

Monday 1 June 2020 at 11.30am

By video-conference

---

1. Welcome and apologies
  2. Declarations of interests
- 

## Standing items

- |  |                 |
|--|-----------------|
| 3. Chair's report – verbal update                      | For information |
| 4. Accountable Officer's report – verbal update        | For information |
| 5. Accounts Commission Chair's report – verbal update  | For information |
| 6. Review of minutes: Board meeting 13 May 2020        | For approval    |
| 7. Governance arrangements - review of Standing Orders | For information |
| 8. Review of action tracker                            | For information |
- 

## Governance

- |  |                 |
|--|-----------------|
| 9. 2019/20 Annual report on international work   | For approval    |
| 10. 2019/20 Annual report on freedom of information and environmental information      | For approval    |
| 11. 2019/20 Annual report on complaints  | For approval    |
| 12. 2019/20 Annual report from the Chair of the Audit Committee to the Board           | For approval    |
| 13. 2019/20 Governance statement on internal control and certificate of assurance      | For approval    |
| 14. 2019/20 Draft audit management letter  | For information |
| 15. 2019/20 Annual report on quality of public audit in Scotland                       | For approval    |
| 16. 2019/20 Audit Scotland annual report and accounts – Year end 30 March 2020         | For approval    |
| 17. Internal interim report on mainstreaming equality                                  | For information |
| 18. Policy on the provision of non-audit services by Audit Scotland's external auditor | For approval    |
- 

## Business planning and performance

- |   |                 |
|---|-----------------|
| 19. Impact of Covid-19 on Audit Scotland finances     | For information |
| 20. 2019/20Q4 Financial performance report            | For information |
| 21. 2019/20 Q4 Corporate performance report           | For information |
| 22. 2019/20 Q4 Strategic improvement programme update | For information |
| 23. New audit appointments update                     | For information |
| 24. European Union withdrawal update                  | For information |
-

---

## Conclusion

25. Any other business

26. Publication of papers

For approval

27. Review of meeting

28. Date of next meeting: 18 September 2019 (venue to be confirmed)

Wednesday 13 May 2020, 10.15am

Audit Scotland by Videoconference

---

## Present:

Alan Alexander (Chair)  
Caroline Gardner  
Graham Sharp  
Heather Logan

## Apologies:

None

## In attendance:

Diane McGiffen, Chief Operating Officer  
Stephen Boyle, AGS Designate  
Martin Walker, Associate Director, Corporate Performance and Risk  
Nicola Paton, Digital Project Manager, Digital Services  
Stuart Dennis, Corporate Finance Manager  
Simon Ebbett, Communications Manager  
David Blattman, HR and OD Manager  
Robert Leask, Project Manager, Audit Quality and Appointments  
Fiona Kordiak, Director, Audit Services  
Neil Cameron, Manager, Performance Audit and Best Value

### 1. Welcome and apologies

Alan Alexander welcomed members and attendees to his first meeting as Chair of the Audit Scotland Board.

The meeting was held by video conference due the COVID-19 pandemic.

### 2. Declarations of interest

There were no declarations of interest.

### 3. Chair's report – verbal update

The Chair advised he had written to the Scottish Commission for Public Audit (SCPA) highlighting the risk to the governance of Audit Scotland in light of the delay to the recruitment of independent members. Diane McGiffen advised that , subject to final confirmation, it was now likely that the Parliament would proceed with interviewing board candidates before the end of May 2020.

The Chair advised he had reflected on the good governance of the Board and its Committees and confirmed he was proposing to continue as Chair of the New Audit Appointments Steering Group to provide continuity in light of the potential extension to lockdown and that this would be reviewed in due course.

The Chair also advised he proposed that, given the Board vacancy, he would continue as interim Chair of the Remuneration and Human Resources Committee (Remco), to ensure scheduled business can be considered by Remco following today's Board meeting but he anticipated that to be the last Remco meeting he chairs subject to the Board appointments being confirmed.

The Board confirmed it was content with the proposals.

The Chair advised of meetings with Diane McGiffen, engagement and preparation ahead of attendance at the Audit Committee and chairing a meeting of the New Audit Appointments Steering Group on 11 May 2020.

The Board welcomed the update.

#### **4. Accountable Officer's report – verbal update**

Caroline Gardner noted that she would build on the update that Diane McGiffen provided at the most recent meeting of the Audit Committee. She advised that the Coronavirus pandemic was a health, social and economic crisis which will affect how we all live and work for years to come. She advised that Audit Scotland has focused on the immediate consequences and are now planning ahead as a number of key decisions will be required on the work that we do by the new Auditor General for Scotland and the Accounts Commission.

Caroline advised that Audit Scotland colleagues have been working remotely since 16 March 2020, securely supported by Digital Services and that the Incident Management Team has been communicating with colleagues regularly confirming that that safety comes first.

Caroline advised that there was little financial impact on Audit Scotland's accounts to 31 March 2020. She advised that the 2019/20 underspend of £125k and that the draft accounts have been presented to the external auditors, Alexander Sloan, this week. Caroline invited members to note the achievement of the Finance team in delivering this as well as supporting the Comptroller function, paying suppliers and staff.

Caroline invited members to note that there had been two Leadership Group meetings, a meeting with the audit partners and firms and engagement between Audit Directors and the firms about how we work together, and praised the work of colleagues in supporting Accounts Commission meetings remotely.

Caroline advised that she had briefed the Public Audit and Post Legislative Scrutiny Committee (PAPLS) on the likely impact of Covid-19 on Audit Scotland's work and the Committee's work programme. Caroline also advised of ongoing contact with the other UK and Ireland audit agencies, highlighting the forthcoming meeting of the Auditors General on 22 May 2020 to discuss respective responses to the pandemic.

Caroline invited members to note that Audit Scotland are now looking at the prioritisation and resourcing the audit work, recognising the impact of the pandemic on audit bodies and audit work programmes. She advised that Fraser McKinlay, Director of Performance Audit and Best Value and Controller of Audit and Fiona Kordiak, Director of Audit Services are reviewing Audit Scotland's work programmes in more detail, adopting the principles of being flexible, pragmatic and consistent in approach. She advised that in assessing work priorities, the impact on colleagues and capacity would be key, recognising that financial reporting deadlines are changing and that audited bodies are facing unprecedented challenges. Caroline highlighted the briefing paper published on Audit Scotland's website which provided information on audit priorities and approach.

The Chair thanked Caroline for the update, praised the ongoing communications from the Incident Management Team and welcomed the support and care demonstrated for colleagues.

Heather Logan asked whether there were any concerns about the audit firms and their ability to deliver the audit work. Caroline Gardner advised that she had been impressed by the firms' response to the current situation and she confirmed Audit Scotland are keeping in touch on the likely impact through ongoing engagement and additional sector meetings.

Heather Logan asked whether Audit Scotland are currently employing any agency staff. Caroline Gardner confirmed that some temporary and fixed term employees whose contracts would otherwise have expired had been retained until the end of June. She also advised that Audit Scotland had cancelled the summer intern programme with regret, but was progressing with the graduate trainee recruitment and that successful candidates would join the organisation in September 2020 and that the scheme continues to be vital for ongoing recruitment and retention and organisational capacity.

Following discussion, the Board welcomed the update.

## 5. Accounts Commission Chair's report – verbal update

Graham Sharp acknowledged that colleagues across Audit Scotland have coped remarkably well and noted Accounts Commission members' appreciation of the communications. He noted the potential impact of both the immediate and longer-term audits and that this would be the focus over the coming months.

Graham advised that the Accounts Commission had met in the previous week to discuss issues including best value reporting.

Graham invited members to note that the Accounts Commission will proceed with the current work on the Local Government Overview, recognising that the work pre-dates Covid-19. He advised that thought was being given to the focus and timing of overview work for this year.

Members noted an impact report on equal pay would be published.

Graham advised a further meeting of the Commission is scheduled for 21 May 2020 and that the commission was likely to hold two virtual meetings in June if the current restrictions remain place.

The Board welcomed the update.

## 6. Review of minutes: Board meeting 24 March 2020

The Board considered the minutes of the meeting of 24 March 2020, which had been previously circulated.

The Chair formally recorded that the members of the Board had had an extended discussion on the revised draft minute he had circulated in advance of the meeting and subject to amendment this would be substituted for the draft circulated.

The members discussed the basis of minuting discussions on items taken in private and agreed this would be considered as part of the Board's review of governance scheduled for later in the year.

Following discussion, the Board members agreed a variation of the draft minute circulated by the Chair which Diane McGiffen would share for consideration and approval by members via correspondence.

**Action ASB111: Diane McGiffen to circulate an updated draft of the draft minute for approval by correspondence. (May 2020)**

## 7. Review of action tracker

The Board noted the updates provided on the action tracker and the Chair advised he had written to the Office of National Statistics and would report back in due course.

## 8. COVID-19 – verbal update

*Stuart Dennis, Corporate Finance Manager, Simon Ebbett, Communications Manager, David Blattman, HR and OD Manager joined the meeting.*

The Chair invited Stuart Dennis to provide an update on financial planning.

Stuart Dennis highlighted a number of critical finance functions which had continued to operate effectively in the current situation, these included; payroll, payment of suppliers and managing the comptroller function.

On the 2019/20 accounts position, Stuart advised that the core operational outcome was £125k better than budget, capital was £9k better than budget and the AME non cash pensions was significantly better at £4,180k. Stuart invited the Board to note that the audit of the accounts was

concluding this week and expressed his appreciation of the efforts of the Finance team and support from colleagues across the organisation to support this work at this difficult time.

Turning to the 2020/21 budget, Stuart provided an update on the cashflow position and invoicing. Stuart advised he anticipated some payment of invoices may be delayed and that he had been in contact with Finance colleagues at the Scottish Government regarding the potential cashflow issues this may cause. Stuart also advised he was engaging with business groups in relation to forecasting and savings on expenditure while considering the potential impact on in-house work in progress through to March 2021.

Stuart highlighted a number of potential implications of increased costs of audit work in order to meet extended deadlines and how that might be funded, the ability to deliver EAFA audit work by end December 2020, the longer term impact planning underway in relation to pensions, resourcing and funding issues and the procurement exercise on costs. Stuart advised that the medium-term financial plan is a live document which continues to be updated.

Heather Logan welcomed the comprehensive update and asked where additional funding could come from. Stuart advised that any additional funding could be requested through the Scottish Commission for Public Audit, would need their approval and would then be included in an Autumn budget revision. Stuart also provided assurance on the process of payment for the audit firms. Diane McGiffen advised that as part of the medium term financial planning the Board would be invited to consider the best options for sustainable funding for Audit Scotland, given that, regardless of whether fees were charged for audits or the work was directly funded, all the resources came through public funds. Caroline Gardner reflected on the significance of the potential issues arising and welcomed the consideration of the issues highlighted by Stuart and the Finance team.

Following discussion, the Board welcomed the update and the Chair requested a report to come to the Board's next meeting on 1 June 2020.

The Chair invited Diane McGiffen to provide an update on organisational priorities.

Diane McGiffen highlighted the critical business continuity arrangements in relation to people, audit work and public bodies. Diane invited the Board to note that fewer than ten colleagues had reported experiencing COVID symptoms, and that overall sickness absence levels were lower than at this point in previous years. Diane invited the Board to note that the Audit Committee is scheduled to review the Health Safety and Wellbeing annual report at its meeting on 1 June 2020 and that this documents key performance indicators for 2019/20, demonstrating no significant change from previous years.

Diane advised that Audit Scotland has been dealing with the immediate short term demands arising from the situation and is now looking to support emerging needs of colleagues working from home now for an extended period, recognising the challenges colleagues face reconciling the multiple demands on them as they work from home, home school and provide care for relatives and others.

Diane advised that the approach to audit work had been outlined at the PAPLS session, and reinforced that Audit Scotland's approach was to be pragmatic, flexible and consistent. She noted that reporting deadlines have been rescheduled and advised that assessments were ongoing as we work through resources to support the changes, anticipating peaks of work from July onwards and recognising the priority to complete financial statements as well as the work to progress corporate improvement programmes.

Diane invited members to note that the situation across public bodies remains very mixed and challenging and there is a lot for Audit Scotland to understand and respond to appropriately. Diane also highlighted the good relationships across audit agencies which is helpful in light of the bigger issues of scrutinising the flow of public finance across the reserved and devolved spending.

The Chair enquired about the colleagues who have displayed symptoms and Diane advised some colleagues have been advised to self-isolate. She also noted that Audit Scotland is largely able to work from home, although that can bring challenges, but that no one needs to

travel for business reasons and that the principle of, and communications on, safety first appears to be understood and well received by colleagues.

The Board welcomed the update, acknowledging the significant issues arising and the approach Audit Scotland are taking to understand and deliver audit work in this volatile and changing situation.

*Stuart Dennis, Simon Ebbett and David Blattman left the meeting.*

## 9. Governance arrangements - review of Standing Orders

Martin Walker introduced the Governance arrangements – review of Standing Orders report, copies of which had been previously circulated.

Martin Walker invited the Board to note that the practical options for holding virtual public meetings are being explored while the current situation continues. Martin then invited members to consider and approve the reinstatement of the Standing Orders in relation to the publication of Board papers and the publication of papers from the meeting on 24 March 2020.

The members noted and agreed the proposal to publish the papers from the meeting of 24 March 2020 together with those from today's meeting as set out in the report.

Following discussion, the Board welcomed the report and agreed to keep the Standing Orders under review.

Martin requested members consider the papers to be published from today's meeting under Any other business.

**Action ASB112: Martin Walker to arrange the publication of Board papers. (May 2020)**

## 10. New audit appointments update

*Robert Leask, Project Manager, Audit Quality and Appointments, joined the meeting,*

Alan Alexander introduced the New audit appointments update, copies of which had been previously circulated.

The Chair invited members to note the progress outlined in the report, the potential impact on audit fees of COVID-19 and the outcome of the code consultation process. The Chair also invited members to note that letters seeking approval to extend the current audit appointments for one year had been issued to the Auditor General for Scotland and the Accounts Commission and both had agreed in principle to the extension. The Chair advised the option to extend by a further year second extension will remain under review.

Turning to the timetable for implementation of the new Code, the Chair invited members to note the proposed extension to engagement on the Code in light of significant gaps in responses received to date and invited Robert Leask to provide a verbal update on the impact on the key areas for procurement.

Robert Leask invited members to note the full cost impact from Covid-19 is not yet known for both the potential audit appointment extension and the procurement exercise. The Board noted that the option to extend by a second year would remain under review.

The Chair advised the Steering Group will be considering the scope for an interim project overview report in June 2020.

Following discussion, the Board noted the report.

*Robert Leask left the meeting.*

## 11. Information Security Management policy

*Nicola Paton, Digital Project Manager, Digital Services, joined the meeting.*

Nicola Paton introduced the Information Security Management policy, copies of which had been previously circulated.

Nicola Paton highlighted the amendments made to improve Audit Scotland's policy and invited the Board to approve the policy.

Nicola expanded on the proposal to remove reference to Cyber Essentials Plus, as ISO27001 accreditation is recognised as exceeding these requirements.

The Board recorded their congratulations to the team in achieving ISO27001 reaccreditation and approved the updates to the policy, noted this demonstrated ongoing commitment to excel in this important area.

*Nicola Paton left the meeting.*

## 12. Review of Ethical Standard Policy on application

*Fiona Kordiak, Director, Audit Services, and Neil Cameron, Manager, Performance Audit and Best Value, joined the meeting.*

Fiona Kordiak introduced the Review of Ethical Standard Policy on application report, copies of which had been previously circulated.

Fiona Kordiak invited the Board to consider and approve the updated policy which reflected on the Financial Reporting Council's updated standards. The main change applicable to Audit Scotland relates to limited secondment opportunities available for colleagues and advised that this is not permitted for audit firms.

The Chair welcomed the update and, recognising the nature of the guidance, requested future updates be shown in tracked changes.

Caroline Gardner highlighted that the key concern of loan assignments is the ability to maintain our independence while recognising it is useful for progression and development of colleagues. She advised that Fiona and the team are thinking through the arrangements in place to enable working with other agencies.

Following discussion, the Board approved the policy.

## 13. Any other business

The Chair invited Martin Walker to propose the papers for publication as highlighted at item 9 of today's agenda. Following discussion, members approved the publication of the papers proposed.

The Board also agreed the adoption of the Audit Committee minutes which had been previously circulated.

Heather Logan highlighted the application of the Ethical standards policy for any new Board member(s) and Diane McGiffen confirmed she would highlight this with the SCPA.

**Action ASB113: Diane McGiffen to liaise with the SCPA on the application of Ethical standard for new Board appointments. (May 2020)**

## 14. Review of meeting

The members agreed that the first virtual meeting had worked well, business had been carefully considered and the Chair thanked everyone for their contributions.

**15. Date of next meeting: 1 June 2020**

The members noted the next meeting of the Audit Scotland Board was scheduled for 1 June 2020.

## Purpose

1. This report provides the Board with an opportunity to review its governance arrangements and the Standing Orders in the context of the current Covid-19 situation.

## Background

2. On 16 March 2020 Audit Scotland's Incident Management Team initiated the Business Continuity Plan in light of the Covid-19 situation. Colleagues were advised to work from home with immediate effect and the offices were closed.
3. On 23 March 2020 the formal 'lockdown' measures introduced by the UK and Scottish Governments took effect. The Board met the following day, the first meeting of the Board to take place via teleconference.
4. At that meeting the Board agreed to temporarily suspend some of the standing orders. These were in relation to meeting in public, the requirement for papers to be issued to members five days before the meeting and the publication of papers on the website in advance of meetings.
5. The Board also agreed to keep the [Standing Orders](#) under review at each meeting.
6. At its meeting on 13 May 2020 the Board agreed that the temporary variations to the standing orders on the issue and publication of papers was no longer required. This means that one variation, on meeting in public, remains in place.

## Considerations

7. The Board is committed to openness and transparency and meeting in public forms part of delivering on this commitment. Public interest in attending Board meetings to date, however, has been limited.
8. Holding a virtual public meeting, which is accessible, while having appropriate digital security arrangements in place is challenging.
9. While options are being explored it is recommended that meetings continue to take place via videoconference and that attendance is limited to Board members and those presenting papers for practical and digital security reasons.

## Recommendations

10. The Board is invited to:
  - Note that practical options for holding virtual public meetings are being explored and that the current arrangements continue in the meantime.
  - Agree that the variations to the Standing Orders are kept under review and considered at each Board meeting until further notice.

REF	FORUM	Agenda Item No	Item Title	Action Description	Meeting Date	Due Date	Responsible	Assigned to	Complete/Ongoing	Reported Yes/No	Progress Notes
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	This action falls within the procurement strategy for the new audit appointments exercise. Once strategy has been agreed by the project Steering Group, the fees and funding model will be updated.
ASB99	Board	17	Proposed schedule of meeting dates 2020	A further discussion on public meetings of the Audit Committee to be scheduled.	18/09/2019	Oct-20	Martin Walker	Martin Walker	Ongoing	No	Outline scope discussed with Chair 26/05/20. Review to be scheduled following the appointment of new Board members (inc Chairs of committees)
ASB106	Board	3	Governance arrangements	The Standing Orders to be reviewed at each meeting.	24/03/2020	May-20	Martin Walker	Martin Walker	Ongoing	Yes	Two of the three varied orders reinstated on 13/05/20. Public meetings remains under review.
ASB109	Board	12	2019/20 Q3 Performance report	Additional information on the composition of the cost per audit day in PABV to be circulated.	24/03/2020	May-20	Martin Walker	Martin Walker	Ongoing	No	Information shared by correspondence w/c 25/05/20.
ASB110	Board	13	2019/20 Q3 Strategic improvement programme update	Update report on disruption, business continuity and mitigation actions.	24/03/2020	May-20	Martin Walker	Martin Walker	Complete	Yes	An update on Covid-19 was considered at the Board meeting on 13/05/20.
ASB111	Board	6	Review of minutes: Board meeting 24 March 2020	Diane McGiffen to circulate an updated draft of the draft minute for approval by correspondence.	13/05/20	May-20	Diane McGiffen	Diane McGiffen	Complete	No	The amended draft minute has been circulated and approved by correspondence with members.
ASB112	Board	9	Governance arrangements - review of Standing Orders	Martin Walker to arrange the publication of Board papers.	13/05/20	May-20	Martin Walker	Martin Walker	Complete	No	The papers as agreed at the meeting on 13/05/2020 have been published on Audit Scotland's website.
ASB113	Board	13	Any other business	Diane McGiffen to liaise with the SCPA on the application of Ethical standard for new Board appointments.	13/05/2020	May-20	Diane McGiffen	Diane McGiffen	Complete	No	Diane McGiffen shared a copy of Audit Scotland's updated policy with the SCPA on 25/05/2020.

## Purpose

1. This is the 2019/20 annual report to the Board on our Freedom of Information (FOI) and Environmental Information Regulations (EIRs) arrangements, requests and performance. This report forms part of the suite of assurance reports in support of the Accountable Officer's governance statement in the annual report and accounts.

## Background

2. Audit Scotland, the Auditor General and the Accounts Commission are subject to the Freedom of Information (Scotland) Act 2002 (FOISA) and the Environmental Information (Scotland) Regulations 2004 (EIRs).
3. 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.
4. 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.
5. 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 2019/20

6. 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

7. 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.
8. The FOI/EIR policy was reviewed by the KITGG and Management Team and re-approved by the Board in August 2019. Staff acknowledged compliance with the policy via the Fit and Proper form in November and December 2019.
9. We reviewed our FOI publication scheme, in March 2020, to ensure it remains up to date.

## Approach to requests

10. It is our policy to be as open and transparent as possible and our approach to FOI/EIR requests is to treat them as a 'business as usual' activity. This means that we normally supply information to those requesting it in the normal course of business and do so without treating them as FOI/EIR requests.
11. 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.
12. Where it is appropriate, 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.
13. The following statistics and analysis are based on our recorded FOI/EIR requests for 2019/20.

## Statistics and Analysis

### Number of requests received

14. Audit Scotland recorded 31 FOI and no EIR requests this year. These were received in:

Requests received	2019/20		2018/19	
	FOI	EIR	FOI	EIR
Q1 (April – June)	5	0	11	0
Q2 (July – September)	10	0	6	0
Q3 (October – December)	10	0	13	0
Q4 (January – March)	6	0	8	0
<b>Total</b>	<b>31</b>	<b>0</b>	<b>38</b>	<b>0</b>

### Type of requester

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

Requester type	2019/20		2018/19	
	FOI	EIR	FOI	EIR
Media	3	0	7	0
MSP/MP	5	0	1	0
Organisation	11	0	10	0
Members of the public	12	0	19	0
Other	0	0	1	0
<b>Total</b>	<b>31</b>	<b>0</b>	<b>38</b>	<b>0</b>

16. Themes emerging from the information being requested are:

- 23% - reports, draft reports and correspondence relating to those reports
- 23% - data held on other organisations
- 31% - Audit Scotland's governance, policies, procedures
- 23% - contract information: Information technology, equipment, other contracts.

### Responding to requests

17. Information requested was released in full on 22 (71%) occasions, partially released on four (13%) occasions, the information requested was not held by us on four (13%) occasions and there was one refusal (1%). The one refusal was for Best Companies proprietary information. This information was exempt under Freedom of Information (Scotland) Act 2002 (FOISA) section 33 (1b), the commercial interest and the economy exemption.

### Cost of administrating and responding to requests

18. Time spent on specific requests is generally recorded to the job code for the audit work concerned. In addition, the time spent on FOI/EIR training is coded to the general learning and development job code.
19. Eleven members of staff recorded 512 hours (compared to 416 in 2018/19) for administering our FOI systems and procedures, replying to some requests and dealing with complex requests at FOI panels. This equates to approximately £28,954 (compared to £23,514 in 2018/19) 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

20. 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. Audit Scotland met this requirement for 87% of the requests.

## Charging for dealing with requests

21. Public bodies can make charges for dealing with FOI and EIR requests. We issued no fee notices in 2019/20.
22. 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.
23. No requests were refused on excessive cost of compliance this year.

