

# Agenda

Wednesday 27 January 2021 at 10.00am

## By Teams

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1. Private meeting of Board members
  2. Welcome and apologies
  3. Declarations of interests
- 

## Standing items

- |   |                 |
|---|-----------------|
| 4. Chair's report – verbal update                     | For information |
| 5. Accountable Officer's report – verbal update       | For information |
| 6. Accounts Commission Chair's report – verbal update | For information |
| 7. Review of minutes: Board meeting 25 November 2020  | For approval    |
| 8. Governance arrangements: Review of Standing Orders | For information |
| 9. Review of action tracker                           | For information |
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## Strategic priorities

- |  |                 |
|--|-----------------|
| 10. Strategic improvement programme update | For information |
| 11. Implications of EU withdrawal          | For information |
| 12. New audit appointments update          | For information |
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## Business planning and performance

- |   |                 |
|---|-----------------|
| 13. Covid-19 update                                       | For information |
| 14. Scottish Commission for Public Audit: Official report | For information |
| 15. Records management plan 2021-2026                     | For approval    |
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## Conclusion

- |   |              |
|---|--------------|
| 16. Any other business                  |              |
| 17. Publication of papers               | For approval |
| 18. Review of meeting                   |              |
| 19. Date of next meeting: 24 March 2021 |              |
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# Minutes

Wednesday 25 November 2020, 10.00am

Audit Scotland by Video conference

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## Present:

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

## Apologies:

There were no apologies.

## In attendance:

Diane McGiffen, Chief Operating Officer  
Fraser McKinlay, Director, Performance Audit and Best Value/Controller of Audit  
Fiona Kordiak, Director, Audit Services  
Stuart Dennis, Corporate Finance Manager  
Martin Walker, Associate Director, Corporate Performance and Risk  
Mark Roberts, Audit Director, Performance Audit and Best Value  
Robert Leask, Project Manager, Audit Quality and Appointments  
Graeme Greenhill, Senior Manager, Performance Audit and Best Value  
Ian Metcalfe, Corporate Governance Officer  
Gayle Fitzpatrick, Corporate Governance Manager

### 1. Private meeting of Board members

The Board met privately and there were no matters arising.

### 2. Welcome and apologies

The Chair welcomed attendees to the meeting noting that this was Colin Crosby's first meeting as a Board member following his appointment on 1 October 2020.

### 3. Declarations of interest

There were no declarations of interest.

### 4. Chair's report – verbal update

The Chair advised of meetings with Stephen Boyle, Accountable Officer and Auditor General for Scotland, Elma Murray, Interim Chair of the Accounts Commission and Diane McGiffen, Chief Operating Officer as part of his regular scheduled engagement.

The Chair expressed his thanks to members and colleagues who had joined the informal business planning meeting with the Scottish Commission for Public Audit (SCPA) held on 26 October 2020 and advised members he had attended Audit Scotland's Annual Audit Planning Conference held on 18 November 2020.

The Board welcomed the update.

## 5. Accountable Officer's report – verbal update

Stephen Boyle advised of internal meetings with the Chair and other Board members, engagement on the development of the Strategic Improvement Programme and of the budget submission to the Scottish Commission for Public Audit (SCPA) which would be considered at today's meeting. Stephen advised he had attended Audit Scotland's virtual graduate recruitment evening held on 11 November 2020.

Stephen advised that he continues to attend Parliamentary Committee meetings in person with Public Audit and Post Legislative Scrutiny Committee (PAPLS) and that recent sessions had considered reports on NHS Highland, the draft forward work programme. He had also attended a PAPLS roundtable event which considered third sector data collection and outcomes, how well public money is spent, and impact and delivery.

Stephen advised of introductory calls with the Chief Executive of ICAS, the Chair of the Scottish Fiscal Commission and Her Majesty's Chief Inspector of Constabulary and Chief Executive of Revenue Scotland. He also advised of his appointment as a judge on the Scottish Public Service Awards panel where a virtual award ceremony would be taking place next month. Stephen also highlighted his blog which was published on equalities and audit.

Over the coming weeks, Stephen advised that five statutory Section 22 reports would be published and that the intention was to sign off on the Scottish Government's consolidated accounts by 8 December 2020.

The Board welcomed the update.

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

Elma Murray advised that the Accounts Commission had published two Best Value Audit reports (BVARs) on Aberdeenshire and Edinburgh and highlighted that the next BVAR is scheduled for June 2021 due to impact of Covid-19.

Elma advised that the Accounts Commission had met twice each month since June 2020 and would be reverting to one full day meeting a month. She also advised that the number of working group meetings would also be reducing and that the terms of Reference for each working group will be revised and updated. Elma highlighted a number of videos published following Accounts Commission meetings and key messages from published BVARs.

Elma advised members that following the meeting with the Local Government and Communities Committee, she and Fraser McKinlay, Controller of Audit/Director of Performance Audit and Best Value would be attending a private session of the Committee in January 2021.

The Board was invited to note that the Strategic Scrutiny Group (SSG) had produced an overview of scrutiny bodies' responses to the pandemic and a blog to support this. Elma advised that the SSG had met on 24 November 2020 and that Bill Scott, Chair of the Poverty and Inequalities Commission had joined the meeting.

Elma advised that the Best Value Working Group (BVWG) had been meeting fortnightly and an engagement programme to further consider the draft Code of Audit Practice, Best Value approach and that a work programme had been agreed, with events arranged in November and December 2020, including meetings with Integration Joint Board (IJB) officers.

Elma advised that she would be meeting the Society of Local Authority Chief Executives (SOLACE) on 27 November 2020 and with the Improvement Service Board on 4 December 2020. Elma also advised that the Commission's Insight Programme had heard from David Martin (Chief Executive, Dundee City Council) and Des Murray (Chief Executive, North Lanarkshire Council) last month and would hear from Jim McCormick of The Robertson Trust on 26 November 2020.

The Board welcomed the update.

## **7. Review of minutes:**

### **Board meeting 30 September 2020**

The Board considered the minutes of the meeting of 30 September 2020, which had been previously circulated.

The Board approved the minutes as an accurate record of the meeting and members welcomed the revised minuting style noting that this would inform part of discussion on the Governance review at item 19 of today's agenda.

### **Audit Committee meeting 2 September 2020**

The Board considered the minutes of the meeting of 2 September 2020, which had been previously circulated.

The Board noted the minutes which had been formally approved as an accurate record by the Audit Committee at its meeting on 4 November 2020.

## **8. Governance arrangements: Review of Standing Orders**

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

Martin invited the Board to agree with the continuation of current meeting arrangements and thanked members for their feedback on accessibility of Board and Committee meetings. The Board noted ongoing engagement which would inform proposals to come to the next meeting of the Board on 27 January 2021.

The Board welcomed the report.

## **9. Review of action tracker**

The Board noted the updates provided on the action tracker. The Chair highlighted the proposed post Covid-19 workshop referred to at action ASB123 and advised that this would be scheduled for February or early March 2021.

In relation to action ASB99, consideration of the Board's committees meeting in public, members agreed that this would be incorporated within the scope of the corporate governance review being considered at item 19 of today's agenda and the action could be closed.

## **10. 2020/21 Spring budget revisions**

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

Stuart Dennis introduced the 2020/21 Spring budget revisions report, copies of which had been previously circulated.

Stuart invited the Board to approve the two 2020/21 Spring Budget Revision submission to the SCPA to meet the in-year financial challenges of Covid-19 and the non-cash AME request to cover the additional IAS19 pension charges.

The Board considered the scenario planning undertaken on fee income recognition due to the impact of Covid-19 and members took assurance around the risks and the scenario planning

undertaken to support the proposed £1.5m contingency and the Board noted the accounting standards in relation to employer pension contributions.

Following discussion, the Board approved the 2020/21 Spring budget revisions for submission to the SCPA.

## 11. 2021/22 SCPA budget proposal

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

Stuart Dennis invited the Board to consider and approve the draft 2021/22 Budget Proposal for submission to the SCPA.

The Board considered the proposed budget submission which sought to increase the management contingency in order to provide resources in a number of important areas. These included; building capacity to respond to increased audit requirements and expectations, supporting the development of the digital strategy, enhancing digital skills and expertise, supporting the commitment to the continued development and delivery of audit quality, accelerating the development of the audit methodology, delivering the overall Strategic Improvement Programme and enabling Audit Scotland to respond to additional work arising from the creation of new bodies, and the increased scrutiny required arising from Covid-19 expenditure.

The Board welcomed the proposals, which sought to contain any fee impact for audited bodies and noted that the New Audit Appointments Steering Group would be considering, at its meeting in January 2021 whether to recommend that current audit appointments be extended.

Following discussion, the Board approved the budget proposal subject to agreed amendments which would be circulated to members prior to its submission to the SCPA.

**Action ASB125: Diane McGiffen to circulate an updated 2021/21 Budget Submission to Board members prior for final approval prior to submission to the SCPA. (December 2020)**

## 12. Strategic improvement programme

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

Martin Walker invited the Board to consider the purpose, objectives, structure and content of the programme and note the proposed governance and reporting arrangements.

The Board reflected on the importance and interconnectivity of the various strands of the programme which had been considered in detail as part of the budget proposal discussion.

Following discussion, the Board observed the importance of Audit Scotland's digital ability to deliver the programme and agreed this should be captured more clearly. The Board welcomed the strategic purpose and objectives of the programme overall and agreed a meeting between Elma Murray, Diane McGiffen and Martin Walker be convened to discuss the Accounts Commission's interests in the programme.

**Action ASB126: A meeting to be scheduled with Elma Murray, Diane McGiffen and Martin Walker to discuss the Accounts Commission's interests in the programme. (January 2020)**

Following discussion, the Board welcomed the report.

### 13. European Union withdrawal – verbal update

*Mark Roberts, Audit Director, Performance Audit and Best Value, joined the meeting.*

Mark Roberts provided a verbal to the Board on the European Union withdrawal.

The Board noted the areas on which no agreement has been reached including fisheries and free movement of workers, the potential disruption to the flow of goods and the potential longer-term impact on the delivery of public services.

Diane McGiffen advised that Management Team had carried out a business continuity planning exercise on Tuesday 24 November which had focussed on the potential impact on supply chains and the ongoing communication and support for colleagues.

Following discussion, the Board welcomed the update.

*Mark Roberts, Audit Director, Performance Audit and Best Value, left the meeting.*

### 14. New audit appointments update

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

The Chair introduced the New audit appointments update report, copies of which had been previously circulated.

The Chair invited the Board to note the discussion on the option of recommending a further extension of audit appointments and the intention that the Steering Group meeting on 13 January 2021 fully considers the risks and mitigation actions. He advised that there was a meeting, following today's meeting of the Board, to consider limited changes to the terms of reference for the Steering Group, its role, purpose and reporting lines.

Following discussion, the Board agreed an amendment to the report prior to sharing with the Accounts Commission.

The Board welcomed the update.

**Action ASB127: The summary report to be updated and shared with the Accounts Commission. (December 2020)**

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

### 15. Covid-19 update

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

Martin invited the Board to note Audit Scotland's response to the pandemic, ongoing actions and next steps.

The Board recognised the impact on the delivery of audits delays, the planning assumptions made for next year and agreed the inclusion of timescales to provide further assurance of delivery in future reporting.

Following discussion, the Board welcomed the report.

### 16. 2020/21 Q2 Financial performance update

Stuart Dennis introduced the 2020/21 Q2 Financial performance update report, copies of which had been previously circulated.

The Board was invited to note the financial results for the six months to 30 September 2020.

The Chair invited any comments from members and there being none, the Board noted the report.

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

## **17. 2020/21 Q2 Corporate performance update**

*Gayle Fitzpatrick, Corporate Governance Manager, joined the meeting.*

Gayle Fitzpatrick introduced the 2020/21 Q2 Corporate performance update report, copies of which had been previously circulated.

The Board was invited to review the performance in quarter two and consider whether any additional management action is required.

During discussion, the Board welcomed the performance reported, proposed actions and next steps.

Following discussion, the Board noted the report and acknowledged the achievement by colleagues in maintaining delivery of audit quality during a period of significant disruption.

## **18. Environment, Sustainability and Biodiversity annual report 2019/20**

*Graeme Greenhill, Senior Manager, Performance Audit and Best Value and Ian Metcalfe, Corporate Governance Officer, joined the meeting.*

Graeme Greenhill introduced the Environment, Sustainability and Biodiversity annual report 2019/20, copies of which had been previously circulated.

The Board was invited to consider and approve the Environment, Sustainability and Biodiversity annual report for 2019/20 and to comment on future areas of focus.

During discussion, the Board considered options to further reduce travel emissions with a focus and promotion on active travel and noted there were a number of initiatives being explored in this area. The Board also noted the next five-year plan will consider the net zero target date and the inclusion of supply chain and commute emissions in the metrics.

Following discussion, the Board welcomed the report and approved it for publication and communication.

*Graeme Greenhill, Senior Manager, Performance Audit and Best Value, Gayle Fitzpatrick, Corporate Governance Manager and Ian Metcalfe, Corporate Governance Officer, left the meeting.*

## **19. Corporate Governance review of Board arrangements report**

*Gayle Fitzpatrick, Corporate Governance Manager, joined the meeting.*

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

The Board was invited to consider and agree the proposed scope and timeline for the proposed Corporate Governance review.

The Chair advised that the revised style, content and level of detail of Board minutes had been approved by members earlier in the meeting.

Following discussion, the Board welcomed the report and agreed the scope and timeline of the review.

*Gayle Fitzpatrick left the meeting.*

## **20. Any other business**

There was no other business.

## **21. Publication of papers**

The Board considered and agreed the publication of the reports with the exception of items 10 and 11 the Spring Budget Reviews and the 2021/22 Budget proposal and item 18, Environment, Sustainability and Biodiversity annual report as these would become public documents in due course.

In relation to item 14, the New Audit Appointments update members agreed this not be published due to commercial sensitivity.

The Board agreed that the reports at items 11 and 18 be shared with the Accounts Commission in confidence.

## **22. Review of meeting**

The members welcomed the quality, content and comprehensive nature of the reports in supporting helpful and detailed discussion. The Chair thanked everyone for their contributions.

## **23. Date of next meeting: 27 January 2021**

The members noted the next meeting of the Audit Scotland Board is scheduled for 27 January 2021.

## Purpose

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

## Background

2. On 16 March 2020 Audit Scotland's Incident Management Team initiated the Business Continuity Plan in light of the Covid-19 situation. Colleagues were advised to work from home with immediate effect and the offices were closed. On 23 March 2020 the formal 'lockdown' measures introduced by the UK and Scottish Governments took effect.
3. At its meeting on 17 March 2020 the Board agreed to temporarily suspend some of the standing orders. These were in relation to; meeting in public, the requirement for papers to be issued to members five days before the meeting and the publication of papers on the website in advance of meetings. The Board also agreed to keep the Standing Orders under review at each meeting.
4. At its meeting on 13 May 2020 the Board agreed that the temporary suspension of the standing orders in relation to the issue and publication of board papers were no longer required.
5. The Board carried out the normal annual review of the Standing Orders at its meeting on 30 September 2020 alongside the annual review of the Scheme of Delegation, the Financial Regulations and the codes of conduct for board members and colleagues.

## Considerations

### Public meetings

6. The Board remains committed to openness and transparency and meeting in public forms part of delivering on this commitment.
7. It is recommended that public access to Board meetings be reinstated with effect from the March meeting. This can be facilitated by inviting any member of the public requesting access to a meeting to observe the public items using Microsoft Teams. This facility will be publicised on the website alongside the public papers.
8. In addition, it is proposed that the Chair record a short video following the Board meetings to summarise the key items of business and decisions.
9. These arrangements mirror those being used by the Accounts Commission.
10. The practical, financial and regulatory implications of other options, including live streaming and video recordings, are under review and will be the subject of a report to the Board meeting in March.

### Review of other governance arrangements

11. At its meeting on 25 November 2020 the Board agreed the scope of a focussed review of some aspects of its governance arrangements.
12. The review will take place in February and the report will be considered by the Board at its meeting on 24 March 2021.

## Recommendations

13. The Board is invited to:

- agree that members of the public may attend Board meetings via MS Teams
- note that the Chair will record short video summaries of Board meeting and that these be made available on the website
- 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
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	Complete	Yes	Included in scope of governance review agreed by the Board on 25/11/20
ASB114	Board	8	Review of action tracker	A report on the scope of the governance review will be considered at the Board meeting on 30 September 2020.	01/06/2020	30-Sep-20	Diane McGiffen	Diane McGiffen	Complete	Yes	Scope agreed by Board at its meeting 25/11/20
ASB123	Board	10	Covid-19 update	A Board workshop to be scheduled in the first quarter of 2021.	30/09/2020	Mar-21	Diane McGiffen	Diane McGiffen	Ongoing	No	Members' availability has been sought for dates in March 2021.
ASB124	Board	13	Remuneration and Human Resources Committee performance and future priorities	A further discussion at the next meeting of the Remuneration and Human Resources Committee on priorities and approach to diversity and inclusiveness.	30/09/2020	Nov-20	David Blattman	David Blattman	Complete	Yes	The Remuneration and Human Resources Committee discussed future priorities at its meeting on 4 November 2020.
ASB125	Board	11	2021/22 SCPA budget proposal	Diane McGiffen to circulate an updated 2021/21 Budget Submission to Board members prior for final approval prior to submission to the SCPA. (December 2020)	25/11/2020	Dec-20	Diane McGiffen	Diane McGiffen	Complete	No	The updated budget submission was circulated to members prior to submission to the SCPA.
ASB126	Board	12	Strategic improvement programme	A meeting to be scheduled with Elma Murray, Diane McGiffen and Martin Walker to discuss an update on the Strategic Improvement Programme with the Accounts Commission. (December 2020)	25/11/2020	Dec-20	Diane McGiffen	Diane McGiffen	Complete	No	A meeting took place on 7 January 2021 and a verbal update provided to the Accounts Commission on this and related matters at its meeting on 14 January 2021.
ASB127	Board	14	New audit appointments update	Report to be updated and shared with the Accounts Commission. (December 2020)	25/11/2020	Dec-20	Diane McGiffen	Diane McGiffen	Complete	No	The report was updated and shared with the Accounts Commission on 30 November 2020.

## Purpose

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

## Background

2. The Board considered a report on the Strategic Improvement Programme at its meeting on 25 November 2020.
3. The report noted that Scotland's public sector is facing greater challenges than at any point since devolution, that the pandemic has brought significant increases in public spending, with corresponding public and Parliamentary interest in how this money is being spent and that high quality, independent public audit is even more essential in that context.
4. The key objectives of the Strategic Improvement Programme are to:
  - drive our organisational transformation and improvement over the next 18 months
  - provide a bridge between the 'recovery phase' and what will become a new longer-term operating model
  - assure and inspire our colleagues
  - ensure we deliver on our core commitments on audit (quality, focus, methodology and value added)
  - ensure we deliver on our commitments on how we run the organisation – being people focussed by prioritising the health, safety, wellbeing and development of our people, and by being innovative and efficient.

## Programme update

5. We have made good progress in a number of areas since the end of November 2020.

### Delivering world class audit

6. The new draft rolling work programme sets out the priorities, themes and subject areas of the performance and overview audits for the years to come. It was considered by both the Public Audit and Post Legislative Scrutiny Committee (PAPLS) and the Accounts Commission at their respective meetings on 14 January 2021. The Accounts Commission will consult stakeholders over the coming months and the programme will be published in the Spring.
7. The New Audit Appointments Steering Group met on 13 January 2021 and agreed its position on the duration of the current audit appointments and the next steps on the development Code of Audit Practice and the procurement process for the next round of audit appointments.
8. On 17 December 2020 Management Team approved the Digital Audit Strategy. This will develop our approach and capacity to harness digital technology in delivering the audit work and sharing insights.
9. A project lead had been appointed for the Electronic Working Papers (EWP) project. They will oversee the upgrade to the current EWP system and scoping is under way on the project to specify, assess and procure a longer-term system solution.

## Being a world class organisation

10. The 2021/22 budget submission provides for capacity building to help meet the increased audit responsibilities and support organisational resilience and improvement.
11. The building capacity workstream has made significant progress in developing the scope, attraction strategy and supporting process for the first phase of capacity building. The recruitment campaign is scheduled to go live on 22 January 2021.
12. On 17 December 2020 Management Team approved the Digital Services Strategy. This is designed to ensure that we maximise the use of technology to support core service delivery and new ways of working. The three key strands are cyber security, virtual business and digital transformation.
13. On 11 January 2021 the Audit Services Group transferred to the Time Recording system. All colleagues now use the system which provides a suite of performance dashboards and reports. The transfer also enables an upgrade of the current EWP system.

## Current position

14. The current lockdown presents challenges to our organisational capacity in terms of both audit delivery and the improvement programme.
15. There are indications that the effects of the pandemic and the associated suppression measures are having an effect on how colleagues are feeling, and we know that those with children who are learning at home are having challenges in balancing work and family commitments.
16. We are currently assessing the impact of the situation and what this means for audit and organisational priorities and how they are resourced.
17. We continue to prioritise the health, safety and wellbeing of colleagues and audit quality and this will inform the prioritisation and resourcing decisions. In turn this may result in changes to some elements of the strategic improvement programme and the timing of development work.

## Recommendations

18. The Board is invited to note the update on the strategic improvement programme.

## Introduction

1. This report provides an update on the implications for Audit Scotland of the UK's departure from the European Union.

## Context

2. The UK Government and the European Union reached agreement about their future trading relationship and the governance of that relationship on 24 December 2020. Following parliamentary scrutiny on 30 December 2020, the agreement became law. The UK completed its transition out of the European Union at 2300 on 31 December 2020. New border arrangements between the UK and EU member states came into force immediately, along with new arrangements within the UK to maintain the status quo at the border between the Republic of Ireland and Northern Ireland.
3. The agreement meant that immediate concerns about the supplies of food, medicines and medical equipment into the UK without an agreement ("no deal") were alleviated. There does not appear, to date, to have been an immediate impact on the flow of imports but this may have been offset by stockpiling in advance of the end of 2020. In addition, cross-channel traffic flows have been below normal levels during the first half of January 2021. There have been acute issues for some exporters, especially of perishable food stuffs, due to the requirements of the new border operating model.

## Implications for the Scottish public sector

4. In the two briefing papers that Audit Scotland published in October 2018 and October 2019, we identified people, finance and the economy and rules and regulations as the three key areas of long-term uncertainty associated with EU withdrawal for the public sector. At a strategic level, these three areas remain the most significant.
5. A number of key sectors across the whole economy (especially, agriculture, food and drink and tourism) have been reliant on workers from the European Union. Within the public sector, the NHS, teaching and higher education may be affected by reductions in the number of workers wishing to come to the UK. Overall, social care is likely to be the most critically affected area, especially in the privately operated part of the sector. In the longer term it is unclear what effect withdrawal from the EU and the UK government's revised migration policy will mean for migration into Scotland.
6. The economic implications of EU withdrawal on the Scottish economy have been a subject for considerable speculation. The economic effects of Covid-19 are likely to dwarf those of EU withdrawal in the short-term. Given the connection between Scotland's economic performance and public sector budgets through the fiscal framework, any changes in economic performance will affect public sector budgets.
7. It has always been predicted that for certain policy areas (food and environmental standards), there would be significant regulatory changes associated with EU withdrawal and this has proven to be the case. The provisions of the UK Internal Market Act provide for an integrated, single market with common standards across the whole of the UK. This may mean that areas (such as those noted above) that have previously been devolved to the Scottish Parliament may return to Westminster. This may become a significant political issue.

## Implications for Audit Scotland

8. All staff have received updates on the EU withdrawal process through a dedicated Yammer channel since 2018. Throughout the EU withdrawal process, we have been speaking to members of staff from non-UK European Union member states about their personal situations and providing support and access to advice. In early 2021, a series of drop-in sessions on EU withdrawal and its implications were available to all staff. Across the four sessions, 50 colleagues attended.

9. The long-term future of the system of support for agriculture and the replacement for structural funds remains unclear, as does the long-term shape and scale of any audit requirements. In the short-term, the audit of the European Agricultural Guarantee Fund will conclude, and from October 2020, this will be funded through the national framework. The UK Coordinating Body has advised that the balance of Rural Development Programme funding can continue to be spent under EU regulations until October 2023. The projected impact is that the fee and audit requirements will reduce by 25-30 per cent.
10. One issue that remains to be fully resolved relates to data centres in European Union member states that host the cloud-based services that Audit Scotland (and many other organisations) use. Following completion of the negotiations, the Information Commissioner's Office issued a statement confirming that the agreement between the European Union and the UK would allow data to continue to flow between the European Union and the UK. This arrangement is temporary and expires at the end of June 2021. By then, the European Union must make decisions about the adequacy of the UK's mechanisms for the protection of personal data. Fundamentally, this means that the UK has to maintain its current data protection laws and not introduce any new mechanisms for data transfer. In the longer term, it is likely that data centres will be established in the United Kingdom.
11. The long-term implications of EU withdrawal span a broad range of policy areas. We plan to assess and report on these across our entire suite of audit outputs as and when appropriate. At present, given the diverse nature of the impacts that EU withdrawal may have, we are not planning an overarching assessment.

## **Recommendation**

12. The Board is invited to note this report.

## Purpose

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

## Background

3. The Board considered a Covid-19 update report at its meeting on 25 November 2020.
4. Since then there have been significant developments and the situation remains extremely dynamic.
5. During the course of November and early December a number of areas were placed into lower local tiers and saw some relaxation of the suppression measures with guidance issued about a relaxation of the measures over the festive period. The roll out of vaccinations using the Pfizer-BioNTech vaccine began on 8 December 2020.
6. By 14 December 2020 the risk posed by the new variant of the virus had resulted in increased restrictions in London and the South East of England and on 19 December 2020 the UK and devolved administrations announced a tightening of restrictions, particularly around the festive break.
7. On 30 December 2020 it was announced that the Oxford-AstraZeneca vaccine had been approved for use and the vaccine was in use by 4 January 2021. However, on that same date the spread of the virus and the threat it posed to the capacity of the NHS resulted in a second 'lockdown', accompanied by a 'stay at home message'. The Moderna vaccine was approved on 8 January 2021.
8. As at 19 January 2021, 1,165 new cases had been confirmed, taking the total number of confirmed cases since the start of the pandemic to 164,927.
9. The health service is under extreme pressure with just under 2,000 people in hospital, 150 of whom were in intensive care. 5,376 people have died who have tested positive for the virus as at 19 January 2021. 7,704 deaths have been registered in Scotland where Covid-19 was mentioned on the death certificate up to 10 January 2021.
10. As at 19 January 2021 over 284,500 people had received their first dose of the vaccine and reports indicate a significant escalation of the vaccination programme in the days and weeks to come. The Scottish Government has published the [Vaccination Deployment Plan 2021](#). This anticipates 400,000 vaccinations a week by the end of February 2021.
11. On 19 January 2021 the First Minister announced that the current suppression measures, including limited access to schools, would remain in place until mid-February, with a review point on 2 February 2021.
12. The Incident Management Team (IMT) continues to meet on a weekly basis, Covid-19 remains a standing item on the agenda for Management Team and the Board and regular updates have been issued to all colleagues and Board members. Additional IMT meetings took place on 21 December 2020 and 4 January 2021 in light of the rapidly changing situation.

## Organisational implications and responses

13. On 19 March 2020 the Auditor General for Scotland advised the Public Audit and Post Legislative Scrutiny Committee (PAPLS) that Scotland's public services were under exceptional pressure due to Covid-19 and advised that our approach to audit during these circumstances would be pragmatic, flexible and consistent. Our approach was further detailed in [Covid-19: impact on public audit in Scotland](#)

in May, [Covid-19: how public audit in Scotland is responding](#) in June and [Covid-19 Financial Impact](#) in August 2020.

14. We are currently developing an update on the impact of Covid-19 on public audit in Scotland.
15. The disruption continues to impact on productivity and this and other cost pressures mean that the financial situation is also challenging, this is reflected in a Spring Budget revision and the 2021/22 budget bid to the Scottish Commission for Public Audit (SCPA). The SCPA considered the spring budget revision and the budget bid at its meeting on 15 January 2021.

## Our people

16. From the start of the pandemic we have prioritised the health, safety and wellbeing of our colleagues. This continues to be a key priority. We have worked hard to support colleagues who are now all dispersed, working from home and juggling sometimes quite difficult home and work responsibilities. This support has taken a variety of forms, including regular communications and engagement, advice and guidance, access to systems and the provision of digital and office equipment.
17. While we have been successful in minimising the impact of the pandemic on the audit work (see 'audit implications and responses' section below), it is clear that the effort involved has taken its toll on colleagues and there is a sense of some 'organisational fatigue'. In addition, the positive developments around vaccines have been offset by the new variant, rising infection rates and the second lockdown.
18. The second lockdown disrupts people's work and home lives. There are some early indications that, in particular, colleagues with children are experiencing more challenges in balancing their work and home-schooling responsibilities as both the provision and the expectations around remote learning have increased compared to the first lockdown.
19. Since the last update:
  - Two colleagues have tested positive for Covid-19 in recent days, one has recovered and returned to work and the second is currently on sick leave. Two further colleagues have been self-isolating.
  - Fewer than five colleagues are currently shielding.
  - The absence statistics show that there has been a decrease in the number of colleagues who are absent, but an increase in total absence days compared to the same period last year, this is mainly attributable to a small number of longer-term absence cases.
  - An analysis of the time logged by colleagues to the C-19 business continuity time recording codes tells us that 2,008 days have been logged by 247 colleagues since March 2020. (This equates to an average of 8.13 days per colleague who has used the code).

## Digital and office equipment

20. We continue to support people with home working. To date we have issued 318 items of digital equipment to 217 colleagues. These items have mainly been screens, keyboards and mice. The total cost to date has been £20,630.09, an average of £130.98 per colleague who has needed equipment. We have also issued/replaced laptops for 216 colleagues, this equates to 67% of the workforce.
21. We have also issued 291 items of office equipment to 219 colleagues. These items have included desks, chairs, footrests, and some items have been issued from existing stock in the offices. The total cost to date has been £14,023.21, an average of £64.03 per person who has needed equipment.

## Office accommodation

22. The Audit Scotland offices have been closed with effect from 17 March 2020 and we expect this to be the default position for some time to come. On 17 September 2020 the IMT confirmed that the offices would remain closed for the remainder of 2020.
23. Management Team reviewed the position on 8 December 2020 and agreed that offices would remain closed until 19 April 2021, this coincides with the end of the Easter break. This was consistent with the government guidance at that point in time and is even more relevant given the current suppression measures in place.

## Financial management

24. We continue to monitor the financial situation very closely. The focus on the 2019/20 financial audits and the consequential impact of the delayed start to the 2020/21 audits is having an impact on income recognition. Provision has been made for this in the 2020/21 Spring Budget Revision (SBR) submitted to the SCPA.
25. The SCPA considered and the SBR and the 2021/22 Draft Budget Submission at its meeting on 15 January. The official report of the meeting is on the agenda for the Board meeting on 27 January 2021.

## Audit implications and responses

26. To date we have prioritised our statutory audit obligations and, in consultation with the Auditor General for Scotland and the Accounts Commission, paused/re-scheduled areas of audit work where we have more discretion. We have also been clear that we will do what is achievable, but that cannot guarantee all deadlines can be met. This is due to the disruption in audited bodies as well as to Audit Scotland. We have also been clear that, while timescales may change, audit quality remains an absolute priority and is even more important at times of significant disruption.
27. Extended audit timetables were implemented for NHS and local government bodies for the 2019/20 audit year. The deadlines for the laying of central government bodies' accounts in the Scottish Parliament and for Further Education colleges remained unchanged.
28. Progress on delivering the 2019/20 has been impressive in the circumstances. This is testament to the commitment and professionalism of colleagues and those in the audited bodies. The current position is summarised in the table below.

Sector	Deadline	No. audits	No. completed by deadline	% complete by deadline	% complete now
NHS	30/09/20	23	20	87%	100%
LG – councils	30/11/20	32	27	84%	91%
LG-IJBs	30/11/20	30	29	97%	100%
LG-joint boards	30/11/20	32	29	91%	97%
LG-pension funds	30/11/20	11	11	100%	100%
Central Government	31/12/20	75	75	100%	100%
Further education	31/12/20	21	14	67%	71%
		225	205	91%	95%

29. The Auditor General for Scotland published five statutory reports in December 2020 based on the 2019/20 audit work.
30. A revised schedule for Best Value Assurance Reporting to the Accounts Commission in 2020 was agreed to reflect the impact of Covid-19 on both auditors and councils. A Best Value Assurance Report on the [City of Edinburgh Council](#) was published on 26 November 2020.
31. In December we published two Covid-19 reports, [Covid-19: Balancing the budget in councils](#) and [Covid-19: Going concern in the public sector](#).
32. On 14 January 2021 the Accounts Commission published [Digital Progress in Local Government](#). This highlighted that councils need to respond to Covid-19 has increased the pace at which Scotland's 32 councils are delivering services through digital technology. The Commission also noted that greater collaboration, use of shared expertise, citizen engagement and strategic planning are needed, however, to fully realise the potential of digital technology.
33. Covid-19 will feature in the forthcoming Local Government Financial Overview, the NHS overview report and the report on Educational Outcomes, these are scheduled for January, February and March 2021 respectively.
34. The rolling work programme has been updated in consultation with the Auditor General for Scotland and the Accounts Commission. The Public Audit and Post Legislative Scrutiny Committee discussed the draft programme at its meeting on 14 January 2021. The Accounts Commission is consulting with stakeholders in the early months of 2021 and the programme is scheduled to be published in the Spring of 2021. The proposed programme includes audits on the economic and fiscal consequences of Covid-

19, Public service adaptation in response to Covid-19, the equality impact of Covid-19 and Governance and accountability (including fraud, error and litigation).

- 35.** We continue to monitor the discussions taking place in relation to the timing of the Scottish Parliamentary elections currently scheduled for May 2021. Any change to the election date, and the associated publication moratorium will have an impact on the publication schedule.

## **Next steps**

- 36.** The experience of dealing with the pandemic to date has demonstrated how flexible and resilient Audit Scotland is as an organisation. As we move beyond the 'response phase' we are keen to learn from what this phase has told us and harness and build on the innovation, creativity and flexibility to develop new ways of working. This has informed our refreshed Strategic Improvement Programme which was considered by the Board at its meeting on 25 November 2020 and is the subject of an update report on today's agenda.
- 37.** It is clear however that the second lockdown is having a negative effect on our organisational capacity for audit and improvement work and the morale of colleagues. We are currently reviewing our priorities in this context to assess the impact and organisational response to these challenges.

## **Recommendations**

- 38.** The Board is invited to:
- note the actions taken to date in respond to the Covid-19 pandemic
  - note the ongoing actions and next steps.



**OFFICIAL REPORT**  
AITHISG OIFIGEIL

# Scottish Commission for Public Audit

**Friday 15 January 2021**

**Session 5**

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**Friday 15 January 2021**

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**SCOTTISH COMMISSION FOR PUBLIC AUDIT**

**1<sup>st</sup> Meeting 2021, Session 5**

**CHAIR**

\*Colin Beattie (Midlothian North and Musselburgh) (SNP) (Chair)

**DEPUTY CHAIR**

\*Bill Bowman (North East Scotland) (Con) (Deputy Chair)

**COMMISSION MEMBERS**

Alison Johnstone (Lothian) (Green)

\*Rona Mackay (Strathkelvin and Bearsden) (SNP)

\*Jenny Marra (North East Scotland) (Lab)

\*attended

**THE FOLLOWING ALSO PARTICIPATED:**

Alan Alexander (Audit Scotland)

Stephen Boyle (Auditor General for Scotland)

Stuart Dennis (Audit Scotland)

Diane McGiffen (Audit Scotland)

**LOCATION**

Virtual Meeting



## Scottish Commission for Public Audit

### Meeting of the Commission

*Friday 15 January 2021*

*[The Chair opened the meeting at 10:30]*

### Decision on Taking Business in Private

**The Chair (Colin Beattie):** Good morning, and welcome to the first meeting in 2021 of the Scottish Commission for Public Audit. We have received apologies from Alison Johnstone. I welcome Jenny Marra back to the commission and I thank Anas Sarwar for his work with the SCPA.

Agenda item 1 seeks the agreement of members to take in private agenda items 5 and 6. If members disagree, they should type N in the chat function.

No members have indicated disagreement, so that is agreed.

## Spring Budget Revision 2020-21 (Budget Adjustment)

10:31

**The Chair:** Agenda item 2 is consideration of Audit Scotland's 2020-21 budget adjustment to the spring budget revision. Members have copies of the spring budget revision and budget adjustment in their meeting papers. I welcome to the meeting Alan Alexander, the chair of the board of Audit Scotland; Stephen Boyle, the Auditor General for Scotland; and Diane McGiffen, the chief operating officer, and Stuart Dennis, the corporate finance manager, both from Audit Scotland.

Today is Stephen Boyle's first appearance before the commission in his role as the accountable officer for Audit Scotland, so I welcome him to this morning's meeting. I invite Alan Alexander and the Auditor General to make some short introductory remarks.

**Alan Alexander (Audit Scotland):** Thank you. We are happy to talk through the proposals that you have before you, to answer your questions and to engage in discussion on how best to maintain the quality, integrity and impact of public audit in Scotland.

It hardly needs to be said that the world has changed. Covid-19 has refashioned how we live and work—perhaps permanently—and how we deliver public services in Scotland. It has also changed Audit Scotland's role, and the budget proposal directly reflects that.

It is worth noting that we submitted the proposal to the commission in the early days of December. At that time, the rate of infection was slowing, a vaccine had been approved, restrictions were being relaxed across much of Scotland and many of us believed that the turn of the year would mark the beginning of a recovery and an exit from the pandemic. However, since then, we have seen the emergence of the new Covid variant and the imposition of much stricter rules for the festive period, and 2021 started with a return to lockdown conditions that are similar to those that we experienced at the start of the pandemic. Those restrictions have a knock-on effect on issues such as home learning and capacity and, earlier this week, we heard that they are unlikely to be lifted soon. That is perhaps a perfect illustration of the volatile and unpredictable environment that we now operate in.

As you are all aware, the pandemic has placed significant and, in some cases, unique pressures on Scotland's public sector at a time when it already faced major stresses and strategic challenges. Public spending has increased by

several hundreds of millions of pounds, and Covid-19 has exacerbated existing issues in Scotland, such as financial sustainability, public service provision, and economic and health inequalities.

There is increasing public and parliamentary interest in how money is spent, how well public services are responding and the longer-term impact on Scotland. For Audit Scotland, that means that we have to change and develop so that we can deliver the high-quality and world-class public audit service that Scotland will need more than ever.

That will mean more than incremental change and development; it will mean making step changes in how we work and ensuring that we have the skills and resources that are needed now and in the future. We also need to ensure the resilience and sustainability of the public audit model in Scotland, safeguard quality and maintain the safety and wellbeing of our workforce.

I emphasise that my board, the senior management of Audit Scotland and the entire staff are committed to demonstrating how the Scottish public audit model can rise to the challenges and exemplify the highest standards in the stewardship and application of public funds.

With your permission, chair, I will hand over to Stephen Boyle, who will speak in his capacity as the accountable officer for Audit Scotland.

**Stephen Boyle (Auditor General for Scotland):** Good morning. As Alan Alexander has outlined, and as is set out in our budget proposal, Audit Scotland is quickly moving from—*[Inaudible.]*—following new responsibilities to the Scottish Parliament to now dealing with a public health crisis and associated public service response at a scale not seen—*[Inaudible.]*

The financial risks and issues facing Scotland are bigger than they have ever been, and our audit role needs to respond accordingly. We need to move to ensure that we have the resources, skills and capacity to do the job that Scotland needs from us. Our budget proposal reflects that.

Our resource requirement for 2021-22 is £10.8 million, which is an increase of £1.9 million, or 21.5 per cent in real terms. Our proposals contain more detail of what that will deliver, including providing assurance on the significant new sums of public money and how well that is being used to rebuild and repair the economy and address inequalities. We will follow the pandemic pound.

Our total proposed budget of £29.5 million for 2020-21 equates to about 0.05 per cent of Scotland's public sector budget. We need to make the most of the opportunities to change working patterns and practices and to ensure the safety and equality of opportunity of our current and

future colleagues. That means investing in our digital infrastructure and other resources to support more agile and flexible ways of working.

We will be developing new methods, tools and approaches to retain and attract the people we need, whom we will be supporting with the right training and development. We are clear that everything that we do now and in the future must be built on the principles of wellbeing, quality, equity and sustainability.

As ever, my colleagues and I will do everything that we can to answer the commission's questions.

**The Chair:** Thank you, both, for those introductory remarks. Before we move to questions, I remind witnesses and members to take a small pause before speaking, so that the broadcasting team has time to switch on your microphone. If any member has a supplementary question, please type R in the chat box and I will bring you in when I can. As always, I would be grateful if questions and answers could be kept as succinct as possible.

I will start off. Will Audit Scotland provide an update on whether its most recent assessment of work continues to suggest that the figure of £1.44 million remains accurate? Is the income shortfall of £1.44 million a one-off issue specific to the financial year 2020-21?

**Stephen Boyle:** I will start, and I will perhaps invite Stuart Dennis and Diane McGiffen to supplement my remarks.

As Alan Alexander mentioned in his introductory remarks, the spring budget revision, which we submitted in December, reflected what we thought was a stabilising, or potentially improving, picture in relation to the scale of the pandemic and what that meant for the pace of our work. Clearly, we have seen in—*[Inaudible.]*—that is no longer the case.

As you would expect, we have done additional modelling and forecasting of what that means for our financial position. In the past few days, we have drawn from the December month-end figures, and our remodelling suggests that, for a range of scenarios—the mid-point, low point and end point—we are looking at a deteriorating picture of our expected completion of work. However, we think that we can still absorb that in our request to the commission for an additional £1.5 million. Stuart Dennis might wish to say a wee bit more about that in a moment.

The second part of your question was about whether the income shortfall is a one-off for 2020-21. The timing of our work—the pace at which we can complete audits and therefore our ability to

recognise income—is the key factor. Therefore, it is probably too early to tell.

Like everyone, we are optimistic about what the pace of vaccination and recovery might mean in signposting a return to normal activity. The pace at which we recover timing feels more difficult to predict accurately. However, we know that the timelines that we are used to will still be elongated during 2021, and, to an extent, that will also probably run into the following financial year. As ever, the picture is hugely volatile.

**The Chair:** Auditor General, you said that you did some remodelling based on the situation at the end of December, which was very early in the current lockdown and its impact. You also said that you think you are able to absorb any additional costs within your current ask. How confident are you about that? None of us has a very clear picture. What was the basis of your modelling at the end of December, which led you to that conclusion?

**Stephen Boyle:** I will start, and I will invite Stuart Dennis to give the commission a bit more flavour of some of the variables that we have considered.

The one thing I would say is that we have now done almost all the audit work that relates to the 2019-20 financial year. That has been no small task, although the timescales are more stretched than we expected. Had you asked us at the start of the pandemic, in March or April, whether we anticipated completing all of the 2019-20 audits by this point, I do not know that we would have. It is important to me to put on record my thanks to all of Audit Scotland's colleagues for their effort and work in delivering that result.

There are a number of variables. I ask Stuart to talk through the measures that we considered as the basis for our forecast for the year end.

**Stuart Dennis (Audit Scotland):** As the commission will be aware, we have been modelling the situation. The December submission was based on a mid-point scenario.

We have considered various options for how the current lockdown will affect Audit Scotland's fee income recognition, and we realise that it will have an impact. As the Auditor General said, we feel that £1.5 million should be sufficient, as things stand, and that we are able to cope with the volatility. Part of the reason for that is that we were in a better position at the end of December, as we started the 2020-21 audits, than we had anticipated in the original scenario. The income recognition is the main reason why we need the extra funding. As the Auditor General said, we have made a significant achievement in that, at the end of December, we had achieved 95 per cent completion of the 2019-20 audits.

**The Chair:** We lost a little bit of what you said there, but thank you.

**Bill Bowman (North East Scotland) (Con) (Deputy Chair):** Good morning, everyone. I have a couple of questions, the first of which sticks with the figure of £1.44 million. As I understand it, you do not have issues with receiving fee income in terms of its recoverability. However, does the issue become a timing difference—that is, will there be additional fee income in 2021-22 as that delayed work is either completed or recognised?

**Stephen Boyle:** Yes, that is right. Just to clarify—we do not have fee income concerns about the receipt of income from the bodies to which we charge a fee. The issue is a timing difference, as you suggest, that relates to the progress of our 2020-21 audits. Typically, as Stuart Dennis mentioned, we would be well progressed in our planning and preparation for commencing the final part of the financial statement audits. However, that has now slipped back from where we would have expected it to be.

10:45

That timing difference equates to a large component—which we will, no doubt, come on to—of our budget request for the 2021-22 financial year. Our planning expectation was that we would be able to re-accelerate our audit work to reduce the timing difference. However, that now looks a bit more uncertain, given the current circumstances.

**Bill Bowman:** So, the 2021-22 budget will see that money pop back into it—is that what you are saying?

**Stephen Boyle:** Yes. There is a timing difference, exactly as you suggest. However, what we will also face during 2021-22 is perhaps not an identical set of circumstances to the situation that we are in at the moment, but one that—

**Bill Bowman:** An extra—[Inaudible.]

**Stephen Boyle:** Yes, it is the time lag effect that we are dealing with.

**Bill Bowman:** So, it is not, in effect, an extra £1.44 million in 2021-22; you are taking out of the back end something similar for the next year.

**Stephen Boyle:** Exactly so.

**Bill Bowman:** Okay. Thanks for confirming that.

When you produce these forecasts, do you forecast a cash flow behind them that mirrors them, and do you produce a balance sheet at the end of the periods that are being forecast?

**Stephen Boyle:** I ask Stuart Dennis to talk through the range of monthly financial reporting.

**Stuart Dennis:** That is correct—we do a cash-flow analysis. We do not invoice as work is completed; we have an arrangement whereby we invoice in instalments—three times during the year, principally—and we predict when we will get the cash that comes in from that. It is not the same as firms invoicing as the work is completed; we invoice regularly—normally in December, May and September. We have a plan whereby we guarantee that that cash will come into our bank as well as the cash that we get from the Scottish consolidated fund.

**Bill Bowman:** That £1.44 million does not impact your cash.

**Stuart Dennis:** No—that is correct.

**Bill Bowman:** Can I ask just one other question, on office costs? From your presentation, I presume that you currently have empty premises. Have you had any negotiations with landlords about what you are paying for your premises during this period?

**Stephen Boyle:** I will ask Stuart Dennis to say a wee bit more about where we are at with that. The first thing to say is that the offices have remained closed since the middle of March 2020, with all of our colleagues working remotely and covering audit work remotely.

We refer to the issue in our budget submission for 2021-22. In the longer term, the plan is to look at what that means for our property estate and our property strategy. We need to reflect potentially different working patterns and different—*[Inaudible.]*

In our submission, we refer to the fact that our offices across Glasgow, Edinburgh and Inverness are on long-term leases. Stuart Dennis may wish to say a little bit more about the content of any conversations that we have had with our landlords.

**Stuart Dennis:** As the Auditor General said, the offices are on long-term leases. As it has been our decision to shut down the offices and not have them open, the arrangement is that we are continuing to pay for them. As the Auditor General alluded, we need to develop a property strategy, which is something that we will be doing, and that is where we will focus on our long-term planning in relation to office use.

**Bill Bowman:** So, you have not done anything, such as at least asking the landlord for some form of reduction.

**Stephen Boyle:** Not at the moment, and that—

**Stuart Dennis:** Sorry—the office in Edinburgh is due a rent review. That has started, with a representative that acts on our behalf, but it has been very slow due to the pandemic situation.

**Rona Mackay (Strathkelvin and Bearsden) (SNP):** The accountable officer's cover letter highlights that the spring budget revision is needed in part because of the inability of Audit Scotland's

“funding and fees model to withstand ... shocks in-year”,

such as the shock from Covid. The Auditor General said in his opening statement that Audit Scotland will “follow the pandemic pound.” Can you provide a bit more detail about how your funding model has been impacted so far? What consideration has the board given to how the model might be strengthened to enable it to respond effectively to future shocks?

**Stephen Boyle:** For us, the fundamental point about the funding model is that we cannot hold reserves that would allow us to absorb volatility. I would go further and say that our funding model was not designed to deal with the level of shock that there has been from the pandemic and the implications that it has had for our financial position. That has brought us to today and the detail of our spring budget revision request, the significance of it and what it means for our funding model—*[Inaudible.]*

As the commission will be aware, not only do we not hold reserves but we have to break even each year. The key component of what the pandemic has meant is that, with the timing of completion of work not being as anticipated, our ability to recognise income in the way that was projected has been severely reduced. We set that out in a bit of detail in table 1 in the spring budget revision document.

We have started thinking about what the longer-term environment might look like, and we are keen to do more of that thinking. I appreciate that that is a multifaceted conversation with the Parliament and the commission as well as public bodies and the Accounts Commission, particularly given the relative ratio of our funding arrangements, which are skewed towards fees that we charge to public bodies relative to the funding that we receive directly from Parliament.

We are keen to start and make progress on that work and to think about the implications for our funding, in the anticipation that the exact level of certainty might not return on an annual basis. We want to look at alternative ways in which we might better absorb some of the volatility.

**Rona Mackay:** I know that this is difficult to answer, but are you confident that, if—heaven forbid—things got worse and there were future shocks, Audit Scotland would be able to function effectively?

**Stephen Boyle:** Over the past 10 or 11 months, we have been able to respond quickly and

continue to deliver audit work. That is what the pandemic has taught us. As I mentioned, we have now delivered all the financial audit work for 2019-20, and we have done so while auditors and officials in public bodies have been working in their households. The work can still be carried out, but it is clear that it is taking longer. There has been an impact on productivity because of all the circumstances in our households. Some people have caring responsibilities and there are particular issues now, as we have returned to home schooling.

There is confidence that we can do the work. If circumstances deteriorated, we would expect that to mean that timelines would be extended, although we do not know that yet. We have confidence, given what we have been able to achieve over the past year or so. That gives us hope, but there is still volatility and there will continue to be an impact.

**Rona Mackay:** I understand that. Thank you.

**Jenny Marra (North East Scotland) (Lab):** Good morning. I will ask about the savings in annual wellness checks. It is stated in paragraph 30 that Audit Scotland's savings of £0.5 million include savings on annual wellness checks for its staff. Will you tell us about the nature of those annual wellness checks? How has the board assured itself that those savings have been realised without compromising staff wellbeing?

**Stephen Boyle:** Good morning, Ms Marra. I am happy to answer those questions, although I might hand over to Diane McGiffen and Alan Alexander to comment on the level of assurance.

Fundamentally, the wellbeing of Audit Scotland colleagues has been at the centre of our approach to dealing with the pandemic. Our incident management team, along with members of our senior management team, have continually communicated with colleagues to emphasise the importance of their wellbeing. We have signposted them to various levels of support and training that they can access to deal with all the unprecedented circumstances. The nature of the wellness activity that we undertook before the pandemic means that we have not been able to continue with it in the way that we would have done.

I will ask Diane to explain the background and the support that we have provided to colleagues that would have been provided through the wellness checks.

**Diane McGiffen (Audit Scotland):** I reassure the commission that we are not trying to make savings on wellness, because investing in supporting the wellbeing of colleagues is paramount at the moment.

Last year, we were unable to deliver the range of wellness checks that we normally deliver, because those checks involve in-person, face-to-face, one-to-one consultations that include blood tests and a range of other diagnostic tools. We are keen to reinstate those when that is viable and possible, but it has not yet been possible to do that. That has inevitably resulted in some savings.

We are providing a range of routes to additional support for colleagues, including counselling, professional support and other wellbeing activities that we have run within the organisation, pending the resumption of the health check element of the wellbeing support, which is what we are talking about here.

We know that colleagues value the health checks that take place; it is simply the case that, with our partner, we are unable to deliver them in a safe way during the restrictions. We will resume those checks as soon as we can, but we have made some savings because we do not envisage being able to deliver them at this point. We place a lot of emphasis on supporting colleagues, and that will increase during 2021.

**Jenny Marra:** You mentioned blood tests. Does that mean that the wellness check is more like a medical?

**Diane McGiffen:** Part of it is a medical test. Colleagues take a range of diagnostic tests, and that is the part that has been suspended. Those tests have been hugely helpful for us—many colleagues have been able to have early diagnosis of issues, which has resulted in their being routed to effective treatment—but it is not possible to conduct them at the moment.

**Jenny Marra:** Thank you.

**The Chair:** As members have no further questions for the witnesses, we will move on to the next agenda item.

## Spring Budget Revision 2020-21 (International Accounting Standard 19: Pension Costs)

10:58

**The Chair:** Agenda item 3 is on Audit Scotland's spring budget revision 2020-21 and how it relates to pension costs. Members have a copy of the budget revision in their papers, and we have the same witnesses that we had for the previous agenda item. Without any delay, I invite the chair of the board, Alan Alexander, and the Auditor General, Stephen Boyle, to make some introductory remarks.

**Alan Alexander:** As you will know, the issue of pension costs is one of those things that come up on an annual basis, and we have to deal with it for all kinds of legal and financial reasons. I must confess that my expertise in this area is limited. I am perfectly happy to give good governance to the way that it is done by Audit Scotland but, when it comes to the detail, I will hand over to Stephen Boyle and possibly also to Stuart Dennis, if that would be acceptable to the chair.

**The Chair:** Absolutely.

11:00

**Stephen Boyle:** I will be very brief. It is always worth emphasising that, to some extent, non-cash costs are outwith our control, by virtue of Audit Scotland's admission into the local government pension scheme, of which the vast majority of Audit Scotland's people are members.

The spring budget revision request that is before the commission is for £3 million—that is, as I say, a non-cash item. That figure has come to us from the actuaries of the Lothian Pension Fund, which is the local government pension scheme of which we are members. The increase in costs is derived from the change in discount rate, which is one of the components that is assessed in the estimation of future liabilities. The reduction in the discount rate, in essence, increases the liabilities of the scheme and our associated share of that cost.

That is the background. Between us, we are happy to answer the commission's questions.

**Bill Bowman:** I have two questions—the first is for Stephen Boyle and the second is for Alan Alexander. With regard to the Lothian Pension Fund, what preliminary discussions has Audit Scotland had with the Scottish Government to confirm that the previously agreed arrangements with Her Majesty's Treasury remain in place to meet the pensions adjustment?

**Stephen Boyle:** I will invite Stuart Dennis to provide an update on the history of those discussions and on the certainty. If I have understood correctly, I think that, in essence, the funding coming from the annually managed expenditure fund—the non-cash element of the Scottish budget—allows for such—*[Inaudible.]*—movements in circumstances. Stuart Dennis might be able to update the commission on the discussions.

**Stuart Dennis:** Yes, I can provide an update. We have early discussions with the Scottish Government's finance directorate about our non-cash AME funding requirement for the pension adjustment. As part of the process, the Government's finance directorate has negotiations, which start in November each year, with HM Treasury to highlight the requirements in Scotland. It is not just Audit Scotland that has AME funding requirements; other bodies in the public sector in Scotland have them, too. Those discussions take place every year. We have liaised with the Scottish Government, so it is fully aware that our requirement for this year is £3 million non-cash funding.

**Bill Bowman:** Thank you for that answer.

I have a more general question for Alan Alexander. Has the board considered whether a local government pension scheme is the appropriate pension arrangement for a 21st century auditing organisation?

**Alan Alexander:** The best way to answer that is to say that the audit and remuneration committee and the board provide continuous scrutiny of, and challenge to, such issues. We have not considered that issue specifically—we are under no pressure from our staff to consider it—but we certainly would not rule out doing so. One has to keep the issue under review, but I am bound to say that I do not regard changing the arrangement as one of the most urgent things for us to do. However, the board now has the expertise that would allow it to give very good consideration of such an issue. The two new independent board members have different kinds of experience that are directly relevant to that issue. We will keep the matter under review and keep the commission informed of any changes to our view.

**Bill Bowman:** Thank you for that. I presume that the new board members will be listening to this.

We talk about non-cash items, of which it is quite easy to be slightly dismissive. However, they still affect your organisation. I will leave that thought with you.

**The Chair:** Do members have any other questions on that particular point for the witnesses? I see that they do not.

## Budget Proposal 2021-22

11:05

**The Chair:** Agenda item 4 is Audit Scotland's budget proposal for 2021-22. Members have a copy of the budget proposal in their papers, and we have the same witnesses for this agenda item. I invite the Auditor General, Stephen Boyle, and then the chair of the board, Alan Alexander, to make some introductory remarks.

**Stephen Boyle:** My opening statement at the start of the meeting largely covered what we hoped would be helpful introductory remarks about the spring budget revision requests and the budget proposal that is before the commission. If the commission is content, I am happy to pause at this point. Alan Alexander may want to invite any questions.

**The Chair:** Does Alan Alexander want to add anything to that?

**Alan Alexander:** I have nothing specific to add to my original statement, but perhaps I can follow up on what Mr Bowman just asked about, which was a specific example. Generally, the involvement of the board and the scrutiny and challenge of what we come to you with are continuous and profound. We consider such issues at every board meeting and at the committee meetings, so you can be sure that the board has been all over something before the proposal comes to you.

Beyond that, I am happy for my colleagues to answer questions about specifics.

**The Chair:** Thank you very much. In that case, we will move straight on to questions.

In the past, we have had discussions with Audit Scotland about issues relating to transferred costs. Audit Scotland is seeking a bigger percentage increase in the budget approved by the Scottish Parliament compared with the 1.9 per cent increase in fees that it is seeking from public bodies. Does that mean that you are transferring to the Scottish Government some of the costs that should rightly be paid by the individual public bodies?

**Stephen Boyle:** I will start on that question; Diane McGiffen may then wish to come in on it.

There is a complexity about the ratio of funding that Audit Scotland receives from income relative to that from the Scottish Parliament. The commission will be familiar with that. You have referenced a couple of points. In recent times, that ratio has changed by virtue of some of the work that we have undertaken that was not specifically—[Inaudible.]—referred to the

national fraud initiative work, which happens on a biennial basis. That was in last year's budget, but it will have dropped out of this year's budget proposal because of the timing. There have also been changes in the composition of public bodies as they have, by virtue of elements of public sector reform, moved from a chargeable status to a non-chargeable status. Examples that I can think of include some of the changes that happened around Scottish Forestry. That was previously a feeable audit, but now it is not. That has changed the ratio.

One of the other big components is the growth in the Scottish Parliament's responsibilities and what we have generally referred to as new financial powers. Our work has grown in that area. That is not a directly feeable activity for a public body; there is a contribution for our overall work and outputs therein. There is some movement at the margins.

We have not translated the overall increase for budget requested that is before you to say that that should be a direct proportion that equates to a corresponding fee increase to public bodies. We are mindful, as I am sure that the commission would expect us to be, that our request for resource comes at a time when many of those public bodies' budgets are under pressure and that should be translated into a fee request that is kept in appropriate perspective.

We have come through a period of many years in which there has been a focus on efficiencies and, rightly, on our demonstrating that we are managing our organisation properly, and that has resulted in a significant reduction in our overall draw in recent times.

In this budget request, we are looking to secure our ability to do what is necessary for public audit in light of the pandemic and the significant growth in funds that have come to Scotland, so that we can provide the appropriate public assurance for the Parliament, the public bodies and the users of public services.

I ask Diane McGiffen whether she wants to supplement that by saying something about the history of the relative ratio.

**Diane McGiffen:** As the Auditor General says, much of the work that needs to be done is not covered by the chargeable fee regime, so we have to request approval through the commission for parliamentary funding for some of that work. The Auditor General referred to the new financial powers work, which enables us to audit the additional spending and so on by the Scottish Government. As the Auditor General said, there is also public sector restructuring, which changes the sectoral bodies. We are broadly required to break even, and public sector restructuring affects the

sectoral dynamics of that. We monitor and analyse sectoral fees and funding by sector in the course of the year, so we keep a close eye on that.

The critical thing as we go into the next financial year relates to some of the discussion about the spring budget revision and our inability to withstand shocks to the funding system and manage the budget, as we cannot hold reserves. Therefore, increasing our management contingency is a critical way for us to have some certainty that we will be able to respond dynamically to the challenges ahead. We review and monitor fees and funding by sector in the course of the year and we report on that annually.

The commission can take further assurance from the fact that we will not draw down funding that we do not need—it will be retained in the Scottish block. We are trying to respond to an incredibly complex and evolving situation to ensure that we deliver the scrutiny of public spending, the volume of which has gone up from about £40 billion last year to £57 billion this year. We need to be able to audit those funds in order to provide the Parliament and other stakeholders with the analysis of and independent assurance on the flow of the pandemic money, as you would expect us to do. However, there are many checks and balances in the system that the board, the audit committee, our auditors and the commission can scrutinise in the course of the year.

**The Chair:** I hear your arguments, and they all make sense but, from a very simplistic point of view, the auditable bodies such as councils have received additional funding to deal with things such as Covid-19, so the dimensions of the audit have changed dramatically, but the increased charges to them do not seem to be commensurate with the additional responsibility and funding that is going through those bodies, or with the additional work that Audit Scotland will be required to do to follow the public pound. How does that figure in your calculations?

**Stephen Boyle:** You are right that we have not taken a linear approach in which we increase parliamentary funding and the fee regime on the same basis. As you say, the pandemic moneys are distributed across public bodies, to central Government as well as local government bodies. As you know, we are fashioning a forward work programme to provide public assurance. We have joint responsibilities through the work programme that is shared between me and the Accounts Commission for Scotland. It is our judgment across a range of factors that the pressure on public bodies should not translate into an increase in the audit fees at that level.

11:15

It may be worth sharing with the committee that we extended the current five-year appointment model for an additional year during 2020 in light of the pandemic, as that was clearly not the right time to go to the market to procure audit services for the next five years. Those services will go out to tender in due course and at that point we will have the opportunity to look at what that means in terms of the price of audit fees, which refers back to Ms Mackay's point about what it means for our fee and funding model in the round.

Our judgment at the moment is that the additional request for us to respond appropriately as—[*Inaudible.*—]—should not translate into significant increase in fees to public bodies.

**The Chair:** Your approach is fairly philanthropic as far as some of the public bodies are concerned; it seems that you are asking the Scottish Government to cross-subsidise work that is being done in public bodies such as councils. You can put all sorts of reasons around that, but that is what it looks like, at least in the short term.

**Stephen Boyle:** It is definitely a timing thing—you are right, convener. As we look at our overall arrangements for the upcoming tender and the longer-term appropriateness of the fee and funding model and how that is designed to cope with the timing differences that we have covered in our big budget review discussion, we need to consider whether public audit is sufficiently equipped and resourced to respond to the pandemic. All those things are in the mix.

Our recommendation—and request, I suppose—is that that does not currently translate into what could be significant fee increases for public bodies during this year, and we alternatively propose that that is wrapped up in the tender and the longer-term review of the funding arrangements for public audit.

**The Chair:** Are you saying that, at the moment, it is accepted that there is an element of cross-subsidy in so far as what you are asking from the Scottish Government is to help the additional audit that will be needed in some of those public bodies but that that will be adjusted in the foreseeable future when you review fees and so on for your third-party auditors?

**Stephen Boyle:** All those points are fair. Our request to the consolidated fund through the Scottish Parliament for funding is as is set out in the budget proposal. The fee arrangements refer to a 1.9 per cent increase in audit fees for public bodies in 2021-22 as opposed to applying what could mean much more significant increases.

We have sought to strike the right balance in our considerations between the request to the

consolidated fund as distinct from public bodies, but it is also true that this is not an into-the-future request; we are aware of the point that you make and request that time to capture it through our procurement arrangements and longer-term reviews.

**Bill Bowman:** Auditor General, I will follow on from that. We have heard Diane McGiffen's explanation about the need for contingency to help with the funding and you have explained that the £2.4 million increased contingency, and the extra £2.1 million this year, is to save you coming back later to ask for a budget revision. However, I am having some difficulty in understanding what the problem is with having a budget revision, because budget revisions have not been hugely problematic in the past, and we are not sure about that contingency—I am not sure exactly what is in that £2.1 million. If we approve this now, you have permission to go and spend that and we do not really know what it is for, as it is only contingent, so can you give us a bit of background on that?

**Stephen Boyle:** I will start and then let Diane McGiffen complement my remarks.

Historically, Audit Scotland has operated with quite a small contingency—[*Inaudible.*] It is interesting to note that, from the board's conversations, there is a sense that that was too small to deal with volatility, even before the pandemic. Some of the conversations that we have had this morning have illustrated that our funding arrangements and the budget mechanism that we have do not enable us to deal with volatility in the timing of the completion of audit work and, importantly, the scale of response to the pandemic.

In the budget proposal for 2021-22, we have recognised that by increasing the management contingency as the store for how we will respond. Part of that relates to timing differences—the lag effect that we have touched on already. Issues around our ability to recognise income as we move through 2021-22 will be absorbed by management contingency. It also allows for unknowns and variables. As we have said a couple of times in the submission, we do not yet know what are staff costs will be, as we still have to go through negotiations with our trade union partners about our pay awards.

Most fundamentally, through our management contingency, we are looking to fashion that programme of audit response and deliver public assurance in relation to the £8.6 billion of additional pandemic money, which is the sum that we are currently looking at, as we deliver the programme of financial work and supplement it with the programme of performance and best-value activity through our central Government work and our local government activity. That is the

broad structure of where we anticipate that moving from what we consider to be a relatively small management contingency to a much—

**Bill Bowman:** When you talk about the response, are you talking about extra staff costs? What sort of costs would be involved in that response? Going back to the convener's point, should you be recognising a contingent income through charging?

**Stephen Boyle:** There are two points in there. In appendix 1 to our submission, we set out the position in relation to expenditure. With regard to the detail of the additional costs for our requests, there will be additional staff costs. We think that it is necessary and right that we look at the skills that we will need in order to respond. We have gone through a programme of changes and a review of our skill mix through the work that we have undertaken in relation to the new financial powers. Recently, we have recruited for analytical skills and have progressed our programme of digital auditing activity, and we think that that will continue. There will be some additional recruitment through our programme of work. However, that does not translate into an ability to raise additional income through charging in the way that you might typically expect in such scenarios. The differential is what has led to our call, through you, for additional money from the consolidated fund.

Diane McGiffen can talk about what that means for our recruitment and staffing arrangements.

**Diane McGiffen:** For us and for the commission, these are exceptional years and the spring budget revision and the budget bid that we are making are exceptional budget requests. That is because of the level of volatility and change. Normally, when we put our budget proposal to you, we would have certainty over a greater range of things than we have at the moment. We can manage some of the complexity that is involved only with your help.

Among the unknown things that we are working through is the timing of financial reporting next year. That was delayed and deferred this year, which has had an impact on our current year's budget, because we cannot recognise income. We have to catch up, as we discussed earlier. We will recover the income for that work, but not in time for the end of the year. Compared with previous years, we are late in starting the work and late in starting the next audit work, and we do not yet know what the extension will be to the audits that we will undertake in 2021-22.

We have to be able to respond to all those things. One thing that is certain is that the audit work will be required to be done; we just do not know for sure just now what the timescales and

the specific resourcing implications will be. However, we know that we are starting the year with a significant effect from home schooling and further restrictions on the capacity that we have.

