise there may be something seriously wrong. However, they may not express their concerns because they feel to speak up would be disloyal to colleagues or to Audit Scotland. Staff may also fear harassment or victimisation so feel it is easier to ignore the concern rather than report what may just be a suspicion of malpractice.
13. Audit Scotland’s Whistleblowing Policy is intended to encourage staff to report concerns via Audit Scotland’s procedures rather than overlooking a problem. The Board is committed to acting on all reports of suspected fraud and corruption both from within Audit Scotland and across the public sector.
14. Be assured that there will be no recriminations against staff who report reasonably held suspicions. Victimising or deterring staff from reporting any concerns is a serious disciplinary matter. Any contravention of this policy should be reported in accordance with Audit Scotland’s Disciplinary and Grievance Policies.
15. Abuse of this policy by raising malicious allegations could be regarded as a disciplinary matter.
16. If you have good reason to suspect a colleague, contractor or other person of fraud or an offence involving Audit Scotland or an audited body you should discuss it first with your manager. If you suspect your manager, you should go to the next most senior person above them in accordance with Audit Scotland’s approach in the Disciplinary and Grievance Policies. Alternatively you have the option to:
- Discuss the matter confidentially with the Chief Operating Officer; or
 - Advise the Chief Operating Officer anonymously of your concerns.
17. You may find it helpful to read Audit Scotland's Whistleblowing Policy which provides further information.

¹ Some security vetting and background checks for employees involved with certain clients or work are undertaken by external bodies instead of our HR team. Senior management in each business group should liaise with the HR & OD Manager prior to any such checks being commissioned.

17.18. If you and your manager decide between you that your suspicion may be justified, the matter must be reported to the Chief Operating Officer. Audit Scotland will then take the appropriate action, as follows:

- Implement its Fraud Response Plan.
- Refer the matter to the Audit Committee.
- Refer the matter to the Police, if appropriate.
- Report back to the Audit Committee in all cases.

18.19. Do not approach the individual(s) about whom you have concerns and do not discuss the matter with anyone else.

Diversity and Equality policy

Owned and maintained by:	Human Resources
Date checked/created:	June 2017 June 2019
Next review date:	June 20 17 19

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 staff. It is our policy to treat all job applicants and employees fairly and equitably regardless of age, disability, gender, 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. The policy applies to all processes relating to employment and training and to any dealings with customers and clients .~~

~~This policy applies to job applicants (internal and external) and all employees and other workers whether full time, part time, temporary or permanent.~~ 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.

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.

- Actively promoting equality of opportunity through circulating recruitment vacancy details as widely as possible and monitoring our recruitment practices.
- Treating all our staff 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 member of staff on the grounds of their age, disability, gender, gender reassignment, marriage or civil partnership, maternity or pregnancy, race, religion or belief or sexual orientation.
- Raising staff awareness about equality and valuing diversity and enabling managers to promote and be accountable for equality of opportunity through 3-D developmental discussion and training for all staff.
- Positively valuing the different attributes, perspectives and skills of staff and making full use of these.

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 criteria for recruitment into vacant posts, we will consider carefully what is relevant and necessary for effective performance of the job. Criteria 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, gender 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 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 recruitment and selection. [Members of the HR & 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.](#)

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.

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 gender reassignment status, 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.

~~We will produce a mainstreaming report annually for consideration by the diversity group and senior management. This reporting information will be 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 1. ~~This information is also issued to staff when we ask them to complete their diversity information each year.~~

Our diversity policies

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 staff feels comfortable about raising such complaints. Staff 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 ~~on Ishare.~~

Disability Confident employer

Audit Scotland has received accreditation as Disability Confident employer (Level 2) under Disability Confident scheme, awarded by DWP. We have made an on going commitment to recruitment, retention and development of staff with disabilities.

Employees who have a disability or a health condition or who become disabled in the course of their employment should inform Human Resources about their disability. Their line manager will then arrange to discuss with the employee what reasonable adjustments to their job or working conditions might assist them in the performance of their duties. The employee will also be

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.