## FOI/EIR panels, reviews and appeals

24. FOI Panels met four times this year to consider applying exemptions to some or all the information being requested.
25. 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.
26. Where an applicant is not satisfied with our initial response to their request, they can ask Audit Scotland for a review. In 2019/20 there were two requests for reviews. Following review, the original responses were upheld, and the information remained redacted.
27. 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

28. Audit Scotland staff undertake basic FOI/EIR training when they join Audit Scotland and refresher training is given as necessary.
29. In addition, staff updates are published when changes occur. A staff brief was issued in September 2019 and on FOI Day in March 2020 to remind staff of our FOI/EIR arrangements, performance and changes to legislation.
30. The Scottish Parliament passed the Coronavirus (Scotland) Act 2020 and all colleagues have been updated on the temporary amendments made to the Freedom of Information (Scotland) Act 2002 which came into effect on 7 April 2020. The changes includes provision for extensions to the timescales for responding to requests from 20 to 60 working days.
31. Maintaining training records is a dynamic process due to staff joining and leaving the organisation at any point during the year. As at 6 April 2020 three individuals (1% of staff) had not completed the FOI/EIR training.

## Conclusion

32. The report concludes that our FOI/EIR arrangements are working well and that there are no significant issues which require to be brought to the attention of the Board.

## Recommendations

33. The Board is invited to note the report.

## Purpose

1. This is the 2019/20 annual report to the Board on complaints received by Audit Scotland about its work. This report forms part of a suite of assurance reports in support of the Accountable Officer's governance statement in the annual report and accounts.

## Background

2. The Public Services Reform (Scotland) Act 2010 (the Act) required the Scottish Public Services Ombudsman to introduce a set of complaint handling principles, to which all public bodies must adhere.
3. Audit Scotland actively engages with the public in a variety of ways including through the correspondence process, freedom of information requests, our main office receptions and through our audit engagements etc. Interaction with the public, when handled well, enhances our reputation. However, if handled poorly it may harm our reputation and lead to dissatisfaction and complaints.
4. Audit Scotland, the Auditor General and the Accounts Commission introduced a joint complaint handling process in December 2012. The joint complaints handling process was reviewed and updated in 2014 and again in December 2018. 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.
5. The complaints procedure is a two-stage process, stage one is front line resolution within five working days or if more complex, or are not resolved at stage one, stage two is resolved within 20 working days.
6. In January 2020 the Scottish Public Services Ombudsman published a revised Model Complaints Handling Procedure (MCHP). The Ombudsman expects the revised MCHP to be fully implemented by 1 April 2021.

## Complaints received

7. The Corporate Governance team maintains the register of complaints received. The register shows that there were four complaints received in 2019/20 (compared to five in 2018/19).
  - One complaint, about audit opinions and judgements, was rejected as being out with our complaints handling procedure. The complainant was redirected to the Scottish Public Service Ombudsman and following additional correspondence we suggested he contact Police Scotland.
  - One complaint, concerning the disclosure of personal information, was not upheld.
  - One complaint, regarding the investigation into the quality of an Audit Scotland report, was not upheld, however we found that communication was not as timely as it could have been.
  - One complaint is ongoing.
8. Two complaints were completed within the 20-day deadline. Due to the complexity of the complaint one was completed four days late.

## Appeals to the Scottish Public Services Ombudsman (SPSO)

9. The Scottish Public Services Ombudsman Act 2002 (the Act) provides a framework for matters that can be considered by the SPSO for investigation. There were no appeals to the SPSO in 2019/20.

## Conclusion

10. The report on complaints handling 2019/20 concludes that there are no significant issues that should be brought to the attention of the Board.

## Recommendations

11. The Board is invited to note the report.

## Purpose

1. This report presents the 2019/20 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 2019/20, four times in person and once by video conference due to the Covid-19 pandemic. In accordance with its Terms of Reference and the Audit Committee Planner the committee considered a broad range of work across 111 agenda items, including 84 papers. This included reports on/from:
  - Financial management.
  - Governance, including the annual assurance and statement of control process.
  - Internal and external audit.
  - Audit quality.
  - Organisational risk.
  - Audit Scotland's annual report and accounts.
4. The Audit Committee reviewed the rolling action tracker at each of its meetings.
5. The Audit Committee carries out an annual review of its effectiveness based it 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 6 May 2020.

## The annual report and accounts and financial management

6. The Audit Committee approved the timetable to facilitate the completion of the Statutory Accounts for the Year ended 31 March 2020 at its meeting on 4 March 2020.
7. The audit of the 2019/20 accounts has concluded and was reported to the Audit Committee on 1 June 2020.
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 September and November 2019. 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 September 2019 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 March 2020. The Business Continuity Plan was restructured in light of the preparations for the potential impact of Brexit and the emerging worldwide Covid-19 pandemic.
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 of the Audit Committee meetings during 2019/20.
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 during 2019/20.
16. At its meeting in March 2020 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 2019/20; 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. The table below details the Audits and overall assurance assessments:

Audit	Design	Operational Effectiveness
Corporate Governance	Substantial	Substantial
Core Financial Controls – Financial Planning	Substantial	Substantial
IT Assurance	Substantial	Substantial

Implementation of the Audit Quality Framework	Substantial	Substantial
Staff Recruitment	Reasonable	Reasonable
Learning and Development	Reasonable	Reasonable
Communication and Stakeholder Engagement	Substantial	Substantial
Follow-up Review	Good progress	

19. There were sixteen recommendations from the seven internal audits. Eleven recommendations were classed as low significance and five of medium significance. Management responses have been provided for all audit recommendations and work is being undertaken to implement them as appropriate.
20. Reports on progress with internal audit recommendations are brought to each Audit Committee meeting.
21. The internal audit service and scrutiny provided by BDO offered substantial assurances in the round for the 2019/20 annual internal audit report.
22. 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.
23. The cost of the internal audit work for 2019/20 was £31,234.42. This was an overspend of £1,234.32 against the budget of £30k. This was due to an invoice for a 2018/19 audit being paid in 2019/20. The number of days planned to be used for audit by BDO was 53 days and this target was met.

## Audit quality

24. 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 Accounts Commission.
25. In November 2019, the revised Audit Quality Framework was approved by Audit Committee and Board. Positive feedback from stakeholders resulted in minor changes to the framework. Changes included rationalised reporting, an updated suite of key performance indicators (KPIs) and a revised complaints procedure.
26. 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.
27. The Quality of Public Audit in Scotland annual report 2018/19 was presented to the May 2019 meeting of the Audit Committee. The report concluded that the review of audit quality provided evidence of compliance with auditing standards and the Code of Audit Practice, together with evidence of good levels of qualitative performance. Key findings were that ICAS did not identify any concerns with audit opinions and that auditors had taken improvement action to address any quality issues raised in prior year. The report shows that Public audit in Scotland is well placed to meet the challenges arising from current reviews of the auditing profession.
28. The Quality of Public Audit in Scotland annual report 2019/20 was presented to the May 2020 meeting of the Audit Committee and highlights continued improvement in audit quality.
29. The Chair of the Audit Committee also attended three meetings of the Audit Quality Committee as an observer in 2019/20.

## Risk management

30. 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.

- 31.** 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 2019/20, the Committee considered four detailed risk interrogations on:
- focus and scope.
  - reputation
  - value for money and
  - independence.
- 32.** The Audit Committee considered quarterly 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**

- 33.** 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.
- 34.** Internal auditors provided Audit Scotland with reasonable assurance that, there are no major weaknesses in the internal control system for the areas reviewed in 2019/20.
- 35.** 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.
- 36.** On the basis of the work reviewed and progress made during 2019/20, the Audit Committee can advise the Board that, in its opinion, the internal control systems in Audit Scotland are effective.

## **Recommendation**

- 37.** The Board is invited to consider and approve the 2019/20 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 1 June 2020. The Board is invited to approve the contents of this report and recommend it to the Accountable Officer to support the Governance Statement.

## Background

3. Management Team agreed to adopt the internal control checklist and certificate of assurance process in 2011 to support the Accountable Officer's Governance Statement.

## Considerations

4. Business groups reviewed their internal controls between 9 to 27 March 2020 with the aid of the internal control checklist. Based on the review and checklist findings the business group Directors completed and approved their business group's Certificate of Assurance.
5. Business group Directors reported that generally the controls in their areas have been and are working well. The responses, including evidence and detailed action points where relevant are available on SharePoint.
  - Audit Services
  - Corporate Service
  - Performance Audit and Best Value.

## Recommendations

6. 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 2019/20 ASSURANCE FOR THE GOVERNANCE STATEMENT

1. I am aware that, as Director for **Performance Audit and Best Value**, you are required to sign a governance statement for the annual accounts for 2019/20. To assist you in that process, I can confirm that I have received and reviewed the required assurances from my own Assistant Directors/senior managers.
2. Based on that review, and my own knowledge of internal control matters in my business group I can confirm that these controls have been, and are, working well. There are, in my opinion, no significant matters arising in my area of responsibility which would require to be raised specifically in the governance statement.

Name of Director: Fraser McKinlay

Business Group: Performance Audit and Best Value



Signature:

Date: 25 March 2020

# CERTIFICATE OF ASSURANCE



To Audit Scotland's Accountable Officer

## ANNUAL ACCOUNTS 2019/20: ASSURANCE FOR THE GOVERNANCE STATEMENT

1. I am aware, as Director for the **Audit Services Group**, that you are required to sign a governance statement for the annual accounts for 2019/20. To assist you in that process, I can confirm that I have received and reviewed the required assurances from my own Assistant Directors/senior managers.
2. Based on that review, and my own knowledge of internal control matters in my business group I can confirm that these controls have been, and are, working well. There are, in my opinion, no significant matters arising in my area of responsibility which would require to be raised specifically in the governance statement.

Name of Director: Fiona Kordiak

Business Group: Audit Services

A handwritten signature in black ink that reads "Fiona Kordiak".

Signature:

Date: 8 April 2020

# CERTIFICATE OF ASSURANCE



To Audit Scotland's Accountable Officer

## ANNUAL ACCOUNTS 2019/20: ASSURANCE FOR THE GOVERNANCE STATEMENT

1. I am aware that, as Director for **Corporate Services Group**, you are required to sign a governance statement for the annual accounts for 2019/20. To assist you in that process, I can confirm that I have received and reviewed the required assurances from my own Assistant Directors/senior managers.
2. Based on that review, and my own knowledge of internal control matters in my business group I can confirm that these controls have been, and are, working well. There are, in my opinion, no significant matters arising in my area of responsibility which would require to be raised specifically in the governance statement.

Name of Director: Diane McGiffen

Business Group: Corporate Services Group

Signature:

A handwritten signature in black ink that reads "Diane McGiffen".

Date: 12 May 2020



**Alexander Sloan**  
Accountants and Business Advisers

---

**AUDIT SCOTLAND  
MANAGEMENT LETTER  
FOR THE YEAR ENDED 31 MARCH 2020**

DRAFT

## Executive Summary

---

As the External Auditor we are required by legislation to report to the Scottish Commission for Public Audit (the 'Commission') our findings from the annual audit of the Accounts of Audit Scotland. The purpose of this report is to summarise for the Commission the key issues arising from our audit of the Accounts for the year ended 31 March 2020. The report covers the following points:

- Scope of the Audit (Page 2&3)
- Auditors Independence and Ethics (Page 4)
- Key Audit Risks (Page 5&6)
- Significant Accounting Policies and Estimates (Page 7)
- Internal Controls & Internal Audit (Page 8)
- Audit Team (Page 9)

Based on our detailed audit work which is carried out in accordance with International Standards on Auditing (UK) we have been able to satisfy ourselves that the Financial Statements provide a true and fair view of Audit Scotland's affairs and have therefore issued an unqualified audit opinion on the Financial Statements. Our opinion is based on the signing of the letter of representation and the accounts by the Accountable Officer.

Should you require any further information on any aspect of the audit then please contact the Audit Partner or Manager who will be pleased to assist you.

## Scope of the Audit

---

The scope of an external audit is set by the Financial Reporting Council. The main objective of the audit is to form an opinion as to whether the Accounts of Audit Scotland give a true and fair view of the state of affairs of Audit Scotland at 31 March 2020 and of its net resource outturn for the year, and confirm that the Accounts are prepared in accordance with the Public Finance and Accountability (Scotland) Act 2000 and Directions by Scottish Ministers.

As part of our audit we carry out the following work:

- Examine, on a test basis, evidence relevant to the amounts and disclosures in the Accounts.
- Assess any significant estimates and judgements made by Audit Scotland in the preparation of the Accounts.
- Assess whether the accounting policies are appropriate to Audit Scotland's circumstances, consistently applied and adequately disclosed.
- Evaluate the overall adequacy of the presentation of information in the Accounts to ensure compliance with the Financial Reporting Manual (FReM)
- Report to you our opinion as to whether the Accounts give a true and fair view and are properly prepared in accordance with relevant legislation.
- Report to you our opinion as to whether the information specified by Scottish ministers on remuneration and other transactions has adequately been disclosed and whether the information given in the Performance Report and Accountability Report is consistent with the accounts.
- Consider whether based on audit testing the expenditure has been incurred and the receipts have been applied in accordance with section 22(1)(a) and (b) of the Public Finance and Accountability (Scotland) Act 2000.

Our audit methodology for the collection of audit evidence is based on our own Audit Manuals, which are continuously updated to reflect current auditing standards. The methodology adopts a risk-based approach in accordance with International Standards on Auditing (UK).

## Scope of the Audit (cont.)

---

Although we are required under International Standards on Auditing to consider fraud when carrying out our audit, the purpose of our audit is not the detection of fraud. Responsibility for the prevention and detection of fraud rests with the Accountable Officer who should not rely wholly on the external audit function to discharge these responsibilities. We noted no incidents of misconduct, fraud or irregularity during the course of our audit.

Our audit report is made solely to the Commission, as a body, in accordance with Section 25(3) of the Public Finance Accountability (Scotland) Act 2000. Our audit work is undertaken so that we might state to the Commission those matters we are required to state to them in an auditor's report and for no other purpose.

## Audit Independence and Ethics

---

The Audit Plan for the period ended 31 March 2020 stated that under the Financial Reporting Council's (FRC) Revised Ethical Standard 2016 there were no ethical issues that we required to inform the Audit Committee of Audit Scotland or the Commission.

We can confirm that as far as we are aware there are no changes to these matters and that no issues arose affecting the objectivity and independence of the audit team.

We can specifically confirm:

- the firm is not dependent on the audit fees;
- the firm is not owed significant overdue fees;
- there is no actual or threatened litigation between the firm and Audit Scotland;
- no benefits have been received by the audit team;
- the firm does not have any mutual business interest with Audit Scotland or the Commission;
- no members of the audit team have any personal or family connections with Audit Scotland, the Commission or their officers.

At the conclusion of the audit we have also conducted a review of our independence and objectivity. In our professional opinion, our independence and objectivity has not been compromised and the firm has acted in accordance with the FRC's Revised Ethical Standard 2016.

## Key Audit Risks

---

The following risk areas were identified during the planning of the audit and were documented in our audit planning letter. These points were considered during the course of our audit and our findings for each point are set out below:

Risk	Audit Findings
<b>Management Override of Controls</b> International Standard on Auditing (UK) 240 requires us to treat management override of financial controls as a significant risk.	No issues were identified, from our audit work, that affected the accounts or our audit opinion.
<b>Revenue Recognition</b> ISA (UK) 240 requires the auditor to presume that there are risks of fraud in revenue recognition.	No issues were identified, from our audit work, that affected the accounts or our audit opinion.
<b>Work In Progress</b> As set out in our planning letter our audit involved a detailed review of the work in progress balance.	We have reviewed Audit Scotland's work in progress and are satisfied that the balance is not materially misstated.
<b>Provisions</b> As set out in our planning letter our audit involved a detailed review of the provisions in place for dilapidations, voluntary early release arrangements and rent free periods.	We have reviewed supporting documentation and assumptions in respect of the provisions and are satisfied that the provisions are not materially misstated.

## Key Audit Risks (continued)

---

Following the issuing of our audit planning letter, the following risk area was identified and reported to the Audit Committee as key risk. Our findings are set out below:

Risk	Audit Findings
<b>Covid-19 Pandemic</b> There is a risk that the operations and finances of Audit Scotland could be adversely impacted as a result of the Covid-19 outbreak.	We have discussed the impact of Covid-19 with senior management of Audit Scotland. Based on the work carried out we are satisfied there is no impact on the audit report.

## Qualitative Aspects of the Financial Statements

Qualitative Aspects	Audit Findings
<p><b>Disclosures</b>            Audit Scotland is responsible for the preparation of their financial statements. We consider whether they are presented in accordance with Financial Reporting Manual (FReM).</p>	<p>We did not identify any material disclosure errors within Audit Scotland's financial statements.</p>
<p><b>Accounting Policies</b>            FReM requires that entities should review their accounting policies regularly to ensure they are appropriate to its particular circumstances for the purposes of giving a true and fair view. As part of the audit we consider the appropriateness of these policies.</p>	<p>We have reviewed the significant accounting policies and are satisfied that they are reasonable and appropriate to Audit Scotland's circumstances.</p>
<p><b>Accounting Estimates and Judgements</b>            FReM requires that entities should use estimates and judgements appropriate to its particular circumstances for the purposes of giving a true and fair view. As part of the audit we consider the appropriateness of these estimates and judgements.</p>	<p>We have reviewed the significant accounting estimates and judgments and are satisfied that they are reasonable and appropriate to Audit Scotland's circumstances.</p>
<p><b>Timing of Transactions</b>            Audit Scotland are responsible for having accounting systems in place which accurately record financial transactions. During the audit we consider whether transactions have been recorded within the correct period.</p>	<p>No material recording issues were identified during the course of the audit.</p>
<p><b>Going Concern</b>            The Accountable Officer is responsible for assessing whether Audit Scotland is a going concern for 12 months from the date of signing of the audit report. As auditors we review the Accountable Officer's assessment and whether we believe it is appropriate.</p>	<p>During our audit we have considered Audit Scotland's assessment that the organisation is a going concern. Based on discussions with the Management team, review of budgets and as there is no expectation that funding will be withdrawn, we are satisfied that the organisation's assessment is appropriate.</p>

## Internal Controls

---

Overall responsibility for maintaining adequate financial reporting systems and systems of internal control, as well as for the prevention and detection of fraud, irregularities, and other errors, rests with the Accountable Officer.

In accordance with International Standards on Auditing (UK) each year we write to the Commission where we identify matters which arose during the course of our audit which we consider should be brought to the attention of the Commission.

It should be noted that any such matters are those that come to our attention during the normal course of our audit work and not as a result of a special review of Audit Scotland's systems, procedures and controls.

For the audit for the year ended 31 March 2020 there are no such matters that require to be brought to the attention of the Commission.

## Internal Audit

---

As part of our audit work we have reviewed the Internal Audit Reports on the controls within Audit Scotland and held bi-annual meetings with Audit Scotland's Internal Auditors.

Having an effective working relationship with the Internal Auditors has helped us to gain a greater understanding of Audit Scotland and its control environment.

# Audit Team

---

If you require any further information regarding any of the issues outlined in this Management Letter please contact the Partner or Manager who will be pleased to assist you:

Position	Name	Direct Dial	E-mail
Partner	Steven Cunningham	0141 204 8984	steven.cunningham@alexandersloan.co.uk
Manager	Jillian So	0131 228 7960	jillian.so@alexandersloan.co.uk



**Alexander Sloan**  
Accountants and Business Advisers

---

[www.alexandersloan.co.uk](http://www.alexandersloan.co.uk)

© Alexander Sloan 2020. All rights reserved. The report is produced for the sole use of Audit Scotland and no reliance should be placed on the report by any other party.

Alexander Sloan is registered to carry on audit work and regulated for a range of investment business activities by the Institute of Chartered Accountants of Scotland.

## Purpose

1. This report provides the Board with an update on how we are mainstreaming equalities in Audit Scotland and provides a progress update on our three Equalities and Human Rights outcomes. Audit Scotland and the Accounts Commission are listed authorities and we prepare one report to cover both in view of the degree of overlap of the material and activity involved.

## Background

2. We last published a Mainstreaming Equalities Report in April 2019; we are required to publish such a report on a biennial basis so the next one is due April 2021. As this is a significant exercise, we have established a pattern of preparing an interim internal report in the intervening year. This is helpful in identifying those areas where we need to place more focus in the second twelve months. The report contains a lot of detail to aid the preparers of the April 2021 report, for the identification of themes and trends which may be worthy of reporting.

## Considerations

3. Good progress has been made in advancing equalities through performance audit work and there are now more examples of where it has been included in the scope of local financial audits. However, in many cases the inclusion of equalities in best value audits and local financial audits has tended to be scheduled for later in the appointment round. So, we expect to see more coverage in those types of audits by the time we report externally in April 2021. This may, however, be impacted by the current crisis affecting the public sector and our ability to proceed as planned.
4. There are now a few examples of where human rights and socio-economic inequality, our newest outcome, has been taken into consideration in the scoping of an audit and/or we have been better at articulating that the scope of an audit embraces socio-economic inequality.
5. Through the work of the People Focus Group and routine corporate reporting we continue to advance equalities as an employer. Only one Equality Impact Assessment (EIA) has been completed in 2019/20. Members of EHRSG continue to promote the importance of EIAs when undertaking training at meetings of superteams and cluster groups.

## Conclusion

6. Overall good progress has been made in mainstreaming equalities and in progressing the three equality outcomes. In light of the exceptional challenges facing the public sector, with Covid-19, we may have to be more flexible in our expectations of the progress likely to be made through audit work in the next 12 months. At the same time the current crisis has highlighted inequality, in its broadest sense. It will be important for Audit Scotland and the Accounts Commission to adopt a proportionate approach commensurate with our core purpose.

## Recommendations

7. The Board is invited to note the report.

# Mainstreaming Equality and Equality Outcomes

Interim progress report 2019-20

ACCOUNTS COMMISSION 

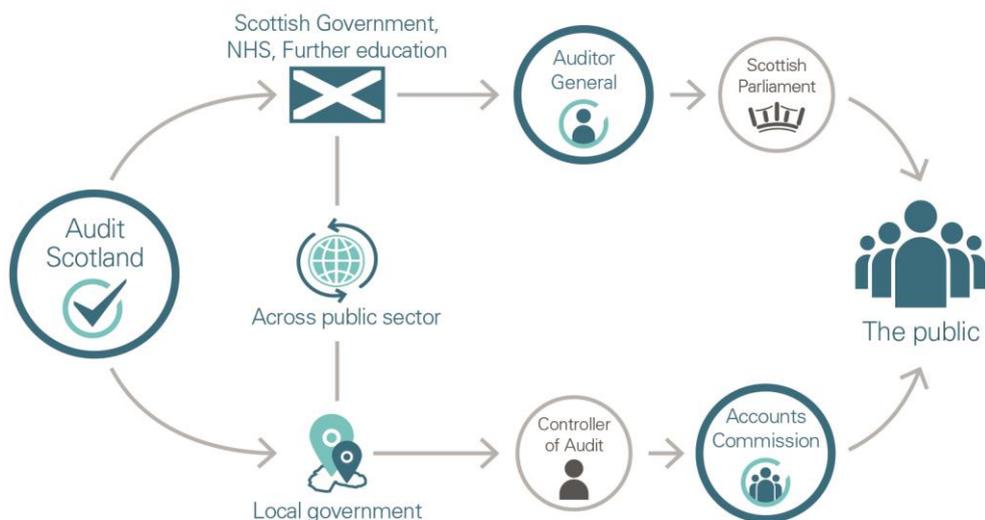
 AUDIT SCOTLAND

Prepared by EHRSG for Management Team  
April 2020

## 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 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 Audit Scotland

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 achieve 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.