At this point, we would also normally have a very settled work programme for the next financial year. In 2020, we paused discussion on the work programme to continue to develop it for the Auditor General and with the Accounts Commission so that we could take stock and see what the Covid implications and priorities would be. That work has been going well and the programme will be launched shortly.

We have refocused existing work to deliver a Covid response. We do not know yet, for example, when there will be any resumption, even partially, of work from our audit bases or of travel to audit locations. We are working carefully to protect and deliver the audit and to maintain the safety of colleagues. At the moment, we are trying to pull that all together in a planning framework in which we are facing many, many unknowns.

Things have happened since we put the budget proposals together—for example, we now know what the European Union withdrawal arrangement is. That was uncertain and unknown when we put the proposal in. However, we are still working through what the expectations are of our scrutiny and our ability to provide commentary on some of those things.

These are very difficult situations to manage from within the constraints of the funding and fees model that we have. We are looking for your help to enable us to respond flexibly to the situations that we face, to grow our capacity to withstand any further shocks—any further worst-case scenarios as the pandemic progresses—and to do that with the confidence that we have a strong track record of doing our work efficiently and effectively, reducing cost when that is possible.

However, at the moment, we are in a world of significant change and, in order to retain our ability to deliver, we really need to have a little bit more flexibility than we have been able to have in 2020-21 to respond to some of those things.

We will be discussing this every month with our board, in our reporting to our board and to our audit committee, and we would be happy to discuss these things further with the commission. I think that we all found the business planning session that we had very helpful in setting out some of those underlying pressures and uncertainties for us and I think that the budget proposal that you have today is our considered and prudent attempt to deliver to the many expectations that we have.

I hope that that is helpful.

**Bill Bowman:** Thank you. You seem to be saying that there will be some costs that are to do with growing your services and doing more and there will be some costs that are perhaps linked to times when you do not get the value from the cost—it is not exactly about inefficiencies, but you may not be able to work when you want to work. Is the £2.1 million the balancing number that you need to get the budget to work, or do you have a detailed schedule of what it involves and when it might happen?

**Diane McGiffen:** We have the key elements covered in our thinking. We know that we need to recruit and expand the skills that we have. We know ranges of figures for some of the elements that would make up the budget request that we are looking for. We have pitched the budget proposal at a midpoint range.

If you recall, in October last year, when we had the business planning session, at that point, we said that the best-case scenario for 2020-21 would be a shortfall in our income of £1.25 million and the worst-case scenario would be £2 million. The spring budget revision that we have presented to you today is just under £1.5 million. At the moment, we are aiming for the mid-point, and the objective is, as you would expect, to keep that as efficiently managed as possible.

11:30

Commission members might recall that, in the past, when a significant change was required for the development of the best-value audit, although that was ultimately paid for and is incorporated into local government funding, the initial work to develop our response was funded by the Scottish Commission for Public Audit and then the costs were transferred.

We have limited options to manage the complexity, other than—with your help—through the budgeting process. As soon as we understand the volume of work that is required in each sector, we will be looking to charge each sector, where there are chargeable audits under the current model, or to have, as the Auditor General said, a deeper discussion about whether that model is a sustainable way for us to provide the world-class public audit that we have been trying to deliver to the Parliament and to our stakeholders. We know that that is a conversation for the future.

Those issues are all linked and related. There are so many moving parts in trying to respond prudently to the demands that are on us. We have taken a careful approach to the budget, but not everything is pinned down yet.

**Rona Mackay:** I am mindful of what you have just been saying, and I do not want to belabour the point about management contingency, but I will

ask that you clarify a couple of points for me. What portion of the increase will be allocated to meet Covid-related pressures? Given the recent developments with vaccines, and the optimism that those bring, will that contingency be required beyond 2021-22? Table 1 of your budget proposal appears to indicate that that is the case. I know that it is difficult for you to answer that, but can we have an indication of your thoughts?

**Stephen Boyle:** I suppose that the short answer is that it is difficult to be as precise as we would want to be.

I will answer the second question first. On vaccines, we are as optimistic as we can be that vaccination will allow us the route to recovery of the timeline of our audit work, and to address the income lag that we have been discussing. At this stage, it seems unlikely that we will be able to revert to the typical timescales for the completion of our work in the—[*Inaudible.*] I can probably not say anything beyond saying that I hope that 2022-23 will afford us more opportunity to do so and to achieve that recovery. Our planning expectation is that there will probably be a period of between 18 months and two years to recover and revert to the timescales.

On your first question about Covid-related pressures and analysis of the £2.4 million, as Diane McGiffen has outlined, the volatility with which we are dealing and the extent of the moving parts make it difficult for us to be as precise as we would want to be.

For reference, I note that for the current financial year we requested £1.5 million of spring budget revision to support the financial position. That feels like an appropriate indication of what the component will be in 2021-22, with regard to the time lag.

Other elements of the management contingency will be to ensure that we have the appropriate Covid response, and that our programme of work reflects our plans to deliver, through a programme of tailored and flexible public reporting, public assurance on the additional £8.6 billion of consequentials and how well that money has been spent.

Additional elements of the contingency will be those that we would typically allow for during the course of a year, including those that we do not know about yet. We have mentioned the cost of bringing in specialist skills over the course of the year. I hope that that gives sufficient flavour.

In light of the volatility of the situation, and to follow up on the point that Mr Bowman made earlier, we think that it is appropriate for us to report to the commission regularly on our financial position. In the commission's June meeting on our annual report and accounts, we will welcome the

opportunity to update the commission on the progress of our work and to say more about how we have progressed. I reiterate the offer that, if we do not need the flexibility that we have requested, we will make appropriate arrangements to return what is not needed through budget revisions during coming year.

**Rona Mackay:** I have a couple of other matters on which I seek clarification. I apologise if I missed this in an earlier answer. Will the £1.5 million be used to increase staffing? Paragraph 28 of the budget proposal says that you will increase staffing by 4.5 posts.

**Stephen Boyle:** Yes, we have plans to recruit people with additional skills during the course of the year. We look carefully at our skills mix. Even without the pandemic, we would always want to ensure, through our workforce planning arrangements, that we have the right skills and talent in the organisation. That is in keeping with our aspirations to be a world-class public audit body.

In particular, we have made significant progress on our approach to digital auditing. As developments in the auditing profession have evolved, use of digital auditing techniques has increased significantly. It is key to our work that we are equipped appropriately, which we can ensure is the case by recruiting people with the appropriate skills, and by training colleagues. That is all part of our workforce planning. There will be recruitment as we move forward during 2021-22.

**Rona Mackay:** Forgive me for pressing you, but will that be paid for out of the management contingency of £1.5 million? Is that where the staffing costs will come from?

**Stephen Boyle:** Yes, we will use elements of the management contingency to pay for aspects of growth in our staffing complement.

**Rona Mackay:** You probably cannot provide more detail on what you describe in paragraph 48 as "other unexpected financial events", but do you think that that will include any on-going costs of Brexit? I understand that although such costs would not be unexpected, you are not yet in a position to forecast them. Would costs associated with Brexit come into that category?

**Stephen Boyle:** Absolutely. That is an appropriate example of the volatility that will come our way. There will be investigations and other unplanned pieces of work that items of correspondence from parliamentarians and members of the public will lead us to undertake. It is part of our roles and responsibilities that we cannot necessarily forecast entirely where our work will take us.

**Jenny Marra:** In paragraph 10 of its budget proposal, Audit Scotland states that it will

“hold the increase in our management contingency, allocating it transparently as we invest in skills and capacity throughout the year.”

Will you explain the process that you propose to use to identify priorities for funding from the management contingency? How will it be done transparently?

**Stephen Boyle:** I will start, then I will invite Professor Alexander to say a bit more about how that will work in governance terms.

As you will know, particularly through the work of the Public Audit and Post-legislative Scrutiny Committee, we paused our forward work programme and are now moving towards completion of the consultation forward work programme, which we will translate into a detailed programme of work. That will set out—on my behalf, as Auditor General, and on behalf of the Accounts Commission—the proposed plan of audits. There will be a degree of flexibility in that and what it means for allocation of staff resources in terms of existing colleagues and planned growth.

I engage with the Accounts Commission and the management team of our board, which sets out the planned allocation allowance for delivery of audit work. The process is undoubtedly iterative, but we need to be sure that we have the right level of governance and understanding of it. I invite Alan Alexander to talk from his experience of chairing the board about visibility and the important point about transparency.

**Alan Alexander:** Let me frame my answer by saying that one of the things that we have done in the past year, at least in the period since I became chair of the board, is to ask ourselves whether we are giving enough challenge, support and scrutiny to what the senior management of Audit Scotland proposes. I am certainly satisfied that detailed scrutiny of the proposed new expenditure by the remuneration committee and, in particular, by the audit committee is very strong, to the point at which the board can examine other issues by exception, or at the request of the audit committee. Whatever our budget settlement is, I have no doubt that our scrutiny and governance of it will be very strong indeed.

My position is that we should make an absolutely clear distinction between management and governance. On my screen at the moment, Stephen Boyle is labelled Auditor General for Scotland, but he is actually here as the accountable officer for Audit Scotland. His capacity to do that job in a way that will satisfy the commission and the public interest is enhanced by the amount of scrutiny and, sometimes, pressure

that we put on the senior staff at all our committees’ meetings and the board.

Let me mention one more thing that I have done on that, knowing that things were changing in ways that we could not anticipate. It was clear to me that our usual practice at Audit Scotland of having, as it were, a summer gap between board meetings would not give us the level of assurance that the board requires about what was being done. That is something that I will do, should it be necessary, although I am satisfied at the moment that the programme of meetings that we have allows us adequate and, I think, sometimes quite pointed scrutiny of what the senior management of Audit Scotland does.

I hope that that is helpful, chair and members, but I would be happy to enlarge on anything that you would like to push me on.

**Jenny Marra:** That was very helpful, Alan. Thank you. I will move on to my next question.

You have explained that Audit Scotland’s budget proposal will deliver independent evidence-based public reporting on how well public money is being used to rebuild the economy, repair damage to communities,

“reduce inequalities and create a fairer, more just society”,

and on how well public bodies demonstrate good governance. That has, as you know, been of concern to the Public Audit and Post-legislative Scrutiny Committee, in relation to transparency, financial management, fraud prevention and long-term planning.

How will the Audit Scotland board assess whether audit work has delivered evidence-based public reporting on how effectively public money is being used to reduce inequalities and to create a fairer and more just society? Such things can be quite hard to measure. I know about Alan Alexander and the Auditor General’s commitment to that, but what is your thinking on how you will measure that?

**Alan Alexander:** I will come in first, then hand over to Stephen Boyle.

It seems to me that it is key that our audit committee and board are sure that we have in place ways of gathering and assessing the evidence to which Jenny Marra refers. Primarily, the audit committee will do that by examining the various reports on the quality of our audit activities, which are validated—sometimes internally and sometimes externally.

11:45

Following that, the reports that go to the board on our expenditure profile and strategic activities give us the opportunity to address holes that we

see there. I do not for a moment underestimate how difficult that is, because there is a sense in which the issues that Jenny Marra has mentioned are not simply quantitative—in the sense of their being quantitatively auditable—but are qualitative. When we get to the point of looking at the kind of inequalities that I referred to in my opening statement, we need to be able to think about that, too. I am satisfied that we have in place the basis for doing that well.

If we need to elaborate on that and to put in place a greater level of scrutiny, particularly through the audit committee, we will do that. However, I am satisfied that the building blocks are in place and that we will be able to provide the kind of evidence that that committee has been looking for, and will continue to look for in the future.

**Jenny Marra:** Maybe this is an issue for the Auditor General to expand on. Will the measurements and metrics be understandable to the public? Your work has to be measurable and digestible by the public.

**Stephen Boyle:** I could not agree more. A key measure of us as an organisation is that our work is accessible and understood by users of public services. It is central to how we will deliver our work. I will emphasise two points about how we do that through our arrangements in Audit Scotland.

As Alan Alexander mentioned, we have fairly well-established governance arrangements for reporting. We have a well-developed set of corporate performance frameworks, through which we translate our programme of work into monthly reporting and measurement—not just of whether we are delivering what we said we would deliver, but of whether we are doing it well. We look to validate that through our quality framework, which sets out and measures the results of the quality assessment that we undertake internally and through arrangements that we have with the Institute of Chartered Accountants of Scotland, which assesses whether we have done our work properly.

We think that our quality framework is a real strength, in that it does not confine itself just to the financial audit work but looks at performance audit work and our best value audit activity. It is really important for me, not just as the accountable officer but as a recipient of the audit work, that I am assured that our audit committee, our board and the public are assured that that is clear and transparent. We set out the results of how the arrangements work through our annual quality reports, including the spread of what we had planned to do, what we delivered and aspects of validation of that.

To round off, I note that there are always ways in which we can improve and, as we take our work forward in a subsequent year, in which we can make sure that we capture all the findings from that work and the feedback that we get.

**Jenny Marra:** Thank you.

**Bill Bowman:** I have a couple of questions on the firms that Audit Scotland appoints to do audits. In paragraph 21 of your submission, you list the pressures that arise from various factors such as the loss of time due to Covid-19 restrictions, the time that it takes to complete audits and the increased risk of fraud and changes to audit demands because of the creation of new bodies. However, Audit Scotland says in paragraph 35 that it will

“continue to benefit from savings generated from audit procurement”

and in paragraph 52 that it expects that payments to appointed audit firms will

“increase in line with the remuneration increases applied to our own staff”.

Given the pressures experienced by in-house teams while working during the pandemic, on what basis has Audit Scotland determined for the purposes of the budget proposal that the future cost of audit that is undertaken by firms will continue at current levels, with the discounts applied? How have you worked with appointed auditors to ensure that they can deliver the contracted work efficiently and to the same high standard during the pandemic?

**Stephen Boyle:** I am happy to start on that, and Diane McGiffen might wish to supplement aspects of my answer.

It is true that the pandemic has affected appointed auditors, whether they work for Audit Scotland or through our partner arrangements. [*Inaudible.*]—the same way in the delivery of the audit in the public bodies. Productivity has been affected for those who work for a firm or for Audit Scotland. Our spring budget revision request reflects that fact. [*Inaudible.*]—of recognition of income is generally the same picture for firms— [*Inaudible.*]

Mr Bowman mentions our continuing to benefit from efficiencies in the previous procurement process with firms. Audit Scotland and public audit in the round benefited from the discounts that firms offered us in previous years. We do not yet know what that will mean for the future procurement round. There is undoubtedly volatility in the audit profession. The commission will be familiar with the fact that there have been at least three reviews of the profession in the round, typically as a result of failures in the audit market and failures in the audit profession in high-profile

corporate organisations. The volatility that we are experiencing probably was not the case four or five years ago. Until we go through the procurement exercise, we will not know what it will mean for the cost of audit in the subsequent five-year period. As ever, we will continue to keep the commission updated as we move through the process.

**Bill Bowman:** You come to us for additional funds. Have you passed some on to the appointed auditors, who are suffering the same issues as you are?

**Stephen Boyle:** We are in the process of discussion for the 2020-21 financial year. There are arrangements that allow for that level of volatility, and we have captured elements of that in the spring budget request. There will be more volatility—[Inaudible.]—yet predict, particularly for 2021-22. We typically allow for an annual increase in the audit fees that we pay to the firms, which equates to the average cost of the increase for Audit Scotland staff pay arrangements. That is an established arrangement that flows through to the firms.

Communication with the firms that we appoint is a central part of our work, and it has increased during the pandemic. Professor Alexander mentioned that we have increased our governance arrangements. Similarly, we have increased our communication with our firms, to track the expected level of completion and work in progress for our financial position; to have that intelligence about how public bodies are performing and the audit implications of that; and to consider the learning. We have given real thought and consideration to what that has meant for audit reporting and audit opinions during this unprecedented period. All those channels have remained and have been enhanced during the pandemic.

**Bill Bowman:** Were you going to ask someone else to comment? I cannot remember.

**Stephen Boyle:** Yes. I ask Diane McGiffen whether she wishes to add anything on the points that you have raised.

**Diane McGiffen:** For the 2021-22 budget proposal, we know that we will continue to benefit from the savings from the procurement round because of the extension of audit appointments, which we discussed earlier. There are some things that are certain, and that is one of them.

When we talk about the completion of audits to the end of December and the terrific job that auditors have done, we are including in that the work that has been done by firms. There is very much a partnership. We work with a range of firms that are very committed to public audit. We have worked with them throughout the past year, and

we will continue to do so to ensure that they deliver high-quality audit. We have quarterly meetings with the partners of the firms, we have sector meetings for auditors who audit in different sectors, and we maintain close contacts with all of them.

All our professional support and advice in the course of this year and all our professional support and advice that we anticipate in the year to come will have involved many professional and technical questions for auditors. We share our thoughts and advice and our professional and technical knowledge with all auditors in Audit Scotland and the firms, and we treat everyone fairly.

The mechanism for uprating audit fees during the appointment period is clear and set. If any level of uprating is applied to Audit Scotland colleagues, exactly the same is applied to the remuneration of the firms. As the Auditor General has said, there is a separate mechanism that enables auditors to discuss additional audit work if additional audit work is needed.

We are in the process of taking stock of the additional costs for everybody. Members will understand that that is very much a real-time issue, because the end of December was a significant milestone in the completion of many of our audits. There has been great progress in completing the audits, and we are now digesting the additional—[Inaudible.]—and we will deal with that transparently and fairly.

Key for us is ensuring that, as we move ahead to the next procurement exercise, there is a market, there are firms that are interested, and we are able to sustain a mixed model of appointments if that is what our stakeholders are looking for us to do. In the course of the year, we have conducted market engagement exercises with a range of firms even though we had extended the audit appointments, to ensure that we are doing our bit to stay at a healthy level of firms' engagement and interest in public audit work.

We commend the firms that we work with for their commitment—[Inaudible.]—including audit, in the past year. We have worked very closely to do that. It has been equally difficult for everyone, and we have kept up a really effective dialogue to ensure that we all learned from each other during that time.

The quality of all the work of Audit Scotland and the firms is assessed and reported on in our annual quality of public audit in Scotland report. That includes looking at the internal reviews of providers and of us in relation to audit quality. It is significant that that also includes an independent external ICAS review of Audit Scotland's work and firms' work, which is pretty comprehensive. We report on that annually.

There is a whole range of mechanisms and assurances. We totally acknowledge that it has been a tough year for everyone.

**The Chair:** I have one or two final questions to cover issues that have not been touched on yet. My first question is a very simple one. In appendix 1, Audit Scotland forecasts that legal and professional fees will decrease by approximately half a million pounds. That is quite a big decrease. What has brought about those cost savings? My experience of legal and professional fees is that they tend to go up.

**Stephen Boyle:** There is inevitably some volatility in legal and professional fees. In part, we have dealt with that volatility through allowing for it through management contingency. That has been one of the variables that has been covered.

**The Chair:** What about the half a million pounds?

**Stephen Boyle:** I was going to come on to that by asking Stuart Dennis to set out the detail of what that money has been spent on.

**Stuart Dennis:** On the half a million pounds, we have £300,000 under the management contingency heading in the 2020-21 budget. For 2021-22, that is moving up into people costs, as we feel that that is more appropriate.

The balance of £220,000 relates to the national fraud initiative in Scotland. As you probably know, that work takes place every two years. We had NFI costs in 2020-21, we will not pay them in 2021-22 and we will get them again in 2022-23.

12:00

**The Chair:** The next question is probably for Stephen Boyle. We have been looking at some of the savings that are being achieved and offset against Audit Scotland's requirements. It seems to me that most the savings are non-recurring, short-term savings that relate to the current situation, whereas some of the costs will be permanent, because of increased work and all the rest of it. Has that been factored in? Will that be an issue further down the line, as the current cost savings end?

**Stephen Boyle:** It is perhaps difficult for me to be as definitive as I would want to be, because of the volatility that we are experiencing and how that will flow through into 2021-22 and beyond.

We set out in our submission our indicative budget requests for subsequent years. Clearly, those will be subject to regular review and revision, as what our cost base looks like becomes clear.

You are right that there are specific examples of where our costs have decreased. Those that are

touched on in the submission include travel and subsistence and printing. In addition, we have already mentioned that we are keen to review our office estate.

Travel and subsistence costs have decreased for the obvious reason that we have all been working from home, so we have not encountered the level of costs that we would typically have had in the pre-lockdown environment. Previously, we would go to the premises of public bodies for prolonged periods to conduct an audit. We do not know whether that will be a feature of how we deliver audits in the future. Our expectation is that it will be something of a hybrid—we will use our offices, and we will use our ability to work from home, which we have demonstrated that we can do to the right standards.

We think that there will be a reduction in costs—[*Inaudible*]. However, we are not yet able to predict with the certainty that we would want what that means for some elements. I think that that captures the volatility and the need for us to report regularly and transparently on what that means for the future.

On your final question—

**The Chair:** Sorry—can I just pick you up on what you said about how working from home seems to be going fine? In paragraph 29 of the spring budget revision proposal, you comment on

“assessments on the impact of productivity and time lost due to the pandemic”.

I presume that “impact on productivity” means that there is an issue with people working from home not getting through the same volume of work because it is physically quite difficult to do so.

In the same paragraph, you mention that you should have completed 8,000 days of audit work by 31 March 2021—presumably, that is preparatory work for the audits to come—but that you have achieved only half that figure. That is a big marker for the future.

**Stephen Boyle:** In many ways, all those things are true. It is true that productivity went down during 2020, but that might not necessarily be indicative of what productivity will be like in the future. None of us had prepared to deliver our audit work from our homes, and our audited bodies had not prepared to support such working. As we move into 2021, we might see increases in productivity as we capture the learning from working from home and deploy some of the digital audit techniques.

All these things feel as though they are moving parts at the moment. We experienced a dip in productivity last year as we moved rapidly to working from home, but we are now using that learning and applying it to what that means for

working successfully and increasing productivity, without necessarily assuming that we will return to a fully office-based environment, with everyone in the office at all times, as had been the case. We will undoubtedly review that work and reflect on what it means for our financial position in future.

You made a specific point about how we are not as far forward as we should have been with the work that we should have undertaken by this stage because of that reduction in productivity. Perhaps the most illustrative example of what that has meant for our financial position is the time lag that trips into 2021-22 in terms of the completion of work and recognition of—[*Inaudible*].

**The Chair:** I want to pick up on one or two of the things that you have just said. I refer to the budget proposal document. Table 1 shows that people costs have gone up to reflect additional staff, but administrative costs do not seem to follow that. Capital costs are up in next year's proposed budget, but they then drop back to the previous level. In paragraph 58, you talk about

"new recruits being equipped to work safely and effectively from home".

That all implies expenditure that I do not see in parts of the budget.

**Stephen Boyle:** On the point about equipping colleagues so that they can work from home, we have incurred expenditure that we did not plan to incur. As we have said once or twice, we have emphasised the importance of people's wellbeing and health and safety in the home environment. There was undoubtedly expenditure during the current financial year on equipping colleagues to work as successfully as possible from home. We recognise that not everybody's home environment is set up so that they can deliver work successfully. We have to accommodate the space within people's homes, and their caring responsibilities. We have therefore spent money that we had not planned to spend on buying additional information technology hardware and office equipment to allow people to work from home in the best way possible.

After the initial spike in requests, that expenditure has tailed off over time, as we might expect, as people's environments have stabilised. That is all the more reason for us to think carefully about what all this means for future ways of working in the office environment and in the home environment, and the expectation is that the model will likely be a hybrid.

We have kept up a regular dialogue about whether people prefer entirely working from home or entirely working from the office. We are also beginning to have that conversation with our audited bodies. We know that we can successfully deliver remote audit work, and we are beginning to

evaluate audited bodies' experience of having a remote audit so that we can decide how to accommodate their preferences for having a physical team on site with a safe set-up. What that means for the cost of audit will come somewhere down the line, but that is all part of our thinking about what that means for our spend, including forecast spend.

**The Chair:** I have one final point, which is really a request. When we talked about staff earlier, we discussed attitude surveys and gathering information about the academic qualifications of trainees and recruits. Will you be able to supply us with that information in future? The commission has always found that of interest.

**Stephen Boyle:** Of course—I would be delighted to do that. As the commission will know, we conduct an annual survey of our colleagues' wellbeing and their perceptions of what it is like to work for Audit Scotland. We delayed the survey because of work pressures and the pandemic. It would typically have been done during late autumn, but we will do it this month at the latest and share the results with the commission.

I have one final point. We have kept in regular contact with people through fortnightly pulse surveys to make sure that we understand people's views and experiences. That gives us really rich intelligence and allows us to make some changes in relation to individuals—[*Inaudible*].—and so forth, and it is a model that we look to continue to make sure that we are communicating well and effectively with our people. We would be delighted to share the details of the survey results and the qualifications of our people.

**The Chair:** As no members have any final questions that they would like to ask, that concludes our evidence session and the public part of today's meeting. I thank all our witnesses for their evidence.

I will allow five minutes for a comfort break before we resume in private session to consider the evidence that we have heard.

12:10

*Meeting continued in private until 12:35.*

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# Agenda

Wednesday 24 March 2021 at 10.00am

## By Teams

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

## Standing items

5. Chair's report – verbal update For information
  6. Accountable Officer's report – verbal update For information
  7. Accounts Commission Chair's report – verbal update For information
  8. Review of minutes:
    - Board meeting: 27 January 2021 For approval
    - Audit Committee meeting: 4 November 2020 For information
  9. Governance arrangements: Review of Standing Orders For information
  10. Review of action tracker For information
  11. Covid-19 update For information
- 

## Strategic priorities

12. Strategic improvement programme
    - Digital audit strategy For information
    - Digital services strategy For discussion
    - Digital services strategy For approval
- 

## Business planning, performance and governance

13. Operational budget 2021/22 For approval
  14. Q3 Financial performance report For information
  15. Q3 Corporate performance report For information
  16. Best Companies survey results For information
  17. Financial devolution and constitutional change update For information
  18. Corporate governance review of Board arrangements For approval
-

19. Data protection policy

For approval

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## Conclusion

20. Any other business

21. Review of meeting

22. Date of next meeting: 19 May 2021

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## Items to be taken in private

23. New audit appointments update

[Item to be taken in private to support the effective conduct of business, commercial sensitivity)

For information/  
approval

24. Proposed equalities outcomes 2021-2025

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

For discussion

25. 2020 Stakeholder engagement report

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

For information

26. 2020/21 Annual report

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

For discussion

# Minutes

Wednesday 27 January 2021, 10.00am

Audit Scotland by Video conference

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## Present:

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

## Apologies:

There were no apologies.

## In attendance:

Diane McGiffen, Chief Operating Officer  
Martin Walker, Associate Director, Corporate Performance and Risk  
Fraser McKinlay, Director of Performance Audit and Best Value  
Mark Roberts, Audit Director, Performance Audit and Best Value  
Elaine Boyd, Associate Director, Audit Quality and Appointments  
Gayle Fitzpatrick, Corporate Governance Manager

## 1. Private meeting of Board members

The Board met privately and noted the resignation of Fraser McKinlay, Director of Performance Audit and Best Value and Controller of Audit. Stephen Boyle, Accountable Officer, advised of his intention to seek Board approval, in accordance with the Scheme of Delegation, to appoint an interim Director of Performance Audit and Best Value.

Following discussion, members noted the proposal to seek Board approval for an interim appointment.

**Action ASB128: Stephen Boyle to seek Board approval for the proposal to appoint an interim Director of Performance Audit and Best Value. (January 2021)**

## 2. Welcome and apologies

The Chair welcomed attendees to the meeting.

## 3. Declarations of interest

There were no declarations of interest.

## 4. Chair's report – verbal update

The Chair advised of the Scottish Commission for Public Audit (SCPA) session on 15 January 2021 to consider Audit Scotland's Spring Budget Revisions and 2021/22 Budget submission and members noted that the SCPA will come back to Audit Scotland with a decision on its budget in due course. The members noted that the Official Report of the meeting appears at item 14 of today's agenda. The Chair paid tribute to the work of colleagues on the preparatory information and support provided in advance of the meeting with the SCPA.

The Chair advised of regular scheduled meetings with Stephen Boyle, Accountable Officer, Elma Murray, Interim Chair of the Accounts Commission and Diane McGiffen, Chief Operating

Officer. In addition, the Chair invited members to note further engagement with Stephen Boyle following the resignation of Fraser McKinlay, Director of Performance Audit and Best Value.

The Chair also invited members to join him in congratulating Caroline Gardner, former Auditor General for Scotland, on the CBE awarded to her in the New Year's Honours list, and agreed to write a letter of congratulation to Caroline on behalf of the Board.

The Board welcomed the update.

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

Stephen Boyle invited the Board to note it had been a busy period since the last meeting of the Board on 25 November 2020.

Stephen advised of regular meetings with Elma Murray and with the Chair, reflected on the session with the SCPA during which Audit Scotland had set out the value of public audit and sought the Commission's ongoing support in light of the challenges faced during this and the next financial year.

Turning to Parliamentary business, Stephen advised of the publication of five Section 22 reports on NHS and Central Government bodies, subsequent briefings of the Public Audit and Post Legislative Scrutiny Committee (PAPLS) and that further evidence sessions were scheduled throughout January 2021. The Board noted the briefing to the Social Security Committee following the Section 22 report on Social Security Scotland.

Stephen advised of other Parliamentary engagement which had included meetings with the respective Convenors of the PAPLS Committee, the Health and Sport Committee and the Education and Skills Committee. Stephen invited members to note that committees are currently considering their legacy reports as Session 6 of the Scottish Parliament comes to a conclusion.

Stephen advised of other external engagements, including attendance at the Accounts Commission's Insight session which included Jim McCormick, the former Chief Executive of Joseph Rowntree Foundation who had presented on the impact of poverty in Scotland. Stephen also advised of introductory meetings with the Chief Executives of CIPFA, the Care Inspectorate and Scottish Futures Trust.

Stephen advised of formal engagement with the Scottish Government Executive team, Permanent Secretary and Directors General before the Scottish Government Audit Committee at the beginning of December 2020, prior to his signing of the independent auditor's report. Stephen also highlighted ongoing engagement with the other Auditors General from across the UK.

Stephen advised that he had participated in a Fraser of Allander webinar about public finances and had been interviewed by the Holyrood Magazine on his role as the Auditor General for Scotland.

The Board welcomed the update.

## **6. Accounts Commission Chair's report – verbal update**

Elma Murray advised of recent publications by the Accounts Commission including Digital Progress in Local Government, their first e-Newsletter for Councillors and Chief Officers across Scotland and the annual Local Government Financial Overview report which was published on 26 January 2021.

Elma advised that the Accounts Commission had met on 14 January 2021 and thanked Diane McGiffen for providing a briefing on Audit Scotland's organisational priorities. Elma advised that an extra meeting of the commission would take place on 28 January to discuss the Educational Outcomes draft report which is scheduled to be published in March 2021.

Elma invited the Board to note that the Commission members have agreed a Communications Plan for future engagement. In February 2021, as part of the Commission's Insight Programme, three third sector representatives will be speaking about their work with councils and the impact of the pandemic. Elma agreed to extend an invitation to this session to Stephen Boyle, Fiona Kordiak and any member interested in attending.

Elma advised that the Strategic Scrutiny Group had developed a workplan for 2021/22 that its next meeting would welcome Fiona Duncan, Chair of #ThePromise Oversight Board to discuss their work. She also invited members to note that Brian McNulty, Lead Inspector, HMICS would be chairing the operational group going forward with support from Audit Scotland.

Elma invited the Board to note that the Best Value Working Group will now meet every three weeks until the end of March 2021 with ongoing engagement and consultation meetings scheduled.

Elma also advised of other external engagement with SOLACE, CIPFA, Directors of Finance and Executive Committee and a meeting with Integrated Joint Board Chief Officers. In addition, Elma advised of a meeting with the Improvement Service Board and the intention to develop a partnership between the Accounts Commission and the Improvement Service which will focus on support for IJBs. Elma also advised of a meeting with the co-Chairs of the Shared Intelligence Hub run by Health Improvement Scotland and NES.

The Board noted the report on the European Charter of Local - Government (Incorporation) (Scotland) Bill and the potential constitutional implications for local government.

Following discussion, the Board welcomed the update.

## 7. Review of minutes:

### Board meeting: 25 November 2020

The Board considered the minutes of the meeting of 25 November 2021, which had been previously circulated.

The Board approved the minutes as an accurate record of the meeting. The Board noted the revised format of minutes, and Jackie Mann advised that she would adopt a similar style for future Remuneration and Human Resource Committee meetings.

## 8. Governance arrangements: Review of Standing Orders

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

Martin invited the Board to consider the report and proposals to enable the public to access future Board meetings and for the Chair to record a short video summary of the Board meeting to be made available on the website thereafter.

The Board considered the process for managing public attendance at virtual meetings, the security of systems and the communication channels to be used.

Martin provided assurance around the digital security arrangements and management of attendees in relation to public and private items of business.

Following discussion, the Board welcomed the proposals and noted that longer term options for public meetings and engagement channels will be considered at the next meeting of the Board on 24 March 2021 as part of the wider review of governance.

**Action ASB129: Martin Walker to report on longer term options in relation to public meetings. (March 2021)**

## 9. Review of action tracker

The Board noted the updates provided on the action tracker.

The Board agreed that action ASB126 be discussed further under item 10, Strategic Improvement Programme update.

## 10. Strategic improvement programme update

*Fraser McKinlay, Director of Performance Audit and Best Value, joined the meeting.*

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

Martin invited the Board to note the update on the strategic improvement programme.

The Board considered the progress reported on the rolling work programme, developments on the new audit appointments (which would be considered at item 12 of today's item), developments on the building capacity workstream and the supporting recruitment campaign, the appointment of a project lead for the replacement electronic working papers system and noted that all colleagues had now migrated to a single time recording system. The Board noted the importance of the development of audit methodologies and the key role of digital to enable research, development and delivery of financial and performance audit. Martin Walker advised that the Digital Audit Strategy and the Digital Services Strategy were scheduled to come to the Board at its next meeting on 24 March 2021.

Looking forward, the Board recognised the challenges for Audit Scotland and agreed priorities and timelines will need to be monitored and adjusted where appropriate and members welcomed Fraser McKinlay's focus and contribution to the ongoing development of the programme.

In relation to action ASB126 referred to above, the Board agreed to explore the Public Audit in Scotland model and how this supports partnership review and future engagement with the Auditor General for Scotland and the Accounts Commission on key strategic objectives at its forthcoming workshop.

### **Action ASB130: The agenda for the forthcoming Board workshop to consider the Public Audit in Scotland model and partnership working. (March 2021)**

Following discussion, the Board noted the report.

*Fraser McKinlay, Director of Performance Audit and Best Value, left the meeting*

## 11. Implications of European Union withdrawal report

*Mark Roberts, Audit Director, Performance Audit and Best Value, joined the meeting.*

Mark Roberts introduced the Implications of European Union withdrawal report, copies of which had been previously circulated.

Mark invited the Board to note ongoing monitoring in relation to data sharing agreements between the UK and EU given the potential significant risks for public bodies, future developments around the EAFA audit work in terms of scope of work and funding arrangements, the ongoing monitoring of the Internal Market Act and how that will operate, the implications for Audit Scotland and the wider Scottish public sector workforce.

The Board welcomed the update and agreed that future reporting to the Board would be scheduled when specific updates are appropriate.

*Mark Roberts, Audit Director, Performance Audit and Best Value, left the meeting.*

## 12. New audit appointments update report

*Elaine Boyd, Associate Director, Audit Quality and Appointments, joined the meeting.*

The Chair introduced the New audit appointments update report, copies of which had been previously circulated.

The Chair invited members to note the progress reported, highlighted the overall improvement to the

project's risk profile and the imminent appointment of a new Project Manager, details of which would be confirmed shortly.

The Chair advised members that further consultation and market engagement was underway and procurement advice has been sought on the option to further extend the current audit appointments or proceed to tender. These will be considered at the Steering Group meeting on 17 February 2020.

The Board considered the proposed high level principles of a limited scope of audit for small and less complex bodies and the implications in relation to an ISA compliant audit and welcomed the sequencing of engagement with the Auditor General for Scotland and Accounts Commission prior to the Board being invited to consider the Steering Group's recommendation on the current audit appointments.

Following discussion, the Board welcomed the update.

*Elaine Boyd, Associate Director, Audit Quality and Appointments, left the meeting.*

### **13. Covid-19 update**

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

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

The Board noted the latest data which indicate that infection rates were slowing, hospital admissions were stabilising and the rollout of vaccinations.

Members reflected on the continuing organisational pressures for Audit Scotland and its staff as they respond to the increased lockdown restrictions and recognised that despite this 96 per cent of the 2019/20 financial audits had been completed.

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

### **14. Scottish Commission for Public Audit: Official report**

Diane McGiffen introduced the Scottish Commission for Public Audit: Official report, copies of which had been previously circulated.

Diane invited the Board to note the Official report from the virtual meeting with the SCPA on 15 January 2021 which considered Audit Scotland's Spring Budget Revisions and 2021/22 Budget submission.

The Board noted the commission's interest around Audit Scotland's property portfolio and pension arrangements and agreed that the Remuneration and Human Resources Committee would consider Audit Scotland's pension arrangements as required and asked Stuart Dennis, Corporate Finance Manager, to consider Audit Scotland's future property portfolio.

Following discussion, the Board noted the report and agreed that further consideration of Audit Scotland's medium and longer term fees and funding strategy was required.

**Action ASB131: Consideration of Audit Scotland's medium and longer term fees and funding model to be scheduled. (March 2021)**

## 15. Records management plan 2021-2026 report

*Gayle Fitzpatrick, Corporate Governance Manager, joined the meeting.*

Gayle Fitzpatrick introduced the Records management plan 2021-2026 report, copies of which had been previously circulated.

Gayle invited the Board to consider and approve submission of the new joint Records Management Plan on behalf of the Auditor General for Scotland, Accounts Commission and Audit Scotland to the National Records of Scotland by 29 January 2021.

The Board considered the annual review process undertaken of related policies and the two most recent ISO recertification audits which had resulted in no recommendations for improvement. The Board also noted the process for the confidential storage and destruction arrangements of documents while working virtually and welcomed further engagement by the Corporate Governance team with the Secretary and the Accounts Commission on governance matters.

Following discussion, the Board approved the updated Records Management Plan for submission to the National Records for Scotland by 29 January 2021.

Following discussion, the Board welcomed the report and approved the submission of the Records Management Plan to National Records of Scotland.

**Action ASB132: The approved Records Management Plan 2021-26 to be submitted to the National Records of Scotland. (January 2021)**

*Gayle Fitzpatrick left the meeting.*

## 16. Any other business

Diane McGiffen shared with members a summary of the annual stakeholder engagement survey which is scheduled to come to the Board at its meeting on 24 March 2021. The Board welcomed the summary and the positive assurance this provided in light of forthcoming Parliamentary changes and anticipated challenges for public audit in Scotland.

There was no further business.

## 17. Publication of papers

The Board considered and agreed the publication of the reports with the exception of item 12 (New audit appointments update report) due to the commercially sensitive information contained therein and item 15 Records Management Plan as this was due to future publication.

## 18. Review of meeting

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

The Chair thanked everyone for their contributions.

## 19. Date of next meeting: 24 March 2021

The members noted the next meeting of the Audit Scotland Board is scheduled for 24 March 2021.

# Minutes

## Audit Committee



Wednesday 4 November 2020  
By Microsoft Teams

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### Present:

Colin Crosby (Chair)  
Jackie Mann

### Apologies:

Elma Murray, Interim Chair of the Accounts Commission  
S Cunningham, Alexander Sloan

### In attendance:

A Alexander, Chair, Audit Scotland Board  
S Boyle, Accountable Officer and Auditor General for Scotland  
D McGiffen, Chief Operating Officer  
C Robertson, BDO  
T Barrie, BDO  
J So, Alexander Sloan  
M Walker, Associate Director, Corporate Performance and Risk  
G Fitzpatrick, Corporate Governance Manager  
S Dennis, Corporate Finance Manager  
E Boyd, Associate Director, Audit Quality and Appointments

#### 1. Private meeting with BDO and Alexander Sloan

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

#### 2. Welcome and apologies

The Chair opened the meeting, welcomed everyone and noted that there were no issues arising from the private meeting. Apologies were received in advance from Elma Murray.

#### 3. Declarations of interests

There were no declarations of interest.

#### 4. Minutes of the last meeting: 2 September 2020

The Audit Committee members reviewed the minutes of the meeting of 2 September 2020, which had previously been circulated.

The Chair invited any questions or comments.

Martin Walker, Associate Director, Corporate Performance and Risk advised that Elma Murray had submitted comments prior to the meeting for discussion. Elma sought clarification on the ownership of the risk register referred to in the minutes for 2 September 2020 meeting. Martin confirmed it was the Audit Scotland Risk Register and suggested a revision to the wording of the minute to clarify this.

Alan Alexander noted a reference within the minute to the meeting planned on 7 September 2020 with the Scottish Commission for Public Audit (SCPA), and updated Audit Committee on the productive nature of that meeting.

*The Audit Committee approved the minutes of the previous meeting.*

**AC114: Gayle Fitzpatrick, Corporate Governance Manager to revise the minute of 2 September Audit Committee meeting to reflect the ownership of the risk register referenced. (9 November 2020)**

## **5. Review of action tracker**

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

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

Gayle advised that the tracker has been updated and was only for noting. Martin Walker, Associate Director, Corporate Performance and Risk noted there were no current outstanding actions pending those from this meeting.

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

## **6. Audit Committee terms of reference**

The Chair invited comments from members on the report, submitted by the Corporate Governance Manager, which had been previously circulated.

The Chair proposed that the Terms of Reference be reviewed by the Audit Committee annually rather than at every meeting. The committee agreed the proposal.

*The Audit Committee members reported they were content with the current version of the Terms of Reference and going forward agreed the Terms of Reference would be reviewed annually.*

## **7. Organisational response to the Covid-19 pandemic**

*Diane McGiffen, Chief Operating Officer, provided a verbal update on the organisational response to the Covid-19 pandemic.*

Diane advised that Audit Scotland is making good progress in completing this year's audits in the current adverse circumstances, though some audits would be delayed. She also advised that the Auditor General for Scotland had reviewed the draft rolling work programme, that this was the subject of engagement with Parliament and that the Accounts Commission would be reviewing and consulting on the draft programme soon.

Diane advised that the Spring Budget Revision and the 2021/22 draft budget were being progressed and that these would be considered by the Board at its meeting on 25 November 2020.

Diane also provided an update on how colleagues are coping during the pandemic. She advised that the regular 'pulse survey' results provided assurance on colleague wellbeing overall and also highlighted concerns and challenges from some colleagues. She confirmed that a number of colleagues are self-isolating due to reported cases in their children's schools. Diane also advised of positive feedback received at a recent PCS branch executive committee last week on Audit Scotland's response to the pandemic.

Diane confirmed that the offices will remain closed for the duration of 2020 and advised that the Covid-secure working group continues to refine the approach to providing limited access to the offices in the short term for a very small number of colleagues for business critical purposes. She also noted that this process continues to be complex and evolving in light of the tier system and changing rates of infection and that the position regarding offices would be reviewed by the Incident Management Team in December 2020.

The Chair asked about the approach to recruitment in the current environment. Diane advised that Audit Scotland would use a dynamic and flexible approach to attract the widest range of skills. She noted that twelve professional trainees had recently joined Audit Scotland, that recruitment continues to take place and that virtual working provides more flexibility as geographical location is less of a challenge it has been in the past.

Jackie Mann commented positively on Audit Scotland's response to the pandemic and noted that it was positive that future resourcing is being proactively considered alongside the potential impact of remote working.

Stephen Boyle, Auditor General for Scotland (AGS) and Accountable Officer, Audit Scotland noted that the impact of the pandemic was not equally felt across society and that this was reflected in the experience of Audit Scotland's colleagues. He advised that Audit Scotland is taking a considered, cautious approach considering all factors including the tier system in Scotland and associated restrictions, and that the situation remains under constant review. Stephen also highlighted the importance of relationships between line managers and their direct reports/teams.

Alan Alexander noted the complexity and dynamic nature of the current context and emphasised the importance of a consistent approach. The Chair agreed, and stated Audit Scotland should be ambitious for the future. Diane assured the Audit Committee that the organisation was preparing to be bold given the transformative operating context, and the future increased demands on Audit Scotland.

***The Audit Committee members noted the organisational response to the Covid-19 pandemic.***

## **8. Internal Audit report: Preparedness for changes to the Audit Scotland Board and to the Auditor General for Scotland**

*Claire Robertson, BDO, introduced the Internal Audit report, Preparedness for changes to the Audit Scotland Board and to the Auditor General for Scotland, copies of which had been previously circulated.*

Claire summarised the report, highlighting substantial assurance was found in both the design and operational effectiveness of processes reviewed, and noted that there were no recommendations for improvement.

Stephen Boyle, Auditor General for Scotland and Accountable Officer, Audit Scotland advised that the findings reflected his own experience of the processes and that he welcomed the conclusions contained within the report. Jackie Mann advised that the induction she had received to Audit Scotland was the most thorough she had encountered, despite this being during the pandemic.

The Chair asked whether it would be appropriate to have a follow up review with new members within six months of appointment and it was agreed that this could be included in the scope of the governance review scheduled for early 2021.

Alan Alexander noted the discussion and agreed to appraise within six months.

***The Audit Committee noted the internal audit report.***

**AC115: Gayle Fitzpatrick, Corporate Governance Manager to include the option for six-month review for new members in the scope for the forthcoming governance review. (November 2020)**

## 9. Internal Audit progress report: November 2020

*Claire Robertson, BDO introduced the Internal Audit progress report, November 2020, copies of which had been previously circulated.*

Claire advised that the reviews undertaken in 2020 had so far provided substantial assurance. She also advised that the audit on the Procurement of Audit Firms review had been postponed and that BDO were considering options for the replacement of this in the programme.

***The Audit Committee noted the internal audit report.***

## 10. Internal Audit recommendations progress report

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

Gayle summarised the progress on the internal audit recommendations, and invited questions or comments.

The Chair requested that future reports include only actions completed since the last report. Gayle advised this would take effect in future reports.

***The Audit Committee noted the internal audit progress report.***

**AC116: Gayle Fitzpatrick, Corporate Governance Manager to reduce the scale of the Internal Audit Recommendations progress report to list only those actions included since the previous report (4 March 2021)**

## 11. Draft audit quality interim report

*Elaine Boyd, Associate Director, Audit Quality and Appointments, joined the meeting.*

Elaine Boyd, Associate Director, introduced the draft Audit Quality interim report, which had been previously circulated.

Elaine highlighted the positive progress made within performance audit over the course of the last two to three years. Elaine also noted the welcome introduction of electronic signature software, which provides the ability to remotely sign off on accounts, advising this had been invaluable given the current pandemic.

The Chair invited questions or comments.

Alan Alexander asked for clarification on when best value will be addressed in Integrated Joint Boards (IJBs). Elaine advised that this has been a developing area and that the Accounts Commission's Best Value Steering group had committed to confirming the approach by early 2021.

The Chair noted the risks the pandemic posed for audit quality and the importance of understanding the expectations of stakeholders of the organisation going forward. Diane McGiffen, Chief Operating Officer assured the Chair that this was being considered by the Leadership Group and was the subject of significant engagement with internal and external stakeholders.

Stephen Boyle, Auditor General for Scotland (AGS) and Accountable Officer, Audit Scotland also highlighted the challenges to the auditing profession more widely and referenced a recent report by the Financial Reporting Council (FRC) on local audit quality on England. Stephen assured the Audit Committee that Audit Scotland is in a stronger place than elsewhere in the UK with the Audit Quality framework which considers financial and public audit work. Stephen provided strong assurance that quality has remained a priority and that the results of the forthcoming internal and external quality reviews would be invaluable.

***The Audit Committee noted the draft Audit Quality interim report.***

*Elaine Boyd, Associate Director, Audit Quality and Appointments, left the meeting*

## **12. Q2 Financial performance report**

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

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

The Chair invited questions and comments.

Alan Alexander highlighted the importance of ensuring that additional expenditure caused by Covid-19 is accurately quantified and clearly demonstrable.

The Chair suggested that Audit Scotland's time recording system (TRS) could be used to help quantify the impact of the pandemic and Martin Walker, Associate Director, Corporate Performance and Risk confirmed that TRS will assist with the provision of this quantitative data.

Martin Walker highlighted that Elma Murray had asked about how colleagues were adapting to new ways of working and the impact on audits. He advised that audit delivery is in a better position than was originally anticipated and that the lessons learned around delivering the audit in exceptional circumstances were being shared between teams.

Diane McGiffen, Chief Operating Officer advised a note of caution when looking to the challenges ahead. She noted that how the organisation has moved forward in the last six months might not be representative of the next six months. The delivery of remote audit and dealing with winter challenges may mean that significant challenges still lie ahead. Diane advised that all of these considerations are being factored in to planning.

***The Audit Committee noted the Q2 Financial report.***

**AC117: Martin Walker, Associate Director, Corporate Performance and Risk will respond directly to Elma Murray on the points raised. (11 November 2020)**

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

## **13. Review of the risk register**

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

Martin Walker provided an overview of the Risk Register noting the continuing impact of the Covid-19 pandemic, and highlighted risks relating to colleagues' health, safety and wellbeing, and on EU withdrawal.

Alan Alexander asked about the degree to which audit teams are notified of disruption within audited bodies and the consequential impact on the audit process. Martin advised that auditors are well sighted given strong communication channels established with audited bodies and that approximately 10% of audits may be subject to delay.

It was agreed that the risk management framework will need to be reviewed to consider the appropriateness of the risk assessment descriptors and risk appetite in the context of the external operating environment and the scale and duration of the virus suppression measures.

***The Audit Committee noted the Review of the Risk Register.***

**AC118: Martin Walker, Associate Director, Corporate Performance and Risk to review the Risk Management Framework. (March 2021)**

#### **14. Data incidents / loss report**

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

Gayle Fitzpatrick highlighted that during quarter two there was one incident, which was an improvement on the previous quarter where seven incidents were recorded.

Gayle also advised the Information Commissioner's Office (ICO) had confirmed that no regulatory action was required as a result of the mitigating actions undertaken by Audit Scotland. This was in respect of a data incident previously reported to the committee in quarter one.

Alan Alexander asked how GDPR will operate after leaving the EU. Gayle advised that Audit Scotland is closely monitoring guidance from the government and the ICO as negotiations for the terms of how the United Kingdom exits the EU are still ongoing. Gayle advised that compliance with GDPR remains the default position and work was underway in relation to contractual clauses with suppliers in relation to data flows and data security.

***The Audit Committee noted the data incidents/loss report.***

#### **15. External auditor's independence objectivity and value for money**

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

Gayle advised that the review provided positive assurance.

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

***The Audit Committee noted the External auditor's independence, objectivity and value for money report.***

#### **16. Review of Audit Committee effectiveness**

*Gayle Fitzpatrick, Corporate Governance Manager, introduced the Review of Audit Committee effectiveness report, copies of which had been previously circulated.*

Gayle advised that the Terms of Reference for Audit Committee contain a commitment for Audit Committee members to undertake an annual self-evaluation process. She advised that the self-evaluation questionnaire had been reviewed and streamlined during 2019 in consultation with Audit Committee members.

Gayle asked the Audit Committee for their approval of the proposed timescales.

The Chair requested that the questionnaire be issued a week earlier to give a three-week window for completion.

***The Audit Committee noted the review of Audit Committee effectiveness report and agreed the revised timescales for the review.***

**AC119: Gayle Fitzpatrick to add one additional week to the response date for questionnaires and update the timeline of the Audit Committee Self-Evaluation Process. (9 November 2020)**

## 17. Any other business

There were no items of any other business

## 18. Review of meeting

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

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

## 19. Date of next meeting

The next meeting of the Audit Committee was scheduled on 3 March 2021, 10.00am via video conference, to be chaired by Colin Crosby.

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

## Purpose

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

## Background

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

## Options for extending access to public meetings

6. At its meeting on 27 January 2021 the Board asked that a range of options be explored to broaden access to public meetings.
7. Colleagues from the Accounts Commission support team, Communications and Digital Services are developing proposals to cover the livestreaming of meetings to support greater accessibility, openness and transparency.
8. In the short term the proposal will address the livestreaming of virtual meetings. We are aiming for this to be in place from May 2021.
9. The team is also developing proposals for the livestreaming of future 'face to face' and 'hybrid' meetings (where some participants may be attending the meeting remotely).
10. In developing the proposals, the team is considering a range of issues including:
  - Openness, transparency and accessibility.
  - Digital security, data protection and other regulatory requirements.
  - Service quality and functionality.
  - Delivery options, including outsourcing.
  - Financial/ resourcing implications and value for money.
11. We anticipate that the proposal will be available in June for discussion by the Accounts Commission and the Board.

## Review of other governance arrangements

12. At its meeting on 25 November 2020 the Board agreed the scope of a focussed review of some aspects of its governance arrangements.
13. This review took place in February and March 2021 and the review report is on the agenda for today's meeting.

## Recommendations

14. The Board is invited to:
  - Agree that the variations to the Standing Orders are kept under review and considered at each Board meeting until further notice.
  - Note the development work on live streaming virtual meetings and a proposal for extending the access to face to face and hybrid meetings.

REF	FORUM	Agenda Item No	Item Title	Action Description	Meeting Date	Due Date	Responsible	Assigned to	Complete/Ongoing	Reported Yes/No	Progress Notes
ASB126	Board	12	Strategic improvement programme	A meeting to be scheduled with Elma Murray, Diane McGiffen and Martin Walker to discuss an update on the Strategic Improvement Programme with the Accounts Commission. (December 2020)	25/11/2020	Dec-20	Diane McGiffen	Diane McGiffen	Complete	No	A meeting took place on 7 January 2021 and a verbal update provided to the Accounts Commission on this and related matters at its meeting on 14 January 2021. A SIP update report is item 12 on the agenda for today's meeting.
ASB128	Board	1	Private meeting of Board members	Stephen Boyle to seek Board approval for the proposal to appoint an interim Director of Performance Audit and Best Value. (January 2021)	27/01/2021	Jan-21	Stephen Boyle	Stephen Boyle	Complete	Yes	The recruitment and selection process concluded w/c 08/03/21.
ASB129	Board	8	Governance arrangements: Review of Standing Orders	Martin Walker to report on longer term options in relation to public meetings. (March 2021)	27/01/2021	Mar-21	Martin Walker	Martin Walker	Ongoing	No	An update is provided in the report at item 9 on today's agenda.
ASB130	Board	10	Strategic improvement programme update	The agenda for the forthcoming Board workshop to consider the Public Audit in Scotland model and partnership working. (March 2021)	27/01/2021	Mar-21	Martin Walker	Martin Walker	Ongoing	No	The process is outlined in the report at item 12 on today's agenda.
ASB131	Board	14	Scottish Commission for Public Audit: Official report	Consideration of Audit Scotland's medium and longer term fees and funding model to be scheduled. (March 2021)	27/01/2021	Mar-21	Diane McGiffen	Stuart Dennis	Ongoing	No	Work is underway and an initial report is scheduled to come to the Board in May 2021.
ASB132	Board	15	Records management plan 2021-2026 report	The approved Records Management Plan 2021-26 to be submitted to the National Records of Scotland. (January 2021)	27/01/2021	Jan-21	Gayle Fitzpatrick	Gayle Fitzpatrick	Complete	No	The Records Management Plan was submitted to the National Records of Scotland on 29 January 2021.

## Purpose

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

## Background

3. The Board considered a Covid-19 update report at its meeting on 27 January 2021.
4. Since then there have been significant developments and the situation remains extremely dynamic.
5. Strict suppression measures have been in place in January, February and March in response to the new variants. At the same time significant progress has been made on the vaccination programme. As at 11 March 1,825,800 first and 141,433 second vaccinations had been administered in Scotland. There are early indications that this is having a significantly beneficial effect on transmission, illness, hospitalisation and mortality rates.
6. On 23 February 2021 the Scottish Government published a revised Covid-19 Strategic Framework which sets out the conditions and planned next steps in responding to the pandemic and easing the suppression measures.
7. The Scottish Government has indicated that more detail will be set out on 16 March 2021, including the order in which parts of the economy will reopen, the use of geographic tiers and the restrictions which may apply to these.
8. The Incident Management Team (IMT) continues to meet on a weekly basis, Covid-19 remains a standing item on the agenda for Management Team and the Board and regular updates have been issued to all colleagues and Board members.
9. The Incident Management Team will be holding a lessons-learned review/stocktake session on 23 March 2021.

## Organisational implications and responses

10. On 25 January we published an updated version of [Covid-19: What it means for public audit in Scotland](#). This paper restated our principles and approach following the reintroduction of significant restrictions in Scotland. It also provided an update on progress on the financial and performance audit programmes, and how we are assessing the pandemic's impact on public bodies and reviewing the Scottish public sector's response.
11. The disruption continues to impact on productivity and this and other cost pressures mean that the financial situation is also challenging, this was reflected in a Spring Budget revision and the 2021/22 budget bid to the Scottish Commission for Public Audit (SCPA).
12. The SCPA considered the spring budget revision and the budget bid at its meeting on 15 January 2021. On 19 February 2021 the Scottish Commission for Public Audit (SCPA) published its [report](#) recommending approval by the Finance Committee.
13. The Stage 3 Budget Bill was passed by Parliament at its meeting on 9 March 2021.

## Our people

14. From the start of the pandemic we have prioritised the health, safety and wellbeing of our colleagues. This continues to be a key priority. We have worked hard to support colleagues who are currently all dispersed, working from home and juggling sometimes quite difficult home and work responsibilities.

This support has taken a variety of forms, including regular communications and engagement, advice and guidance, access to systems and the provision of digital and office equipment.

15. While we have been successful in minimising the impact of the pandemic on the audit work (see 'audit implications and responses' section below), it is clear that the effort involved has taken its toll on colleagues and there is a sense of some 'organisational fatigue'. This was compounded by the new variant, rising infection rates and the second lockdown which has further disrupted people's work and home lives. There have been indications that colleagues with children have been experiencing more challenges in balancing their work and home-schooling responsibilities as both the provision and the expectations around remote learning have increased compared to the first lockdown.
16. More recently, the phased re-opening of schools and the new strategic framework are providing colleagues with increased signs of optimism.
17. Since the last update:
  - No new colleagues have tested positive for Covid-19 since the last update and fewer than five colleagues are currently shielding. Two colleagues are absent due to persisting Covid-19 symptoms.
  - The sickness absence statistics show that there has been a decrease in the number of colleagues who are absent, but an increase in total absence days compared to the same period last year, this is mainly attributable to a small number of longer-term absence cases.
  - An analysis of the time logged by colleagues to the C-19 business continuity time recording codes tells us that 2,373 days have been logged to this code since March 2020. This equates to an average of 7.9 days per FTE over a one-year period.
  - A major capacity building recruitment project is under way and we have received over 200 applications, interviews will take place over the coming weeks
  - The development of the integrated people strategy is progressing, and this is scheduled to be finalised in March 2021.
  - The annual Best Companies survey was carried out in February and Management Team considered the high-level results at its meeting on 9 March 2021.

### Digital and office equipment

18. We continue to support people with home working. To date we have issued 332 items of digital equipment to 228 colleagues. These items have mainly been screens, keyboards and mice. The total cost to date has been £21,546, an average of £87.69 per colleague who has needed equipment.
19. Colleagues can gain secure access to Audit Scotland systems via their own devices and we have also issued/replaced laptops for 67% of the workforce and anticipate 87% coverage by early May.
20. We have also issued 308 items of office equipment to 234 colleagues. These items have included desks, chairs, footrests, and some items have been issued from existing stock in the offices. The number of requests received each week is now down to one or two items. The total cost to date has been £15,226.87, an average of £65.07 per person who has needed equipment.

### Office accommodation

21. The Audit Scotland offices have been closed with effect from 17 March 2020 and we expect this to be the default position for some weeks to come.
22. On 23 February 2021 the Scottish Government published a revised Covid-19 Strategic Framework which sets out the conditions and planned next steps in responding to the pandemic and easing the suppression measures. This, and the outcome of the planned reviews and associated revised guidance, will inform our approach to providing access to the offices. Substantial planning has already taken place on this and in the coming weeks we will review and update our risk assessment, re-survey colleagues on their expected working arrangements, engage with our external health and safety adviser and PCS and update the guidance for colleagues.

23. Management Team will review the position at its Covid-19 lessons learned review session on 23 March 2021.

## Financial management

24. We continue to monitor the financial situation very closely. The focus on the 2019/20 financial audits and the consequential impact of the delayed start to the 2020/21 audits has had an impact on income recognition. Provision was made for this in the 2020/21 Spring Budget Revision (SBR) submitted to the SCPA.
25. On 19 February 2021 the Scottish Commission for Public Audit (SCPA) published its [report](#) recommending approval by the Finance Committee. The Stage 3 Budget Bill was passed by the Parliament at its meeting on 9 March 2021.
26. In terms of the current cash flow position, we invoiced the first fee instalment for the 2020/21 chargeable audits in January. This totalled £5.7 million. To date we have received payments of £3.9 million leaving an outstanding balance of £1.8 million and we expect that payment of all outstanding invoices will be fully received by the end of the financial year.

## Audit implications and responses

27. To date we have prioritised our statutory audit obligations and, in consultation with the Auditor General for Scotland and the Accounts Commission, paused/re-scheduled areas of audit work where we have more discretion. We have also been clear that we will do what is achievable, but that cannot guarantee all deadlines can be met. This is due to the disruption in audited bodies as well as to Audit Scotland. We have also been clear that, while timescales may change, audit quality remains an absolute priority and is even more important at times of significant disruption.
28. Extended audit timetables were implemented for NHS and local government bodies for the 2019/20 audit year. The deadlines for the laying of central government bodies' accounts in the Scottish Parliament and for Further Education colleges remained unchanged.
29. Progress on delivering the 2019/20 has been impressive in the circumstances and all of the audits are now complete. This is testament to the commitment and professionalism of colleagues and those in the audited bodies.

Sector	Deadline	No. audits	No. completed by deadline	% complete by deadline	% complete now
NHS	30/09/20	23	20	87%	100%
LG – councils	30/11/20	32	27	84%	100%
LG-IJBs	30/11/20	30	29	97%	100%
LG-joint boards	30/11/20	32	29	91%	100%
LG-pension funds	30/11/20	11	11	100%	100%
Central Government	31/12/20	75	75	100%	100%
Further education	31/12/20	21	14	67%	100%
		225	205	91%	100%

30. On 14 January 2021 the Accounts Commission published [Digital Progress in Local Government](#). This highlighted that councils need to respond to Covid-19 has increased the pace at which Scotland's 32 councils are delivering services through digital technology. The Commission also noted that greater collaboration, use of shared expertise, citizen engagement and strategic planning are needed, however, to fully realise the potential of digital technology.
31. Covid-19 featured prominently in the [Local Government in Scotland: Financial Overview](#) and the [NHS in Scotland 2020](#) overview reports which were published on 26 January and 17 February 2021 respectively. The latter in particular received extensive coverage and featured prominently in Parliamentary sessions.
32. On 24 March we published [Tracking the implications of Covid-19 on Scotland's Public Finances](#). This was supported by a [blog](#) by the Auditor General for Scotland.
33. Covid-19 features in the Local Government [Annual Assurance and Risk report](#) being considered by the Accounts Commission at its meeting on 11 March 2021.

34. Publications scheduled for March include the report on Educational Outcomes and case studies on the e-Hub relating to digital responses to Covid in local government.
35. The rolling work programme has been updated in consultation with the Auditor General for Scotland and the Accounts Commission. The Public Audit and Post Legislative Scrutiny Committee discussed the draft programme at its meeting on 14 January 2021. The Accounts Commission is consulting with stakeholders in the early months of 2021 and the programme is scheduled to be published in the Spring of 2021. The proposed programme includes audits on the economic and fiscal consequences of Covid-19, Public service adaptation in response to Covid-19, the equality impact of Covid-19 and Governance and accountability (including fraud, error and litigation).
36. The Auditor General for Scotland has responded to feedback from the Public Audit and Post-legislative Scrutiny Committee (PAPLS) and the Parliamentary Committees on his priorities and is planning to update the public on his priorities via a blog in March. The Accounts Commission is currently consulting with its key stakeholders, with a final paper going to the April Accounts Commission meeting. A joint programme will be published following these events. Planning is underway to move away from an annual update and approval process to a more flexible and agile approach.
37. We continue to monitor the discussions taking place in relation to the timing of the Scottish Parliamentary elections currently scheduled for May 2021. Any change to the election date, and the associated publication moratorium will have an impact on the publication schedule.

## Next steps

38. The experience of dealing with the pandemic to date has demonstrated how flexible and resilient Audit Scotland is as an organisation. As we move beyond the 'response phase' we are keen to learn from what this phase has told us and harness and build on the innovation, creativity and flexibility to develop new ways of working. This has informed our refreshed Strategic Improvement Programme which was considered by the Board at its meeting on 25 November 2020. The most recent update report was considered by Management Team at its meeting on 2 March 2021 and will be considered by the Board at its meeting on 24 March 2021.

## Recommendations

39. The Board is invited to:
  - note the actions taken to date in respond to the Covid-19 pandemic
  - note the ongoing actions and next steps.

## Purpose

1. This report provides an update on the Strategic Improvement Programme. It outlines proposals for the governance of the programme and, specifically, the refresh of Public Audit in Scotland, and it presents the Digital Audit Strategy for discussion and the Digital Services Strategy for approval.

## Background

2. The Board considered a report on the Strategic Improvement Programme (SIP) at its meeting on 25 November 2020. The report noted that Scotland's public services are facing greater challenges than at any point since devolution, that the pandemic has brought significant increases in public spending, with corresponding public and Parliamentary interest in how this money is being spent. In this context, high quality, independent public audit is more important than ever.
3. The key objectives of the Strategic Improvement Programme are to:
  - drive our organisational transformation and improvement over the next 18 months
  - provide a bridge between the 'recovery phase' and our new longer-term operating model
  - assure and inspire our colleagues
  - ensure we deliver on our core commitments on audit (quality, focus, methodology and value added)
  - ensure we deliver on our commitments on how we run the organisation – being people focussed by prioritising the health, safety, wellbeing and development of our people, and by being innovative and efficient.
4. The most recent SIP update report was considered by the Management Team and the Board at their meetings on 19 and 27 January 2021 respectively.
5. All projects now have project leads in place and we have made good progress in a number of areas. A more detailed list of the projects in the programme is attached at appendix one.

## Delivering world class audit – What we do

6. The new draft rolling work programme will set out the priorities, themes and subject areas of the performance and overview audits for the years to come. The Auditor General for Scotland has responded to feedback from the Public Audit and Post-legislative Scrutiny Committee (PAPLS) and other Parliamentary Committees on his priorities and is planning to share those more widely via a blog in March 2021. The Accounts Commission is currently consulting with its key stakeholders, with a final paper going to the April Accounts Commission meeting. A joint programme will be published following these events. The Auditor General for Scotland, the Accounts Commission and Audit Scotland are committed to moving away from an annual update and approval process to a more flexible and agile approach, reflecting the more volatile and uncertain operating environment.
7. The development of the new approaches to best value auditing in councils and Integration Joint Boards (IJBs) is progressing well, under the direction of the Accounts Commission's BV Working Group. Consultation is underway with IJBs and we are on track to include a high-level description of the new approaches in the new Code of Audit Practice.
8. The New Audit Appointments Steering Group met on 17 February 2021 to discuss its position on the duration of the current audit appointments and the next steps on the development Code of Audit Practice. The Steering Group agreed to recommend that, barring further unexpected changes, current audit appointments are not extended beyond 2021/22.