Staff Training

All staff will receive training in diversity and equality of opportunity as a part of their induction. Further training and development is available to all staff as part of our rolling programme of learning across Audit Scotland. ~~Senior managers will receive in-depth training in their role in leading and promoting diversity.~~

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. ~~Inappropriate behaviour is not acceptable.~~

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 1

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
- Gender
- Gender re-assignment status
- Marital or civil partnership status
- Nationality
- Race
- Religion or belief
- Sexual orientation.

These characteristics (alongside maternity or pregnancy) are covered under the 2010 Equality Act 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 are non-

⁴ to eliminate discrimination, victimisation, harassment and other prohibited conduct; advance equality of opportunity and foster good relations across the nine protected characteristics.

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 be prompted by e-HR and give you a call to discuss your particular circumstances. We will always make reasonable adjustments to help you with a disability if required. 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 e-HR and it is protected by the Data Protection Act 1998. 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 gay and bisexual employees LGBT employees compared to the percentage of those who are heterosexual/straight. However, no breakdown is provided where fewer than five staff 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?

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 right of 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 ~~You can~~ contact a member of the HR team. (~~Maggie Gebicka (x 1645) in the first instance~~). Alternatively, all business groups have representatives on the Diversity and Equality Steering Equality and Human Rights Steering Group (DESGEHRSG), who are will be happy to answer any questions. A list of current members is on Ishare (Working Groups – Diversity and Equality Equality and Human Rights - Steering Group). All discussions will be treated confidentially.

Health, Safety and Wellbeing Policy

Owned and maintained by:	Human Resources
Date checked/created:	June 2019
Next review date:	June 2021

Introduction

This document sets out the occupational health, safety and welfare arrangements for all of Audit Scotland's employees and is applicable to contractors, visitors and members of the public who may be affected by the work activities of Audit Scotland.

Statement of Intent

The management of Audit Scotland recognise that they have a duty under the Health and Safety at Work Act and associated legislation to ensure that all reasonable precautions are taken to provide and maintain working conditions that are safe, healthy and comply with all statutory requirements and codes of practice. Audit Scotland recognises that this duty applies wherever our staff are required to work. To support the application of our intent Audit Scotland will, so far as is reasonably practical, pay particular attention to:

- Providing and maintaining safe systems of work.
- Providing information, training and supervision to ensure the health and safety at work of employees and others.
- Controlling the place of work and maintaining it in a safe condition.
- Providing safe means of access to and exit from the place of work.
- Undertaking assessments to identify health and safety risks, informing employees and others of any identified risk and where practical take action to eliminate or control such risks.
- Carrying out work place inspections to aid compliance with health and safety regulations.
- Consulting and communicating with all staff on matters affecting health, safety and welfare in the workplace.
- Ensuring that, as far as is reasonably practical, clients are aware and take cognisance of Audit Scotland's occupational health, safety and welfare policy.
- Ensuring that, as far as is reasonably practical, clients provide a safe working environment for Audit Scotland Staff when on their premises.

- Carrying out regular reviews of the occupational health, safety and welfare policies and procedures ensuring that they continue to meet the requirements of legislation and the organisation.

Organisation and Responsibilities

The Auditor General for Scotland as the accountable officer has ultimate responsibility for the administration and implementation of Audit Scotland's arrangements to comply with the Health and Safety at Work Act and associated legislation. In order to ensure that sufficient resources are available, responsibility for administration, implementation and monitoring of the occupational health, safety and welfare policy and procedures is delegated as follows:

Executive

The Chief Operating Officer is the executive responsible for the implementation, administration and monitoring of health, safety and welfare policy and procedures in the organisation.

Health and Safety Officer (HSO)

The HSO reports to the Chief Operating Officer. The HSO's responsibilities cover the maintenance of safety records, investigation of accidents and dangerous occurrences, providing accident statistics, preparation of health, safety and welfare policy and procedures and keeping a watching brief on changing legislation.

The HSO will also provide advice and guidance to managers and staff on matters relating to health, safety and welfare at work. Unless otherwise intimated the HR&OD Manager of Audit Scotland will take on the responsibilities of the HSO. As at June 2017⁹, this person ~~was~~ is David Blattman.