# Contents

---

Executive summary	4
Introduction	5
Mainstreaming equality	8
Progress on equality outcomes	10
Looking forward	23
Appendix 1. Audit Scotland's three equality outcomes	24
Appendix 2 Equality and Human Rights Advisory Group members	25
Appendix 3 Meeting the specific duties of the Equality Act	26

---

# Executive summary

---

- 1.** This report sets out how Audit Scotland and the Accounts Commission, working with the Auditor General for Scotland, are addressing their responsibilities under the Equality Act 2010. Equality outcomes were first set in 2013, revised in 2017 and a further outcome added in 2019. They are summarised in one place in Appendix 1. A report summarising the progress made in mainstreaming equality and progressing the two 2017 equality outcomes over the years 2017-19 was published in April 2019. This report is an interim report, for the year to April 2020, produced to inform Management Team.
- 2.** Overall good progress has been made in 2019/20. With respect to Outcome 1: *Audit work reflects how public services meet the diverse needs of all citizens and communities*, the equality thread which runs through our performance audits has been strengthened. This reflects the now more established role played by our external advisors, the Equality and Human Rights Advisory Group, in shaping the scope of specific audits and our work programme. We have developed our Audit Management Framework to more routinely consider the scope of audits, how we engage with service users, and report on findings, in the context of advancing equalities. The report contains examples of where this is evident in our performance audits.
- 3.** Equalities are part of our considerations for local government Best Value audit scopes and communications strategies. Guidance to auditors in this area has been refreshed to embrace fairness, reflecting the revised statutory best value characteristics. Having said that audit teams are tending to plan the audit of equalities, in local government, in years four or five of this audit appointment round.
- 4.** Information on equalities continues to feature in some annual audit reports; the financial audit planning guidance for 2018/19 was the first to explicitly include equalities as an area to be considered over the course of an audit appointment. The results of that emphasis are likely to become more apparent later in 2020.
- 5.** Progress continues to be made on Audit Scotland's Outcome Two: *Audit Scotland promotes, understands and supports a diverse and inclusive workforce*. It is an area we continually revisit to ensure we are responsive to what we learn from both the gathering of employment data and our annual staff survey.
- 6.** In April 2019 we established a new outcome: *in our audit work we will reflect, where appropriate, on how public bodies address human rights and socio-economic disadvantage*. This development was in recognition of Scotland's changing landscape including new financial powers, Social Security Scotland, the new Budget Review Process, the National Performance Framework and the Fairer Scotland Duty. This new outcome is becoming reflected in our audit work, for example the Social Security audit team is working with the Scottish Human Rights Commission to ensure that implications of the UN Right to Social Security are appropriately reflected in our work in this area.
- 7.** This work will be approached in the same measured and consistent manner as our audit duties. The Fairness and Equality section of best value guidance has been refreshed to reflect this new outcome. Further materials will be developed to support auditors.

# Introduction

## Roles

**8.** A biennial report is published jointly by the Accounts Commission and Audit Scotland. This interim report is produced for internal information and submitted to the Management Team. We have selected this format for ease of preparation of the 2021 report.

**9.** The Accounts Commission is the public spending watchdog for local government. It holds councils in Scotland to account and helps them improve. It operates impartially and independently of councils, the Scottish Government and the Scottish Parliament, and it meets and reports in public.

**10.** Audit Scotland is a statutory body that carries out audits and investigations for the Accounts Commission and the Auditor General for Scotland. The Auditor General for Scotland secures the audit of the Scottish Government and other public bodies in Scotland, except local authorities. The Auditor General is independent of the Scottish Government and the Scottish Parliament.

**11.** Audit Scotland helps the Auditor General and the Accounts Commission to ensure public money in Scotland is used properly, efficiently and effectively. This is done by carrying out performance, best value and financial audits of various aspects of how public bodies work. Public audit in Scotland covers over 220 public organisations, including the Scottish Government, the NHS in Scotland and local councils. These organisations spend over £40 billion of public money annually.

# 225

Public bodies audited 2019/20



## 76

Central government  
bodies and  
Scottish Parliament



## 73

Joint boards  
and committees



## 32

Councils



## 23

NHS



## 21

Further education  
colleges

The Auditor General and the Accounts Commission appoint the auditors. Approximately two thirds of the annual audit work (by value) is done by Audit Scotland and a third by private sector firms.

**12.** For more information about Audit Scotland and the Accounts Commission, including our vision, structure, aims and priorities, see Audit Scotland's [Corporate Plan](#) and the [Accounts Commission's Strategy and annual action plan 2019-24](#), both published on our [website](#).

## About this report

**13.** This report sets out how Audit Scotland and the Accounts Commission, working with the Auditor General, are addressing their responsibilities under the Equality Act 2010. Under the Act, public bodies must consider all individuals when carrying out their day-to-day work: in shaping policy, in delivering services and in relation to their own employees. The public sector equality duty, also known as the general equality duty, covers the protected characteristics of age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation. This duty requires public bodies to have due regard to the need to:

- eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by the Equality Act
- advance equality of opportunity among all people
- foster good relations between different people when carrying out their activities.

**14.** The Scottish Specific Duties require listed authorities to carry out the following activities:

- Report on mainstreaming the equality duty
- Publish equality outcomes and report progress
- Assess and review policies and practices
- Gather and use employee information
- Publish gender pay gap information
- Publish statements on equal pay
- Consider award criteria and conditions in relation to public procurement.

**15.** Audit Scotland and the Accounts Commission are listed authorities for both the Equality Act and the Specific Duties in Scotland. Consequently, they are required to report progress on mainstreaming the public sector equality duty and to report progress on their published equality outcomes. Revised [equality outcomes](#) were published in 2017 and a third one published in 2019:

- Outcome One: Audit work reflects how public services meet the diverse needs of all citizens and communities
- Outcome Two: Audit Scotland promotes, understands and supports a diverse and inclusive workforce
- Outcome Three: in our audit work we will reflect, where appropriate, on how public bodies address human rights and socio-economic disadvantage.

**16.** Audit Scotland and the Accounts Commission, as separate organisations, have individual responsibility to publish this information every two years. As the work of these bodies is so closely linked, a joint report is considered preferable. It should be noted that Outcomes One and Three relate to audit work commissioned by the Accounts Commission and the Auditor General. Outcome Two tends to only relate to Audit Scotland, which undertakes audit work for both the Accounts Commission and the Auditor General.

**17.** The Equality and Human Rights Steering Group (EHRSG) oversees the mainstreaming of the public sector equality duty, and the implementation of

Equality Outcomes 1 and 3: Audit work reflects how public services meet the diverse needs of all citizens and communities, and in our audit work we will reflect, where appropriate, on how public bodies address human rights and socio-economic disadvantage. The steering group has representation from all business groups and its work includes:

- raising awareness of equality issues among staff
- helping to ensure the requirements of the Equality Act 2010 are met
- working with business groups to help mainstream equality in our audit work.

**18.** We established an Equality and Human Rights Advisory Group (EHRAG) in 2016, involving people from a wide range of external stakeholder organisations (see [Appendix One](#) for membership), to help shape our approach to equality and human rights in the work we do.

**19.** The Audit Scotland People Focus Group (PFG) oversees implementation of Equality Outcome 2: Audit Scotland promotes, understands and supports a diverse and inclusive workforce. The PFG has been established to support the Management Team of Audit Scotland on key strategic employment matters, including review of diversity and equality reporting and outcomes, as they relate to the employees of Audit Scotland.

**20.** In relation to Outcome Two, a range of equality information, for example on how we gather and use employee information, is published on the Audit Scotland website, in line with the specific duties of the Equality Act. A summary of how compliance with these duties is ensured, is set out in [Appendix Two](#).

---

# Mainstreaming equality

---

## How have we mainstreamed the equality duty?

### Public performance reporting

**21.** Through our equality outcomes we have made the equality duty integral to the work of Audit Scotland and the Accounts Commission. The [2018-21 Audit Scotland Corporate Plan](#) includes Diversity and Equality as one of three key organisational priorities. Meanwhile, the Accounts Commission's [2019-24 Engagement Plan](#) notes that Audit Scotland works, on its behalf, with the Equalities and Human Rights Commission and convenes an Equality and Human Rights Advisory Group to ensure consideration of equalities is embedded in its work.

**22.** We use our existing public performance reporting systems to publish equality impact assessments and our reports associated with mainstreaming the equality duty. All our final reports on annual audits, performance audits and best value audits can be found on our external website.

### Leadership

**23.** Management Team of Audit Scotland provide clear and consistent messages about the importance of the public sector equality duty, to ensure that it is given appropriate profile and emphasis. For example, Audit Scotland publishes a diversity report and a separate gender pay gap report annually, whereas the duties only require publication every two years. Management Team initiated the debate about consideration of human rights and socio-economic in equality by holding an Equality Summit in 2018 which was key to the development of the third outcome in April 2019.

**24.** This commitment has also influenced our approach to procurement. For example, our preferred supplier for catering is Social Bite, a social enterprise that supports and enables the employment of homeless people and addressing socio-economic disadvantage. We also continue to use Redrock as our supplier for archive storage. More than 80% of Redrock's workforce has a disability and its overall aim is to 'provide sustainable employment for disabled people and a quality service to our customers'.

**25.** Work commenced in 2019 for the procurement of audit services; an exercise which is conducted every five years. Consideration was given as to whether an equality impact would be required and it was concluded, in consultation with the corporate Lead for Equality and Diversity, that there was no differentiation in how the procurement exercise impacted on individuals with protected characteristics. However the consideration did highlight that there is a need for Audit Scotland to determine whether compliance with the Equalities Act is sufficient for those suppliers with whom it contracts, or whether there is an expectation that a supplier should conform to the Public Sector Equality Duty and the Scottish Specific Duties. At the time of writing this report, the Head of Finance intends to discuss this further with procurement advisors from the Scottish Government.

### Staff awareness and understanding

**26.** A range of activities have helped raise staff awareness of equality and diversity issues in our work:

- On arrival new staff continue to undertake on-line training on diversity and equality as part of the overall induction.

- Our HR and OD team are reviewing the cycle of our suite of on-line training and as part of this review, the diversity and equality training will be rolled out as a refresher to all staff every three years.
- Members of the Accounts Commission have received diversity training.
- There is also an element of diversity and equality training, including unconscious bias, throughout our internal recruitment and CDG panel training. All managers involved in either process will have received this training and will also receive refresher recruitment training every 3 years.
- We published a blog on the role of EHRAG and publicised to colleagues the roll out of equality prompts in the refreshed Audit Management Framework (AMF): embedding equalities in our organisation and in our work.
- Mental health has been a key area of focus with published articles in our staff magazine Abacus, focused on different aspects of mental health including first person stories. We also supported and promoted Suicide Prevention Day in September and World Mental Health Day in October. In November, Kris Kelly from SAMH held a Knowledge Café focused on better understanding our mental health and wellbeing, as well as tips on managing mental health in the workplace. Looking ahead we're trialling lunchtime yoga sessions in our Edinburgh office and a focus on sleep for this year's mental health awareness week in May.  
<https://www.mentalhealth.org.uk/campaigns/mental-health-awareness-week>
- Members of the EHRSG have held training sessions at some superteam meetings to provide information on auditing equalities in public bodies. The training materials have been provided directly to audit teams to support them in their equalities work. This follows on from updated planning guidance which requires equalities to be considered once during an audit cycle.
- In January 2020 we began to use the Best Companies staff survey results to inform team level discussions including a focus on how to improve the team working experience for colleagues. This type of activity has been shown to have a positive impact on wellbeing.
- In 2019 a knowledge café was held on the topic of the Gender Pay Gap in Rural Scotland. Dr Jane Atterton and Dr Elliot Meador from the Rural Policy Centre, SRUC (Scotland's Rural College) were invited to present on their recent research funded by the Scottish Government. Findings echoed previous research which highlighted the larger extent of the gender pay gap in rural areas.
- Audit Scotland have continued to promote International Women's Day, and as part of the wider for World Menopause Awareness day, a Menopause Guide for Managers was shared by Human Resources.
- In 2020 Michael Wield from Stonewell was invited to present to the professional trainee group. He spoke on the barriers that different groups often face in the workplace and the promotion of equality. He also spoke about the Stonewall Diversity Champions programme; which Audit Scotland are now a part of.

---

# Progress on equality outcomes

---

## Outcome 1: Audit work reflects how public services meet the diverse needs of all citizens and communities

### We said we would:

- use feedback from stakeholders on how to reflect equality and diversity in audit work which is carried out by staff sensitive to the diverse needs of stakeholders
- use data analysis to inform audit work and help understand who uses public services
- publish all information and reports in formats that are accessible to all
- incorporate equality and diversity issues in audit work programmes in a way which is consistent with our audit duties
- report all audit findings in a style that reflects the audience
- report on diversity and equality issues where appropriate
- support other public bodies in their scrutiny of diversity and equality.

### Involving people who share a relevant protected characteristic and their representatives

**27.** The focus of stakeholder engagement work has been through Audit Scotland's Equality and Human Rights Advisory Group (EHRAG). It was established in 2016 and meets every six months. Membership is detailed in [Appendix One](#).

**28.** Audit Scotland consults with EHRAG on the proposed forward work programme of performance audits and seeks input from members on proposed future topics. This has helped us embed equality and human rights concerns in our audit work and to gather views on potential topics for our future work programme.

**29.** The feedback from EHRAG has helped us build equality and human rights considerations more effectively into our audit work. For example

- Our engagement with EHRAG has led to the Scottish Human Rights Commission working with the Social Security audit team to ensure that implications of the UN Right to Social Security are appropriately reflected in our audit work in this area.
- EHRAG recommended that the new affordable housing audit should consider housing for people with special requirements and gypsy travellers. The audit team built housing for people with special requirements into the scope for the audit. The Affordable Housing Supply Programme (the delivery of which is the focus on the report) monies could not be used for traveller sites and so there is no coverage of this in the report. We will maintain a watching brief on the Scottish Government's Ministerial Working Group

(which includes representatives from the Gypsy/Traveller community and COSLA) established to drive forward cross government actions to improve the lives of Scottish Gypsy/Traveller communities through the Health Care and Communities cluster monitoring.

- EHRAG suggested that the Educational Attainment Outcomes audit consider the United Nations Convention of the Rights of the Child when scoping the audit. This policy covers a child's right to education from a human rights perspective in order to support equalities outcomes from a national and a local government perspective.

### Progress in Performance audit

**30.** Audit Scotland's Audit Management Framework (AMF) requires staff to identify relevant equality issues when scoping and carrying out national performance audits. For example:

- At the scoping stage: does the audit advisory group bring sufficiently diverse perspectives to this audit?
- At the evidence stage: are we speaking to local community groups or other organisations that might be able to help us understand who is and who isn't using the services, and what their experiences are; are we actively involving diverse groups in designing user surveys?
- At the reporting stage: have you, along with Communications colleagues, identified specialist media outlets that cater for specific groups and ensured they receive notice of the report and the publicity materials?

**31.** Audit teams include equality considerations in their methodology, fieldwork or reporting stages in performance audits. Examples of such audits, published since the last Mainstreaming report or audits that are currently in progress, include:

#### **Superfast Broadband for Scotland: Further Progress Update (September 2018)**

Digital inclusion and exclusion were considered during the scoping of this audit. The team interviewed three community broadband projects to examine what impact issues with connectivity had on the community. The report featured case studies covering two of these projects.

#### **Health and Social Care Integration (November 2018)**

The advisory group for this audit included representation from the Health & Social Care Alliance to support the inclusion of voluntary and community sector perspectives. As the audit progressed, further interviews were carried out with a range of diverse stakeholders. These included representatives of services users and carers at each case study site, and service providers from the third and independent sectors. The team also met with Voluntary Action Scotland and Voluntary Health Scotland and held a round table event with representatives from the third and voluntary sectors.

The report identified six key areas that if addressed would lead to broader improvements and help Integration Authorities to take positive steps towards making a systematic impact on health and care outcomes across their communities. The audit looked at how well Integration Authorities were engaging with their communities in order to influence their priorities. The report found that more meaningful and sustained engagement was required to inform service planning and ensure impact can be measured.

#### **Social Security: Implementing the Devolved Powers (May 2019)**

The audit focused on the devolution of welfare powers to Scotland. It looked at how well the Scottish Government is creating a social security system based on

fairness, dignity and respect and reported on how the clients are being involving in the design of the service. The audit team sought feedback and input from EHRSG during the scoping of the audit. Social Security Scotland made a commitment to recruiting a workforce which is representative of wider communities and of its service users. In assessing its wider workforce activity, the audit considered progress on this commitment.

### ***Scotland's Colleges 2019 (June 2019)***

The audit team continued to look at college access and attainment for students with defined equality characteristics and at the gender balance across subject areas and on college boards. The final report includes key messages and several exhibits relating to these equality issues, highlighting more changes is needed to address the attainment gap and to achieve a gender balance.

### ***Enabling Digital Government (June 2019)***

Digital inclusion and exclusion were considered as part of the scoping of this audit work. This report highlighted the need to ensure that citizens are put at the heart of service design to deliver services that meet users' needs and deliver better outcomes. It referenced initiatives such as the use of user experience panels by the Scottish Government's Social Security programme and contained a case study on the Scottish Approach to Service Design.

### ***NHS Workforce Planning – Part 2 (August 2019)***

The audit considered progress with implementation of the new GP contract and how the impact of the contract was being monitored by the Scottish Government. The report noted concerns raised by rural GPs that the contract would have a disproportionate impact on funding, recruitment and retention, and out-of-hours service delivery in rural areas. It also highlighted that the Scottish Government carried out an EQIA on the GP contract, but that this does not fully consider the potential risks or set out how any negative impact will be mitigated.

### ***Finances of Scottish Universities (September 2019)***

The audit team considered equalities whilst scoping for the report. This included, for example, the consideration of university outcome agreements (which include commitments to widen access to higher education including care-experienced students, gender equality for staff and students). The audit review noted that the scope of the audit meant it was unlikely that the audit would touch on these issues in much detail.

### ***Scotland's City Region and Growth Deals (January 2020)***

The audit team reviewed equalities at the scoping stage and considered the anticipated benefits that were likely to be met through the city deal programme across all population groups. The team reviewed the decision-making processes and noted if equalities were reviewed at the project identification stage.

The audit team interviewed representatives from the Equality and Human Rights Commission (EHRC) to understand what support they were providing to individual deals for inclusive economic growth. The EHRC is working with deals to help them set equality outcomes for each deal. Certain characteristics are protected by the Equality Act and it is against the law to discriminate against someone because of a protected characteristic. The EHRC's focus has been on creating opportunities for three of these protected characteristic groups: women, disabled people and those from ethnic minority communities.

The audit reported that as the four signed deals have already agreed their projects there is a risk that some opportunities for them to contribute to equality outcomes may have been missed. Although as these deals develop there is still scope for them to show their impact. It is important that the impact of deals on all groups is considered. One of the challenges encountered with deals so far is a lack of

reliable data to measure the impact on disadvantaged groups or on equality outcomes, such as the number of new jobs created for people in these protected groups. The Equality and Human Rights Commission were represented on the advisory group.

### **In the pipeline - Educational Attainment Outcomes (May 2020)**

The audit will look at improving outcomes for young people through school education. The team sought feedback from the EHRAG during the scoping of the audit. The team engaged with pupils and parents across the four case study areas covering covers Shetland, Dundee, Fife and Renfrewshire, and spoke with youth groups through the Inform 100 group. The audit team asked councils about equalities issues in their field work and attempted to engage with equalities groups such as LGBT Youth Scotland and Intercultural Youth Scotland.

### **In the pipeline - Outcomes for Children with Additional Support Needs**

The audit team conducted some early appraisal work in relation to the forthcoming audit. Early engagement with the EHRAG and youth panel are planned, and team are scoping out the available data and its limitations prior to scoping the audit.

### **Progress in Best Value audit**

**32.** We assess Best Value over a five-year audit appointment, through the ongoing annual audit work, our Best Value Assurance Reports on individual councils, and through discrete pieces of work looking at specific issues. This approach ensures Best Value audits include consideration of equal opportunities issues. Judgements are reached on:

- how committed the council is to equal opportunities
- to what extent equal opportunities is embedded in service delivery
- to what extent the council promotes equal opportunities in the community.

**33.** Guidance has been prepared to support all auditors and this was revised during 2019/20. The Best Value toolkit on [equality](#) helps auditors establish the extent to which public bodies' arrangements for equality are designed to achieve, and are delivering, Best Value. Organisations may download and use the toolkit for self-assessment. In the six months to end of December 2019, there were 591 downloads of the toolkit from the Audit Scotland website. New Best Value Guidance on [Fairness and Equality](#) has also been made available to staff.

**34.** An Equality Impact Assessment of Audit Scotland's approach to auditing [Best Value in local government](#) was published in April 2017.

**35.** Each Best Value Assurance Report now has a targeted communications promotion plan which focuses on specific messages for specific local audiences. For each report we produce a news release which is issued to both local and national media, a podcast, wide ranging engagement on social media, an animation highlighting the main messages and an e-newsletter. The e-newsletter gives a clear summary of the key messages and findings in each BVAR. This is published on our website, promoted on social media, as well as distributed to a large number of third sector and community organisations in each council area.

### **Progress in financial audit**

**36.** The Audit Planning Guidance for 2018/19 audits, published October 2018, stated that in addition to the coverage of equalities through Best Value audits of councils, auditors should confirm, for the other sectors, that there are organisational arrangements in place to secure Best Value when planning and reporting on the audit dimensions; the Scottish Public Finance Manual (SPFM) explains that accountable officers have a specific responsibility to ensure that arrangements have been made to secure Best Value. The audit planning guidance

states that the nature and extent of this work will be determined by the annual risk assessment but that the Best Value characteristic of equalities is to be covered at least once during the five-year appointment period. This requirement is repeated in the 2019/20 audit planning guidance.

**37.** Inverclyde Council's Annual Audit Report for 2018/19 concluded that clear progress has been made on Equality Outcomes. Training on Equality Impact Assessments is delivered to both Elected Members and employees. Equalities training is given during staff inductions and remains mandatory on an annual basis. In addition, all staff are given the opportunity to attend face-to-face training every three years. The gender pay gaps are reducing and the council is actively engaged with this. The gap has reduced year-on-year over the past three years, but Inverclyde still has the third highest gap of the Scottish councils. Two-thirds of the workforce have updated their equal opportunities status in 2018, which is double the previous rate. Recruitment and selection procedures are equally impact-assessed and are subject to rigorous re-evaluation at regular intervals. Equality Impact Assessments were prepared between November 2018 and January 2019 for each of the 2019/20 budget saving proposals. There has been increased and targeted engagement with Inverclyde's children, citizens and communities who have protected characteristics.

**38.** Argyll and Bute Council's Annual Audit Report for 2018/19 found that Council had a comprehensive process of carrying out impact assessments on how project or service changes affect those with protected characteristics e.g. decision not to process with budget saving plan of reducing customer service points on island to part-time after impact assessment was carried out. The Council actively sought ways to address socio-economic inequality, targeting areas affected most. For example, the decision to automate entitlement to free school meals and school clothing grant. The aim of this was to reduce stigma surrounding the grant and provide a level playing-field for children from socio-economic disadvantaged backgrounds. The Council sought new ways to engage with communities and tailored needs of protected groups. Drop in sessions on council services were provided to the Gypsy/Traveller community. Services for British Sign Language users, Sensory Impaired Service works with people of all ages who are deaf or hard of hearing, blind or partially sighted to identify care needs and help maintain or regain independence and a quality of life. There is also Browse aloud/Video Relay Service to help those who are sensory impaired to navigate the website.

**39.** Equalities were also considered as part of the 2018/19 audit of national collection bodies. Audit activity found that the National Museum of Scotland (NMS) has an equality and diversity steering group in place that develops the strategic approach and longer-term planning for equality and diversity. Equality Impact Assessments are required for all strategies, policies and plans being put in place. The NMS work with 'Accessible', a specialist advisory group that audits all public sites for accessibility and best practice, with information published on NMS website. They also carry out community engagement work with groups with protected characteristics such as events for children with autism, for people who are visually and/or hearing impaired and for people with dementia and their carers. The National Library of Scotland (NLS) was also found to exhibit good practice in its commitment to delivering and promoting equal opportunities. Training for staff includes dignity at work, cultural awareness, dementia in the workplace and age awareness. NLS aim to increase the number and diversity of people who know about or use their service, this included making changes to website pages and registration forms and engaging with a range of stakeholder and equalities groups to promote services to those in the community. National Galleries Scotland (NGS) also has an Equalities Working Group which has been set up to look at priorities for improving access. Staff undergo general disability awareness training as well as specialist training on specific conditions.

## **Accessibility and reporting all audit findings in a style that reflects the audience**

**40.** We work hard to ensure that our work, our services and our workplaces are accessible:

- The websites for both Audit Scotland and the Accounts Commission meet Web Content Accessibility Guidelines 2.0 level AA and has been awarded 'two ticks' accreditation for web accessibility by the Digital Accessibility Centre (DAC). The DAC audits our site every year to ensure we maintain our standards and the website is accessible to people with a range of disabilities, including those with hearing difficulties.
- Audit Scotland provides information in a variety of formats for all audiences, helping ensure this information is accessible to stakeholders with hearing difficulties. This includes PDFs and RTF formats.
- All our podcasts are available as MP3s and have a transcript to ensure they are available and accessible.
- All our videos and animations on YouTube are captioned to ensure they are available and accessible.
- Contact details to enable members of the public to request alternative formats/languages, including BSL, are available on the back of all our published reports and stated on our website.
- We promote the use of the Contact Scotland BSL service, which gives access to an online interpreter who can communicate with us using sign language.
- When we are contacted to provide a BSL interpreter for a meeting, interview etc, we would arrange and pay for this service.
- Our main office, in Edinburgh, has hearing induction loops in meeting rooms and at reception.
- The Comhairle nan Eilean Siar and Western Isles Council reports were published in Gaelic.