9. The Audit Quality and Appointments (AQA) team is currently reviewing the feedback on the draft Code of Audit Practice and targeted engagement is underway. An updated version of the Code will be shared with the Steering Group in the week commencing 22 March 2021. The Code is scheduled to be approved by the Auditor General for Scotland and the Accounts Commission in June 2021.
10. On 17 December 2020 Management Team considered the final draft of the Digital Audit Strategy. This will develop our approach and capacity to harness digital technology in delivering and reporting audit work. The strategy is appended to this report for discussion at the Board today.
11. Scoping work is under way for the One Organisation Deployment project. A draft scope for consultation will be in place during March/April.

## Being a world class organisation – How we work

12. The 2021/22 budget submission provides for capacity building to help meet our increased audit responsibilities and support organisational resilience and improvement. On 19 February 2021 the Scottish Commission for Public Audit (SCPA) published its report recommending approval by the Finance Committee. The Budget Bill was approved by Parliament on 9 March 2021.
13. The building capacity workstream has made significant progress. The recent recruitment campaign is the first step in our wider work to develop our capacity and skills as an organisation, so we can meet the needs of public audit in Scotland in the future. The campaign went live on 22 January 2021.
14. The campaign has used some different approaches to encourage applicants from a wide a range of backgrounds and to emphasise our support for flexible working and opportunities for people who do not live in Scotland. Interviews have been taking place in March and we expect to make somewhere between 7-10 appointments at various auditor grades.
15. On 17 December 2020 Management Team approved the Digital Services Strategy. This is designed to ensure that we maximise the use of technology to support core service delivery and new ways of working. The three key strands are cyber security, virtual business and digital transformation. The strategy is appended to this report for approval.
16. On 23 February the Scottish Government published a revised Covid-19 Strategic Framework which sets out the conditions and planned next steps in responding to the pandemic and easing suppression measures. This, and the outcome of the planned reviews and associated revised guidance, will inform our approach to providing access to the offices. Substantial planning has already taken place on this and in the coming weeks we will review and update our risk assessment, re-survey colleagues on their expected working arrangements, engage with our external health and safety adviser and PCS and update the guidance for colleagues. Management Team considered an equality impact assessment on hybrid working at its meeting on 2 March 2020.

## Our purpose

17. The key project under this workstream is the refresh of [Public Audit in Scotland](#). Public Audit in Scotland, published in 2015, is a high-level strategic statement by the Auditor General for Scotland, the Accounts Commission and Audit Scotland which sets out the purpose and principles of public audit, why public audit matters, and the respective roles of the three partners. It also sets out some common themes that were of particular relevance at that time, particularly new financial powers.
18. A review of Public Audit in Scotland, and the partnership working agreement underpinning it, will provide an opportunity to clearly articulate the role of public audit in the new operating environment. The proposal is that the refresh will be carried out by the Auditor General for Scotland, the Accounts Commission and Audit Scotland between now and Summer 2021.
19. The refresh will be informed by a number of scheduled events and processes including:
  - the Board development sessions (April and May)
  - the Accounts Commission strategy seminars (April)
  - engagement with the Auditor General for Scotland (April)
  - confirmation of the forward work programme (April/May)

- the new Code of Audit Practice (June).
- 20.** The refresh will also be informed by specific engagement sessions as agreed. More detailed planning is required with the key parties to agree the process, and to align the production of the various strategies and publications over the summer period.
- 21.** In turn, this will inform the new Audit Scotland Corporate Plan. The plan will draw from all of the above and articulate how the Strategic Improvement Programme will deliver on the commitments in the plan. The plan will also be informed by engagement with colleagues, with a view to publishing the new Corporate Plan in July 2021.

## Programme governance, reporting and resourcing

- 22.** The programme governance arrangements are designed to ensure that appropriate governance is in place, while retaining sufficient agility and flexibility to support innovation. We are committed to engaging with the AGS, Accounts Commission, the Audit Scotland Board and colleagues, as well as key external stakeholders, throughout the development and implementation of the programme. Each individual workstream will have its own arrangements for governance and engagement.
- 23.** The Management Team is the Programme Board. Its main role is to oversee the programme as a whole and in doing so:
- approve project scopes, business cases and budgets, where appropriate
  - make decisions regarding prioritisation and resources where required
  - consider quarterly programme updates as part of scheduled Management Team meetings
  - approve outputs/deliverables, where appropriate.
- 24.** Martin Walker is the Programme Lead and accountable to Management Team for the delivery of the overall programme. Martin is supported by project/workstream leads who are responsible for the delivery of the individual projects and will report to the Programme Board as appropriate. The Programme Board and the Audit Scotland Board will, as a minimum, receive quarterly updates on the progress of the Programme. In addition, we will agree specific arrangements with the Auditor General for Scotland and the Accounts Commission for projects in which they require a greater level of engagement.
- 25.** The Strategic Improvement Programme operates on a number of different levels. Some projects are more strategic in nature while others are more operational. The approach to engagement will reflect these different levels.
- 26.** Some of the projects require the direct involvement of, and approval by, the Auditor General for Scotland and the Accounts Commission, for example:
- The refresh of Public Audit in Scotland and the supporting partnership framework agreement as outlined above. These will be approved by the Auditor General for Scotland, the Accounts Commission and the Audit Scotland Board.
  - The new Code of Audit Practice and the New Audit Appointments (this includes the Commission's Best Value Working Group and the New Audit Appointments Steering Group). The Code is approved by and the audit appointments are made by the Auditor General for Scotland and the Accounts Commission.
  - The updated rolling work programme – where the Auditor General for Scotland and the Accounts Commission are consulting with stakeholders and agree the programme.
- 27.** Beyond those projects, the Auditor General for Scotland, the Accounts Commission and the Audit Scotland Board will have varying levels of involvement in other projects. Some of these are very operational and will require only regular reporting, and others will require a greater degree of consultation and involvement. We will agree these approaches on a case by case basis, being mindful of the workload and pressures on the Auditor General for Scotland, the Accounts Commission and Board members.

28. Following the SCPA session on the Spring Budget Revision and the 2021/22 Budget proposal, the Convenor wrote to request updates on a quarterly basis on how the additional budget allocation is being spent. The format and content of these quarterly updates is being developed and the first one will be submitted in July 2021. Clearly, there will be internal reporting to Management Team and the Board before being submitted to the SCPA.
29. The current suppression measures continue to present challenges to our organisational capacity, in terms of both audit delivery and the improvement programme. We continue to prioritise the health, safety and wellbeing of colleagues and audit quality and this will inform the prioritisation and resourcing decisions. In turn, this may result in changes to some elements of the Strategic Improvement Programme and the timing of development work. The vaccination rollout and latest infection data and the new 'Covid-19 routemap' offer signs for optimism, but the impact of the suppression measure will continue to be felt for some time.
30. Fraser McKinlay is providing additional strategic capacity on the SIP before his departure in mid-April. That involves working with colleagues across a range of workstreams, ensuring that the governance arrangements for the programme are clear and well understood by all the key stakeholders, particularly the Auditor General for Scotland, the Accounts Commission, the Audit Scotland Board and Audit Scotland colleagues.
31. In particular, Fraser is:
  - Working with Martin Walker to develop an approach to the refresh of Public Audit in Scotland and the supporting partnership framework, for agreement by the Auditor General for Scotland, the Accounts Commission and the Audit Scotland Board (as outlined above).
  - Working with the HR&OD team, along with Audit Services and Performance Audit and Best Value people leads, on the development of the people agenda, including an integrated people strategy, to ensure it underpins the development and delivery of the SIP.
  - Supporting the communications team to ensure that the communications and engagement plans are fully established to support the development and delivery of the programme.
32. In addition, Fraser will continue to provide advice and guidance on other workstreams of the SIP, as appropriate in the time available.

## Programme communications and engagement

33. The communications team has produced a high-level SIP communications and engagement strategy, as well as branding and core messaging for use across the programme itself and its constituent projects and workstreams. This includes informing colleagues of the SIP and its purpose and providing regular high-level updates, engagement across the organisation on key themes and areas, and ensuring consistent and clear messaging and branding across all projects. The SIP was launched internally on the 11 March 2021.
34. Communications will also support SIP governance and programme integration through facilitating a forum for the various project leads to communicate and ensure consistency.

## Recommendations

35. The Board is invited to:
  - note the progress update on the Strategic Improvement Programme
  - discuss the outline plan for the refresh of Public Audit in Scotland
  - discuss the updates on governance, reporting and resourcing and on communications and engagement.
  - provide feedback on the Digital Audit Strategy and approve the Digital Services Strategy.

## Appendix 1

24 March 2021

### Summary of Strategic Improvement Projects



#### Our purpose

- Review, redefine and clearly articulate the purpose, role and value of Public Audit in Scotland and the supporting Partnership Framework

#### What we do

- New Code of Audit Practice
- New Audit Appointments
- Update of the rolling work programme
- Audit methodology (financial audit, approach to BV in councils, IJBs, approach to less complex bodies) and audit outputs
- Digital auditing
- Electronic Working Papers system
- One organisational deployment (audit resources)

#### How we work

- Integrated people strategy ((how we work, workforce plan, learning & development))
- Building capacity (including ongoing recruitment campaigns)
- Medium term financial plan (including fees and funding)
- Digital Services Strategy
- Business Management System
- Workplaces (short term Covid secure working, medium term estate strategy)
- Internal communications

# Digital Audit Strategy: update

# Vision

To deliver world-class audit, we will:

- use the **best available digital tools** for all forms of audit
- provide **assurance about all public bodies' IT environment** on a risk assessed basis
- be able to use **a suite of audit tools** from any location
- **make as much audit data digitally available as possible** to the public
- be **trusted and transparent** about how we use data and digital technology.

We will be able to do this by the next, but one, audit appointment round/code of audit practice.

# Main areas of activity

Digital audit	Auditing digital	Capacity
<ul style="list-style-type: none"><li>• Audit analytics</li><li>• Automation of documentation and processes</li><li>• Govtech /UK collaboration</li><li>• Governance</li></ul>	<ul style="list-style-type: none"><li>• IT general controls and digital and cyber environment</li><li>• Performance audit work programme</li><li>• Dashboards</li></ul>	<ul style="list-style-type: none"><li>• Central team</li><li>• New skills</li><li>• Training</li><li>• Infrastructure</li></ul>

# Digital audit

Area	Action to date	Future intentions
Audit analytics	<ul style="list-style-type: none"> <li>• 25 audits (39% of audits over £30k) using GLiQ or analytics</li> <li>• Stabilising infrastructure/models. Move to using R</li> <li>• User surveys and focus groups</li> <li>• Joint working with Professional Support on journal definition</li> </ul>	<ul style="list-style-type: none"> <li>• Create user friendly dashboards</li> <li>• Roll out ledger analytics tool for next appointment round taking a self-service approach</li> <li>• Audit sampling (with Professional Support)</li> <li>• Bring financial data into data warehouse (or equivalent)</li> <li>• Work with MKI replacement project</li> </ul>
Automation of documentation and processes	<ul style="list-style-type: none"> <li>• Creation of document comparison, audit certificate creation and text scraping/document analysis tools</li> <li>• Joint work with professional support on audit approach/ A03 workbook.</li> </ul>	<ul style="list-style-type: none"> <li>• Continued development and testing of existing tools.</li> <li>• Scope audit evidence/cluster monitoring documentation tool</li> <li>• Work with audited bodies to identify data requirements and characteristics</li> </ul>
GovTech/UK collaboration	<ul style="list-style-type: none"> <li>• Supported appointment of two suppliers to Small Business Research Initiative programme (GovTech replacement) (NIAO led)</li> <li>• Bi-monthly meetings on specific topics</li> <li>• Code sharing</li> <li>• Joint training sessions (e.g. PowerBI)</li> </ul>	<ul style="list-style-type: none"> <li>• Support phase 2 of SBRI</li> <li>• Joint (cross-agency) teams for purchase to pay project and audit evidence</li> <li>• Continued sharing of code and joint training sessions</li> </ul>
Governance	<ul style="list-style-type: none"> <li>• Data governance sub group (data analytics core, Corporate governance and DSG)</li> <li>• Liaising with UK agencies</li> </ul>	<ul style="list-style-type: none"> <li>• Data governance framework</li> <li>• Build into AMF/audit approach</li> </ul>

# Auditing digital

Area	Action to date	Future intentions
IT general controls and digital and cyber environment	<ul style="list-style-type: none"> <li>• Early analysis and work with Professional Support re ISA 315 requirements</li> <li>• Discussions with other audit agencies and firms about their approach</li> <li>• Discussions with SG about changes to requirements for public bodies, and timings</li> </ul>	<ul style="list-style-type: none"> <li>• Set workplan for IT senior manager to manage project (jointly with PS)</li> <li>• Agree a plan to meet new ISA 315 requirements and deliver it</li> <li>• Introduce a new overall approach for classifying audited bodies in terms of digital risk and audit work required. For next change of audit appointments.</li> </ul>
Performance audit work programme	<ul style="list-style-type: none"> <li>• Use of digital advisory panel as a sounding board</li> <li>• Good impact and influence with audit outputs to date</li> <li>• Good communication across teams and clusters of risks and issues.</li> </ul>	<ul style="list-style-type: none"> <li>• Considering potential for topic-based audits, rather than sectoral approach</li> <li>• Strengthening input into audits across the work programme</li> <li>• Refreshing digital advisory panel membership and expanding stakeholder relationships to boost AS' digital profile</li> </ul>
Dashboards	<ul style="list-style-type: none"> <li>• Worked with NHSO, LGO, Scottish Exchequer audit teams to build initial dashboards to consider potential</li> <li>• Worked with digital services and Comms colleagues on the technology and their use.</li> </ul>	<ul style="list-style-type: none"> <li>• Invest in the infrastructure needed to support dashboards</li> <li>• Help more colleagues gain the skills needed to build and maintain dashboards</li> <li>• Work further with Comms on use of dashboards by public</li> </ul>

# Capacity

Area	Action to date	Future intentions
Central team	<ul style="list-style-type: none"> <li>• Successful appointment of a manager to build and manage team</li> <li>• Sharing of information and intelligence – less 'single person' risk</li> <li>• Regular team meetings and use of appropriate tech to keep up-to-date and allocate tasks</li> <li>• Linked into Digital Services</li> </ul>	<ul style="list-style-type: none"> <li>• Boosting capacity in specific skill areas (eg data engineering) to support work of team</li> <li>• Work across the organisation on managing budget requirements and spending</li> <li>• Creation of sub teams (of auditors) to help design and test future tools</li> </ul>
New skills	<ul style="list-style-type: none"> <li>• Working with colleagues to create more skills for dashboards</li> </ul>	<ul style="list-style-type: none"> <li>• Trainees – develop existing skills</li> <li>• Graduates – different scheme</li> <li>• Specialist skills/student placements</li> </ul>
Training	<ul style="list-style-type: none"> <li>• New training hub created</li> <li>• Creation of training videos</li> <li>• 5 Datacamp licences in use</li> </ul>	<ul style="list-style-type: none"> <li>• Creation of a data analytics pathway</li> <li>• Drop in sessions/coding clubs</li> <li>• Work with ICAS on potential changes to graduate training programme</li> </ul>
Infrastructure	<ul style="list-style-type: none"> <li>• Reviewing code for existing products to ensure efficient</li> <li>• Researching new software and trialling new products (eg Rshiny Studio)</li> <li>• Creating a more sustainable infrastructure to build out new and existing tools</li> </ul>	<ul style="list-style-type: none"> <li>• Cloud based</li> <li>• Further develop data warehouse and expand use</li> </ul>

# Digital Services Strategy

2021 – 2024

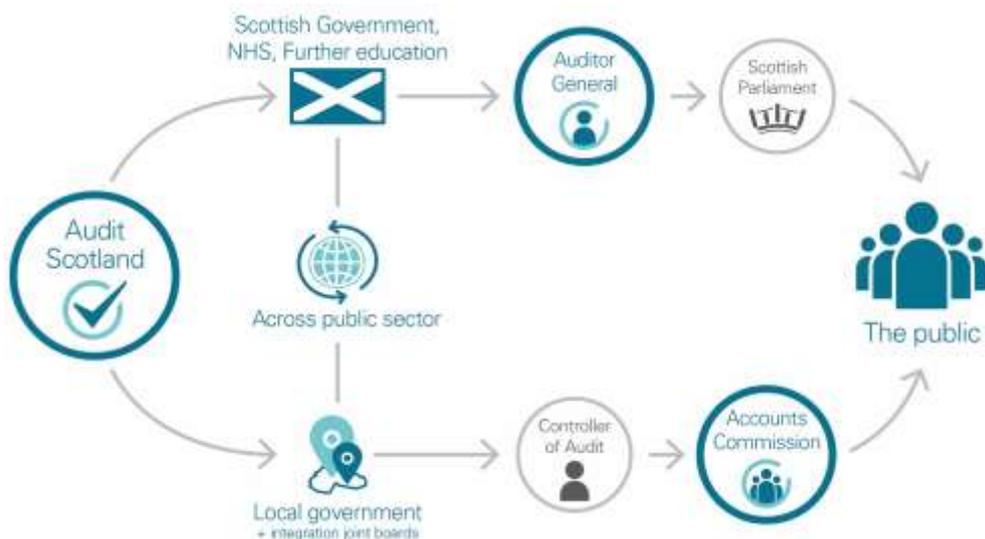


Prepared by Audit Scotland  
December 2020

## Who we are

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

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



## About us

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

Through our work for the Auditor General for Scotland 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.

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# Introduction

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**1.** This Digital Services strategy aims to ensure that Audit Scotland:

- has the digital skills and technology to help drive changes in the way we work, particularly in areas such as digital audit, team-working and communications
- has the digital resources, capacity and support needed to support the growth we need to make to meet our changing and expanding responsibilities and role
- can take full advantage of the significant opportunities to shape our contribution to Scotland and for our workforce to shape their careers and working lives
- enables all colleagues to work safely, effectively and sustainably, and are able to fully participate in the organisation whatever their preferred working patterns
- provides the resources and working opportunities that continues to attract high quality candidates and retains excellent people.

**2.** The world in which we work has changed. The Covid-19 pandemic has significantly altered many aspects of the public sector and will have a lasting impact. It has also changed how we work and our understanding of how we operate. In that context, we need to make major changes as an organisation to what we do and how we do it in all aspects of our operations, to ensure we are able to meet our changing and growing role and to take advantage of the many opportunities to reshape our purpose, our work and our organisation.

**3.** This extraordinary situation is the primary driver for the 2021-24 Digital Services Strategy. The strategy aims to ensure that all our digital systems and services will support our strategic programme of changes and will enable all colleagues to deliver high quality work and have rewarding careers regardless of their physical locations or working patterns.

**4.** This strategy is designed to integrate with the Digital Audit Strategy and support the delivery of the Strategic Improvement Plan and the Corporate Plan's strategic objectives.

## Consultation

**5.** As well as reacting to the changing environment we operate in, we also need to understand our colleagues' needs and the priorities for developing our systems and services. We consulted with representatives from all business functions and conducted companywide lightning surveys to better understand what our colleagues needed from a new Digital Services Strategy. The results and findings of this consultation are available in here [in appendices 2 & 3](#).

**6.** We also reviewed technology roadmaps for what new systems and services are expected to become available in the next two years, alongside expert predictions on how work would change as a result of Covid-19.

**7.** We will continue to work with the Accounts Commission to develop an approach which delivers the services they need and maintains the high digital security standards required.

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# Strategic objectives

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8. The three new strategic objectives of the 2021-24 Digital Services Strategy are detailed below.
9. They seek to ensure that all the digital systems and services we will deliver will provide an environment that is independent of location, where colleagues can work safely, securely and effectively, while supporting high quality audit work.
10. They redefine our previous digital services strategic goals of resilience and innovation into three new compact and accessible strategic objectives.
11. Each strategic objective is designed to be clear and measurable, informed by feedback from meetings with all areas of our business and the results from a series of all staff polls.
12. Each strategic objective considers the external factors and business needs that it seeks to address and sets out granular milestone objectives that will be used to measure its success.
13. Each objective is also designed to support the delivery of the Strategic Improvement Plan, the Corporate Plan and integrate with the Digital Audit Strategy.

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## Digital Services Strategic Objectives for the period 2021 to 2024

- **Enhance our Cyber Security** – We will continue to improve the safety of our online and remote work environments, ensuring cyber security is a priority and embedded in everything we do.
- **Provide the systems and services for a Virtual Business** – We will ensure all our digital systems and services are resilient, dynamic and independent of location by 2024.
- **Digital Transformation** – We will provide the digital tools, skills and training resources to allow colleagues to work smarter together while working remotely.

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14. The Digital Services Management Team (DSMT) will report quarterly to the Knowledge Information, Technology and Governance Group (KITGG) on progress on the milestone objectives and we will publish a progress update every six months.

## Enhancing our cyber security

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**15.** We will continue to improve the safety of our online and remote work environments, ensuring cyber security is a priority and embedded in everything we do.

**16.** The external factors that drive this objective are set out below:

**16.1.** Lockdown restrictions have limited physical businesses, they have also limited physical criminal activity resulting in greater transition to cybercrime. During 2020 the National Cyber Security Centre (NCSC) has reported a 33% increase in the number of victims of cyber-crime activity with around a quarter related to coronavirus.

**16.2.** The NCSC are also reporting a 300% increase in reported ransomware incidents with successful ransomware attacks against some English councils resulting in significant financial damage and preventing normal business function for many months.

**16.2.1.** Cyber criminals are adapting their attack methods. Rather than preventing access by encrypting data, criminals are stealing it and threatening to leak the most sensitive parts publicly using Data Protection fines as a form of ransom.

**16.2.2.** Cyber criminals are increasingly using phishing techniques to access a network and remain hidden, searching looking for specific sensitive or valuable data before deciding whether to encrypt or steal it then demanding a ransom.

**16.3.** Colleagues are currently working from home, with most interaction occurring virtually through video meetings, file, screen sharing and email. These changes to how business functions are being actively targeted by cyber criminals looking to exploit any vulnerability to generate income.

**17.** The business needs that drive this objective:

**17.1.** Our Lightning poll told us that 70% colleagues wanted even higher levels of cyber security.

**17.2.** Focus Group feedback – colleagues understand the need for Cyber Security and see the effects of weak cyber security in other business. However, they find the limitations it imposes frustrating and would like clearer guidance and safe environments to allow them to work safely and effectively.

**18.** Our milestone objectives to enhance our cyber security are:

**18.1.** Implement immutable cloud backups for our critical services – We will procure and configure cloud services that allow us to make one-time backups of all our critical data ensuring that it can never be overwritten or encrypted, significantly mitigating the threat of a successful ransomware attack.

**18.2.** Deliver enhanced endpoint protection and remote management of all our devices – We will deploy software and services to all our devices to allow remote management, rapid vulnerability patching together with advanced threat monitoring and real time malware scanning.

**18.3.** Deploy remote management of all apps that store or manage our information – We will instigate services to control apps that store or process our information on both corporate and colleagues' personal devices allowing us to restrict or prevent activity that could result in successful cyber-attacks or result in an information or ransomware breach.

**18.4.** Protect our controlled and personal data wherever it resides – Together with the Corporate Governance team, we will introduce sensitivity labelling which will restrict the high-risk activity for personal and controlled information reducing the risk of a ransomware breach.

**18.5.** Implement a 'least permissive' model for all services, enable sandboxing and attack surface reduction by default – We will review all existing systems and services as well as ensure all new systems and services only provide the functions they need to and only after successful authentication, access the other systems that are essential to those functions.

**18.6.** Provide active and automated threat hunting with forensic logging together with risk-based threat monitoring and cloud behaviour analysis – We will implement automated services on both our physical network and our cloud services that look for, and alert us on any unauthorised network behaviour indicative of a ransomware intrusion. We will also instigate forensic logging to enable us to track and undo any successful malicious activity.

**18.7.** Partner with a Cyber Incident Response partner for escalation of critical incidents – We will engage a NCSC approved Cyber Incident response partner to provide us with on call expert skills and services to manage any active cyber-attacks as well as supply specialist technical audit and incident preparedness training.

**18.8.** Maintain ISO 27001 certification – We will maintain our ISO 27001 Information Security certification and require that all suppliers requiring access to Audit Scotland information, systems and/or premises are also ISO 27001 certified.

## Providing the systems and services for a virtual business

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**19.** We will ensure all our digital systems and services are resilient, dynamic and independent of location by 2024.

**20.** The external factors that drive this objective:

**20.1.** The 2020 pandemic and resulting lockdown restrictions have demonstrated how essential it is that our colleagues are able to work safely, securely and effectively from any location. We must maintain our colleague's safety and business effectiveness regardless of possible future biological, environmental or political changes.

**20.2.** The United Nations classify Climate Change as 'the defining issue of our time and we are at a defining moment'. Reducing the distance colleagues are required to travel to complete their work reduces our carbon emissions.

**20.3.** The core principle of our Time Place & Travel guidance is that 'work is something that we do rather than a place we go to' and we need to provide appropriate devices, systems and services to facilitate this.

**20.4.** If colleagues choose to work from different locations and at different times our systems and services need to become:

**20.4.1.** More resilient - no longer reliant on a single location or network for service or support.

**20.4.2.** More dynamic - able to scale up to deliver performance at peak times but scale down when not needed to reduce our carbon emissions and reduce cost.

**20.5.** With such a significant change in working locations our existing workspaces need to become more versatile adapting to the needs of new ways of working while maximising the safety of our colleagues.

**21.** The business needs that drive this objective are:

**21.1.** Our Lightning poll told us that:

- 38% of colleagues wanted MS Teams to be the default meeting type, 58% wanted Teams for meetings with remote colleagues and clients but would still engage in local face to face meetings and 4% wanted to revert to all meetings being physical face to face.
- 51% of colleagues run Teams on a laptop while 38% of colleagues use Teams on a mobile device, 9% use Citrix and 2% would like a dedicated Teams device.
- 71% of colleagues will use Teams for meetings but still use email for internal communication. 19% will use Teams as their primary method of internal communication and 10% would like to use Teams for both internal and external communication.
- 58% of colleagues have or wish to have Audit Scotland laptops to work on while 11% wish to use Chromebooks. 31% would like to use their personal devices when working from home but of that 31% of respondents 56% would want an Audit Scotland laptop to work at clients.
- 49% of colleagues were content to use a mobile phone to make and receive external telephone calls, 37% wanted to use MS Teams for telephony and 14% wanted to continue to use desk phones when in the office.
- 80% of colleagues have little or no issues with their broadband connection for work, 17% broadband connection is adequate, but they experience some problem that affects their ability to work while 4% have very poor broadband and/or must use a mobile hotspot.
- 62% of colleagues have a dedicated workspace at home, 36% have limited workspace and/or need to put devices away at the end of the workday while 2% have no permanent workspace.
- 74% of colleagues found sharing information either easy or acceptable, 26% had to continue to use email or other methods with some clients and 2% could not use our sharing tools with clients.

**21.2.** Focus Group feedback – Colleagues welcome the allocation of laptops, mobiles, additional screens and peripherals. A small number of colleagues are struggling with poor connectivity. There is strong appetite for more integrated cloud services but less consensus on which ones. Video conferencing is the default method of communicating within teams but communication with clients is limited by the clients own technological resources which requires us to be more adaptive. Some of our software systems are now becoming outdated and colleagues are keen to see them updated and delivered as cloud solutions. Data Analytics is becoming an increasingly important component of our audit process and will require specialist environments and skills.

**22.** Our milestone objectives to provide the systems and services for a Virtual Business are to:

**22.1.** Ensure all colleagues have access to a secure device suitable for working anywhere – We will equip all colleagues, who request them, with an Audit Scotland laptop and mobile phone.

**22.2.** Transition all communication and telephony to mobile services suitable for working anywhere – We will ensure all colleagues have access to multiple devices that will deliver telephony, video conferencing, email, messaging and screen sharing.

**22.3.** Improve the resilience and speed of our network connectivity – We will deliver faster direct connectivity from our network to our cloud services together with improving the stability and connectivity of our network. We will also upgrade our mobile hotspots transitioning to 5G as it becomes available.

**22.4.** Provide the services to support advanced analytics and provide cloud-based digital audit tools – We will move all data analytics and data warehouse functions to pay as you go cloud services by mid-2022.

**22.5.** Migrate all existing on-premise systems to cloud-based secure, resilience services – We will support:

**22.5.1.** the procurement and delivery of a modern, resilient cloud-based Electronic Working Papers (EWP) system by 2024.

**22.5.2.** the procurement and delivery of a resilient cloud-based integrated Business Management System (BMS) that will combine all Finance, Human Resources, Organisational Development and Performance Management Framework functions into one centralised system.

**22.5.3.** the transition and development of cloud-based solutions for corporate services systems to support our design, communication and resource management functions.

**22.6.** Implement a versatile work environment that supports both remote and office working – We will:

**22.6.1.** equip offices as work hubs with bookable desks, personal equipment, high capacity fast WiFi, print stations and rooms equipped for virtual meetings.

**22.6.2.** provide additional monitors, keyboards, mice and stands together with any assistive devices to facilitate home working.

## Digital transformation

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**23.** We will provide the digital tools, skills and training resources to allow colleagues to work smarter together while working remotely.

**24.** The external factors that drive this objective are:

**24.1.** Our work environment is changing with an increasing amount of auditable information being made available in a digital form. To audit digital information, colleagues need the necessary tools and skills to help them to analyse and present data from different sources to provide greater insight.

**24.2.** Working from any location limits access to support resources such as the Digital Service Team's Service Desk, it requires colleagues to manage local network connections and troubleshoot common problems.

**24.3.** As video conferencing and document sharing become the default method of auditing remotely colleagues require training resources that allow everyone to better manage this new environment.

**25.** The business needs that drive this objective are:

**25.1.** Our Lightning poll told us that:

- 71% of colleagues will use Teams for meetings but still use email for internal communication. 19% will use Teams as their primary method of internal communication and 10% would like to use Teams for both internal and external communication.
- 42% of colleagues said they did not need any additional support for working remotely, 35% wanted additional support in the form of self-learning resources and 23% required more training including direct team or 1-2-1 training with a specialist.

- 67% of colleagues considered the volume of communication from Digital Service sufficient to keep them informed. 33% thought there was too much information and either ignored it or had to set aside time to read it.
- 48% of colleagues were content with the methods Digital Services used to communicate but 52% considered there were too many methods of sharing information and wanted just one location/method to receive updates

**25.2.** Focus Group feedback – Our colleagues were consistent in their request for more training and self-help material, particularly in the use of MS Teams. Some groups have adapted well but others feel left behind by such a rapid change. Generally, colleagues would like a simpler more centralised communication regarding upcoming changes as well as new training material. There is a significant requirement to better support the Data Analytics Team as well as deliver integration and insight tools as part of our core services.

**26.** Our milestone objectives to provide the digital tools, skills and training resources to allow colleagues to work smarter together while working remotely are:

**26.1.** Working smarter together – We will:

**26.1.1.** Combine all our business functions into a new Business Management System (BMS) that joins our Performance Management Framework, HR&OD functions and Finance services into one new mobile accessible system to manage all colleague services. The Business Management System will also provide a platform for workforce management services to better measure our business efficiency and deliver improved effectiveness.

**26.1.2.** Integrate all our information, combining both internal, external, structured and unstructured audit information in a meaningful way. Using open data and API's across all new services including EWP and our new BMS.

**26.1.3.** Provide the insight to understand and use this information to improve our audit processes and improve all parts of our business through multi-layered tools that provide analytics and reporting for all levels.

**26.1.4.** Support the data analytics team by providing the virtual cloud environments and advanced analytics and development necessary to deliver a data analytics lab. We will also provide the networking, security and development skills necessary to build and maintain these systems.

**26.1.5.** Make these services available everywhere through web interfaces, so that colleagues working from a remote location can directly access advanced environments such as the data analytics lab.

**26.2.** Inclusivity – Working with our HR&OD colleagues we will provide extensive training resources so that all colleagues can:

**26.2.1.** develop a core digital competency, giving them the confidence to troubleshoot and resolve the most common remote working issues.

**26.2.2.** learn how to best use the new tools for virtual meetings, file sharing and remote auditing.

**26.3.** Clear concise communication – We will focus our communication, ensuring there is a single location where colleagues can obtain all information on updates and changes in a condensed more frequent form. We will also provide “public service announcements” on how to keep their personal devices safe.

**26.4.** A resilient team of digital experts in analytics, data management and development – We will increase our development team by one FTE to improve the resilience of this small but critical team and expand its expertise to strengthen our integration projects and, together

with the data analytics team, expand our analytic tools to provide more accessible audit insights.

# Resourcing and delivery

**27.** Delivering the 2021-2024 Digital Services Strategy will necessitate the following:

**27.1.** Revenue – Additional spending to enhance our cyber security has already been factored into Digital Service budget but there will be unknown additional on-going costs for both the EWP and BMS services which if they exceed current on-going costs will require additional budget bids.

**27.2.** Capital – Short to medium term demands for additional devices and implementation of new services has already been factored into Digital Service budget for 2020-2021. Planned future budget provision for and 2021-2022 and 2022-2023 should be sufficient if the planned transition of capital to revenue is suspended. Project implementation costs for both the EWP and BMS services will require independent budget bids.

**27.3.** Staffing – An additional 1 FTE member of the development team to add resilience to deliver the integration and insight components of our Digital Transformation strategic objective and provide resilience in the Development Team to deliver the systems and services for a Virtual Business. The Digital Services Staffing Structure is available here in appendix 1.

**27.4.** Provisional Digital Services Budget for 2021 to 2023 including estimated costing for additional 1 FTE member

	Budget 2020-21	Budget 2021-22	Budget 2022-23
Staff Costs	558,122	573,652	585,246
Services Costs	520,300	520,055	520,060
<b>Total Revenue Budget</b>	<b>1,078,422</b>	<b>1,093,707</b>	<b>1,105,306</b>
Capital Budget	150,000	150,000	150,000 <sup>(1)</sup>
Additional 1 FTE Developer <sup>(2)</sup>	14,600	58,500	58,500

<sup>(1)</sup> Estimate based on previous years requirements

<sup>(2)</sup> Estimate of total employee costs based on current market rate and employment from January 2021

**28.** The strategy is resourced through proactive horizon scanning, to identify when strategic programmes and projects will be implemented over the course of upcoming years. This involves careful consideration of changes in technical, licensing, security and infrastructure requirements and necessitates effective planning to maximise affordability from annual revenue and capital budgets as well as utilising the full potential of the Digital Services team.

**29.** As part of this planning the following year is 'road mapped' in a rolling project timeline, that allows the DSMT and Digital Project Manager to accurately plan resources, budget allocation and dependencies across current, ongoing and upcoming programmes and projects. The current project timeline is available [here in appendix 4](#).



# 2021 – 2024

## 2021-2024

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## Purpose

1. This report presents and seeks approval of Audit Scotland's operational budget for 2021/22.

## Background

2. Preparation of Audit Scotland's 2021/22 Scottish Commission for Public Audit (SCPA) budget submission commenced in the summer of 2020 with the SCPA taking evidence on our financial plans at a session held on 15 January 2021.
3. The SCPA recommended that the Scottish Parliament approve our budget proposal and this has been incorporated within the 2021/22 Scottish Budget Bill.
4. Appendix 1 is the Net expenditure budget proposal that received final approval by the Board for submission to the SCPA.
5. The proposed operational budget for 2021/22 is based on no change to this original submission. The Board will be advised of any budget adjustments made in year as part of the quarterly financial monitoring arrangements.

## Net expenditure requirement

6. The net expenditure requirement of £10,814k is a cash increase of £2,099k from the 2020/21 budget.
7. People costs represent 71% of our expenditure budget and the budget requirement in 2021/22 is an increase of £2,881k. The main reason for the increase is to implement a long-term sustainable resource programme to meet increasing demands on public audit in Scotland. Our proposal also provides for increases to meet annual pay growth, employer pension contributions and additional staffing for new financial powers work.
8. The Board will receive regular updates on the progress of the strategic improvement programme and the planned financial allocations of the additional resources granted in 2021/22. The SCPA have also requested to be kept informed of progress on a quarterly basis during 2021/22.
9. Other expenditure has reduced by £428k with the main changes being the transfer of the £300k management contingency budget to people costs and the removal of £220k for the costs associated with the biennial national fraud initiative exercise.
10. The fees budget for the financial year has increased by 1.9% with the average fee increase for 2020/21 audits increasing by 2.5% from 2019/20 fees.

## Capital requirement

11. The capital budget for 2021/22 is £250k, an increase of £100k from 2020/21.
12. The investment will continue to support our digital strategy and office re-configuration to meet health and safety guidelines as we look to return to a yet to be finalised form of office occupancy later in the year.

## 2021/22 uncertainties

13. The budget proposal was developed in the context of significant uncertainties, which included:

- The organisational, audit work and financial impact of Covid-19 on us and the bodies we audit.
- Timing of budget statements from the UK and Scottish Government.
- Public sector pay policy with negotiations having commenced with staff representatives on a proposed pay policy for 2021/22. Any significant deviation from the pay award assumptions in the budget will need to be assessed from an affordability perspective.
- Timing of the implementation of the remaining financial aspects of the Scotland Act 2016.
- The end of the transition period for the UK leaving the European Union.
- Financial assumptions used to estimate International Accounting Standard 19 (IAS 19) defined benefit pension costs and future employer pension contributions.

**14.** The 2021/22 budget settlement provides sufficient assurance that we are able to meet our breakeven obligation. However, the expected long-term economic impact of the pandemic is that there will be significant pressures on public finances and we will need to develop financial strategies to address future potential issues, which could include:

- Firms procurement exercise
- Fees and funding model
- Pay awards
- EAFA replacement
- Pension fund pressures.

## **Recommendation**

**15.** The Board is requested to:

- approve the 2021/22 operational budget based on the original submission detailed in Appendix 1
- note that any in year budget adjustments will be scrutinised as part of the quarterly financial monitoring process.

## NET EXPENDITURE STATEMENT

	Actual		Approved	Proposed
	2018-19	2019-20	2020-21 Budget	2021-22 Budget
	£k	£k	£k	£k
<b>People Costs</b>				
Salaries and temporary staff	12,179	13,178	13,514	16,146
Employers on costs	3,611	3,852	4,162	4,415
Pension adjustments	2,349	4,871	126	126
	18,139	21,901	17,802	20,687
Accounts Commission members	163	171	169	165
<b>Total people costs</b>	18,302	22,072	17,971	20,852
<b>Fees and expenses paid to external firms</b>	4,475	4,549	4,350	4,554
<b>Other operating expenditure</b>				
Rent & Rates	479	507	535	535
Other accommodation Costs	437	436	403	449
Travel & Subsistence	871	823	877	707
Legal & Professional Fees	740	623	1,134	590
Stationery & printing	117	127	129	129
Training & organisational development	464	457	470	483
Staff recruitment	135	114	130	138
Communications (telephone, postage)	82	49	65	41
Insurance	72	75	79	84
Information technology	470	501	462	496
Internal Audit	27	31	30	30
External Audit - financial statements	29	29	30	30
Other	45	137	91	154
Depreciation	369	356	342	279
<b>Total other operating expenditure</b>	4,337	4,265	4,777	4,145
<b>TOTAL OPERATING EXPENDITURE</b>	27,114	30,886	27,098	29,551
Corporation Tax payable	1	1	0	0
<b>Income</b>				
Fees and charges payable	18,032	18,597	18,383	18,737
Bank Interest	4	5	0	0
Miscellaneous income	53	30	0	0
Other finance income - pensions related	-798	-924	0	0
<b>TOTAL</b>	17,291	17,708	18,383	18,737
<b>NET EXPENDITURE AFTER TAX</b>	<b>9,824</b>	<b>13,179</b>	<b>8,715</b>	<b>10,814</b>

## Purpose

1. This report presents the financial results for the nine months to 31 December 2020.

## Background

2. Detailed variance analysis and explanation is provided in Appendix 1 attached to this report. Appendix 1 also includes a section on the key financial risks that are being managed in 2020/21.
3. This report was discussed by Management Team on 2 February 2021.

## Discussion

4. At the end of the third quarter of the 2020/21 financial year Audit Scotland's Net Operating Expenditure was £5,937k which was £349k (6.2%) more than budget.
5. In-house income for 2019/20 audits is in total £180k less than budget with a negative volume variance of £144k and a negative price variance of £46k. Work on 2020/21 audits has commenced but due to Covid-19 and the extension to 2019/20 audit deadlines income recognition is £556k behind budget, which is based on prior years activity.
6. As we conclude the audit work for the 2019/20 audit year, we will be assessing the critical factors that have delayed the audit completion beyond the revised timetable. Some of this will have been due to the client body, some will be due to resourcing availability and practice. Establishing the cause of any delay will enable us to improve the experience as we move into a second year of audit under remote/working from home protocols.
7. Fee income earned for 2019/20 audits carried out by external firms net of fees and expenses paid to the firms was £117k better than budget. Income recognition was £2k worse than budget with fees and expenses payable to the external firms being £119k better than budget, which is mainly due to reduced expenses.
8. Staff costs including agency expenditure was £135k (1.0%) more than budget.
9. Other expenditure £415k (14.1%) better than budget. The main positive variances were recorded in travel & subsistence (£351k, 57.6%), training/recruitment (£84k, 17.8%) and printing/office costs (£30k, 19.1%). The main adverse variance is in information technology (£51k, 14.4%).
10. An in-year budget adjustment of £1.5 million has been approved by the Scottish Commission for Public Audit (SCPA) to meet the funding shortfall arising from a reduction in fee income recognition.

## Virement

11. There were no instances of budget virement in excess of £20k in the nine months to 31 December 2020.

## Recommendation

12. The Board is invited to note the financial results for the nine months to 31 December 2020.

## Headline Results

The summary financial position to 31 December 2020:

<i>£000</i>	Annual Budget	Actual	Budget	Var.	%Var.	Prior Year	Note
Fee Income - In House	8,099	5,307	6,055	(748)	-12.4%	5,977	1
Fee Income - Audit Firms	4,947	3,815	3,817	(2)	-0.1%	3,972	2
Central Charges	5,646	4,235	4,235	0	0.0%	4,164	
Rebate	0	0	0	0	-	0	
Interest	0	1	0	1	-	4	
Other Income	0	1	0	1	-	33	
IAS 19 Income	0	0	0	0	-	0	
<b>TOTAL INCOME</b>	<b>18,692</b>	<b>13,359</b>	<b>14,107</b>	<b>(748)</b>	<b>-5.3%</b>	<b>14,150</b>	
Approved auditors	4,435	3,331	3,450	119	3.4%	3,542	2
Staff salaries and oncosts	17,916	13,183	13,245	62	0.5%	12,422	3
Payroll provisions incl. severance	0	0	0	0	-	0	
Agency and secondment costs	75	253	56	(197)	-351.8%	412	3
IAS 19 Pension costs	100	0	0	0	-	0	
Property costs	944	634	625	(9)	-1.4%	620	
Travel and subsistence	886	258	609	351	57.6%	627	4
Legal, professional and consultancy	861	382	397	15	3.8%	382	
Training	490	288	358	70	19.6%	356	5
Recruitment	145	101	115	14	12.2%	80	5
Printing and office costs	284	127	157	30	19.1%	195	6
Information technology	486	405	354	(51)	-14.4%	351	7
Audit	60	46	45	(1)	-2.2%	51	
Depreciation	342	256	256	0	0.0%	271	
Other costs	383	32	28	(4)	-14.3%	30	8
<b>EXPENDITURE</b>	<b>27,407</b>	<b>19,296</b>	<b>19,695</b>	<b>399</b>	<b>2.0%</b>	<b>19,339</b>	
<b>NET OPERATING (EXPENDITURE)</b>	<b>(8,715)</b>	<b>(5,937)</b>	<b>(5,588)</b>	<b>(349)</b>	<b>-6.2%</b>	<b>(5,189)</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 December 2020 for the in-house audits:

	2019/20 Audit Year			2020/21 Audit Year			Prior Years	Total
	Volume		Price	Volume		Price		
	WIP %	£	£	WIP %	£	£		
Local Government	-1.50	-67	+52	-6.69	-309	-	-2	-326
Health	-	-	-	-9.33	-141	-	-	-141
FE	+11.57	+6	-	-	-	-	-	+6
Central Government	-0.08	-3	-101	-9.58	-104	-	-	-208
Non-statutory	-9.99	-80	+3	-0.32	-2	-	-	-79
<b>Total – December 20</b>	<b>-2.12</b>	<b>-144</b>	<b>-46</b>	<b>-7.05</b>	<b>-556</b>	<b>-</b>	<b>-2</b>	<b>-748</b>

#### Local Government

Local Government 2019/20 audits are 1.50% behind budget leading to an adverse volume variance of £67k. The positive price variance of £52k is due to increased fees being applied to local government bodies with the most significant increases being applied to Aberdeenshire Council, Angus Council, Fife Council and Scottish Borders Council. Audit sign-off for the local government sector was extended from September to November and a small number of the larger bodies have been delayed past this revised date.

The 2020/21 audit work has commenced and due to the extension to 2019/20 audits we are in the expected position of being behind the planned trajectory, currently 6.69% (£309k). It is expected that this variance will increase as we progress to the end of quarter 4.

#### Health

2019/20 health audits are complete. The deadline for audit sign-off of the health sector was extended to the end of September, however, audit work for some health boards extended beyond this deadline due to various complications.

Audit work for 2020/21 has commenced with the current position being 9.33% (£141k) worse than plan. This variance should increase by the end of the year as it will not be possible to catch up to the budgeted level of work by the end of March.

#### Further Education (FE)

ASG undertake 2 FE audits, Dundee & Angus College and Edinburgh College. Progress on 2019/20 audits is currently 11.57% ahead of schedule. The year-end for colleges is different to the rest of the public sector and the final sign-off of these audits needs to take place by the end of March each year. The current planning expectation is that this target will be met.

#### Central Government

Central Government chargeable audits are 0.08% behind plan leading to a minor volume variance of £3k. The main reason for the price variance is due to the official start date of a new body, South of Scotland Enterprise, being later than expected with the audit requirement now commencing in 2020/21 instead of 2019/20.

The 2020/21 audits have commenced and are behind budget by 9.58% (£104k).

**Non-statutory**

The European Agricultural Fund Account (EAFA) audit is behind schedule by 9.99% (£80k). The audit of the European Agricultural Guarantee Fund concluded on 16 October 2020 with expectations that in the future this will be funded through the national framework. The United Kingdom Co-ordinating Body (UKCB) has advised that there is a balance in Rural Development Programme funding which can continue to be spent under EU regulations from 16 October 2020 to 15 October 2023. The projected impact is that our fee and audit requirements will reduce by around 25~30%.

**2. Fee income and expenditure – Audit Firms**

The adverse income variance of £2k is offset by a positive expenditure variance of £119k for approved auditors. Effectively this approach highlights a net favourable variance of £117k on chargeable audits, which is mainly due to lower than expected expenditure on expenses.

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

The table, below, shows the performance for approved auditors by sector to 31 December 2020:

	2019/20 Audit Year			2020/21 Audit Year			Prior Year	Total
	Volume		Price	Volume		Price	Price	
	WIP %	£	£	WIP %	£	£	£	£
Local Government	-2.13	-60	+37	-2.88	-84	-	-	-107
Health	-	-	+3	-4.41	-47	-	-	-44
Water	-	-	-	-19.61	-29	-	-	-29
FE	+30.45	+134	+8	+1.12	+5	-	-	+147
Central Government	-2.26	-10	+42	-0.38	-1	-	-	+31
<b>Total – December 20</b>	<b>+1.31</b>	<b>+64</b>	<b>+90</b>	<b>-3.11</b>	<b>-156</b>	<b>-</b>	<b>-</b>	<b>-2</b>

**Local Government**

Audits in the local government sector for 2019/20 are 2.13% behind plan leading to an adverse volume variance of £60k. Audit firms have agreed fees above expected fees for some bodies leading to a price variance recognition of £37k. The start of the 2020/21 audits is behind plan by 2.88% which leads to an adverse volume variance of £84k.

**Health**

Health audits for 2019/20 are complete with a positive price variance of £3k due to agreed fees being higher than expected. Work on the 2020/21 audit year has commenced though it is behind plan by 4.41% (£47k).

**Water**

As expected the adverse volume variance of £29k on this audit is due to the audit being behind plan, which was based on the prior year actual.

**Further Education (FE)**

Progress on 2019/20 audits is 30.45% ahead of schedule leading to a positive completion position of £134k and the recognition of a further £8k due to the agreement of increased fees. For this sector the firms are slightly ahead of schedule for the 2020/21 audits.

**Central Government**

Central government audits are slightly behind schedule leading to a negative volume variance of £10k. The £42k price variance is due to a number of agreed fee increases with the largest increases being applied to Bord na Gaidhlig, Historic Environment Scotland and Scottish Canals. 2020/21 audits have commenced and are slightly behind plan leading to a minor variance of £1k.

### 3. 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	9,396	6,750	6,791	41	152.8	157.5	a)
ASG agency & secondments	75	242	56	(186)			
PABV staff costs	4,542	3,404	3,474	70	74.0	77.5	b)
PABV agency & secondments	0	12	0	(12)			
CSG staff costs	2,217	1,702	1,663	(39)	37.3	35.7	c)
CSG agency & secondments	0	-1	0	1			
Business Support staff costs	703	544	527	(17)	19.8	18.7	d)
Business Support agency & secondments	0	0	0	0			
Governance & Other staff costs	1,165	783	790	7	19.1	20.0	e)
Governance & Other agency & secondments	0	0	0	0			
<b>Total staff costs</b>	<b>18,023</b>	<b>13,183</b>	<b>13,245</b>	<b>62</b>	<b>303.0</b>	<b>309.4</b>	
<b>Total agency &amp; secondments</b>	<b>75</b>	<b>253</b>	<b>56</b>	<b>(197)</b>			

- a) **ASG Staff costs** - in the first 9 months of the year the average number of staff employed in ASG has been 4.7 w.t.e. less than the funded budget. The establishment is based on 156.1 w.t.e. with the application of a 1% vacancy/turnover factor reducing the funded w.t.e. to 154.5. During the year an allocation of £180k (3 w.t.e.) has taken place to cover additional staffing costs associated with the ringfenced new financial powers budget. The overall saving to budget is due to lower than planned staffing levels (£209k) and higher average actual salary costs per employee (£168k). As in previous years there was an intake of professional trainees at the end of October.

**ASG agency costs** – the additional agency expenditure has enabled us to fill resourcing gaps and protect capacity to ensure we can meet the revised audit certification deadlines. Covid-19 has meant there are significant additional resourcing/capacity challenges on the availability of staff and there has also been an impact due to the increase in the length of time it takes to undertake audits. This year much of the focus of agency staff deployment has been to assist EAFA work, which helps to enable in-house staff to gain more experience on other audits. This additional cost is being managed through reduced expenditure on travel & subsistence, other savings and staffing variances (reduced seasonal auditor and student placement costs). The deployment of agency staff enables us to minimise the shortfall in income recognition as at 31 March 2021.

- b) **PABV staff costs** - on average PABV have been 3.5 w.t.e. less than budget year to date, which includes an allocation of £170k (4 w.t.e.) from the ringfenced new financial powers budget. The budget saving year to date is due to lower than planned staffing levels (£159k) reduced by a higher average salary cost per employee (£89k).

**PABV secondment costs** - secondment costs of £12k relate to a Scottish Parliament member of staff seconded to assist with housing benefit audit work. This secondment finished in May and is being funded by an underspend in the PABV consultancy budget.

- c) **CSG staff costs** - The average staff resource requirements in CSG has been higher than the funded w.t.e. (£71k) due to staff turnover being lower than expected and the provision of cover for maternity leave. This overspend is currently partially funded by the favourable variance on average actual salary costs (£32k).
- d) **Business Support Staff costs** - w.t.e. above funded figure (£30k) due to the provision of cover for maternity leave. The actual average salary costs are slightly better than budget (£13k).
- e) **Governance & Other staff costs** - slightly below budget due to the vacancy at the start of the financial year for a non-executive board member and the average number of Accounts Commission members being 11 compared to a budget allocation of 12.

### 4. Travel and subsistence

Expenditure on travel and subsistence has significantly reduced compared to the same period last financial year (£369k reduction, 59%). This is due to homeworking and audit work being delivered remotely rather than onsite at the public bodies. Expenditure will be significantly less this financial year with the savings being used to support the overspend on agency expenditure and other financial pressures.

### 5. Training and Recruitment

The underspend in training expenditure is expected as we have had to deal with disruption to our normal model of delivery. We have managed to switch to innovative Microsoft 365 solutions such as Microsoft Teams video-link training, Microsoft Stream pre-recorded events, Microsoft Whiteboard and Sway applications. This has resulted in engaging technical and non-technical professional learning and development for staff throughout Scotland through online delivery.

Recruitment expenditure will increase in the final quarter as we undertake a major recruitment campaign to increase capacity to meet current and future resourcing commitments. This additional capacity will ensure we can deliver Covid-19 specific audit work, meet existing audit commitments where Covid-19 disruption has had an impact, maintain audit quality and look to innovate and improve to keep pace with professional auditing developments (e.g. digital audit, update audit methodologies and organisational efficiency). Current projections expect an overspend of £25k which will be met from reduced expenditure on training.

### 6. Printing and office costs

The current underspend is due to reduced expenditure on printing and is a direct consequence of the policy of staff working from home. Also, expenditure on monitoring is lower than budget which is due to some expenditure being classified as corporate subscriptions. Expenditure year to date is £68k (35%) less than the prior year and it is projected that there will be significant savings on print/copier and mobile phone expenditure in 2020/21.

### 7. Information technology

Software licence expenditure is the reason for the current overspend position within information technology. With homeworking and remote audit the current default position it is essential that we have sufficient licences (e.g. microsoft, mki) to enable the safe delivery of our work requirements. The projection in this expenditure heading will be in excess of budget with the plan to meet this overspend by savings from other corporate services budget headings.

### 8. Other costs

The minor overspend is due to the timing of expenditure compared to the budget being phased equally over the financial year. This overspend will reduce as we progress through to the end of the financial year.

## Overview of Financial Risks

The major financial implications of Covid-19 on Audit Scotland mean we can only deliver our statutory obligation of a balanced budget following approval of additional funding of £1.5 million from Parliament. Our budget adjustment proposal was considered by the Scottish Commission for Public Audit (SCPA) on 15 January 2021 and has been approved.

The budget adjustment submission to the SCPA was prior to the announcement of increased lockdown restrictions at the start of 2021. The financial situation still remains volatile with the potential to cause serious disruption to our operating model, with colleagues experiencing the increased pressures of home schooling and caring for vulnerable adults while trying to manage work commitments. This challenging situation is also likely to be experienced within the bodies that we audit.

Updated financial modelling of potential scenarios based on the financial position at the end of December and projections for the final quarter indicate that the additional funding of £1.5 million is still sufficient to deliver a balanced budget. This is due to the improvement in the December position, particularly with a better than planned work in progress percentage for the commencement of the 2020/21 audits.

The key financial risks are still relevant as we work our way through the issues that the new restrictions bring, and we will manage them in the last quarter of 2020/21. The risks are:

- shortfall in fee income recognition
- additional costs to deliver audit
- resource availability
- impact on firms' costs

Our 2021/22 budget submission was also considered and scrutinised by the SCPA on 15 January and on approval of the proposal we will be able to address future financial challenges, which include:

- The future of the current fees and funding model
- Resourcing pressures and additional cost of audit post Covid-19
- Pension fund pressures
- Auditing post Covid-19
- Firms procurement exercise
- EAFA
- Pay award uncertainty

### **Capital Expenditure and Funding**

To date there has been £68k of capital expenditure against the full year allocation of £150k. This expenditure relates to the purchase of 60 laptops and firewall software. There has also been £9k of revenue expenditure on monitors to support the working from home requirements of staff. This expenditure is currently being reviewed with the potential for it to be added to the capital expenditure this year.

**Stuart Dennis**

Corporate Finance Manager

2 February 2021

## Purpose

1. To provide the Board with a review of organisational performance in quarter three (Q3) 2020/21.

## Background

2. 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.

## Q3 performance summary

3. Performance over all is good in what remain challenging circumstances and is better than we may have anticipated given the amount of disruption due to Covid-19. This is largely due to the commitment, professionalism and flexibility of colleagues across the organisation. The pandemic continues to have a significant impact on Audit Scotland and the bodies we audit.
4. The performance on audit delivery has been very strong in the circumstances.
5. The deadlines for the financial audits of local government bodies, central government bodies and further education colleges all occurred in quarter three. This equates to over 200 audits. By 31 December 2020 91% of the financial audits had been completed. All of the audits had been completed by 11 March 2021.
6. In addition, we published five statutory reports, two best value assurance reports and three Covid-19 related publications.
7. As a result, the performance assessment RAG indicators for delivery and relevance have moved from red to amber.
8. The following objectives remain 'red'. This is defined as 'Not progressing/significant additional management action required':
  - We manage our resources effectively (where the main impact is on audit costs and income recognition).
  - We maximise our efficiency (where the main impact is on colleague productivity).
9. The Spring Budget Revision and the 2021/22 Budget proposal submitted to the Scottish Commission for Public Audit (SCPA) in December and workstreams in the strategic improvement programme seek to mitigate these risks. The Stage 3 Budget Bill was passed by the Parliament at its meeting on 9 March 2021.
10. We expect a negative impact on performance to continue to show in the quarterly reports for 2020/21 and anticipate this will extend into 2021/22.

## Delivering World Class Audit

11. There were 225 publications in quarter three including; 104 Annual audit reports, 104 audit certificates, two Best Value Assurance Reports, five statutory reports, six annual audit plans and four other publications. This is higher than the equivalent quarter in 2019/20 where there were 106 publications.
12. To date we have delivered seventy-one per cent of the total planned outputs due for the year 2020/21 and 95 per cent of these were on time. The remaining outputs are the annual audit plans for the 2020-21 audits and the residual annual audit reports.
13. Media mentions, downloads and social media engagements are significantly down on the same quarter last year. This is due to the lower number of performance audits being published in the year to date, less promotional work in the early stages of the pandemic, and a busy news agenda dominated by Covid-19 and other matters.
14. Audit Scotland audits were 20% above budget in Q3. This is broadly consistent with other audit organisations.

## Being a world class organisation

15. We continued to prioritise communication and engagement with colleagues across the organisation using a broad range of channels. This includes formal business messaging (through the regular Incident Management Team (IMT) updates, the Covid-19 yammer channel, pulse surveys, the weekly Staying Connected communications and video posts and blogs from members of Management Team) and informal channels (including the 'How we doing' yammer channel, on-line quiz events, virtual tea breaks and check-ins via video conferencing).
16. We had 297.1 (102%) whole time equivalent colleagues in place at the end of the quarter against an establishment 290.2. The absence rate is slightly higher than Q3 in previous years but remains low at 1.67 days.
17. The outturn on core funding was £349k (6.2%) more than budget in Q3.

## Forward look

18. The prioritisation of delivering the financial audits to schedule has been successful, however it, and the impact of the pandemic suppression measures have had an impact on other audit work and the planning for the 2020/21 audits. The corporate risk register, considered by the Audit Committee at its meeting on 3 March 2021 identified a 'red risk' in relation 'failure to deliver audit due to disruption to capacity (individual and collective capacity), prioritisation of key audits) disruption in audited bodies and/or due to complexity arising from Covid-19. We anticipate that the pandemic may continue to have a negative effect on performance in 2021.
19. In quarter four we receive the annual Best Companies survey results. These will provide a valuable insight into our colleagues' views and levels of engagement. Research shows that high levels of employee engagement is strongly correlated with sustainably high business performance - higher productivity, lower employee turnover, and greater customer satisfaction. The results are the subject of a separate report on today's agenda.
20. All audits are carried out in accordance with the code of audit practice and the relevant professional standards. Currently our assessment of performance on quality is at 'amber' as we recognise that the unavoidable approach to remote/virtual auditing presents challenges to both auditors and the organisations we audit. The internal and external reviews of audit quality will take place in Q4. The results from these reviews will provide clearer information on the quality of audit delivered in 2020. The outcome of the reviews will be considered by the Audit Quality Committee and will be reported in the quarterly performance reports to Management Team and the Board and in the annual report on quality.
21. An update on the strategic improvement programme is on the agenda for today's meeting of the Board. This provides the latest position in a number of areas which seek to support improved performance and mitigate risks. These include:
  - The updated work programme.

- The development of the new Code of Audit Practice, new audit approaches on best value auditing for councils and integrated joint boards and the digital auditing.
- Capacity building and recruitment.

## **Recommendations**

**22.** The Board is invited to:

- Review the performance in quarter three.
- Note the actions being taken to sustain and improve performance.
- Consider whether any additional management action is required.

## Appendix 1

24 March 2021

### 2020/21: Q3 performance summary

 Delivering world-class audit	Measure in Q3	Previous quarter	Same quarter last year	Direction of travel in Q3 this year compared to Q3 last year
<b>We conduct relevant and timely audits and report in public.</b>				
Reports 20/21(Q3)	225	184	106	
Reports 20/21(YTD)	493	230	505	
On time (YTD)	91%	96%	95%	
Audit Budget (YTD)	+20%	+18%	+1.75%	
<b>We get our messages out effectively</b>				
Media mentions (Q3)	150	125	354	
Downloads (Q3)	169,671	210,057	367,005	
Social media engagements (Q3)	3,562	3,822	6,588	

### Key performance messages in Q3

- The RAG for the 'relevant and timeliness' objective is now amber. This reflects the performance on delivery in the quarter. The significant increase in cost keeps the cost KPI at red.
- We delivered 225 audits/reports in Q3. This is higher than in previous years due to the rescheduling of audits to Q3.
- Audits were delivered at 20% above budget.
- Communications statistics are down compared to last year due to the scaled back publication and promotion of reports in the early stages of the pandemic and the understandable media focus on the pandemic and other matters. Despite this, we continue to get our messages out and this is reflected in media mentions downloads and social media figures.

### Key actions

- The key actions for this strategic objective are covered by the projects and workstreams in the revised Strategic Improvement Programme. This includes workstreams on refreshing/refining the role of audit in a Covid-19/post Covid-19 world, the annual audit process for 2020/21, the revised rolling work programme, audit methodology and digital audit and the new Code of Audit Practice and audit appointments.

#### Key:

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

**Amber** = Progressing and management action planned.

**Green** = On target/no need for additional management action

## 2020/21: Q3 performance summary

 Being a world-class organisation	Measure in Q3	Previous quarter	Same quarter last year	Direction of travel in Q3 this year compared to Q3 last year
<b>We manage our resources effectively</b>				
Budget Variance (YTD)	+6.2%	+13.9%	-0.4%	
WTE establishment (YTD)	102%	98.9%	101.2%	
<b>We maximise our efficiency</b>				
Staff costs (YTD)	13,183k	8,754k	12,422k	
Agency/secondment costs (YTD)	253k	178k	412k	
Average cost per audit day (Q3)	446	433.5	440	
Proportion of audit time (Q3)	63%	65%	61%	
<b>We empower and support our people to be engaged, highly skilled and perform well</b>				
Absence (YTD)	4.96 days	3.29 days	3.39 days	
Staff turnover (YTD)	3.49%	3.14%	4.99%	
Exams pass rate (YTD)	80%	80%	83%	
Training events (Q3)	22	22	79	
Training attendees (Q3)	214	526	897	
IT uptime (Q2)	99.7%	100%	99.98%	

### Key performance messages in Q3:

- The outturn on core funding was £349k (6.2%) more than budget. There was 68k capital spend in year to date.
- The average number of colleagues employed in the quarter were 102% of the establishment which is higher than the same quarter last year.
- Absence levels remain low though slightly higher than previous years. We remain below the 2019 CIPD benchmark (5.9%).
- The proportion of audit time was 63%, which is up from 61% in the same quarter last year.
- There have been 22 training events and 214 attendees, which is significantly down on the same quarter last year. This is due to a greater number of audits reaching conclusion in Q3 compared to previous years.
- IT up time remains consistently high.

## Key actions

The key actions for this strategic objective are covered by the projects and workstreams in the revised Strategic Improvement Programme. This includes workstreams on the people strategy, building capacity, learning and development and wellbeing, resourcing, one organisational deployment, and the longer-term fees and funding model.

## Appendix 2

24 March 2021

### Performance detail

2020/21: Quarter 3

	<b>We conduct relevant and timely audits and report in public.</b>
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Key Performance Questions	2018-19				2019- 20				2020-21			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Are relevant audits being delivered?	G	G	G	G	G	G	G	G	A	A	G	
Are audits delivered on time?	G	G	G	G	G	G	G	G	A	A	G	
Are audits delivered on budget?	G	G	G	G	G	G	G	G	R	R	R	

#### Key messages

The overall performance assessment for this objective has changed the RAG status from red to amber. This is based on two of the key performance questions on timeliness and relevance having gone green. All of the 2019/20 financial audits have been completed.

#### Financial audits – year to date

Sector	Deadline	No. audits	No. completed by deadline	% complete by deadline	% complete now
NHS	30/09/20	23	20	87%	100%
LG – councils	30/11/20	32	27	84%	100%
LG-IJBs	30/11/20	30	29	97%	100%
LG-joint boards	30/11/20	32	29	91%	100%
LG-pension funds	30/11/20	11	11	100%	100%
Central Government	31/12/20	75	75	100%	100%
Further education	31/12/20	21	14	67%	100%
Total		225	205	91%	100%

Audit expenditure is 20% above budget and remains significantly outwith the 5% tolerance target, although we understand this is broadly in line with the Firms and other audit agencies.

In **Quarter 3**: we delivered 225 audit/reports.

- 104 Certified Accounts and 104 Annual reports.
- 6 Annual Audit plans.
- 2 BVARs (Aberdeenshire and Edinburgh).
- 5 statutory reports (S22) – see below.
- 4 other reports: one housing benefit annual report and three Covid-19 reports (Covid-19: Balancing the budget in councils, Covid-19: Going concern in the public sector and Covid-19: responding, adapting and building for the future, Scotland's Strategic Scrutiny bodies).