Assistant Health and Safety Officers

Audit Scotland will appoint Assistant Health and Safety Officers who, for this part of their work, will report and be accountable to the HSO. The HSO will make such appointments and ensure that suitable training is provided to the officers so that they can fulfil their role. Typically, the Assistants will be members of the HR&OD team, the Business Support Manager and the ~~Facilities Management Manager~~ Client and Services Team Leader.

Directors, ~~Assistant Audit~~ Directors and Managers

Managers at all levels have the responsibility to provide leadership and to promote responsible attitudes towards health, safety and welfare at work of all staff. They will:

- Ensure that all new staff, including temporary staff, are given general induction training and any specific safety instructions relevant to their role. All new members of staff MUST be shown the location of first aid boxes, fire exits and fire fighting equipment on commencement of employment. Managers should physically walk the fire routes with new staff.

- ensure new staff also complete the health and safety induction on-line training package and questionnaire available from the New Starters section of the intranet ([Human Resources/New Starters](#)).
- Ensure that all staff, including temporary staff, for whom they are responsible are aware of and have access to the organisations health, safety and welfare policy and procedures.
- Keep up to date with Audit Scotland's health, safety and wellbeing policy and procedures.
- Ensure that good housekeeping standards are applied.
- Assist the HSO in investigating accidents and dangerous occurrences as required.
- Carry out regular health and safety checks of areas where their staff are working including clients premises.
- The [Assistant Audit](#) Director nominated by the relevant Director is deemed to be the responsible person for their office and will ensure the implementation of all Audit Scotland's occupational health, safety and welfare arrangements.

Employee responsibilities

All employees have a duty under the Health and Safety at Work Act for the health, safety and welfare of themselves and others, including members of the general public who may be affected by what they do or fail to do at work. It is the duty of all employees to co-operate with Audit Scotland in its compliance with the Health and Safety at Work Act and associated legislation. All staff are therefore required to:

- Take reasonable care to prevent any injury or damage to their own and others health, safety and welfare at work.
- Work in accordance with Audit Scotland's occupational health, safety and welfare policy, procedures and training on its own or client's premises.
- Report to their manager, the HSO or health and safety representatives any situation that may present a risk to the health, safety and welfare of themselves or others.
- Report all accidents to their manager.
- Ensure that any equipment or facilities provided in the interest of health, safety and welfare is not damaged or abused in any way.
- Comply with client's health and safety arrangements when on their premises.
- Read, understand and retain relevant documentation provided by Audit Scotland in the interests of health, safety and welfare at work.

Arrangements

Reporting accidents

There is a separate policy covering accidents which outlines the procedures which are to be adopted when any employee, visitor, members of the public or contractor experiences an accident, near miss or dangerous occurrence on Audit Scotland's premises or when engaged in business-

related travel during the course of their employment or activity. See our staff handbook: <http://ishare/handbook/Handbook/Forms/healthandsafety.aspx>.

All reported accidents and “near miss” reports will be reviewed by the Health, Safety & Wellbeing Group Committee and the HSO will provide an annual report to the Chief Operating Officer at the end of each financial year. This will be provided to Audit Committee of Audit Scotland. In the event of a serious incident and at the discretion of the Chief Operating Officer, a special report will be made to the Audit Committee at the earliest opportunity.

First aid

During the induction programme employees will be introduced to the First Aider and shown the location of first aid equipment. The names of qualified First Aiders and how to contact them are given on local notice boards (along with First Aid box locations) and on the intranet site (see Health and Safety, First Aid information).

Staff should ensure they are aware of the first aid arrangements at their work location and when working on client’s premises.

Fire safety

Employees have a duty to conduct their operations in such a way as to minimise the risk of fire. This involves keeping combustible materials separate from sources of ignition and avoiding unnecessary accumulation of combustible materials. In leased premises the building landlord may be responsible for the provision and maintenance of fire prevention and fire alarm equipment.

All employees have a duty to report immediately any fire, smoke or potential fire hazards to their manager, and to operate the fire alarm. If you discover a fire:

- Ring the fire alarm.
- Leave the building and proceed as above.
- Fire Wardens and Fire Incident Controllers are allocated at each of our Audit Scotland locations and receive fire safety training.