## Stakeholder engagement and supporting other public bodies in their scrutiny of diversity and equality

### Youth Advisory Panel

**41.** The Inform100 youth panel has been in place since September 2018. This panel of young advisers works with Audit Scotland to help ensure that the voice of young people is heard in our audit work. The panel is supported by Youth Scotland.

**42.** Over the last year, the young advisers have considered a range of issues relevant to our audit work including:

- Identifying areas of audit interest relating to topics in our work programme, to help shape the audits. This included work on skills planning and investment, digital services in local government, community engagement and outcomes for young people with additional support needs.
- Helping shape the wording for questions for young people that we spoke to as part of our audit on improving outcomes for young people through school education and co-facilitating focus groups with young people in two council areas as part of that audit.
- Advising on ways we can better get our messages out to young people for future reports. The young advisers will be working with us to produce their own output that we will be publishing alongside the report on improving outcomes for young people through school education, in June 2020.

**43.** We were delighted that two of the young advisers were able to come to the Accounts Commission meeting in August 2019. They talked directly to the Accounts Commission members about their experiences of being on the panel, why they were interested in joining and what they are getting out of it, and it was a very powerful session. We were also really pleased that one of the young advisers was able to join us at our staff conference in January 2019, talking about what the panel has been doing and how it feels to be part of it.

**44.** The panel was established to run for two years, until late 2020. Before that, we'll continue to work with the young advisers to think about the best way to build on the work we've done together and ensure we continue to reflect the voice of young people in our audit work.

**45.** Members of the Accounts Commission have offered to work with members of Audit Scotland's youth panel as mentors, in a two-way relationship where the Commission members also learn from the young advisers. Arrangements for this are currently progressing.

### Scottish Parliament's Equalities and Human Rights Committee and the Scottish Human Rights Commission

**46.** Audit Scotland has continued to engage with the Parliament's Equalities and Human Rights Committee and the Scottish Human Rights Commission (SHRC). This included taking part in a Parliament's Equalities and Human Rights Committee panel exploring the role of the third sector in delivering equalities outcomes. Our liaison with SHRC this year has included work on budgets and transparency, and we have attended a Scottish Government workshop looking at national performance indicators relating to the NPF outcome, "public services treat people with dignity and respect."

**47.** We are a member of the non-departmental public body equality forum which meets approximately three times a year. The group has equality representatives from the different NDPBs and is a forum for discussion and the sharing of good practice in relation to meeting the public sector equality duties. Over the past year, the forum has focused on equality impact assessments and implementing the public sector equality duty (PSED).

**48.** An Audit Scotland representative is an observing member of the Scottish Government's Equality Budget Advisory Group. This is a non-statutory advisory group, with a remit to shape the equality and human rights approach to the Scottish budget. While we do not participate in any decision-making, our observing role helps inform our audit understanding of how human rights and equalities are being considered within the new budget process.

**49.** We have further integrated equalities and human rights into our audit guidance. We commissioned a secondee from the Blavatnik School of Government to review and update our approach. The findings and recommendations were then implemented through our internal audit approach framework, including clarifying guidance on how to document consideration, alongside practical questions for auditors to raise on audits.

## Outcome 2: Audit Scotland promotes, understands and supports a diverse and inclusive workforce

### We said we would:

- ensure staff feel valued and are treated with equity and fairness
- embed staff feedback on how to support diversity and equality in how we do things
- ensure staff feel that their wellbeing is a priority for Audit Scotland
- ensure staff recognise that policies are written in plain language, adhere to current legislation and are accessible to all

- ensure there is a rigorous process for conducting EIAs when new policies are introduced, or existing policies are updated
- operate a flexible approach to working practices
- ensure that the reward system is fair, and the gender pay gap and equal pay review results confirm this
- improve information on workforce by encouraging staff to disclose personal information
- increase the number of job applications from people in under-represented groups
- improve recruitment and selection processes in response to feedback.

## Our Progress

### Ensure staff feel valued and are treated with equity and fairness

**50.** Audit Scotland has several policies and plans in place to promote equity and fairness among staff, including:

- Diversity and Equality Policy
- Equal Pay Policy
- Gender Reassignment Policy
- Religious Belief Observance Policy
- British Sign Language Action Plan.
- Invisible Conditions guidance.

**51.** Audit Scotland was successfully accredited with being an ['Engaged' Carer Positive Employer in Scotland](#) (Level 1) in November 2017. Carers are encouraged to identify themselves as carers and can access support within the organisation, such as our flexible working policy, to help them manage their work and caring responsibilities. Throughout 2020-2021, Audit Scotland's Health, Safety & Wellbeing committee will be working with carers across the organisation to work towards the next Carer Positive level of 'Established' (level 2).

**52.** Audit Scotland have Disability Confident Employer status (level 2) and we are working towards attaining Disability Confident Leader (level 3). Members of our workforce can access occupational health and we implement recommendations for reasonable adjustments to meet peoples' diverse needs such as work station and office lighting requirements. We now have a working group established, which includes some members of our staff with disabilities. The group plan to seek wider feedback across the organisation which will help them consider any improvements in this area.

**53.** Invisible Conditions Guidance was introduced in September 2019 and was co-created with colleagues. There are a range of health-related conditions or disabilities that are not easily visible but can hinder a person's abilities in the world of work. The guidance provides advice on how managers and team members can support individuals with invisible health conditions.

**54.** Stonewall accreditation was obtained by Audit Scotland in June 2019. There is an internal Stonewall group, who are currently working towards submitting information to the Workplace Equality index in September 2020, in order to learn how Audit Scotland, compare with other employers on LGBT equality. This will enable us to measure our progress and identify areas where we can improve.

## Listen to staff feedback on how to support diversity and equality in how we do things

**55.** Every year we ask all staff to complete the Best Companies staff survey. The overall results from November 2019 indicate that further progress continues to be made in making Audit Scotland a great place to work. The wellbeing data gathered from the previous year identified workload pressures as affecting wellbeing, this was reflected in other feedback from colleagues during 2019, i.e. that work demands, and resourcing has been a real challenge in some teams. We are committed to continuing to address our resourcing challenge and we expect that this will alleviate some of the pressure on colleagues' wellbeing during 2020. This includes a stronger focus on joint resource planning and streamlining projects. We also review information showing how we are performing on diversity and equality and we review our gender pay gap information. We will identify further actions to be taken and seek wider feedback from staff on relevant issues.

## Ensure staff feel that their wellbeing is a priority for Audit Scotland

**56.** All members of staff have 3D discussions with their line manager every year about how their work is progressing and their development needs. The process is designed to encourage open, future focused conversations about development and ensure staff feel appropriately supported to carry out their work. We have introduced more explicit references to Wellbeing in our 3D documentation.

**57.** Managing Resilience is one of our Management Essentials and includes a Manager's Guide to Wellbeing as well as a one-day course for managers on managing their own and their direct reports resilience. Wellbeing is woven throughout the whole Management Development agenda, for example the Manager's Guide to 1:1s includes a section on Wellbeing and we offer managers a one-day Emotional Intelligence course. There are also a number of recommended TED talks which cover these areas. Although the courses are currently only available to managers, the guides and TED talks are available to all colleagues.

**58.** Audit Scotland has adopted the Healthy Working Lives framework and is using this to provide a series of activities and events focused on improving health and wellbeing at work. Our aim is to achieve the Silver Award by March 2020. Over the past two years, we have been raising awareness of our mental health and promoting activities to support this. This includes managing stress and mindfulness awareness sessions. Our Healthy Working Lives campaigns encourage staff to become more active through a step challenge, lunchtime walks, cycle to work schemes and marathon relay teams. All staff have the opportunity to attend an annual wellness check with healthcare practitioners. These checks provide a review of physical and information on mental health. Almost two thirds of colleagues (62 per cent) attended wellness checks in 2018/19 and feedback to date has been largely positive. We will continue to focus on mental health over the next year. For example, we are looking at how we can better support colleagues with long-term medical concerns.

**59.** The Scottish Association for Mental Health (SAMH) is our charity partner and we will, where appropriate make use of any resources they can offer.

## Ensure there is a rigorous process for conducting EIAs when new policies are introduced, or existing policies are updated

**60.** Equality Impact Assessments (EIAs) are carried out to consider the impact that various policies, strategies, activities and approaches to audit work have on different groups, both within and outside the two organisations. EIAs are reviewed internally. All our EIAs are published on the Audit Scotland website. Examples of EIAs in prior years include: our new approach to Best Value auditing; the refurbishment of our Glasgow office; our pay policy; and our Career Development Gateway process.

**61.** One EIA has been carried out by our HR team during 2019. A new bespoke exercise was created for use in our Graduate recruitment campaigns. The exercise is accessible to all however can be adjusted where necessary for anyone with a disability. There were no further considerations necessary. It will be important to

ensure in the next 12 months that we are not overlooking those occasions when an EIA is necessary. The training that is currently being rolled out will make all staff more aware of when EIAs are required.

### Ensure staff recognise that policies are written in plain language, adhere to current legislation and are accessible to all

**62.** As outlined above, all new or updated policies are subject to EIAs. We will continue to review policies and procedures, replacing or refreshing them as required. We train our staff to write in plain language and offer a bespoke training course. This helps ensure our reports are as clear and to the point as they can be.

### Operate a flexible approach to working practices

**63.** We introduced a more flexible approach to our working practices in 2017 with our Time Place Travel policy. This policy provides greater flexibility over place of work and individual working patterns. In July 2017, we asked staff for their views on how well this is working. The majority of staff feel that they have some degree of choice over where they work and their working pattern. The policy is seen as particularly supportive for those staff with caring responsibilities. Few staff reported a negative impact of the policy on themselves, their team or their client. The policy has now become standard working practice.

**64.** As part of our suite of family friendly policies we have a shared parental leave policy. We encourage all new parents to reflect on the policies we have in place to maximise their work life balance.

**65.** In addition to traditional office-based training, we are also offering more digital based learning and development opportunities, which staff can access in a way that suits their personal circumstances. For example, we are offering more 'how to' guides, recommending videos and online courses which can be accessed when and where is convenient for our staff.

### Ensure that the reward system is fair, and the gender pay gap and equal pay review results confirm this

**66.** While equal pay for work of equal value is achieved through the use of our job evaluation system, our gender pay gap changes with the changing composition of our workforce from year to year. We published our gender pay gap information as at 31 March 2019 in March 2020. Our median gender pay gap is 15.71%. This is an increase from last year when it was 7.96% (the median for the whole economy was 17.3% at that time). The movement is attributed to the fact that the increase in our total number of female trainees has continued. We are committed to further reducing the gender pay gap and a range of measures have been identified. Our Gender Pay Gap Report can be accessed [here](#).

**67.** We recruit new trainee auditors every year. After the 2018/19 intake, 68% of our professional trainees were female as at 31 March 2019. It is also noteworthy that 75% of Audit Scotland's current executive management team is female.

### Improve information on workforce by encouraging staff to disclose personal information

**68.** When recruiting new staff, all applicants must complete an equal opportunities monitoring questionnaire which includes age, gender, sexual orientation, disability, ethnic background, religion or belief, and marital or civil partnership status. The candidate can choose not to answer specific questions and any responses received are not part of the selection process. The information provided is confidential and only viewed by members of the Human Resources team. This information can help the organisation respond to the needs of minority groups and make any reasonable adjustments as necessary during the recruitment and onboarding process. Employees are encouraged to update the Cascade HR system at any time if they have any change in circumstance. This is voluntary and not all staff choose to disclose all of this information.

**69.** We have a statutory duty to publish a report on employee information every two years, but we publish this information every year. Our last [Annual Diversity Report](#) was published in June 2019. It provides detailed commentary about the diverse characteristics of employees and information on the recruitment, development and retention of employees. The report highlights progress we have made, and the impact new initiatives are having in supporting equality and diversity. The next report is scheduled for publication in June 2020.

### **Improve recruitment and selection processes in response to feedback and increasing the number of job applications from people in under-represented groups**

**70.** We advertise our vacancies using both mainstream and specialised job boards, along with advertising generally in disability and lifestyle publications. We also regularly attend recruitment events, with several events offering protected quiet hours for any attendees with a disability.

**71.** We regularly ask for feedback following a recruitment campaign as part of an employee's 3-month review form. Most respondents confirm that it was a positive experience and they generally form a good impression of Audit Scotland from our initial contact onwards. Additionally, we encourage candidates regardless of whether their application is successful to supply feedback about the recruitment campaign, so we can continuously review and improve our processes.

**72.** Throughout 2018 and 2019, we refreshed our recruitment and selection training, with the most recent recruitment training held in November 2019. The training gives an overview of the full recruitment process including legislative and equality requirements across all stages of the process from the initial advert to appointment. To get the most from this training we also asked delegates to self-reflect on how confident they are in their ability to recruit the right people and how confident they are in challenging colleagues who hold views that differ from theirs. We also direct people carrying out recruitment to a range of videos, TED talks and on-line training covering topics such as unconscious bias prior to the training. We will continuously review the workforce and identify any further requirements for recruitment and selection training.

**73.** When recruiting new staff, all applicants are encouraged to fill out an equal opportunities monitoring questionnaire which includes age, gender, sexual orientation, disability, ethnic background, religion or belief, and marital or civil partnership status. The form is filled out voluntarily and is not part of the selection process. The information provided is confidential and only viewed by members of the Human Resources team. This information can help the organisation respond to the needs of minority groups. For example, all new staff are asked to state whether they consider themselves as having a disability or not, so that reasonable adjustments can be put in place if required. All employees are asked to update this information annually. This is voluntary and not all staff choose to disclose all this information. Employees can update information on their protected characteristics electronically at any time.

### **Outcome 3: In our audit work we will reflect, where appropriate, on how public bodies address human rights and socio-economic disadvantage.**

#### **We said we would:**

- review information on the profile of the Scottish population and the people who make use of public services considering how this informs our understanding of human rights and socio-economic disadvantage issues and how this influences our audit work programme
- review evidence about how public bodies are delivering services and consider the needs of different user groups when budgeting, planning and organising services

- take an outcome focussed view as to what budgets aim to and have achieved over the long term
- review the appropriateness of a [human rights-based approach](#) and its applicability to audit work
- encourage staff to adopt the PANEL principles employed by the Scottish Human Rights Commission: Participation, Accountability, Non-discrimination and equality, Empowerment of rights holders and Legality of rights
- train and provide support to colleagues through the EHRSG and internal communications
- consult with stakeholders such as those on the EHRAG.

### Background to the new outcome

**74.** The new outcome was introduced in 2019 in recognition of the changing public sector landscape, with an increasing focus on how public services support improved outcomes for Scottish citizens. A new National Performance Framework has been in place since June 2018, which includes eleven high-level outcomes for Scotland. Two of these outcomes relate to human rights and inequalities:

- We respect, protect and fulfil human rights and live free from discrimination
- We tackle poverty by sharing opportunities, wealth and power more equally.

**75.** These outcomes are affected by the way public services are funded and delivered. At a Scottish Government level, new financial powers are now operating, including increased tax raising powers, a new budget process and a new Social Security Agency. Locally, the integration of health and care services and citizen involvement in decision-making aims to deliver services differently in the context of increasing demand pressures.

**76.** A number of activities contributed to the drafting of the new outcome:

- Audit Scotland's Management Team hosted an internal 'Equalities Summit' in January 2018 and agreed to include consideration of human rights and socio-economic inequality within the EHRSG remit;
- a workshop was held with representatives from throughout Audit Scotland, entitled "Putting people at the heart of audit";
- a workshop was co-hosted with the Scottish Human Rights Commissioner in January 2019 to discuss how we might embed human rights' considerations in our audit work, and
- two internal short life working parties considered: definitions as interpreted by the United Nations and the European Commission, respectively; the interaction of these topics by the Scottish Parliament; the introduction of the Fairer Scotland Duty, which came into force on April 2018; and the National Performance Framework.

### Our progress

**77.** The outputs from the two working parties have ultimately been reflected in the refreshed Fairness and Equality section of the Best Value guidance to auditors. The principles of human rights, such as participation and accountability, feature in the work of the Accounts Commission and Audit Scotland. Similarly, consideration of the presence and impact of socio-economic inequality featured in the Affordable Housing report (see case study below).

**78.** In July 2019, the Strategic Scrutiny Group, which brings together Scotland's main public-sector scrutiny bodies, published Principles for Community Empowerment. This output was the result of extensive engagement with experts in

the field of community empowerment. The report states that community empowerment is an important part of public service reform, focusing attention on reducing disadvantage and inequality and improving outcomes for communities. It is also central to a human rights-based approach to policy and decision-making. The paper outlines principles to promote a shared understanding of community empowerment across scrutiny bodies and public bodies are encouraged to use this document as a tool to support community empowerment approaches.

**79.** We have updated best value guidance for auditors to reflect the principles of the paper. We are continuing to work with our network of experts, and they are advising us on our audit approach. Several of the representatives work directly with disadvantaged communities. We are also working closely with other scrutiny bodies in this area.

---

## Case study

### *Affordable Housing (Spring 2020)*

Housing can make a substantial contribution to economic growth, prosperity, education, health and wellbeing and social care. This audit set out to report on progress being made towards the Scottish Government's affordable housing target and to assess what impact it has had.

Stakeholders were asked about the impact of welfare reform on delivering affordable housing during fieldwork. The link between affordable rents and child poverty was made in the report and the child poverty action plan was referenced.

The audit team included-built housing for people with special requirements into the scope and analysed national data on housing that has been purpose built for people with particular housing needs, including older people, disabled people and wheelchair users.

Case study councils' local housing strategies were reviewed for evidence of council engagement with local communities. This included hard to reach communities/communities of interest, and specifically what was included about the requirement for wheelchair-accessible homes during the audit process. The report commented on the Scottish Government's requirement for councils to set evidence-based targets for wheelchair accessible homes. The report commented on the good engagement by our case study councils in this regard, including with older people and gypsy travellers. Dundee City Council's provision of housing for people with needs was included as a case study in the report.

---

# Looking forward

---

## Progressing our three equality outcomes

**80.** Outcomes one and two were published in 2017. Outcomes tend to be set for a four-year period in recognition that it takes time for them to be fulfilled. They were subject to review in 2019 and were considered appropriate to continue for a further two years. As described above Outcome 3 was developed in 2019 and first referred to in the Mainstreaming Report published in April 2019.

**81.** Overall there is a sense that the advancement of equality through the three types of audit, i.e. performance audit, best value audit and financial audit, is increasingly embedded. With equalities featuring in the scope of many 2019/20 financial audits there will be more audit findings to report by the time of publication of the next biennial Mainstreaming Equalities Report in spring 2021.

**82.** There will, however, need to be a more conscious effort to address the new third outcome, as we cannot readily demonstrate, at this stage, that we have covered all of the sub-objectives. We anticipate that this will be achieved through our increasing involvement in the audit of the new Social Security Agency and also through monitoring of the fulfilment of the National Performance Framework.

**83.** Over the next few years, our audit on the implementation of the Scottish Social Security system will adapt to reflect the Scottish Government's move further into the delivery of social security benefits, with an increased focus on people's experience of the system and its impact on outcomes. We will continue to assess if the Scottish Government is achieving its policy intention of delivering a service based on fairness, dignity and respect and to involving people who will use the service in its design.

**84.** The First Minister has recently launched a Human Rights Framework for Scotland and it is an area we intend to keep engaged with, along with scrutiny partners.

**85.** Recognition has to be given, however, to the national and global crisis due to the Covid-19 pandemic and the extent to which all public sector bodies have had to re-prioritise everything that they do. And at the heart of that response is the recognition of the human right to life.

# Appendix 1.

## Audit Scotland's three equality outcomes

**The vision for Audit Scotland: To be a world class organisation that improves the use of public money**

### This vision will be supported through three equality outcomes:

<p>1. Audit work will reflect how public services meet the diverse needs of all citizens and communities.</p>	<p>2. Audit Scotland will promote, understand and support a diverse and inclusive workforce.</p>	<p>3. In our audit work we will reflect, where appropriate, on how public bodies address human rights and socio-economic disadvantage.</p>
<p>This will be done by:</p>	<p>This will be done by:</p>	<p>This will be done by:</p>
<ul style="list-style-type: none"> <li>• consulting with stakeholders on how to reflect equality and diversity in audit work</li> <li>• ensuring that staff are sensitive to the diverse needs of stakeholders when performing audit work</li> <li>• analysing data to help understand who uses public services and use this to inform audit work</li> <li>• reflecting equality and diversity issues in audit work programmes, in a way which is consistent with the audit duties</li> <li>• publishing information and reports in formats that are accessible to all</li> <li>• reporting audit findings in a style that reflects the audience</li> <li>• reporting on diversity and equality issues where appropriate</li> <li>• supporting other public bodies in their scrutiny of diversity and equality.</li> </ul>	<ul style="list-style-type: none"> <li>• having a culture where people feel valued and where they are treated with equity and fairness</li> <li>• seeking feedback from staff on how the organisation can support diversity and equality in how things are done</li> <li>• supporting the wellbeing of staff</li> <li>• ensuring policies are written in plain language, adhere to current legislation and are accessible to all</li> <li>• ensuring key policies are subject to a rigorous equality impact assessment</li> <li>• ensuring a flexible approach to working practices</li> <li>• continuing to monitor against the Audit Scotland equal pay statement and ensure reward strategies are fair</li> <li>• encouraging staff to disclose personal information to improve the extent of workforce information</li> <li>• looking at ways to attract those from under-represented groups</li> <li>• continuing to monitor recruitment and selection processes and implement improvements in response to feedback.</li> </ul>	<ul style="list-style-type: none"> <li>• reviewing information on the profile of the Scottish population and the people who make use of public services considering how this informs our understanding of human rights and socio-economic disadvantage issues and how this influences our audit work programme</li> <li>• reviewing evidence about how public bodies are delivering services and consider the needs of different user groups when budgeting, planning and organising services</li> <li>• taking an outcome focussed view as to what budgets aim to and have achieved over the long term</li> <li>• reviewing the appropriateness of a <a href="#">human rights-based approach</a> and its applicability to audit work</li> <li>• encouraging staff to adopt the PANEL principles employed by the Scottish Human Rights Commission: Participation, Accountability, Non-discrimination and equality, Empowerment of rights holders, Legality of rights.</li> <li>• training and providing support to colleagues through the EHRSG and internal communications.</li> <li>• consulting with stakeholders such as those on the EHRAG.</li> </ul>

# Appendix 2

## Equality and Human Rights Advisory Group members



Age Scotland



Council of Ethnic Minority Voluntary Sector Organisations (CEMVO) Scotland



Children 1st



Children & Young Peoples Commissioner Scotland



Coalition for Racial Equality and Rights



Enable Scotland

Other bodies that routinely receive agenda and papers for EHRAG

Close the Gap  
Egender  
Disability Equality Scotland  
Minority Ethnic Carers of People (MECOP)



Equality Network



Disability Equality Scotland



Interfaith Scotland and the Edinburgh Interfaith Association



Saheliya



Scottish Secular Society



Scottish Human Rights Commission

Scottish Trades Union Congress (STUC)  
Scottish Trans Alliance  
Seeme Scotland  
Stonewall

# Appendix 3

## Meeting the specific duties of the Equality Act

Duty	Equality Act reference	Summary of requirements	Frequency	Last published
Mainstreaming progress	Section 3	Publish a report on the progress made to make the equality duty integral to the exercise of functions	At least every 2 years	April 2019
Equality outcomes	Section 4(1) & (2)	Publish a set of equality outcomes having involved protected characteristic groups/ individuals and used available evidence	At least every 4 years	April 2017, supplemented with one new one in 2019
Progress against equality outcomes	Section 4 (1) & (2)	Publish a report on the progress made to achieve the equality outcomes	At least every 2 years	April 2019
Equality Impact Assessments	Section 5	Conduct EIAs for new/revised policies and publish these	Ongoing	Ongoing on our website
Gather and use employee information	Section 6 (1) & (2)	Gather information on staffing mix & recruitment, development & retention against protect characteristics	Annual	June 2019
Include employee information in mainstreaming report	Section 6 (3)	Include employee information and progress made in gathering & using this in mainstreaming report (if not published previously).	At least every 2 years	Diversity report June 2019
Gender pay gap information	Section 7	Publish percentage difference between hourly pay rates for men and women	At least every 2 years	Annually March 2019
Statement on equal pay policy and occupational segregation	Section 8	Publish equal pay policy and analysis of employment by grade/role for gender, disability & race	At least every 4 years	Equal Pay Review  February 2017 (new report planned for 2020)

# Mainstreaming Equality and Equality Outcomes

## Progress report 2019-20

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](mailto:info@audit-scotland.gov.uk)

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



Audit Scotland, 4th Floor, 102 West Port, Edinburgh EH3 9DN  
T: 0131 625 1500 E: [info@audit-scotland.gov.uk](mailto:info@audit-scotland.gov.uk)  
[www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk)

## **Purpose**

1. This report invites the Audit Scotland Board to approve the Policy on the provision of Non-Audit Services by Audit Scotland's external auditor.