#### Audit/report schedule 2020/21

	Q1	Q2	Q3	Q4
Annual Audit Plans Audit Scotland (124)	2 FE ✓ <u>Late from 19-20 Q4 return</u> 7 LG ✓ 6 CG ✓	<u>Late from 19-20 Q4 return</u> 1 CG ✓		66LG 47CG 10 NHS
Annual Audit Plans Firms (100)	FE 15 ✓ <u>Late from 19-20 Q4 return</u> LG 1 ✓ CG 2 ✓	FE 1 ✓	FE 3 ✓ <u>Late from 19-20 Q4 return</u> LG 3 ✓	39 LG 29 CG 13 NHS
Accounts certified Audit Scotland (124)	NHS 2 ✓ CG 3 ✓	NHS 6 ✓ CG 21 ✓ LG 25 ✓	NHS 2 ✓ CG 22 ✓ LG 38 ✓ FE 2 ✓	LG 1 ✓
Accounts certified Firms (100)	NHS 6 ✓ CG 1 ✓	NHS 6 ✓ CG 12 ✓ LG 27 ✓	NHS 1 ✓ CG 16 ✓ LG 10 ✓ FE 13 ✓	LG 1 ✓ FE2 ✓
Annual Audit Reports Audit Scotland (125)	NHS 2 ✓ CG 2 ✓	NHS 7 ✓ CG 19 ✓ LG 20 ✓	NHS 4 ✓ CG 17 ✓ LG 42 ✓	LG 1 ✓
Annual Audit Reports Firms (100)	NHS 2 ✓	NHS 7 ✓ CG 12 ✓ LG 17 ✓	NHS 4 ✓ CG 17 ✓ LG 20 ✓	
Performance Audit (6)	Affordable Housing ✓ Highlands and Islands Enterprise: Cairngorm Mountain ✓		Skills planning and investment X (paused – 2021)	Digital in Local Government ✓

	Education outcomes <b>X</b> (paused - now Q1 2021) Social Security <b>X</b> (paused, date TBC)			
Best Value Assurance Report (7)	Argyll and Bute Council ✓ North Ayrshire Council ✓	Dundee City Council ✓ Moray Council ✓	Aberdeenshire Council ✓ City of Edinburgh Council ✓	Falkirk Council <b>X</b> (now Q3 2021)
Overview Report (3)	Local government in Scotland ✓			Local government: financial overview ✓ NHS in Scotland ✓
Statutory (6) Numbers to be confirmed during year	S22 City of Glasgow College ✓		S22 Social Security Scotland ✓ S22 NHS Tayside ✓ S22 Scottish Police Authority ✓ S22 Scottish Water ✓ S22 SG Consolidated Accounts ✓	Health and central government S22s (as required)  Local government s102s (as required)
Other (15) Numbers to be confirmed during year	Fraud and irregularity report 2019/20 ✓ Quality of Public Audit in Scotland annual report 2019/20 (QPAiS) ✓ Transparency report 2019 ✓ Equal Pay in councils Impact Report ✓ Covid-19: Impact on public audit in Scotland ✓ Covid-19: How public audit in Scotland is responding ✓	National Fraud Initiative ✓ Covid-19: Emerging fraud risks ✓ Covid-19: Guide for audit and risk committees ✓ Covid-19: Financial impact ✓	Housing Benefit Annual Report ✓ Teacher workforce planning briefing <b>X</b> (removed from programme) Covid-19: Strategic Scrutiny Group ✓ Covid-19: Balancing the budget in councils ✓ Covid-19: Going concern in the public sector ✓	Skills planning and investment audit <b>X</b> (removed from programme)
Published	63	187	225	

**On budget:** In Q3 the expenditure on audit is above budget by almost 20 per cent

	Budget £	Actual £	£ Variance	% Variance
ASG	8,624,610	10,824,805	2,200,195	25.51%
PABV	1,856,648	1,732,094	-124,554	-6.71%
Total	10,481,258	12,556,899	2,075,641	19.8%

### Forward look

#### Issues/ risks

- There is considerable uncertainty about the short-term and long-term impact of the pandemic on public bodies and Audit Scotland.
- Ongoing uncertainty around workforce capacity (and constraints such as childcare, remote working, etc) is affecting auditor availability to undertake core audit work.
- There are significant risks around our ability to deliver the 2020/21 financial audits to time and budget. This is a red risk in the risk register.
- There are 123 Annual Audit plans scheduled for publication in Q4. It is likely that a number of these may be delayed due to the prioritisation of the 2019/20 audits.

### *The rolling work programme*

During quarter three policy cluster teams continued to develop work programme proposals for April 2021 onwards. These have drawn on the themes and priorities agreed by the Auditor General for Scotland and the Accounts Commission. (Economic recovery and growth, Policy priorities, Inequalities, Innovation and transformation and Governance and accountability)

The key principles emerging that underpin the new programme:

- Insight and improvement - Our unique local and national perspective will produce valuable insights into the innovative ways Scotland's public services are responding to Covid-19. We will contribute to learning across the public sector and drive improvement as Scotland moves towards recovery and renewal.
- Citizen perspective - Wherever possible and appropriate, audit work will capture and reflect the needs and concerns of the people who use public services.
- Cross-cutting themes - When scoping audit work we will look to integrate thinking on key themes and issues that cut across policy areas and have an impact on citizens and service users. For example: inequality, digital, prevention, climate change and community engagement.
- Flexible and agile - Our work will remain flexible and agile. Our work programme may need to change at short notice as new issues emerge, or risks change. We will report our audit work in a range of ways, including thematic briefing papers, round table discussions and blogs alongside traditional overview, performance audit and statutory reports. We will involve key stakeholders in reviewing and approving the work programme at regular intervals.

During quarter four we will consider feedback from the consultation with PAPLS and the subject committees at Scottish Parliament, the Accounts Commission's consultation and Scottish Government. We aim to publish the new work programme by April 2021.



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

Key Performance Questions	2018-19				2019-20				2020-21			
	Q1	Q2	Q3	Q4	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	A	A	A	
Are we improving the quality of our work?	G	G	G	G	G	G	G	G	A	A	A	

**Key messages**

- In quarter one we changed this RAG from green to amber due to the increased risk to quality whilst working remotely.
- The risk to Audit quality is monitored by the Audit Quality Committee and the Audit Committee.
- The internal and external quality reviews will provide data on audit quality in Q4.

**Quality assurance and improvement during quarter three included:**

We responded to 229 technical queries this quarter, all within the timescale and published the following to support audit quality. The technical guidance/notes published in quarter three included:

- guidance notes on risks of misstatement in 2020/21 local government accounts and on the whole of Government Accounts
- a technical bulletin to provide auditors with details of new technical documents
- the audit planning guidance for 2020/21
- updates to the Audit Management Framework to include guidance on clearance and factual accuracy checking and audit methodology guidance
- training for auditors on an introduction to PABV and on the Audit Management Framework. These were delivered online and positive feedback was received
- a plan has been developed to look at and address potential data protection issues pertinent to PABV audit work.

**Forward look:**

- The internal and external quality reviews take place in quarter four.
- The annual audit quality survey was issued in early Q4 to 599 individuals and will be reported in the Quality of public audit in Scotland annual report.
- A further report, Covid-19: Guide to internal audit, is due to be published in the Spring.

Key Performance Questions	2018-19				2019-20				2020-21			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Are we getting messages out effectively?	G	G	G	G	G	G	G	G	G	G	G	

**Key messages**

- We continued to develop a range of different approaches to communicating the messages from our audit work to stakeholders with significantly increased use of blogs and the piloting of a range of different shorter reporting styles.
- Overall communications stats are down compared to last year, this is to be expected in a news agenda dominated by Covid-19 and other issues.
- We continue to engage with key stakeholders and the feedback on stakeholder awareness and views on Audit Scotland received in January was positive.
- We continue to liaise with other UK audit agencies on an ongoing basis about planning, coordinating and sharing learning across Covid-19 related audit work and wider work programmes.

**Engagement:** In Q3 we attended:

- 10 Parliamentary Committees.
- 18 external working group meetings - to ensure Audit Scotland is engaging with relevant standard setters as they prepare codes, manuals, standards and guidance.
- We presented at 4 external events (one international). Two of these requests were a result of organisations looking to hear more on Covid-19 Fraud Risk publication.

**Parliamentary engagement**

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
October	0	10	0	3	13
November	3	28	0	2	33
December	2	17	0	5	24
Quarter Total	5	55	0	10	<b>70</b>

**Communications**

	Q1	Q2	Q3	Q4	YTD	19/20
Media	101	125	150		376	1,333
Downloads	262,497	210,057	169,671		642,225	1,043,838
Engagements*	2,178	3,822	3,562		6,000	25,901

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

Our media and social media engagements figures are both down compared to Q3 last year (Media 354, Downloads 367,005 and engagements 6,588).

### Media

The top three published reports by media coverage in Q3 were s22 Social Security, s22 SPA and the Edinburgh BVAR.

The five s22 reports published during December accounted for nearly two-thirds of the quarter's media coverage. Annual performance reports such as the NHS Overview and the Local Government Financial Overview would normally have featured in this quarter, but both were rescheduled to early 2021 due to the impact of the pandemic.

### Downloads

The two most popular reports in Q3 were the 2011 Justice Overview (over 2,500 hits) and the 2019 NHS Overview (over 2,300). It is likely that the pandemic, and the focus on how the NHS is coping, contributed to the high numbers. Equally, the pandemic has led to a major backlog of court cases in Scotland's criminal justice system.

December was a slightly quieter month for report hits, as is usually the case. It is notable that the four leading reports were the 2018 Health and Social Care report, 2019 Drugs and Alcohol report, 2018 Mental Health report, and the 2019 Community Empowerment briefing. Together they accounted for over 2,500 downloads during the month – and are all issues that have been exacerbated by the pandemic.

### Social media activity

Quarter three saw a return to more frequent and varied posting of content on our channels, particularly on twitter. Three things helped boost engagement with our posts – the greater tagging of organisations with an interest in our work, tapping into the news agenda and sharing relevant archive reports (e.g., 2011 Justice System report when court backlogs were in the news), and encouraging organisations to share our work when it might be of interest to their audiences (e.g., drawing The Trussell Trust's attention to an animation on the inequalities in Scotland's society).

Popular content from the quarter included around 3,000 views of our animation laying out the inequalities Covid-19 has shone a light on, posts about our graduate trainee scheme, an update about our Educational Outcomes audit work, and the former Auditor General for Scotland, Caroline Gardner, receiving a CBE and Scottish Public Service award. Content related to December's s22s, particularly around the Scottish Government's accounts, also performed well.

**Consultations:** In Q3 we responded to six consultations, the detailed statutory guidance that will support auditors to deliver work under the NAO's new Code of Audit Practice, the Local Government and Communities Committee consultation on the impact of Covid-19 on the financial sustainability of local government in Scotland, the inquiry into future funding of Scotland's universities and the impact of UK Gov policies on Scottish Universities, students, employees and research, The UK Digital Economy Act 2017, the 2021/22 accounting code and the Loans fund holiday regulations

### Correspondence

<b>New correspondence cases</b>	<b>Q1</b>	<b>Q2</b>	<b>Q3</b>	<b>Q4</b>	<b>YTD</b>	<b>19/20</b>
Number of cases	31	31	27		62	136
Acknowledgement within five working days	100%	97%	100%		98%	99%
Final response within 30 working days	96%	100%	97%		97%	94%

- Figures above are for new and reopened cases.
- In addition, we had 15 audit enquiries (compared to 22, Q3 19/20) – relating to queries about our work (e.g. figures within our reports, guidance and access to materials/reports).

### FOI/EIR/Complaints:

- There were five FOI requests, no EIRs and no complaints received in Q3. All FOIs were answered with the 20-day deadline.

Key Performance Questions	2018-19				2019-20				2020-21			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Is our work delivering impact?	G	G	G	G	G	G	G	G	G	G	G	
Are our recommendations leading to improvements?	G	G	G	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	G	G	G	

**Examples of where work has made a positive impact or positive feedback received in Q3 include:**
*Central government:*

- The statutory responsibilities of the client have reduced due to the introduction of the Planning (Scotland) Act 2019. We engaged with elected members and officers to consider whether it was a good use of resources to prepare and audit Code compliant accounts with such low levels of spend. The client will continue to meet on an ad hoc basis with the minimal costs of running a meeting being absorbed by partners and the 2019/20 was the final set of accounts we will audit.
- In the 2018/19 annual audit report we reported on issues with relocation costs. The client contracted this work out in 2019/20, resulting in improvements in the controls, the quality of reporting and a new relocation expenses policy for senior officers being approved by the Board.

*Local Government*

- Our 2018/19 AAR had recommended that the management commentary should be improved to make it more focused. We arranged discussions with the audit teams of the other similar bodies within the local area to identify common issues and any areas of good practice. There has been a noticeable improvement in management commentary for 2019/20.
- Our 2018/19 testing had identified that weaknesses in controls had led to an overpayment of £12,717 being made. Our 2019/20 audit work has confirmed that this overpayment has now been recovered and the controls have been strengthened by improving documentation and ensuring an independent review of all calculations.
- We recommended that the body carry out a review of its performance measures used to assess performance. The review has now completed, in consultation with other relevant bodies and committees, and internal control reports are now reported to the all relevant committees.
- It has been agreed with the Scottish Charity regulator (OSCR) that one charity no longer needs to be audited, this frees up funds which could be better used to help the vulnerable in communities.
- In 2018/19 we had reported an error in the fixed asset register depreciation calculations which overstated depreciation costs by £2.2 million. In 2019/20, an internal control check was introduced on the fixed asset register to ensure that the depreciation output is accurate.
- In 2018/19 we reported that the year-end outturn for at least the last three years had included a saving due to inflation contingencies not being used, suggesting that inflation contingencies had been set too high. The 2020/21 inflation contingency budget was reduced by £1.5 million following review of the contingency required.

*Health*

- There will now be more focus on local verification and monitoring arrangements in light of auditor qualifications on the care practitioner payments which are made on behalf of boards by NHS National Services Scotland.

*Further education*

- The college has revised its accounting policies, made additional disclosures for pensions and improved the quality of its performance report and the governance statements following some technical assistance and additional insight provided on accounting and reporting issues. This included the College's review of its accounting policies, pensions disclosures, and the content of the performance report and the corporate governance statement.
- In 2018/19 we had reported that limited information on capital budget and spend was included in the monthly management accounts and there was a risk that the Board did not have the information required to make to make informed decisions on capital budgets. The 2019/20 monthly management included more detailed capital budget monitoring information to support better scrutiny by the Board.

Key Performance Questions	2018-19				2019-20				2020-21			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Are new processes, products and services being developed?	G	G	G	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	G	G	G	

**Key messages:**

We continue to develop new and improved processes, products and services to ensure public audit makes a positive contribution to the recovery and renewal of public services. Since November 2020 our Professional Support team has finalised and published two further guidance reports for professional auditors:

- Covid-19: Balancing the budget in councils.
- Covid-19: Going concern in the public sector.

A further report, Covid-19: Guide to internal audit, is due to be published in the Spring. We provided advice to the Accounts Commission’s Interim Chair on raising the profile of these publications amongst the local government community. The Commission included them in its e-newsletter issued in January 2021.

Professional support worked jointly with the data analytics team designing new audit tools for auditors and are working with other UK audit agencies on the impact of revised ISAs on our audit.

**Forward look**

The Strategic Improvement Programme contains a number of projects and workstreams which will deliver/support improved processes, products and services. These include:

- The new code of audit practice.
- Revised audit methodologies for financial audit, best value in councils, IJB and less complex bodies.
- The Digital Audit Strategy.
- Procurement of a new Electronic Working Papers package.
- The people strategy, building capacity and one organisational deployment>
- The new Digital Services Strategy (focussing on cyber security, virtual business and digital transformation).

Key Performance Questions	2018-19				2019-20				2020-21			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Are we managing our resources effectively	G	G	G	G	A	A	A	A	R	R	R	
Are we maximising efficiency?	G	G	G	G	A	A	A	A	R	R	R	

**Key messages**

- In the nine months to 31 December 2020 Audit Scotland’s Net Operating Expenditure was £349k (6.2%) more than budget.
- Key financial risks are still present as we work our way through the issues that the new restrictions bring, and we will manage them in the last quarter of 2020/21 . The risks are in relation to the shortfall in fee income recognition, additional costs to deliver audit and resource availability.
- Our 2021/22 budget submission was considered and scrutinised by the SCPA on 15 January and on approval of the proposal we will be able to address future financial challenges. These include; the future of the current fees and funding model, resourcing pressures and additional cost of audit post Covid-19, pension fund pressures, auditing Covid-19, the Firms procurement exercise, EAFA and uncertainty around the pay award.

**Resource management**

In the nine months to 31 December 2020 Audit Scotland’s Net Operating Expenditure was £349k (6.2%) more than budget.

	Q1	Q2	Q3	Q4	19/20
Actual	(2,049)	(3,318)	(5,937)		(13,715)
Budget	(1,847)	(2,914)	(5,588)		(17,442)
Variance K	(202)	(404)	(349)		(426)

**Staff** - The average number of staff in the quarter was 297, which is two per cent above establishment.

	Q1	Q2	Q3	Q4	19/20
2020/21 establishment w.t.e	290.2	290.2	290.2		286.4
Average number of staff employed in 2020/21 w.t.e:	288.5	287	288.9		285.9
No. of staff at end of quarter w.t.e:	286.4	287.1	297.1		291.1

**Staff and Agency costs** – The total staff costs in the nine months to 31 December 2020 are 135k above budget.

	Annual Budget £000	Actual YTD	Budget YTD	Variance	Actual Average WTE	Budget WTE
Total Staff costs 2020-21	18,023	13,183	13,245	62	303	309.4
Total agency & secondments 2020-21	75	253	56	(197)		
Q3 Staff costs 2019-20	16,751	8,230	8,323	93	296.4	296.1
Q3 agency & secondments 2019-20	75	282	69	(213)		

**Legal, professional and consultancy:** the budget this year has increased due to the ongoing Audit appointments process and the NFI which runs every other year.

	Q1	Q2	Q3	Q4
Actual	81	206	382	
Budget	101	152	397	
Prior year spend	87	221	382	

**Estate:** There is a £9k overspend in estate costs in the nine months to 31 December 2021, mainly due to the purchase of essential furniture and equipment for staff to work safely from home and also the purchase of new locks for the doors at 102WP.

	Q1	Q2	Q3	Q4
Actual	215	425	634	
Budget	205	414	625	
Prior year spend	202	403	620	

**Costs of travel:** Travel costs in the nine months to 31 December 2020 has significantly reduced compared to the same period in the last financial year (£369k reduction, 59%). This is due to homeworking and audit work being delivered remotely rather than onsite at the public bodies. The expenditure for travel relates to costs of Audit Scotland leased cars. Expenditure will be significantly less this financial year with the savings being used to support the overspend on agency expenditure and other financial pressures.

	Q1	Q2	Q3	Q4
Actual	87	170	258	
Budget	110	349	609	
Prior year spend	207	433	627	

**Capital Expenditure and Funding:** To date there has been £68k of capital expenditure against the full year allocation of £150k. This expenditure relates to the purchase of 60 laptops and firewall software. There has also been £9k of revenue expenditure on monitors to support the working from home requirements of staff. This expenditure is currently being reviewed with the potential for it to be added to the capital expenditure this year.

**Digital Services:** Downtime was due to a fault with the Citrix hosts that meant Citrix was intermittently unavailable or unreliable for 2 days. There was also an issue caused by the VPN certificates needing to be refreshed and an O365 outage with Microsoft.

	Q1	Q2	Q3	Q4	19/20
IT Network					
IT uptime (%)	99.91	100	99.66		99.36
Working hours lost	0.09	0	0.3		631.8
Average time lost per person (minutes)	0.67	0	2.67		2hrs

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

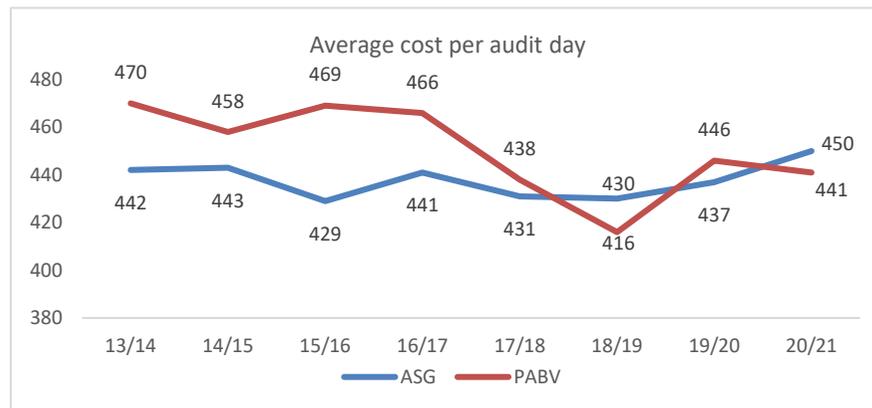
- 88.26% of the 831 requests were accepted within the response time SLA.
- 89.94% of the requests were closed within the fix time SLA.
- An average of 2.5 incidents were logged per user.

**Business group audit and non-audit time:**

Audit time defined is any time charged through TRS/MKI to an approved audit (overviews, performance audit, BVARs, 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 and correspondence. Non audit time includes time off, corporate forums, improvement projects and learning and development.

During Q3 business group audit time was higher than in Q3 2019/20 for ASG. This reflects the shift in timing of the peak period for financial audits.

	20/21 (%)				19/20 (%)			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
ASG	62	65	63		67	71	57	63
PABV	58	65	62		72	74	64	73



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

Key Performance Questions	2018-19				2019-20				2020-21			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Are we managing information and intelligence effectively (Internal)	Y	Y	G	G	G	G	G	G	G	G	G	

**Key messages**

The Audit Scotland Incident Management Team (IMT) has been in operation since March 2020 in accordance with the Business continuity Plan. The IMT is maintaining oversight of information and intelligence, the impact on financial and performance audit programmes, and ensuring the wellbeing of colleagues and audit quality is at the core of its thinking. Clear and regular communications have been a priority over the course of the pandemic.

**Forward look**

The Best Companies survey results will be available in March and April, these will provide a valuable insight to our colleagues' views around this objective.

The Strategic Improvement Programme contains a number of projects and workstreams which will deliver/support improved use of intelligence. These include:

- The Digital Audit Strategy.
- The new Digital Services Strategy (focussing on cyber security, virtual business and digital transformation and including a new Business Management System).

Key performance questions	2018-19				2019-20				2020-21			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Are our people empowered and engaged?	G	G	G	G	G	G	G	G	G	G	G	
Are our people highly skilled?	G	G	G	G	G	G	G	G	G	G	G	
Are people performing well?	G	G	G	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	G	G	G	
Are career paths offered across the organisation?	G	G	G	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	G	G	G	

**Key messages**

- Wellbeing of colleagues continues to be a priority and preparations took place in Q3 for Wellbeing clinics to be run during Q4.
- We continue to deliver training to colleagues and the numbers to date are similar to last year.
- There were 127 exams taken with a pass rate of 80 per cent.

**Forward look**

- People strategy (including workforce plan and learning and development strategy) to be finalised in Q4.
- The Best Companies survey results will be available in March and April, these will provide a valuable insight to our colleagues' views around this objective.

**Highly Skilled**

- PDGG discussing L&D Strategy and plan in February 2021
- Management Development training scheduled over coming months:
  - 2 x Managing Performance clinics scheduled for February and March 2021
  - 2 x Feedback coaching clinics scheduled for March and April 2021
  - 2 x Delegation coaching clinics scheduled for May 2021
  - 2 x Managing Dispersed Teams clinics scheduled for June 2021.

**Wellbeing**

- HSW Committee meeting on 03/02/21 to discuss 2021 priorities.
- 2 x 'How Wellbeing Works' sessions scheduled in February 2021 (one for colleagues, one for managers).
- 2 x 'How to have a wellbeing conversation' coaching clinics scheduled for managers in January and February 2021.

**Career Paths:**

- CDG applications to be submitted by late January 2021. This is to provide additional resource/capacity and to supplement recruitment campaign

Vacancies filled	20/21 YTD	19/20
Internal	6	19
External	16	35
Total	22	54

**Absence levels:** Remain low but there is a small increase compared to Q3 last year.

	Q1 days	Q2 days	Q3 days	Q4 days	ytd days
<b>Audit Scotland – 20/21</b>	1.63	1.66	1.67		4.96
Audit Scotland – 19/20	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

**Staff turnover:** All leavers are lower than Q3 2019/20 (2019/20 resignations 0.33 and all leavers were 1.98%). The whole year turnover is currently projected to be similar to last year and is expected to be below the CIPD benchmark.

	Q1	Q2	Q3	Q4	YTD	19/20	CIPD benchmark
Resignations %	1.39	0.35	0.35		2.09	3.34	
All Leavers %	2.43	0.71	0.35		3.49	6.32	

**Exam results:** There were 121 exams with a pass rate of 80 percent.

	Q1	Q2	Q3	Q4	YTD	19/20
Exams taken	27	8	121		156	122
Exams passed	21	7	97		125	102
% pass rate	78	88	80		80	84

**Highly skilled** – Due to the higher number of technical training events the total number of events in quarter two are higher than normal as they reflect all staff completing Homeworkers training and all PABV staff completing the Audit Management Framework training.

	Q1		Q2		Q3		Q4		YTD		19/20	
	Events	Attendees	Events	Attendees	Events	Attendees	Events	Attendees	Events	Attendees	Events	Attendees
Health & Safety	0	0	0	0	1	15			1	15	9	117
Knowledge Cafes	0	0	1	25	0	0			1	25	13	154
Learning & Development	0	0	1	287	10	132			11	419	13	184
Management Development	6	30	1	3	6	49			13	82	16	71
Organisational Development	5	20	11	89	3	6			19	115	19	94
Technical Training	17	355	8	122	2	12			27	489	28	437
<b>Total</b>	<b>28</b>	<b>405</b>	<b>22</b>	<b>526</b>	<b>22</b>	<b>214</b>			<b>72</b>	<b>1145</b>	<b>98</b>	<b>1057</b>

## Purpose

1. This report updates the Board on the latest results of the Best Companies Survey and highlights next steps.
2. Audit Scotland has been accredited as a One-Star organisation for the first time with a score of 639.5 with increases across all eight engagement factors measured by the survey. This is a significant result particularly in the context of 2020 working arrangements.
3. This report invites the Board to consider and comment on the results.

## Background

4. We first took part in the Best Companies survey in 2009, reporting the results in early 2010. This is our twelfth year taking part in Best Companies. The survey is one way in which we assess levels of engagement and listen to feedback from colleagues. The results help to support dialogue, exploration and discussion about how to make Audit Scotland a better place to work and deliver world-class public audit in a sustainable manner.
5. Colleagues participate anonymously and this latest survey was completed in January 2021.

## Context

6. The year 2020 has been extraordinary for everyone. The Board have received regular updates on the impact of Covid-19 for colleagues, our business and clients. Audit Scotland's leadership team has prioritised the safety and wellbeing of colleagues, adjusting our audit delivery programme accordingly. The support of Board members has been appreciated.
7. Colleagues have responded with incredible commitment and professionalism. They have adjusted rapidly to new ways of working, including remote auditing, the concept of dispersed teams, working from home and delivering our audits despite the huge disruption and anxiety caused by Covid-19 and the necessary public health restrictions.
8. This disruption has affected our clients, stakeholders and partner organisations – including Best Companies themselves. The late-2020 engagement survey was delayed through to January 2021 due to the impact of Covid-19 on Best Companies and their survey participant organisations.

## Best Companies Results summary

9. We have sustained an exceptionally high participation rate – 83 per cent of colleagues took part (252 out of 305 colleagues). Our participation rate is well above the Best Companies average of around 70 per cent.
10. After eleven years of being 'Ones to Watch', this year Audit Scotland has been accredited as a One-Star organisation for the first time. Our Best Company Index (BCI) score is 693.5 which is our highest score to date by a considerable margin. It sees a significant increase of 54.2 points against our last November 2019 survey, which was itself an all-time high for Audit Scotland. The latest result bring us to within three points of being a Two-Star accredited organisation. An increase like this in one year is remarkable, and to place this into context, it doubles our highest increase previously (24.3 points). Appendix 1 provides a graphic outlining this progress, and further detail on the five-year trend across the eight main survey themes.
11. For the first time in our Best Companies survey history, all eight factors have seen an improvement. Most notable is Fair Deal; this has seen a very significant increase of 13% and has jumped from being our lowest scoring factor to fifth out of eight. Other factors which have seen a significant improvement

are My Company (+8%) and Wellbeing (+8%). With respect to Wellbeing, this reverses the four-year downward trend we observed in 2019.

12. In addition to sharing Audit Scotland's high-level results with colleagues in March, this data will be shared and discussed with the PCS union on the 25 March 2021. The local PCS Branch is supportive of our work in this area, and each year works collaboratively with us to understand, explore and make the most of the learning we can take from the results.
13. Our new accreditation will be featured in the April edition of abacus and Best Companies will present further insights to Leadership Group on 1 April 2021.

## Conclusion

14. The results reflect the significant efforts of colleagues at Audit Scotland over the last twelve months to support each other, maintain wellbeing and work through considerable uncertainty. In other reports to the Board the significant delivery of audit work is reported.
15. We intend to build on this achievement, using it as the springboard for our strategic improvement programme, Our plan, to help shape how we work in a post-pandemic world.

## Next steps

16. Management Team will be working with Leadership Group members as we consider this data alongside other intelligence we already have about our people and the running of our business. Data will be used by local business groups and individual teams to help inform their continuous development during 2021.
17. The Best Companies data will also be used to inform Our plan, including the supporting people strategy for 2021.

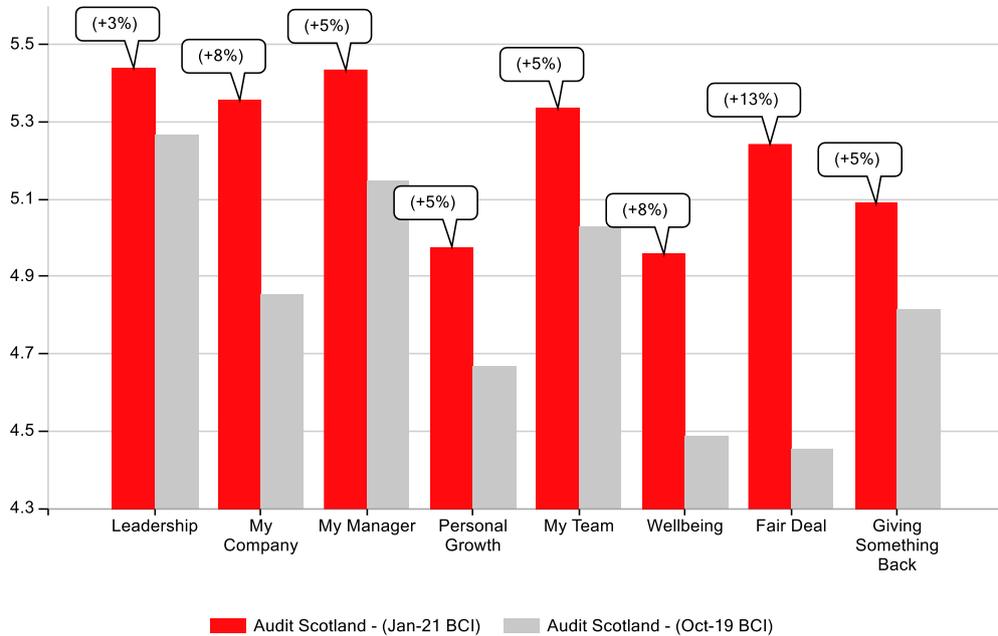
## Recommendations

18. The Board is invited to consider and comment on the results of the Best Companies Survey.

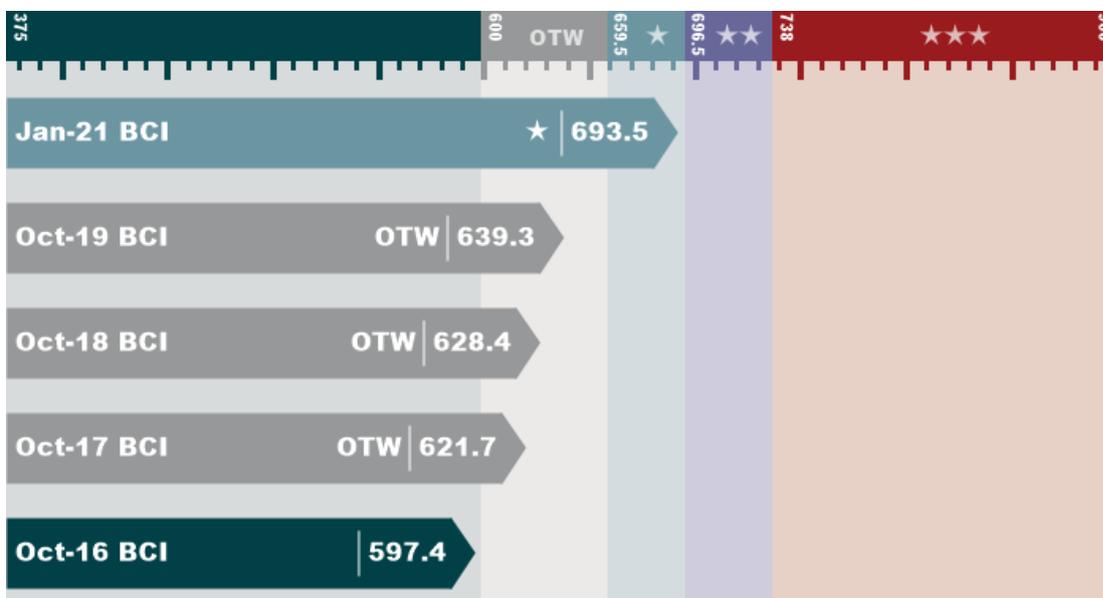
# Appendix 1

24 March 2021

## January 2021 and October 2019: Comparison by factor

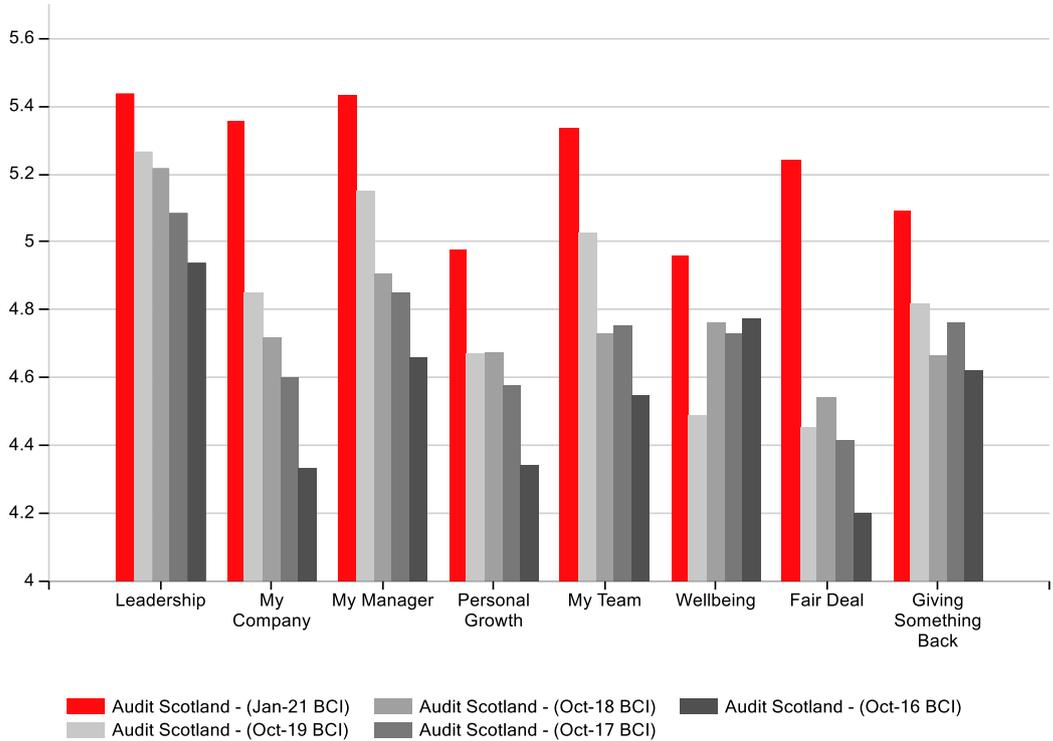


## Best Companies Index score: 2016 - 2021



**Five-year trend**

The red bar represents our score in January/February 2021 (out of a maximum of seven).



## Purpose

1. This report provides an update on key developments surrounding financial devolution and constitutional change, including Audit Scotland's response and organisational arrangements.

## Background

2. We provide six-monthly updates to the Board on financial devolution for the Board's information, outlining relevant developments affecting the Scottish public finances and what these mean for the work of Audit Scotland. We provided the last update in September 2020. Significant developments since then include:
  - The impact of the Covid-19 pandemic on the Scottish public finances and significant changes to the Scottish budget.
  - The proposed Spring Budget Revision for 2020/21 and the proposed Scottish Budget for 2021/22 have been announced.
  - The Scottish Government has continued to take on wider social security powers and introduced the first component of the Scottish Child Payment at the start of 2021.
  - The UK has left the European Union.

## The impact of Covid-19 on the public finances

3. The pandemic is placing huge demands on the Scottish public finances. Under the Scottish Government's fiscal framework additional Barnett consequential of £9.7 billion have been added to the Scottish budget in 2020/21. These are based on spending decisions in England taken by the UK Government and the Scottish Government decides how to apply these in devolved areas. It has spent broadly in line with the UK, though it has targeted some aspects to specific needs in Scotland or to align with existing policy priorities.
4. Funding for Covid-19 has built up during the year and applied as both governments respond to the emerging picture. The accumulation of Barnett consequentials and overlapping UK and Scottish Government spending announcements has further increased the complexity and volatility affecting the Scottish public finances during the year. The increases in block grant were spread unevenly throughout the year. The Scottish Government has decided to carry the most recently announced UK funding of £1.1 billion to 2021/22.
5. The introduction of Barnett guarantees during 2020/21 meant that the UK Government committed to levels of funding to the Scottish budget during the year, in advance of potential UK spending announcements that generate specific consequentials. This provided some earlier certainty to the Scottish Government over aggregate funding levels against which to make its own Covid-19 spending announcements. But also provides challenges and complexities in other respects, as it is not clear what UK spending the guaranteed funding relates to. If the Scottish Government commits this funding to its own spending initiatives, those funds would not be available to match any UK spending announcements made later.
6. We estimated that the Scottish Government made over 170 Covid-19 related announcements between March and December 2020. The figures announced will not link directly to what is added to the budget for 2020/21, because some announcements are spread over multiple years, some programmes have underspends that are then recycled into other projects and some demand led projects do not include estimates of the required spending in the announcements.

7. The Scottish Government has sought changes to the existing fiscal framework, including additional borrowing powers, to help it respond to the financial impact and uncertainties of the crisis. These have not been agreed by the UK Government.
8. As more spending and funding announcements are made, and as the Scottish Government move into post-vaccine recovery phase, tracking the budget will become more complex, as spending links more widely with economic development issues, and other government goals. This means that transparency over spending pressures, and the governance arrangements within public bodies charged with disbursement of this spending, must be maintained.
9. Our Scottish exchequer team is tracking the developing financial position, and the emerging financial and performance risks. A key innovation to support this work has been the development of a Covid-19 spending dashboard. This is available internally to all audit staff enabling teams across the organisation to explore detailed spending announcements for their area of interest. A video demonstrating the dashboard is available [here](#) (internal users only). This information is being used to help develop our work programme and risk assessment at individual public bodies. Consideration of the impact of Covid-19 is now an integral feature of all our auditing.

### Spring Budget Revision 2020/21

10. The Scottish Government has recently published its third budget revision of this financial year, its Spring Budget Revision (SBR). The Scottish Government's 2020/21 approved budget has increased by a net £7.1 billion in total since the beginning of the financial year, primarily because of the additional spending required to cover the costs of the Covid-19 pandemic. Budget revisions include a range of technical amendments alongside changes to spending programmes. All £8.6 billion of Barnett consequentials arising in relation to Covid-19 have now been deployed in the 2020/21 Scottish budget or deferred to 2021/22.

### Scottish Government budget for 2021/22

11. The Scottish Government announced its proposed Scottish budget for 2021/22 was on the 28 January 2021. This set a total budget of £54 billion, a cash terms increase of 9 per cent on the previous year's baseline. This included £1.8 billion of spending for Covid-19. The timing of the budget was disrupted this year due to Covid-19, departing from the agreed timetable established following recommendations of the Budget Process Review Group, restricting the opportunity for Parliamentary scrutiny and increasing budget uncertainty for local government.
12. This budget was set in the context of uncertainty over the amount of money the Scottish Government would have to spend in the year. This was because the UK Budget had been pushed back to 3 March, after the Scottish budget. This meant that the Scottish Government had to make its budget proposals without a clear idea of what funding it would receive from the UK Government (though some information was provided about this at the UK Spending Review in November 2020), or what tax policies the UK Government would set. This made it harder for the Scottish Government to set its own tax policies, particularly for Scottish Income Tax (which needs to be set before the year-end) or introduce its desired policy of 100 percent Non-domestic Rates relief for businesses most affected by the pandemic.
13. In advance of the Stage 1 debate on the budget, the UK Government announced a further £1.1 billion in Barnett consequentials for 2020/21. The Scottish Government intends to apply the latest announced 2020/21 Barnett consequentials of £1.1 billion to its 2021/22 budget, and this has been agreed with HM Treasury.
14. The Cabinet Secretary for Finance has announced that this additional spending will be used to support a range of programmes in 2021/22, including providing full rates relief for properties in the retail, hospitality, leisure and aviation sectors to cover all of 2021/22. Additional funding will also be given to education, to provide support to low-income households, and extra support for mental health and to reduce waiting times.
15. The Stage 1 debate was held on the 25 February. This passed with the support of the SNP, Labour and the Liberal Democrats, with the Conservatives voting against and the Green Party abstaining. This budget is different than most years, with more focus on the Stage 2 and 3 of the bill process, which will be held in the week beginning 8th March.

## Developments following the UK budget

16. The UK Budget was announced on 3 March. This set out further support of £65 billion in 2020/21 and 2021/22 for Covid-19. This included the continuation of furlough until September, a fourth grant for self-employed people, and the continuation of the £20 uplift in Universal Credit, for a further six months. The UK Budget confirmed an additional £1.2 billion of Barnett consequential for the Scottish Budget. The Scottish Government had anticipated £500 million of this funding in its budget proposals.
17. On 8 March the Scottish Government agreed a Budget deal with the Scottish Green Party and the Liberal Democrats in advance of Stage 3 of the Budget Bill. This included a range of initiatives, including:
  - Pandemic Support Payments to households receiving Council Tax Reduction and families of children qualifying for free school meals.
  - The phased introduction of free school meals to all primary school children by August 2022.
  - An £800 pay rise for public sector workers earning up to £25,000, and a 2% increase for those earning over £25,000 up to £40,000.
  - £40 million to support the green recovery.
  - A just transition training fund for the North East.
  - A commitment to protect specialised eye services in Lothian.
18. The Scottish Fiscal Commission noted that with the exception of public sector pay, the deal is funded from the additional UK Government funding.<sup>1</sup> The deal on public sector pay is estimated to cost £100 million but will depend on the deals reached with different workforces, and the Scottish Government plan to revise the Budget during the year to account for this.
19. For Stamp Duty, the tax holiday will continue until June 2021 for residential property purchases up to £500,000 in England. In Scotland, the LBTT holiday (which applies a zero rate to residential properties up to £250,000) will end this month. The Cabinet Secretary for Finance has linked this to the decision in Scotland to extend some key Non-Domestic Rating reliefs to the whole of 2021/22, beyond the extension period proposed by the UK Government.
20. Finally, for income tax, the Chancellor announced that income tax Personal Allowance and higher rate threshold will be uprated in line with inflation for 2021, then maintained at those levels until 2026. The Scottish Government does not have devolved powers over the personal allowance, but had otherwise kept the rates and thresholds the same as last year and increased its top rate threshold by inflation.

## Scotland specific shock

21. In the Scottish Budget 2021/22, the Scottish Government announced that the Scotland specific shock powers have been triggered based on Office of Budget Responsibility (OBR) and Scottish Fiscal Commission economic forecasts. These powers were set out in the Fiscal Framework in 2016 and have been triggered for the first time. They are now available because, on a rolling four quarter basis:
  - Annual GDP growth in Scotland is forecast to be below 1.0 per cent; and
  - growth in Scotland is forecast to be 1.0 percentage point or more below the UK.<sup>2</sup>
22. The difference in the forecasts of UK and Scottish growth means the resource borrowing limit increases from £300 million to £600 million and the drawdown limits from the Scotland Reserve are removed for the next three years. The capital borrowing limits are unchanged.
23. Once the shock criteria were triggered the Scottish Government has access to the additional flexibilities and is using these to support its budget plans. It was expected that once the Office of

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<sup>1</sup> [Scottish Fiscal Update](#), Scottish Fiscal Commission, 9 March 2021

<sup>2</sup> For more information on the Scotland specific shock, please see [Scotland's Economic and Fiscal Forecasts](#), p34, Scottish Fiscal Commission, January 2021

Budget Responsibility (OBR) updated their forecasts at the time of the UK Budget, the conditions for the Scotland specific shock would no longer apply and the difference between UK and Scottish growth would not be forecast to be as significant. The OBR were able to draw on more data on economic activity and the vaccine rollout than the SFC had access to in January. The OBR's forecasts are more positive and the Scotland-specific economic shock is still forecast. The SFC have noted that they still consider Scottish and UK economic outlook to be similar, and that the Scotland-specific shock is still at least partly due to timings of forecasts.<sup>3</sup>

## Medium term outlook

24. The Scottish Government published its latest medium-term financial strategy (MTFS) alongside the 2021/22 Scottish budget.<sup>4</sup> This sets out its assessment of Scotland's economic and fiscal outlook, as well as a broad spending outlook considering the effect of changing funding levels for government spending. The strategy includes broad funding and spending scenarios and sets out the Scottish Government's overall priorities. There is no information about planned spending options and how these could affect outcomes. We will report on the MTFS through our audits in due course.

## Social Security powers

25. The Auditor General for Scotland published his section 22 report on Social Security Scotland's 2019/20 audit in December 2020.<sup>5</sup> As was the case in 2018/19, the independent auditor's report included a qualified opinion on the regularity of expenditure and income because of overpayments of Carer's Allowance attributable to error and fraud. Expenditure resulting from such overpayments was not incurred in accordance with the Social Security Contributions and Benefits Act 1992.
26. Administrative responsibility and accountability for the benefits - executive competence - has been devolved in stages. For the 2019/20 audit year, the Scottish Government was responsible for Carer's Allowance, Sure Start Maternity Grant (which it has replaced and extended with Best Start Grants) and Funeral Expenses Payment (which it has replaced with Funeral Support Payment). Social Security Scotland also administered three Scottish only benefits, Carer's Allowance Supplement, Young Carer Grant and Best Start Foods. Executive competence for most remaining devolved benefits transferred on 1 April 2020, at which point Social Security Scotland became accountable for approximately £3.5 billion of annual social security expenditure. The Scottish Government has agreed that the DWP will continue to administer Carer's Allowance and other benefits on its behalf, until it is able to directly administer them.
27. On 1 April 2020 the Scottish Government announced changes to its delivery timetable for the remaining devolved benefits due to the impact of the Covid-19 pandemic. Further announcements followed in August 2020 for the delivery of the Scottish Child Payment and Child Winter Heating Assistance. In November 2020 the Scottish Government set out its revised delivery plans for Child Disability Payment and Adult Disability Payment. An updated timeline for delivery of the remaining benefits is set out below. The Scottish Child Payment for children under six opened for applications in November 2020, with first payments being made in February 2021.

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<sup>3</sup> *ibid*

<sup>4</sup> Scotland's Fiscal Outlook: The Scottish Government's Medium Term Financial Strategy, Scottish Government, January 2021

<sup>5</sup> The 2019/20 audit of Social Security Scotland, Auditor General for Scotland, Dec 2020

Figure 1 Timelines for the delivery of Scottish social security benefits

Wave 2 benefits	Delivery date pre Covid-19	Revised delivery
Severe Disablement Benefit Allowance <sup>1</sup>	April 2020	April 2020
Scottish Child Payment (under 6s)	Applications: Autumn 2020 Payments: Christmas 2020	Applications: November 2020 Payments: February 2021
Winter Heating Assistance – Children	By end 2020	November 2020
Child Disability Payment	Summer 2020	Pilot: Summer 2021 Full roll out: Autumn 2021
Adult Disability Payment	Early 2021	Pilot: Spring 2022 Full roll out: Summer 2022
Carer's Additional Child Payment	Early 2021	 <p>Delivery timetable being revised - dates to be announced</p>
Pension Age Disability Payment	End of 2021	
Cold Spell Heating Assistance	Winter 2021	
Winter Heating Assistance – Older People	Winter 2021	
Scottish Carer's Assistance	Early 2022	
Industrial Injuries Disablement Benefit	Autumn 2022	
Scottish Child Payment (under 16s)	End of 2022	

28. The 2021/22 budget includes around £3.6 billion of spending for devolved social security payments. This makes it the third largest area of the budget after health and local government. The Department for Work and Pensions will administer £3.3 billion of this, and £158 million will be administered by Social Security Scotland.<sup>6</sup> Devolved social security spending is forecast to grow from £3.6 billion in 2021/22 to £4.3 billion in 2025/26. However, this doesn't take into account that the Scottish versions of DWP benefits could be more expensive. SPICe note that: "the Scottish Government is focusing on 'safe and secure' transfer and not proposing large scale changes. However, given the scale of [Personal Independence Payment], small differences of policy could still have a big impact."<sup>7</sup>
29. Our integrated social security team is now well established, enabling us to take a strategic approach to the financial and performance audits of social security, including Housing Benefit performance auditing undertaken on behalf of the Accounts Commission.

## EU exit

30. The UK Government and the European Union reached agreement about their future trading relationship and the governance of that relationship on 24 December 2020. Following parliamentary scrutiny on 30 December 2020, the agreement became law. The UK completed its transition out of the European Union at 2300 on 31 December 2020. New border arrangements between the UK and EU member states came into force immediately, along with new arrangements within the UK to maintain the status quo at the border between the Republic of Ireland and Northern Ireland.
31. The agreement meant that immediate concerns about the supplies of food, medicines and medical equipment into the UK without an agreement ("no deal") were alleviated. There does not appear, to date, to have been an immediate impact on the flow of imports but this may have been offset by stockpiling in advance of the end of 2020. During January 2021 there were significant border problems affecting fisheries exports, trade between Northern Ireland and Great Britain, and other

<sup>6</sup> This does not include spending for Child Disability Payments. If child Disability Living Allowance cases are transferred quickly, this could change for 2021/22.

<sup>7</sup> Social Security Budget 2021-22, SPICe, February 2021

trade. The Scottish Fiscal Commission expect many of these problems to be short lived, but this highlights the border frictions caused by EU exit, and why international trade is forecast to grow more slowly in the future.<sup>8</sup>

### Implications for the Scottish public sector

32. We have previously identified people, finance and the economy and rules and regulations as the three key areas of long-term uncertainty associated with EU exit for the public sector. At a strategic level, these three areas remain the most significant.
33. Within the public sector, the NHS, teaching and higher education may be affected by reductions in the number of workers wishing to come to the UK from the EU. Overall, social care is likely to be the most critically affected area, especially in the privately operated part of the sector. In the longer term it is unclear what effect exit from the EU and the UK government's revised migration policy will mean for migration into Scotland.
34. It has always been predicted that for certain policy areas (food and environmental standards), there would be significant regulatory changes associated with EU exit and this has proven to be the case. The provisions of the UK Internal Market Act (UKIMA) provide for an integrated, single market with common standards across the whole of the UK. This may mean that areas that have previously been devolved to the Scottish Parliament may return to Westminster.
35. Under the UKIMA UK Ministers also now have a new power to provide direct funding for activities and infrastructure in Scotland, including in devolved areas, without the funding passing through the Scottish Consolidated Fund. This enables some funding streams replacing those previously provided by the EU (including structural funds) to be provided on a whole of UK basis.
36. On 24 February 2021 the UK Government announced that its Levelling Up Fund would be extended to the whole of the UK. The Chief Secretary to the Treasury, said that "communities in Scotland, Wales and Northern Ireland will now all benefit from at least £800 million of investment by the UK Government for town centre and high street regeneration, local transport, cultural and heritage projects". The fund will invest in local infrastructure and will run from 2021/22 to 2024/25. Previously it had been thought the Fund would be England only, leading to Barnett consequential (estimated £400 million) that would be assigned as part of the Scottish Government's budget.
37. Further details on how the Fund will operate were published at the UK Budget – including who can bid, the types of projects eligible for funding, and the criteria for assessing proposals.

### Implications for the Scottish economy

38. The Scottish Fiscal Commission published their updated forecasts for the Scottish economy alongside the Scottish budget on 28 January 2021. The January 2021 forecasts include the same judgements about EU exit as had been used in their recent forecasts, based on a smooth transition to a new free trade agreement with the EU. These assumptions are broadly in line with those used by the Office of Budget Responsibility in its November 2020 forecast for the UK.
39. The SFC notes: "the deal eliminates the immediate uncertainty around the outcome of the negotiations which has affected our recent forecasts, but there remains significant uncertainty about the long-run effects of Brexit on the Scottish economy."<sup>9</sup>
40. The January 2021 forecasts capture the effects of EU Exit through three main channels:
  - Productivity – SFC forecast slow growth in productivity, in part because of EU exit.
  - Trade – SFC forecast slower growth in Scottish international trade from the end of the transition period.
  - Migration – the SFC forecast Scottish population growth to slow over the next few years, in part because of EU withdrawal.

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<sup>8</sup> Scotland's Economic and Fiscal Forecasts, Scottish Fiscal Commission, January 2021

<sup>9</sup> *ibid*

## European Agricultural Funds Accounts (EAFA)

41. The Scottish EAFA accounts for Financial Year (FY) 2020 were certified by the Comptroller and Auditor General, Gareth Davies, on 26th February 2021. We expect to receive clearance of accounts queries from the European Commission (EC) imminently. Based on previous experience we anticipate that these queries will be agreed by June 2021.
42. Following the UK's departure from the EU on 31 January 2020 the UK ceased to receive funding through the European Agricultural Guarantee Fund (EAGF) from 16 October 2020. Due to different regulatory arrangements, access to funding under the European Agricultural Fund for Rural Development (EAFRD) will continue for a further three years (to 15 October 2023). The UK Paying Agencies are required to submit audited accounts during this period.
43. For FY 2021 (to 15 October 2021) we estimate a resource requirement of 1,600 audit days (FY2020: 2,300 audit days). The audit fee for FY2021 is forecast to be £0.710m (FY2020: £1.034m). The audit team is currently undertaking planning work for the FY2021 audit. In doing so they are working closely with colleagues at the other UK audit agencies to identify areas for efficiency and to understand any ongoing commitments as a result of prior year derogations. If efficiencies are agreed the audit fee for FY2021 will be reduced.
44. Projections provided by the UK Co-ordinating Body (UKCB) estimate that EAFRD funding will reduce significantly to £39.1m in FY2021 and again to £2.2m in FY2022. Due to the prescribed nature of the certification guidelines there is unlikely to be a corresponding reduction in the resource requirement or audit fee for FY2022 and FY2023. In short, the level of input required will not be commensurate to the amount of expenditure being audited. The Senior Audit Manager is engaging with colleagues at the NAO and UKCB to explore potential solutions to this issue.

## Audit arrangements

45. In March 2019, the Scottish and UK Governments published a framework for audit and accountability arrangements for devolved services provided by UK public bodies (such as HMRC and DWP). The framework is an annex to the Fiscal Framework agreed between the governments. It sets out the arrangements for ensuring that public services in Scotland can be properly audited to help the UK and Scottish Parliaments hold public bodies to account.
46. Since the framework was finalised, we have engaged very positively with colleagues in the NAO to develop and agree audit arrangements in key areas. We have established initial arrangements with the NAO for both the financial and performance audits of devolved social security powers, to allow us to obtain evidence about areas administered by DWP on behalf of the Scottish Ministers. This is working well, and we continue to work constructively with them to develop arrangements further as more social security powers are devolved. We work with the NAO to provide assurance to the Scottish Parliament on HMRC's administration of Scottish income tax (see below).
47. VAT assignment to the Scottish budget was due to start from April 2021 but has been postponed until April 2022. This delay was requested by the Scottish Government and has been agreed by HM Treasury. Prior to the delay, we had been discussing with NAO how assurance over VAT assignment could be provided. This resulted in agreed preliminary outlines of possible assurance work. Discussions have been temporarily paused following the delay.

## Audit reporting

### Scottish Government 2019/20 Audit

48. The Scottish Government Annual Audit for 2019/20 and the [Section 22 report](#) were published in mid-December 2020. Net spending for the year across the government's consolidated accounts was £39,385 million - £669 million more than budget. The overspend was because of accounting for two large business support schemes agreed in March that cost £912 million. The audit opinion on the accounts was unqualified.
49. The Auditor General for Scotland gave [evidence](#) on the Section 22 to Public Audit and Post-Legislative Scrutiny Committee (PAPLSC) in mid-January. The committee discussed the Section 22 report's recommendations on establishing a framework for future strategic interventions which would consider all lessons learned from recent high-profile investments in Ferguson Marine, BiFab, and

Prestwick Airport. The Auditor General for Scotland outlined the process for the production of the 2020/21 consolidated accounts and discussed the medium-term financial strategy.

## Social Security 2019/20 Audit

50. The Auditor General for Scotland published his section 22 report on Social Security Scotland's 2019/20 audit in December 2020.<sup>10</sup> As was the case in 2018/19, the independent auditor's report included a qualified opinion on the regularity of expenditure and income because of overpayments of Carer's Allowance attributable to error and fraud. Expenditure resulting from such overpayments was not incurred in accordance with the Social Security Contributions and Benefits Act 1992.
51. The Auditor General for Scotland and team [provided evidence to PAPLSC](#) in mid-December. The committee asked questions relating to fraud and error, the agency's digital infrastructure, the impact of Covid-19 on the uptake of benefits, and the number of people employed by the new agency.

## Income tax

52. The Comptroller and Auditor General is required to [report](#) to the Scottish Parliament on HMRC's administration of Scottish income tax each year. The Auditor General also provides [additional assurance](#) on the NAO's audit work on Scottish income tax, and the additional assurance relating to the 2019/20 audit of Scottish Income Tax was published in January 2021.
53. The Auditor General for Scotland and the Comptroller and Auditor General and colleagues provided [evidence](#) to the PAPLSC in early February. The Committee asked questions relating to the implications of Covid-19 on Scottish Income Tax revenues and the impact this might have on the Scottish budget, the need for more accuracy in modelling in some areas, the treatment of savings and dividend income and the informal economy.

## Tracking the implications of Covid-19

54. On 24 February we published a [briefing](#) for the Auditor General for Scotland Tracking the implications of Covid-19 on Scotland's public finances. The briefing is part of a series of work that we are undertaking relating to Covid-19 and its impact on Scotland. It provides a snapshot of the position at the end of December in advance of the Spring Budget Revision. PAPSLC is taking evidence on the briefing on 11 March 2021.

## Finance and Constitution Committee legacy working group

55. Mark Taylor (Audit Director) was invited to take part in the Finance and Constitution Committee (FCC) legacy expert [panel](#). Other members of the expert panel included representatives from ICAS, Fraser of Allander, the Institute for Government, and the University of Edinburgh. The group published its report in January 2021. This recommended that:
  - The timing of key budget outputs for 2021/22 should be set out as soon as possible.
  - The successor Committee considers inviting the Scottish Fiscal Commission to publish a long-term fiscal sustainability report at least once during each session of the Parliament.
  - The current committee structure needs to be reviewed to address the step-change in devolution which has occurred over the past decade.
56. The Convener of the FCC welcomed the report and commend the relevant recommendations in the report for consideration by the Parliament and the Scottish Government.

## Organisational arrangements

57. The 2012 and 2016 Scotland Acts introduced new financial powers for the Scottish Parliament. Financial devolution introduced new responsibilities for Audit Scotland in areas where we had limited skills and experience, such as taxes and welfare benefits. We responded to this through our New Financial Powers and Constitutional Change (NFPCC) organisation change programme. The remit of the programme widened as a result of EU withdrawal. This programme has enabled us to maximise our contribution over the past five years as the new powers were implemented and ensured that we

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<sup>10</sup> [The 2019/20 audit of Social Security Scotland](#), Auditor General for Scotland, Dec 2020

had the skills and capacity across the organisation to fulfil our responsibilities effectively in a period of fundamental change to the Scottish public finances.

- 58.** The NFPCC strategic group continues to meet regularly to consider our response to ongoing developments. Much of the original work of the programme has been mainstreamed into our audit teams. The NFPCC programme of work has significantly changed how Audit Scotland works and the issues we cover. We have recently been reviewing the lessons learned from the NFPCC change programme. We expect to share the findings from this review and plans for the evolution of the programme at our next update to the Board.

## **Conclusion**

- 59.** The Board is invited to note the content of this report.

## Purpose

1. This report provides Board members with an overview of the findings from the Corporate Governance review of Board arrangements, which are for submission to the Board meeting on 24 March 2021.

## Background

2. The Board of Audit Scotland is committed to strong corporate governance and continuous improvement, and the Board has always welcomed internal and external reviews.
3. The Board's Standing Orders, the Scheme of Delegation, the Financial Regulations and the Codes of Conduct for Employees and Members are reviewed on an annual basis.
4. In 2019 the Scottish Commission for Public Audit (SCPA) undertook a review of Audit Scotland's governance arrangements. The SCPA published the report on the findings of the review on 26 June 2019.
5. The review concluded that:

'There is significant evidence to confirm that the Board of Audit Scotland has established robust governance arrangements that contribute to robust leadership, challenge and scrutiny. The existing Board members work well together contributing to the Board's overall effectiveness. Looking forward, whilst acknowledging the uncertainties inherent with significant change, Board members are currently adequately equipped in terms of resources, capacity and preparedness.'
6. On 18 September 2019 the Board considered a report on the outcome of the review. The review made eleven recommendations overall, most of these related to the SCPA. It made recommendations to Audit Scotland on matters relating to quorum, directions and attendance at Audit Committee. These were considered by the Board and the Standing Orders were updated to reflect the recommendations as appropriate.
7. The [Standing Orders](#) were updated as part of the annual review of corporate governance policies, tabled at the 30 September 2020 meeting alongside the Financial Regulations, Scheme of Delegation, Codes of Conduct for Members and Code of Conduct for Employees. Following the annual review, the Standing Orders have remained under review at each Board meeting, given that pandemic-related restrictions remain in place and consequently some Standing Orders remain suspended.
8. The Board also agreed to a focused review of specific corporate governance arrangements, in addition to the annual review of corporate governance policies. It was agreed that the scope of the focused corporate governance review would be considered by the Board at its meeting on 25 November 2020 as this would allow new members to settle into their roles and better inform the scope of the review.
9. Governance arrangements are also reviewed through the programme of internal audits carried out by BDO. A specific [audit](#) on corporate governance was considered by the Audit Committee at its meeting on 4 September 2019. The audit assessment provided substantial assurance in terms of design and operational effectiveness.

## Context, scope and methodology

10. The composition of the Board changed considerably over the course of 2020. Alan Alexander took over as Chair of the Board from 1 April. Stephen Boyle took over the role of Auditor General for Scotland (AGS) and Accountable Officer for Audit Scotland. Elma Murray became Interim Chair of the Accounts Commission. The Board also welcomed two new non-executive members, Jackie Mann and Colin Crosby.
11. All Board meetings and business have been conducted by MS Teams since the start of the pandemic in March 2020. This working context has impacted on the ability of new and existing Board members to

fully engage with each other and develop the working relationships that would have been possible pre-pandemic. During the last year there have been no opportunities for Board members to come together informally in the office or safely outwith the organisation.

12. The scope of the review was approved by the Board at its meeting on 25 November 2020. The areas for consideration were agreed as:
  - matters taken in public and in private
  - the minuting of meetings
  - the induction and personal development of members
  - collective Board development.
13. The Corporate Governance Manager facilitated individual review sessions with Board members during February and March 2021.

## Findings from the review

14. Through the review process it became evident that three key matters had a considerable bearing on the viewpoints shared and conclusions drawn. Firstly, the significant level of change to the Board during 2020, secondly, the organisational reliance on digital working and collaboration in response to lockdown and, thirdly, the complexity of providing a consistent personal development programme for all new executive and non-executive members.

## Matters taken in public and in private

15. The Board remains committed to openness and transparency. The default position is that all agenda items are considered in public, while recognising that on occasion it may be appropriate for some items to be taken in private. Members discussed whether there should be a pre-determined ratio for public and private matters. This was rejected as inflexible and impractical, given the varying nature of Board business.
16. Board members confirmed that the existing criteria for private items/reports not for publication remains appropriate:
  - statutory/security/legal
  - commercial sensitivity
  - effective conduct of business.
17. The Board members agreed that the minuting of items taken in private should be set out in a meaningful and transparent manner. The minute should state the item discussed in private, the reason it was considered in private and the conclusion/decision reached.
18. It was suggested that in advance of the Board meeting members may wish to confirm those items which are to be taken in private and the reason why.

## Meeting minutes

19. The Board reflected on the style, content and detail of the minutes. It was agreed the minutes should provide an overview of discussion and the decision reached. This feedback from members formally endorses the Board's informal pre-review position.
20. It was recognised that where consensus is not achieved this should be recorded.

## Induction and personal development of members

21. Audit Scotland's non-executive Board members are appointed by the Scottish Parliament and the Auditor General for Scotland and Chair of the Accounts Commission are members by virtue of their appointment to those positions. Audit Scotland does not make the appointments to the Board.

22. Each Board member brings a wealth of skills and experience to Audit Scotland. It is also important that Board members have the relevant information, support and skills to fulfil their role effectively.
23. Board members reflected on their own responsibilities in terms of identifying any knowledge gaps or areas for development and recognised the need to take responsibility to address these with support from Audit Scotland as required.
24. The Board reflected on whether a formal skills/training needs analysis was required and agreed a focused discussion on training and development needs was a more appropriate and proportionate approach. Collective Board development sessions would assist members to become more familiar with the skills and expertise of fellow Board members, and how these could best be deployed effectively.
25. The Chair of the Board is subject to an annual appraisal/review by the SCPA. The members appointed by the SCPA are appraised on an annual basis by the Chair of the Board. The Auditor General for Scotland is accountable to the Scottish Parliament and the Interim Chair of the Accountable Commission is accountable to Scottish Ministers, therefore it was considered that additional appraisal for these roles is not required.
26. In considering the arrangements which might support the ongoing development of members, it was suggested that the Board consider revisiting the 'buddy' system between the Board and the Accounts Commission which allowed for members to become more familiar with their respective areas of business.

### Collective Board development

27. Over the last two years the Board has held development sessions focused on managing relationships with key stakeholders and managing organisational risks. These sessions have typically been supported by an external facilitator.
28. Due to the constraints of remote working the next Board development session is scheduled to take place in two stages on 31 March 2021 and 10 May 2021.
29. Over the course of the next 12-24 months, Board members, in recognition of the newness of the Board, suggested that the development sessions focus on managing relationships and working together to achieve combined aims. Organisational risk, good governance and how the Board extends equality in the corporate boardroom were also proposed as future development themes.