All employees must know their evacuation route and assembly point in case of fire or other emergency. Details of fire plans, assembly points, fire wardens and fire incident controllers are available on the intranet site (and on signs at your location). If you hear the fire alarm:

- Immediately leave the building by the nearest fire exit.
- Do proceed calmly to your assembly point.
- Report to your floor's fire warden so you can be accounted for.
- Wait for further instructions.
- Do not delay to put away papers or to collect personal belongings.
- Do not attempt to use the lifts.

Fire exits are clearly labelled and located at strategic points throughout the workplace. Fire doors are designed to slow the spread of fire and smoke throughout the workplace. Fire doors are to be

kept closed at all times and must never be blocked, jammed or tied open and exit corridors must never be locked, blocked or used as storage space.

Fire extinguishers are located at strategic points throughout the workplace. Employees are expected to tackle a fire themselves only if trained and it would pose no threat to their personal safety to do so. If the situation is dangerous or potentially dangerous, the employee should activate the alarm and evacuate the building immediately.

Emergency evacuation procedure

In the event of the fire alarm being activated or in any other emergency situation (such as a bomb scare), all employees must leave the building by the nearest available exit and assemble at the designated assembly point. Practice fire drills will be conducted at regular intervals, at least annually, to ensure employee familiarity with emergency evacuation procedures, or in accordance with the landlord requirements.

Smoking

Audit Scotland operates a non-smoking environment in all its offices. Please see our separate policy within the staff handbook (http://ishare/Staff_hand/Staff_handbook/Smoking%20Policy.pdf). Disciplinary action may be taken against staff that fail to comply with this arrangement.

Mobile phones

~~Mobile phones are available to Audit Scotland employees and help to meet A-line manager or director is authorised to request that an individual should receive an Audit Scotland mobile phone. For example, it may be deemed as necessary for any employee that has an operational or strategic need e.g. those expected to be on-call, lone workers (health and safety issues), travelling on a frequent basis or where access to a pooled phone or use of a personal phone is considered to be inappropriate.~~

In the event that a phone is lost, stolen or damaged, the Helpdesk must be notified immediately by raising a Support Works ticket, stating who the replacement phone is for, their cost centre code, their existing mobile number and a delivery address. They will then cancel the existing phone and a replacement will be ordered and a sum equivalent to the cost of the phone will be billed to your cost centre.

~~Many staff do not want to carry a personal phone and a business phone. As a result, staff may use their personal phone and claim expenses for any calls relating to Audit Scotland business, where the costs can be clearly identified. Staff must submit a detailed list of the calls containing the costs of each call, date and time as part of any expenses claim.~~

Mobile phones and other hand-held electronic information and communication devices should only be used in a car when you are parked safely and legally or via a legally compliant hands-free system. ~~You must not use your device at any other time, including when you are stopped in traffic. Mobile phones, etc. must not be used whilst driving.~~

~~For the avoidance of doubt, the organisation will not reimburse individuals for any fines, costs, etc. that may be imposed in the event that they are prosecuted for any driving offence as a result of using a mobile phone whilst driving.~~

Failure to comply with this policy (whether or not such failure leads to an accident or prosecution) may lead to formal disciplinary action being taken under the organisation's disciplinary procedure.

Risk assessments

Risk Assessment is a tool to help manage safety. Risk assessments shall be completed for all activities where there is significant risk to employees and Audit Scotland periodically undertakes generic risk assessments for all job roles across Audit Scotland (this is undertaken by ~~are held within~~ Human Resources and Business Support Services). Risk Assessments should be reviewed whenever there is any major change in working processes or changes to individual circumstances, for example new and expectant mothers or relating to a specific medical issue or disability.

Manual handling operations

It is the policy of Audit Scotland to reduce the risk of manual handling injuries and provide guidance on the measures that should be taken to ensure safe lifting and carrying. Please see our separate Manual Handling Policy in respect of this within the staff handbook (http://ishare/Staff_hand/Staff_handbook/Manual_Handling_Policy.pdf).