## **Background**

2. The Audit Committee considered a report on the policy on the provision of Non-Audit Services by Audit Scotland's external auditor on 1 June 2020. After discussion the Audit Committee agreed to recommend the policy to the Board for approval.

## **Recommendations**

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

---

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

<b>Author:</b>	Associate Director – Audit Quality and Appointments
<b>Version:</b>	05
<b>Date:</b>	June 2020, next review June 2021

## Introduction

1. The Audit Committee is responsible for developing and monitoring a policy on engaging the external auditor to provide non-audit services, taking into account relevant guidance on the provision of non-audit services by the external audit firm.
2. The SCPA appoints Audit Scotland's external auditors and may impose contractual restrictions/prohibitions on the external auditor providing non-audit services. In the absence of contractual restrictions, the Audit Committee and Audit Scotland Board are responsible for determining in what circumstances Audit Scotland may engage the external auditor to provide non-audit services.
3. The Financial Reporting Council's Ethical Standard 2019 categorises non-audit services as "audit related services" (which includes work normally expected to be undertaken by an external auditor such as 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 highlights to the Board potential strategic financial issues arising from Covid-19 in the current financial year and the longer term.
2. There are likely to be further financial consequences as the situation develops and we start to experience a phased easing of lockdown restrictions.

## Background

3. The detail of the 2020/21 budget submission was discussed and approved at the Audit Scotland Board meeting held on 27 November 2019 and was presented to the SCPA on 15 January 2020.
4. An updated operational budget was presented and approved by the Board on 24 March 2020 which made several adjustments within the overall funding limit approved by the SCPA.
5. In total the funding provided by Scottish Parliament for 2020/21 is £8.865m with £8.715m revenue and £0.150m capital funding.
6. The unprecedented economic and social position we now find ourselves in through the Covid-19 pandemic will have a significant impact on Audit Scotland's short and long-term financial plans.

## 2020/21 Cash Flow

7. The fee and funding model successfully operated by Audit Scotland is based on the receipt of approximately 2/3rds of income from fee paying public bodies with the balance of 1/3rd coming from the Scottish Consolidated Fund (SCF) following Scottish Parliament approval. Within the Budget Bill we have a cash drawdown limit from the SCF with the balance of our cash requirement received through the payment of invoices by fee paying bodies.
8. This process has worked relatively smoothly over the years, however, the position we now find ourselves in is that there is a higher risk than normal that we will experience cash flow issues if the bodies we invoice are not able to pay the audit invoices timeously. We have currently drawn down a large element of our full year cash limit from the SCF in case this issue arises but if this becomes a long-term problem, we could experience cash flow difficulties.
9. The current situation is that we will invoice the second instalment of invoicing in May, as planned, but fully expect to experience some delays in the receipt of that payment.
10. To mitigate any potential issue, we have been in correspondence with the Scottish Government Finance Directorate who have confirmed that should any cash flow issues occur we have the option of increasing our cash limit to meet any difficulties.

## 2020/21 Budget

11. The budget for 2020/21 was prepared based on continuing to audit financial statements to agreed timetables, deliver a performance audit work programme agreed by the Auditor General for Scotland and Accounts Commission, to meet further financial devolution demands with increased funding and to meet the running costs of Audit Scotland.
12. The situation we now find ourselves in raises several important questions which organisationally we will work together to resolve to ensure we achieve a balanced budget in 2020/21. These include:
  - Will there be a shortfall in the closing work in progress at 31 March 2021?
  - What additional costs will be incurred to deliver audit?

- How does this affect available resources?
- How does the situation impact on firms' costs?
- When is EAFA due to complete and is this achievable?
- Are there any savings and expenditure reduction opportunities that can be identified?

13. More detail to these questions is provided in paragraphs 13 to 19.

14. **Work in progress:** the work in progress position determines the amount of fee income recognised in the final accounts. The extension of completion dates for 2019/20 audits will put pressure on the completion percentage rates for the start of the 2020/21 audit cycle. The 2020/21 chargeable audit fees will be determined as part of the 2021/22 budget exercise, however, as an indication a 1% movement in completion equates to approximately £80k based on the figures included in the budget. A 15% reduction in completion rates would therefore total £1.2 million. This is not so much an issue for firms as the amount of income recognised is directly linked to the amount of cost recognised in the accounts.

15. **Additional audit cost:** conversations with audited bodies indicates that some are in a better position than others in completing their financial statements for audit. In-house appointed auditors can increase fees in negotiation with the audited bodies should additional work be required. However, if the main reason for us incurring additional cost is due to the impact of Covid-19 on the audited body we need to establish an agreed strategy for the implications of this. While cost of audit time may increase, we are likely to see a decrease in other costs, travel and subsistence for example. There is a potential risk that audited bodies will be expecting a fee reduction as most of the audit delivery will now be through remote working.

16. **Resources:** all staff are currently working from home with the offices closed. The priority has been to focus on staff wellbeing and safety. All onsite audits have been suspended and we will work with the audited bodies in line with Scottish Government guidance prior to any return to working in our offices or those of the bodies we audit. Audit work is currently being delivered remotely though we realise there are challenges for staff as they are also dealing with childcare and carer issues. Our financial audit work and the resources required to deliver it are carefully planned each year to ensure we can deliver a high-quality audit within the statutory deadlines. While deadlines are being extended there is likely to be significant resource implications that will need to be managed. This could potentially lead to additional unbudgeted costs. It is too early at this stage to quantify the impact, but we will be able to make more informed judgements following further discussion with key stakeholders and on receipt of audited bodies financial statements and working papers.

17. **Firms costs:** firms are continuing to receive payment from Audit Scotland as part of the contractual standing order arrangements we have in place. As yet we have not had any indication from the firms that additional costs will be incurred as part of the financial audit due to Covid-19. The current fee model enables appointed auditors to negotiate fee increases within set parameters above indicative fees for audited bodies. The increases will usually relate to increased complexity or the requirement for additional work to be undertaken. We will need to decide if it is appropriate for audited bodies to be charged additional fees if the main reason for any additional audit work is due to the impact of Covid-19.

18. **EAFA:** with the UK scheduled to conclude the EU exit transition on 31 December 2020 the situation in respect of the current EAFA audit remains uncertain and is a high-risk area for us. The budget assumes continuation of EAFA funding or its direct replacement. The 2020/21 budget assumes the receipt of £840k fee income together with a contribution to central costs. We have invoiced the NAO for the first instalment of 2020 audit work and the financial exposure in 2020/21 is a budgeted fee of £115k for the commencement of 2021 audit work, which is yet to be confirmed. In addition to this uncertainty we have the potential impact of Covid-19 on this audit work and our ability to deliver the audit to the required timescales taking in to account the field work staff are required to undertake.

19. **Savings:** while the current situation has significant financial implications there will also be some opportunities to identify savings and expenditure reductions, most notably in travel and subsistence. We are currently in the process of identifying potential amounts that will be able to contribute to funding any potential shortfall.

20. Legislation does not allow us to hold reserves and we therefore have no facility to finance the impact of any substantial unplanned expenditure or fee income shortfalls. The budget includes a management

contingency allocation of £300k. In our budget proposal to the SCPA we indicated that we aim to manage within our overall budget, however it may be necessary to seek in-year adjustments with the SCPA if significant challenges arise. We will need to ensure that we are engaged in the next budget revision process that is considered by the Scottish Parliament.

## Longer term financial issues

21. Members of the Board received the Medium Term Financial Plan (MTFP) in March 2020 which was subject to further comment by correspondence in view of the present situation. The plan was based on a best case, worst case and expected position through to March 2025. The work and assumptions were developed prior to the outbreak of Covid-19 and the impact that this is likely to have on public finances for a number of years.
22. The MTFP is a live planning document that is to be updated on a regular basis with a view to communicating to the Audit Scotland Management Team and Board as more information becomes readily available.
23. There is no doubt that the situation we find ourselves in is going to have a huge economic impact for Scotland and the rest of the UK. At this stage it is too early to predict but there is the potential that public finances could again come under significant pressure with certain sectors experiencing funding reductions. Some areas that we will need to consider and develop financial strategies for include:
  - The future of the current fees and funding model.
  - The firms procurement exercise.
  - Resourcing.
  - Pension fund pressures.
  - The new normal.
  - EAFA replacement.
  - Pay awards.
24. **Fees and funding model:** the Covid-19 situation has highlighted issues in respect of the long-term effectiveness, efficiency and sustainability of the current fees and funding model for Audit Scotland. There would be added value in reviewing the current fees and funding model together with proposing the option to hold reserves. The Board will be updated on progress made at its meeting scheduled in September 2020.
25. **Firms procurement:** the current audit appointments contract is due to expire on completion of the 2020/21 audits. In view of the current position discussions have been held and there is an intention to extend the existing audit appointments as per the terms of the contract. The commencement of the invitation to tender could now take place in August 2021. There is a significant risk that the cost of the contract will significantly increase which under the current fees and funding model would lead to significant above inflationary increases being applied to audited bodies. In addition to potential increased contract costs there is the possibility that considering the pandemic situation some firms will withdraw from the public sector audit market completely leaving a gap in audit which will need to be addressed.
26. **Resourcing:** this is a variable influenced by multiple factors highlighted in numerous sections of this report. If the outcome of the audit appointments procurement is unaffordable or firms are not interested in public sector audit, we will need to increase resources in order to deliver financial audits for the public sector in Scotland. Will we be able to recruit the required numbers of high quality audit staff to ensure we can deliver? We operate a successful trainee programme, and will we continue to be able to attract high quality candidates in the future? Do we have enough resources and how long will it take to return to the expected closing work in progress position at the end of each financial year? It is too early to calculate financial consequences and provide solutions to these questions, but they will be considered together with numerous other scenarios as we progress through this emerging situation.

- 27. Pension funds:** the negative impact on the economy could also be significant for pension fund assets and liabilities. Most of our staff are members of the Local Government Pension Scheme run by Lothian Pension Fund. The Fund receives contribution payments from employers and employees. The scheme undertakes a triennial review to determine future contribution rates and while the actuary takes a very long-term view of the pension fund there is still the potential for a significant increase to employer contributions, which are currently 18.7% of pensionable pay and £77k for past service costs. Appendix 1 includes an analysis of pension service costs and the closing asset/liability position from 31 March 2005. This analysis highlights the volatile nature of funded pensions schemes and the impact the net discount rate has on the results.
- 28. New normal:** there are likely to be changes in the way we work going forward and where we work. In the longer term we need to ensure that staff have suitable health and safety compliant equipment to safely complete their work. Our current long-term property portfolio is based on office leases in Edinburgh, Glasgow and Inverness. The lease expiry dates are 31 March 2025 for Edinburgh, 25 October 2027 for Glasgow and 31 August 2026 for Inverness. We need to establish if we continue to require an office presence in these locations and if we do is the current size and location appropriate for our operational requirements. The new normal also applies to how and where we undertake audits. Do we need to be onsite at audited bodies as much and when onsite what assurances can the bodies provide to ensure the safety of our staff until a vaccine is found?
- 29. EAFA:** as highlighted in the the MTFP the continuation of EAFA audits is a significant risk that requires enough lead time to manage effectively within our overall agreed funding. In the plan the assumption is that we will continue to audit EAFA or its direct replacement though it will generate a fee reduction due to a lower audit specification.
- 30. Pay awards:** the approved cost of living pay award effective from 1 April 2020 is 3%. Future assumptions are based on a continuation of settlements of between 2% and 3%. The economic impact on public finances due to Covid-19 is likely to have an impact on future public sector pay settlements. As an indication a 1% movement in pay award based on current full employer costs is in the region of £175k.

## Recommendation

- 31.** The Board is invited to note and discuss the contents of this paper.

## Appendix 1 Pension assets and liabilities

1 June 2020

### Pension assets and liabilities

Appendix 1

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Salary increases	3.50%	4.20%	4.10%	4.40%	4.20%	4.30%	5.10%	5.10%	4.8%	5.1%	5.3%	4.6%	5.1%	4.7%	4.6%	4.4%
Pension increases	1.90%	2.50%	2.40%	2.40%	2.20%	2.40%	2.80%	2.80%	2.5%	2.8%	3.8%	3.1%	3.6%	3.2%	3.1%	2.9%
Discount rate	2.30%	2.40%	2.70%	2.60%	3.50%	3.20%	4.30%	4.50%	4.8%	5.5%	5.5%	6.9%	6.9%	5.4%	6.0%	5.4%
<b>Net Discount Rate</b>	<b>0.40%</b>	<b>-0.10%</b>	<b>0.30%</b>	<b>0.20%</b>	<b>1.30%</b>	<b>0.80%</b>	<b>1.50%</b>	<b>1.70%</b>	<b>2.30%</b>	<b>2.70%</b>	<b>1.70%</b>	<b>3.80%</b>	<b>3.30%</b>	<b>2.20%</b>	<b>2.90%</b>	<b>2.50%</b>
	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>							
Service Cost	7,199	4,298	3,865	2,645	2,935	2,725	2,373	1,667	1,859	(4,385)	1,011	1,065	1,747	1,455	1,920	2,212
Net interest	879	749	842	565	876	767	625	(64)	(387)	(64)	306	(372)	(650)	(631)	193	68
Recognised in P&L	<b>8,078</b>	<b>5,047</b>	<b>4,707</b>	<b>3,210</b>	<b>3,811</b>	<b>3,492</b>	<b>2,998</b>	<b>1,603</b>	<b>1,472</b>	<b>(4,449)</b>	<b>1,317</b>	<b>693</b>	<b>1,097</b>	<b>824</b>	<b>2,113</b>	<b>2,280</b>
Employer contributions	(2,261)	(2,100)	(1,938)	(2,017)	(1,816)	(2,057)	(1,802)	(1,705)	(1,837)	(1,666)	(1,624)	(1,442)	(1,348)	(1,783)	(2,824)	(1,673)
Other comprehensive income	(10,670)	5,641	(7,569)	14,434	(12,969)	7,849	2,725	4,011	2,885	(5,776)	16,153	7,285	(5,749)	5,826	(10,372)	(23)
Closing position at 31 March	<b>(30,400)</b>	<b>(35,253)</b>	<b>(26,665)</b>	<b>(31,465)</b>	<b>(15,838)</b>	<b>(26,812)</b>	<b>(17,528)</b>	<b>(13,607)</b>	<b>(9,698)</b>	<b>(7,178)</b>	<b>(19,069)</b>	<b>(3,223)</b>	<b>3,313</b>	<b>(2,687)</b>	<b>2,180</b>	<b>(8,903)</b>

### Service Cost Analysis

Current Service	5,051	4,298	3,851	2,556	2,935	2,598	2,279	1,594	1,444	1,842	737	1,065	1,747	1,776	1,749	1,611
Past Service	2,148	0	14	89	0	127	94	73	415	(6,227)	274	0	0	(321)	13	348
Curtailments and Settlements	0	0	0	0	0	0	0	0	0	0	0	0	0	0	158	253
	<b>7,199</b>	<b>4,298</b>	<b>3,865</b>	<b>2,645</b>	<b>2,935</b>	<b>2,725</b>	<b>2,373</b>	<b>1,667</b>	<b>1,859</b>	<b>(4,385)</b>	<b>1,011</b>	<b>1,065</b>	<b>1,747</b>	<b>1,455</b>	<b>1,920</b>	<b>2,212</b>

## Purpose

1. This report presents the un-audited financial results for the twelve months to 31 March 2020.

## Background and Summary

2. The finance performance report for the twelve months to 31 March 2020 is attached to this paper and was discussed by Management Team on Tuesday 28 April 2020.
3. The out-turn on core funding, excluding IAS 19 funded pension costs, was £129k better than budget.
4. IAS 19 funded pension costs were £4,138k less than budget.
5. In summary the combination of the favourable variances to core funding and pension funding leads to a combined favourable out-turn to budget of £4,267k.
6. Capital expenditure totalled £141k, £9k less than the agreed budget allocation.

## Discussion

7. In the twelve months to 31 March 2020, Audit Scotland's Net Operating Expenditure was £13,175k which was £4,267k less than budget.
8. In-house income was in total £126k better than plan with the 2018/19 audit year and prior year fees generating a surplus of £167k. Progress on 2019/20 audit work was on average 0.80% below plan leading to a negative volume variance of £64k, partially compensated by a positive price variance of £23k.
9. Fee income earned for audits carried out by external firms net of fees and expenses paid to the firms was £90k better than budget. Income was £450k higher than budget which is offset by the £360k increase in fees and expenses payable to the external firms. The 2018/19 audit year generated a surplus of £296k on fee income and is in recognition of additional work the firms have carried out. Progress on 2019/20 audit work is on average 2.85% ahead of plan leading to the recognition of positive volume (£139k) and price (£15k) variances.
10. Staff costs represent 66% of Audit Scotland's total expenditure budget. In 2019/20 the budgeted staff establishment was based on 297.1 whole time equivalents with the approved budget providing cover for a pay award of either 2% or 3%, dependent on their position in the pay scale.
11. Staff costs including agency and secondment expenditure and net of secondment income were £243k more than budget.
12. IAS 19 pension costs were £4,330k less than budget due to an increase in the net discount factor and the actuary estimate for past service costs in respect of McCloud and GMP indexation being less than the agreed funding allocation in the Spring Budget Revision. Included in this figure is a favourable out-turn of £192k on unfunded pensions and ombudsmen liabilities which is due to the increase in net discount rate.
13. From the management contingency budget of £306k a total of £256k has been allocated to meet increased IAS 19 employee benefit costs (£75k), essential agency spend (£131k), software licences (£30k) and legal services (£20k). The budget balance of £50k remains in other costs and is used to offset the expected depreciation overspend.

14. Other expenditure and income was £36k worse than budget. The main areas of variance were recorded in legal, professional and consultancy (-£144k), property (-£40k), depreciation (-£33k), training/recruitment (+£41k), travel/subsistence (+£32k) and other costs (+£83k).
15. More detailed variance analysis and explanation is provided in the attached report.

### **Virement**

16. There were no instances of budget virement in excess of £20k in the twelve months to 31 March 2020.

### **Recommendation**

17. The Board is invited to note the un-audited financial results for the 12 months to 31 March 2020.

## Headline Results

The summary financial position to 31 March 2020:

£000	Annual Budget	Actual	Budget	Var.	% Var.	Prior Year	Note
Fee Income - In House	7,777	7,903	7,777	126	1.6%	7,559	1
Fee Income - Audit Firms	4,673	5,123	4,673	450	9.6%	5,011	2
Central Charges	5,530	5,571	5,530	41	-0.7%	5,462	3
Rebate	0	0	0	0	-	0	
Interest	0	5	0	5	-	4	
Other Income	0	30	0	30	-	53	4
IAS 19 Income	(966)	(924)	(966)	42	4.3%	(798)	6
<b>TOTAL INCOME</b>	<b>17,014</b>	<b>17,708</b>	<b>17,014</b>	<b>694</b>	<b>4.1%</b>	<b>17,291</b>	
Approved auditors	4,189	4,549	4,189	(360)	-8.6%	4,475	2
Staff salaries and oncosts	16,726	16,684	16,726	42	0.3%	15,825	5
Payroll provisions incl. severance	0	0	0	0	-	0	
Agency and secondment costs	206	521	206	(315)	-152.9%	135	5
IAS 19 Pension costs	9,134	4,846	9,134	4,288	-46.9%	2,325	6
Property costs	904	944	904	(40)	-4.4%	917	
Travel and subsistence	867	835	867	32	3.7%	889	
Legal, professional and consultancy	597	741	597	(144)	-24.1%	740	7
Training	481	456	481	25	5.2%	464	8
Recruitment	130	114	130	16	12.3%	134	8
Printing and office costs	249	250	249	(1)	-0.4%	272	
Information technology	474	494	474	(20)	-4.2%	470	
Audit	60	60	60	0	0.0%	56	
Depreciation	323	356	323	(33)	-10.2%	369	9
Other costs	116	33	116	83	71.6%	45	10
<b>EXPENDITURE</b>	<b>34,456</b>	<b>30,883</b>	<b>34,456</b>	<b>3,573</b>	<b>10.4%</b>	<b>27,116</b>	
<b>NET OPERATING (EXPENDITURE)</b>	<b>(17,442)</b>	<b>(13,175)</b>	<b>(17,442)</b>	<b>4,267</b>	<b>24.5%</b>	<b>(9,825)</b>	

## 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 2020 for the in-house audits:

	2018/19 Audit Year			2019/20 Audit Year			Prior Years	Total
	Volume		Price	Volume		Price		
	WIP %	£	£	WIP %	£	£		
Local Government	-	-	+71	+1.56	+70	+10	+2	+153
Health	-	-	+18	-5.42	-80	+12	-	-50
FE	-	-	+4	+1.49	+1	-	-	+5
Central Government	-	-	+21	-0.59	-6	+1	-	+16
Non-statutory	-	-	+58	-6.13	-49	-	-7	+2
<b>Total – March 19</b>	-	-	<b>+172</b>	<b>-0.80</b>	<b>-64</b>	<b>+23</b>	<b>-5</b>	<b>+126</b>

#### Local Government

Local Government audits for 2018-19 are complete with a positive variance to budget of £71k. The positive price variance is due to the requirement for additional audit work with the most significant increases being applied to Aberdeenshire Council, Fife Council and Renfrewshire Council. The 2019-20 audits are ahead of plan leading to the recognition of positive volume and price variances.

#### Health

All 2018-19 health audits are complete and £18k better than budget due to increased fees for NHS Tayside. For 2019-20 audits we are behind plan with the accounts showing the negative volume being reduced by a positive price variance. The reduced completion percentage will be due to the ongoing situation in respect of COVID-19 with the lockdown occurring in mid-March where we would have planned for staff to be onsite for health boards. 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 2018-19 audits are complete with the accounts recognising a positive price variance of £4k. Audit work for 2019-20 is slightly ahead of plan.

#### Central Government

2018-19 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 Forest Enterprise (Scotland). Progress on 2019-20 audits is 0.59% worse than budget leading to a volume variance of £6k.

#### Non-statutory

The European Agricultural Fund Account (EAFA) audit for 2018-19 is complete with the final fee being better than planned (£58k). Work has started on the 2019-20 audit which is 6.13% behind plan (£49k). The prior year adjustment is due the issue of a credit note for an invoice that had been issued to the Wales Audit Office in respect of a Forestry Commission audit which is no longer required.

## 2. Fee income and expenditure – Audit Firms

The positive income variance of £450k should be offset with the adverse expenditure variance of £360k for approved auditors. Effectively the position highlights a net favourable variance of £90k for 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 2020:

	2018/19 Audit Year			2019/20 Audit Year			Prior Year	Total
	Volume		Price	Volume		Price	Price	£
	WIP %	£	£	WIP %	£	£		
Local Government	-	-	+144	+3.31	+94	+11	-	+249
Health	-	-	+8	+2.50	+26	-	-	+34
Water	-	-	-	+1.60	+3	-	-	+3
FE	-	-	+114	-1.30	-6	-	-	+108
Central Government	-	-	+30	+5.00	+22	+4	-	+56
<b>Total – March 19</b>	<b>-</b>	<b>-</b>	<b>+296</b>	<b>+2.85</b>	<b>+139</b>	<b>+15</b>	<b>-</b>	<b>+450</b>

### Local Government

2018-19 audits in the local government sector are complete leading to a positive variance of £144k. 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, East Ayrshire Council, Midlothian Council and Shetland Islands Council. The 2019-20 audits are 3.31% ahead of plan leading to the recognition of a positive volume variance of £94k and price variance of £11k.