### Other points raised

30. The Board recognised the pandemic has accelerated pre-existing trends in remote working, and the implications this has for public audit in terms of how information is consumed. The agility of Audit Scotland, and how the organisation adapts traditional approaches to remain dynamic and responsive was submitted as an additional area for the focus of Board development sessions.
31. The Board has suspended some of its Standing Orders due to the current working context, including meeting in public. It was suggested that the Board consider how meetings be conducted post pandemic, for example, should Board meetings always be face-to-face, and if so, would this apply just to the members, or extended to officers. The Board may wish to consider the emphasis on remote working implied by Audit Scotland's UK wide recruitment campaign.

### Actions/recommendations arising from the review

**32. Recommendation one:**

The Board considers how the public and private items are agreed in advance of the meeting.

**33. Recommendation two:**

The Board agrees the proposed focus of future development sessions as outlined in paragraph 29.

**34. Recommendation three:**

The Board considers how the 'buddy' system might be re-introduced to support development of relations between the Board and the Accounts Commission.

**35. Recommendation four:**

The Board discusses how future Board meetings should take place when working from home is no longer enforced.

- 36.** Depending on the outcome of the decisions Board members make, Corporate Governance will consider any changes which might be required to the Standing Orders.

**Recommendations**

- 37.** The Board is invited to discuss the findings and actions/recommendations arising from the review.

## Purpose

1. This report updates the Board on the annual review of our Data Protection policy and proposes amendments for which their approval is sought.

## Background

2. During April 2018, the Data Protection Policy was updated to reflect the introduction of the EU General Data Protection Regulations (GDPR). The Board agreed this would be reviewed on an annual basis.
3. Since the approval of the policy the Information Commissioner's Office (ICO) continues to issue regular guidance updates and clarifications in respect of the legislation. The Corporate Governance team closely monitors these with the aim of informing staff of any significant changes which would impact on operational practice.
4. In line with review timescales, the Data Protection Policy was reviewed during February 2021 and updated to reflect new ICO guidance. The refreshed draft policy is appended to this report and changes have been tracked. The policy has also been shared with the Knowledge, Information and Technology Governance Group (KITGG) for their review and feedback.
5. The review and approval process of the policy demonstrates our continued commitment to ensure our policies comply with standards. The policy will next be subject to review in March 2022 to ensure it remains fit for purpose.
6. The UK is no longer part of the European Union having formally left on 31 January 2020. From this period until 31 December 2020, the UK was in a 'transition period' to allow for negotiations on additional arrangements on trade, travel and business between the UK and EU to be concluded. During this period the GDPR still applied and given the Data Protection Act (2018) enshrined the GDPR, the UK government began to refer to the UK GDPR.
7. As part of the terms of the exit agreement reached on 24 December 2020, the EU agreed to a four-six month data bridge to allow the European Data Protection Board (EDPB) to assess the adequacy of the UK data protection regime in terms of compliance with the EU GDPR. During February 2021 there were positive indications that an adequacy decision is imminent. This draft decision provides assurance about the continuing flow data between the EU and the UK without needing additional safeguards or authorisation from a supervisory authority.

## Policy changes

8. The following changes have been applied to the policy:
  - an update on data protection following the end of transition arrangements between the United Kingdom and the European Union
  - references to the GDPR have been updated to UK GDPR to reflect that the Data Protection Act 2018 enshrined the EU GDPR.

## Recommendations

9. The Board is invited to approve the proposed amendments to the Data Protection policy.

## Data Protection Policy

Owned and maintained by:	Corporate Governance Manager				
Approved from:	April 2021	Next review:	April 2022	Version:	17

### Introduction

1. The Data Protection Act (DPA) 2018 sets out the framework for data protection law in the UK. It updates and replaces the Data Protection Act 1998 and came into effect on 25 May 2018.
2. It sits alongside the European Union (EU) General Data Protection Regulations (GDPR), and tailors how the GDPR applies in the UK - for example by providing exemptions. It also sets out separate data protection rules for law enforcement authorities, extends data protection to some other areas such as national security and defence, and sets out the Information Commissioner's functions and powers.
3. The frameworks are comprehensive and apply tough punishments for non-compliance with rules around the storage and handling of personal data

### UK GDPR

4. The United Kingdom (UK) officially exited the EU on 31 January 2020, and thereafter entered a 'transition period' which will apply until at least ended on 31 December 2020. During this time, Data Protection statutory obligations around Data Protection will remained the same to ensure the continued smooth flow of data between the UK and the EU. Within the UK, the DPA (2018) became known as the UK GDPR. ~~The Corporate Governance Team will continue to monitor and review any impending changes which will impact on the data protection regime within the UK. In the event of any changes to our statutory obligations these will be reflected as and when appropriate. This may mean that the Data Protection Policy, which is subject to annual review may be reviewed earlier than the next scheduled update of April 2021.~~
- 3-5. The UK and the EU agreed the terms of an exit agreement on 24 December 2020. As part of this, a four month 'data bridge' was established (with the potential for extending this to six months), which would allow the EU to assess the adequacy of the UK data protection regime to ensure the continued smooth flow of data between the UK and the EU. There are positive indications that the EU will provide an adequacy decision on the UK GDPR, and that this be formalised by June 2021.
- 4-6. This Data Protection Policy applies to the Auditor General, the Accounts Commission and Audit Scotland. Throughout this policy the terms 'we' and 'us' are used to refer to the Auditor General, the Accounts Commission and Audit Scotland collectively.

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

6.8. To discharge our statutory functions we collect, process, store and delete personal information covered by data protection legislation. Examples include information on current, past and prospective employees, Accounts Commission members' and previous Auditors General, clients, suppliers, correspondents, complainants, people covered by the audit process and others with whom we communicate.

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

7.1-9.1. ensuring that all personal information is processed lawfully and in compliance with current data protection legislation;

7.2-9.2. ensuring that our digital systems are secure, and that personal information will be stored securely;

7.3-9.3. implementing effective systems for ensuring the rights of individuals, such as systems for handling and responding to data subject access requests within one month or receipt (requests from individuals to access their personal information);

7.4-9.4. designing systems, processes and methods of working that protect personal information entrusted to us (privacy by design and default);

7.5-9.5. undertaking data protection impact assessments as necessary for major new projects or when considering new software;

7.6-9.6. full awareness of and on-going training in data protection legislation, its implications for our work, our data protection arrangements and our data loss/incident process;

7.7-9.7. implementing effective systems for handling security breaches and data losses;

7.8-9.8. ensuring that when we use a data processor that a written contract is in place so that both parties understand their responsibilities and liabilities;

7.9-9.9. ensuring that any data processor we use also implements appropriate technical and organisational measures;

7.10-9.10. conducting regular testing and reviews of our measures to ensure they remain effective, and act on the results of those tests where they highlight areas for improvement;

7.11-9.11. understanding that encryption can be an appropriate technical measure to ensure that we process personal data securely;

7.12-9.12. ensuring that we keep our encryption solution(s) under review in the light of technological developments.

**8-10.** Data-matching exercises as part of the National Fraud Initiative are subject to a detailed Code of Data-Matching Practice which complies with this policy.

## Definition

**9-11.** Personal data is defined as *'any information relating to an identified or identifiable natural person (data subject); an identifiable natural person is one who can be identified, directly or indirectly, in particular by reference to an identifier such as a name, an identification number, location data, an online identifier or to one or more factors specific to the physical, physiological, genetic, mental, economic, cultural or social identity of that natural person'*.

**10-12.** It applies only to living individuals and covers their personal information held on physical or digital medium.

## Data protection principles

**11-13.** The [EU 2016/679 UK](#) General Data Protection Regulation ([UK](#) GDPR) contains seven principles for processing personal information. They specify the standards that must be met when obtaining, handling, processing, transporting and storing personal information. The seven data protection principles are listed below:

**11-1-13.1.** Lawfulness, fairness and transparency;

**11-2-13.2.** Purpose limitation;

**11-3-13.3.** Data minimisation;

**11-4-13.4.** Accuracy;

**11-5-13.5.** Storage limitation;

**11-6-13.6.** Integrity and confidentiality (security); and

**11-7-13.7.** Accountability

**12-14.** In line with these principles, we will only process personal information where we have a lawful purpose for doing so and be cognisant of rules relating to exemptions that apply.

**13-15.** To comply with the seven data protection principles, we will:

**13-1-15.1.** process personal information lawfully, fairly and in a transparent manner in relation to the data subject;

**13-2-15.2.** only collect personal information for specified, explicit and legitimate purposes and not further process it in a manner that is incompatible with those purposes;

**13-3-15.3.** ensure that the personal information we collect is adequate, relevant and limited to what is necessary in relation to the purposes for which they are processed;

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

**13.5.15.5.** only keep personal information in a form which permits identification of data subjects for no longer than is necessary for the purposes for which the personal data are processed; personal data may be stored for longer periods insofar as the personal data will be processed solely for archiving purposes in the public interest, scientific or historical research purposes;

**13.6.15.6.** ensure personal information is only processed in a manner that ensures appropriate security of the personal information, including protection against unauthorised or unlawful processing and against accidental loss, destruction or damage, using appropriate technical or organisational measures ('integrity and confidentiality'); and

**13.7.15.7.** ensure that we can demonstrate compliance with [UK](#) GDPR regulations by being able to evidence the steps we have taken to secure personal data including removal / redaction. We require to have a process in place to manage any requests, but also need to have a full audit trail to prove that we undertook the proper actions.

## Disclosure of personal information

**14.16.** We will only disclose personal information to:

**14.1.16.1.** those who are entitled to the information;

**14.2.16.2.** any authority we are required to do so by law e.g. HMRC; and

**14.3.16.3.** anyone to whom we are required to disclose it, such as individuals seeking to access their own personal data.

## Rights of the individual

**15.17.** The [UK](#) GDPR provides the following rights for individuals which we as an organisation must be cognisant of:

**15.1.17.1.** The right to be informed - this covers some of the key transparency requirements of the GDPR. It is about providing individuals with clear and concise information about what you do with their personal data. Articles 13 and 14 of the [UK](#) GDPR specify what individuals have the right to be informed about.

**15.2.17.2.** The right of access - this is commonly referred to as subject access and gives individuals the right to obtain a copy of their personal data as well as other supplementary information. It helps individuals to understand how and why you are using their data, and check you are doing it lawfully.

**15.3.17.3.** The right to rectification - Under Article 16 of the [UK](#) GDPR individuals have the right to have inaccurate personal data rectified. An individual may also be able to have incomplete personal data completed – although this will depend on the purposes for the

processing. This may involve providing a supplementary statement to the incomplete data.

**15.4-17.4.** The right to erasure - Under Article 17 of the [UK](#) GDPR individuals have the right to have personal data erased. This is also known as the 'right to be forgotten'. The right is not absolute and only applies in certain circumstances.

**15.5-17.5.** The right to restrict processing - Article 18 of the [UK](#) GDPR gives individuals the right to restrict the processing of their personal data in certain circumstances. This means that an individual can limit the way that an organisation uses their data. This is an alternative to requesting the erasure of their data. Individuals have the right to restrict the processing of their personal data where they have a particular reason for wanting the restriction. This may be because they have issues with the content of the information you hold or how you have processed their data. In most cases you will not be required to restrict an individual's personal data indefinitely but will need to have the restriction in place for a certain period of time.

**15.6-17.6.** The right to data portability - The right to data portability gives individuals the right to receive personal data they have provided to a controller in a structured, commonly used and machine-readable format. It also gives them the right to request that a controller transmits this data directly to another controller.

**15.7-17.7.** The right to object - Article 21 of the [UK](#) GDPR gives individuals the right to object to the processing of their personal data. This effectively allows individuals to ask you to stop processing their personal data. The right to object only applies in certain circumstances. Whether it applies depends on your purposes for processing and your lawful basis for processing.

**15.8-17.8.** Rights in relation to automated decision making and profiling - Under Article 4 (4) any form of automated processing of personal data consisting of the use of personal data to evaluate certain personal aspects relating to a natural person, in particular to analyse or predict aspects concerning that natural person's performance at work, economic situation, health, personal preferences, interests, reliability, behaviour, location or movements.

## Data protection officer

**16-18.** The Corporate Governance Manager is our designated data protection officer and is to be involved appropriately and in a timely manner, in all issues which relate to the protection of personal information.

## Personal responsibility

**17-19.** Data protection is the responsibility of everyone, and this principle is embedded in our Code of Conduct. We are all expected to ensure that we collect, process, store, share and dispose of personal data in a fair and lawful manner, in accordance with this policy and data protection legislation, and to undergo training as required.

## Training and awareness

18-20. We are committed to ensuring full staff awareness of our statutory obligations around Data Protection, Information Security and Environmental Information Regulations. All staff receive mandatory training on the pertinent legislation and its implications for our work. The training of staff is regularly tracked and monitored to maintain organisational compliance. We are committed to maintaining effective systems for handling personal data to meet our obligations under this legislation.

19-21. Guidance on the application of data protection is available on [SharePoint](#)

## Misuse of personal information

20-22. Failure of staff to comply with this policy and the data protection principles may result in action under Audit Scotland's disciplinary policy.

## Change log

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

Wednesday 19 May 2021 at 10.00am

By Teams

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

## Standing items

- |  |                                 |
|--|---------------------------------|
| 5. Chair's report - verbal update  | For information                 |
| 6. Accountable Officer's report - verbal update  | For information                 |
| 7. Accounts Commission Chair's report - verbal update  | For information                 |
| 8. Review of draft minutes: <ul style="list-style-type: none"><li>- Board meeting 24 March 2021</li><li>- Audit Committee meeting 3 March 2021</li></ul> | For approval<br>For information |
| 9. Governance arrangements: review of standing orders report   | For information                 |
| 10. Review of action tracker   | For information                 |
| 11. Covid-19 update report   | For information                 |
- 

## Strategic priorities

- |   |                 |
|---|-----------------|
| 12. Strategic Improvement Programme update report | For information |
|---|-----------------|
- 

## Business planning, performance and governance

- |  |              |
|--|--------------|
| 13. 2019-2021 Mainstreaming Equality and Equality Outcomes progress report | For approval |
| 14. Annual report on information governance and security 2020-21           | For approval |
- 

## Items to be taken in private

- |   |                 |
|---|-----------------|
| 15. Environment, Sustainability and Biodiversity plan 2020/21 to 2024/25 report and appendix<br><br>[Item to be taken in private to support the effective conduct of business, intended for future publication] | For approval    |
| 16. New audit appointments update report and appendix   | For information |
-

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

**17.** Work programme update report and appendix

For information

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

# Minutes

Wednesday 24 March 2021, 10.00am

Audit Scotland by Video conference

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## Present:

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

## Apologies:

There were no apologies.

## In attendance:

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

### 1. Private meeting of Board members

The Board met privately and there were no matters arising.

### 2. Welcome and apologies

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

### 3. Declarations of interest

There were no declarations of interest.

#### **4. Items to be taken in private**

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

#### **5. Chair's report – verbal update**

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

The Board welcomed the update.

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

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

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

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

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

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

The Board welcomed the update.

#### **7. Accounts Commission Chair's report – verbal update**

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

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

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

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

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

Following discussion, the Board welcomed the updates.

## 8. Review of minutes:

### Board meeting: 27 January 2021

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

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

### Audit Committee meeting: 4 November 2020

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

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

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

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

## 9. Governance arrangements: Review of Standing Orders

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

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

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

## 10. Review of action tracker

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

The Board noted the updates provided on the action tracker.

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

## 11. Covid-19 update

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

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

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

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

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

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

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

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

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

## 12. Strategic improvement programme update

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

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

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

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

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

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

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

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

### 13. Operational budget 2021/22

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

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

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

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

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

### 14. Q3 Financial performance report

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

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

The Board noted the operational budget for 2021/22

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

### 15. Q3 Corporate performance report

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

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

The Board noted the Q3 Corporate performance report.

### 16. Best Companies survey results

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

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

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

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

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

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

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

## 17. Financial devolution and constitutional change update

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

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

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

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

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

## 18. Corporate governance review of Board arrangements

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

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

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

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

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

## 19. Data protection policy

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

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

The Board approved the Data Protection policy.

## 20. Any other business

There was no further business.

## 21. Review of meeting

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

The Chair thanked everyone for their contributions.

## 22. Date of next meeting: 19 May 2021

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

### Items taken in private

## 23. New audit appointments update

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

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

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

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

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

## 24. Proposed equalities outcomes 2021-2025

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

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

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

The Board noted the report.

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

## 25. 2020 stakeholder engagement report

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

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

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

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

The Board noted the report.

*Mark Roberts, Audit Director, left the meeting.*

## **26. 2020/21 Annual report**

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

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

# Minutes

## Audit Committee



Wednesday 3 March 2021  
By Microsoft Teams

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### Present:

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

### Apologies:

There were no apologies.

### In attendance:

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

#### 1. Private meeting with BDO and Alexander Sloan

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

#### 2. Welcome and apologies

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

#### 3. Declarations of interests

There were no declarations of interest.

#### 4. Minutes of the last meeting: 4 November 2020

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

The Chair invited any questions or comments.

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

***The Audit Committee approved the minutes of the previous meeting.***

## 5. Review of action tracker

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

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

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

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

## 6. Audit delivery 2019/20

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

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

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

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

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

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

## 7. Audit Quality update

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

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

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

***The Audit Committee noted the audit quality update report.***

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

## 8. Q3 financial performance report

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

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

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

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

***The Audit Committee noted the Q3 Financial report.***

## 9. Review of Risk Management Framework

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

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

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

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

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

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

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

## 10. Review of risk register

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

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

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

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

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

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

***The Audit Committee noted the review of the risk register.***

## **11. Annual review of business continuity arrangements 2021**

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

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

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

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

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

## **12. Internal audit reports**

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

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

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

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

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

*The Audit Committee noted the internal audit report.*

### **13. Internal audit progress report**

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

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

*The Audit Committee noted the internal audit recommendations progress report.*

### **14. Internal audit recommendations progress report**

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

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

*The Audit Committee noted the internal audit recommendations progress report.*

### **15. Co-operation between internal and external auditors**

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

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

### **16. Annual internal audit plan 2021/22**

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

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

The Chair welcomed questions, of which there were none.

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

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

## **17. 2020/21 Year-end statutory accounts timetable**

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

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

The Chair welcomed questions, of which there were none.

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

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

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

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

The Chair welcomed questions, of which there were none.

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

## **19. External auditors plan 2020/21**

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

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

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

The Chair welcomed questions, of which there were none.

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

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

## **20. Digital security update**

*David Robertson, Digital Services Manager, joined the meeting.*

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

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

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

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

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

***The Audit Committee noted the Digital security update.***

*David Robertson, Digital Services Manager, left the meeting*

## **21. Data incident/loss report**

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

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

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

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

***The Audit Committee noted the Data incident/loss report.***

## **22. Annual assurance and statement of control processes 2021**

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

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

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

## **23. Any other business**

There were no items of any other business

## **24. Review of meeting**

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

Audit Committee members agreed that everything had received comprehensive coverage.

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

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

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

## **25. Date of next meeting**

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

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

DRAFT

## Purpose

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

## Background

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

## Options for extending access to public meetings

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

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

## **Recommendations**

**11.** The Board is invited to:

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

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

## Purpose

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

## Background

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

## Organisational implications and responses

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

## Our people

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

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

## Digital and office equipment

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

## Future working preferences

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

## Office accommodation

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

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

## Financial management

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

## Audit implications and responses

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

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

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

## Next steps

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

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

## **Recommendations**

**34.** The Board is invited to:

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

## Purpose

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

## Background

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

## Delivering world class audit – What we do

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

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

## Being a world class organisation – How we work

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

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

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

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

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

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

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

## Our purpose

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

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

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

### Programme governance, reporting and resourcing

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

### Programme communications and engagement

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

## Recommendations

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

## Appendix 1

19 May 2021

### Projects and leads May 2021

#### What we do

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

#### How we work

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

#### Our purpose

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

## Purpose

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

## Background

2. Audit Scotland and the Accounts Commission for Scotland must, as listed public bodies, adhere to the Equality Act 2010 (Specific Duties) (Scotland) regulations 2012. The Public Sector Equality Duty (PSED) came into force in April 2011, introducing a general equality duty and a number of specific duties. One of the specific duties is the requirement to publish a biennial Mainstreaming Report showing progress we have made against our equality outcomes. In view of the overlap of the material which relates to both bodies we have, as in 2017 and 2019, prepared one report.
3. We published our previous [Equality Outcomes](#) on 27 April 2017, adding a third outcome when we published the last [Mainstreaming Report](#) in 2019.

## Approach

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

## Next Steps

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

## Recommendation

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

## Purpose

1. This report provides assurance to the Board on our annual assessment of information governance and security management at Audit Scotland. This report forms part of a suite of assurance reports in support of the Accountable Officer's governance statement in the annual report and accounts and was considered by the Audit Committee at its meeting on 12 May 2021.

## Background

2. The information governance and security management assurance process was introduced in 2009/10 and is an annual process. The assurance process covers a review of our work on information governance, risk and security management, staff surveys, assurance checklists and horizon scanning for changing legislation.
3. The Knowledge, Information and Technology Governance Group (KITGG) oversee the arrangements for information governance, risk and security management within Audit Scotland.
4. This report has been considered by the KITGG and Management Team and it contributes to the Accountable Officer's governance statement for 2020/21.
5. The KITGG met eight times via MS Teams in 2020/21 to consider and discuss reports on information, knowledge, risk and technology issues. The information risk register was reviewed, discussed and updated on six occasions over the year. In addition, the Information Security Management System (ISMS) Management Review group meet on a quarterly basis and are responsible for evaluating the effectiveness of information security. The group consider any potential weaknesses in information security and ways of implementing improvements.
6. Audit Scotland maintains its ISO 27001 – Information Security Management certification through six-monthly external surveillance audits. The surveillance audits have had positive outcomes to date, with the latest audit in March 2021.
7. In November 2020 we distributed an Information security survey to Audit Scotland staff. The survey was completed by 51 per cent of colleagues and is used to provide assurance about level of awareness and knowledge regarding information security practice throughout the organisation. Results showed that we continued to demonstrate good practice in many areas. The response rate was lower than the benchmark of 78 per cent for previous surveys of a similar nature due to the impact of the pandemic. An additional survey on Information security will be held again in winter 2021.
8. This year, the Information Asset Owners (IAOs) completed the assurance review checklists for Accountable Officers and Boards and Records Management Compliance during March 2021.
9. The findings from the annual assurance review checklists provide positive assurance about our information governance arrangements.
10. We produced several briefing papers and blogs during the year to remind colleagues of our information and data security arrangements. This year they included:
  - Freedom of Information blog in support of International Right to Know in September 2020.
  - Information Management Guidance updated in October 2020.
  - Data protection blog in support of Data Protection Day in January 2021.
  - During 2020-21 the Corporate Governance team posted two blogs on the work of the team (1 blog and 1 vlog), and five Yammer posts on data protection and FOI changes due to Covid-19.

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

## Information governance, security and incidents in 2020/21

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

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

## Key information legislative and governance developments

15. There have been a number of developments to the information governance regulatory and legislative frameworks during the year, including work to improve our internal processes through certification and membership of information security workgroups to:
- Maintain ISO 27001:2013 certification.
  - Participate in Scottish Governments Public Sector Action Plan (PSAP) achieving the advanced tier of preparedness.
  - Participate in the National Cyber Security Centre (NCSC) Cyber Security Information Sharing Partnership (CiSP).

## Information governance, risk and security mitigation actions

16. We continue to make good progress in embedding information management and security into our corporate culture with:
- An established information risk hierarchy, from the Accountable Officer to the Senior Information Risk Officers and through to Information Asset Owners in business groups.
  - A KITGG, chaired by the Associate Director of Corporate Performance and Risk, overseeing our information management and risk arrangements. The work of the KITGG is raised by IAO’s at the leadership teams of all business groups where appropriate.
  - A monthly meeting on cyber security between a Digital Services Manager and the Chief Operating Officer.
  - An information risk register, which is reviewed and updated every two months at KITGG.
  - An annual evaluation of our information risk and security, through the completion of assurance checklists, and a staff information security survey every 18 months. The last one was conducted in December 2020.
  - Mandatory staff training on information security and data protection.
  - Six monthly reporting on information risk and security to Management Team and the Audit Committee.

## Risk management

17. The KITGG maintains an information risk register which is reviewed at each of the meetings taking place over the year. The register shows there are currently twenty-five main information and security risks for Audit Scotland. Thirteen of these are active risks and twelve are for monitoring due to the low net risk scores.
18. Ten of the active risks have a high gross risk score (red), one has a red net risk score and 11 have amber net risk scores defined as 'acceptable level of risk that requires constant active monitoring. There is a new risk of Covid-19/Coronavirus – Failure of network/services to support all colleagues to work from home.

## Conclusion

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

## Recommendations

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

Wednesday 2 June 2021 at 12.00noon

By Teams

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

## Standing items

- |  |                 |
|--|-----------------|
| 5. Chair's report - verbal update                          | For information |
| 6. Accountable Officer's report - verbal update            | For information |
| 7. Accounts Commission Chair's report - verbal update      | For information |
| 8. Review of draft minutes:<br>- Board meeting 19 May 2021 | For approval    |
| 9. Governance arrangements: review of standing orders      | For discussion  |
| 10. Review of action tracker                               | For information |
| 11. Covid-19 – verbal update                               | For information |
- 

## Strategic priorities

- |   |                 |
|---|-----------------|
| 12. Strategic improvement programme - verbal update | For information |
|---|-----------------|
- 

## Business planning, performance and governance

- |  |                 |
|--|-----------------|
| 13. Q4 Financial performance report  | For information |
| 14. 2020/21 Annual report on international work  | For approval    |
| 15. 2020/21 Annual report on complaints  | For approval    |
| 16. 2020/21 Annual report on freedom of information and environmental information          | For approval    |
| 17. 2020/21 Annual report from the Chair of the Audit Committee                            | For approval    |
| 18. 2020/21 Annual report from the Chair of the Remuneration and Human Resources Committee | For approval    |
| 19. Policy on the provision of non-audit services by Audit Scotland's external auditor     | For approval    |
| 20. Counter Fraud Policy review  | For approval    |
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- |  |                 |
|--|-----------------|
| <b>21.</b> 2020/21 Governance statement and certificate of assurance | For approval    |
| <b>22.</b> Audit summary report for the year ended 31 March 2021     | For information |

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### Items to be taken in private

- |   |                 |
|---|-----------------|
| <b>23.</b> Quality of public audit in Scotland 2020/21  | For approval    |
| [Item to be taken in private to support the effective conduct of business, intended for future publication] |                 |
| <b>24.</b> 2020/21 Q4 Corporate performance report  | For information |
| [Item to be taken in private to support the effective conduct of business, intended for future publication] |                 |
| <b>25.</b> Draft Annual Report and Accounts: Year ended 31 March 2021                                       | For approval    |
| [Item to be taken in private to support the effective conduct of business, intended for future publication] |                 |
| <b>26.</b> New audit appointments update  | For information |
| [Item to be taken in private to support the effective conduct of business, commercial sensitivity]          |                 |

# Minutes

Wednesday 19 May 2021, 10.00am

Audit Scotland by Video conference

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## Present:

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

## Apologies:

There were no apologies.

## In attendance:

Diane McGiffen, Chief Operating Officer  
Martin Walker, Associate Director, Corporate Performance and Risk  
Stuart Dennis, Corporate Finance Manager  
David Blattman, Human Resources (HR) and Operational Development (OD) Manager  
Simon Ebbett, Communications Manager  
Gayle Fitzpatrick, Corporate Governance Manager  
David Robertson, Digital Services Manager  
Graeme Greenhill, Senior Audit Manager, Performance Audit and Best Value  
Ian Metcalfe, Corporate Governance Officer  
Agata Maslowska, Audit Manager, Performance Audit and Best Value  
Elaine Boyd, Associate Director, Audit Quality and Appointments  
Kathrine Sibbald, Project Manager, Audit Quality and Appointments  
Carolyn McLeod, Audit Director, Performance Audit and Best Value  
Gemma Diamond, Audit Director, Performance Audit and Best Value  
Michelle Borland, Business Manager, Performance Audit and Best Value

## 1. Private meeting of Board members

The Board met privately and there were no matters arising.

## 2. Welcome and apologies

*Diane McGiffen, Chief Operating Officer, Martin Walker, Associate Director, Corporate Performance and Risk and Stuart Dennis, Corporate Finance Officer, joined the meeting.*

The Chair welcomed attendees to the meeting and noted there were no apologies.

## 3. Declarations of interest

There were no declarations of interest.

## 4. Items to be taken in private

The Chair invited members to agree that the reports at items 15, 16 and 17 of the agenda be considered in private. The Board agreed.

## 5. Chair's report – verbal update

The Chair reflected on the two Board Development Sessions held on 31 March and 10 May with a further session scheduled for 27 September 2021, and invited members to note the proposal to report back formally at the Board in November.

The Chair advised of regular meetings with the Auditor General for Scotland and Diane McGiffen, Chief Operating Officer and of the meeting of the New Audit Appointments Steering Group on 22 April 2021, reported at item 16 of the agenda. The Chair invited members to note that the Code of Audit Practice has been approved by both the Auditor General for Scotland and the Accounts Commission.

The Chair advised he had observed the meeting of the Audit Committee on 12 May 2021 and attended the meeting of the Remuneration and Human Resources Committee meeting on the same day.

The Chair advised the Board that he had attended one of the 'How we work' drop in sessions chaired by Diane McGiffen and members of the Incident Management Team (IMT) to hear from colleagues about their considerations and concerns around future ways of working. He advised the session had been interesting and informative.

The Chair informed the Board that he had accepted an invitation to give evidence to the Public Audit Committee of the Northern Ireland Assembly who are considering oversight arrangements on 7 July 2021. The Chair advised he will submit an opening statement in advance of the session and will circulate a copy to members. The members noted the respective Chairs of National Audit Office and Wales Audit Office have also been invited to give evidence on 2 June 2021.

### **Action ASB139: The Chair to circulate a copy of his supporting statement to the Northern Ireland Assembly to members. (June 2021)**

The Board welcomed the update.

## 6. Accountable Officer's report – verbal update

Stephen Boyle reflected on the Board Development sessions and two 'How we work' drop in sessions which had been helpful in setting the forward direction both for the Board and how Audit Scotland works, all of which is supported by the Strategic Improvement Programme at item 12 of the agenda.

Stephen invited the Board to note that Parliament has reconvened following the election and work is underway to deliver and support the future engagement strategy with members and committees.

Stephen invited the Board to note that the Scottish Commission for Public Audit (SCPA) propose to hold a session to consider Audit Scotland's annual report and accounts at the end of June 2021. Stephen advised that the appointments to the SPCA will be confirmed in due course and members noted Alison Johnson has been appointed as the new Presiding Officer of the Parliament.

Turning to external engagement, Stephen advised of a meeting with the Chief Executive of Institute of Chartered Accountants for England and Wales, a meeting of the UK and Ireland Auditors General held on 7 May 2021 and a separate meeting with Gareth Davies, Comptroller for and Auditor General, National Audit Office and Kiran Donnelly the Comptroller and Auditor General for Northern Ireland.

Stephen advised the Board of meetings with several Scottish public bodies including an introductory meeting with the Chief Executive of Public Health Scotland, a bi-annual meeting with the Permanent Secretary and her executive team at the Scottish Government and a meeting with the Chief Constable, Chief Executive and Chair of the Scottish Police Authority.

Stephen also invited members to note that, following a meeting with Mairi Spowage, Interim Director of the Fraser of Allander Institute at Strathclyde University, he had committed to doing some further work together which would include hosting knowledge cafes with colleagues.

The Board welcomed the update.

## **7. Accounts Commission Chair's report – verbal update**

Elma Murray invited the Board to note she had held regular meetings with the Auditor General for Scotland and the Chief Operating Officer. She also advised of regular meetings with the Interim Controller of Audit and of a joint meeting with the Chief Executive of the Scottish Borders Council and Alison Evison, President and Sally Loudon, Chief Executive of COSLA.

Elma advised members of the business at the two meetings of the Accounts Commission since the previous Board meeting, and which included updates on New audit appointments, input and approval of the Code of Audit Practice and discussion around mainstreaming equalities and equality outcomes. She advised that the Commission also heard from Kenneth Lawrie, Chief Executive, Falkirk Council and Emily Lynch from the Improvement Service on the development of the Local Government Benchmarking Framework.

Elma advised that the Commission had discussed the role of the Controller of Audit with a further discussion scheduled for its next meeting on 10 June 2021 with Stephen Boyle joining.

The members noted that the Commission's Strategy Seminar had heard from Paul Johnston, DG, Communities and Alison Evison, President of COSLA, considered the results from a survey of members, the Commission's role and purpose, priorities and future development plans. Those plans included working more closely with Audit Scotland, making better use of cross-cutting data and intelligence with scrutiny partners and being clearer in reports about what needs to improve.

Elma advised members that the next Accounts Commission meeting will consider the Best Value Assurance Report for Aberdeen City Council.

Elma invited members to note that the Accounts Commission will publish their Annual Report on Friday 21 May and its work programme on 24 May, followed by the Local Government Overview.

The Board welcomed the update.

## **8. Review of minutes:**

### **Board meeting: 24 March 2021**

The Board considered the minutes of the meeting of 24 March 2021, which had been previously circulated.

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

### **Audit Committee meeting: 3 March 2021**

The Board noted the minutes of the Audit Committee meeting of 3 March 2021, which had been previously circulated.

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

## **9. Governance arrangements: Review of Standing Orders**

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

Martin invited the Board to note there were no proposed amendments to the Standing Orders and provided an update on the development work on the potential for livestreaming virtual meetings and extending access to face to face and hybrid meetings.

Following discussion, the Board accepted the recommendations contained within the report.

## 10. Review of action tracker

The Board noted the updates provided on the action tracker.

The Chair invited Stuart Dennis to provide an update on Action ASB131 in relation to the development of Audit Scotland's medium-term financial strategy and the associated fees and funding model. Stuart invited the Board to note that the fees and funding workstream is a key element of the Strategic Improvement Project, many of the workstreams of which have potential consequences on Audit Scotland's budget and financial strategy. The Board noted a report would be scheduled to come to the Board in November 2021.

During detailed discussion, the Board noted the financial analysis required together with projections of anticipated audit work over the next three years while safeguarding Audit Scotland's independence and ensuring flexibility to respond to changing demands. In addition, the Board recognised that the sustainability of the current fees and funding model has been tested given the pressures experienced during the pandemic and reflected on the strategic significance and engagement required on any change to the fees and funding model.

Diane McGiffen advised of plans to revisit Public Audit in Scotland which would set the principles to safeguard audit independence including funding. The Board noted progress across areas including the New audit appointments procurement project, its associated costing implications, the financial analysis required to provide assurance and engagement with stakeholders.

Following discussion, the Board agreed they would welcome an early discussion supported by a briefing paper setting out the background to the current fees and funding model and a proposed timeline of engagement with the Board.

**Action ASB131 updated: A briefing on the current fees and funding model and proposed timeline to be circulated to the Board. (July 2021)**

**A meeting with Board members to be scheduled to discuss the medium term financial plan. (August 2021)**

Colin Crosby provided a summary of the meeting with Stuart Dennis on action ASB136 which had taken place prior to today's Board meeting and informed members that details of any budget provision may be incorporated into reporting and presented under two headings i.e. costs outwith our control (for example pensions) and other operational expenditure.

The Board noted the updates and further actions arising.

## 11. Covid-19 update

*David Blattman, HR&OD Manager and Simon Ebbett, joined the meeting.*

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

Martin invited the Board to note the actions taken to date in respond to the Covid-19 pandemic, the ongoing actions and next steps and provided a verbal update on developments in relation to localised restrictions and the recent rise in community infections.

The Board welcomed the ongoing communication with colleagues, including the survey about 'How we work' and the drop in sessions, noting some of the key questions arising related to remote working, office and on-site working, the requirements to support a Covid secure workplace and travel. Elma advised that the Accounts Commission members are also considering these areas and agreed to share any feedback with IMT.

Following discussion, the Board welcomed the comprehensive report.

## 12. Strategic improvement programme update

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

Martin invited the Board to note the progress reported on the Strategic Improvement Programme and next steps.

During discussion, the Board referred to the outcome of the recent Building Capacity campaign, noting the success of attracting applications from a diverse background. The Board asked how the analysis from this campaign would inform the next campaign. David Blattman advised that he will be taking a closer look at the data in order to take any initial learning through to future campaigns.

The Board acknowledged Audit Scotland's commitment to report quarterly to the SCPA on the increase to Audit Scotland's budget for 2021/22. The Board noted this is also supported by the improvement programme and an update on progress will come to the Board on 2 June 2021.

The Chair invited members to note the meeting between himself, Diane McGiffen, Martin Walker and Colin Crosby on the governance arrangements for the Strategic Improvement Programme and advised a briefing paper will be shared with members which will also consider increased Board participation and engagement in the programme.

Following discussion, the Board welcomed the comprehensive nature of the report.

**Action ASB140:                    Martin Walker to circulate a briefing paper on the governance arrangements for the Strategic Improvement Programme and proposals for Board participation and engagement. (September 2021)**

*David Blattman and Simon Ebbett left the meeting.*

## 13. 2019-2021 Mainstreaming Equality and Equality Outcomes progress report

*Carolyn McLeod, Audit Director, Performance Audit and Best Value, joined the meeting.*

Carolyn McLeod introduced the 2019-2021 Mainstreaming Equality and Equality Outcomes progress report, copies of which had been previously circulated.

Carolyn invited the Board to confirm its retrospective approval for the publication of our Mainstreaming Equality and Equality Outcomes: Progress Report 2019-2021 (the Progress Report).

During discussion, Board members welcomed the opportunity to consider drafts of the respective reports at its meeting on 24 March 2021 and later consideration by correspondence.

Following discussion, the Board confirmed its approval for the publication of the reports.

*Carolyn McLeod left the meeting.*

## 14. Annual report on information governance and security 2020-21

*David Robertson, Digital Services Manager, joined the meeting.*

Gayle Fitzpatrick and David Robertson introduced the Annual report on information governance and security 2020-21, copies of which had been previously circulated.

Gayle Fitzpatrick invited the Board members to note the assurance provided on the annual assessment of information governance and security management at Audit Scotland.

The Board recognised the challenges and additional security risks that have been managed with the entire workforce working from home during the pandemic.

Following discussion, the Board welcomed the positive assurance provided and endorsed the report.

*Gayle Fitzpatrick and David Robertson, left the meeting.*

## Items taken in private

### 15. Environment, Sustainability and Biodiversity plan 2020/21 to 2024/25

*Graeme Greenhill, Senior Audit Manager, Performance Audit and Best Value, and Ian Metcalfe, Corporate Governance Officer, joined the meeting.*

Graeme Greenhill introduced the Environment, Sustainability and Biodiversity plan 2021/21 - 2024/25 a copy of which had been previously circulated.

The Board were invited to consider and approve the draft Environment, Sustainability and Biodiversity Plan 2020/21 to 2024/25 which sets out the actions Audit Scotland will take to further reduce carbon emission levels.

During detailed discussion, the members considered the ambitious target and the need to monitor and revisit the plan given the ongoing uncertainty around future travel for and in relation to audit work. The members indicated the Board's commitment to the plan and were keen to contribute to support the outcomes. The Board also requested additional information in relation to the offsetting process to understand how this would be managed.

Following discussion, the Board welcomed the report and approved the publication of the Environment, Sustainability and Biodiversity Plan 2020/21 to 2024/25.

**Action ASB141: Graeme Greenhill and Ian Metcalfe to circulate information on the offsetting process of emissions. (September 2021)**

*Graeme Greenhill and Ian Metcalfe left the meeting.*

### 16. New audit appointments update

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

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

The Chair invited members to note the progress reported including the approval of the Code of Audit Practice, a copy of which will be shared with members, and consideration of the Invitation to Tender timeline.

The Board discussed the award of contracts and noted that the Steering Group would be considering a report looking at the criteria for tender assessment at its meeting on 26 May 2021 together with market information in order to understand the potential implications for the cost of audit.

Following discussion, the Board welcomed the progress reported.

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

### 17. Forward work programme

*Gemma Diamond, Audit Director, and Michelle Borland, Business Manager, Performance Audit and Best Value, joined the meeting.*

Gemma Diamond introduced the report the Forward work programme report, a copy of which had been previously circulated.

Gemma invited the Board to consider the revised approach to the work programme which forms an important part of the Strategic Improvement Programme.

The Board noted the approach to move away from an annual update and approval process to a more flexible and agile approach based on quarterly updates to provide more flexibility to respond to changes in a volatile and uncertain operating environment.

The Board sought assurance on the anticipated impact on resource and training requirements and were assured that this is being actively developed and managed alongside developing themes of reporting.

Following discussion, the Board noted the updated approach to the programme and agreed they would welcome regular updates as the programme develops.

*Gemma Diamond and Michelle Borland left the meeting.*

## **18. Any other business**

There was no further business.

## **19. Review of meeting**

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

The Chair thanked everyone for their contributions

## **20. Date of next meeting: 2 June 2021**

The members noted the next meeting of the Audit Scotland Board is scheduled for 2 June 2021.

## Purpose

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

## Background

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

## Standing orders

6. The standing orders remain fit for purpose and no changes are proposed at this time.
7. The annual review of the standing orders will take place in the Autumn.

## Membership of the Human Resources and Remuneration Committee

8. The membership of the Audit Scotland Board is set out in the Public Finance and Accountability (Scotland) Act 2000.
9. The membership of the Board's committees of the Board is set out in the standing orders.
10. For the Human Resources and Remuneration Committee (Remco) the standing orders state:

*'57. The Remuneration & Human Resources Committee will consist of members of the Board. The Board may appoint persons who are not members of the Board to be members of or advisers to the Remuneration & Human Resources Committee and may pay them such remuneration and expenses as the Board decided.'*

11. The Remco Terms of Reference state:

*'2. The Committee will consist of at least two members of the Board who are not employees of Audit Scotland. Membership may also consist of other suitable persons chosen by the Board'.*

and in paragraph 10:

*'Remuneration & Human Resources Committee meetings will normally be attended by the Accountable Officer, the Chief Operating Officer, the Human Resources & Organisational Development Manager and, where appropriate, a representative of any appointed external advisor(s)'.*

12. To date, the Accountable Officer has attended meetings of the Remco, to answer questions and to participate in the conversations as appropriate but has not been a formal member of the committee.
13. The Board may wish to consider appointing the Accountable Officer as a member of the Remco.
14. Research undertaken by the HR&OD Manager indicates that it is relatively uncommon for a Chief Executive to be a full member of an organisation's Remco, however this is usually because Remco sets the remuneration for Chief Executives. At Audit Scotland, the Accountable Officer's remuneration is not determined by Remco and so the potential conflict of interest that is sometimes present for Chief Executives does not apply in this case. Discussions have also taken with Parliamentary officials as appropriate.
15. The Accountable Officer holds executive responsibility for the performance of Audit Scotland's workforce, underpinned by the terms & conditions being offered to employees and our wider organisational development, diversity & inclusion agenda. It is therefore potentially advantageous that the Accountable Officer be a Remco member.
16. There is one area of the Remco's Terms of Reference where the Accountable Officer declares an interest and withdraws from the meeting. This relates to the annual review of the Accountable Officer's expenses claim.
17. As noted above the standing orders and the Remco's Terms of Reference provide for the Accountable Officer being a member of the committee and no changes are required to these governance documents.

### Options for extending access to public meetings

18. Colleagues from the Accounts Commission support team, Communications and Digital Services are developing proposals to cover the livestreaming of meetings to support greater accessibility, openness and transparency.
19. In the first phase the group has developed an approach to address the livestreaming of virtual meetings. This has been outsourced to a supplier who is a well-established provider of such services to local councils. We are aiming for this to be in place from the June meeting of the Accounts Commission.
20. For the second phase the team considered options and develop proposals for the livestreaming of 'face to face' and 'hybrid' meetings (where some participants may be attending the meeting remotely) when these begin to take place. The timing of these remains under review in the context of the Scottish Government guidance and Covid-19 data.
21. In developing the proposals, the team considered a range of issues including:
  - Openness, transparency and accessibility.
  - Digital security, data protection and other regulatory requirements.
  - Technical requirements, including the installation of additional equipment in meeting rooms.
  - Service quality and functionality.
  - Delivery options, including outsourcing and using alternative venues.
  - Financial/resourcing implications and value for money.
22. Management Team considered an options paper at its meeting on 25 May 2021. It was agreed that the first phase would be progressed, noting that this would provide a useful source of information and experience to inform the second phase.

### Recommendations

23. The Board is invited to:
  - agree that the variations to the standing orders are kept under review and considered at each Board meeting until further notice

- agree that the Accountable Officer become a formal member of the Human Resources and Remuneration Committee
- note the development work on live streaming virtual meetings the options for extending the access to face to face and hybrid meetings.

REF	FORUM	Agenda Item No	Item Title	Action Description	Meeting Date	Due Date	Responsible	Assigned to	Complete/Ongoing	Reported Yes/No	Progress Notes
ASB131	Board	14	Scottish Commission for Public Audit: Official report	Consideration of Audit Scotland's medium and longer term fees and funding model to be scheduled. (March 2021)	27/01/2021	Jul-21	Diane McGiffen	Stuart Dennis	Ongoing		A briefing on the current fees and funding model and proposed timeline to be circulated to the Board. (updated following meeting on 19 May 2021)
ASB131	Board	14	Scottish Commission for Public Audit: Official report	Consideration of Audit Scotland's medium and longer term fees and funding model to be scheduled. (March 2021)	27/01/2021	Aug-21	Diane McGiffen	Stuart Dennis	Ongoing		A meeting with Board members to be scheduled to discuss the medium term financial plan. (updated following meeting on 19 May 2021)
ASB134	Board	9	Review of action tracker	NAA: Diane McGiffen to set out indicative stages and tasks for the next three months and present to the Board in May.	24/03/2021	May-21	Diane McGiffen	Diane McGiffen	Complete	Yes	The appendix to the report at item 17 of 19/05 agenda contained details of the key areas and timeline.
ASB135	Board	12	Strategic improvement programme update	Alan Alexander, Colin Crosby, Diane McGiffen and Martin Walker to meet to discuss aspects of the programme governance, management and reporting (April 2021).	24/03/2021	Apr-21	Colin Crosby	Colin Crosby	Complete	Yes	A meeting to discuss these areas took place on 22/04/2021.
ASB136	Board	13	Operational budget 2021/22	Colin Crosby and Stuart Dennis to meet to discuss aspects of the budget including the pension fund.	24/03/2021	Apr-21	Colin Crosby	Colin Crosby	Complete	Yes	The meeting took place 19/05/2021.
ASB137	Board	16	Best Companies survey results	Elma Murray and Diane McGiffen to discuss how best to share the Best Companies results with the Accounts Commission (April 2021).	24/03/2021	Apr-21	Elma Murray	Elma Murray	Complete	Yes	An update on the Best Companies survey results were shared with the Accounts Commission at its meeting 15/04/2021.
ASB138	Board	18	Corporate governance review of Board arrangements	Martin Walker to prepare a discussion paper for members of the Board (April 2021).	24/03/2021	Apr-21	Martin Walker	Martin Walker	Ongoing		A discussion paper was circulated to members on 21/05/21.
ASB139	Board	5	Chair's report – verbal update	The Chair to circulate a copy of his supporting statement to the Northern Ireland Assembly to members.	19/05/2021	Jun-21	Alan Alexander	Diane McGiffen	Ongoing		A copy of the Chair's supporting statement will be shared with members prior to the session with the Assembly in July 2021.
ASB140	Board	12	Strategic improvement programme update	Martin Walker to circulate a briefing paper on the governance arrangements for the Strategic Improvement Programme and proposals for Board participation and engagement.	19/05/2021	Sep-21	Martin Walker	Martin Walker	Ongoing		A briefing paper will be circulated to members in September 2021.
ASB141	Board	15	Environment, Sustainability and Biodiversity plan 2020/21 to 2024/25	Graeme Greenhill and Ian Metcalfe to circulate information on the offsetting process of emissions.	19/05/2021	Sep-21	Graeme Greenhill / Ian Metcalfe	Graeme Greenhill / Ian Metcalfe	Ongoing		A briefing paper will be shared with members in September 2021.

## Purpose

1. This report presents the financial results for the twelve months to 31 March 2021.

## Background

2. The financial performance report for 2020-21 is attached to this paper based on the un-audited results and are therefore subject to potential adjustment.
3. This report was discussed by Management Team on 4 May.

## Discussion

4. Audit Scotland's Net Operating Expenditure was £12,414k which was £801k (6.1%) less than budget.
5. In-house income was in total £787k (9.7%) worse than budget with the 2019-20 audit year generating a deficit of £36k. Progress on 2020-21 audit work has been affected by the Covid-19 pandemic with the total work in progress position being 9.4% below budget, leading to a negative volume variance of £746k and a minor negative price variance of £2k.
6. Fee income earned for audits carried out by external firms net of fees and expenses paid to the firms was £218k better than budget. Income was £133k higher than budget which is increased by savings of £85k on fees and expenses payable to the external firms. The savings relate to a significant reduction in travel and expenses due to audits being carried out remotely. The 2019-20 audit year generated a surplus of £346k on fee income and is in recognition of additional work the firms have carried out. Progress on 2020-21 audit work is on average 4.24% behind plan leading to the recognition of a negative volume variance of £213k.
7. Staff costs including agency and secondment expenditure was £200k (1.1%) more than budget. The agency staff ensured we were able to complete the 2019-20 audits and make better progress on the start of the 2020-21 audit work than projected (more detail is provided in Appendix 1).
8. IAS 19 pension costs were £205k (8.8%) less than budget due to the £231k current service cost being better than the actuary estimate last year. The favourable position on funded benefits has been reduced by a deficit on unfunded benefits of £26k.
9. Approval was received for additional in-year funding of £1,500k to ensure Audit Scotland could deliver its statutory obligation of a balanced budget. The additional funding was allocated to management contingency, increasing the budget from £300k to £1,800k. From the revised management contingency budget of £1,800k a total of £886k has been allocated to support a provision in the accounts to meet any potential settlement relating to increased costs attributable to remote audit. A further £220k has been allocated to property costs to cover the provision required to meet any potential increase in respect of the overdue rent review for our West Port office. The budget balance of £694k remains in other costs.
10. Other expenditure and income was £1,365k better than budget. The main areas of positive variance were recorded in travel/subsistence £531k, training £123k, printing and office costs £104k, legal, professional and consultancy £93k and other costs £751k (includes £694k management contingency balance). There was an adverse variance on central charges income of £208k due to pooled cost income recognition.
11. More detailed variance analysis and explanation is provided in the attached report.

## Virement

12. There were no instances of budget virement in excess of £20k in the twelve months to 31 March 2021.

## Summary

13. In summary, the final un-audited out-turn for 2020-21 is £801k better than budget and capital expenditure is £11k less than budget.

## Recommendation

14. The Board is invited to discuss and note the un-audited financial results for the 12 months to 31 March 2021.

## Appendix 1

### Headline Results

The summary financial position to 31 March 2021:

£000	Annual Budget	Actual	Budget	Var.	%Var.	Prior Year	Note
Fee Income - In House	8,099	7,312	8,099	(787)	-9.7%	7,903	1
Fee Income - Audit Firms	4,947	5,080	4,947	133	2.7%	5,123	2
Central Charges	5,646	5,438	5,646	(208)	-3.7%	5,571	3
Rebate	0	0	0	0	-	0	
Interest	0	1	0	1	-	5	
Other Income	0	1	0	1	-	30	
IAS 19 Income	(767)	(767)	(767)	0	0.0%	(924)	
<b>TOTAL INCOME</b>	<b>17,925</b>	<b>17,065</b>	<b>17,925</b>	<b>(860)</b>	<b>-4.8%</b>	<b>17,708</b>	
Approved auditors	5,321	5,237	5,322	85	1.6%	4,549	2
Staff salaries and oncosts	17,916	17,867	17,916	49	0.3%	16,684	4
Payroll provisions incl. severance	0	0	0	0	-	0	
Agency and secondment costs	75	324	75	(249)	-332.0%	521	4
IAS 19 Pension costs	2,333	2,128	2,333	205	-8.8%	4,846	5
Property costs	1,164	1,106	1,164	58	5.0%	944	
Travel and subsistence	886	355	886	531	59.9%	844	6
Legal, professional and consultancy	861	768	861	93	10.8%	727	7
Training	490	367	490	123	25.1%	457	8
Recruitment	145	164	145	(19)	-13.1%	114	8
Printing and office costs	284	179	283	104	36.7%	251	9
Information technology	486	566	486	(80)	-16.5%	501	10
Audit	60	59	60	1	1.7%	60	
Depreciation	342	333	342	9	2.6%	356	
Other costs	777	26	777	751	96.7%	34	11
<b>EXPENDITURE</b>	<b>31,140</b>	<b>29,479</b>	<b>31,140</b>	<b>1,661</b>	<b>5.3%</b>	<b>30,888</b>	
<b>NET OPERATING (EXPENDITURE)</b>	<b>(13,215)</b>	<b>(12,414)</b>	<b>(13,215)</b>	<b>801</b>	<b>6.1%</b>	<b>(13,180)</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 2021 for the in-house audits:

	2019/20 Audit Year			2020/21 Audit Year			Prior Years	Total
	Volume		Price	Volume		Price		
	WIP %	£	£	WIP %	£	£		
Local Government	-	-	+36	-9.36	-431	+1	-3	-397
Health	-	-	-	-9.29	-141	-	-	-141
FE	-	-	+1	+6.60	+3	-	-	+4
Central Government	-	-	-103	-9.89	-107	-	-	-210
Non-statutory	-	-	+30	-11.21	-70	-3	-	-43
<b>Total – March 21</b>	<b>-</b>	<b>-</b>	<b>-36</b>	<b>-9.38</b>	<b>-746</b>	<b>-2</b>	<b>-3</b>	<b>-787</b>

#### Local Government

Local Government 2019/20 audits are complete with a final positive price variance of £36k due to increased fees being applied to local government bodies with the most significant increases being applied to Aberdeenshire Council, Angus Council, Fife Council and Scottish Borders Council. Audit sign-off for the local government sector was extended from September to November and a small number of the larger bodies were delayed past this revised date.

The 2020/21 audit work has commenced and due to the extension to 2019/20 audits we are in the expected position of being behind the planned trajectory, which at the end of the financial year was 9.36% (£431k).

#### Health

2019/20 health audits are complete. The deadline for audit sign-off of the health sector was extended to the end of September, however, audit work for some health boards extended beyond this deadline due to various complications.

Audit work for 2020/21 has commenced with the current position being 9.29% (£141k) worse than plan.

#### Further Education (FE)

ASG undertake 2 FE audits, Dundee & Angus College and Edinburgh College which are both complete with a minor favourable price variance of £1k. The year-end for colleges is different to the rest of the public sector and the final sign-off of these audits needs to take place by the end of March each year. As at the end of March we were 6.60% ahead of plan (£3k) for the commencement of the 2020/21 audit work.

#### Central Government

Central Government 2019/20 chargeable audits are complete with the main reason for the price variance being due to the official start date of a new body, South of Scotland Enterprise. This audit requirement will now commence in 2020/21 instead of 2019/20.

The 2020/21 audits have commenced and are behind budget by 9.89% (£107k).

## Non-statutory

The European Agricultural Fund Account (EAFA) audit for 2020 is complete with the agreement of a price increase of £30k. The audit of the European Agricultural Guarantee Fund concluded on 16 October 2020 with expectations that in the future this will be funded through the national framework. The United Kingdom Co-ordinating Body (UKCB) has advised that there is a balance in Rural Development Programme funding which can continue to be spent under EU regulations from 16 October 2020 to 15 October 2023. The projected impact is that our fee and audit requirements will reduce by around 25~30% and this has been reflected in our budget plans. As at the end of March 2021 we are 11.21% behind the revised planned days for this audit.

## **2. Fee income and expenditure – Audit Firms**

There is a positive income variance of £133k and a positive expenditure variance of £85k for approved auditors. Effectively this leads to an overall net favourable variance of £218k on chargeable audits with the positive expenditure variance mainly attributable to a significant reduction in expenses.

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

The table, below, shows the performance for approved auditors by sector to 31 March 2021:

	2019/20 Audit Year			2020/21 Audit Year			Prior Year	Total
	Volume	Price		Volume	Price		Price	
	WIP %	£	£	WIP %	£	£	£	£
Local Government	-	-	+248	-6.82	-199	-	-	+49
Health	-	-	+14	+0.39	+4	-	-	+18
Water	-	-	-	+0.39	+1	-	-	+1
FE	-	-	+51	-1.17	-5	-	-	+46
Central Government	-	-	+33	-3.00	-14	-	-	+19
<b>Total – March 21</b>	-	-	<b>+346</b>	<b>-4.24</b>	<b>-213</b>	-	-	<b>+133</b>

### Local Government

Audits in the local government sector for 2019/20 are complete with a positive price variance of £248k as the audit firms have agreed fees above the expected fees for some bodies. The most significant increases were applied to Aberdeen City Council, Highland Council, City of Edinburgh Council, Falkirk Council, Midlothian Council and West Lothian Council. The start of the 2020/21 audits are behind plan by 6.82% which leads to an adverse volume variance of £199k.

### Health

Health audits for 2019/20 are complete with a positive price variance of £14k due to agreed fees being higher than expected in NHS Highland and NHS Lothian. Work on the 2020/21 audit year has commenced and is slightly ahead of plan by 0.39% (£4k).

### Water

There is a minor positive volume variance of £1k on this audit.

### Further Education (FE)

Progress on 2019/20 audits is complete with the recognition of an additional £51k due to the agreement of increased fees across most colleges. For this sector the firms are slightly behind schedule (1.17%) for the 2020/21 audits.

## Central Government

Central government audits for 2019/20 are complete with the recognition of a £33k price variance due to a number of agreed fee increases. The largest increases were applied to Bord na Gaidhlig, Historic Environment Scotland and Scottish Canals. 2020/21 audits have commenced and are behind plan (3.00%) leading to a negative volume variance of £14k.

### 3. Central charges

The reduction in central charge income recognition is due to the pooled costs being linked to the work completion percentage. As WIP this has reduced in 2020/21 the amount we can recognise has subsequently reduced. This will be addressed as we work through the recovery plan to return to previous levels.

### 4. 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	9,226	9,082	9,226	144	154.3	157.5	a)
ASG agency & secondments	75	312	75	(237)			
PABV staff costs	4,712	4,555	4,712	158	74.0	76.5	b)
PABV agency & secondments	0	12	0	(12)			
CSG staff costs	2,217	2,276	2,217	(59)	37.5	35.7	c)
CSG agency & secondments	0	0	0	0			
Business Support staff costs	703	734	703	(31)	19.9	18.7	d)
Business Support agency & secondments	0	0	0	0			
Governance & Other staff costs	1,058	1,221	1,058	(162)	19.0	20.0	e)
Governance & Other agency & secondments	0	0	0	0			
<b>Total staff costs</b>	<b>17,916</b>	<b>17,867</b>	<b>17,916</b>	<b>49</b>	<b>304.7</b>	<b>308.4</b>	
<b>Total agency &amp; secondments</b>	<b>75</b>	<b>324</b>	<b>75</b>	<b>(249)</b>			

- a) **ASG Staff costs** - the average number of staff employed in ASG has been 3.2 w.t.e. less than the funded budget. The establishment is based on 156.1 w.t.e. with the application of a 1% vacancy/turnover factor reducing the funded w.t.e. to 154.5. During the year an allocation of £180k (3 w.t.e.) has taken place to cover additional staffing costs associated with the ringfenced new financial powers budget. The overall saving to budget is due to lower than planned staffing levels (£191k) and higher average actual salary costs per employee (£47k). As in previous years there was an intake of professional trainees at the end of October.

**ASG agency costs** – the additional agency expenditure has enabled us to fill resourcing gaps and protect capacity to ensure we can meet the revised audit certification deadlines. Covid-19 has meant there are significant additional resourcing/capacity challenges on the availability of staff and there has also been an impact due to the increase in the length of time it takes to undertake audits. This year much of the focus of agency staff deployment has been to assist EAFA work, which helps to enable in-house staff to gain more experience on other audits. This additional cost is being managed through reduced expenditure on travel & subsistence, other savings and staffing variances (reduced seasonal auditor and student placement costs). The deployment of agency staff has enabled us to minimise the shortfall in income recognition as at 31 March 2021.

- b) **PABV staff costs** - on average PABV have been 2.5 w.t.e. less than budget for the year, which includes an allocation of £170k (4 w.t.e.) from the ringfenced new financial powers budget. The budget saving year to date is due to lower than planned staffing levels (£152k) and a minor positive price variance (£6k).

**PABV secondment costs** - secondment costs of £12k relate to a Scottish Parliament member of staff seconded to assist with housing benefit audit work. This secondment finished in May 2020 and is being funded by an underspend in the PABV consultancy budget.

- c) **CSG staff costs** - The average staff resource requirements in CSG has been higher than the funded w.t.e. (£107k) due to staff turnover being lower than expected and the provision of cover for maternity leave. This overspend is currently partially funded by the positive variance on average actual salary costs (£48k).

- d) **Business Support Staff costs** – The 1.2 w.t.e. above funded figure (£44k) is mainly due to the provision of cover for maternity leave. The actual average salary costs are slightly better than budget (£13k).
- e) **Governance & Other staff costs** – the overspend includes the annual accrual required to cover for outstanding leave at 31 March (£171k). Removal of this adjustment would show a positive variance to budget due to the vacancy at the start of the financial year for a non-executive board member and the average number of Accounts Commission members being 11 compared to a budget allocation of 12.

**5. IAS 19 Pension costs**

IAS 19 pension costs budgets are based on actuary forecast assumptions as part of the annual accounting exercise. The actual IAS 19 results for 2020/21 has identified a reduction in current service costs of £231k. This positive outcome has been reduced by an adverse variance of £26k on unfunded benefits.

**6. Travel and subsistence**

Expenditure on travel and subsistence has significantly reduced compared to last financial year (£489k reduction, 58%). This is due to homeworking and audit work being delivered remotely rather than onsite at the public bodies. The savings have been used to support the overspend on agency expenditure and other financial pressures.

**7. Legal, professional and consultancy**

The main reasons for the underspend relate to a reduced requirement for consultancy and professional services. This is due the impact Covid-19 had on our work programme and the departure of the external professional support working on with us on the new audit appointments project. This support is now being carried out by in-house resource.

**8. Training and Recruitment**

The underspend in training expenditure is expected as we have had to deal with disruption to our normal model of delivery. We have managed to switch to innovative Microsoft 365 solutions such as Microsoft Teams video-link training, Microsoft Stream pre-recorded events, Microsoft Whiteboard and Sway applications. This has resulted in engaging technical and non-technical professional learning and development for staff throughout Scotland through online delivery.

Exceeding the allocated budget on recruitment expenditure was planned as we undertook a major recruitment campaign to increase capacity to meet current and future resourcing commitments. This additional capacity will ensure we can deliver Covid-19 specific audit work, meet existing audit commitments where Covid-19 disruption has had an impact, maintain audit quality and look to innovate and improve to keep pace with professional auditing developments (e.g. digital audit, update audit methodologies and organisational efficiency).

**9. Printing and office costs**

The underspend is due to reduced expenditure on printing and is a direct consequence of the policy of staff working from home. Also, expenditure on monitoring is lower than budget which is due to some expenditure being re-classified as corporate subscriptions. Expenditure this year is £72k (29%) less than the prior year.

**10. Information technology**

Software licence expenditure is the primary reason for the overspend position within information technology. With homeworking and remote audit continuing to be the default position it is essential that we have sufficient licences (e.g. microsoft, mki) to enable the safe delivery of our work requirements. We have been projecting an overspend all year in this expenditure heading with savings delivered in other corporate services budget headings funding this essential increase in expenditure.

## 11. Other costs

The underspend is due to the unallocated management contingency budget (£694k), VAT adjustments and reduced occupational health expenditure as we were unable to offer the annual wellness checks.

### Financial Overview

The major financial implications of Covid-19 on Audit Scotland meant we had to obtain Parliament approval for additional funding of £1.5 million as part of the Spring Budget Revision process. The main reason for the budget increase was to cover the expected shortfall in income recognition on 2020/21 audit work due to 2019/20 audit deadline extensions. This budget adjustment was required to ensure we would meet our statutory obligation of delivering a balanced budget.

The announcement of a second lockdown in January 2021 had the potential to impact our planned work during this quarter as colleagues were required to manage the ongoing situation in respect of school closures, home schooling and other carer responsibilities. The final outturn was £259k better than forecast with work on the 2020/21 audits having a higher completion percentage than projected.

Our 2021/22 budget submission was scrutinised by the SCPA on 15 January and received Parliament approval as part of the 2021/22 budget process. The approved budget gives us the flexibility to address additional capacity requirements to cover:

- Covid-19 specific audit work
- Existing audit commitments where Covid-19 disruption has had an impact on productivity and the range of audit issues arising in public bodies
- Maintaining audit quality
- Innovation and improvement work to keep pace with professional auditing developments in digital audit, update audit methodologies and organisational efficiency
- Continue to respond effectively to the growing demands of financial devolution

The SCPA has requested a quarterly update from ourselves to keep them informed on how we have used the additional resources we have been granted in 2021/22.

### Capital Expenditure and Funding

Capital expenditure of £139k was £11k less than the approved full year budget of £150k. This expenditure relates to the purchase of laptops to improve colleagues experience of working from home during the pandemic.

**Stuart Dennis**

Corporate Finance Manager

12 May 2021

## Purpose

1. This report provides the Board with the draft 2020/21 International annual report for their comment and approval.

## Background

2. Each year Audit Scotland reports publicly on international work as part of its corporate performance reporting. In 2020/21 the focus of our international work shifted because of the implications of the Covid-19 pandemic emergency. Key actions included:
  - Increased use of virtual meetings and conferences to conduct our work. This included a presentation by the Director of Performance Audit and Best Value at the ACCA's Public Sector Conference.
  - Audit Scotland worked closely with the other UK audit bodies and European audit organisations on the impact of Covid-19 on our financial and performance audit work.
  - We shared knowledge with international organisations including moderating a meeting organised by the OECD on fraud prevention in social welfare payments at times of crisis.
  - We continued to support public audit around the world including working closely with the Westminster Foundation for Democracy to present at a conference held for parliamentarians from Montenegro and public auditors on good practice in public audit.
  - We ensured that of all our international work was focussed on improving the quality of our audit work. This included the use of international audit databases to access internationally produced work that can help inform our own work.

## Considerations

3. We have refreshed our International Strategy for 2021-24. Our draft International Strategy for 2021-24 sets out our approach to international work. It focuses on how we can apply our learning from overseas to improve the way we conduct work. The next step is for us to engage with the Auditor General for Scotland to ensure that the strategy aligns to his priorities and the new Strategic Improvement Programme. We aim to have a final international strategy ready by the end of 2021.

## Recommendations

4. The Board is invited to consider and approve the 2020/21 International annual report before its scheduled publication as part of a suite of corporate Audit Scotland reports on 11 June 2021.