Display screen equipment

It is the policy of Audit Scotland to comply with the law as set out in the Health and Safety (Display Screen Equipment) Regulations 1992 (as amended in 2002). Please see our separate Display Screen Equipment policy within the staff handbook (http://ishare/Staff_hand/Staff_handbook/Display_Screen_Equipment_Guidelines.pdf).

Workplace inspections

Regular formal workplace inspections are carried out annually for all Audit Scotland base locations. In addition, inspections will be conducted in the relevant areas whenever there are significant changes in the nature and/or scale of our operations. An annual inspection will be undertaken by an external health and safety expert, and a report will be made available to local management, the HSO and the hHealth, sSafety and wWellbeing group Committee. Workplace inspections will also provide an opportunity to review the continuing effectiveness of the policy and to identify areas where revision of the policy may be necessary. Please see our separate workplace inspection statement (<http://ishare/healthsafe/SitePages/Workplace%20Inspections.aspx>).

Commitment to Health, Safety and Wellbeing

Audit Scotland has prepared this policy to demonstrate the commitment of the Board to providing a safe and healthy working environment for all staff and to meeting its statutory obligations.

Audit Scotland is committed to working in partnership with its staff and their representatives to ensure that safe systems of work are established and maintained. To this end a Health, Safety Wellbeing (HSW) ~~Group-Committee has been formed~~exists to promote co-operation between management and employees in the development and implementation of measures to ensure the health, safety and welfare at work of employees and other who may be affected by the work of Audit Scotland. Further details about the HSW ~~group-Committee~~ and its terms of reference can be viewed within ishare (<http://ishare/healthsafe/SitePages/Home.aspx>) .

Whistleblowing Policy

Owned and maintained by:	Human Resources
Date Checked/created:	June 2019
Next review date:	June 2021

Introduction

1. Audit Scotland encourages an open culture in dealings between its employees and all people with whom we engage. In particular, we recognise that effective and honest communication is essential if concerns about breaches or failures are to be effectively dealt with and the organisation's success ensured.
2. All of us at one time or another have concerns about what is happening at work. Usually these concerns are easily resolved. However, when they are about unlawful conduct, financial malpractice or actions that could damage the reputation of Audit Scotland it can be difficult to know what to do.
3. Audit Scotland has introduced this policy to enable all those who work with or within the organisation to raise their concerns about such malpractice at an early stage and in the right way. We would rather you raised the matter when it is just a concern rather than wait for proof.
4. There may be occasions when, due to individual acts, omissions or failings, it may be necessary to bring certain matters which give cause for serious concern to the attention of Audit Scotland. If you are concerned about an aspect of individual behaviour or Audit Scotland practice, you should raise it. Your concerns may fall under one (or more) of the following categories:
 - A criminal offence has been committed, is being committed or is likely to be committed.
 - A person has failed, is failing or is likely to fail to comply with any legal obligation to which he/she is subject.
 - A miscarriage of justice has occurred, is occurring or is likely to occur.
 - The health and safety of any individual has been, is being or is likely to be endangered.
 - A person has supplied, is supplying or is likely to supply Audit Scotland and / or client information, without appropriate authorisation.
 - The environment has been, is being or is likely to be damaged.

- Information tending to show any matter falling within any of the above has been, is being or is likely to be deliberately concealed.
5. You may be worried about raising such issues or may want to keep the concerns to yourself, perhaps feeling it's none of your business or that it's only a suspicion. You may feel that raising the matter would be disloyal to colleagues, managers or the organisation. You may decide to say something but find you have spoken to the wrong person or raised the issue in the wrong way and are not sure what to do next.
 6. If something is troubling you and you think we should know about it, please follow the section on how to raise a concern internally. However, if you are aggrieved about your personal position, please use the Grievance Policy within the staff handbook in ishare. This policy is primarily for concerns where the interests of others or of the organisation itself are at risk. It should be read in conjunction with our Counter Fraud Policy.

Our Assurances to you

Your safety

7. The Board and Management Team are committed to this policy. If you raise a genuine concern under this policy, you will not be at risk of losing your job or suffering any form of retribution as a result. Provided you are acting in the public interest, Audit Scotland are satisfied you had a genuine belief and no personal gain was involved, it does not matter if you are mistaken. Of course, we do not extend this assurance to someone who maliciously raises a matter they know is untrue.
8. If your concern is subsequently shown to be false or inaccurate, employees will be informed of the discrepancy between their report and the facts at hand.