### Health

All 2018-19 audits are complete which has generated a positive variance of £8k and this is mainly due to agreed fees being higher than expected for NHS Highland and NHS 24. 2019-20 health audits are 2.50% ahead of plan leading to a positive volume variance of £26k.

### Water

The minor favourable volume variance for the 2019-20 audit is due to the firm being ahead of the planned trajectory which was based on prior year actual.

### Further Education (FE)

Progress on 2018-19 audits is complete leading to a £114k positive price variance. The main fee increases have been agreed with Inverness College, Moray College North Highland College and Perth College. For 2019-20 audits there is a minor adverse variance of £6k.

### Central Government

Central government 2018-19 audits are complete leading to a positive variance of £30k which is mainly due to the recognition of agreed fee increases for Bord na Gaidhlig and Crown Estates Scotland. 2019-20 audits are currently 5.00% ahead of plan leading to a £22k positive volume variance and the recognition of a £4k 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 £41k in 2019-20 is the adjustment required following the reconciliation of the 2018-19 audit fee balance and the proposed 2019-20 audit fee calculation.

### 4. Other Income

Other income was mainly due to the recovery of staff costs for the secondment of one member of staff to Deloitte.

### 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)	8,860	8,630	8,860	230	155.5	155.4	a)
ASG agency & secondments	75	456	75	(381)			
PABV (incl Professional Support) staff costs	3,887	4,046	3,887	(159)	67.5	65.1	b)
PABV agency & secondments	0	60	0	(60)			
CSG (incl Audit Quality & Appointments) staff costs	2,165	2,211	2,165	(46)	39.3	37.9	c)
CSG agency & secondments	0	3	0	(3)			
Business Support staff costs	684	671	684	13	18.7	18.7	d)
Business Support agency & secondments	0	2	0	(2)			
Governance & Other staff costs	1,130	1,126	1,130	4	19.9	20.0	e)
Governance & Other agency & secondments	131	0	131	131			
<b>Total staff costs</b>	<b>16,726</b>	<b>16,684</b>	<b>16,726</b>	<b>42</b>	<b>300.9</b>	<b>297.1</b>	
<b>Total agency &amp; secondments</b>	<b>206</b>	<b>521</b>	<b>206</b>	<b>(315)</b>			

- a) The average number of staff employed in ASG has been 0.1 w.t.e. more than the funded budget. The establishment is based on 158.0 w.t.e. with the application of a 2% vacancy/turnover factor reducing the funded w.t.e. to 155.4. Overall there is a minor additional cost of employing the increased staffing level (£6k) with the average actual salary costs per employee being less than budget (£236k). The significant expenditure on agency costs to meet resourcing demands was expected and previously reported. This additional cost has been funded by staff cost savings due to reduced average salary costs, management contingency and increased fee income.
- b) PABV is on average 2.4 w.t.e. above budget (£144k) and average actual salary costs are also above plan (£15k). The secondment costs of £60k relate to a Scottish Parliament member of staff seconded to assist with housing benefit audit work. Due to the joint resourcing model adopted by ASG and PABV the ASG staff underspend includes an allocation due to PABV for additional NFP staffing. This equates to £130k and covers additional trainees and new established posts within PABV.
- c) The average staff resource requirement in CSG has been higher than the funded w.t.e. (£79k) mainly due to the application of a 2% vacancy factor with the actual staff turnover in the business group being insufficient to meet this budget reduction. This overspend is partially funded by the positive variance on average actual salary costs (£33k). CSG has delivered savings in other budget headings to meet this overspend.
- d) Business support underspend is due to the phased start dates of the modern apprenticeships and there is a positive price variance due to staff turnover. Agency expenditure in April 2019 provided short term temporary cover for the vacant modern apprenticeship posts.
- e) There is a minor budget underspend in Governance & Other with the average w.t.e. being less than plan. The £131k budget allocation for agency is from management contingency to meet the increased resource requirements in ASG.

## **6. IAS 19 Pension Costs**

IAS 19 pension costs were £4,330k better than budget. Net interest was £42k better than budget with the current service cost £4,288k better than budget.

The service cost for unfunded benefits and ombudsmen was £192k better than budget due to an increase in the net discount rate of 0.5% from 2018-19 (discount rate less pension increase rate).

The service cost for the funded scheme was £4,096k lower than budget. The pension figures include the past service liability arising from the McCloud ruling and GMP indexation. Due to the high uncertainty associated with these pension figures the non-cash funding request of £10 million was based on ensuring there was sufficient headroom to meet a worst-case scenario.

To date there has been no formal resolution of the McCloud judgement and the figures included in the IAS 19 pension results are the best estimate by the actuary.

## **7. Legal, professional and consultancy**

The main reason for the overspend is due to work of the firms on 5 best value assurance reports in the financial year at a total cost of £174k. The majority of the budget overspend is being met from the favourable net position in respect of the firms' financial audit work.

## **8. Training and recruitment**

The main reason for the training underspend was due to the cancellation of a number of training events in March due to the impact of COVID-19. Some of the recruitment budget underspend can be attributed to the temporary postponement of the Audit Director recruitment campaign.

## **9. Depreciation**

In line with forecast and as reported in previous financial monitoring reports depreciation was £33k overspent due to the asset life of the equipment purchased at the end of financial year 2018-19. The 2019-20 budget assumption was based on the majority of expenditure on IT hardware having a 5-year asset life where the actual equipment that was purchased had a 3-year asset life. All asset depreciation is based on our agreed accounting policies, as documented within our Annual report and accounts.

## **10. Other costs**

The £83k underspend in other costs includes an unallocated management contingency budget of £50k. The main reason for the balance of the underspend is a claim for a VAT refund.

## **Management Contingency**

The 2019-20 budget included a contingency allocation of £306k controlled by the Management Team.

Budget allocations of £256k have been made from the Management Contingency as part of the year-end process. The allocations are detailed below:

- £75k to meet increased IAS 19 employee benefit costs
- £131k to meet essential agency spend within Audit Services
- £30k to cover the increase in Microsoft licence requirements
- £20k to meet increased demand for legal services.

The balance of £50k remains in the Other costs budget.

## **Capital Expenditure and Funding**

Capital investment for the twelve months to March 2020 was £141k, £9k less than the available budget of £150k.

The majority of investment was IT related and included HR software, printer software and laptops. All of the IT purchases complements our digital services strategy with the emphasis on enhanced security enabled equipment and software.

## **Actual position compared to November forecast**

The forecast out-turn prepared in November 2019 projected an underspend of £213k for 2019-20. The actual final outturn of £4,267k includes a favourable variance on IAS 19 pension costs of £4,138k.

Excluding IAS 19 – funded pensions variance the final position is an underspend of £129k, which is £84k worse than projection.

The reduction of the underspend is attributable to lower than planned chargeable fee income, increased agency costs and increased professional fees (firm BVAR costs).

These additional costs have been partially met by improvements to unfunded pension benefits, firms out-turn and reduced expenditure across a number of budget headings.

## **Statement of Financial Position and Cash flow statement**

For information, appendix 1 presents the statement of financial position as at 31 March 2020 and appendix 2 the cash flow statement for the year ended 31 March 2020.

**Stuart Dennis**

Corporate Finance Manager

28 April 2020

# Statement of Financial Position

## As at 31 March 2020

## Appendix 1

	31 March 2019 (Audited) £(000)'s	31 March 2020 £(000)'s
<b>Non-Current Assets</b>		
Property, Plant and Equipment	1,229	977
Intangible Assets	43	69
<b>Total non-current assets</b>	<b>1,272</b>	<b>1,046</b>
<b>Current Assets</b>		
Trade and other receivables	2,687	2,685
Cash and cash equivalents	1,206	1,208
<b>Total current assets</b>	<b>3,893</b>	<b>3,893</b>
<b>Total assets</b>	<b>5,165</b>	<b>4,939</b>
<b><u>Less: Current Liabilities</u></b>		
Trade and other payables < 1 year	3,361	3,433
Provision for early retirement < 1 year	102	101
Other provisions < 1 year	0	0
<b>Total current liabilities</b>	<b>3,463</b>	<b>3,534</b>
<b>Non-current assets plus/net current assets/liabilities</b>	<b>1,702</b>	<b>1,405</b>
<b>Non-current liabilities</b>		
Deferred liabilities	(826)	(692)
Provision for Early Retirement	(1,832)	(1,684)
Other provisions	(290)	(366)
Net Funded Pension Liabilities	(35,253)	(30,400)
<b>Total non-current liabilities</b>	<b>(38,201)</b>	<b>(33,142)</b>
<b>ASSETS LESS LIABILITIES</b>	<b>(36,499)</b>	<b>(31,737)</b>
<b><u>Represented by:</u></b>		
<b>Taxpayers' Equity</b>		
Net funded pension liabilities	35,253	30,400
General Fund	1,246	1,337
	<b>36,499</b>	<b>31,737</b>

# Cash Flow Statement to 31 March 2020

## Appendix 2

£(000)'s

### Cashflows from operating activities

Net Operating expenditure	(13,175)
<i>Adjustment for non cash items:</i>	
- Depreciation	356
- Other non-cash items	10
- Pension scheme - net revenue (debit)	5,817
(Increase)/Decrease in trade and other receivables	2
(Decrease)/Increase in trade/other payables/deferred liabilities	(64)
(Decrease)/Increase in provisions for early retirement	(149)
(Decrease)/Increase in other provisions	76
<b>Net cash outflow from operating activities</b>	<b>(7,127)</b>

### Cashflows from investing activities

Purchase of property, plant and equipment	(89)
Purchase of intangible assets	(51)
Less / ( add) movement in accrued expenditure	0
	<b>(140)</b>

### Cashflows from financing activities

From Consolidated Fund ( supply)	7,269
<b>Net increase / (decrease) in cash and cash equivalents in the period</b>	<b>2</b>

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

Cash and cash equivalents at the end of the period **1,208**

### Net cash requirement

Cashflows from financing activities	7,269
(Increase)/ decrease in cash	(2)
	<b>7,267</b>

## Purpose

1. To provide the Board with a review of organisational performance in quarter four (Q4) 2019/20 and a performance overview of 2019/20.

## Background

2. The quarter three 2019/2020 report was considered at the meetings of Management Team and the Board on 25 February and 24 March 2020 respectively.
3. The performance information is reported under the two strategic objectives of 'delivering world class audit' and 'being a world class organisation' in line with the Corporate plan.
  - Appendix 1 provides a summary of performance for each strategic objective.
  - Appendix 2 provides the detailed performance information.
4. The quarter four report was considered by Management Team at its meeting on 19 May 2020. It also includes a high-level summary of performance across 2019/20.
5. Overall performance in 2019/20 has been strong. The Covid-19 situation and the introduction of virus suppression measures in March 2020 has had only a limited impact in this reporting period. We expect the impact on performance to show in the quarterly reports for 2020/21.
6. Scotland's public services are under exceptional pressure due to COVID-19.
7. On 5 May 2020, Audit Scotland published '[COVID-19 What it means for public audit in Scotland](#)'. The briefing paper sets out the principles of Audit Scotland's approach in responding to the situation and on our financial and performance audit programmes. It also outlines our plans for assessing the impact of COVID-19 on public bodies and reviewing the Scottish public sector's response to the pandemic.
8. The briefing paper recognises that public bodies are under exceptional pressure as they manage the impact of the pandemic and that guidance and deadlines for financial reporting have been amended to reflect this. It also noted that it will be some time before we fully understand the impact on public services and finances. The key principles are:
  - Our approach to audit will be flexible, pragmatic and consistent, and the briefing paper states that.
  - Sound financial management and effective governance are more important than ever.
  - Audit has a key role in providing assurance and aiding scrutiny during these difficult circumstances, and we will prioritise quality and independence.
  - Our work needs to reflect the impact of COVID-19 on public services but also maintain a focus on the other key challenges facing Scotland's public sector.
  - We will safeguard the health and wellbeing of our colleagues at all times.

## Q4 performance summary

### Delivering World Class Audit

9. We are conducting relevant, timely and high-quality audits. Publications in Q4 included:
- 175 annual audit plans
  - 3 Performance audit reports
  - 1 Best Value Assurance report
  - 3 statutory reports
  - 2 Other reports
10. The Quality of Public audit in Scotland annual report 2019/20 provides positive assurance on the quality of the audit work across all auditors. 71% of annual audit files reviewed by ICAS, over the last three years were assessed as 'limited improvement required'. Positive assurance can also be gained from the Audit Scotland Transparency Report 2019. Both reports will be published in June 2020.
11. Audits were delivered at 3.93% above budget. This is within the five percent tolerance we have for this measure.
12. We continue to get our messages out effectively, as evidenced by the downloads, social media engagement, media mentions, stakeholder feedback and engagement with the parliaments and the Accounts Commission.

### Being a world class organisation

13. We continue to manage our resources, information and intelligence and support our colleagues.
- The outturn on core funding was £125k (1.7%) below budget.
  - The capital budget outturn was 9K (6%) below budget.
  - The IAS 19 funded pension costs were £4,138k less than budget, this contributed to the favourable out-turn to budget of £4,263k.
  - We had 291.1 whole time equivalent colleagues in place at the end of the quarter (establishment 286.4).
  - The absence rate remains low in Q4 at 1.32 days.
  - Digital services were maintained, and all colleagues have been able to access systems remotely and successfully in light of the Covid-19 situation.
  - Communications from the Incident Management Team have been successful and received positive feedback from colleagues and external stakeholders.

## 2019/20 Performance summary

14. Performance in 2019/20 has been strong with high quality audits having been delivered to time and budget.
15. The year presented a number of challenges including resourcing issues, a general election which impacted on the publication of reports, an extensive improvement programme and business continuity planning for EU withdrawal and more recently the Covid-19 pandemic. Throughout this we have delivered a broad range of high-quality audit work.

### Delivering World Class Audit

16. We produced 713 audit reports/outputs in 2019/20 which is consistent with the planned output.

	Planned	Delivered	Delivered %	Delivered on time%
Annual Audit Plans	220	220	100	87
• Audit Scotland	(121)	(116)	100	88
• Firms	(99)	(93)	100	86
Accounts certified	220	220	100	95.5
• Audit Scotland	(121)	(121)	100	95
• Firms	(99)	(99)	100	96
Annual Audit Reports	220	220	100	91.5
• Audit Scotland	(121)	(121)	100	88
• Firms	(99)	(99)	100	95
Performance Audits	7	7	100	60
BV Assurance & Follow-up Reports	7	7	100	83
Overview reports	3	3	100	100
Statutory Reports	12	14	117	100
Other	22	22	100	88
<b>Total</b>	<b>711</b>	<b>713</b>	<b>100%</b>	<b>91%</b>

17. The quality of audit work on audits is high and improving. Auditors are engaging with the Audit Quality Framework and addressing previous years' findings, leading to improvements in audit quality. We have robust audit quality arrangements in place which include systematic quality reviews across all aspects of our audit work. The results of internal and external quality reviews represent a substantial improvement in audit quality during a time of resourcing challenges and is testament to the professionalism of our staff.

18. We are getting our messages out effectively:

- Colleagues engaged with the Scottish Parliament and its committees, attending 58 meetings of the Scottish parliament including the Public Audit and Post Legislative Scrutiny Committee and eight other committees.
- Colleagues 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 117,000 visits, up 8% from last year and there were over 1 million report downloads (up 28% from last year).
- There were almost 26k social media engagements (down slightly from 26,118 in 2018/19).
- There is evidence over the year of impact at a national and local level and providing insight and increasing amounts of foresight.
- There were 136 new correspondence cases and 94% received a final response within the agreed time limit.

## Being a world class organisation

19. The Best Companies survey 2019 was completed by 83% of staff. We achieved our highest overall score to date and maintained our place in the top 100 not for profit organisations. There was an increase in four of the eight factors with the largest increases in 'my Team' and 'fair deal' groupings. We also achieved Silver accreditation in the Healthy Working Lives award.

20. During 2019/20 we have also been responding to colleagues concerns about resourcing our audit work. 89% of our staff feel encouraged to deliver high-quality audits and 63% say they receive sufficient training. However, only 27% felt they had sufficient time and staff resources to deliver high-quality audits. We have taken steps to address this by building capacity, through innovative approaches and by streamlining our work. However, the full impact of some of this work is not likely to take effect until 2020/21.

21. The average number of staff employed in the 12 months to March 2020 was 0.5 w.t.e lower than establishment figure and the staff absence rate was 4.97 days. This slightly higher than the 4.85 days in 2018/19 but compares favourably with the relevant benchmarks.
22. In the twelve months to 31 March 2020, Audit Scotland's Net Operating Expenditure was £13,175k which was £4,267k less than budget.
23. Digital service provision was good, we achieved over 99% IT up time and ISO27001 recertification.

## Recommendations

24. The Board is invited to:
  - review the performance in quarter four
  - review the performance in 2019/20
  - consider whether any additional management action is required.

## Appendix 1

1 June 2020

### 2019/20: Q4 performance summary

 <b>Delivering world-class audit</b>	Measure in Q4	Previous quarter	Same quarter last year
We conduct relevant and timely audits and report in public.			
Reports 2019/20 (YTD)	713(100%)	505 (71%)	707 
On time (YTD)	91%	95%	93.6% 
Audit Budget (YTD)	+4%	1.75%	+0.48% 
We get our messages out effectively			
Media mentions (Q4)	335	354	125 
Downloads (Q4)	320,410	367,005	193,033 
Social media engagements (Q4)	5,441	6,588	3,840 

### Key performance messages in Q4

- We have delivered 183 audits/reports.
- Audits were delivered at 3.93% above budget and within our 5% tolerance for this measure.
- Communications statistics show we are getting our messages out effectively.
- 320,410 downloads and 5,441 social media engagements.
- 335 media mention of Audit Scotland and/ or Accounts Commission.
- Stakeholder feedback shows an improved level of satisfaction with audit.
- 26 attendees at 11 parliamentary engagements.

### Key performance messages in 2019/20

- We have delivered 713 audits/reports. 25 annual audit plans were delivered late, though all have been completed in in Q1 2020/21.
- 91% of reports have been delivered on schedule and audit expenditure is 4% above budget.
- There were 117,000 visitors to our website (up from 108,000 last year) and over 1 million downloads.

### Key actions

The key actions for this strategic objective are covered by the projects and workstreams in the Strategic Improvement Programme which is also on today's agenda. They include development of the ASG audit methodology, the development of digital auditing and the implementation of the audit quality improvement action plan.

#### Key:

**Red** = Not progressing/significant additional management action required.

Amber = Progressing and management action planned.

Green = On target/no need for additional management action

 <b>Being a world-class organisation</b>	Measure in Q4	Previous quarter	Same quarter last year	
<b>We manage our resources effectively</b>				
Budget Variance (YTD)	+24.5%	-0.4%	+0.6%	↑
WTE establishment (YTD)	99.8%	101.2%	99.6%	→
<b>We maximise our efficiency</b>				
Staff costs (YTD)	16,684k	12,422k	15,825k	↑
Agency/secondment costs (YTD)	521k	412k	135k	↑
Average cost per audit day (Q4)	441	440	437	↑
Proportion of audit time (Q4)	68%	61%	66.5%	↑
<b>We empower and support our people to be engaged, highly skilled and perform well</b>				
Absence (YTD)	4.97 days	3.39 days	4.85 days	↑
Staff turnover (YTD)	6.32%	4.99%	11.26%	↓
Exams pass rate (YTD)	84%	83%	86%	↓
Training events (YTD)	98	79	103	↓
Training attendees (YTD)	1057	897	1352	↓
IT uptime	99.36%	99.98%	100%	↓

### Key performance messages in Q4:

- The outturn on core funding was £125k (1.7%) and 9K (6%) capital better than budget. The IAS 19 funded pension costs were £4,138k less than budget which contributed to the favourable outturn to budget of £4,263k.
- The average number of colleagues in the quarter were 99.8% of the establishment.
- Absence levels remain low and are consistent with previous years. We remain below the 2019 CIPD benchmark (5.9%).
- The proportion of Audit time was 68% up from 66.5% in the same quarter last year.

### Key actions

The key actions for this strategic objective are covered by the projects and workstreams in the Strategic Improvement Programme, which is also on today's agenda. They include; several workstreams on resourcing, learning and development and wellbeing and the performance management framework.

2019/20: Quarter 4



We conduct relevant and timely audits and report in public.

Key Performance Questions	2018-19				2019- 20			
	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
Are audits delivered on budget?	G	G	G	G	G	G	G	G

### Key messages

In 2019/20:

- 91% of audit/reports delivered on time (target 95%)
- audit expenditure is 3.93 per cent above budget (within the 5% tolerance target)
- In Q4 we published 183 audit/reports. These included 3 statutory reports, reports on Early learning and childcare, Scotland's City Region and Growth Deals, Non-profit distributing (NPD) and Hub models and a BV report on Highland Council.
- In Q4 Audit Scotland delivered 10 NHS (out of 10), 59 LG (out of 66) LG and 39 CG (out of 47) Annual Audit Plans on time.
- In Q4 the firms delivered 12 NHS (out of 13), 34 LG (out of 39) and 21 CG (out of 29) Annual Audit Plans on time.

A total of 29 annual audit plans were not completed to schedule in Q4. All have now been completed.

Of the 15 Audit Scotland plans which were late; six were due to the delays to Audit Committee meetings due to Covid-19, one is a new body and eight were completed to schedule but were submitted to AQA late.

Of the 14 Firms plans which were, 10 were due to committee/covid-19 delays and four were for other reasons.

### Issues/ risks

The Covid-19 pandemic presents a broad range of strategic risks, these are covered in more detail in the Risk Register. Ensuring relevant and timely audit delivery is also challenging in such and uncertain situation. Audits which were substantially complete have been finalised and published as appropriate.

Deadlines for the financial audits have been extended, there remains a risk however that resources and capacity pressures (both on audited bodies and Audit Scotland) will require careful prioritisation and it may not be possible to complete all of the audits to the planned deadlines. While timescales may change the quality of audit will not be compromised.

The five-year rolling work programme is currently being reviewed and a revised programme will be considered by the Auditor General and the Accounts Commission in September 2020.

The additional strain and pressure on public bodies may also give rise to issues meriting qualification or noting in bodies' annual accounts. This may in turn lead to an increased number of statutory reports. This would place additional capacity pressures on Audit Scotland resources.