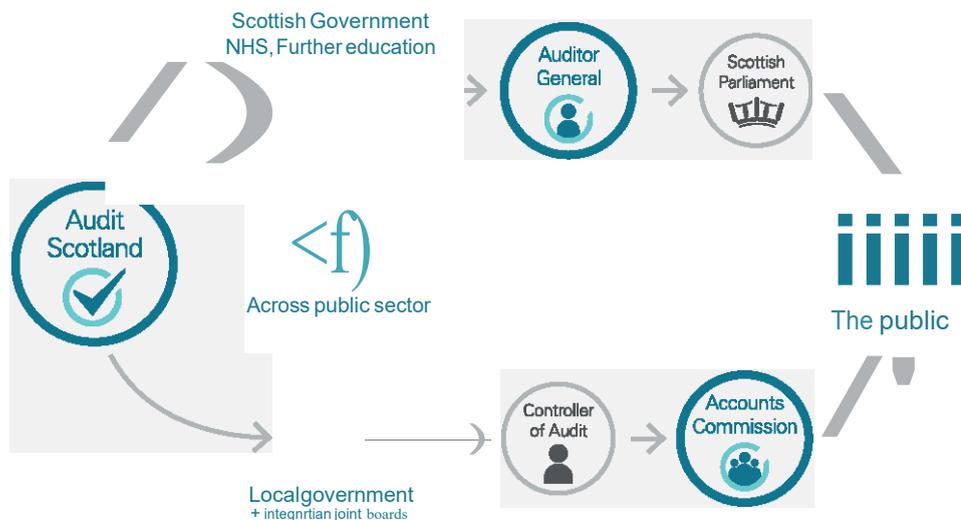
# International work 2020/21



# Who we are

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

- **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.
- 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.



## About us

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

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

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# Introduction

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The economic, social and health impact that the Covid-19 pandemic has had on society has been profound and its consequences are likely to be felt for many years to come. It is the biggest personal and professional challenge that many of us have experienced in our lives.

Like every other organisation around the globe, Audit Scotland has had to significantly change the way it operates in response to Covid-19. Our international work has moved away from physical meetings to make more use of teleconferencing and virtual meeting with colleagues from across the globe. We have also refocused our international activities to help us better understand and manage the implications of Covid-19 on our work and on the bodies which we audit. Continuing to share knowledge and good practice in our international work was a key strand of our approach.

In early 2020, Audit Scotland along with the other UK audit bodies established the Home Nations Covid-19 group. This allowed us to share ideas and to facilitate better joint working of the UK's four public audit bodies on the impact of Covid-19 on our audit work. Audit Scotland also joined up with our partners in the other European national and regional public audit institutions to consider the many impacts Covid-19 is having on public audit and public services. This gave us access to a network of public audit organisations all of which were coping with the same challenges as us, such as, how best to conduct audit work remotely. It also gave us insights into the various ways the pandemic is impacting on public services in different parts of the world.

Despite the challenges of the pandemic, we felt it was essential that Audit Scotland remained an open and outward-looking organisation promoting good governance and the effective use of public resources internationally. We did this by working with organisations such as the Organisation for Economic Co-operation and Development OECD and the Westminster Foundation for Democracy with whom we continued to help other nations to improve and build their public audit institutions.

We will be reviewing our international strategy during 2021 to reflect the changing circumstances that Covid-19 has created. Whatever the future brings, we remain as keen as ever to continue connecting, sharing, and learning from our colleagues from around the globe.



**Antony Clark**  
Interim Director of Performance Audit and Best Value and Controller of Audit



**Antony Clark**  
Interim Director of  
Performance Audit  
and Best Value and  
Controller of Audit  
Best Value

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# International work 2020/21

## Working with the other UK audit bodies

1. Audit Scotland works closely with other UK audit bodies on areas of joint interest such as improving audit quality. Much of this work is conducted through the Public Audit Forum (PAF). During 2020 Audit Scotland worked with the UK's other three audit agencies as part of the Home Nations Covid-19 group. The group's purpose is to facilitate better joint working on the impact of Covid-19 on our financial and performance audit work. As part of that work Audit Scotland has been liaising with the other UK audit bodies on several areas of shared audit interest such as local government finance during the pandemic, support for children's education during Covid-19 lockdown and supply of Personal Protective Equipment (PPE).



## Working with our European partners

2. Audit Scotland worked closely with European partners on areas of shared interest during 2020/21. EUROSAI (European Organisation of Supreme Audit Institutions) is one of the regional groups of the International Organisation of Supreme Audit Institutions (INTOSAI). EUROSAI membership stands at 50 audit institutions (49 European States and the European Court of Auditors). Under the auspices of the National Audit Office (NAO), Audit Scotland was invited to participate on two working groups that are examining the impact of Covid-19 on financial and performance audit work. Both working groups met for the first time in early December 2020. Our participation allowed us to compare our response to the pandemic with other European countries.



3. All participants agreed that the roundtable discussions were worthwhile. It is hoped that this will be the first of other collaborative projects between Audit Scotland and EUROSAI members. Our participation in the group has led to us being invited and participating in a second meeting on EUROSAI's Covid-19 financial audit response which took place in March 2021. We have also been invited to submit suggestions for future meetings of the group.

4. Our participation in EUROSAI's Covid-19 impact working groups has given us access to EUROSAI's Benchmarking Information Exchange Project (BIEP). EUROSAI members use BIEP to share information on a range of projects. We will use BIEP to assist financial and performance auditors to scope audit work, identify good practice and make access to audit recommendations.

## Sharing knowledge with international organisations

5. In early November 2020, the Organisation for Economic Co-operation and Development (OECD) invited Audit Scotland to moderate a meeting by the OECD on fraud prevention in social welfare payments at times of crisis. This invitation by the OECD demonstrates the international reach and impact of Audit Scotland's counter-fraud activities. The OECD invitation came on the back of other recognition of our counter-fraud activities by several public audit organisations such as Audit Wales and Western Australian Government.



6. In June 2020 we met with public management students from the University of Linz in Austria. Our presentation to this group focused on public audit in Scotland, how we work with the Scottish Parliament and the work done by the Accounts Commission in local government. After the event, Professor Cecon and the students wrote back to say how impressed they were with Audit Scotland's work programme, our openness, and professionalism.

## Supporting public audit around the world



7. In February 2021 Audit Scotland received an invitation from the Westminster Foundation for Democracy (WFD). The WFD is an agency of the UK's Foreign and Commonwealth Office and is tasked with supporting democracy throughout the world.

8. The WFD asked Audit Scotland to attend a conference in Montenegro on the role of public auditing in democratic nations. The invitation came on the back of important work that Audit Scotland had done previously with the WFD in Montenegro. Our presentation covered several areas including:

- The role of public audit in mature democracies to hold to account, scrutinise, provide assurance, and recommend improvements to public bodies.
- Audit Scotland's approach to working with the Scottish Parliament, which allows us to do our work without fear or favour, whilst still maintaining good working relationships with both the bodies we audit and Parliament.
- Recent examples of where our audit work made real improvements to Scotland's public bodies.

9. In December 2020 Fraser McKinlay, Audit Scotland Director of Performance Audit and Best Value attended ACCA's Public Sector Conference which was held virtually with hundreds of ACCA members from around the world. He gave a presentation on Audit Scotland's approach to auditing the UN's Sustainable Development Goals. He also participated in a keynote speaker panel session which included the Auditor General of National Audit Office of Finland, Inspector General in the Supreme State of Audit Cameroon, and the Deputy Auditor General of Afghanistan.

## Improving the quality of our work

10. Almost all international work conducted in 2020/21 has been directly or indirectly related to improving the quality of Audit Scotland's work. This section considers other specific areas where international work is helping to improve audit quality.

11. Audit Scotland subscribes to the Canadian Audit and Accountability Foundation's database, which we use to access internationally produced work that can help inform our own work. In 2020/21 this included work around climate change and the United Nations' Sustainable Development Goals.

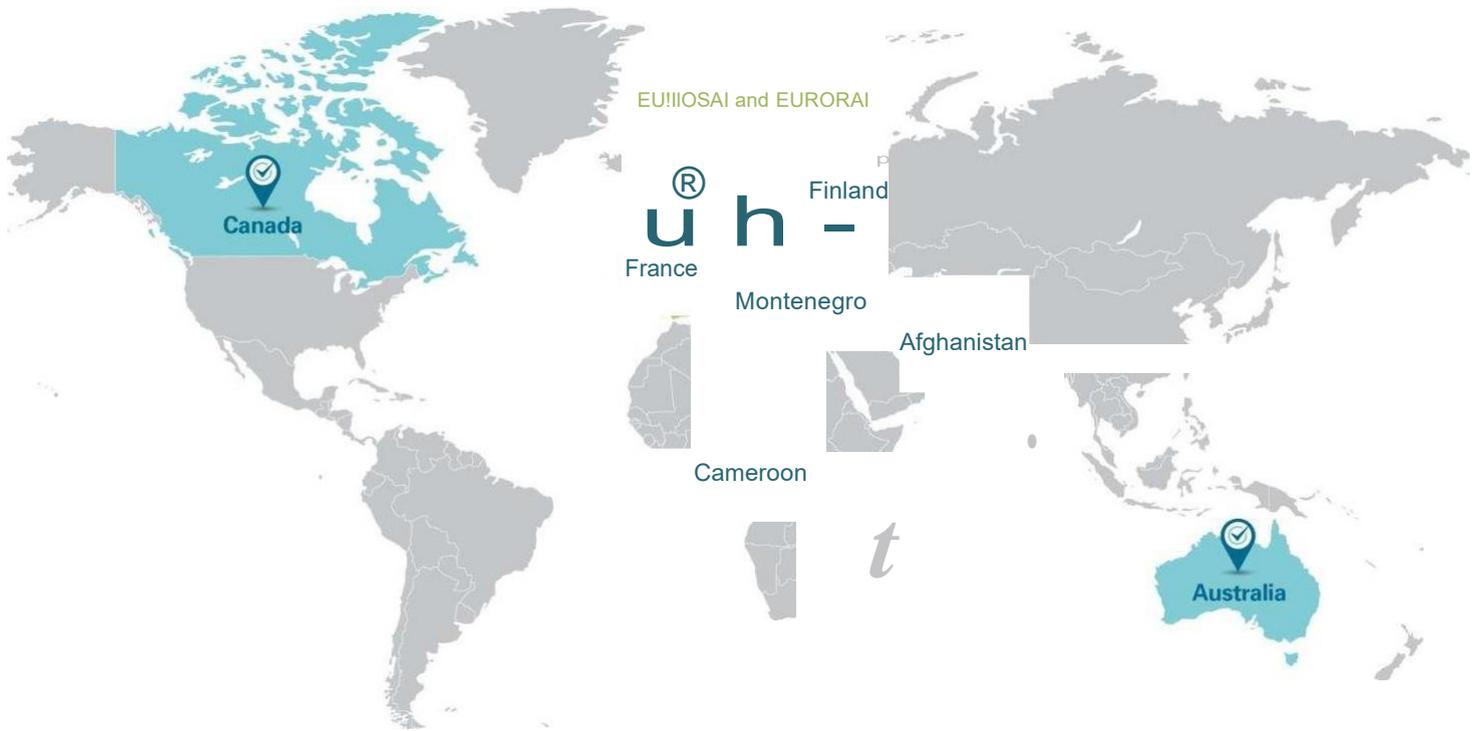
12. Audit Scotland's participation in EUROSAI's Covid-19 impact working groups has given us access to EUROSAI's Benchmarking Information Exchange Project (BIEP) through which EUROSAI members share information on a range of projects. We are currently exploring how BIEP could be used to assist financial and performance auditors to scope audit work, identify good practice and to make audit recommendations.



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## Exhibit 1

International public bodies with which Audit Scotland interacted during 2020/21



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# Looking forward

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13. During 2021 we will be reviewing our International Strategy to reflect the changing context created by the Covid-19 global pandemic and to ensure that it aligns with Audit Scotland's new Strategic Improvement Programme ('Our Plan'). In doing so our focus will be on ensuring that our approach to international work helps to improve the way we conduct work in line with our World Class audit ambitions. We will also continue to share our knowledge and expertise with others to support effective public audit and good governance around the globe.

14. We anticipate the following themes featuring in areas of focus in our new International Strategy:

- We use knowledge of overseas good practice to scope our audits and shape our recommendations to increase their impact.
- We use international audit standards and good practice networks to improve the quality of our audit work.
- We promote our work within the UK and internationally to build good practice networks and improve as an audit organisation.
- We aim to get as many staff involved in international work as possible to provide learning opportunities, building on their skills, and broadening the outlook they bring to our work.
- We welcome opportunities to share our knowledge and contribute to good public governance in other countries as a way of 'giving something back'.

15. Audit Scotland is committed to the principles of equal opportunity, fairness, and transparency in everything we do. We will strive to ensure that these values are embedded within our international work by working with international organisations who share similar values to ours. In the past, we have worked closely with the United Nations Board of Auditors, Organisation for Economic Co-operation and Development, and Westminster Foundation for Democracy. These are all respected organisations that share our values. We will also ensure that we carefully consider our values when arranging international visits and working with overseas audit institutions and public sector bodies.

16. We will place greater emphasis on virtual meetings and teleconferencing as an alternative to physical travel to help reduce our carbon footprint.

# International work

2020/21

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

[www.audit-scotland.gov.uk/accessibility](http://www.audit-scotland.gov.uk/accessibility) 

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



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## Purpose

1. This is the 2020/21 annual report to the Audit Scotland 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. 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.
4. Audit Scotland, the Auditor General for Scotland and the Accounts Commission introduced a joint complaint handling process in December 2012. The joint complaints handling process was reviewed and updated in 2014 and again in December 2018.
5. In January 2020 the Scottish Public Services Ombudsman published a revised Model Complaints Handling Procedure (MCHP). The Ombudsman expected the revised MCHP to be fully implemented by 1 April 2021.
6. We revised the Complaints Handling Procedure (CHP) for the Auditor General for Scotland, the Accounts Commission and Audit Scotland, to comply with the new model. It was approved by the Board, six months ahead of schedule in September 2020.

## Complaints received

7. The Corporate Governance team maintains the register of complaints received. The register shows that there was one complaint received in 2020/21 (compared to four in 2019/20).
  - The one complaint concerned a) failing to provide an adequate standard of service b) failure to follow proper rules and procedures, c) delays in responding to our correspondence. This was not upheld for parts a) and b) but was upheld for part c).

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

8. The Scottish Public Services Ombudsman Act 2002 (the Act) provides a framework for matters that can be considered by the SPSO for investigation. The complainant asked the Scottish Public Services Ombudsman (SPSO) to review their complaint and the SPSO concluded the complaint was not one within their jurisdiction.

## Conclusion

9. This report on complaints handling 2020/21 concludes that there are no significant issues that should be brought to the attention of the Board.

## Recommendations

10. The Board is invited to note the report.

## Purpose

1. This is the 2020/21 annual report to the Audit Scotland 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 for Scotland and the Accounts Commission are subject to the Freedom of Information (Scotland) Act 2002 (FOISA) and the Environmental Information (Scotland) Regulations 2004 (EIRs).
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 2020/21

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 September 2020. Staff acknowledged compliance with the policy via the Fit and Proper form in January 2021.
9. We reviewed our FOI publication scheme, in March 2021, 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 2020/21.

## Statistics and analysis

### Number of requests received

14. Audit Scotland recorded 35 FOI and no EIR requests this year. These were received in:

Requests received	2020/21		2019/20	
	FOI	EIR	FOI	EIR
Q1 (April – June)	5	0	5	0
Q2 (July – September)	8	0	10	0
Q3 (October – December)	3	0	10	0
Q4 (January – March)	19	0	6	0
<b>Total</b>	<b>35</b>	<b>0</b>	<b>31</b>	<b>0</b>

### Type of requester

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

Requester type	2020/21		2019/20	
	FOI	EIR	FOI	EIR
Media	5	0	3	0
MSP/MP	0	0	5	0
Organisation	12	0	11	0
Members of the public	18	0	12	0
Other	0	0	0	0
<b>Total</b>	<b>35</b>	<b>0</b>	<b>31</b>	<b>0</b>

16. Themes emerging from the information being requested are:

- 17% - Reports, draft reports and correspondence relating to those reports.
- 23% - Data held on other organisations.
- 34% - Audit Scotland's governance, policies, procedures.
- 26% - Contract information: Information technology, equipment, other contracts.

### Responding to requests

17. Information requested was released in full on 25 (71%) occasions, partially released on four (11%) occasions and the information requested was not held by us on six (17%) occasions. The two occasions information was withheld was due to the information being personal data.

### 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. Three members of staff recorded 139 hours (compared to 519 in 2019/20) for administering our FOI systems and procedures, replying to some requests and dealing with complex requests at FOI panels. This equates to approximately £6,792 (compared to £28,954 in 2019/20) 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 EIRs. Audit Scotland met this requirement for 89 per cent 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 2020/21.
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. No FOI Panels met this year to consider applying exemptions to some or all the information being requested.
25. In the two requests where we applied an exemption to the information this was due to the redaction of 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 2020/21 there were no requests for a review.
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. In addition, staff updates are published when changes to legislation occur.
29. Maintaining training records is dynamic process due to staff joining and leaving the organisation at any point during the year. As at 6 April two individuals (one per cent of staff) had not completed the FOI/EIR training.

## Conclusion

30. 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

31. The Board is invited to review the performance in 2020/21.

## Purpose

1. This report presents the 2020/21 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.
3. All Audit Scotland colleagues have been working from home since 17 March 2020 due to the Covid-19 pandemic using MS Teams to conduct business and meetings both internally and externally. This working context has presented and continues to present unprecedented challenges for the organisation, our stakeholders and audited bodies. During this time, Audit Scotland has demonstrated high levels of professionalism and resilience to adapt and deliver the work programme.
4. During the course of 2020 there were also significant changes to the Board. Alan Alexander took over as Chair of the Board from 1 April. Stephen Boyle took over the role of Auditor General for Scotland (AGS) and Accountable Officer for Audit Scotland. Elma Murray became Interim Chair of the Accounts Commission. The Board also welcomed two new non-executive members, Jackie Mann and Colin Crosby, who are the Chairs of the Remuneration and Human Resources Committee and Audit Committee respectively.

## Programme of work

5. The Audit Committee met five times in 2020/21 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 103 agenda items, including 77 papers. This included reports and updates on/from:
  - Financial management.
  - Governance, including the annual assurance and statement of control process.
  - Internal and external audit.
  - Audit quality.
  - Organisational risk.
  - Business continuity.
  - The annual report and accounts.
6. The Audit Committee reviewed the rolling action tracker at each of its meetings.
7. The Audit Committee carries out an annual review of its effectiveness based on a self-assessment checklist completed by members. A report on the outcome of the review and the actions arising was presented to the meeting of the Audit Committee on 12 May 2020.

## The annual report and accounts and financial management

8. The Audit Committee approved the timetable to facilitate the completion of the Statutory Accounts for the Year ended 31 March 2021 at its meeting on 3 March 2021.
9. The audit of the 2020/21 accounts has concluded and was reported to the Audit Committee on 2 June 2021.
10. The Audit Committee considered financial performance reports each quarter.

## Governance

11. The annual review of Audit Scotland's principal governance policies (standing orders, Financial Regulations and Scheme of Delegation) was undertaken in September and November 2020. The review resulted in minor changes.
12. In addition, the Audit Committee considered its Terms of Reference at the March, May, June, September and November 2020 meetings. Minor amendments were made where appropriate during the year. The decision was taken at the November 2020 meeting that the Terms of Reference be reviewed on an annual basis, and this would next take place at the 10 November 2021 meeting.
13. The Code of Conduct for members and employees was reviewed by the Board in September 2020 to ensure it remained up-to-date and in line with the model code published by the Scottish Government. The Code is published on the Audit Scotland website along with the annual declaration of members' interests.
14. The Audit Committee reviewed and approved the Business Continuity Plan and its supporting arrangements in March 2021. The Business Continuity Plan was restructured in light of the impact of EU withdrawal and the Covid-19 pandemic.
15. The Audit Committee considered a suite of annual assurance reports in accordance with the annual assurance and statement of control process. The reports were on:
  - Information Governance and Security.
  - Data Incidents.
  - Hospitality and Gifts.
  - Bribery and Fraud.
  - Whistleblowing.
  - Correspondence Handling and Whistleblowing.
  - Audit Quality.
  - Health, Safety and Wellbeing.
  - Governance statement on internal control and Certificate of Assurance.

## Internal and external audit

16. The external auditors and internal auditors have attended all of the Audit Committee meetings during 2020/21.
17. 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 2020/21.
18. At its meeting in March 2021 the Audit Committee considered a report from the internal and external auditors on their joint working arrangements.

19. The Audit Committee approves the programme of internal audit work each year. BDO carried out six internal audits and one follow-up review during 2020/21. 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.

20. The table below details the Audits and overall assurance assessments:

Audit	Design	Operational Effectiveness
Preparedness for changes to the Audit Scotland Board and to the Auditor General	Substantial	Substantial
IT Procurement	Reasonable	Reasonable
IT Strategy and Service Capacity	Substantial	Substantial
Business Continuity Planning	Substantial	Substantial
Public Audit Best Value Audit Methodology	Substantial	Substantial
Preparedness for changes to the Audit Profession	Substantial	Substantial
Follow-up Review	Good progress	

21. There were four recommendations from the six internal audits. Three recommendations were classified as low significance and one of medium significance. Management responses have been provided for all audit recommendations and work is being undertaken to implement them as appropriate.

22. Reports on progress with internal audit recommendations are brought to each Audit Committee.

23. The internal audit service and scrutiny provided by BDO offered substantial assurances in the round for the 2020/21 annual internal audit report.

24. 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.

25. The cost of the internal audit work for 2020/21 was £27,348.00. This was an underspend of £2,652.00 against the budget of £30k. This was due to the postponement of the Procurement of Audit Firms review during 2020/21 to 2021/22. The number of days planned to be used for audit by BDO was originally 55 days, which reduced to 48 days as a consequence of the postponed review.

## Audit quality

26. 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.

27. 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.

28. The Quality of Public Audit in Scotland annual report 2019/20 was presented to the May 2020 meeting of the Audit Committee and highlighted continued improvement in audit quality. 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.

29. The Quality of Public Audit in Scotland annual report 2020/21 was presented to the May 2021 meeting of the Audit Committee. The Audit Quality and Appointments team have concluded that across the range of evidence used to assess audit quality the conclusion is that the quality of audit work is good in PABV and

accountancy firms with improvement required and planned in Audit Scotland where the financial audit quality results do not meet the required quality standards. An improvement plan has been developed to address the findings.

30. The Chair of the Audit Committee also attended three meetings of the Audit Quality Committee as an observer in 2020/21.

## Risk management

31. Audit Scotland's Risk Management Framework was reviewed and approved by the Audit Committee on 3 March 2021. In accordance with the framework the committee reviewed the Risk Register at each of its five meetings.
32. 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. Due to the challenges and work pressures of operating amidst a worldwide pandemic, the committee considered only one detailed risk interrogation on digital security. In March 2021, the committee agreed to temporarily suspend risk interrogations until there was capacity to re-introduce these.
33. 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

34. 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.
35. Internal auditors provided Audit Scotland with reasonable assurance that there are no major weaknesses in the internal control system for the areas reviewed in 2020/21.
36. 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.
37. On the basis of the work reviewed and progress made during 2020/21, the Audit Committee can advise the Board that, in its opinion, the internal control systems in Audit Scotland are effective.

## Acknowledgements

38. The Chair of the Audit Committee thanks the members of the Audit Committee for their input during 2020-21, a year which presented unprecedented challenges due to the Covid-19 pandemic.

## Recommendation

39. The Board is invited to consider and approve the 2020/21 Annual report from the Chair of the Audit Committee.

## Purpose

1. This report informs the Audit Scotland Board that the Remuneration and Human Resources Committee (Remco) has completed a review of the past twelve months performance of Remco and identified the future priority areas for 2021/22.
2. The report is provided to the Board for approval.

## Background

3. The review of Remco past performance and the identification of future priorities was considered at the May 2021 meeting, in accordance with the Terms of Reference.
4. This process follows good practice for the operation of remuneration committees. The Chair provides a separate report to the Audit Scotland Board and Accountable Officer following discussion by Remco members.

## Progress update

5. The Remco Terms of Reference contain the core schedule of activities and states that the committee should meet three times each year. During 2020/21, Audit Scotland's Remco met on four occasions. Key items of business considered by Remco are shown below:
  - talent management and succession planning
  - consideration of Audit Scotland's commitment and plan to strengthen diversity, equality and inclusion (gender pay gap report, annual diversity reporting and plans under our public sector equality duties)
  - approval of the 2020 pay award, its implementation and outturn
  - approval of the parameters in support of the 2021 pay award, the negotiations with the Public & Commercial Services (PCS), including the latest public sector pay policy in Scotland and the implications of this upon our own pay settlement and budget
  - supporting the Accounts Commission for Scotland in relation to Audit Scotland's support arrangements for the Commission
  - approval of updates to Audit Scotland local government in Scotland pension policy statement to reflect the latest regulations published by the Scottish Public Pensions Agency (SPPA)
  - final update from Audit Scotland following the review of Career Development Gateways (CDG), this being a novel and important element of Audit Scotland's organisational development and reward strategy from 2017/18
  - supporting the recruitment of the interim Controller of Audit and interim Director of Performance Audit and Best Value
  - annual review and assurance in connection with the expenses of the Auditor General for Scotland
  - annual review of Remco past performance and the setting of future priorities

- regular updates about our business and workforce as we have managed the impact of Covid-19.
6. All this work has been achieved in accordance with good employment practice and is consistent with public sector policy guidance affecting organisations such as Audit Scotland.

## Priority areas from September 2020

7. In September 2020, Remco agreed to adopt the HR&OD Manager's recommendation of the following list of items which Remco wished to schedule for consideration across the upcoming agenda of business for 2020/21:
- diversity, equality and inclusion, building upon the forward plan contained in the HR&OD Manager's report to Remco on 2 September 2020. This has been and will continue to be subject to ongoing consideration by Remco
  - Audit Scotland's future pay and reward strategy. This has been addressed by Remco and the 2021/22 award was approved at the 12 May 2021 meeting
  - the mental, emotional health, wellbeing and resourcing arrangements across Audit Scotland's workforce in light of Covid-19 and its impact upon ways of working and productivity. This has been considered as part of the regular updates provided by the Audit Scotland Management Team.

## Future priority areas

8. Following discussion by Remco, the upcoming priorities beyond the normal business set out within the Terms of Reference for 2021/22 will be:
- Audit Scotland's delivery upon its diversity, equality and inclusion programme as set out across [its two employer outcomes under the public sector equality duties](#)
  - the second phase of Audit Scotland's collaboration and negotiation with PCS in relation to the range of issues within the 2021/22 pay and reward package
  - talent management and succession planning, with a particular focus upon Audit Scotland's Management Team, wider Leadership Group and the link to the future recruitment by the Accounts Commission's Controller of Audit (including consideration of flexible working options). This is scheduled for discussion with Remco at the 10 November 2021 meeting
  - ongoing updates on the wellbeing of Audit Scotland's workforce as Scotland emerges into a post-pandemic environment.

## Conclusion

9. The operation of the Remco during 2020/21 has been effective and in accordance with the Terms of Reference. Good governance exists and the committee has continued to challenge and support the effective and efficient operation of Audit Scotland.

## Recommendation

10. Board members are invited to:
- take note and comment upon the work of the committee during 2020/21
  - discuss and agree areas which the committee should take forward as priority areas for 2021/22.

## Next steps

11. The Remco Chair will facilitate the next review of Remco performance at the meeting scheduled in May 2022. A report will then be submitted to the Audit Scotland Board and Accountable Officer in June 2022.

## Purpose

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

## Background

2. The Audit Committee is responsible for developing and monitoring a policy on engaging the external auditor to provide non-audit services, taking into account relevant guidance on the provision of non-audit services by the external audit firm. The Audit Committee considered the policy at its meeting on 12 May 2021 and agreed to recommend it to the Board for approval.
3. The Scottish Commission for Public Audit (SCPA) appoints Audit Scotland's external auditors and may impose contractual restrictions/prohibitions on the external auditor providing non-audit services. In the absence of contractual restrictions, the Audit Committee and Audit Scotland Board are responsible for determining in what circumstances Audit Scotland may engage the external auditor to provide non-audit services.
4. The current policy on the provision of non-audit services was approved in June 2020 and is reviewed annually.

## Review

5. The Financial Reporting Council's (FRC) Ethical Standard has not been revised since this policy was approved in June 2020. The policy remains appropriate and in line with the FRC's Ethical Standard.
6. The Department for Business, Energy & Industrial Strategy has [published its response](#) to the recommendations made by the three independent reviews commissioned by the government in 2018:
  - Sir John Kingman's Independent review of the Financial Reporting Council
  - the Competition and Market Authority's statutory audit market study
  - Sir Donald Brydon's independent review of the quality and effectiveness of audit.
7. The government's response includes support for the requirement for operational separation between the audit and non-audit arms of certain firms. The FRC asked the big four firms to submit their implementation plans by October 2020. The FRC has reviewed these plans and discussed them with the firms individually and is now content for the firms to move to the next stage of implementation.
8. Audit Scotland's external auditor, Alexander Sloan, is not required to separate their audit and non-audit arms.

## Conclusion

9. The policy remains appropriate and in line with the FRC's Ethical Standard.

## Recommendations

10. The Board is invited to approve the unchanged policy.

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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 2021, next review June 2022

## 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 invites the Board to approve our Counter Fraud Policy as part of the scheduled policy review cycle.

## Background

2. Our Counter Fraud Policy is scheduled for its biennial review in June 2021.
3. All colleagues acknowledge that they have read and understood the policy as part of the annual completion of the 'Fit and Proper' form. All new staff are given time during induction to read Audit Scotland's policies, they also complete and return a 'Fit and Proper' form as part of the pre-employment process.

## Policy review

4. The Counter Fraud Policy has been reviewed and was considered by Audit Scotland's Management Team on 25 May 2021. Following this discussion, only minor changes are proposed to the policy which are shown in track changes at Appendix 1.

## Recommendation and next steps

5. Board members are invited to consider and approve the updated Counter Fraud Policy.

## Appendix 1

Counter Fraud Policy (see accompanying attachment).

## Counter Fraud Policy

Owned and maintained by:	Human Resources & Organisational Development
Date checked/created:	June 2021
Next review date:	June 2023

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

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

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communicated to all [staffemployees-members](#). Ensure that an adequate system of internal control exists within your department. The key points to consider are:

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

11. Audit Scotland aims to recruit honest employees. The degree of background checking is dependant on the level of accessibility to significant Audit Scotland assets. Certain information available from background and security checks is classified as personal, sensitive and / or confidential. This means that access to this information is restricted and it must be held in a secure manner. Human Resources lead on security and background checks<sup>1</sup> which is why you should speak with them prior to any formal checks being undertaken.

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

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

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

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17. You may find it helpful to read Audit Scotland's Whistleblowing Policy which provides further information.
  18. If you and your manager decide between you that your suspicion may be justified, the matter must be reported to the Chief Operating Officer. Audit Scotland will then take the appropriate action, as follows:
    - Implement its Fraud Response Plan.
    - Refer the matter to the Audit Committee.
    - Refer the matter to the Police, if appropriate.
    - Report back to the Audit Committee in all cases.
  19. Do not approach the individual(s) about whom you have concerns and do not discuss the matter with anyone else.

## Purpose

1. This report informs the Board of the annual review of our internal controls to support the achievement of the organisation's policies, aims and objectives. It forms part of the suite of assurance reports in support of the Accountable Officer's governance statement in the annual report and accounts.
2. The report also provides the Certificates of Assurance on our internal controls from each of Audit Scotland's business groups.

## 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.
4. On 17 March 2020, all Audit Scotland colleagues began working from home due to the Covid-19 pandemic and continue to do so. It is recognised that having the whole organisation working remotely for this sustained period of time potentially places challenges on internal controls. To mitigate any risks arising from this style of working Corporate Governance and Digital Services ensured effective guidance and communications was provided throughout 2020-21. Audit Scotland reviewed the impact of Covid-19 on internal controls and it is clear they remained effective.
5. The Board is invited to consider the certificates of assurance to determine whether they raise any issues which should be drawn to the attention of the Audit Committee or the Audit Scotland Board at their meetings on 2 June 2021 with the Annual Accounts and governance statements. These were reviewed by Management Team on 27 April 2021.

## Considerations

6. Business groups reviewed their internal controls between 8 to 26 March 2021 with the aid of the internal control checklist. Based on the review and checklist findings the business group Directors completed and approved their business group's Certificate of Assurance.
7. Business group Directors reported that generally the controls in their areas have been and are working well. The responses, including evidence and detailed action points where relevant are available on SharePoint.
  - [Audit Services](#)
  - [Corporate Service](#)
  - [Performance Audit and Best Value.](#)

## Recommendations

8. The Board is invited to note the Audit Scotland certificate of assurance as part of the annual assurance process.

# CERTIFICATE OF ASSURANCE



To Audit Scotland's Accountable Officer

## ANNUAL ACCOUNTS 2020/21 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 2020/21. 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

A handwritten signature in black ink, appearing to read "Fraser McKinlay".

Signature:

Date: 29 March 2021

# CERTIFICATE OF ASSURANCE



To Audit Scotland's Accountable Officer

## ANNUAL ACCOUNTS 2020/21: 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 2020/21. 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

Signature:

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

Date: 26 March 2021

# CERTIFICATE OF ASSURANCE



To Audit Scotland's Accountable Officer

## ANNUAL ACCOUNTS 2020/21: 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 2020/21. 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: 15 April 2021



**Alexander Sloan**  
Accountants and Business Advisers

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# Audit Scotland Audit summary report for the year ended 31 March 2021

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## Scope

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 2021.

## Acknowledgements

We would like to thank the management and staff of Audit Scotland for their assistance and co-operation during the audit.

# Audit Opinion

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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 2021 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.

## Responsibilities

The responsibilities of Audit Scotland and ourselves as auditors are set out within the audit report.

## Letter of Representation

Our audit opinion is based on the signing of the letter of representation and the accounts by the Accountable Officer and no further significant events arising up to the point of signing the audit report. The letter of representation has been sent to Audit Scotland for approval by the Accountable Officer.

## Fraud

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.

## Scope of Audit

Our audit report is made solely to the Scottish Commission for Public Audit, as a body, in accordance with Section 25 of the Public Finance Accountability (Scotland) Act 2000. Our audit work is undertaken so that we might state to the Scottish Commission for Public Audit those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Scottish Commission for Public Audit for our audit work, for the audit report, or for the opinions we form.

# Audit Independence and Ethics

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We can confirm that we have complied with the FRS ethical standards and the ethical safeguards as set out in the Audit Plan.

## Audit Plan

The Audit Plan for the period ended 31 March 2021 sets out any matters that we are required to inform you of under the Financial Reporting Council (FRC) Ethical Standard and International Standard on Auditing (UK) 260: “Communication with those charged with governance”. We can confirm that as far as we are aware there are no changes to these matters or any further issues that may reasonably be thought to bear on the objectivity and independence of the audit team.

## Ethical Assurance

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 which are not modest;
- the firm does not have any mutual business interest with Audit Scotland or the Scottish Commission for Public Audit;
- no members of the audit team have any personal or family connections with Audit Scotland, the Scottish Commission for Public Audit 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 Ethical Standard.

## Key Audit Issues

We have set out below how we have dealt with the key audit issues and risks during the course of the audit.

Risks identified during audit planning	Resolution
<p><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.</p>	Our audit work did not identify any material override of financial controls.
<p><b>Revenue Recognition</b> ISA (UK) 240 requires the auditor to presume that there are risks of fraud in revenue recognition.</p>	Our audit work did not identify any material misstatement of revenue.
<p><b>Key Accounting Estimates</b> As in previous years, the financial statements of Audit Scotland for the year ended 31 March 2021 include a number of key estimates. Key estimates include provisions and pension assumptions as well as work in progress which is considered below.</p>	We have reviewed supporting documentation and assumptions in respect of the key accounting estimates and are satisfied that the provisions are not materially misstated.
<p><b>Work In Progress</b> As set out in our planning letter our audit involved a detailed review of the work in progress balance.</p>	We have reviewed Audit Scotland's work in progress and are satisfied that the balance is not materially misstated.
<p><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.</p>	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

We have considered the key qualitative aspects of the financial statements and are satisfied these are reasonable.

Qualitative Aspects	Audit Findings
<p><b>Accounting Policies</b></p> <p>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></p> <p>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></p> <p>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></p> <p>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>

# Qualitative Aspects of the Financial Statements (continued)

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Qualitative Aspects	Audit Findings
<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).	We did not identify any material disclosure errors within Audit Scotland's financial statements.

## Adjustments to the Financial Statements

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We have considered the impact on the audit report of any potential adjustments identified during the course of the audit.

### Scope

During the course of our audit we may identify potential adjustments to the financial statements. All potential adjustments, which are not trivial, are discussed with the Accountable Officer. The decision as to whether to adjust the financial statements lies with the Accountable Officer as responsibility for the financial statements lies with the Accountable Officer. As auditor, when preparing our audit report, we will consider whether the financial statements are materially misstated.

## Internal Controls

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We can confirm that we have complied with the FRC Ethical Standard and the ethical safeguards as set out in the Audit Planning document.

### Scope

During the audit we will consider if we have identified any control weaknesses, from our work, which are of sufficient importance to be brought to the attention of the Scottish Commission for Public Audit. It should be noted that the matters dealt with in this report came to our attention only 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. The findings in this report are not designed to be a complete record of weaknesses in your system.

### Responsibility

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.

### Management

Please note that any control weaknesses noted are not intended to reflect in any way on the integrity or competence of any member of Audit Scotland's staff from whom we have received every assistance and co-operation.

### Findings

We are pleased to note there are no control weaknesses for us to report following the audit.

## Other Matters

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### Future Issues

Please see our website [www.alexandersloan.co.uk](http://www.alexandersloan.co.uk) for further issues that may impact Audit Scotland.

## Internal Audit

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As part of our audit work we have reviewed the Internal Audit Reports on the controls within Audit Scotland and held regular 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.

## Contacts

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Should you require any further information regarding any matter raised in the report, then please contact one of your key contacts as set out below:

Contact	Phone	Email
Steven Cunningham <b>Partner</b>	0141 204 8989	steven.cunningham@alexandersloan.co.uk
Jillian So <b>Manager</b>	0131 228 7979	jillian.so@alexandersloan.co.uk



**Alexander Sloan**  
Accountants and Business Advisers

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

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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.

# Agenda

Wednesday 22 September 2021 at  
10.00am

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

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## Standing items

- |  |                 |
|--|-----------------|
| 5. Chair's report - verbal update                          | For information |
| 6. Accountable Officer's report - verbal update            | For information |
| 7. Accounts Commission Chair's report - verbal update      | For information |
| 8. Review of minutes:                                      |                 |
| • Board meeting: 2 June 2021                               | For approval    |
| • Human Resources and Remuneration Committee: 3 March 2021 | For information |
| • Audit Committee: 12 May 2021                             | For information |
| • Audit Committee: 2 June 2021                             | For information |
| 9. Review of action tracker                                | For information |
| 10. Covid-19 update  | For information |

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## Strategic priorities

- |  |                 |
|--|-----------------|
| 11. Strategic Improvement Programme update | For information |
|--|-----------------|

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## Business planning, performance and governance

- |                                     |                 |
|-------------------------------------|-----------------|
| 12. Q1 Financial performance report | For information |
| 13. Q1 Corporate performance report | For information |

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## Governance

- |  |              |
|--|--------------|
| <b>14. Annual review of corporate governance policies</b>  | For approval |
| <b>15. Annual policy review of records management policies</b>                                   | For approval |
| <b>16. Annual policy review of Freedom of Information and Environmental Information requests</b> | For approval |
| <b>17. Information Security Management Policy review</b>   | For approval |
| <b>18. Proposed Board and Committee meeting schedule 2022</b>                                    | For approval |

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## Conclusion

- |                                 |                 |
|---------------------------------|-----------------|
| <b>19. Any other business</b>   | For discussion  |
| <b>20. Review of meeting</b>    | For discussion  |
| <b>21. Date of next meeting</b> | For information |

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## Items to be taken in private

- |  |                 |
|--|-----------------|
| <b>22. New audit appointments update</b>   | For information |
| [Item to be taken in private to support the effective conduct of business, commercial sensitivity]                                     |                 |
| <b>23. 2022/23 Draft budget proposal</b>   | For approval    |
| [Item to be taken in private to support the effective conduct of business, commercial sensitivity and intended for future publication] |                 |
| <b>24. Discussion paper – Medium Term Financial Plan</b>   | For discussion  |
| [Item to be taken in private to support the effective conduct of business, commercial sensitivity]                                     |                 |
| <b>25. Discussion paper – Future funding and fee arrangements</b>  | For discussion  |
| [Item to be taken in private to support the effective conduct of business, commercial sensitivity]                                     |                 |
| <b>26. Audit Committee risk workshop</b>   | For discussion  |
| [Item to be taken in private to support the effective conduct of business]   |                 |

# Minutes Board

Wednesday 2 June 2021, 12.00noon  
Audit Scotland by Video conference

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## Present:

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

## Apologies:

There were no apologies.

## In attendance:

Diane McGiffen, Chief Operating Officer  
Martin Walker, Associate Director, Corporate Performance and Risk  
Stuart Dennis, Corporate Finance Manager  
Simon Ebbett, Communications Manager  
Antony Clark, Interim Director of Performance Audit and Best Value and Controller of Audit  
Parminder Singh, International Liaison Manager  
Gayle Fitzpatrick, Corporate Governance Manager  
Elaine Boyd, Associate Director, Audit Quality and Appointments  
Owen Smith, Senior Manager, Audit Quality and Appointments  
David Blattman, Human Resources (HR) and Operational Development (OD) Manager

## 1. Private meeting of Board members

The Board met privately and there were no matters arising.

## 2. Welcome and apologies

*Diane McGiffen, Chief Operating Officer, Martin Walker, Associate Director, Corporate Performance and Risk, Stuart Dennis, Corporate Finance Officer, and Simon Ebbett, Communications Manager, joined the meeting.*

The Chair welcomed attendees to the meeting and noted there were no apologies.

## 3. Declarations of interest

There were no declarations of interest.

#### **4. Items to be taken in private**

The Chair invited members to agree that the reports at items 23, 24, 25 and 26 of the agenda be considered in private based on the reasons set out on the agenda. The Board agreed.

#### **5. Chair's report – verbal update**

The Chair noted that the meeting followed quickly on from the May meeting of the board and that it was primarily focused on considering annual reports from the Board's committees, annual reports from Audit Scotland officials in order to recommend the 2020/21 Annual report and accounts for signing to the Auditor General for Scotland as Accountable Officer. He advised that therefore, business updates were short verbal updates since the May meeting.

The Chair advised of the meeting of the New Audit Appointments Steering Group held on Wednesday 26 May, a verbal update on which would be shared under Item 26 of today's agenda. The Chair also advised of routine meetings with the Auditor General for Scotland, Chair of the Accounts Commission and the Chief Operating Officer. The Board welcomed the update.

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

Stephen Boyle invited the Board to note the coverage and enquiries received following the publication of the Scottish Colleges report and advised that membership of the Scottish Parliament's Committees and the Scottish Commission for Public Audit were still to be announced. The Board noted that the Insight session with colleagues on the election results and hosted by Newsdirect on 1 June 2021 had been well attended.

Turning to external engagement, Stephen advised of recent meetings with Gareth Davies, Comptroller and Auditor General, National Audit Office, with Robert Scott, HM Chief Inspector of the Scottish Fire and Rescue Service and with Sally Loudon, Chief Executive of COSLA.

Stephen advised the Board of the continuing engagement with colleagues following the audit quality results and the improvement plan.

The Board welcomed the update.

#### **7. Accounts Commission Chair's report – verbal update**

Elma Murray invited the Board to note she had held regular meetings with the Auditor General for Scotland, the Chief Operating Officer and the Interim Controller of Audit.

Elma advised the Board that Committees of the Accounts Commission had taken place on 27 May 2021 and of a meeting of the Best Value Working Group. The members noted the working group will reduce its consideration of New Audit Appointments business due to the forthcoming procurement process.

Elma invited members to note that the Accounts Commission would consider a Best Value Assurance Report for Aberdeen City Council at its forthcoming meeting on 10 June 2021 and that the Commission would hold its mid-year strategy seminar in August.

Elma invited members to note that the Accounts Commission had published a joint forward work programme with the Auditor General for Scotland and that the recently published Local Government Overview report had received good coverage. The Board noted the Accounts Commission's Annual report was scheduled for publication on 3 June 2021.

The Board welcomed the update.

## 8. Review of draft minutes: Board meeting 19 May 2021

The Board considered the minutes of the meeting of 19 May 2021, which had been previously circulated.

The Board approved the minutes as an accurate record of the meeting. The Board noted the number of actions arising as result of reporting audit quality. The Board agreed that the review of the fees and funding model would consider the implications for Local Government and was provided with that reassurance.

## 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 invited the Board to agree that the variations to the standing orders continue to be kept under review and considered at each Board meeting until further notice, to agree that the Accountable Officer become a formal member of the Human Resources and Remuneration Committee and to note the development work on live streaming virtual meetings and the options for extending the access to face to face and hybrid meetings.

The Chair advised that during his annual appraisal he referenced how the Board have supported public access to meetings and that this remains a standing item for the Board.

Jackie Mann, Chair of the Remuneration and Human Resources Committee (Remco) confirmed the agreement for the Accountable Officer to be a member of Remco, and Martin Walker agreed to ensure this is captured in the respective standing orders for both the Board and Remco as appropriate.

Following discussion, the Board accepted the recommendations contained within the report.

**Action ASB142: Martin Walker to update the standing orders for the Board and Remco, recording that the Accountable Officer is a member of Remco. (July 2021)**

## 10. Review of action tracker

The Board noted the updates provided on the action tracker.

## 11. Covid-19 – verbal update

Martin Walker provided a verbal update on developments in relation to Covid-19.

The members noted the developments in the external environment.

The Board noted the publication of the Scottish Colleges summary report on 25 May, the Local Government Overview published on 27 May, the forward work programme, all of which featured responses to the pandemic. The Board also noted publications of a Social Care blog and PPE briefing paper to be published on 3 and 16 June 2021 respectively.

Martin advised the Board that Management Team are scheduled to consider options on phased access to offices and other workplaces at its forthcoming meeting on 8 June 2021.

Following discussion, the Board welcomed the update.

## **12. Strategic improvement programme – verbal update**

Martin Walker provided a verbal update on developments within the Strategic improvement programme.

Martin invited the Board to note a range of reports have been published including the joint work programme and equality outcomes and future publications scheduled including the annual report on Quality of Public Audit in Scotland and members noted the ongoing development of audit methodology on climate change.

The Board welcomed additional information on the Best Companies results that Audit Scotland was ranked in the top 40 of the best places to work in Scotland and in the top four accountancy firm in the UK. Martin advised that Management Team had considered Audit Scotland's People strategy at its meeting on 1 June and approved the business case for a new business management system on 25 May 2021. The Board noted the Strategic Improvement Programme Board is due to meet on 22 June which will consider Phase 2 of the building capacity project which in turn will inform Audit Scotland's future workforce plan and planned engagement with colleagues through a programme of events over the coming months.

Following discussion, the Board welcomed the update.

## **13. Q4 Financial performance report**

Stuart Dennis introduced the Q4 Financial performance report, copies of which had been previously circulated.

Stuart invited the Board to note the financial results for the 12 months to 31 March 2021 and which had been considered at the Audit Committee meeting immediately prior.

The Board noted the financial results for the 12 months to 31 March 2021.

## **14. 2020/21 Annual report on international work**

*Antony Clark, Interim Director of Performance Audit and Best Value and Controller of Audit, and Parminder Singh, International Liaison Manager, joined the meeting.*

Antony Clark introduced the 2020/21 Annual report on international work, copies of which had been previously circulated.

Antony invited the Board to consider and approve the 2020/21 International annual report before its scheduled publication as part of a suite of corporate Audit Scotland reports on 11 June 2021.

During discussion, the Board congratulated the team for maintaining an international presence during travel restrictions and noted that in some cases, virtual meetings had opened up further opportunities for increased engagement with audit agencies. The Board welcomed the ability for Audit Scotland to decline requests in some circumstances and recognised that as global restrictions ease there may be future opportunities for international travel to enhance learning and develop best practice.

Following discussion, the Board welcomed the report and recorded their appreciation to the team before approving the 2020/21 Annual report on international work for publication.

*Antony Clark and Parminder Singh left the meeting.*

## 15. 2020/21 Annual report on complaints

*Gayle Fitzpatrick, Corporate Governance Manager, joined the meeting.*

Gayle Fitzpatrick introduced the 2020/21 Annual report on complaints, copies of which had been previously circulated.

Gayle invited the Board to consider and note the report and advised of the implementation of Audit Scotland's renewed Complaints handling procedure six months ahead of schedule.

During discussion, the Board sought clarification of how complaints about colleagues are captured and whether the scope of the report may be broadened to include these in future years if relevant. In addition, the members agreed they would welcome further analysis on the split of complaints received for the Auditor General for Scotland, Accounts Commission and Audit Scotland and Gayle Fitzpatrick agreed to revert to members with further information.

Following discussion, the Chair invited any comments from the members on the report and there being none the Board noted the 2020/21 Annual report on complaints.

**Action ASB143: Gayle Fitzpatrick to provide further detail of how complaints about colleagues is captured together with the further analysis requested. (July 2021)**

## 16. 2020/21 Annual report on freedom of information and environmental information

Gayle Fitzpatrick introduced the 2020/21 Annual report on freedom of information and environmental information, copies of which had been previously circulated.

Gayle invited the Board to review the performance in 2020/21 and to note that the number of requests had increased slightly from previous years.

During discussion the Board noted there were no issues to report from the four main areas of interest for freedom of information requests which comprise reports, contracts, policies and governance.

The members noted there have been no environmental information requests and Gayle Fitzpatrick agreed to review the messaging around the policy.

Following discussion, the Board noted the 2020/21 Annual report on freedom of information and environmental information.

**Action ASB144: Gayle Fitzpatrick to review the visibility of Audit Scotland’s role in responding to Environmental Information Requests (September 2021)**

*Gayle Fitzpatrick left the meeting.*

## **17. 2020/21 Annual report from the Chair of the Audit Committee**

Colin Crosby introduced the 2020/21 Annual report from the Chair of the Audit Committee, copies of which had been previously circulated.

Colin invited the Board to consider and approve the 2020/21 Annual report from the Chair of the Audit Committee.

During discussion, the members noted an amendment to the report to state that the Committee fully endorses the actions taken by Audit Scotland to improve the delivery of audit quality.

Following discussion, the Board approved the 2020/21 Annual report from the Chair of the Audit Committee, subject to the amendment referenced.

**Action ASB145: Gayle Fitzpatrick to update the report to reflect the agreed amendment. (June 2021)**

## **18. 2020/21 Annual report from the Chair of the Remuneration and Human Resources Committee**

Jackie Mann, introduced the 2020/21 Annual report from the Chair of the Remuneration and Human Resources Committee, copies of which had been previously circulated.

Jackie invited the Board to consider the work of the committee during 2020/21 and to discuss and agree areas which the committee should take forward as priority areas for 2021/22. In addition, Jackie advised of a proposed amendment to the report to remove reference to the forthcoming recruitment of the Controller of Audit as this responsibility falls solely to the Accounts Commission, while recognising Audit Scotland’s employer responsibilities.

Following discussion, the Board approved the 2020/21 Annual report from the Chair of the Remuneration and Human Resources Committee, subject to the agreed amendment.

The Chair recorded his appreciation to both Jackie Mann and Colin Crosby, new members of the Board and their performance in their respective new roles as Chair of the respective Committees.

**Action ASB146: David Blattman to update the report to reflect the agreed amendment. (June 2021)**

## 19. Policy on the provision of non-audit services by Audit Scotland's external auditor

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

Elaine Boyd introduced the Policy on the provision of non-audit services by Audit Scotland's external auditor, copies of which had been previously circulated and invited the Board to consider and approve the policy.

The Board welcomed the recommendation received from the Audit Committee to approve the policy and in the absence of further comment, the Board approved the policy on the provision of non-audit services by Audit Scotland's external auditors.

## 20. Counter Fraud Policy review

*David Blattman, HR&OD Manager, joined the meeting.*

David Blattman introduced the Counter Fraud Policy review report, copies of which had been previously circulated.

David invited the Board to consider and approve the updated Counter Fraud Policy.

The Board sought clarification that the reference to staff includes all workers, Board members, Auditor General for Scotland and how this links to the Code of Conduct. The members were assured that the annual fit and proper process provides additional disclosure by colleagues and members' registers of interests are publicly available. David Blattman agreed to review the policy and report back to the Board.

Following discussion, the Board approved the Counter Fraud Policy, subject to clarification of the points raised.

**Action ASB147: David Blattman to review the policy and provide an update to the Board. (July 2021)**

*David Blattman left the meeting.*

## 21. 2020/21 Governance statement and certificate of assurance

*Gayle Fitzpatrick, Corporate Governance Manager, joined the meeting.*

Gayle Fitzpatrick introduced the 2020/21 Governance statement and certificate of assurance report, copies of which had been previously circulated.

Gayle invited members to note the Audit Committee's recommendation to the Board and confirmed there were no issues arising from the review process and sought approval from the Board to recommend the report to the Accountable Officer in support of the annual governance statement.

Following discussion, the Board approved the 2020/21 Governance statement and certificate of assurance.

*Gayle Fitzpatrick left the meeting.*

## **22. Audit summary report for the year ended 31 March 2021**

Stuart Dennis introduced the Audit summary report for the year ended 31 March 2021 report, copies of which had been previously circulated.

The Chair invited members to the Board to note consideration of the 2020/21 Audit summary report by the Audit Committee immediately prior to today's Board meeting and in the absence of any comments the Board confirmed they were content.

## **Items taken in private**

### **23. Quality of public audit in Scotland 2020/21**

Elaine Boyd introduced the Quality of public audit in Scotland 2020/21 report, copies of which had been previously circulated.

Elaine invited the Board to approve the Quality of public audit in Scotland annual report 2020/21 for publication as part of the suite of annual reports.

During discussion, the Board considered the detailed plan to address specific areas of focus for improvement and welcomed the pace and depth of the programme being implemented.

Elma Murray advised that the Accounts Commission welcomed the work and reporting by the Audit Quality and Appointments team.

The members welcomed the rapid response by Audit Scotland to put in place a detailed action plan for the improvements required to limited and specific areas. In addition, the Board welcomed the support provided to Elaine to ensure she is content with progress and future delivery of quality audit.

Following discussion, and subject to minor editorial amendments, the Board approved the Quality of public audit in Scotland annual report 2020/21 for publication on 11 June 2021.

*Elaine Boyd and Owen Smith left the meeting.*

### **24. 2020/21 Q4 Corporate performance report**

Martin Walker introduced the 2020/21 Q4 Corporate performance report, copies of which had been previously circulated.

Martin invited the Board to review the performance in quarter four, the overall performance in 2020/21 and consider whether any additional management action is required.

During discussion, the Board noted the areas relating to delivery of audit quality and the increased cost of audit delivery as a result of remote auditing and considered the various factors which contribute to this and how future hybrid working may further impact on these.

Following discussion, the Board welcomed the impressive performance overall reported during 2021/21.

## 25. Draft Annual Report and Accounts: Year ended 31 March 2021

Stuart Dennis introduced the Draft Annual Report and Accounts: Year ended 31 March 2021 report, copies of which had been previously circulated.

Stuart invited the Board to note the amendments discussed and agreed at the Audit Committee meeting immediately prior to today's Board meeting.

The Chair invited members to note and approve the 2020/21 Audit Scotland annual report and accounts for the year ended 31 March 2021 which had been recommended to the Board by the Audit Committee, subject to the amendments agreed.

The Board recommended the 2020/21 Annual report and accounts to the Auditor General for Scotland, being Accountable Officer of Audit Scotland, to sign the accounts on 8 June 2021.

**Action ASB148: Stephen Boyle to submit the Annual Report and Accounts for laying in Parliament. (11 June 2021)**

## 26. New audit appointments verbal update

Elaine Boyd provided a verbal update on developments concerning the new audit appointments.

Elaine invited the Board to note the forthcoming publication of the Code of Audit Practice on 8 June 2021 and thanked the Board, Auditor General for Scotland and the Accounts Commission for their engagement and support.

The Board noted the Steering Group had considered the development of the invitation to tender (ITT) criteria, tender interview panel and the procurement schedule. In terms of procurement confidentiality arrangements Elaine advised relevant guidance will be issued within the next few weeks. The members noted an issue around the ownership of the procurement strategy which is being considered and also noted advice being sought from the Scottish Government in relation to the limitation of liability in relation to grant claims.

Following discussion, the Board welcomed the update.

*Elaine Boyd left the meeting.*

## 27. Any other business

There was no other business.

## 28. Review of meeting

The members welcomed the quality, content and comprehensive nature of the reports in supporting helpful and detailed discussion. The Chair thanked everyone for their contributions.

**29. Date of next meeting: 22 September 2021**

The members noted the next meeting of the Audit Scotland Board is scheduled for 22 September 2021.

# Minutes

## Audit Committee



Wednesday 12 May 2021, 10:30am  
By Microsoft Teams

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### Present:

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

### Apologies:

There were no apologies.

### In attendance:

A Alexander, Chair, Audit Scotland Board  
S Boyle, Accountable Officer and Auditor General for Scotland  
D McGiffen, Chief Operating Officer  
C Robertson, BDO  
J So, Alexander Sloan  
S Cunningham, Alexander Sloan  
M Walker, Associate Director, Corporate Performance and Risk  
G Fitzpatrick, Corporate Governance Manager  
S Dennis, Corporate Finance Manager  
E Boyd, Associate Director, Audit Quality and Appointments  
O Smith, Senior Manager, Audit Quality and Appointments  
J Gilchrist, Manager, Audit Quality and Appointments  
G Smail, Audit Director, Performance Audit and Best Value  
F Kordiak, Director, Audit Services group  
A Clark, Director of Performance Audit and Best Value  
A Canning, Audit Director, Performance Audit and Best Value  
E McGinley, Correspondence Officer  
G Byers, Development Manager, Digital Services  
A Fairburn, Digital Project Manager, Digital Services

### 1. Private meeting with BDO and Alexander Sloan

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

### 2. Welcome and apologies

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

### 3. Declarations of interests

A discussion was held on whether those attending the meeting that held dual/multiple roles should declare their interests. It was agreed that Martin Walker and Gayle Fitzpatrick would consider the issue and report back.

There were no declarations of interest.

**Action AC123:** *Martin Walker, Associate Director, Corporate Performance and Risk and Gayle Fitzpatrick, Corporate Governance Manager to consider*

*whether declarations of interest are required for members attending with dual/multiple roles. (2 June 2021)*

#### **4. Minutes of the last meeting: 3 March 2021**

The Audit Committee members reviewed the minutes of the meeting of 3 March 2021, copies of which had previously been circulated.

The Audit Committee agreed to a minor amendment of the minutes at agenda item 10 and a date correction at agenda item 25.

*The Audit Committee approved the minutes of the previous meeting.*

**Action AC124:** *Gayle Fitzpatrick to amend the final version of the minutes to reflect changes requested. (14 May 2021)*

#### **5. Review of action tracker**

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

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

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

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

#### **6. Draft Audit Scotland transparency report for 2020**

*Gordon Smail, Audit Director, Fiona Kordiak, Director of Audit Services Group, Antony Clark, Director of Performance Audit and Best Value, Elaine Bord, Associate Director and Owen Smith, Senior Manager and John Gilchrist, Manager joined the meeting.*

It was agreed that agenda items six, seven and eight would be taken together.

Gordon Smail, Audit Director introduced the draft Audit Scotland transparency report for 2020, copies of which had been previously circulated.

Gordon advised that all audit providers provide a transparency report and that the Audit Scotland report covers all aspects of audit work and wider work to support public audit in Scotland. He advised that the report highlighted many positives in what was a challenging year. These included the achievement of deadlines, positive feedback from audited bodies and good quality review scores for performance audits.

Gordon also advised that scores from a sample of audits which had been subject to external independent review fell short of expectations. The results were very disappointing given Audit Scotland aspires to scores of 2A and above. While it was recognised that the sample was not reflective of all audits, Gordon advised that significant, urgent and focussed activity is now taking place. It was noted that scores of 3 had not been seen before and that this did not appear to indicate a longer-term trend.

Gordon advised that the root cause analysis to date had highlighted the areas for improvement and that these had informed the action plan which was also on the agenda for today's meeting.

The Audit Committee members noted the range of scores achieved across financial and performance audits and recognised the significance of these. The members also recognised the achievement of having all the accounts signed off by 31 March.

Members asked questions about the underlying issues which may have given risk to the financial audit quality review results and sought assurances on the focus, urgency and resources being committed to the delivery of the action plan. Members were supportive of the remedial actions and timelines proposed.

The Audit Committee congratulated Performance Audit and Best Value (PABV) for positive scores achieved for Performance Audits particularly given the challenging period these relate to. Antony Clark was keen to stress that while progress has been made in performance audit, there was no complacency in addressing further identified improvement actions.

The Audit Committee members acknowledged the potential reputational impact of the report and advised that guidance be sought from Simon Ebbett, Communications Manager regarding the tone and language while ensuring balance and integrity.

The Audit Committee members stated that reference to the establishment of a permanent quality assurance team should be included within the report. The members also discussed the exhibits within the report and requested that staff consultation findings be revisited to clarify the proportionality of the staff response rate. In addition, the members requested that paragraph eight be reconfigured to clarify the substantive points on audit performance.

**Action AC125:** *Gordon Smail/Fiona Kordiak to include reference to the establishment of a permanent quality assurance team within the report. (21 May 2021)*

**Action AC126:** *Gordon Smail/Fiona Kordiak to reconsider Exhibit 3 –clarify percentages of staff response rate for consultation findings. (21 May 2021)*

**Action AC127:** *Gordon Smail/Fiona Kordiak to revisit paragraph 8 to clarify actions being taken to address different issues. (21 May 2021)*

**Action AC128:** *Simon Ebbett, Communications Manager to check on general optics of report before releasing in public. (21 May 2021)*

*The Audit Committee noted the draft Audit Scotland transparency report for 2020*

## **7. Audit Quality: Improvement actions report**

Fiona Kordiak, Director of Audit Services introduced the Audit Quality improvement actions report, copies of which had been previously circulated.

Fiona advised that Audit Scotland is committed to using this year's audit quality findings as a catalyst for a step change in audit work and that compliance with International Standards on Auditing (ISA) is fundamental to the organisation's commitment to audit quality. Following root-cause analysis of audit quality results remedial action is being undertaken to address specific areas requiring improvement. The additional Scottish Commission for Public Audit (SCPA) funding will make a considerable difference to the agenda for improvement. This includes the development of a full-time audit quality team, increased capacity within teams, and the reinstatement of audit methodology work which had been suspended last year due to the pandemic. In addition, training and support will be provided for staff to ensure they are not overwhelmed by improvement activity.

The Audit Committee discussed the importance of ensuring management energy is directed in the right areas and safeguarding audit quality in a hybrid working model. There was also recognition that the Accounts Commission would look for reassurance around the improvement work in audit quality, as well as the agility and flexibility of the work programme.

The Audit Committee agreed that regular monitoring of audit quality should be considered at future meetings.

Fiona advised that the International Standards on Auditing (ISA) are fundamental to Audit Scotland's work and while positive audit quality results had been achieved in some areas it is clear it has not been consistent. Assurance was provided that audit quality remains a key priority for Audit Scotland and consequently there would be sustained focus on directing support for colleagues and investment in the areas of improvement.

The Audit Committee members recognised the comprehensive nature of the improvement action plan and noted their confidence in it.

***The Audit Committee noted the improvement actions report.***

## **8. Quality of public audit in Scotland 2020/21**

Elaine Boyd, Associate Director, Audit Quality and Appointments introduced the quality of public audit in Scotland 2020/21 report, copies of which had been previously circulated.

Elaine advised that it is evident the audit quality framework works well in measuring audit quality and its operation was sustained in a virtual environment. She advised that audit delivery was strong with all audits signed off by the 31 March and that benchmarking has indicated that Audit Scotland compares favourably with its United Kingdom counterparts. It was recognised that for some audit organisations multi-year audits were taking place, and this was not the case for in Scotland.

Elaine noted areas of strength and those which required improvement across audit work both within Audit Scotland and the firms. She also reflected on the recent Institute of Chartered Accountants Scotland (ICAS) training that had been undertaken by over 160 Audit Scotland colleagues. Assurance was provided that further training, review and engagement on audit work is planned and that this highlights the professionalism and commitment of colleagues to delivering high quality audit.

Elaine advised that positive messages had been received from Audit Scotland's stakeholders on how flexible the work had been undertaken during the pandemic and given the virtual working environment, and that the high-level messages have been included in the Quality of Public Audit in Scotland report.

***The Audit Committee noted the report.***

*Gordon Smail, Audit Director, Fiona Kordiak, Director of Audit Services Group, Antony Clark, Director of Performance Audit and Best Value, Elaine Bord, Associate Director and Owen Smith, Senior Manager and John Gilchrist, Manager left the meeting*

## **9. Q4 financial performance report**

Stuart Dennis, Corporate Finance Manager, introduced the Q4 Financial Performance report, copies of which had been previously circulated.

Stuart advised that the report represented the unaudited position at the end of the year. He provided details around the variance and highlighted the provisions related to remote auditing costs and the rent review of West Port made in the accounts. Stuart advised that the capital spend is slightly below budget due to the working conditions created by the pandemic.

The Audit Committee members discussed the reporting to the Scottish Commission for Public Audit (SCPA) and Stuart advised that first set of quarterly reporting will be for quarter one 2021/22. The members considered the nature and format of how reporting to the SCPA would be presented. Martin Walker advised that the format and content for this reporting was being developed.

The Audit Committee members noted the outcome of the financial performance with reference to the more negative projections earlier in the year. The Audit Committee members recognised the challenging financial year and congratulated the finance team on the outcome at year end.

***The Audit Committee noted the Q4 Financial report.***

## **10. Review of risk register**

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

Martin advised that two areas had increased in risk profile, audit quality and reputational risk, and that was consistent with the discussion earlier in the meeting. He also advised that some risks had reduced, including health, safety and wellbeing, financial performance and capacity.

The Audit Committee members questioned whether the rating for risk A10 (Failure of capacity) should reduce until the additional capacity has bedded in and noted the need to re-evaluate the risks as the Covid-19 suppression measures are relaxed. The members also asked that further consideration be given to that risks A9 (Delivery of vision), M7 (Failure of legitimacy and relevance) and M8 (Failure of impact and influence) as these are dependent on Audit Scotland having a good reputation and the consequential impact of the quality review scores.

***Action AC129: Martin Walker to consider the consequential impact of the quality review scores on linked risks. (2 June 2021)***

***The Audit Committee noted the review of the risk register.***

## **11. Internal audit reports**

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

Claire referred to the follow up report and noted that Audit Scotland have made good progress with the recommendations made previously, particularly given the challenge of working amidst a pandemic in the last year. Thirteen recommendations have been fully implemented, three partially implemented and one not implemented.

Claire invited any questions.

There were no further questions.

***The Audit Committee noted the internal audit report.***

## **12. Internal audit annual report 2020-21**

Claire Robertson, BDO introduced the BDO's internal audit annual report 2020-21 report, copies of which had been previously circulated.