Your confidence

9. We will not tolerate the harassment or victimisation of anyone raising a genuine concern. However, we recognise that you may nonetheless want to raise a concern in confidence under this policy. If you ask us to protect your identity by keeping your confidence, we will not disclose it without your consent. If the situation arises where we are not able to resolve the concern without revealing your identity (e.g. because your evidence is needed in court), we will discuss with you whether and how we can proceed.
10. Remember if you do not tell us who you are, it is much more difficult for us to look into the matter, protect your position or give you feedback. Accordingly, while we will consider anonymous reports, this policy is not appropriate for concerns raised anonymously.
11. We strive to create a working environment that promotes dignity and respect for all. No form of bullying, harassment or victimisation will be tolerated against any member of staff on the grounds of them raising a concern.
12. If you believe that you are being subjected to a detriment as a result of raising concerns under this policy, you should raise the matter under the staff grievance policy and procedure, as

appropriate. Any staff member who victimises or retaliates against those who have raised concerns under this policy will be subject to disciplinary action.

How we will handle the matter

13. Once you have told us of your concern, we will look to assess what action should be taken. This may involve an internal inquiry or a more formal investigation. We will tell you who is handling the matter, how you can contact them and whether your further assistance may be needed. If you request, we will write to you summarising your concern and how we propose to handle it.
14. Due to the varied nature of these sorts of concerns, which may involve internal investigators and / or the police, it is not possible to lay down precise timescales for such investigations. The investigating officer will ensure that the investigations are undertaken as quickly as possible without affecting the quality and depth of those investigations.
15. When you raise the concern, you may be asked how you think the matter might best be resolved. If you do have any personal interest in the matter, you should tell us at the outset. If your concern falls more properly within the Grievance Policy, we will tell you.
16. While the purpose of this policy is to enable us to investigate possible malpractice and take appropriate steps to deal with it, we will give you as much feedback as we properly can.
17. If requested, we will confirm our response to you in writing. However, please note that we may not be able to tell you the precise action we take where this would infringe a duty of confidence owed by us to someone else.
18. We will keep summary details of each whistleblowing matter raised and investigated to enable annual reporting of disclosures made under this policy.

How to raise a concern internally

19. Step one - If you have a concern about malpractice, we hope you will feel able to raise it first with your manager. This may be done orally or in writing.
20. Step two - If you feel unable to raise the matter with your manager, for whatever reason, please raise the matter with Diane McGiffen, Chief Operating Officer on 0131 625 1608. Please say if you want to raise the matter in confidence so that they can make appropriate arrangements.
21. Step three - If these channels have been followed and you still have concerns, or if you feel that the matter is so serious that you cannot discuss it with any of the above, please contact Heather Logan, Board Member on 07976 631836.

Personal and Vicarious Liability

22. Amendments made to the Public Interest Disclosure Act 1998 which came into force in 2013 included new rules introducing personal and vicarious liability. These changes mean that individuals can face personal liability to whistleblowers, and employers can be “vicariously”

liable for the acts of their staff (irrespective of whether the acts are done with their knowledge or approval).

Independent advice

23. If you are unsure whether to use this procedure or you want independent advice at any stage, you may contact:
- your union (if applicable); or
 - the independent charity Protect (formally known as Public Concern at Work) on 020 3117 2520. Their lawyers can give you free confidential advice at any stage about how to raise a concern about serious malpractice at work. Alternatively, visit their [website](#).

External contacts

24. While we hope this policy gives you the reassurance you need to raise such matters internally, we recognise that there may be circumstances where you can properly report matters to outside bodies, such as regulators or the police. Protect (or, if applicable, your union) will be able to advise you on such an option and on the circumstances in which you may be able to contact an outside body safely.

If you are dissatisfied

25. If you are unhappy with our response, you can go to the other levels and bodies detailed in this policy. While we cannot guarantee we will respond to all matters in the way you might wish, we will try to handle all matters fairly and properly. By using this policy, you will help us achieve this.