## Audit/report schedule 2019/20.

	Q1	Q2	Q3	Q4
Annual Audit Plans Audit Scotland (121)	FE 2 ✓			LG 59, NHS 10, CG 38
Annual Audit Plans Firms (99)	FE 18 ✓	FE 1 ✓		LG 34, NHS 12, CG 21
Accounts certified Audit Scotland (121)	NHS 10 ✓ CG 6 ✓	CG 35 ✓ LG 62 ✓	FE2 ✓ (Q4) CG 4 ✓ LG 4 ✓	
Accounts certified Firms (99)	NHS 13 ✓ CG 3 ✓ LG 1 ✓	CG 13 ✓ LG 38 ✓	FE 17 ✓ (Q4) CG 12 ✓	
Annual Audit Reports Audit Scotland (121)	NHS 10 ✓ CG 6 ✓	CG 30 ✓ LG 58 ✓	FE2 ✓ (Q4) CG 6 ✓ LG 13 ✓	
Annual Audit Reports Firms (99)	NHS 13 ✓ CG 1 ✓ LG1 ✓	CG 14 ✓ LG 37 ✓	FE 12 ✓ (Q4) CG 13 ✓ LG 9 ✓	
Performance Audit (7)	<ul style="list-style-type: none"> <li>•Social security ✓</li> <li>•Enabling digital government ✓</li> </ul>	<ul style="list-style-type: none"> <li>•Revenue financing of assets: The Non-profit distributing (NPD) and Hub models X</li> <li>•NHS workforce planning 2: primary care clinical workforce ✓</li> <li>•Finances of Scottish universities ✓</li> </ul>	<ul style="list-style-type: none"> <li>•Scotland's City Region and Growth Deals X</li> </ul>	<ul style="list-style-type: none"> <li>•Early learning and childcare: follow up ✓</li> <li>•Scotland's City Region and Growth Deals (Q3) ✓</li> <li>•Revenue financing of assets: The Non-profit distributing (NPD) and Hub models (q2) ✓</li> </ul>
Best Value Assurance Report (7)	<ul style="list-style-type: none"> <li>•Stirling Council ✓</li> <li>•North Lanarkshire ✓</li> <li>•Clackmannanshire Council: follow-up ✓</li> </ul>	<ul style="list-style-type: none"> <li>•Midlothian Council ✓</li> <li>•Perth and Kinross Council ✓</li> </ul>	<ul style="list-style-type: none"> <li>•Scottish Borders Council ✓</li> <li>•Highland Council X</li> </ul>	Highland Council ✓
Overview Report (3)	<ul style="list-style-type: none"> <li>•Scotland's colleges 2019 ✓</li> </ul>		<ul style="list-style-type: none"> <li>•NHS in Scotland 2019 ✓</li> <li>•Local government in Scotland: Financial overview ✓</li> </ul>	

## Appendix 2 – Performance detail

Statutory (12)	<ul style="list-style-type: none"> <li>•Scottish Public Pensions Agency ✓</li> </ul>	<ul style="list-style-type: none"> <li>•Highlands and Islands Enterprise ✓</li> <li>•Scottish Prison Service ✓</li> <li>•Scottish Government consolidated accounts ✓</li> <li>•Social Security Scotland ✓</li> </ul>	<ul style="list-style-type: none"> <li>•NHS Highland ✓</li> <li>•NHS Lothian ✓</li> <li>•NHS Tayside ✓</li> <li>•S22 Bord na Gaidhlig ✓</li> <li>•S22 Scottish Police Authority ✓</li> <li>•S22 Disclosure Scotland ✓</li> </ul>	<ul style="list-style-type: none"> <li>S23: Highland and Islands Enterprise (Q1 20/21) X</li> <li>S102 Glasgow City Council ✓</li> <li>S102 Fife IJB ✓</li> <li>S102 Renfrewshire Council ✓</li> </ul>
Other (22)	<ul style="list-style-type: none"> <li>•HCW- Safeguarding public money: are you getting it right ✓</li> <li>•West Dunbartonshire Council Tendering And contracting practices ✓</li> <li>•Drugs and alcohol services: an update ✓</li> <li>•Briefing - Enterprise and skills review ✓</li> <li>•Briefing - Public health reform ✓</li> <li>•Guide to the General Medical Services contract ✓</li> <li>•Briefing - Planning for outcomes ✓</li> <li>•HB Annual report ✓</li> <li>•Transparency Report 2018 ✓</li> </ul>	<ul style="list-style-type: none"> <li>•Impact - NHS workforce planning ✓</li> <li>•Impact - Transport Scotland's ferry services ✓</li> <li>•Impact - Self-directed support: 2017 progress report X</li> <li>•Impact - Equal pay in Scottish councils X</li> <li>•Briefing - Student Loans briefing X</li> <li>•Principles for community empowerment ✓</li> <li>•National Scrutiny plan for local government ✓</li> <li>•Fraud and irregularity update 2018/19 ✓</li> </ul>	<ul style="list-style-type: none"> <li>•Briefing - Operation of the fiscal framework ✓</li> <li>•Equal Pay Impact Report (Q2) X</li> <li>•Briefing - Cyber Security X</li> <li>•Impact - Self-directed support: 2017 progress report (Q2) ✓</li> <li>•Briefing - Student Loans briefing (Q2) X</li> <li>•Briefing – EU Withdrawal ✓ (was Q4)</li> <li>•</li> </ul>	<ul style="list-style-type: none"> <li>•EAFA ✓</li> <li>•Refreshed rolling 5-year work programme</li> <li>•EU withdrawal: briefing (Q3)</li> <li>•Student Loans Briefing ✓</li> </ul>
Planned (711)	83	226	160	249
Published (711)	100	301	106	183

### On time

We delivered 91 per cent of audit/reports are on time.

The Section 23 report on Highlands and Islands Enterprise management of the Cairngorm Funicular was provisionally scheduled for Q4 (March 2020) publication prior to audit scoping. Following scoping and discussion with HIE it was agreed to publish the report in May 2020 (Q1). This timescale is subject to review as a result of the Covid-19 situation.

Several audits and other outputs were delayed from November/December as a result of the publications moratorium for the UK Parliamentary election. These included reports on; the City Region and Growth Deals, Privately financed infrastructure investment (NPD) and the Highland Council Best Value Assurance Report.

On time YTD	Number delivered on time	Number delivered Late	% of planned delivered to date	% on time	Comment
Annual Audit Plans – AS (121)	106	15	100%	88%	
Annual Audit Plans – Firms (99)	85	14	100%	86%	
Accounts certified – Audit Scotland (121)	115	6	100%	95%	
Accounts certified – Firms (99)	95	4	100%	96%	
Annual Audit Reports – Audit Scotland (121)	108	13	100%	88%	
Annual Audit Reports – Firms (99)	94	5	100%	95%	
Performance Audit (7)	5	2	100%	60%	The HIE report will be completed (subject to Covid-19) in Q1. One performance audit delayed initially for internal reasons but then (along with City Deals) delayed due to election moratorium.
Best Value Assurance Report (7)	6	1	100%	83%	The Highland Council BVAR was delayed due to the election publication moratorium.
Overview Report (3)	3	0	100%	100%	
Statutory (12)	14	0	117%	100%	Includes additional three s102 local government reports during Q4.
Other (22)	20	2	100%	88%	
<b>Total (711)</b>	<b>651</b>	<b>62</b>	<b>100%</b>	<b>91%</b>	

**On budget:** In Q4 the expenditure on audit is 3.93 percent over budget and within our five percent budget tolerance.

	Budget	Actual	£ Variance	% Variance
ASG	3,854,735	4,072,486	217,751	5.65
PABV	£1,806,730	£1,811,270	£4540	0.25%
<b>Total</b>	<b>5,661,465</b>	<b>5,883,756</b>	<b>222,291</b>	<b>3.93</b>

The 5.65% ASG variance is due to the timing of the EAFA audit which has 2 audit years running rather than the one. EAFA's year end is (October) which is different to all other audits which impacts on when resources are heavily input into that area.

PABV audits completed to the end of 2019/2020 were completed collectively within 0.25% of budget.

**Forward look:**

Audit Scotland has published [‘COVID-19 What it means for public audit in Scotland’](#) principles.

Our approach to audit will be flexible, pragmatic and consistent.

- Sound financial management and effective governance are more important than ever.
- Audit has a key role in providing assurance and aiding scrutiny during these difficult circumstances, and we will prioritise quality and independence.
- Our work needs to reflect the impact of COVID-19 on public services but also maintain a focus on the other key challenges facing Scotland’s public sector.
- We will safeguard the health and wellbeing of our colleagues at all times.

Financial audit - To reflect the pressure on public bodies, the deadlines for preparing accounts for public bodies are being extended. These changes will impact on timings for audit work and reporting.

Performance audit - The majority of performance audit work has been paused as we review our work programme and our capacity. The new work programme will be considered by the Auditor General and the Accounts Commission in September 2020.

The forward schedule of reports in the work programme is now subject to disruption and revision as a result of Covid-19. The preparation of annual accounts and the delivery of annual audit reports the scheduling of reports is not is likely to look the same as in previous years. This will mean that reporting on performance during 2020/21 may mean that comparisons with previous quarters of years may not be the most reliable method. We will review this on a quarterly basis.



**Audit work is of high quality and we are systematically improving the quality of our work**

Key Performance Questions	2018-19				2019-20			
	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
Are we improving the quality of our work?	G	G	G	G	G	G	G	G

### Key messages

The quality of audit work on audits is high and improving.

Our audit quality arrangements have been evolving over the past few years and are having a positive impact. Auditors are engaging with the Audit Quality Framework and addressing previous years' findings, leading to improvements in audit quality.

The Impact of Covid-19 is expected to affect timing of some audits and may also impact on the timing of quality reviews. Our priorities are managing the impact of Covid-19 on our staff and on our audit work and its quality, ensuring that audit quality is maintained.

The **Quality of Public Audit in Scotland annual report 2019/20** (QPAiS) will be published in June 2020.

The report includes the findings of the Institute of Chartered Accountants of Scotland (ICAS) reviews which found:

- no concerns with audit opinions.
- 71 per cent of annual audit files reviewed over the last three years were assessed as 'limited improvement required'
- considerable improvements in the documentation of performance audits and Best Value assurance reports this year with all reviews assessed as limited improvement required.

The **Audit Scotland Transparency Report 2019** will also be published in June 2020. Key messages include:

- All eight internal quality reviews were classed as 'good' or 'limited improvements required'
- Eighty-nine per cent of our staff feel encouraged to deliver high-quality audits and 63 per cent say they receive sufficient training.
- However only 27 per cent felt they had sufficient time and staff resources to deliver high-quality audits, a decline on last year's result.
- We have taken steps to address this by building capacity, through innovative approaches and by streamlining our work.

**Technical guidance/ notes** published in Q4 included:

We published the following to support quality of audits:

- Technical guidance notes
  - for auditors on risks of misstatement in 2019/20 annual report and accounts of central government bodies with a module dedicated to health boards
  - on 2019/20 independent auditor's reports for health boards
  - on dealing with statutory objections to local government accounts
- A bulletin on technical developments and emerging risks in the quarter
- 28 briefing notes to provide auditors with a synopsis of new technical documents

- a Good Practice Note on Management Commentaries

We delivered 4 training sessions on professional scepticism, audit assertions, issues and investigations, a PABV introductory session. These received very positive feedback.

In addition:

- Professional Support replied to 120 technical enquiries from auditors this quarter which was more than the 114 in Q3. 100% were within target response times this quarter (98% in Q3)
- Revised and improved financial statements audit programmes, remuneration reports and considering statutory other information were issued to auditors for the 19/20 audits
- Two thematic reviews covering the application of Substantive Analytical Procedures (SAPs) and audit sampling was undertaken in bodies across all sectors. Following these reviews, further training and guidance will be developed as part of planned quality improvements. Consideration is being given to re-running the training course on analytical procedures. Auditors are also to be reminded of the guidance available on the application of SAPs.

### **Forward look:**

- The ICAS and Professional Support training event based on the quality review findings to be held in Glasgow on 30<sup>th</sup> April 2019 is to be rearranged
- The Quality of public audit in Scotland annual report will be reported to the Accounts Commission and Audit Scotland's Audit Committee and Board in May/ June and published in June.
- We started a programme of peer reviews with the other UK audit agencies and the Irish audit Office. We will report on the findings from these in quarter 2 2020. To date we have had seven performance audit reports reviewed and are in the process of reviewing a number of other audit agencies reports.
- Professional Support will revise all 2020/21 planning, controls and final accounts programmes to ensure that they are fully compliant with International Auditing Standards and incorporate findings from quality reviews where deemed appropriate.

 Delivering world-class audit	<b>We get our messages out effectively</b>
--	--

Key Performance Questions	2018-19				2019-20			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Are we getting messages getting out effectively?	G	G	G	G	G	G	G	G

**Key messages**

- The top three reports in Q4 were Student Loans briefing paper, City Deals, Early Learning and Childcare: follow up.
- Communication figures across all three categories are up on same quarter last year.
- Regular ongoing engagement with Parliament and the Accounts Commission in Q4.
- We responded to four consultations and received 25 new correspondence concerns.
- We completed a public consultation on the new Code of Audit Practice on 24 April, responses are being analysed by the New Audit Appointments Steering Group which will consider how to finalise the Code in light of COVID-19.

**Engagement**

In Q4 we attended:

- 11 Parliamentary Committees with 26 attendees.
- Five meetings of the Account Commission and it's committees

Month	Parliamentary questions mentioning Audit Scotland	Mentions of Audit Scotland's work across committees	Mentions of Audit Scotland during FMQs	Audit Scotland staff appearances at committees	Total
January	9	13	6	6	34
February	1	22	13	2	38
March	4	10	5	4	23
Quarter Total	14	45	24	12	95

We responded to four consultations:

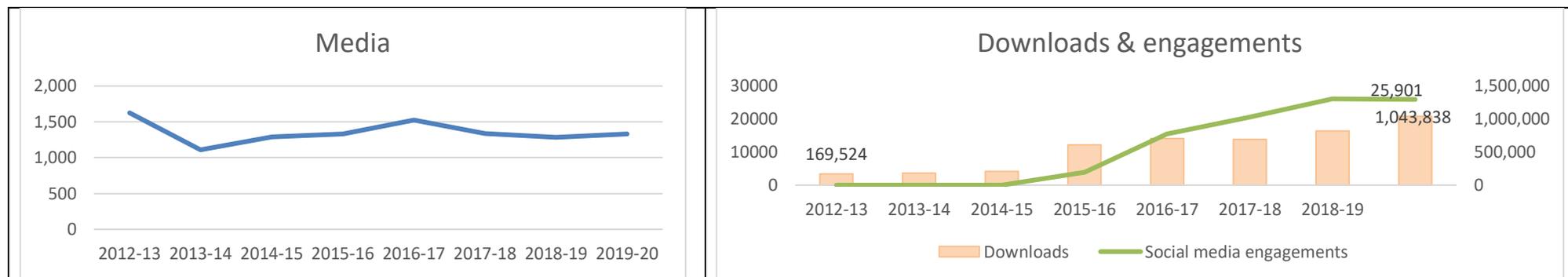
- An invitation to comment on 2019/20 accounting code
- On a proposed extension of the duration of a Part 2 order making powers in the Public Services Reform (Scotland) Act 2010.
- Data sharing for public service delivery, recovery of debt and counter fraud purposes
- The NFI fees and work programme- proposal to increase fees as well as introduce a mandatory match for Covid-19 business grants

**Communications**

- Media and engagements figures are higher than the same quarter last year (Q4 18/19 -Media 125, engagements 3,841, downloads 196,033)
- The media download and engagement trend data show the fluctuation over time but remains consistent overall.

	Q1	Q2	Q3	Q4	YTD	18/19
Media	304	340	354	335	1,333	1,283
Downloads	123,448	232,975	367,005	320,410	1,043,838	817,436
Engagements*	5,881	7,991	6,588	5,441	25,901	26,118

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



**Media**

The top 3 published reports by media coverage were: Student Loans briefing paper, City Deals, Early Learning and Childcare: follow up.

- The General Election of December 2019 and election moratorium period meant that some reports were rescheduled to January 2020, including City Deals, Revenue financing of assets, and a briefing paper on Student Loans.
- The student loans paper attracted the most coverage nationally and locally, reflecting the wide audience for the messages it contained. It had the most local reach of any report in the last year.
- Parliamentary committee evidence sessions on December’s Local Government Overview, s22 reports on the SPA, Bord na Gaidhlig and the Scottish Prison Service did much to add to the volume of coverage across Quarter 4.

**Downloads**

- The two most popular in Q4 were: The 2018 Children and Young People’s Mental Health report (around 3,000 downloads) and the 2019 NHS Overview (around 5,000 downloads).
- The City Deals report also attracted interest, with over 1,000 downloads in February and the Early Learning and Childcare report received around 760 downloads
- The NFI privacy notice 2018 remains the most popular download from the website.

**Social media activity**

- Report-related content generated most of our engagement on our social media channels. In Q4 news of a new Auditor General being appointed led to a notable spike in engagement on LinkedIn in March. Other human-interest success stories, such as the AGS ranking highly for leadership in the Best Companies awards, also boosted engagement rates.
- Video and animations/gifs remain our most popular forms of content. We used them to explain reports such as City Deals and our Early Learning and Childcare follow up, as well as what we do at Audit Scotland and why. There were over 5,000 views of this multimedia content (a separate stat from our other social media measures) across our different channels. Twitter and LinkedIn remain our strongest channels for engaging our audience with this content.

- Posts relating to the corona virus pandemic, namely our holding statement for stakeholders and a post thanking Scotland’s services public, were among the most engaged with across Quarter 4.

**Correspondence**

Audit Scotland handles a wide range of correspondence from members of the public, elected representatives and organisations. Figures for new and reopened cases are:

New correspondence cases	Q1	Q2	Q3	Q4	YTD	18/19
Number of cases	36	44	31	25	136	99
Acknowledgement within five working days	100%	95%	100%	100%	99%	99
Final response within 30 working days	94%	100%	100%	80%	94%	98

- Five final responses are pending (20%) and are still currently within our 30 working day deadline.
- No acknowledgements have been missed this quarter.
- One final response has been missed this quarter – the correspondent has received a holding response and phone call to update them on progress to date.
- For the same quarter last year, we reported 37 new cases with 100% acknowledgement and 95% final response targets achieved.
- In addition, we had 25 audit enquiries (compared to 24, Q4 17/18)– relating to queries about our work (e.g. figures within our reports, guidance and access to materials/reports)
- The annual report on correspondence was considered by the Audit Committee at its meeting on 6 May 2020

\*\*Note: change in what was reported in quarter 3. At the time of submitting data, we’d achieved 95% of responses within 30 days the remaining response was issued within the deadline, so this figure now shows as 100%.

**FOI/EIR/Complaints**

There were six FOI requests, no EIRs and no complaints in Q4. All FOIs were answered with the 20 Day deadline (three were answered within five working days)

**Covid-19 Statement**

**Forward look:**

- Covid-19 will be the main focus of media and other attention for some time to come. This is likely to impact on the communications and engagement measures.

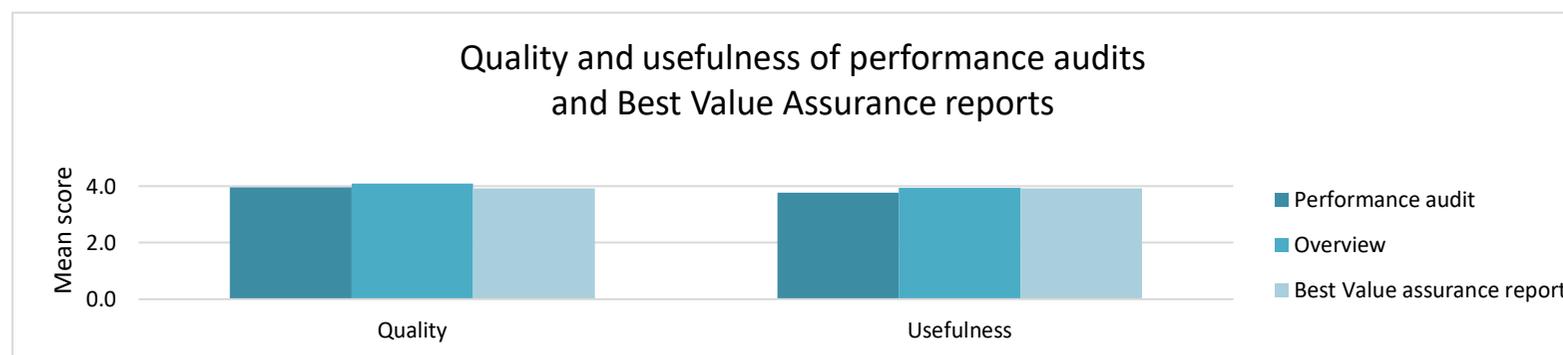
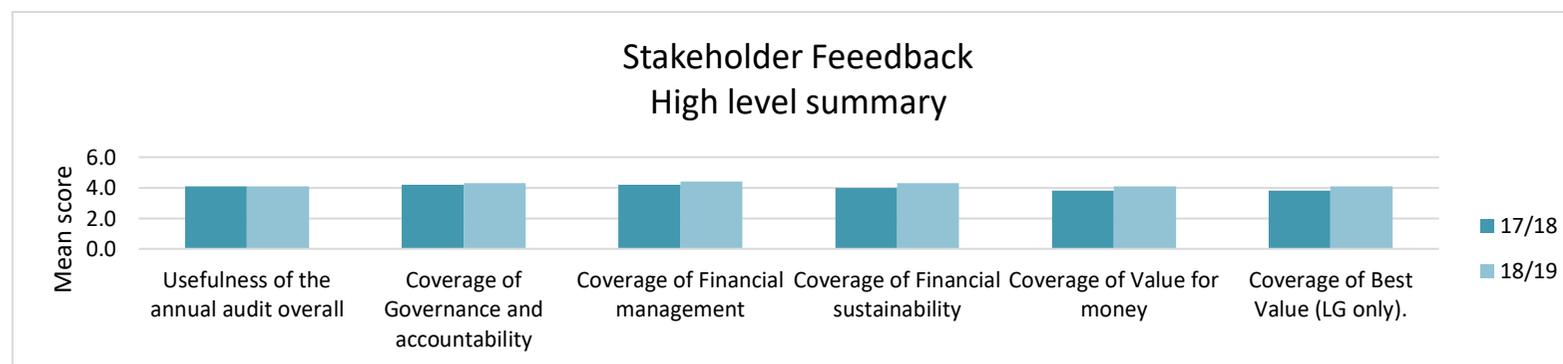
**Trend data:** [link](#)

 **We systematically deliver impact through our work**

Key Performance Questions	2018-19				2019-20			
	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?	G	G	G	G	G	G	G	G
Are we offering insight and foresight and making information and intelligence available to others?	Y	G	G	G	G	G	G	G

**Key messages / Things to note:**  
 A further three statutory reports in local government were produced during quarter 4. These reports highlighted issues relating to councils and Integration Joint Boards.

Stakeholder feedback shows an improved level of satisfaction with audit and shows that audit work has had impact.



**Examples of where work has made a positive impact or feedback received include:***Central Government:*

- We queried the underlying assumptions used in a weighted average methodology for valuing the amount of stock and requested that management carry out a review to provide assurance that the assumptions were reasonable and appropriate. A new methodology will be applied in 2019/20, resulting in a more accurate inventories figure as at 31 March.
- The 2018/19 annual audit report recommended that the methodology for applying the valuation of biological assets be reviewed. The review resulted in the valuer applying a more up to date and appropriate methodology. This new valuation will provide a truer representation of the market value of these assets.

*Local Government:*

- In 2018/19 we completed an audit on the procurement and contracting practices at the council. Our audit found 10 additional weaknesses, not picked up by an earlier Internal Audit. All of our recommendations were accepted and are being progressed and the Audit Committee has noted the positive changes made.
- The 2018/19 AAR recommended improvements to financial reporting, including the impact of decisions on the reserves position of the IJB. In response a financial plan 2020/21 - 2029/30 has been prepared and will be presented at the next Performance, Finance and Audit Committee.
- The 2018/19 BVAR report recommended improvements to public performance reporting. The BV follow-up showed the council's public performance reporting now has much clearer links to the objectives laid out in the 5 year Business Plan.
- The BVAR report in 2018/19 recommended the council review and whether the structure of its ALEO's remained fit for purpose. BV follow-up work found that the council has undertaken a thorough review of the structure of its ALEOs.
- The 2018/19 BVAR report recommended that the Community Planning Partnership review its reporting structures and report performance against its local outcome indicators. The BV follow-up work concluded that the Council/CPP had reviewed the reporting structures and that these were now much clearer.
- After discussions with the local audit team, the council have been able to wind up another trust fund in 2019/20. Local food banks were asked to submit funding applications to spend the remaining funds, saving the council administration costs and benefiting the local community.

**Insight and foresight**

The [briefing paper on student loans](#) in Scotland published in January 2020 provided an overview of student loans in Scotland and highlighted some of the key data trends. Key points from the paper included:

- Total loan debt increasing from £2.5 billion in 2011 to £5.5 billion in 2018-19
- £590m of the 2018-19 total loan debt impaired by the Scottish Government, reflecting the planned increase in the loan repayment threshold to £25,000
- Over £533m of loans authorised in 2018-19 – an increase of 185% since 2008-09, with poorer students borrowing more
- And 505,800 individuals with loan debt still to repay as of April 2019.

Colleagues provided an informal briefing to the Health and Sport Committee about our [NHS in Scotland 2019 report](#) ahead of its inquiry into the supply and demand for medicines in Scotland.

Audit Scotland hosted CIPFA in early March, looking at key issues facing local government pensions. The event was attended by auditors and Local Government Pension Scheme officers covering governance, accounting, valuations and strategic issues.


**We develop new and improved processes, products and services**

Key Performance Questions	2018-19				2019-20			
	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

**Key messages:**
**Examples of new improved processes, products and services include:**

The Scotland's Colleges 2020 overview team is working with the Communications Team to develop a more graphical interactive report than the traditionally text based output. This should make the detail (including financial data) more accessible to a wider audience. However, the publication date is likely to be affected by Covid-19.