Claire advised that all reviews during 2020-21 led to substantial or reasonable levels of assurance. This provides positive feedback on the design and operational effectiveness of the control environment.

There were no further questions or comments.

***The Audit Committee noted the internal audit recommendations progress report.***

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

*Elaine Boyd, Associate Director, Audit Quality and Appointments, joined the meeting*

Elaine Boyd, Associate Director, Audit Quality and Appointments introduced the policy on the provision of Non-Audit Services by Audit Scotland's external auditor report, copies of which had been previously circulated.

***The Audit Committee members had no questions or comments and noted the policy.***

*Elaine Boyd, Associate Director, Audit Quality and Appointments, left the meeting*

### **14. Suite of annual assurance reports 2020-21**

*Angela Canning, Gavin Byers, Erin McGinley and Alex Fairburn joined the meeting.*

Gayle Fitzpatrick, Corporate Governance Manager introduced the suite of annual assurance reports 2020-21, copies of which had been previously circulated.

It was agreed that the performance management arrangements report be shared with the Accounts Commission to provide context and assurance on the level of performance review and reporting.

***The Audit Committee noted the suite of annual reports 2020-21.***

***Action AC130: Joy Webber to share the Performance Management arrangements report with the Accounts Commission. (14 May 2021)***

*Angela Canning, Gavin Byers, Erin McGinley and Alex Fairburn left the meeting.*

### **15. Review of Audit Committee effectiveness report**

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

***The Audit Committee noted the report on the review of Audit Committee effectiveness.***

### **16. Any other business**

There were no items of any other business

### **17. Review of meeting**

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

The Audit Committee members agreed that all items received comprehensive coverage and expressed their gratitude to the Chair for the decision to combine discussion on the quality papers.

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

### **18. Date of next meeting**

The next meeting of the Audit Committee was scheduled on 2 June 2021, 10.00am via video conference, to be chaired by Colin Crosby.

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

# Minutes

## Audit Committee

Wednesday 2 June 2021, 10.00am  
Microsoft Teams

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### Present:

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

### Apologies:

There were no apologies.

### In attendance:

A Alexander, Chair, Audit Scotland Board  
S Boyle, Accountable Officer and Auditor General for Scotland  
D McGiffen, Chief Operating Officer  
C Robertson, BDO  
J So, Alexander Sloan  
S Cunningham, Alexander Sloan  
M Walker, Associate Director, Corporate Performance and Risk  
G Fitzpatrick, Corporate Governance Manager  
S Dennis, Corporate Finance Manager  
S Ebbett, Communications Manager  
D Blattman, HR&OD Manager  
C Anderson, L&D Consultant

### 1. Private meeting with BDO and Alexander Sloan

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

### 2. Welcome and apologies

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

### 3. Declarations of interests

There were no declarations of interest.

### 4. Minutes of the last meeting: 12 May 2021

The Audit Committee members reviewed the minutes of the meeting of 12 May 2021, copies of which had previously been circulated.

The members agreed that the minute reflected the comprehensive consideration given to the audit quality feedback at the meeting on the 12 May 2021. This was noted ahead of the Board meeting immediately following Audit Committee.

*The Audit Committee approved the minutes of the previous meeting.*

## **5. Review of action tracker**

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

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

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

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

## **6. Audit Scotland Audit summary report for the year ended 31 March 2021**

*Simon Ebbett, Corporate Communications Manager joined the meeting.*

Stuart Dennis, Corporate Finance Manager, introduced the Audit Scotland Audit summary report for the year ended 31 March 2021, copies of which had been previously circulated.

Stuart provided a summary of the key financial highlights of 2020/21 and how they compared to 2019/20. He noted that the variance was measured against the revised spring budget and not against the original budget. Stuart provided further details around staff costs, the increase in service costs and the volatility around pension liabilities.

The Audit Committee expressed their appreciation that the accounts were complete, given this had not been the case in previous years due to the pension costs not being finalised. There was also recognition that the final financial position was consistent with the requested additional funding through the Spring Budget Revision to the Scottish Commission for Public Audit (SCPA).

Stuart advised that the summary report from Alexander Sloan forms part of the external audit report. He noted the challenges in delivering the report in a virtual setting and expressed his gratitude to Alexander Sloan.

Steven Cunningham, Alexander Sloan, advised that no internal weaknesses were identified, and no recommendations had been made. He also noted his thanks to the Audit Scotland Finance team.

The Audit Committee members thanked the team at Alexander Sloan for their work and welcomed the robust report and its findings. It was noted that the findings are significant given the challenges of the last year. It was agreed that the findings provide assurance to the Scottish Commission for Public Audit (SCPA) that standards are being maintained.

Stephen Boyle, Accountable Officer and Auditor General for Scotland stated that he was satisfied with the final position of the accounts, and that he was content to sign off on the position outlined.

*The Audit Committee noted the draft Audit Scotland Audit summary report.*

## **7. Draft Annual Report and Accounts: Year end 31 March 2021**

Stuart Dennis, Corporate Finance Manager, and Simon Ebbett, Communications Manager, introduced the draft Annual Report and Accounts for year end 31 March 2021, copies of which had been previously circulated.

The Audit Committee members discussed final edits to the report's layout and content, having reviewed an earlier draft and having asked questions and provided comments by correspondence in advance of the meeting.

Stuart indicated that the report is set out to reflect the guidance from the Government's Financial Reporting Manual (FRoM). Further clarification will be sought from Alexander Sloan on the final draft of the report before publication.

Simon Ebbett, Communications Manager, agreed to consider revisions on how the Accounts Commission is reflected in the business section of the report for the following year.

It was agreed amendments would be incorporated into a final version to be circulated via correspondence by Tuesday 8 June.

The Chair thanked the officers involved for their work on the report.

**Action AC131: Simon Ebbett, Communications Manager to circulate the revised report to Audit Committee members by 8 June 2021.**

*The Audit Committee noted the draft Annual Report and Accounts and recommended it to the Board.*

*Stuart Dennis, Corporate Finance Manager and Simon Ebbett, Communications Manager left the meeting.*

## **8. Review of risk register**

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

Martin advised that there had been two changes since the Risk Register was last considered on 12 May 2021. The audit quality risk A3 has been raised from amber to red to reflect the findings of the quality reviews. He indicated that consequential impacts of risks around quality had been reflected in other scores.

Martin advised that risk A6, which relates to capacity, has reverted to amber. This reflected discussion by members at the last Audit Committee where it was agreed that it was premature to move to green until additional resources are embedded.

The Audit Committee acknowledged that the risk register reflects the fundamental importance of audit quality and the depth of the remedial actions taking place.

***The Audit Committee noted the review of the risk register.***

## **9. 2020/21 Annual report on Health, safety and wellbeing**

*David Blattman, HR&OD Manager and Charlotte Anderson, L&D Consultant, joined the meeting.*

Diane McGiffen, Chief Operating Officer, introduced the 2020/21 Annual report on Health, safety and wellbeing, copies of which had been previously circulated.

Diane advised that Covid-19 and our response dominated the Health, safety and wellbeing (HSW) report. Diane noted the supportive response from the Public and Commercial Services Union (PCS) and the Health and Safety Committee in directing action to the needs of individual colleagues and the broader organisation. Diane noted the unpredictable nature of the pandemic and advised a cautious approach would continue to be undertaken as there are many uncertainties ahead. She also noted that many of the findings within the report would continue to be reflected on, given the extraordinary nature of the last year.

A discussion took place on the levels of annual leave carried forward, mental health statistics and age differentials. David Blattman, HR & OD Manager advised that the report did not indicate any particular issues of concern to highlight to the Audit Committee and provided assurance that these areas are closely monitored on a regular basis. David expressed his thanks to Charlotte Anderson for her contribution to the Health and Safety Committee and the report.

The Audit Committee discussed whether this report should be considered at the Human Resources and Remuneration Committee. Diane explained that this report formed part of the suite of governance reports in the annual assurance process and also reflected a timing issue in reporting and meeting dates for the committees.

The Audit Committee members welcomed the report and noted the requirement for this report to be considered at Audit Committee as part of the annual suite of reports.

***The Audit Committee noted the 2020/21 Annual report on Health, safety and wellbeing.***

*David Blattman, HR&OD Manager and Charlotte Anderson, L&D Consultant left the meeting.*

## **10. 2020/21 Governance statement and certificate of assurance**

Gayle Fitzpatrick, Corporate Governance Manager, introduced the 2020/21 Annual report on Health, safety and wellbeing, copies of which had been previously circulated.

The Audit Committee members raised no issues.

***The Audit Committee recommended the Audit Scotland certificate of assurance be submitted to the Board as part of the annual assurance process.***

## **11. 2020/21 Annual report from the Chair of the Audit Committee to the Board**

The Chair of the Audit Committee, introduced the 2020/21 Audit Committee annual report to the Board, copies of which had been previously circulated.

The Audit Committee members were satisfied with the report and agreed it provided a good summary of the committee's work. The Chair requested that point 29 on audit quality be amended to reflect the proportionality point in line with the minute of the Audit Committee meeting on 12 May 2021.

**Action AC132: Gayle Fitzpatrick, Corporate Governance Manager to amend point 29 of the report.**

*The Audit Committee approved the report for submission to the Board.*

## **12. Any other business**

There were no items of any other business

## **13. Review of meeting**

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

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

## **14. Date of next meeting**

The next meeting of the Audit Committee was scheduled on 1 September 2021, 10.00am via video conference, to be chaired by Colin Crosby.

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

REF	FORUM	Agenda Item No	Item Title	Action Description	Meeting Date	Due Date	Responsible	Assigned to	Complete/Ongoing	Reported Yes/No	Progress Notes
ASB131	Board	14	Scottish Commission for Public Audit: Official report	Consideration of Audit Scotland's medium and longer term fees and funding model to be scheduled. (March 2021)	27/01/2021	Jul-21	Diane McGiffen	Stuart Dennis	Complete	No	Discussion papers on the medium term financial plan and the fees and funding model are on today's agenda as items 24 and 25.
ASB131	Board	14	Scottish Commission for Public Audit: Official report	Consideration of Audit Scotland's medium and longer term fees and funding model to be scheduled. (March 2021)	27/01/2021	Aug-21	Diane McGiffen	Stuart Dennis	Complete	No	Discussion papers on the medium term financial plan and the fees and funding model are on today's agenda as items 24 and 25.
ASB139	Board	5	Chair's report – verbal update	The Chair to circulate a copy of his supporting statement to the Northern Ireland Assembly to members.	19/05/2021	Jun-21	Alan Alexander	Diane McGiffen	Complete	No	A copy of the Chair's supporting statement was shared with members on 21/06/21
ASB140	Board	12	Strategic improvement programme update	Martin Walker to circulate a briefing paper on the governance arrangements for the Strategic Improvement Programme and proposals for Board participation and engagement.	19/05/2021	Sep-21	Martin Walker	Martin Walker	Complete	No	Board member role in the improvement programme is included in the SIP update report at item 11 on today's agenda
ASB141	Board	15	Environment, Sustainability and Biodiversity plan 2020/21 to 2024/25	Graeme Greenhill and Ian Metcalfe to circulate information on the offsetting process of emissions.	19/05/2021	Sep-21	Graeme Greenhill / Ian Metcalfe	Graeme Greenhill / Ian Metcalfe	Complete	No	A briefing paper was shared with members on 9 September 2021.
ASB142	Board	9	Governance arrangements: review of standing orders	Martin Walker to update the standing orders for the Board and Remco, recording that the Accountable Officer is a member of Remco.	02/06/2021	Jul-21	Martin Walker	Martin Walker	Complete	No	Standing Orders are on today's agenda at item 14
ASB143	Board	15	2020/21 Annual report on complaints	Gayle Fitzpatrick to provide further detail of how complaints about colleagues is captured together with the further analysis requested.	02/06/2021	Sep-21	Gayle Fitzpatrick	Gayle Fitzpatrick	Complete	No	Email sent to Board members on 31 August 2021.
ASB144	Board	16	2020/21 Annual report on freedom of information and environmental information	Gayle Fitzpatrick to review the visibility of Audit Scotland's role in responding to Environmental Information Requests.	02/06/2021	Sep-21	Gayle Fitzpatrick	Gayle Fitzpatrick	Complete	No	Email sent to Board members on 31 August 2021.
ASB145	Board	17	2020/21 Annual report from the Chair of the Audit Committee	Gayle Fitzpatrick to update the report to reflect the agreed amendment.	02/06/2021	Jun-21	Gayle Fitzpatrick	Gayle Fitzpatrick	Complete	No	The report was amended following the Board meeting on 2 June 2021 and re-published on the website as part of the public papers.
ASB146	Board	18	2020/21 Annual report from the Chair of the Remuneration and Human Resources Committee	David Blattman to update the report to reflect the agreed amendment.	02/06/2021	Jun-21	David Blattman	David Blattman	Complete	No	The report was amended following the Board meeting on 2 June 2021 and re-published on the website as part of the public papers.
ASB147	Board	20	Counter Fraud Policy review	David Blattman to review the policy and provide an update to the Board.	02/06/2021	Jul-21	David Blattman	David Blattman	Ongoing		A review of the policy is underway and an update is scheduled for the Board meeting on 22 November 2021.
ASB148	Board	25	Draft Annual Report and Accounts: Year ended 31 March 2021	Stephen Boyle to submit the Annual Report and Accounts for laying in Parliament.	02/06/2021	Jun-21	Stephen Boyle	Stephen Boyle	Complete	No	Audit Scotland's Annual report and accounts were signed on 8 June and submitted to the SCPA on 11 June 2021.

# Covid-19 update

Associate Director, Corporate Performance and Risk

## Purpose

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

## Background

3. The Audit Scotland Board considered a Covid-19 update report at its meeting on 19 May 2021 and received a verbal update at its meeting on 2 June 2021. Board members continue to receive the weekly updates from the Incident Management Team (IMT).
4. Scotland moved 'beyond level zero' on 9 August 2021. This saw the relaxation of many of the virus suppression measures.
5. Since the last update the Scottish Government has published:
  - An update to the [Strategic framework](#) (22/06/21).
  - ['Safer businesses and workplaces'](#) guidance (06/08/21 and updated 02/09/21).
  - ['Staying safe and protecting others'](#) guidance (24/08/21 and updated 01/09/21).
6. The Covid-19 delta variant is highly contagious and the combination of this, the relaxation of suppression measures and the return to schools has led to a significant increase in the infection rates. The vaccination programme has had a significant effect in mitigating the impact on serious illness, hospitalisation and death rates, however there are some indications that these have also been increasing in recent weeks, albeit to a much lesser extent than at earlier stages of the pandemic.
7. In a statement on 8 September 2021 the First Minister noted the surge in cases and 'very high levels of infection', but that the latest figures suggest that 'the rate of increase may now be slowing down'.
8. In a statement to the Scottish Parliament on 14 September 2021 the First Minister noted 'broadly positive signs' in terms of case numbers and confirmed the Cabinet had decided not to change the current suppression requirements. She also provided information on the roll out of vaccinations to 12-15 year olds and a combined Covid-19/flu booster programme.

## Organisational implications and responses

9. We continue to monitor the virus and the changing guidance closely and this is reflected in our organisational response and planning.
10. The 'safer businesses and workplaces' guidance states:

‘A gradual return to offices can begin in line with staff wellbeing discussions and business need, however home working will continue to be an important mitigation for controlling the virus. For now, we would ask that businesses still support employees to do this, where possible and in consultation with employees. We encourage employers to consider, for the longer term, a hybrid model of home and office working - which may, of course, have benefits beyond the need to control a virus.’

11. In June we published our [plan](#) for a phased approach to accessing our workplaces.
  - Phase 1: August – which provides continued access for business-critical activities and access for some colleagues to support health, safety and wellbeing.
  - Phase 2: October – which provides access for specific tasks (including induction, coaching and meetings, and specific tasks which cannot be done remotely).
  - Phase 3: November – which provides access for early stages of hybrid working and access for site visits and on-site work.
12. On 1 September 2021 the Audit Committee considered an [internal audit report](#) by BDO on ‘Covid-19, health, safety and wellbeing’. The audit reported substantial assurance for both the design and operational effectiveness of our arrangements. The report made two low-level recommendations, both of which have been actioned.

## Our people

13. From the start of the pandemic, we have prioritised the health, safety and wellbeing of our colleagues. This continues to be a key priority. We have worked hard to support colleagues who are currently all dispersed, working from home and juggling sometimes quite difficult home and work responsibilities. This support has taken a variety of forms, including regular communications and engagement, advice and guidance, access to systems and the provision of digital and office equipment.
14. Since the last update:
  - From the data we have available, since 1 May 2021, five colleagues have tested positive for Covid-19 and fewer than five colleagues are currently shielding. Fewer than five colleagues are currently absent due to persisting Covid-19 symptoms.
  - At least eight colleagues have suffered from adverse reactions to the vaccinations during this time and recorded their sickness absence accordingly. On average taking 1.75 days off sick each.
  - The first quarter sickness absence statistics show that the average sick day per employee is 1.03 for 2021-22. This compares to 1.3 days average per employee in the same quarter last year.
  - During August 2021 we saw a significant drop in the total of absence days taken in 2021 compared to August 2020 due to less long-term absences in 2021 (less than five) compared to seven in 2020.
  - Based on the national vaccination statistics as at 14 September we estimate that 87.5% of colleagues may have received their first vaccination jab and 79.6% their second.
  - An analysis of the time logged by colleagues to the C-19 business continuity time recording codes as at the end of August tells us that 2,794 days have been logged to

this code since March 2020. This equates to an average of 8.7 days per FTE over a 16-month period.

- Those with children at school have been experiencing disruption, in the week commencing 30 August 2021 over 32,000 pupils have been absent from Scotland's schools.

### Future working preferences

15. On 14 June 2021 we published 'Our workplaces plan'. This set out a phased approach to increasing access to workspaces. We have held a number of engagement events based around new ways of working including drop-in sessions hosted by members of Management Team (where attendance has consistently been over 100 colleagues) and discussions at various business group and team meetings.
16. In August/early September we ran the third of our working preference surveys to gauge colleagues current thinking on how and where they will work in the future. We invited colleagues to share their thoughts on the amount of time they expected to work in the office, on-site working and also the factors which were influencing their thinking.
17. The response rate was 71% and the [results](#) indicate very clearly that colleagues continue to anticipate a hybrid working model in the future.
  - 81% of colleagues indicated they would work mostly from home while being in the office for specific events/to do specific pieces of work or work in the office two to three days a week.
  - 83% of colleagues who would typically do on-site work indicated that this would be particular events/pieces of work or be around half as much as was the case pre-pandemic.
18. Colleagues also shared their thoughts on what factors were influencing their thinking. This covered a broad range of areas, the most common being work life balance, travelling to work locations, the needs and preferences of the team, health, safety and wellbeing, and efficiency and productivity.
19. The survey and the drop-in sessions will help inform our further planning for how we work in future and what this means for the office accommodation.

### Digital and office equipment

20. We continue to support people with home working. All colleagues are being provided with laptops, these will be used both remotely and when people access the offices. To date 74% of colleagues have Audit Scotland laptops and we expect the majority to be supplied by the start of October 2021.
21. We have also issued 409 items of digital equipment to 292 colleagues. These items have mainly been screens, keyboards and mice. The total cost to date has been £27,233.77, an average of £93.27 per colleague who has needed equipment.
22. We have also issued 368 items of office equipment to 279 colleagues. These items have included desks, chairs, footrests, and some items have been issued from existing stock in the offices. The number of requests received each week is now down to one or two items per week and these are for new starts. The total cost to date has been £18,859.26, an average of £67.59 per person who has needed equipment.

## Office access and accommodation

23. Substantial planning has already taken place on this and in the coming weeks we will review and update our risk assessment, engage with our external health and safety adviser and PCS and update the guidance for colleagues.
24. We have developed a SharePoint [hub](#) to provide colleagues with information and guidance including 'walk through' videos and guides on each of the offices.
25. We have also developed our approach to site visits and on-site working. This adopts the same principles and expectations which apply to our own offices and we are engaging with audited bodies on their working practices and Covid-secure arrangements.
26. In the medium term we will need to consider the office estate requirements in the context of hybrid working.

## Financial management

27. We continue to monitor the financial situation very closely.
28. In terms of the current cash flow position, we invoiced the second fee instalment for the 2020/21 chargeable audits and the final instalment of the 2019/20 Further Education (FE) audits in June. This totalled £6.3 million. To date we have received payments of £6.2 million leaving an outstanding balance of £0.1 million. The final instalment invoices, excluding FE, will be invoiced in September.
29. On 25 August 2021 the Chair and Accountable Officer wrote to the Scottish Commission for Public Audit (SCPA) to provide an update on Audit Scotland's response to the pandemic and how the additional funds recommended by the Commission were being used.
30. £1.5 million of the additional funding approved by Parliament has been earmarked for the Strategic Improvement Programme. This funding enables us to focus on digital capacity, professional support, wellbeing of colleagues and a multi-year recovery plan from the impact of Covid-19. To date we have committed expenditure of £1.3 million with the year to date spend being £0.4 million.

## Audit implications and responses

31. To date we have prioritised our statutory audit obligations and, in consultation with the Auditor General for Scotland and the Accounts Commission, paused/re-scheduled areas of audit work where we have more discretion. We have also been clear that we will do what is achievable, but that we cannot guarantee all deadlines can be met. This is due to the disruption in audited bodies as well as to Audit Scotland. We have also been clear that, while timescales may change, audit quality remains a priority and is even more important at times of significant disruption.

## Financial audits 2020/21

32. The submission deadlines for the 2020/21 audits are:

Sector	Pre pandemic deadline	New deadline
Health	31/08/21	30/09/21
Central Government – Agencies and Scottish Water	31/08/21	30/09/21
Central Government – NDPBs and similar	31/10/21	31/10/21
Local Government	31/10/21	30/11/21
Colleges	31/12/21	31/12/21

33. There are indications that the process of completing the audit work will remain challenging in 2021. This is the full first year in which the pandemic will impact on the annual accounts, this brings additional complexity for the audited bodies and for auditors.

## Covid-19 audit work

34. Since the last update we have published a broad range of material which directly consider or make connections to the pandemic:

- A revised dynamic [work programme](#) (27 April).
- Our strategy for '[following the pandemic pound](#)' (7 May).
- A blog on [social care](#) by the Interim Controller of Audit (3 June).
- A briefing paper on [PPE](#) (17 June).
- A briefing on [skills investment](#) by the Auditor General for Scotland (21 June).
- A blog on [public services and Scotland's voluntary sector during Covid-19](#) by the Accounts Commission (25 June).
- A report on [Fraud and Irregularity](#) (1 July).
- A blog on the [provisional Scottish Budget Outturn](#) by the Auditor General for Scotland (8 July).
- A briefing on [sustainable alternatives to custodial sentences](#) by the Auditor General for Scotland (14 July).
- A blog on Child and Adolescent Mental Health Services (31 August).
- An update on the [strategic risks and issues facing the public sector](#) (2 September).
- A briefing on '[Tracking the impact of Covid-19 on Scotland's public finances](#)' (15 September).

**35.** These, along with all of our audit reports, are published on the Audit Scotland [website](#).

**36.** Publications in the coming months include:

- A briefing on the vaccinations programme (September).
- A report on Covid-19's impact on housing benefit services (October).
- A briefing on social care (New Year).

## **Recommendations**

**37.** The Board is invited to:

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

# Strategic Improvement Programme update

Associate Director, Corporate Performance and Risk

## Purpose

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

## Background

2. The Audit Scotland Board approved the Strategic Improvement Programme (SIP) at its meeting on 25 November 2020.
3. The key objectives of the SIP are to:
  - drive our organisational transformation and improvement over the next 18 months
  - provide a bridge between the 'recovery phase' and our new longer-term operating model
  - assure and inspire our colleagues
  - ensure we deliver on our core commitments on audit (quality, focus, methodology and value added)
  - ensure we deliver on our commitments on how we run the organisation – being people focussed by prioritising the health, safety, wellbeing and development of our people, and by being innovative and efficient.
4. The Audit Scotland Board considered an update [report](#) on the SIP at its meeting on 19 May 2021. The report noted the key objectives of the SIP, along with a progress update on the workstreams and next steps.
5. A detailed list of the projects in the programme is attached at Appendix 1.

## Programme milestones and areas of focus

6. We are making good progress on the programme.
7. The SIP Programme Board met most recently on 31 August 2021. At that meeting it considered a project scoping report for the Electronic Working Papers system, proposals on the second phase of the Building Capacity project, update reports on the Digital Audit Strategy, the Audit Scotland 2021 engagement events and the programme overall.
8. The sections below provide further information on the projects in the SIP.

## Delivering world class audit – What we do

9. The refreshed **dynamic work programme** was approved by the Auditor General for Scotland and published in May 2021. A broad range of reports, briefings and blogs have been published since then. These were detailed in the [Quarter 1 performance report](#) which

was considered by Management Team on 31 August 2021 and appears at item 13 of today's Board agenda. The first quarterly update report on the programme was considered by the Auditor General for Scotland and the Accounts Commission in August 2021.

**10.** We are continuing to develop our **audit methodology**.

- Financial audit approach – in July the Audit Approach Programme Board confirmed that the new audit planning tool would be rolled out and the ISA315 concepts would be applied as scheduled. It also confirmed that the revised controls approach and the baseline testing would be rescheduled to 2022/23.
- Best value – reports on the approach and capacity have been considered by the Best Value Working Group (BVWG) and the Accounts Commission in August and September 2021. The Accounts Commission is scheduled to consider the proposed approach at its meeting on 9 December 2021.
- Best value IJBs – the approach is being piloted, the BVWG is considering pilot reports and the new methodology is scheduled to be implemented with effect from 2023.
- Less complex bodies – the approach was agreed by the New Audit Appointments Steering Group in August and guidance was published with the Invitation to Tender in September 2021. IAASB consultation has been issued and is scheduled for completion by 31 October 2021.
- Following the pandemic pound – a briefing on the implications for public finances is scheduled for 15 September 2021. The project team is developing the scope of the work, the audit programme, the coordination of related work in the financial audits and the intelligence gathering on emerging messages and data.
- Auditing climate change – pilot work is under way.

**11. Audit Quality** – The Audit Quality Assurance programme was approved by the Audit Quality Committee on 27 July 2021. This includes a 15-point action plan, 13 actions from which are now complete. Extensive activity has been under way including investing in additional quality resources by creating a new dedicated Quality Assurance team within Professional Support, scaling up the hot review programme, root cause analyses and a review of any risk of material misstatement. The Accounts Commission and the Audit Committee considered an [update report](#) at their meetings on 12 August and 1 September respectively.

**12. New audit appointments** – Progress on the Invitation to Tender (ITT) on schedule to meet the project milestones. The ITT was published on 6 September 2021, closes in November and contract awards are expected to be made in February 2022. The New Audit Appointments Steering Group next meets on 25 November 2021.

**13. Digital audit strategy** – The SIP board considered an [update](#) on this project at its meeting on 31 August 2021. This included information on the status of the external and internal development work on the digital audit tools and future milestones including consideration of a business case (December) and a 'build or buy' decision (March 2022). The update also provided a timeline for the development for a new approach to IT audit.

**14. Electronic Working Papers (EWP)** – At its meeting on 31 August 2021 the SIP board also agreed the [outline scope](#) for this project, confirming that this project be prioritised and resourced accordingly.

- 15. Diversity and Equalities** – The Equalities and Human Rights Steering Group has been working with Business in the Community to develop approaches to raising awareness and the use of a human rights-based approach to review how best equalities and inclusion be developed in the audit process. This work includes an insight event on 7 September 2021 and a series of six workshop events during October and November 2021.
- 16. Parliamentary engagement** – The new Parliament has now returned after recess and we have been actively engaging with a number of its committees in providing evidence and supporting the committees' business planning days. This has included engagement with the Public Audit Committee, the Finance and Public Administration Committee, the Health and Sport Committee and the Local Government, Housing and Planning Committee. This engagement will continue over the coming months.

### **Being a world class organisation – How we work**

- 17. People strategy** – Management Team will consider a proposal on an integrated Learning and Development offer at its meeting on 21 September 2021.
- 18. Building Capacity**
- **Phase one** – This phase focused on audit resources. Between May and July, we made 46 auditor appointments, 24 of which are funded from the additional money the Scottish Commission for Public Audit (SCPA) provided (£1.196k for 2021/22). This additional capacity means that we can also free up existing resources to support the delivery of the improvement programme, with a particular focus on strengthening support for audit quality.
  - **Phase two** – Management Team and the SIP Board considered proposals at meetings on 17 and 31 August 2021. Proposals for expanding digital auditing and communications capacity have been agreed and further proposals will be considered by Management Team on 21 September 2021.
- 19. One Organisation deployment** – A project team has been established and some initial scoping has taken place. This project is currently on hold to prioritise the delivery of the core audit work. The position will be reviewed in October 2021 with a view to rescheduling the project.
- 20. Our workplaces** – In June we published our [plan](#) for a phased approach to accessing our workplaces.
- Phase 1: August – which provides continued access for business-critical activities and access for some colleagues to support health, safety and wellbeing.
  - Phase 2: October – which provides access for specific tasks (including induction, coaching and meetings, and specific tasks which cannot be done remotely).
  - Phase 3: November – which provides access for early stages of hybrid working and access for site visits and on-site work.
- 21.** Since the last SIP update report we have continued to engage extensively with colleagues and carried out a third working preferences survey. This is explored in more detail in the [Covid-19 update report](#) which appears at item 10 on today's Board agenda.
- 22. Medium term financial strategy** – Discussion papers on the strategy and on fees and funding have been issued to the Board to inform a discussion on 22 September 2021.

- 23. Digital Services Strategy** – We published a [six monthly update](#) on the implementation of the strategy on 20 August 2021. This focussed on the work under way in a number of areas including: digital security and resilience, the roll-out of laptops and other technology to support hybrid working, the continued migration to cloud based services and capacity building.
- 24. Business Management System** – A contract has been signed and the system set-up process is under way. The payroll module is scheduled to go live in February 2022 including a period of testing and parallel running over the course of November 2021 to January 2022.
- 25. Green future** (Environment, sustainability and biodiversity) – We published our five-year [Environment, Sustainability and Biodiversity Plan 2021-2025](#) in May 2021, setting out our route map to achieving Net Zero by 2030. We aim to reduce our annual carbon emissions to no more than 133 (tCO<sub>2</sub>e) by 2030. Delivering Net Zero will therefore require some consideration of offsetting measures. On 9 September 2021 we published a [perspectives blog](#) and the Green Future Team is planning to hold Insight events and activities before and after COP26, to reflect on the role we have to play as an organisation and as individuals to help tackle climate change, what is going on in the wider world, and our approach to auditing climate change. The Green Future Team circulated further information on the offsetting process to the Board on 9 September 2021.

## Our purpose

- 26.** Scoping work is under way for the development of a refreshed Public Audit in Scotland and the Partnership Framework. Management Team considered development proposals at its meeting on 14 September 2021. The corporate plan and business plans also form part of this workstream.

## Programme communications and engagement

- 27.** The [Our Plan Sharepoint site](#) has been updated as appropriate.
- 28.** Since the last update report SIP updates and discussions have taken place at sessions involving the Accounts Commission, the Leadership Group and team, Superteam and group meetings and drop-in sessions.
- 29.** At its meeting on 31 August 2021 the SIP Board considered an [update report](#) on the Audit Scotland 2021 engagement programme. This highlighted the broad range of events which have taken place over recent weeks including:
  - Keynote events (inc tackling inequalities with the Auditor General for Scotland, the Interim Chair of the Accounts Commission and Professor James Mitchell, Chair of Public Policy at the University of Edinburgh).
  - Insight events (inc Holyrood explained post-election analysis, health, safety and wellbeing events, devolution and Brexit).
  - Perspectives (inc blogs on climate change, the Inform 100 youth panel, the digital audit strategy, and Freedom of Information).
- 30.** Upcoming events include:
  - Keynote events in October, November, December and January hosted by members of Management Team.

- Insight sessions on new audit products, developing a human rights-based approach to audit, data analytics and further health and wellbeing sessions.

## Programme governance, reporting and resourcing

- 31.** The Strategic Improvement Programme Board is responsible for the oversight and delivery of the Strategic Improvement Programme. It is comprised of members of Management Team and has met on 22 June and 31 August 2021 and the next meeting is scheduled for 2 November 2021. SIP related business also takes place at the Management Team to ensure that good progress is being made and project reports and updates feature regularly on the Management Team agenda.
- 32.** We submitted the first update to SCPA on 25 August 2021 and the SIP featured in discussions during the SCPA's evidence session on the Annual Report and Accounts 2020/21 on 1 September 2021.
- 33.** At its [meeting](#) on 19 May 2021 the Board requested that consideration be given to how Board members may have further involvement in supporting the development and implementation of the SIP. This was discussed by the SIP Board on 31 August 2021.
- 34.** To date Board members role(s) in the programme have included:
  - Approval of strategies and plans (the Digital Audit Strategy and Digital Services Strategy, the Environment, Sustainability and Biodiversity Plan 2021-25 and Diversity and equalities outcomes and the development of budget proposals).
  - New dynamic work programme (Auditor General for Scotland [AGS] and Accounts Commission).
  - New audit appointments (NAA) and development of the Code of Audit Practice (inc NAA Steering Group).
  - Audit methodology (including Best Value [BV] and BV in IJBs) (Accounts Commission BV Working Group).
  - Considering regular updates on the programme overall and updates on specific projects and workstreams including audit quality, digital security and the new audit appointments.
- 35.** Further planned involvement of the Board/Board members in projects and workstreams includes:
  - Public Audit in Scotland and the supporting partnership framework agreement and the Corporate Plan.
  - The NAA procurement process culminating in the audit appointments being made by the AGS and the Accounts Commission.
  - The People Strategy.
  - The Medium-Term Financial Plan (including fees and funding).
  - Shaping our future (various events including the keynote event provisionally scheduled for January 2022).

## Recommendations

**36.** The Board is invited to note the progress update on the SIP and next steps.

# Appendix 1

## SIP Project summary

 What we do	 How we work	 Our purpose
<ul style="list-style-type: none"><li>• New dynamic work programme</li><li>• Code of Audit Practice</li><li>• New audit appointments</li><li>• Audit approach (including financial audit approach, BV in LG, BV in IJBs, less complex bodies, following the pandemic pound and auditing climate change)</li><li>• Digital Audit</li><li>• Audit quality action plan</li><li>• Electronic working papers</li><li>• Diversity &amp; equality</li><li>• Parliamentary engagement</li></ul>	<ul style="list-style-type: none"><li>• People strategy (inc workforce plan and learning and development offer)</li><li>• Building capacity</li><li>• One organisational deployment</li><li>• Medium term financial strategy (including fees and funding)</li><li>• Our workplaces (Covid-secure and longer-term office strategy)</li><li>• Digital services strategy</li><li>• Business Management System</li><li>• Green future</li><li>• Shaping our future (Audit Scotland 2021) engagement</li></ul>	<ul style="list-style-type: none"><li>• Public audit in Scotland</li><li>• Partnership Framework</li><li>• Corporate Plan</li><li>• Business Plans</li></ul>

# Q1 Financial performance report

## Purpose

1. This report presents the financial results for the three months to 30 June 2021.

## Background

2. The detailed finance performance report for the three months to 30 June is provided in Appendix 1 to this paper.
3. The report was considered by Management Team on 17 August 2021.

## Discussion

4. In the first quarter of the 2021/22 financial year Audit Scotland's Net Operating Expenditure was £2,064k which was £58k more than budget.
5. In-house income for 2020-21 audits was in total £69k less than budget with a negative volume variance of £72k and a positive price variance of £3k. Resources allocated for non-chargeable audit work has led to the completion rate for this sector to be ahead of plan.
6. Fee income earned for 2020-21 audits carried out by external firms net of fees and expenses paid to the firms was £10k better than budget. Income recognition was £316k worse than budget with fees and expenses payable to the external firms being £326k less than budget.
7. Staff costs including agency expenditure was £4k less than budget.
8. Other expenditure £3k worse than budget. The main positive variances were recorded in travel and subsistence (£22k), legal, professional and consultancy (£22k) and property costs (£18k). The main adverse variance was in information technology (£37k).
9. The detailed variance analysis and explanation is provided in Appendix 1 attached to this report. Appendix 1 also includes a section on the allocation of management contingency and the key financial risks that will need to be managed in 2021/22.

## Virement

10. There were no instances of budget virement in excess of £20k in the three months to 30 June 2021.

## Recommendation

11. The Board is invited to note the financial results for the three months to 30 June 2021.

## Headline Results

The summary financial position to 30 June 2021:

£000	Annual Budget	Actual	Budget	Var.	% Var.	Prior Year	Note
Fee Income - In House	7,975	1,895	1,964	(69)	-3.5%	1,663	1
Fee Income - Audit Firms	5,118	1,341	1,657	(316)	-19.1%	1,270	2
Central Charges	5,644	1,411	1,411	0	0.0%	1,412	
Rebate	0	0	0	0	-	0	
Interest	0	0	0	0	-	1	
Other Income	0	0	0	0	-	0	
IAS 19 Income	0	0	0	0	-	0	
<b>TOTAL INCOME</b>	<b>18,737</b>	<b>4,647</b>	<b>5,032</b>	<b>(385)</b>	<b>-7.7%</b>	<b>4,346</b>	
Approved auditors	4,553	1,171	1,497	326	21.8%	1,168	2
Staff salaries and oncosts	19,903	4,676	4,691	15	0.3%	4,400	3
Payroll provisions incl. severance	269	0	0	0	-	0	
Agency and secondment costs	75	55	44	(11)	-25.0%	78	3
IAS 19 Pension costs	100	0	0	0	-	0	
Property costs	984	194	216	22	10.2%	215	4
Travel and subsistence	719	75	93	18	19.4%	87	5
Legal, professional and consultancy	678	88	110	22	20.0%	81	6
Training	483	83	80	(3)	-3.8%	52	
Recruitment	138	50	40	(10)	-25.0%	43	7
Printing and office costs	236	56	46	(10)	-21.7%	33	8
Information technology	496	158	121	(37)	-30.6%	135	9
Audit	60	16	15	(1)	-6.7%	15	
Depreciation	279	74	70	(4)	-5.7%	87	
Other costs	578	15	15	0	0.0%	8	
<b>EXPENDITURE</b>	<b>29,551</b>	<b>6,711</b>	<b>7,038</b>	<b>327</b>	<b>4.6%</b>	<b>6,402</b>	
<b>NET OPERATING (EXPENDITURE)</b>	<b>(10,814)</b>	<b>(2,064)</b>	<b>(2,006)</b>	<b>(58)</b>	<b>-2.9%</b>	<b>(2,056)</b>	

Funded by Scottish Consolidated Fund	10,814	2,064	2,006	58	2,056
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## Income and Expenditure Summary

### 1. Fee Income – In House

Variances arise in fee income as a result of volume and price differences. Volume variances occur when audit work is carried out at different times and/or durations than planned. Price variances reflect the difference in actual fees to indicative 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 30 June 2021 for the in-house audits:

Sector	2020/21 Audit Year		Price	Prior Years	Total
	Volume				
	WIP %	£	£	£	£
Local Government	-0.14	-6	+28	-	+22
Health	-2.64	-40	+13	-	-27
FE	-	-	-	-	-
Central Government	-2.77	-30	-31	-	-61
Non-statutory	+0.65	+4	-7	-	-3
<b>Total – June 20</b>	<b>-0.94</b>	<b>-72</b>	<b>+3</b>	<b>-</b>	<b>-69</b>

#### Local Government

Local Government audits are 0.14% behind budget leading to a minor adverse volume variance of £6k. The positive price variance of £28k is due to increased fees being applied to local government bodies with the most significant increases being applied to Aberdeenshire Council, Angus Council, Fife Council and Scottish Borders Council. Audit sign off for the local government sector is expected by the end of November though we need to plan for the possibility that a small number of bodies could experience a delay. The situation is being closely monitored.

#### Health

Overall health audits are 2.64% behind the re-profiled budget leading to a negative volume variance of £40k. The positive price variance is due to an increase in the fee for NHS Tayside and NHS National Services Scotland. The expected audit sign off of the health sector is planned for the end of September and based on current information it is projected that the majority of health audits will complete by this target.

#### Further Education (FE)

ASG undertake 2 FE audits, Dundee & Angus College and Edinburgh College. Progress on 20/21 audits is currently on schedule with the final sign off of these audits on target to take place by the end of December.

## Central Government

Central Government chargeable audits are 2.77% behind plan leading to a negative volume variance of £30k. Within this sector it is a mixed picture with some audits complete and others behind planned trajectory. The negative price variance is due the agreed fee for a new body, South of Scotland Enterprise, being less than the original indicative fee. Current planning assumptions are based on an expected audit sign off for this sector by the end of November.

## Non-statutory

The European Agricultural Fund Account (EAFA) audit is slightly ahead of schedule by 0.65% leading to a minor volume variance of £4k. The price variance is due an adjustment in the agreed fee following fee discussions with the National Audit Office on the audit work required.

## **2. Fee income and expenditure – Audit Firms**

The adverse income variance of £316k is offset with the positive expenditure variance of £326k for approved auditors. Effectively this approach highlights a net favourable variance of £10k on chargeable audits.

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

The table, below, shows the performance for approved auditors by sector to 30 June 2021:

Sector	2020/21 Audit Year		Prior Year	Total	
	Volume	Price	Price		
	WIP %	£	£	£	
Local Government	-20.45	-598	+27	-	-571
Health	+25.45	+269	+45	-	+314
Water	-30.00	-45	-	-	-45
FE	-18.57	-84	+9	+39	-36
Central Government	-2.91	-13	+35	-	+22
<b>Total – June 20</b>	<b>-9.39</b>	<b>-471</b>	<b>+116</b>	<b>+39</b>	<b>-316</b>

## Local Government

Audits on the local government sector are 20.45% behind estimated plan leading to an adverse volume variance of £598k. Audit firms have agreed fees above expected fees leading to a price variance recognition of £27k with the most significant increases being applied to Aberdeen City Council, Highland Council, City of Edinburgh Council and West Lothian Council. The firms have been focusing resource on NHS audits and it is projected that this sector will be nearer to plan in respect of audit completion at the end of quarter 2.

## Health

Health audit completion is 25.45% ahead of trajectory generating a positive volume variance of £269k. In addition to the volume variance there is a £45k price variance due to agreed fees being higher than expected with the main increases being applied to Public Health Scotland and NHS Lothian.

## Water

The adverse volume variance is due to the audit being behind the prior year actual.

## Further Education (FE)

Progress on 2020/21 audits is 18.57% behind schedule leading to a negative volume variance of £84k which is being reduced by a positive price variance of £9k. The prior year audit income of £39k relates to the final agreed settlement fees for completion of the 2019/20 audits with the main increases applying to Inverness College, Lews Castle College, North East Scotland College and Perth College.

## Central Government

Central government audits are slightly behind schedule leading to a minor negative volume variance of £13k. The £35k price variance is due to a number of agreed fee increases with the largest increases being applied to Scottish Canals, Bord na Gaidhlig and Commissioner for Ethical Standards in Public Life in Scotland.

### 3. Staff & Agency Costs

Business Group	Annual Budget £000	Actual £000	Budget £000	Variance £000	Actual Average w.t.e.	Average Budget w.t.e.	Note
ASG staff costs	10,601	2,442	2,432	(10)	162.8	163.6	a)
ASG agency & secondments	75	45	44	(1)			
PABV staff costs	5,139	1,159	1,234	75	74.5	79.4	b)
PABV agency & secondments	0	0	0	0			
CSG staff costs	2,292	605	569	(36)	38.4	36.1	c)
CSG agency & secondments	0	10	0	(10)			
Business Support staff costs	755	197	188	(9)	20.1	18.8	d)
Business Support agency & secondments	0	0	0	0			
Governance & Other staff costs	1,485	273	268	(5)	5.3	5.0	e)
Governance & Other agency & secondments	0	0	0	0			
<b>Total staff costs</b>	<b>20,272</b>	<b>4,676</b>	<b>4,691</b>	<b>15</b>	<b>301.1</b>	<b>302.9</b>	
<b>Total agency &amp; secondments</b>	<b>75</b>	<b>55</b>	<b>44</b>	<b>(11)</b>			

- a) There is a minor overspend (£10k) year to date and it is expected that this will decrease as the year progresses. There has been a number of retirals/leavers and we had made contingency with backfill already in place before their actual leaving date. The in-year establishment increase of 22 is being funded from new financial powers budget allocation and the contingency increase approved as part of our 2021/22 budget submission. There will be a further increase in the year as we look to fill specialist resource (e.g. social security, digital) and additional budget will be allocated to cover this expenditure commitment.

Agency costs are slightly over budget and it is projected that we will be on budget this financial year as we have increased our permanent staff numbers to meet audit work demands and implement a recovery plan. The agency staff

charged in year were successful in applying for permanent positions within Audit Scotland and the costs have now transferred into staff costs.

- b) PABV underspend is due the staggered start dates in May and June of new staff members following the building capacity recruitment campaign. An additional 6 posts have been identified as part of the building capacity programme and in addition to these posts there was also a number of vacant positions that PABV were looking to fill as part of the overall recruitment exercise. It is expected that there will be further additions as we look to recruit to potential specialist posts (e.g. digital audit).
- c) The average staff resource requirement in CSG has been higher than budgeted w.t.e. (£36k) due to the provision of cover for maternity leave (2 posts) and a secondment from PABV of a temporary project manager in Audit Quality and Appointments (AQA). The AQA post is being funded from savings generated in professional fees.

Agency costs relate to 2 temporary HR Advisors as short-term backfill for leavers in the HR department. We have successfully interviewed for the vacancies and expect them to start in July.

- d) Business support variance is due to the extension of a fixed term contract and this overspend will reduce as we progress through the year.
- e) The expenditure in Governance & Other is more than budget as we incurred in April the additional part month costs of the outgoing Director of PABV and Controller of Audit.

#### **4. Property costs**

Expenditure on property less than budget due underspends in rent, maintenance, electricity and cleaning. We are currently in negotiations with the landlord's agent over a rent review of West Port with the accounts reflecting the actual current rental rate, which is based on the amount we are being invoiced and will change when a final agreement is reached. The initial proposed rent increase from the landlord was significantly higher than the increase applied in the budget and our agent is actively looking to keep any increase to a minimum in view of the current office lease market in Edinburgh.

#### **5. Travel and subsistence**

As expected, we continue to incur very little travel and subsistence expenditure with the primary reason for the current underspend being due to reduced car lease expenditure. The car lease scheme is closed to new entrants. The underspend is attributable to mileage credits on return of vehicles to the lessor and members of the scheme leaving/retiring from Audit Scotland with there being no further obligation in respect of the lease car.

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

The current underspend is due to reduced expenditure on professional and legal fees. The professional fees underspend is the saving of the project manager cost on the New Audit Appointments project. This position is now an internal Audit Scotland member of staff with the overspend in staff pay being offset by savings in professional fees. In respect of the legal fees budget current plans indicate that it will be fully utilised with the current underspend being down to the timing of expenditure.

## 7. Recruitment

The overspend is attributable to agency placement fees for 3 agency temp auditors who were successful in the building capacity recruitment exercise. As we look to continue to build capacity in specialist positions and meet ongoing recruitment demands it is possible that the full year budget might not be sufficient. We will have suitable flexibility from savings (e.g. travel and subsistence) and management contingency to enable us to offset any potential overspend.

## 8. Printing and office costs

Within this subjective heading there are numerous minor under and overspends to budget with the main reason for the overall overspend relating to the payment of prior year insurance premium adjustments.

## 9. Information technology

The overspend is attributable to software licences. As we increase the number of employees we need to ensure that we have sufficient Microsoft and MKI licences to enable staff to work remotely in a safe and effective IT environment. This is a financial pressure that can be funded from savings in other budgets this financial year but future budgets will need to increase to reflect demand.

## Contingency and Financial risks

The 2021/22 budget includes a contingency allocation of £2 million which is controlled by the Management Team (MT). The budget has earmarked £1.5 million for the Strategic Improvement Programme (SIP) with the balance of £0.5 million being set aside to meet any unforeseen financial pressures that may arise during the year.

To date MT have approved allocations totaling £1.3 million to the SIP in order to build sufficient capacity to deliver our core objectives as outlined in our budget submission to the SCPA.

The financial environment we are operating in remains volatile and there are key financial risks that we will need to manage in 2021/22. These include:

- Audit recovery plan and closing work in progress at 31 March 2022
- Additional costs to deliver audit (implications on audit of additional Covid-19 funding)
- Resource availability to meet audit demand
- Impact on firms' costs
- Pension year-end accounting adjustments

In the longer term there are financial issues that are being considered as part of the 2022/23 budget submission to the SCPA and Medium-Term Financial Planning. These include:

- Continuation of increased SCPA funding
- Impact of firms' procurement exercise
- A review of the current fees and funding model
- Resourcing pressures and additional cost of audit
- Pension fund pressures

- Auditing post Covid-19 (onsite, remote, hybrid)
- Carbon emission targets
- EAFA audit
- Pay award uncertainty

## Capital Expenditure and Funding

The capital budget for 2021/22 has increased from £150k to £250k with the capital programme focusing on office re-configuration to provide a Covid secure environment and new IT hardware and software. There has been no capital expenditure in the first quarter of 2021/22, however, we have placed an order for the delivery of laptops (due September 2021) and are currently in the process of completing an order for a new business management system (HR, payroll, recruitment, learning & development).

**Stuart Dennis**  
Corporate Finance Manager  
30 July 2021

# Q1 Corporate performance report

Associate Director, Corporate Performance and Risk

## Purpose

1. This report provides the Board with a review of organisational performance in quarter one (Q1) 2021/22.

## Background

2. The performance information is reported under the two strategic objectives of 'delivering world class public 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.

## Q1 performance summary

3. The following objectives are 'amber'. This is defined as 'progressing and additional management action planned'.
  - We conduct relevant and timely audits and report in public (where the main impact is on delivery dates and budgets).
  - We manage our resources effectively (where the main impact is on audit costs and income).
  - We maximise our efficiency (where the main impact is on colleague productivity).
  - Audit work is of high quality and we are systematically improving the quality of our work (reflecting the quality review outcomes).
4. We expect to continue to operate in a volatile environment during 2021/22 which may impact performance throughout 2021/22.

## Delivering world class public audit

5. There were 100 publications in Q1 comprising: 78 annual audit plans, eight accounts certified, four annual audit reports, two performance reports and eight other reports.
6. We published the new dynamic work programme in Q1.
7. Media mentions and social media engagements are significantly up on the same quarter last year, this is notable given the election publication moratorium in place for much of the quarter. Downloads are down on the same quarter last year (262,497), though in part this is due to the way downloads are recorded.

## Being a world class organisation

8. We continued to prioritise communication and engagement with colleagues across the organisation using a broad range of channels. This includes formal business messaging through the regular Incident Management Team (IMT) updates, informal Yammer channels and drop-in sessions/meetings with the Auditor General for Scotland and members of Management Team.
9. We had 301.1 (99.4 %) whole time equivalent colleagues in place at the end of the quarter against a budget establishment of 302.9. The establishment is due to increase, in phases, during the year to 321.8.
10. The absence rate is lower than Q1 in previous years and remains low at 1.03 days.
11. The outturn on core funding was £2,064k (2.9%) more than budget in Q1.

## Forward look

12. Quarter two will include Central Government and NHS audits in line with the new Audit planning guidance.

## Recommendations

13. The Board is invited to:
  - review the performance in quarter one
  - consider whether any additional management action is required.

## 2021/22: Q1 performance summary

 Delivering world class public audit	Measure in Q1	Previous quarter	Same quarter last year	
We conduct relevant and timely audits and report in public.				
Reports 2021/22 (Q1)	100	152	44	↑
On time (YTD)	82.5%	86%	100%	↓
Audit Budget (YTD)	-1.92	+22.85%	+14.56%	↓
We get our messages out effectively				
Media mentions (Q1)	196	302	101	↑
Downloads (Q1)	161,730	176,649	262,497	↓
Social media engagements (Q1)	6,590	9,401	2,178	↑

### Key performance messages in Q1:

- We delivered 100 audits/reports.
- 82.5% of the annual audit plans were delivered on schedule
- Audits were delivered 1.92 per cent under budget and within our 5 per cent tolerance for this measure.
- Communications statistics show we are getting our messages out effectively. These include 161,730 downloads, 6,590 social media engagements and 196 media mention of Audit Scotland and/ or Accounts Commission.
- We attended 14 external working groups and responded to five consultations.

### Key actions

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

<b>Key:</b> <b>Red</b> = Not progressing/significant additional management action required. <b>Amber</b> = Progressing and management action planned. <b>Green</b> = On target/no need for additional management action
--

 Being a world-class organisation	Measure in Q1	Previous quarter	Same quarter last year	
<b>We manage our resources effectively</b>				
Budget Variance (YTD)	+2.9%	-5.9%	+10.9%	↓
WTE establishment (YTD)	99.4%	100.2%	98.6%	↑
<b>We maximise our efficiency</b>				
Staff costs (YTD)	4,676k	17,916k	4,400k	↑
Agency/secondment costs (YTD)	75k	324k	78k	↓
Average cost per audit day (Q1)	470.5	449	429.8	↑
Proportion of audit time (Q1)	67.5%	66%	60%	↑
<b>We empower and support our people to be engaged, highly skilled and perform well</b>				
Absence (YTD)	1.03 days	5.81 days	1.63 days	↓
Staff turnover (YTD)	1.56%	5.09%	2.43%	↓
Exams pass rate (YTD)	65%	80%	78%	↓
Training events (YTD)	42	90	28	↑
Training attendees (YTD)	828	1,387	405	↑
IT uptime	99.69	99.8%	99.91	↓

### Key performance messages in Q1:

- The outturn on core funding was £2,064k (2.9%) more than budget.
- The number of colleagues at the end of Q1 was 99.4% of the budgeted establishment.
- Absence levels (1.06 days) is the lower than last year (1.63 days)
- Staff turnover (1.56%) decreased compared to (2.43%) in Q1 last year
- The exam pass rate for Professional Trainees was lower than in previous years
- The proportion of audit time was 67.5 per cent, higher than the 60 per cent 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. They include several workstreams on resourcing, learning and development and wellbeing and the performance management framework.

## Performance detail 2021/22: Quarter 1

 Delivering world class public audit	<b>We conduct relevant and timely audits and report in public.</b>
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Key Performance Questions	2019- 20				2020-21				2021-22			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Are relevant audits being delivered?	G	G	G	G	A	A	G	G	G			
Are audits delivered on time?	G	G	G	G	A	A	G	G	G			
Are audits delivered on budget?	G	G	G	G	R	R	R	R	A			

### Key messages

The Scottish Parliamentary Election took place on May 6. Due to publication moratorium rules Audit Scotland did not publish anything in the six weeks leading up to the election, meaning that there were no publications in April and early May.

In April 2021 the Auditor General for Scotland and the Accounts Commission signed off their joint dynamic work programme and it was published on our website on 24 May 2021. The objective is to increase our impact and effectiveness by being more agile and innovative. The work programme will be updated quarterly, and the schedule as shown on pages 2 and 3 will change with each update as we flex our plans to respond to emerging ideas and opportunities, changing circumstances and the needs of stakeholders.

In Quarter 1: we delivered 100 audits/reports comprising: 78 annual audit plans, 8 accounts certified, 4 annual reports, 1 performance audit, 1 overview report and 8 other reports (further detail is provided on page 2&3 below):

Audit expenditure is almost two per cent under budget and is within the 5% tolerance target.

We delivered 82.5 per cent of Annual Audit plans to schedule with three yet to be delivered. The three annual audit plans outstanding were due to; an audit committee after the deadline, IT issues at the audit body and one delayed due to Auditor concerns which have now been resolved.

**Audit/report schedule 2021/11**

	Q1	Q2	Q3	Q4	21/22 YTD
Annual Audit Plans Audit Scotland (120)	37 ✓				120
Annual Audit Plans Firms (102)	41 ✓				99
Accounts certified Audit Scotland (124)	4 ✓	NHS 10 CG 19	LG 65 CG 28 FE 2		4
Accounts certified Firms (102)		NHS 13 CG 8	LG 39 CG 23 FE 19		
Annual Audit Reports Audit Scotland (125)	4 ✓	NHS 10 CG 47	LG 65 CG 28 FE 2		4
Annual Audit Reports Firms (102)	4 ✓	NHS 13 CG 8	LG 39 CG 23 FE 19		4
Performance Audit (3)			Investing in skills	New ferries for the Clyde and Hebrides Reviewing Scotland's financial response to the Covid-19 pandemic	
Best Value Assurance Report (5)	Aberdeen City ✓	East Dunbartonshire	South Ayrshire	Falkirk Moray (follow up)	1
Overview Report (3)	Challenges and performance LGO 2021 ✓			NHS in Scotland 2021 Financial overview of local government 2020/21	1

		Financial overview of IJBs 2020/21			
Statutory (6-12 tbc)					
Other (20-30)		Scotland's Colleges 2020 <sup>BI</sup> ✓	Sustainable alternatives to custody <sup>BR</sup>	The impact of Covid-19 on Scottish councils' benefit services	Administration of Scottish Income Tax 2020/21
Key: BR = Briefing BL= Blog CS = Case studies RT = Round table		Cyber security and resilience <sup>BI</sup> ✓	Scottish Government Provisional Outturn <sup>BL</sup>	Community empowerment Covid-19 update	Scotland's economic recovery
		Social care <sup>BI</sup> ✓	Child & Adolescent MH Services <sup>BL</sup>	Housing Benefit Performance Audit - Annual Update	Data governance & ethics
		Personal Protective Equipment <sup>BR</sup> (PPE) ✓	Tracking the implications of C19 on Scotland's public finances vaccinations programme <sup>BR</sup>	Social care: <sup>BR</sup> Climate change	Digital exclusion and connectivity
		Investing in skills <sup>BL</sup> ✓	Climate change: <sup>RT</sup>		
		Climate change <sup>BL</sup> ✓	Digital innovation used to respond to the Covid-19 pandemic <sup>CS</sup> X		
		Digital innovation used to respond to the Covid-19 pandemic <sup>CS</sup> X	Digital innovation used to respond to the Covid-19 pandemic <sup>CS</sup>		
		Transparency Report 2020 ✓	Christie 10 years on <sup>BL</sup>		
			Digital exclusion <sup>BL</sup>		
Published		100			

**On budget:** In Q1 the expenditure on audit is under budget by almost two per cent

	Budget £	Actual £	£ Variance	% Variance
ASG	10,845,251	10,648,557	(196,694)	-1.81
PABV	878,065	850,189	-27,876	-3.17
<b>Total</b>	<b>11,723,316</b>	<b>11,498,746</b>	<b>-224,570</b>	<b>-1.92</b>

### Forward look

In Q1 one we continued to operate in a volatile environment which is reflected in the changes in the Audit Planning Guidance. An addendum to the audit planning guidance was issued in Q1 revising the 2020/21 accounts deadlines for each sector as follows:

Sector	Original deadline	New deadline
Health	31/08/21	30/09/21
Central Government – Agencies and Scottish Water	31/08/21	30/09/21
Central Government – NDPBs and similar	31/10/21	31/10/21
Local Government	31/10/21	30/11/21
Colleges	31/12/21	31/12/21

During Q2 we plan to deliver a range of audit products such as briefings, blogs, and roundtables on relevant topics such as: climate change, mental health, the impact of the pandemic on public finances, the vaccinations programme and digital exclusion.

We will produce first quarterly work programme update to the Auditor General and the Accounts Commission, which will cover:

- What's been delivered between April and July
- What's planned between August and March as well as into 2022/23
- Key decisions required on changes to the programme – This is likely to lead to new additions and changes to the scheduling of audit products as noted in the above table.

### Issues/ risks

The main risk for this objective is our capacity to deliver the work programme, which is stretching and ambitious. We continue to monitor resources closely and review priorities so we can adjust plans as necessary.

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

Key Performance Questions	2019- 20				2020-21				2021-22			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Are we assured about the quality of our work?	G	G	G	G	A	A	A	R	A			
Are we improving the quality of our work?	G	G	G	G	A	A	A	R	A			

### Key messages

In Q1 we published two quality reports [Quality of public audit in Scotland annual report 2020/21](#) and the [Transparency report 2020](#). In addition, we also published the [Code of Audit practice 2021](#).

Quality assurance and improvement activity during Q1 included:

- An improvement action plan for the findings reported by the both the internal and external quality review processes.
- Six internal Quality Reports to ASG audit teams to conclude the 2019/20 cold review programme.
- Root Cause Analysis which forms Audit Services Group's response to the audit quality report published on 31 March 2021.
- Technical consideration on possible material misstatements highlighted by ICAS quality review at two audited bodies.

Technical guidance/ notes published in the quarter included:

- An addendum to the guidance on planning the 2020/21 audits.
- Technical guidance notes on statutory objections to local government accounts, local government Independent Auditor's Reports, certification of local authority grants.
- 28 technical briefing notes to provide auditors with a synopsis of new technical documents/developments.
- A technical bulletin on technical developments and emerging risks in the quarter.
- Five Frequently Asked Question documents to share learning on common issues arising during the annual account audits.
- An assurance protocol for auditors relating to the Clinical Negligence and Other Risks Indemnity Scheme.
- Three annual audit report templates - for NHS, Central Government and small audited bodies.
- An updated management report template to reflect new accessibility requirements.

- Supplementary guidance notes issued to the Audit Guide in response to quality review findings covering Audit Sampling and the Assessment of Service Organisations.
- 

**Forward look:**

- A Quality Assurance Programme to review financial audits in 2020/21, including an AD peer review programme and new 'hot review' programme which will both be undertaken from July to November 2021 to support our ASG audit teams and Engagement Leads.
  - Progress against the quality improvement action plan is being regularly monitored and reported to the Audit Quality Committee.
-



## We get our messages out effectively

Key Performance Questions	2019- 20				2020-21				2021-22			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Are we getting messages out effectively?	G	G	G	G	G	G	G	G	G			

### Key messages

- The Scottish Parliamentary Election took place on May 6. Due to publication moratorium rules Audit Scotland did not publish anything in the six weeks leading up to the election, meaning that there were no publications in April and early May.
- Media mentions (196) were up on the same period last year (101), Social media engagements (6,590) were significantly up on Q1 last year (2,178) and downloads (161,730) were down from 262,497. The decrease in downloads is in part due to a change in download capture software. Formerly downloads statistics were kept for every single download. This changed in September 2020 to all reports that received 10 downloads or more. This move was to make the data gathering more manageable, less time-consuming and to ensure it was focussed on capturing the most important data.
- [Cybercrime blog](#). The Director of Finance at NHS Borders circulated our blog to the 20 most senior personnel in the board, including the non-executive directors and the blog received coverage in two online digital focussed journals: [UK Authority](#) and [Government Computing](#). The blog has had 935 views on our blogging site, WordPress; it was our top tweet in May where it earned 3,877 impressions (the number of times content is displayed to our followers) and was engaged with 104 times (that's link clicks, retweets, likes, people clicking on the tweet to expand it, etc.). On LinkedIn the blog had 700 impressions and 25 link click-throughs.

### Engagement: In Q1 we attended/delivered:

- No Parliamentary Committees due to the election period
- 14 external working group meetings - to ensure Audit Scotland is engaging with relevant standard setters as they prepare codes, manuals, standards and guidance.
- Two external presentations on our work on counter-fraud work.
- Five Consultations

**Parliamentary engagement**

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
April	0	0	0	0	0
May	4	0	0	0	4
June	1	4	5	0	10
Quarter total	5	4	5	0	14

**Communications**

	Q1	Q2	Q3	Q4	YTD	19/20
Media	196				196	678
Downloads	161,730				161,730	818,874
Engagements*	6,590				6,590	18,963

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

**Media in Q1:**

Top three published reports by media coverage: Briefing PPE, Local Government Overview, College Sector blog and tableau.

This was the first quarter that saw a significant number of blogs and a briefing sitting alongside a more traditional overview report. It was also a quarter that was impacted by the Scottish Parliamentary Election on May 6. However, recent Audit Scotland work – particularly the Education Outcomes report – was used by politicians and commentators to challenge the government's record in office.

Blogs on the college sector and social care both also featured prominently in the media. The colleges blog is also notable because it was effectively an online report, with the same core tableau and other exhibits that we've previously used in the annual Colleges Overview.

**Downloads in Q1:** The key reports downloaded during Q1 were

- The Educational Outcomes report, with around 3,000 hits across the quarter.
- The PPE briefing led June's stats with around 1,000 downloads.
- Reports on mental health (2018), drugs and alcohol (2018) and NHS Overviews from 2019 and 2020, each generating about 500 downloads.

**Social media activity in Q1:**

- The publication moratorium period during the Scottish Parliamentary elections meant April and early May were quiet weeks on social media. But the high number of blogs dotted between more traditional outputs worked well on our channels – giving our followers regular commentary from Audit Scotland on a wide range of topics.
- The Cybercrime blog garnered around 1000 reads on WordPress across the quarter while Antony Clark’s blog on social care reform was engaged with over 550 times on twitter. The latter is one of our post popular posts in recent years and shows that online appetite for informed commentary. Meanwhile, content produced to support the Local Government Overview and PPE briefing also received high levels of engagement.

**Consultations in Q1:**

We responded to five consultations on the Prudential Code, the Treasury Management Code, the CIPFA year-end bulletin, LASAAC guidance on Covid-19 grants and on service concession arrangements.

**Correspondence**

New correspondence cases	Q1	Q2	Q3	Q4	YTD	19/20
Number of cases	34					119
Acknowledgement within five working days	100%					98%
Final response within 30 working days	100%					96%

**FOI/EIR/Complaints:**

- In Q1 there were three FOI requests, no EIRs and all were responded to on time. There was one complaint responded to in Q1.
- 

**Forward look:**

- In line with the new Audit planning guidance quarter two will include the NHS and some of the Central Government audits.
  - Following publication of the [Improving outcomes for young people through school education](#), the audit team is currently planning events to raise awareness of the report and to discuss recommendation with key stakeholders. These include:
    - A session in July with the Education Scotland Regional Management Team and a follow up event later in the summer with the Regional Directorate. These meetings will involve the audit team and focus on the report recommendations.
    - A joint Accounts Commission/Improvement service event aimed at Council education committee convenors and education chief officers (Autumn 2021).
    - A session led by the Auditor General for Scotland and the Accounts Commission at this year’s online Scottish Learning Festival in September.
-



## We systematically deliver impact through our work

Key Performance Questions	2019- 20				2020-21				2021-22			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Is our work delivering impact?	G	G	G	G	G	G	G	G	G			
Are our recommendations leading to improvements?	G	G	G	G	G	G	G	G	G			
Are we offering insight and foresight and making information and intelligence available to others?	G	G	G	G	G	G	G	G	G			

### Examples of where work has made a positive impact or positive feedback received in Q1 include:

#### Central government

- Covid-relating funding is challenging for organisations involved in its distribution, and we have highlighted matters arising in terms of process and controls, inc learning for any future situations where an organisation decides to use service organisations to process claims.
- [The Administration of Scottish Income Tax, 2019/20](#), paper was an additional assurance paper to the PAPLSC alongside the NAO's report on this topic. In its [legacy paper](#), PAPLS highlighted that the HMRC evidence sessions that followed on from our reporting 'a useful session particularly while these [income tax] powers continue to bed in' and recommended 'This is a session that [the] successor committee may wish to continue.'
- Comparing the 2020/21 unaudited accounts to the 2016/17 accounts - there is a marked improvement in the quality of the accounts in both style and substance. The management commentary is now more focused and tells the story of the year that occurred. More can be done, however there is significant improvement when comparing the accounts over the course of our audit appointment - this is down to both audit for raising the points and challenging the client to improve and, the client being receptive to improving and responding in a positive manner.
- We are keeping openness and transparency on the audit agenda, encouraging good practice in the interests of public accountability. The organisation is reviewing its position and taking practical steps such as website content and availability of board and committee papers.
- Drawing on our knowledge and experience, we were able to provide expert value-added input to the organisation which is new to the Scottish public sector. Our input in terms of evolving governance arrangements and first period annual report and accounts helped the body develop its performance reports, to improve how it reports on the use of public money and what it has achieved. This has been particularly important this year, given Covid-related funding and the impact of Covid on business as usual.