The quality review findings will be reported to ASG/PABV from internal and external findings. Areas for improvement if they are found to be consistent across several audits will be used to inform future training.

**Are products and study programmes suitable and appropriate for emerging issues?**

The Auditor General and Accounts Commission rolling 5-year work programme was formally approved in March. The Performance Audit work programme is being reviewed in light of the impact of Covid-19.

On 17 March Audit Scotland advised all staff to work from home, due to the Covid-19 lockdown. This transition was implemented through the Business Continuity Plan and the Incident management procedures. Digital services were maintained successfully with an extended helpdesk support and the roll out of MS teams (ahead of planned).

**Forward look:**

We are developing new ways to carry out audit work and support colleagues as a result of Covid-19 and at what outputs may best be used to share messages.

A new digital case management approach to managing public correspondence is being developed by the Correspondence Team and Digital Services. The intention is for this to go live early in 2020/2021 (potentially Q1).


**We manage our resources effectively and maximise efficiency**

Key Performance Questions	2018-19				2019-20			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Are we managing our resources effectively	G	G	G	G	A	A	A	A
Are we maximising efficiency?	G	G	G	G	A	A	A	A

**Key messages**

- The core budget outturn was a £125k (1.7%) underspend.
- The capital budget outturn was a 9K (6%) underspend.
- The IAS 19 funded pension costs were £4,138k less than budget which contributed to the favourable out-turn to budget of £4,263k.

**Resource management**

In the 12 months to 31 March 2020 Audit Scotland's Net Operating Expenditure was £13,875 which was £4,263k less than budget

	Q1	Q2	Q3	Q4	18/19
Actual	(1,233)	(2,760)	(5,185)	(13,715)	(9,827)
Budget	(1,422)	(2,747)	(5,208)	(17,442)	(9,891)
Variance	(13.3%)	(0.5%)	0.4	24.5%	0.6%

**Staff** - The average number of staff in the quarter was 99.8% of the establishment.

	Q1	Q2	Q3	Q4	18/19
2019/20 establishment w.t.e	286.4	286.4	286.4	286.4	279.5
Average number of staff employed in 2018/19 w.t.e:	280.2	281.6	284.7	285.9	278.6
No. of staff at end of quarter w.t.e:	284.7	276.9	289.9	291.1	283.6

**Staff and Agency costs** – The total staff costs in the 12 months to 31 March 2020 243k more than budget.

	Annual Budget £000	Actual YTD	Budget YTD	Variance	Actual Average WTE	Budget WTE
Total Staff costs 2019-20	16,726	16,684,	16,726	42	300.9	297.1
Total agency & secondments 2019-20	206	521	206	(315)		
Q4 Staff costs 2018-19	15,832	15,825	15,832	7	293.1	285.5
Q4 agency & secondments 2018-19	125	135	125	(10)		

**Legal, professional and consultancy** spend is above budget for 2019/20. The increase in budget was due to the planned increase in consultancy for the next round of audit procurement. The main reason for the overspend is due to work of the firms on 5 best value assurance reports in the financial year (a total cost of £174k). The majority of the budget overspend is being met from the favourable net position in respect of the firms' financial audit work.

	Q1	Q2	Q3	Q4
Actual	87	221	382	741
Budget	83	230	341	597
Prior year spend	54	150	258	740

**Estate** - Estate costs in the 12 months to 31 March 2020 are the above budget and last year's expenditure.

	Q1	Q2	Q3	Q4
Actual	202	403	620	944
Budget	206	413	620	904
Prior year spend	209	392	618	917

**Costs of travel** - Travel costs in the 12 months to 31 March 2020 are lower than budget and last year's expenditure.

	Q1	Q2	Q3	Q4
Actual	207	433	627	835
Budget	217	433	650	867
Prior year spend	227	455	626	889

**Capital Expenditure and Funding** – Capital investment for the twelve months to March 2020 was £141k, £9k less than the available budget of £150k.

The majority of investment was IT related and included HR software, printer software and laptops. All of the IT purchases complements our digital services strategy with the emphasis on enhanced security enabled equipment and software.

#### IT network up time

	Q1	Q2	Q3	Q4	18/19
IT Network					
IT uptime (%)	99.36	99.43	99.98	99.36	99.6
Working hours lost	1517	1439	40.7	631.8	3758
Average time lost per person (minutes)	5.2hrs	4.55hrs	0.13	2hrs	660

The majority of the downtime this quarter was due to two major outages, an internet slow down affecting all staff for over an hour and an issue with the Citrix which meant people could not login for an hour. There were minor issues with the Glasgow connection which would have been significant but were caught early in the morning and resolved before most staff were affected.

**IT Incident management summary** (incident targets are expected to achieve 97%)

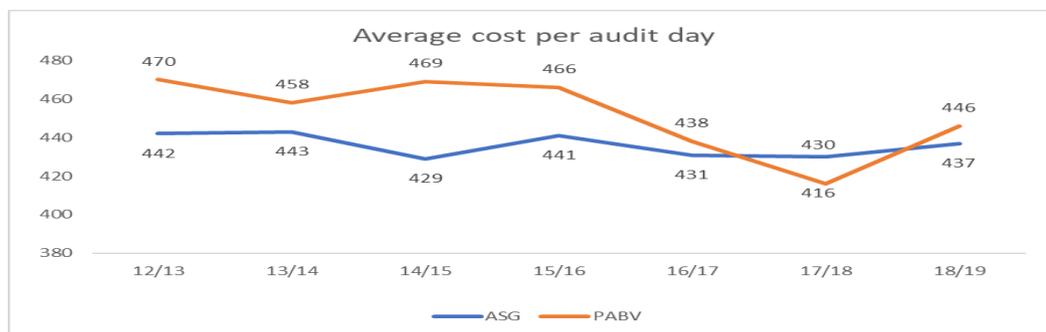
- 96.75% (864/893) of incidents were accepted within the response time SLA.
- 95.53% (853/893) of requests were closed within the fix time SLA.

- An average of 2.8 incidents were logged per user.

**Business group audit and non-audit time:** Audit time defined is any time charged through TRS/MKI to a formally approved audit (overviews, performance audit, PABV input to BVARs, HCW, statutory reporting etc). It also includes time logged to programme development, the production of internal and external briefings and other outputs, audit appraisal, policy analysis, stakeholder engagement, correspondence. Non audit time includes time off, corporate forums, improvement projects and learning & development.

	19/20%				18/19%			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
ASG	57	71	57	63	60	73	60	64
PABV	72	74	64	73	70	70	65	69

**Average cost per audit day**



The main reasons for the increased PABV average cost per audit day compared to previous years can be attributed to:

- the increased number of central government and health statutory reports in Q2 and Q3. These reports are generally prepared by senior managers
- the relatively 'rich' grade mix within some performance audit teams. Each of the audits completed to the end of Q3 had teams comprising Audit Managers and Senior Auditors. This was a conscious resourcing decision due to the teams containing part-time Audit Managers and new Managers, both situations that merit the inclusion of a full-time Senior Auditor within the teams. We also completed an Audit Manager led How Councils Work report which has considerably higher 'per day' costs than a traditional audit (ie Manager, Auditor and Trainee for example)

**Forward look:**

- Covid-19 is expected to have an impact on many areas of resourcing in 2020/21. We are currently reviewing the budget to identify areas where an increase in expenditure is likely, where expenditure will be lower and where savings can be made. We also anticipate productivity of colleagues we be adversely affected.

Trend data: [link](#)



## We manage information and intelligence effectively (internal)

Key Performance Questions	2018-19				2019-20			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Are we managing information and intelligence effectively (Internal)	Y	Y	G	G	G	G	G	G

### Key messages:

During 2019 we implemented Office 365 and completed the transition to SharePoint online. This has been a significant contributing factor in colleagues quickly and effectively being able to work from home with effect from 17 March 2020. Support and guidance for some aspects of Office 365, most notably Teams, was rapidly rescheduled to support colleagues in new ways of working. We have used multiple platforms to communicate and engage with colleagues.

The Annual Conference 2020 due to be held in April 2020 in Edinburgh was cancelled due to Covid-19. This will now be a series of virtual interactive events throughout the May and June.

We maintained our ISO 27001 accreditation in March following a recertification audit. The next review will be in October 2020.

### Key projects update:

There are several digitally enabled improvement projects under -way. These are detailed in the quarterly Strategic Improvement Programme update report.

These include:

- ISO audit - re-certification against the ISO27001:2013 standard (completed remotely)
- Microsoft Teams - full organisation roll out of new communication tool
- Dealing with WFH requests - to facilitate staff requests for digital equipment for working from home in a compliant manner
- PMF dashboards - performance management and management information dashboards developed for all staff and user testing under way
- Time Recording app - ongoing development and improvements releases for internal time recording

### Issues/ risks/ actions:

- Covid-19 requires the prioritisation/ deprioritisation of some projects
- Projects do not run to schedule and delays in one project may impact on the others.

### Forward look:

- We are currently reviewing the Strategic Improvement Programme to prioritise developments in areas which support the immediate response to Covid-19 and projects and which support longer-term home working.


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

Key performance questions	2018-19				2019-20			
	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?	G	G	G	G	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

**Key messages**

- Audit Scotland featured in the 'Sunday Times Top 100 Not-for-profit company to work for' for the second successive year.
- Audit Scotland maintained the Healthy Working Lives Bronze award and achieved accreditation at Silver level in March 2020.

**Empowered and engaged:**
**Highly Skilled**

- Management Development – we delivered a Managing Performance clinic (open to all managers) in February and a workshop on Emotional Intelligence in March. The latter was primarily targeted at the current cohort working through the five Management Essentials. There were also a couple of training consolidation sessions for Emotional Intelligence (Jan) and Coaching Skills for Managers (Feb).
- Technical training included mandatory Audit Assertions (Jan), Professional Scepticism (Feb), Understanding the Scottish Economy with Prof Graeme Roy (Feb) and Making Audit Judgements (March).
- Applications for our School leaver programme 2020 closed in March.

**Wellbeing**

- Audit Scotland maintained the Healthy Working Lives Bronze award, confirmed on 3 March 2020 (held for the sixth year running). Accreditation at Silver level was subsequently confirmed following an external assessment on 24 March 2020. This process involved sharing a portfolio documenting policies, practices and activities across a range of criteria including healthy eating, physical exercise and mental health training.
- Other wellbeing-related events promoted on the L&D portal included the *Mentally Healthy Workplaces training for managers*. Two were scheduled; one at the end of January and one at the beginning of February. These are externally hosted by HWL and open to all colleagues.
- Further EU withdrawal drop-in sessions were delivered for staff.

**Career Paths -**

2 colleagues went through a Career Development Gateway in Q4.

**Absence levels** remain low and are consistent with previous years and we remain below the 2019 CIPD benchmark for absence levels is 5.9 days.

	Q1 days	Q2 days	Q3 days	Q4 days	ytd days
<b>Audit Scotland – 19/20</b>	1.6	0.46	1.33	1.32	4.97
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

**Staff turnover** -. All leavers for 19/20 (6.32%) is significantly lower than the last 18/19 financial year (11.26%). The total amount of resignations is lower as most leavers are due to retirements and end of contracts. Both turnover measures are below the CIPD benchmark.

	Q1	Q2	Q3	Q4	YTD	18/19	CIPD benchmark
Resignations %	1.34	1.0	0.33	0.33	3.34	6.72	10.0
All Leavers %	1.68	1.33	1.98	0.99	6.32	11.26	16.5

**Career paths** In Q4 we promoted eight colleagues and welcomed seven new colleagues.

	19/20 YTD	18/19
Vacancies filled		
Internal	19	15
External	35	15
<b>Total</b>	<b>54</b>	<b>30</b>

**Exam results:** There were 8 exams taken and 7 passes. The percentage pass rate for the 19/20 year of 83.6 per cent is slightly below last years but the small numbers involved means the percentage rate can vary sharply. Exam sittings are now likely to be impacted by the COVID-19 outbreak.

	Q1	Q2	Q3	Q4	YTD	18/19
Exams taken	8	27	79	8	122	112
Exams passed	6	20	69	7	102	96
% pass rate	75	74	87	88	84	86

**Highly skilled** - Over the last three years we have run 80-100 events a year with 1300-1400 attendances. Q3 in 2019/20, as with previous years, was our busiest quarter for formal learning and development.

The final outturn shows that the number of events across a range of topics continued to be comprehensive. The final attendee numbers are than to 2018/19. This is mainly due to (1) the number of last minute training cancellations over the last year rose and (2) the January all staff conference (usually falling in Q4) was rescheduled to April. The conference usually has approx. 250 – 280 attendees.

	Q1		Q2		Q3		Q4		YTD		18/19	
	Events	Attendees	Events	Attendees								
Health & Safety	2	28	0	0	5	85	2	4	9	117	1	25
Knowledge Cafes	2	10	0	0	6	102	5	42	13	154	12	266
Learning & Development	2	17	3	35	6	106	2	26	13	184	8	64
Management Development	5	19	3	7	4	20	4	25	16	71	8	54
Organisational Development	8	38	4	30	6	25	1	1	19	94	26	496
Technical Training	7	151	3	39	13	185	5	62	28	437	31	469
<b>Total</b>	<b>26</b>	<b>263</b>	<b>13</b>	<b>111</b>	<b>40</b>	<b>523</b>	<b>19</b>	<b>160</b>	<b>98</b>	<b>1057</b>	<b>86</b>	<b>1,374</b>

**Forward look:**

- An L&D options paper was shared with MT on 2 April 2020. The L&D newsletter sharing what learning events are taking place over the next month or two will be sent to all colleagues on 21 April.
- A range of technical training workshops will be delivered by Professional Support over April and May, and they are also preparing some smaller bitesize learning videos which will be shared on Microsoft Stream.
- Management Development coaching clinics are continuing to take place virtually
- The third year Trainees are preparing to deliver this year's Peer to Peer training to our first year trainees at the end of April.
- We have made 10 job offers to Graduate Trainee candidates who will join us in Autumn 2020 following a successful recruitment campaign.
- Interviews for School Leaver candidates will take place virtually over w/c 27 April.
- The Audit Director recruitment campaign went live, with a closing date of 11 May. Virtual interviews are set up for week commencing 1 June 2020.

**Trend data:** [link](#)

## Purpose

1. This report invites the Board to consider an update on the strategic improvement programme.

## Background

2. The strategic improvement programme is a key enabler for achieving our vision of being a world class audit organisation. The programme includes a broad range of improvement work which supports the delivery of the two main organisational objectives set out in [the 2019/20 Corporate Plan update](#):
  - Delivering world class audit.
  - Being a world class organisation.
3. The improvement work is delivered through a combination of improvement projects and development work lead by working groups, standing forums and professional leads.
4. The quarterly update reports provide updates on recent activity and the future plans in key areas of work. Management Team and the Board considered the Q3 update at their meetings on 25 February and 24 March 2020 respectively.
5. This report considers the progress made in delivering the strategic improvement programme in 2019/20 and provides an update on the programme going forward in the context of the Covid-19 situation.

## Review of 2019/20

6. Progress on the improvement programme in 2019/20 has been good.
7. Performance headlines under each of the strategic objectives are summarised below.

## Delivering world class audit

In 2019/20 we:

- Published the new Audit Quality Framework.
- Continued to make improvements based on the internal and external quality reviews.
- Progressed our audit methodologies in a range of areas, including:
  - financial audit methodology - including progress on wide range of areas including; audit planning and risk assessment; controls auditing; and audit sampling
  - performance audit methodology - including the adoption of INTOSAI standards and revision of the Audit Management Framework
  - devolved financial powers and social security
  - Best Value audit approach for councils and IJBs
  - Digital audit - developing our approach and building our capacity.
- Reviewed and updated the five-year rolling work programme.
- Developed a new Code of Audit Practice and an approach to support the procurement of the new audit appointments.

- Developed new approaches to ensure we get our messages out, including:
  - a new approach to parliamentary engagement
  - new and innovative audit outputs and use of social media
  - a new Communications and Engagement Strategy.

## Being a world class organisation

In 2019/20 we:

- Achieved our best ever Best Companies survey results and featured in the UK top 100 not for profit organisations.
- Updated our workforce plan and developed a broad range of responses to resourcing pressures including:
  - changes to professional trainee scheme (including earlier recruitment and timing of exams)
  - engagement with universities re full year placements
  - Increased flexibility of colleagues being deployed between business groups
  - Development of 'peak period' auditor pool
  - Improved integration of ASG/PABV resources planning process
  - Prioritisation/ rescheduling of work as required
  - Earlier risk assessments, focus on key risks and associated deployment of resources
  - Refinements to audit processes, audit guidance and templates.
- Updated our Learning and Developments strategy and delivered/ facilitated an extensive programme of personal, technical, managerial; and leadership development.
- Supported colleague wellbeing through the annual health checks and a broad range of resources, sessions and communications.
- Achieved the Healthy Working Lives silver award and carer positive award.
- Developed a new Medium-Term Financial plan.
- Delivered an extensive programme of digital improvements including:
  - introduction of secure cloud-based working, Office 365 and migration to SharePoint on-line to support mobile/ remote working and security
  - an upgrade to the Finance system
  - a new HR system
  - a new Time Recoding System
  - development of the Performance Management Framework database and dashboards
  - a major Citrix upgrade, security enhancements and replacement lap top roll out
  - rapid deployment of Microsoft Teams to support videoconferencing and broader communications.
- Business continuity planning for UU withdrawal and more recently Covid-19.

## Strategic improvement planning 2020/21

8. On 16 March the Incident Management Team initiated the Business continuity Plan in response to the Covid-19 pandemic.
9. The first phase of the response focussed on the health, safety and wellbeing of colleagues and core business continuity. This included closing the offices, the adoption of non-contact audit work, regular multi-channel communications (internally and externally) and supporting remote working for auditors and support services.
10. We are now focussing on the medium and longer term, to develop a new operating model in an uncertain and changing environment. This will require the prioritisation of development work which supports new ways of working, it also means that some planned development work may be put on hold or rescheduled.

### Delivering world class audit

11. We are developing a prioritisation framework to help ensure that the audit work meets statutory and regulatory requirements and is focussed where it can add the most value. Our ability to do the audit work depends on the ability of the audited body/subject area to be audited and our own capacity to deliver that audit work.
12. Audit deadlines for financial audit work have been extended through a combination of legislation and guidance from the Scottish Government, by professional bodies and regulatory bodies. Audited bodies are taking different approaches, with some intending to stay with the original timescales and others working to the new deadlines. This situation is very fluid, and some bodies have already changed their view on which approach to take.
13. The new five-year rolling work programme had been agreed by the Auditor General for Scotland and the Accounts Commission in March 2020. However, given the unprecedented changes created by Covid-19 pandemic a major review of the priorities and focus of the work programme is now taking place with the aim of having new programme proposals prepared for the Auditor General for Scotland and Commission in September 2020. We are also refocusing cluster activities to monitor the impact on and response from public bodies to Covid-19 to help inform our future work.
14. Preparations for the new audit appointments were well under way. The Steering Group is now proposing an extension of the current audit appointments for a year and the project workstreams are being re-scheduled to provide for this.
15. This rescheduling has a consequential impact on the timing of the development work for the new approach to best value auditing in councils and IJBs.
16. The development of a revised Audit Services audit methodology is currently progressing to schedule, though as with the other improvement projects, resourcing challenges may require changes to be made to the scope and timescales.
17. The development of a new Digital Audit Strategy is progressing. The current situation reframes the context for this, with auditing digitally likely to be an increasing feature under the social distancing requirements.

### Being a world class organisation

18. To date we have responded well to the very challenging circumstances. We have prioritised the health, safety and wellbeing of our colleagues, supported effective working from home and worked hard on regular, clear and consistent communications with colleagues. Feedback from colleagues on the communications has been very positive to date.
19. Several digital projects during 2019 and early 2020 (including hardware, cloud-based systems, office 365 and SharePoint on-line) have meant that colleagues have good access to systems. The roll out of MS Teams was accelerated to support effective communications.
20. Financial systems and services have been sustained well, including payroll, payments, the comptroller function, accounting and budgeting. We are now focussing on the financial planning for 2020/21 and the medium-term financial plan, including the fees and funding model.

- 21.** We are currently implementing arrangements to support home working (IT kit and office furniture) and developing our thinking on what 'the new normal' will mean.
- 22.** Our working assumption is that we will not fully return to our previous ways of working and this has implications for:
- Our people – where and how we work, how we have effective team working and communication and the development of a new working culture.
  - Our approach to audit.
  - Capacity, resourcing and deployment - where the dynamic situation needs an ever more agile and flexible approach to prioritising particular audit work and deploying people.
  - Financing - the fees and funding model in the longer term.
  - Our systems and processes - which will need to be re-thought and refined to support the new ways of working.
  - Our infrastructure - reassessing and redefining our office estate and workplaces.
  - Digital - prioritising systems and equipment which support the even more flexible working practice and dispersed workforce. The programme of digital projects has already been reviewed, with projects being re-prioritised and rephased as required.
  - Communications and engagement, internally and externally.
- 23.** These areas are likely to form the basis of the development work in 2020/21 .

## **Recommendations**

- 24.** The Board is invited to note:
- The significant progress made on the strategic work programme to date.
  - The ongoing review of improvement work to support new ways of working in the short, medium and longer term.

## Introduction

1. The United Kingdom left the European Union on 31 January 2020. A transition period exists until 31 December 2020 during which the United Kingdom and the European Union have to agree how their relationship will operate in the future. If the United Kingdom wants to extend the transition period, it must request this by 30 June 2020. The UK Government has stated that it does not wish to extend the transition period.
2. This paper updates the Board on the process of withdrawal from the European Union and Audit Scotland's response to it.

## Background

3. Negotiations between the United Kingdom and the European Union began in February 2020 but were interrupted by the Covid-19 pandemic. They started again in April 2020 but limited progress appears to have been made to date.
4. The Scottish Government is arguing that the United Kingdom should seek the maximum possible extension to the transition (two years), especially in the context of the ongoing pandemic and its likely aftermath. The Scottish Government is also seeking to influence the United Kingdom's negotiating position.
5. Recent discussions with the Scottish Government indicate that it has reactivated its systems for preparing for an abrupt, "no deal" at the end of the transition period. It has not yet re-established the ministerial group on EU exit or the senior management group that supports it but that is likely to happen over the next few months.

## Implications

6. There has been much commentary over the economic implications of EU withdrawal. In February 2020, the Office of Budget Responsibility predicted that EU withdrawal would result in a 4% loss of potential GDP growth over the next 15 years. In the short to medium-term, the economic impact of Covid-19 will likely dwarf that of EU withdrawal. However, the ongoing uncertainty associated with EU withdrawal is a compounding factor that may intensify the overall economic impact. This will, of course, have an impact on public finances.
7. One of the most significant implications of EU withdrawal has always been the effect on inward migration and the consequences for the workforce. The combination of the Covid-19 pandemic and EU withdrawal will inevitably exacerbate this situation. The Scottish Government has been consistent in arguing for a separate Scottish migration policy but this has been rejected by the UK Government.

## Monitoring

8. Following the United Kingdom's departure from the EU in January 2020, monitoring of its implications for the Scottish public sector has been mainstreamed into Audit Scotland's work. This reflects the fact that the implications of EU withdrawal are now part of the wider operating environment that public bodies and partners are working within. The professional lead for EU withdrawal is continuing engagement with the Scottish Government and COSLA but the majority of monitoring work is conducted by local audit teams and within clusters. High level updates will continue to be provided to colleagues via Yammer. Engagement with staff who may be directly, or through family members, affected will continue.

## European audit implications

9. 2020 will be the final year when the European Agricultural Guarantee Fund (EAGF) will be subject to audit under the European rules. Beyond this point, HM Treasury has indicated that some form of audit

will continue but it is not clear what the future audit requirements or funding will be. The audit of the European Agricultural Fund for Rural Development (EAFRD) is currently due to continue under European regulations until February 2024 but the longer term position is unclear.

10. Collectively in 2020/21, the two European audits will provide over £1.0 million to Audit Scotland budget. Audit Scotland's medium-term financial strategy presents three scenarios for the two European audits: best case, worst case and expected case. The expected case anticipates some form of continuity of audit requirements but at a significantly reduced (50 – 75 per cent) level. This presents a significant financial risk.

## **Recommendations**

11. The Board is invited to note this update.