*Health*

- In 2016/17 work undertaken on delayed discharges led to recommendations for improvement. Our report was well received, and the board redoubled its efforts to try to reduce delayed discharges. The work in this area has been ongoing and there is now clear evidence that the board has made excellent progress in reducing its bed days lost due to delayed discharges. It was unclear whether this was due to revised arrangements or the impact of Covid-19. However, the board has sustained the reduction throughout the year and the board is now being asked to share its learning with other boards. A whole system approach has been implemented with the learning being shared across the area. The board was sighted on reducing delayed discharges, but our work has provided a focus in this area which is now driving change.

*Local Government*

- Comparing the 2020/21 unaudited accounts to the 2016/17 accounts - there is a marked difference in the quality of the accounts in both style and substance. The management commentary is now more focused with signposts to the future. More can be done, however there is significant improvement when comparing the two accounts over the course of our audit appointment - this is down to both audit for raising the points and challenging the client to improve and, the client being receptive to improving and responding in a positive manner.

*Social care blog*

- On the day of publication the social care [blog](#) was covered by the Herald, Scotsman, Daily Mail, National, Morning Star and healthandcare.scot. The focus was on an additional £660m a year being required for social care reform and the need for a plan. The Herald also ran a follow-up story focusing on the financial pressures and uncertainty about how this will be funded.
- The Scottish Government issued a response confirming it is committed to introducing a National Care Service to improve care and standards for staff, and it will increase public investment in social care by 25 per cent over the parliament, delivering over £800million of increased support for social care.
- SPICe published a blog in July 21, 'Could a National Care Service work like the National Health Service?' which referenced our blog.

*Following the pandemic pound*

[Tracking the implications of Covid-19 on public finances was, published 24 February 2021](#)

- This briefing paper was the second in a series of papers that tracked the Scottish Government's spending on Covid-19 during the pandemic. Alongside the briefing paper, the Auditor General for Scotland published a blog, which received media and political coverage, with [questions relating](#) to the briefing paper raised in the Scottish Parliament.
  - The Scottish Parliament Information Centre referred to our output in its recent blog related to [Covid-19 funding](#), highlighting some of our key points relating to transparency and also our planned work programme.
  - At the [CIPFA Scotland 'conference at your desk'](#) in May, Andy Burns (CIPFA Associate Director, former president and former DofF at Staffordshire) quoted from the paper and commended Audit Scotland's reporting on this issue.
-

### *Education*

#### Improving outcomes for young people through school education, published 23 March 2021

- Following publication on 23 March, the education outcomes report was discussed at First Minister's Questions and at the Education and Skills Committee. Due to the election and summer recess, a date for consideration by the Public Audit Committee is still to be confirmed but is likely to be in September.
- We understand that a group involving Scottish Government, Education Scotland, Cosla and Association of Directors of Education is working together to take forward the recommendations.

### *Further education*

#### Scotland's Colleges 2020, published 20 May 2021

This provided an overview of the financial health of the college sector based on the 2019/20 audited accounts.

- A topical question was asked in the Scottish Parliament Chamber, asking the Minister for Higher Education and Further Education, Youth Employment and Training about the Scottish Government's response to the report, specifically the increasing gap between the college sector's income and expenditure.
  - The new style of reporting on colleges' finances was welcomed by the College Directors of Finance Network, who noted they would like to see a similar approach taken in future years.
-



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

Key Performance Questions	2019- 20				2020-21				2021-22			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Are new processes, products and services being developed?	G	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	G			

### Key messages:

We continue to develop new and improved process, products and services to ensure public audit makes a positive contribution to the recovery and renewal of public services.

We made good progress on our Strategic Improvement Programme (SIP) in Q1. This is the subject of a separate report on today's agenda for the Board. Q1 milestones include:

- Publication of the new Code of Audit Practice.
- Publication of the new dynamic work programme.
- Publication of Diversity and Equality Outcomes.
- Production of the Audit Quality Action Plan.
- Publication of a wide range of briefings and blogs.
- Successful completion of Phase 1 of the Building Capacity Project.
- Development of the phased approach to accessing workplaces.
- Publication of the Environment, Sustainability and Biodiversity Plan 2021-2025.

### Forward look

The key areas of focus in the SIP currently include:

- Planning for a refresh of Public Audit in Scotland, the Partnership Framework and the new Corporate Plan.
- The New Audit Appointments procurement process.
- Phase 2 of the Building Capacity project, our People Strategy, Workforce Plan and the Learning and Development Strategy.



We manage our resources effectively and maximise efficiency

### Key Performance Questions

Key Performance Questions	2019- 20				2020-21				2021-22			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Are we managing our resources effectively	A	A	A	A	R	R	R	R	A			
Are we maximising efficiency?	A	A	A	A	R	R	R	R	A			

### Key messages

In the three months to 30 June 2021 Audit Scotland's Net Operating Expenditure was £2,064k (2.9%) more than budget.

### Resource management

In the three months to 30 June 2021 Audit Scotland's Net Operating Expenditure was £2,064k (2.9%) more than budget.

	Q1	Q2	Q3	Q4	20/21
Actual	(2,064)				12,429
Budget	(2,006)				13,215
Variance K	(58)				786

**Staff** - The average number of staff in the quarter was 301, which is six per cent under establishment. However, the total establishment is due to be phased in during the year and average number of staff in the quarter was 0.6 percent below budgeted establishment.

	Q1	Q2	Q3	Q4	20/21
2020/21 establishment w.t.e	321.8				290.2
Average no. of staff employed in 2021/22 w.t.e:	301.1				290.7
No. of staff at end of quarter w.t.e:	312				294.3

**Staff and Agency costs** – The total staff costs in the three months to 30 June 2021 are 10k above budget.

	Annual Budget £000	Actual YTD	Budget YTD	Variance	Actual Average WTE	Budget WTE
Total Staff costs 2020-21	20,272	4,676	4,691	15	301.1	302.9
Total agency & secondments 2020-21	75	55	44	(11)		
Q1 Staff costs 2020-21	18,023	4,400	4,369	(31)	301.1	302.4
Q1 agency & secondments 2019-20	75	78	19	(59)		

**Legal, professional and consultancy:** The current underspend is due to reduced expenditure on professional and legal fees. The professional fees underspend is the saving of the project manager cost on the New Audit Appointments project. This position is now an Audit Scotland colleague with the overspend in staff pay being offset by savings in professional fees. In respect of the legal fees budget current plans indicate that it will be fully utilised with the current underspend being down to the timing of expenditure.

	Q1	Q2	Q3	Q4
Actual	88			
Budget	110			
Prior year spend	81	206	382	768

**Estate:** Expenditure on property less than budget due underspends in rent, maintenance, electricity and cleaning. We are currently in negotiations with the landlord's agent on the rent review for West Port.

	Q1	Q2	Q3	Q4
Actual	194			
Budget	216			
Prior year spend	215	425	634	1,117

**Costs of travel:** As expected, we continue to incur very little travel and subsistence expenditure with the primary reason for the current underspend being due to reduced car lease expenditure. The car lease scheme is closed to new entrants. The underspend is attributable to mileage credits on return of vehicles to the lessor and members of the scheme leaving/retiring from Audit Scotland with there being no further obligation in respect of the lease car.

	Q1	Q2	Q3	Q4
Actual	75			
Budget	93			
Prior year spend	87	170	258	355

**Capital Expenditure** and Funding of the capital budget for 2021/22 increased from £150k to £250k with the capital programme focusing on office re-configuration to provide a Covid secure environment and new IT hardware and software. There was no capital expenditure in the first quarter of 2021/22, however, we have placed an order for the delivery of laptops (due September 2021) and are currently in the process of completing an order for a new business management system (HR, payroll, recruitment, learning and development).

Digital Services: Downtime was due to issues with the Citrix servers on six different occasions.

IT Network	Q1	Q2	Q3	Q4	20/21
IT uptime (%)	99.69				99.66
Working hours lost	875				0.34
Average time lost per person	2.42				2.63

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

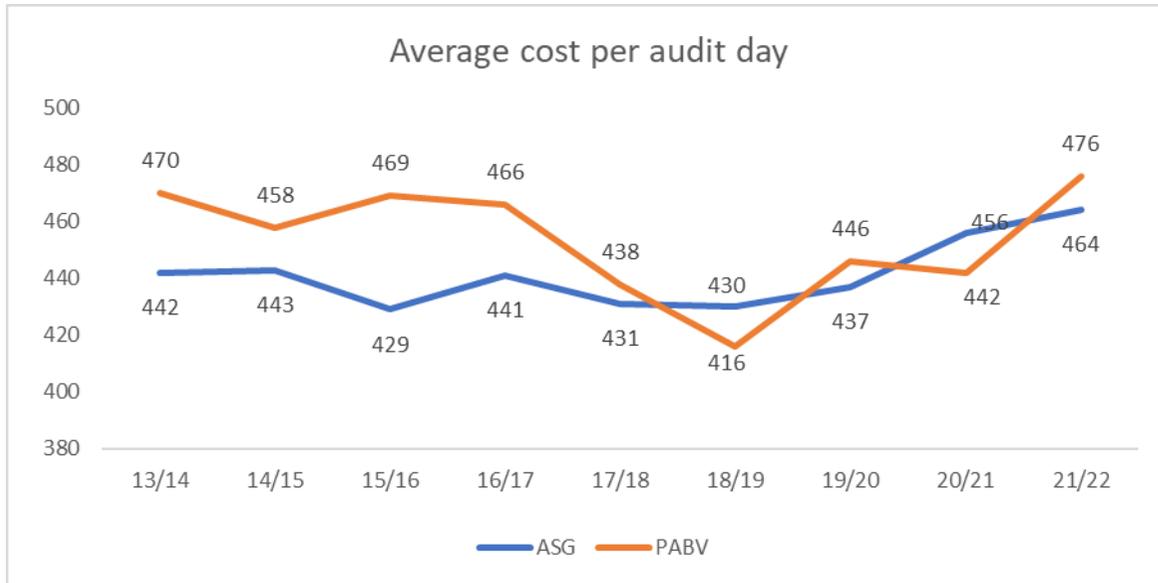
- 91.16% of the requests were accepted within the response time SLA.
- 93.17% of the requests were closed within the fix time SLA.
- An average of 3.4 incidents were logged per user.

### **Business group audit and non-audit time**

Audit time defined is any time charged through TRS/MKI to an approved audit (overviews, performance audit, BVARs, 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 and correspondence. Non audit time includes time off, corporate forums, improvement projects and learning and development.

During Q1 business group audit time was higher than in Q1 2019/20 for ASG and PABV.

	21/22 (%)				20/21 (%)			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
ASG	75				62	65	63	73
PABV	60				58	65	62	58



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

### Forward Look

- PRMG to review the underlying reasons for the direction of travel for average cost per audit day.



## We manage information and intelligence effectively (internal)

Key Performance Questions	2019- 20				2020-21				2021-22			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Are we managing information and intelligence effectively (Internal)	G	G	G	G	G	G	G	G	G			

### Key messages

During Q1:

- We continued to implement various aspects of the Digital Services Strategy, in particular maintaining cyber security and supporting business continuity. Cyber security is covered in more detail in the six-monthly digital security update report considered by the Audit Committee at its meeting on 1 September 2021.
- We are also making progress on the Digital Audit Strategy and the SIP Board will consider an update at its meeting on 31 August 2021.
- On 25 May 2021 Management Team approved the business case for a new Business Management System (BMS) and the procurement process is under-way. The BMS will provide more resilient and user-friendly applications in relation to payroll and HR functions.

### Forward look

- [Digital services strategy update](#) published 20/08/21
- Roll out of laptops and installation of new technology in meeting rooms to support hybrid working (August and September).
- The Corporate Governance team submitted our organisational Records Management Plan, 2021-26 to the National Records of Scotland in January 2021. This is currently being assessed, and feedback expected late Summer 2021. We are updating Records Management guidance for staff including the roles and responsibilities for Information Asset Owners and SharePoint Online site owners. This will set clear records management expectations for colleagues prior to the enabling of Records Management functionality within O365.



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

Key performance questions	2019- 20				2020-21				2021-22			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Are our people empowered and engaged?	G	G	G	G	G	G	G	G	G			
Are our people highly skilled?	G	G	G	G	G	G	G	G	G			
Are people performing well?	G	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	G			
Are career paths offered across the organisation?	G	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	G			

### Key messages

- During early 2021 we ran Phase 1 of our Building capacity recruitment campaign which resulted in a number of new auditors joining us in Q1 across ASG and PABV, bands 1B, 1C and 2A posts.
- Exam results – Results were down on last year and are lower than the ICAS average. This is the first time ICAS has ran the modular route for their new curriculum, this involved a new style of exam on laptop and open book, with more focus on analysis than standard “learning” which may have had an impact to results for TPS students in Q1.
- The 2020/21 exam pass rate was incorrectly reported as 79% in the annual report and accounts, the actual pass rate was 89% and a correction and explanatory note has been added to the annual report on the website.
- Seven of our 2021-22 graduate trainees have also joined Audit Scotland earlier this year, at the end of June instead of October 2021.

### Highly skilled

- Further learning resources and training courses were developed and added to the Online Learning page of the L&D Portal.
- Audit Directors delivered Best Companies results to their teams, and with support from HR&OD, facilitated developmental discussions about ways to further improve their working experience.
- Three main cohorts of new starts and a few student placements were onboarded across 4 May, 7 June and 28 June (35 people in total). Colleagues from across the business helped to deliver virtual induction sessions over May, June, and July.
- The third Management Development cohort started their training (April 2021).
- Proposals for Learning and Development were discussed at Management Team on 29 June 2021. Further work on the proposal will be considered by Management Team in September 2021.

**Wellbeing:**

- The summer step challenge was launched with 44 colleagues taking part. This took place over July and August, raising money for MND Scotland.
- Yoga in the park sessions were organised in July.

**Career Paths:**

- One successful CDG transition in Q1.

Vacancies filled	21/22 YTD	20/21
Internal	10	6
External	32	34
Total	42	40

Absence levels: remain low and are lower than the same quarter last year.

	Q1 days	Q2 days	Q3 days	Q4 ytd days	days
Audit Scotland – 21/22	1.03				
Audit Scotland – 20/21	1.3	1.56	1.66	1.3	5.81
Audit Scotland – 19/20	1.6	0.46	1.33	1.32	4.97
Audit Scotland - 18/19	1.28	0.76	1.41	1.4	4.85

Staff turnover: Resignations and leavers in Q1 are lower than the same quarter last year (1.39 and 2.43 respectively).

	Q1	Q2	Q3	Q4	YTD	20/21 CIPD benchmark
Resignations %	1.24				1.24	2.94
All Leavers %	1.56				1.56	4.9

**Exam results:** There were 37 exams taken with a pass rate of 65 percent This is down on previous years. This is the first time ICAS has run the modular route for their new curriculum, this involved a new style of exam on laptop and open book, with more focus on analysis than standard “learning” which may have had an impact to results for TPS students in Q1. Our pass rates were lower than the average ICAS results. We have met with ICAS to hear and share feedback,

	Q1	Q2	Q3	Q4	YTD	20/21
Exams taken	37				37	163
Exams passed	24				24	145
% pass rate	65				65	89

**Highly skilled:**

	Q1		Q2		Q3		Q4		YTD		20/21	
	Events	Attendees	Events	Attendees	Events	Attendees	Events	Attendees	Events	Attendees	Events	Attendees
Health, Safety and Wellbeing	1	8									4	30
Knowledge Cafes	0	0									1	25
Learning & Development	2	24									15	459
Management Development	4	30									18	109
Organisational Development	20	300									24	135
Technical Training	17	466									28	629
<b>Total</b>	<b>42</b>	<b>828</b>									<b>90</b>	<b>1387</b>

**Professional Support training**

- PS produced online training on risks of misstatement to support our Technical Guidance Notes.
- Mandatory training on the findings from the 2020 quality reviews.
- Follow up drop-in sessions to support the above training on quality review findings looking at the impact on the audit approach and the approach to assessing Service Organisations.
- Training on Audit quality: understanding the arrangements and our individual responsibilities.
- Sessions on the introduction to PABV, audit methodologies and the AMF.

**Forward look**

- Proposals on our approach to L&D are to be discussed by Management Team in Q2.
- In Q2 we are running a series of insight events to promote wellbeing.

# Annual review of corporate governance policies

Corporate Governance Manager

**Item 14**  
Meeting date: 22 September 2021

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## Purpose

1. This paper invites the Board to approve the updates to the Standing Orders, Financial Regulations, Scheme of Delegation and Codes of Conduct for members and staff for a further year.

## Background

2. The Standing Orders state that the Audit Committee is to keep under review the Standing Orders, Financial Regulations, Scheme of Delegation and recommend to the Board any amendments.
3. The Standing Orders, Financial Regulations, Scheme of Delegation and Codes of Conduct for members and staff were updated in September 2020 and came into force on 1 November 2020.
4. The Audit Committee's Terms of Reference (TOR) states that it will advise the Board on corporate governance requirements and are to be provided with a report on policy documentation reviews.
5. This report covers updates to the Standing Orders, Financial Regulations, the Scheme of Delegation and the Codes of Conduct for members and staff. The report, policies and codes have been considered by Management Team and the Audit Committee.
6. At the Audit Committee meeting on 1 September 2021, it was agreed that Management Team should further discuss the governance policies in respect of queries that arose from members relating to quorum, directions, tender approval in relation to the new audit appointments and specific reservations to Board. Management Team reviewed these issues at its meeting on 14 September 2021 and concluded that a combination of the Standing Orders, the Scheme of Delegation and the Financial Regulations had sufficient provisions in these areas and that no further amendments were required.
7. All changes are shown as tracked changes in the attached documents.
8. Subject to approval by the Board on 22 September 2021, the policies will come into effect on 1 October 2021.

## Annual review of corporate governance policies

9. A review of our Standing Orders, Financial Regulations and Scheme of Delegation took place in August 2021. The review found that they required minor amendments, and therefore have been updated to reflect:
  - The Auditor General title has been expanded to state Auditor General for Scotland and the associated 'AGS' acronym appended.

- The consideration being given to future live streaming of Board meetings and options for extending the access to face to face and hybrid meetings.
- The Accountable Officer is now a formal member of the Remuneration and Human Resources Committee.

**10.** The documents are attached for completeness.

### **Annual review of codes of conduct**

**11.** The Codes of Conduct for staff and for members are reviewed on an annual basis.

**12.** The Code of Conduct for staff has been reviewed and did not require any additional updates.

**13.** The Code of Conduct for members did not require any amendments as it remains consistent with national guidance.

**14.** Both documents are attached for completeness.

### **Recommendations**

**15.** The Board is invited to:

- consider the current Standing Orders, Financial Regulations and Scheme of Delegation and approve for a further year, and
- consider the revised Codes of Conduct and approve for a further year.

# Standing Orders

DRAFT

Audit Scotland is a statutory body set up in April 2000 under the Public Finance and Accountability (Scotland) Act 2000. It provides services to the Auditor General for Scotland and the Accounts Commission. Together they ensure that the Scottish Government and public sector bodies in Scotland are held to account for the proper, efficient and effective use of public funds.

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# Standing orders

## Introduction

1. The Constitution and membership of Audit Scotland is unusual in having both members appointed by the Scottish Parliament and members with or having access to Direction giving powers. The Board will seek to operate on a consensus basis recognising that on occasion a majority decision may be reached and that the Auditor General and the Accounts Commission may issue Directions for the purpose of or in connection with the exercise of Audit Scotland's functions in relation to either or both of them.

## Constitution

2. Audit Scotland is a body corporate established under section 10 of the Public Finance and Accountability (Scotland) Act 2000 ("the Act").
3. The function of Audit Scotland is to provide such assistance and support as the Auditor General and the Accounts Commission require in the exercise of their respective functions and, in particular, to provide them, or ensure that they are provided, with the property, staff and services which they require for the exercise of those functions. The Auditor General and the Accounts Commission may give directions to Audit Scotland in connection with the exercise of their functions. Detailed provisions about the operation of Audit Scotland are contained in Schedule 2 to the Act as amended by the Public Services Reform (Scotland) Act 2010.
4. The Board remains responsible for the exercise of all functions of Audit Scotland. It exercises its powers and authorities through the Scheme of Delegation, which it determines and approves on an annual basis.
5. The members of Audit Scotland are the Auditor General, the Chair of the Accounts Commission and three other members appointed by the Scottish Commission for Public Audit.
6. The three other members will be appointed under terms and conditions, including remuneration, as determined by the Scottish Commission for Public Audit. The Auditor General and the Chair of the Accounts Commission may not receive any remuneration as members of Audit Scotland.
7. Members of Audit Scotland may terminate their appointments at any time by notifying, in writing, the appropriate appointing body, and following the prescribed period in the letter of engagement.
8. In these Standing Orders the members of Audit Scotland meeting together to discharge their functions are referred to as the Board.

## Chair

9. The Scottish Commission for Public Audit will appoint one of the members of Audit Scotland which it has appointed to preside at the meetings of the Board ("the Chair").

## Meetings

10. Meetings will be held in public at times, dates and places agreed by the members. In addition, a meeting may be called at any time by the Chair or by not less than three members giving the Chief Operating Officer a written request for such a meeting stating the business to be transacted. The use of video or telephone conferencing by members will be deemed as attendance at the meeting.
11. In exceptional circumstances, for example, where office locations are closed and all employees are required to work from home, meetings will take place by video conferencing. To ensure digital security during this time, these meetings may not be open to the public. Meetings will be recorded and shared online alongside the agenda and reports from the meetings. [Audit Scotland is currently considering live streaming of Board meetings and investigating options for extending the public access to face to face and hybrid meetings.](#)

## Agenda and Papers

12. The Chair will approve the Board agenda, including the consideration of items to be taken in private, 10 working days prior to the scheduled meeting, following discussion with the Chief Operating Officer.
13. At least five clear working days before a meeting of the Board the Chief Operating Officer will send written notice of the approved time and place of the meeting and of the business to be transacted to each member. So far as possible, reports and other papers relating to agenda items will be circulated with the agenda.
14. At least two clear working days before a meeting of the Board the Chief Operating Officer will publish the meeting agenda and reports and papers to be taken in public on the Audit Scotland website.

## Conduct of Business

15. The Chair, if present, will preside. If the Chair cannot be present the Board must appoint one of the other members appointed by the Scottish Commission for Public Audit to preside at the meeting.
16. No business other than that stated in the notice of the meeting will be transacted at that meeting other than with the consent of the Chair and a minuted explanation of why the matter had to be conducted without the standard notice.
17. The Chair of the meeting will decide all questions of order, relevancy and conduct of business during the meeting.

18. A quorum for a meeting of the Board is three members including those present by telephone or video conference call. The Auditor General and the Chair of the Accounts Commission must be present for a quorum to be constituted, save that in the event that the Auditor General and/or the Chair of the Accounts Commission are unable to attend a meeting of the Board, either may confirm, by giving notice in writing, by email or where circumstances require verbally by telephone prior to the commencement of the meeting, that (i) they consent to the meeting proceeding in their absence; (ii) that the meeting may be deemed to be quorate notwithstanding their absence provided the other requirements for a quorum to be constituted as set out in paragraphs 18, 19 and 20 are met; and (iii) that any business detailed on the agenda circulated pursuant to paragraph 13 and transacted at the meeting shall be deemed to be transacted validly provided that all other requirements of these Standing Orders are complied with.
19. Where the Auditor General and/or the Chair of the Accounts Commission consents to a meeting proceeding in their absence, they shall, within five working days of the date of the meeting, be provided with a copy of the draft minutes of the meeting produced pursuant to paragraph 22.
20. No business which is not detailed on the agenda circulated pursuant to paragraph 12, and which the Board deems to be material to the operation of Audit Scotland, shall be transacted at a meeting at which either the Auditor General and/or the Chair of the Accounts Commission is not present.
21. At any meeting the Board may suspend Standing Orders for the duration of the meeting or of any item of business provided a majority of the members present so agree.

## Minutes

22. Minutes of every meeting of the Board will be drawn up and will be approved at the following meeting.

## Directions

23. Section 10(4) of The Public Finance and Accountability (Scotland) Act 2000 (“the Act”) provides that:-
24. 'Directions may be given to Audit Scotland—
25. (a) by the Auditor General, for the purpose of or in connection with the exercise of Audit Scotland’s functions in relation to the Auditor General,
26. (b) by the Accounts Commission, for the purpose of or in connection with the exercise of Audit Scotland’s functions in relation to the Commission.'
27. Section 27(4) of the Act provides that:
28. 'Directions under sections 10(4) and 19(4) and paragraph 6 of schedule 3 are to be given in writing and may be varied or revoked by subsequent directions under the same provision.'

29. In accordance with the provisions of sections 10(4) and 27(4) of the Act any directions given by the Auditor General or the Accounts Commission to Audit Scotland must be given in writing.
30. Following receipt of any direction given by the Auditor General or the Accounts Commission, Audit Scotland will hold a board meeting to consider the direction with regard to its own direction.

## Vacancy

31. The proceedings of the Board will not be invalidated by any vacancy in membership or by any defect in the appointment of any person.

## Code of Conduct

32. Each member will abide by the Code of Conduct for Members of the Audit Scotland Board current at any time.

## Committees

33. The Board may appoint standing or ad hoc committees consisting of such numbers as the Board may determine. Committees may consist of members and other suitable persons chosen by the Board.
34. The Board will establish an Audit Committee with the terms of reference contained in Appendix 1.
35. The Board will establish a Remuneration & Human Resources Committee with the terms of reference contained in Appendix 2.
36. The Board will establish an Appeals Committee with the terms of reference contained in Appendix 3.
37. Any committee will operate within the terms of remit and any delegation made to it by the Board.

## Deeds and Documents

38. Any deed or document requiring formal execution by Audit Scotland will be signed for and on behalf of Audit Scotland by the Chair of the Accounts Commission or the Auditor General for Scotland and the Chief Operating Officer.

## Advisers and Committee Co-optees

39. The Board may appoint advisers and/or co-optees to Committees and pay them such remuneration and expenses as the Board decide. The co-option appointment procedure is contained in Appendix 4.

40. Employees of Audit Scotland, advisers and others may be present at items taken in private at meetings of the Board at the invitation of the members.

## Openness and Transparency

41. The Board meet in public where possible. Agendae, minutes and papers to be considered will be published on the Audit Scotland website. Meetings may be conducted by video conference. In these instances, meetings may not be held publicly, though in the interests of inclusivity and upholding our commitment to transparency agendas, minutes, reports and recordings of meetings will be published online

## Board Effectiveness

42. The Board will conduct a self-evaluation of its effectiveness on an annual basis.

## Application of Standing Orders

43. These Standing Orders will apply to meetings of committees of the Board subject to any due modification of details.

## Alteration

44. These Standing Orders may be altered by the Board provided that the alteration is approved by a majority of the members of the Board.

# Appendix 1: Audit Committee remit

45. The Audit Committee will consist of members of the Board. The Board may appoint persons who are not members of the Board to be members of or advisers to the Audit Committee and may pay them such remuneration and expenses as the Board decides. The Chair of the Board and the Accountable Officer may not be members of the Audit Committee but may attend meetings.
46. The purposes of the Audit Committee are detailed in the Audit Committee terms of reference. The key points are:

## Internal Control and Corporate Governance

47. To evaluate the framework of internal control, strategic processes for risk and corporate governance comprising the following components:
  - Control Environment.
  - Risk Management.
  - Information and Communication.
  - Control Procedures.
  - Monitoring and Corrective Action.
  - Audit quality monitoring and arrangements.
48. To review the system of internal financial control, which includes:
  - The safeguarding of assets against unauthorised use and disposal.
  - The maintenance of proper accounting policies and records and the reliability of financial information used within the organisation or for publication.
  - To ensure that Audit Scotland's activities are within the law and regulations governing them.
  - To monitor performance and best value by reviewing the economy, efficiency and effectiveness of operations.
  - To present an annual statement of assurance to the Board to support the Accountable Officer's governance statement.

## Internal Audit

- To review the Terms of Reference and appointment of the internal auditors.
- To review and approve the internal audit strategic and annual plans.
- To monitor audit progress and review audit reports.

- To monitor the management action taken in response to the audit recommendations through an appropriate follow up mechanism.
- To consider internal audit's annual report and assurance statement.
- To review the operational effectiveness of internal audit by considering the audit standards, resources, staffing, technical competency and performance measures.
- To ensure that there is direct contact between the Audit Committee and internal audit and that the opportunity is given for discussions with internal audit who should attend every meeting of the Committee.

## External Audit

49. To consider all audit material, in particular:
  - Audit Reports.
  - Annual Reports.
  - Management Letters.
  - Management Reports.
50. To monitor management action taken in response to all external audit recommendations.
51. To hold meetings with the external auditors at least once per year and, as required, without the presence of senior management.
52. To review the extent of co-operation between external and internal audit.
53. The external auditor will be appointed by the Scottish Commission for Public Audit under Section 25 of the 2000 Act. The external auditor will examine and certify the account and report on the account to the Commission. The Commission must lay before the Parliament a copy of the account and the auditor's report and publish the account and that report.

## Annual Accounts

54. To review and recommend approval of the Annual Accounts.

## Standing Orders, Financial Regulations and Scheme of Delegation

55. To keep under review the Standing Orders, Financial Regulations and Scheme of Delegation and recommend to the Board any amendments.

## Other duties

56. The Audit Committee may take on other duties as determined by the Audit Scotland Board.

# Appendix 2: Remuneration & Human Resources Committee remit

57. The Remuneration & Human Resources Committee (Remco) will consist of members of the Board. The Accountable Officer became a formal member of Remco during 2021. The Board may appoint persons who are not members of the Board to be members of or advisers to the Remuneration & Human Resources Committee and may pay them such remuneration and expenses as the Board decided.
58. The purposes are detailed in the Remuneration & Human Resources Committee terms of reference.

## Remuneration & Human Resources Committee responsibilities

59. In relation to members of Audit Scotland's Management Team, are to:
- Review and approve all terms & conditions of employment, including job descriptions, all pay and benefit reward elements associated with each post.
  - Ensure remuneration policy and strategy is aligned to the relevant public sector policies being implemented by the UK and Scottish Governments.
  - Set and review the overall reward structure, including the value of pay ranges and general annual pay award strategy.
  - Assure itself that effective arrangements are followed for performance assessments in respect of Audit Scotland's Management Team, including any changes to pay and benefits arising from the assessment of performance during the review period.
  - Review talent management and succession planning arrangements.
  - Approve remuneration packages for newly appointed members of the Management Team.
  - Recommend appointments and changes affecting Management Team to the Board.
  - Decide on applications for early retirement.
  - Determine compensation payments for loss of office.
  - Agree, oversee and review the operation of expenses policy.
  - Review the expense claims of the Accountable Officer on an annual basis.
60. In relation to other staff employed by Audit Scotland, are to:
- Determine the remuneration policy governing all terms and conditions of employment, including pay, benefits, retirement policy and other policies relating to compensation for loss of office.

- Ensure remuneration policy and strategy is aligned to the relevant public sector policies being implemented by the UK and Scottish Governments.
- Approve the parameters for the annual pay award cycle.
- Review, not less than annually, the application of remuneration policy.
- Assure itself about any issues relating to the overall performance of employees.

## Other duties

61. The Remuneration & Human Resources Committee may take on other duties as determined by the Audit Scotland Board.

# Appendix 3: Appeals Committee remit

62. The Appeals Committee will consist of at least two members of the Board.
63. The purpose of the Appeals Committee is:
  - To consider and dispose of any matters requiring independent deliberation which may be referred to it by the Board.
  - To hear and dispose of appeals by members of the Management Team under the Audit Scotland disciplinary and grievance procedures.

# Appendix 4: Co-option procedure

## Introduction

64. Audit Scotland's standing orders state that:

- The Board may appoint standing or ad hoc committees consisting of such numbers as the Board may determine. Committees may consist of members and other suitable persons chosen by the Board.
- The Board may appoint advisers and/or co-optees to Committees and pay them such remuneration and expenses as the Board decide. Employees of Audit Scotland, advisers and others may be present at items taken in private at meetings of the Board at the invitation of the members.

## Reasons for co-option

65. There may be times when specialist expertise is required which the Board may be unable to fulfil, or when the current or future balance of skills available to the Board's committees may need strengthened.
66. The Board should discuss and agree the specification of skills and experience being sought through co-option.

## Nominations process

67. If the Board agrees to co-opt to its committees to fulfil requirements identified under 60 above, an advertisement seeking expressions of interest will be placed on Audit Scotland's website.

## Application process

68. Applicants for co-option should provide a written statement of their relevant skills and a CV.
69. Following a shortlisting process, applicants will be interviewed by the Chair of the Board and the Chair of the relevant committee, plus one other member of the Board.
70. Candidates and interviewers must declare any relationships or potential conflicts of interest to the Chair.
71. The Board should approve the final recommendation from the Chair.

## Term of Office

72. Co-option is intended to provide specific skills for a fixed term as determined by the Board.
73. There is potential for renewal, subject to the approval of the Board.

## Remuneration

74. Remuneration, where applicable, will be determined by the Board and will be no greater than the rate set by the SCPA for Board members.

## Conduct of co-opted members

75. Co-opted members will be required to follow the Audit Scotland Code of Conduct for Board members, and the associated disclosure requirements, and their appointment may be terminated by the Chair, subject to the approval of the Board.

## Engagement with Scottish Commission for Public Audit

76. The Board will write to the Scottish Commission for Public Audit in advance of the co-option of members to a Committee, setting out:
- 76.1. the reason for co-opting
  - 76.2. the process by which any appointments will be made.

# Financial Regulations



Draft Prepared for Audit Scotland Board  
September 2021

Audit Scotland is a statutory body set up in April 2000 under the Public Finance and Accountability (Scotland) Act 2000. It provides services to the Auditor General for Scotland and the Accounts Commission. Together they ensure that the Scottish Government and public sector bodies in Scotland are held to account for the proper, efficient and effective use of public funds.

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# Financial regulations

## Introduction

1. Audit Scotland is a body corporate established under section 10 of the Public Finance and Accountability (Scotland) Act 2000. It came into existence on 1 April 2000 under the Public Finance and Accountability (Scotland) Act 2000 (Commencement) Order 2000 (SSI 2000 Number 10(c.1)).
2. The Board of Audit Scotland consists of the Auditor General [for Scotland \(AGS\)](#), the Chair of the Accounts Commission and three other members appointed by the Scottish Commission for Public Audit, one of which will be appointed as Chair.
3. Audit Scotland's function is to provide such assistance and support as the [AGS](#) ~~auditor General~~ and the Accounts Commission require in the exercise of their respective functions and, in particular, is to provide them, or ensure that they are provided, with the property, staff and services which they require for the exercise of those functions.
4. Audit Scotland may impose reasonable charges in respect of the exercise of its functions. In determining the amounts of the charges Audit Scotland must seek to ensure that the total sum received in respect of the charges is, taking one year with another, broadly equivalent to its expenditure. Any expenditure not met out of sums received is payable out of the Consolidated Fund.
5. The Scottish Commission for Public Audit (SCPA), established under section 12 of the Public Finance and Accountability (Scotland) Act 2000, has the duty to designate an accountable officer for Audit Scotland. The SCPA has designated the Auditor General as the Accountable Officer. The responsibilities of the Accountable Officer are set out in section 18 of the 2000 Act. They are:
  - 5.1. signing the accounts of the expenditure and receipts of Audit Scotland;
  - 5.2. ensuring the propriety and regularity of the finances of Audit Scotland; and
  - 5.3. ensuring that the resources of Audit Scotland are used economically, efficiently and effectively.
6. All members of the Board and all employees, shall conduct their business with diligence and with a view to the security of the property of Audit Scotland, avoiding loss, exercising economy and efficiency in the use of resources and conforming with the requirements of Standing Orders, Financial Regulations and the Scheme of Delegation.
7. The Board has made Standing Orders, these Regulations and a Scheme of Delegation to govern the operation of Audit Scotland. They should be read together.

## Definitions and interpretation

8. In these Regulations terms will have the following meanings:

- 8.1. “the 2000 Act” means the Public Finance and Accountability (Scotland) Act 2000
- 8.2. “the 1973 Act” means the Local Government (Scotland) Act 1973
- 8.3. “the Board” means the members of Audit Scotland acting together to discharge the functions of Audit Scotland
- 8.4. “the Management Team” consists of the Auditor General [for Scotland](#), the Chief Operating Officer, the Director of Audit Services and the Director of Performance Audit and Best Value, or such other combination of officers as may be determined from time to time by the Board.

## Corporate Plan

9. A Corporate Plan will be prepared and will be reviewed annually by the Board. It will set out the strategic approach to be adopted by Audit Scotland in performing its functions. So far as possible, it will outline the financial consequences of proposals contained in it.
10. The Corporate Plan will be approved by the Board.

## Budget

11. The financial year of Audit Scotland is 1 April to 31 March.
12. Proposals for the use of resources and expenditure for each financial year will be submitted to the SCPA at such times as the Commission requires to enable it to examine the proposals and report to the Parliament under section 11(9) of the 2000 Act.
13. Estimates of expenditure and income will be submitted as budget proposals to the Board for approval prior to the submission to the SCPA. Provided the SCPA report has been submitted to and approved by Parliament, a final version of the budget will be submitted to the Board not later than 31 March in the year preceding the financial year to which it relates.
14. In the event that Parliament has not approved the budget, a version of the budget that includes our best estimate of operational changes will be submitted to the Board by 31 March. A final version to be submitted when the Scottish Government budget is passed.
15. No expenditure will be incurred unless there is provision for the expenditure within the overall budget approved by the Board. Approval of expenditure where there is no provision within the overall budget will be made by the Board. (Scheme of delegation 3.1)
16. There may be virement within the budget, in accordance with the Scheme of Delegation. (Scheme of delegation 3.2 and 3.3)

## Budgetary control and reporting

17. Financial performance will be monitored against budget and reported regularly to the Management Team and at least quarterly to the Board.
18. Systems of budgetary control will be devised and maintained to include:

- 18.1.** Regular financial reports as prescribed above containing -
    - 18.1.1.** income and expenditure to date and, when relevant, forecast year end position
    - 18.1.2.** explanations of any material variations
    - 18.1.3.** details of any corrective action necessary
    - 18.1.4.** virement
  - 18.2.** The issue of timely, accurate and comprehensible advice on financial reports to each budget holder covering the areas for which they are responsible
  - 18.3.** Arrangements for the authorisation of virement.
- 19.** Each budget holder will be responsible for the management of their budgets within the approved policies of the Board.
  - 20.** In exceptional circumstances, for example, a national pandemic increased reporting on financial performance may be required by the Incident Management Team, Audit Committee and Board.

## Accounting

- 21.** An effective system of internal financial control will be maintained including detailed financial procedures and systems incorporating the principles of separation of duties and internal checks. These will be documented and maintained.
- 22.** Proper records will be maintained to show and explain Audit Scotland's transactions in order to disclose, with reasonable accuracy, the financial position of Audit Scotland at any time.
- 23.** Accounting policies will be set consistent with appropriate guidance and all accounting procedures and records will be consistent with any form of accounts prescribed. Accounting policies will be approved by the Board. (Scheme of delegation 3.4)
- 24.** Annual Accounts will be prepared and submitted to the Board for approval no later than 31 August in respect of the financial year finishing on the 31 March.

## Bank accounts

- 25.** HM Treasury require public bodies to operate a bank account through the Government Banking Service (GBS), to allow the transfer of monies from central accounts to public bodies and vice-versa.
- 26.** Apart from the requirement to use a bank specified by the GBS for the transfer of central funds, Audit Scotland will, for day to day banking and transactions, make arrangements for the appointment of bankers in accordance with the provisions for the letting of contracts set out in these Regulations.
- 27.** No Audit Scotland monies will be held in any bank accounts outwith those approved by the Board.

28. Detailed arrangements and instructions on the operation of bank accounts will be prepared and maintained as Treasury Management Procedures by the finance department, and will include:
  - 28.1. The conditions under which each bank account is to be operated.
  - 28.2. The limit to be applied to any overdraft.
  - 28.3. Those authorised to sign cheques or other orders drawn on Audit Scotland's bank accounts, and the limits of their authority in accordance with the Scheme of Delegation.
29. Banking arrangements will be reviewed at regular intervals to ensure that they reflect best practice and represent best value for money.
30. Controlled stationery (e.g. cheques) will be held securely at all times and proper records will be maintained in relation to such stationery.

## Credit Cards

31. Credit cards will be offered to members of the Management Team automatically. Credit cards will also be offered to other members of staff, with the specific approval of the Accountable Officer, the Chief Operating Officer, and/or Incident Management Team where there is an on-going requirement for credit card use.
32. The default credit limit for all cards will be set in the Scheme of Delegation and variations for individual cards will be approved by the Management Team and/or the Incident Management Team. (Scheme of delegation 3.5)

## Income

33. Systems will be designed and maintained for the proper recording, invoicing, collection and coding of all monies due to Audit Scotland.
34. All monies received will be banked promptly.
35. Arrangements will be made for appropriate recovery action on all outstanding debts.
36. Fees and charges, including fees to audited bodies, will be determined in accordance with policies decided by the Board.

## Investments and borrowings

37. No borrowing or investments will be made without the expressed agreement of the Board. In exceptional circumstances the Accountable Officer may consult with the Chair of the Board and agree a short term borrowing strategy, but this must be reported to, and ratified by the full Board at the earliest opportunity.
38. All short term borrowings will be kept to the minimum period of time possible, consistent with the overall cash flow position.

39. Any long term borrowing must be consistent with policies decided by the Board.
40. Detailed procedural instructions will be prepared on the operation of investment accounts and regular reports will be made to the Board on the performance of any investments held.

## Insurance

41. Arrangements will be made to ensure that all insurance cover is effected, periodically reviewed and adjusted as necessary.
42. Insurance arrangements will be reviewed regularly and the market will be competitively tested and costs will be sought for insurance services in accordance with the provisions set out in these Regulations at least every three years.

## Tendering procedures

43. Tendering procedures are contained in the Procurement Handbook, which is published on the intranet. This document provides information on the procedures to be adopted by Audit Scotland staff when purchasing any goods and services and the need to follow value for money principles when carrying out this activity.
44. No contract for the supply of goods and materials, the provision of services or for the execution of works will be made where the probable cost, over the contract period, exceeds £50,000 unless tenders have been invited by advertisement on Public Contracts Scotland, the Scottish Government procurement system.
45. In exceptional circumstances the Chair of the Board, on a report by the Accountable Officer, may except a contract from the above provisions and direct adoption of such other procedure for the letting of the contract as seems appropriate. The decision will be notified to the full Board at the earliest opportunity.
46. Standing contracts for the provision of goods, materials, services or works will be kept under review and competitive tenders for such standing contracts will be sought at least every three years, or later if the contract has been extended under the terms of the original contract. No extension will be greater than three additional years before retendering.
47. The overall value of the tender will determine who is required to approve the acceptance of the tender and place the order for the goods, materials or service. The Scheme of Delegation will list those authorised to accept and place orders. (Scheme of delegation 3.6)
48. All orders will be generated through the electronic ordering system. Orders will be sent for authorisation in accordance with the procedure contained within the Scheme of Delegation (Scheme of Delegation 3.10). All orders must be made in accordance with the procedures and controls and within the terms of the Scheme of Delegation.
49. Official orders will be issued for all work, goods or services to be supplied to Audit Scotland except for supplies of public utility services or periodical payments such as rent or rates or such other exceptions as may be approved by the Management Team.

50. Government directives prescribing procedures for awarding forms of contracts shall have effect as if incorporated in these Regulations and Audit Scotland's Procurement Handbook should be followed as appropriate.
51. The appointment of auditors under section 97(6) of the 1973 Act and section 21(3) of the 2000 Act will be recommended to the Accounts Commission and the Auditor General [for Scotland](#) respectively at such intervals as they require. With the exception of the interval between awards (see paras 42-44), the procedure relating to these contracts should follow the procedure set out in these Regulations.

## Payment of accounts

52. Before an invoice is paid the certifying officers will satisfy themselves that the account has not been previously passed for payment and is a proper liability of Audit Scotland and that:
  - 52.1. The works, goods or services to which the account relates have been received or carried out satisfactorily.
  - 52.2. Prices, extensions, calculations, trade discounts, other allowances, credits and tax are correct.
  - 52.3. The expenditure has been authorised and is within the relevant estimate provisions.
53. All duly certified invoices shall be authorised for payment by the officer authorised under the Scheme of Delegation. (Scheme of delegation 3.8)
54. An officer shall not add any additional items to an invoice rendered to Audit Scotland by a supplier.
55. When an order has been placed using the electronic purchase ordering (EPO) system, this process incorporates authorisation of the payment prior to an order being placed. In these circumstances the authoriser will be advised of the cost of the goods or services, or an estimate if a firm cost is not available, at the time they receive the EPO. Authorisers are required to satisfy themselves that the cost displayed is reasonable and represents value for money, before they electronically sign the order. Once an EPO is signed the system will not allow any changes to the order by the authoriser or the originator.
56. The EPO system maintains a list of staff with delegated authority to authorise expenditure, as per para. 51 above.
57. When the goods or services have been received the originator records the receipt through the EPO system.
58. On receipt of the invoice, Finance will check whether the goods or services have been marked as received. The invoiced amount charged will be checked against the EPO submitted and, if the amount is within the parameters agreed by the Management Team, the invoice will be accepted and paid. (Scheme of delegation 3.10)

59. Management Team will set agreed parameters and if the value of the invoice is outwith the agreed parameters it will be sent back to the authoriser for an additional manual authorisation. The invoice will not be paid until the second authorisation has been received. (Scheme of delegation 3.11)
60. The receipt, certification and payment of accounts to approved auditors are subject to separate arrangements under the Scheme of Delegation. (Scheme of delegation 3.12)

## Audit

61. The Board will establish an Audit Committee with clearly defined terms of reference under Standing Orders.
62. The external auditor is appointed by the SCPA to report on whether expenditure and income have been applied lawfully and the accounts comply with the accounts direction. The external auditor will report to the SCPA who must lay the report and accounts before Parliament and publish them.
63. The internal auditor is appointed by Audit Scotland and reports to the Management Team and the Audit Committee on systems of internal control.
64. The external and internal auditor are entitled to:
  - 64.1. enter any Audit Scotland establishment at all reasonable times with or without previous notice;
  - 64.2. have access to all records, documents and correspondence (including computer records) relating to financial and other transactions of Audit Scotland;
  - 64.3. require and receive explanations as are necessary concerning any matter under examination;
  - 64.4. require any employee of Audit Scotland to produce cash, equipment or any other property under his/her control; and
  - 64.5. direct access to the Chair of the Audit Committee.

## Security and Fraud Prevention

65. Arrangements will be made to develop and document effective policies on:
  - 65.1. Prevention of fraud and irregularity.
  - 65.2. IT security.
  - 65.3. Security of assets.
66. Proper security must be maintained, at all times, for all buildings, stores, furniture, equipment, cash, information, etc.

67. A register of secure key containers will be maintained by Business Support and kept under review by the Chief Operating Officer. Keys removed from the secure key containers will be signed for and are to be kept safe at all times until returned. The loss of any such keys must be reported immediately to Business Support staff.
68. A register of staff ID (office access) badges and building access fobs will be maintained by Business Support. The loss of ID badges will be reported immediately to Business Support and the Corporate Governance Manager. The ID badges will be deactivated immediately.
69. The Chief Operating Officer is responsible for maintaining proper security and privacy relative to information held in the computer installations.
70. Under the terms of the Counter Fraud Policy, employees are required to notify their Business Group Director or Associate/Audit Director of any financial irregularity or suspected irregularity. Such concerns may be raised under the terms of the Whistleblowing Policy if considered appropriate. The employee, or senior management to whom the concerns are reported, must also advise the Chief Operating Officer. Details of these policies are ~~to be~~ available to all staff through the staff handbook.

## Salaries, wages and pensions

71. Arrangements will be made for the payment of all salaries, wages, pensions, compensation and other emoluments due to all employees or former employees of Audit Scotland or the Accounts Commission, the Auditor General for Scotland, appropriate members of the Board and to members of the Accounts Commission.
72. Salaries and other payments will normally be paid by direct transfer to a nominated bank account.
73. A record of all matters affecting the payment of such emoluments shall be kept and in particular the following information will be recorded:
  - 73.1. appointments, resignations, dismissals, suspensions, secondments and transfers;
  - 73.2. absences from duty for sickness or other reason, including approved leave;
  - 73.3. changes in remuneration, including those arising from normal increments and pay awards and agreements of special and general application;
  - 73.4. information necessary to maintain records of service for superannuation, income tax, national insurance and the like;
  - 73.5. particulars of any deduction from salary for loans, subscriptions and the like, and the authority for such deduction.
74. All deductions and changes in gross pay entitlement will be certified by Human Resources or other appropriate person and checked by a second officer prior to payment.
75. Pension payments are paid to former staff through the appropriate pension agency. Audit Scotland's role is to make the required deductions from salary and to provide the information

which is required from time to time by the pension supplier to allow them to maintain their records, provide information about pensions and make payments.

76. There are special arrangements in place relating to pensions for former Ombudsman staff and the former Auditors General, which are separate from the arrangements for Audit Scotland.

### **Travelling, subsistence, expenses and other allowances**

77. The Secretary to the Accounts Commission shall review, authorise and ensure all travelling or other allowances are paid to Commission Members and advisers who are entitled to claim them upon receipt of a fully completed expense claim form.
78. The Chief Operating Officer shall review, authorise and ensure all travelling or other allowances are paid to Board members and advisers who are entitled to claim them upon receipt of a fully completed expense claim form.
79. All claims by staff for payment of car mileage allowances, subsistence allowances, travelling and incidental expenses and any advances shall be submitted duly certified and made up to the end of each month and in accordance with the current travel and subsistence policy, published in the staff handbook, and the expenses procedures published on the intranet. The officers authorised to certify such records shall be determined by the Scheme of Delegation. Initial delegation is £2,000. (Scheme of delegation 3.13)

### **Observance of Financial Regulations**

80. It shall be the duty of the Accountable Officer to ensure that these regulations are made known to the appropriate Audit Scotland staff and to ensure that they are adhered to.
81. Any breach or non-compliance with these Regulations must, on discovery, be reported immediately to the Chief Operating Officer who will discuss the matter with the Accountable Officer in order to determine the proper action to be taken. Such concerns may be raised under the terms of the Whistleblowing Policy if considered appropriate.

### **Variation of Financial Regulations**

82. These Regulations may be varied from time to time by the Board on receipt of a report and recommendations from the Accountable Officer.
83. The Chair of the Board may authorise, on a report from the Accountable Officer, exceptional treatment of a matter covered by these Regulations. Any such exceptions will be reported in writing to the next available meeting of the Board.

# Scheme of Delegation



Draft Prepared for Audit Scotland Board  
September 2020

Audit Scotland is a statutory body set up in April 2000 under the Public Finance and Accountability (Scotland) Act 2000. It provides services to the Auditor General for Scotland and the Accounts Commission. Together they ensure that the Scottish Government and public sector bodies in Scotland are held to account for the proper, efficient and effective use of public funds.

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# Scheme of Delegation

## Introduction

1. The Board remains responsible for the exercise of all the functions of Audit Scotland. Regardless of the provisions of this Scheme of Delegation the Board may at any time determine any matter within the competence of Audit Scotland either at the Board's initiative or on the recommendation of an officer to whom the matter is delegated.
2. This Scheme sets out the matters reserved for determination by the Board. All powers which have not been retained as reserved to the Board or specifically delegated in this Scheme will be exercised by the Management Team or their nominees.

## Conditions of delegation

3. The delegations made in this Scheme are subject to the following conditions:
  - 3.1. All delegated powers will be exercised in accordance with the relevant policies decided by the Board.
  - 3.2. Before exercising any delegated function, all appropriate consultations will be undertaken and, in particular, decisions with financial or personnel consequences will be the subject of consultation with the Chief Operating Officer.
  - 3.3. Delegated powers will not be exercised in a manner which is likely to be a cause for public concern.

## Reservations to the Board

4. The following matters are reserved for determination by the Board:
  - 4.1. Approval of the Corporate Plan.
  - 4.2. Approval of annual estimates of expenditure and income.
  - 4.3. Approvals of strategic policies relating to the governance of Audit Scotland are a matter for the Board. (Approval of operational policies of Audit Scotland are a matter for the Accountable Officer and the Management Team).
  - 4.4. Approval of Standing Orders, Financial Regulations and Scheme of Delegation.
  - 4.5. Approval of Annual Accounts and Annual Reports.
  - 4.6. Approval of internal audit arrangements.
  - 4.7. Approval of conditions of service affecting all employees.
  - 4.8. Approval of specific matters referred to in the attached Schedule.

5. Approvals can be remotely provided via DocuSign, an electronic signature system which allows for all parties to sign accounts remotely and securely. DocuSign is acceptable for laying accounts in Parliament and complies with all relevant legislative requirements.
6. In exceptional circumstances where a decision of the Board is required and it is not possible to convene a meeting of the Board, a member of the Management Team in consultation with the Chair, or another Board member if the Chair is unavailable, may take the necessary decision and report the action taken to the next meeting of the Board.

## **Quorum for Management Team**

7. The quorum for the Management Team is three, comprising of the Accountable Officer or the Chief Operating Officer plus two others.

## **Making, revocation and variation**

8. The matters reserved to the Board and delegated to officers of Audit Scotland are as detailed above and as shown in the Schedule.
9. This Scheme of Delegation may be varied or revoked by the Board.

## Schedule

	<b>Matter</b>	<b>Reserved or delegated to</b>	<b>Comment</b>
<b>1</b>	<b>Appointment of employees</b>		
1.1	Appointment of Management Team	Board	
1.2	Appointment of Associate/Audit Directors	Management Team	
1.3	All other appointments	Management Team, Directors or their nominees	The Accounts Commission Chair/members will select for appointment the Secretary to the Accounts Commission
1.4	Appointment of Controller of Audit	Not applicable	The Board does not have a role here. The Controller of Audit is appointed by the Accounts Commission
<b>2</b>	<b>Personnel matters</b>		
2.1	Disciplinary action, including dismissal	Appeals Committee and as per approved disciplinary procedure	See Discipline Policy in staff handbook
2.2	Grading of Management Team posts	Board	See also Job Evaluation procedure in staff handbook
2.3	Grading of Associate/Audit Director posts and all other posts	Management Team	See also Job Evaluation procedure in staff handbook
2.4	Changes to Management Team	Board	
2.5	Changes to approved establishment below Management Team	Management Team	
2.6	Variation of conditions of service for members of the Management Team	Board	

2.7	Variation of conditions of service for Associate/Audit Directors and all other staff	Management Team	All staff have a right of appeal to the Remuneration & Human Resources Committee or the Board following discussion by the Remuneration & Human Resources Committee
2.8	Decisions on applications for early retirement: <ul style="list-style-type: none"> <li>• Management Team</li> <li>• All other employees</li> </ul>	Board Management Team	
<b>3</b>	<b>Financial matters</b>		
3.1	Approval of expenditure for which there is no provision in the overall budget.	Board	Financial Regulations 15
3.2	Approval of virement within agreed budget: <ul style="list-style-type: none"> <li>• Virement between budget groups</li> <li>• Virement between budget heads</li> <li>• Virement between budget lines</li> </ul>	Management Team Relevant Directors Budget Holders	Financial Regulations 16
3.3	Virement of salary budget over £250,000, cumulatively in one year	Board	Financial Regulations 16
3.4	Approval of Accounting Policies	Board	Financial Regulation 23
3.5	Approval for the issue of credit cards to members of staff and credit limit to be applied. (To be reported at next Management Team meeting) Credit Card default limits: <ul style="list-style-type: none"> <li>• Management Team £1,500</li> <li>• Other staff £1,000</li> </ul>	Accountable Officer and Chief Operating Officer	Financial Regulation 31 – 32 See also Credit Card Procedures. Default amounts may be varied by Management Team, Incident Management Team (IMT) for individuals on either a

			permanent or temporary basis.
3.6	<p>Acceptance of tenders and placing of orders:</p> <ul style="list-style-type: none"> <li>• Above £250,000</li> <li>• Between £100,000 and £250,000</li> <li>• Up to £100,000</li> <li>• Below £50,000</li> </ul>	<p>Board</p> <p>Accountable Officer and Chief Operating Officer</p> <p>Management Team</p> <p>Budget Holders</p>	<p>Financial Regulations 47</p> <p>See also the Procurement Handbook</p>
3.7	<p>Acceptance of offers for disposal of assets</p>	<p>As for acceptance of tenders and placing of orders</p>	
3.8	<p>Approval of expenditure within agreed budget:</p> <ul style="list-style-type: none"> <li>• Any budget group</li> <li>• Specific budget group</li> <li>• Specific cost centre budget</li> </ul>	<p>Management Team</p> <p>Relevant Director</p> <p>Budget Holder</p>	<p>Financial Regulations 53</p>
3.9	<p>Payment of accounts other than to approved auditors:</p> <ul style="list-style-type: none"> <li>• Above £50,000</li> <li>• Below £50,000</li> </ul>	<p>Management Team</p> <p>Member of Management Team or as delegated</p>	<p>Financial Regulations 52 – 58</p> <p>Delegated signatories are approved by Management Team and are responsible for the expenditure approved. As evidence a delegated purchasing authority letter will be issued. Those with delegated authority may request authority to be passed to members of their staff, but the limit of authority granted must be notified to Management Team and Finance who will maintain a list of those approved.</p>

3.10	Payment of accounts for orders placed using electronic purchase orders.	Member of Management Team or as delegated	Electronic purchase orders are sent, via email, to be authorised. The process requires the authoriser to be selected from a list, maintained within the finance system, of signatories delegated to sign for the cost centre and for the value of goods or services being ordered. The signatories are the same as those delegated in the previous section.
3.11	Parameters for automatic payment of electronic purchase orders.	Management Team	<p>Financial Regulations 59</p> <p>Where an invoice is received as the result of an order placed using the electronic purchase order system it can be processed by Finance for payment if:</p> <ul style="list-style-type: none"> <li>• The order has been marked as received in the electronic purchase order system,</li> <li>• The value shown on the invoice is within the parameters of +5% or - 10% of the value authorised for that order.</li> </ul> <p>Any invoice where the value is outwith these parameters must be sent for an additional, manual, authorisation before payment can be made.</p>
3.12	Certification of accounts for payment to approved auditors:	A member of the Audit Quality and Appointments team	Financial Regulations 60

	<ul style="list-style-type: none"> <li>Interim invoices up to £50,000 and final invoices up to £10,000</li> <li>Interim invoices over £50,000 and final invoices over £10,000</li> </ul>	Associate Director, Audit Quality and Appointments or member of Management Team	
3.13	Miscellaneous expenditure (including travel & subsistence)	The Chief Operating Officer, Secretary to the Accounts Commission, senior managers & other line managers as appropriate. (Details available in Finance)	Financial Regulations 77 - 79 Delegation requires appropriate Director approval and notification to Finance. The initial delegation is £2,000. Variations from this amount may be agreed by the Budget Holder and notified to the Management Team and Finance who will maintain a list of those approved.

Budget Holders comprise: Management Team members, and Corporate Services managers.

Note: Management Team is defined in section 8 of the Financial Regulations as follows “the Management Team consists of the Auditor General, the Chief Operating Officer, the Director of Audit Services and the Director of Performance Audit and Best Value, or such other combination of officers as may be determined from time to time by the Board”. Decisions can only be made by Management Team when they are quorate as defined in section 6 of this document as follows “The quorum for the Management Team is three, comprising of the Accountable Officer or the Chief Operating Officer plus two others”.

# Members' Code of Conduct



Draft Prepared for Audit Scotland Board  
September 202<sup>19</sup>

Audit Scotland is a statutory body set up in April 2000 under the Public Finance and Accountability (Scotland) Act 2000. We help the Auditor General for Scotland and the Accounts Commission check that organisations spending public money use it properly, efficiently and effectively.

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# Guidance on the Code of Conduct

## Introduction

1. The Scottish public has a high expectation of those who serve on the boards of public bodies and the way in which they should conduct themselves in undertaking their duties for the public body. You must meet those expectations by ensuring that your conduct is above reproach and by embracing our core values, which are:
  - Independence, integrity and objectivity.
  - Valuing people and ensuring equality and fairness.
  - Effective communication.
2. As a member of Audit Scotland, it is your responsibility to make sure that you are familiar with, and that your actions comply with, the provisions of this Code of Conduct.
3. You must observe the rules of conduct contained in this Code. It is your personal responsibility to comply with these and review regularly, and at least annually, your personal circumstances with this in mind, particularly when your circumstances change. You must not at any time advocate or encourage any action contrary to the Code of Conduct.
4. The Code has been developed in line with the key principles listed in paragraph 6 and provides additional information on how the principles should be interpreted and applied in practice. No Code can provide for all circumstances and if you are uncertain about how the rules apply, you should seek advice from the Chief Operating Officer. You may also choose to consult your own legal advisers and, on detailed financial and commercial matters, seek advice from other relevant professionals.
5. You should familiarise yourself with the Scottish Government publication “On Board – a guide for board members of public bodies in Scotland”. This publication will provide you with information to help you in your role as a member of a public body in Scotland and can be viewed on the Scottish Government website.

## Key principles of the Code of Conduct

6. The general principles upon which this Code of Conduct are based are:

### **Duty**

You have a duty to uphold the law and act in accordance with the law and the public trust placed in you. You have a duty to act in the interests of Audit Scotland of which you are a member and in accordance with its core functions and duties.

### **Selflessness**

You have a duty to take decisions solely in terms of public interest. You must not act in order to gain financial or other material benefit for yourself, family or friends.

### **Integrity**

You must not place yourself under any financial, or other, obligation to any individual or organisation that might reasonably be thought to influence you in the performance of your duties.

### **Objectivity**

You must make decisions solely on merit and in a way that is consistent with the functions of Audit Scotland when carrying out public business including making appointments, awarding contracts or recommending individuals for rewards and benefits.

### **Accountability and stewardship**

You are accountable for your decisions and actions to the public. You have a duty to consider issues on their merits, taking account of the views of others and must ensure that Audit Scotland uses its resources prudently and in accordance with the law.

### **Openness**

You have a duty to be as open as possible about your decisions and actions, giving reasons for your decisions and restricting information only when the wider public interest clearly demands.

### **Honesty**

You have a duty to act honestly. You must declare any private interests relating to your public duties and take steps to resolve any conflicts arising in a way that protects the public interest.

### **Leadership**

You have a duty to promote and support these principles by leadership and example, to maintain and strengthen the public's trust and confidence in the integrity of Audit Scotland and its members in conducting public business.

### **Respect**

You must respect fellow members of Audit Scotland and its employees and the role they play, treating them with courtesy at all times. Similarly, you must respect members of the public when performing duties as a member of Audit Scotland.

7. You should apply the principles of this Code to your dealings with fellow members of Audit Scotland, its employees and other stakeholders. Similarly, you should also observe the principles of this Code in dealings with the public when performing duties as a member of a public body.

# General conduct

8. The rules of good conduct in this section must be observed in all situations where you act as a member of Audit Scotland.

## Conduct at meetings

9. You must respect the chair, your colleagues and employees of Audit Scotland in meetings. You must comply with rulings from the chair in the conduct of the business of these meetings.

## Relationships with Board Members, employees of Audit Scotland and others

10. You will treat your fellow board members and any staff employed by Audit Scotland with courtesy and respect. It is expected that fellow board members and employees will show you the same consideration in return. It is good practice for employers to provide examples of what is unacceptable behaviour in their organisation. Public bodies should promote a safe, healthy and fair working environment for all. As a board member you should be familiar with the policies of Audit Scotland in relation to bullying and harassment in the workplace and also lead by exemplar behaviour.
11. Relationships may be developed with you by others to influence our work or to acquire confidential or sensitive information for personal gain. Those seeking to develop a relationship with you may also offer a financial or other benefit to supply them with information. These relationships are inappropriate and bring risks to your personal reputation and that of Audit Scotland (see Section on Bribery and Corruption). You must inform the Chair of the Board and Chief Operating Officer of any such approaches, relationships or offers of financial or other benefits, and you should discuss any concerns about any such issues as soon as possible so that Audit Scotland can support and advise you.

## Remuneration, allowances and expenses

12. You must comply with any rules of Audit Scotland regarding remuneration, allowances and expenses.

## Bribery and corruption

13. Bribery is the offering, giving, receiving, or soliciting of any item of value or advantage to influence the actions of an official or any other person in charge of a public or legal duty.
14. It is important that you are aware that it is a serious criminal offence for you to:
  - give, receive or solicit a bribe (i.e. to corruptly receive or give any gift, loans, fee, reward or advantage) in return for doing or not doing anything
  - show favour or disfavour to any person in the course of your work with Audit Scotland.

15. It is also important to be aware that an act of bribery by an individual may render Audit Scotland liable of committing an offence.
16. Audit Scotland has a zero tolerance to bribery and corruption therefore corrupt actions, including bribery, can lead to dismissal and prosecution.

## Gifts and hospitality

17. You must never ask for gifts or hospitality.
18. You must not accept any offer by way of a gift or hospitality which could give rise to a real or substantive personal gain or reasonable suspicion of influence on your part to show favour, or disadvantage, to any individual or organisation. You should also consider whether there may be any reasonable perception that any gift received by your spouse or cohabitee or by any company in which you have a controlling interest, or by a partnership of which you are a partner, can or would influence your judgement. The term 'gift' includes benefits such as relief from indebtedness, loan concessions, or provision of services at a cost below that generally charged to members of the public.
19. You are personally responsible for all decisions connected with the offer or acceptance of gifts or hospitality offered to you and for avoiding the risk of damage to public confidence in Audit Scotland. As a general guide, it is usually appropriate to refuse offers except:
  - isolated gifts of a trivial character, the value of which must not exceed £50;
  - normal hospitality associated with your duties and which would reasonably be regarded as appropriate; or
  - gifts received on behalf of Audit Scotland.
20. You must not accept any offer of a gift or hospitality from any individual or organisation which stands to gain or benefit from a decision Audit Scotland may be involved in determining, or who is seeking to do business with us, and which a person might reasonably consider could have a bearing on your judgement. If you are making a visit in your capacity as a member of Audit Scotland then, as a general rule, you should ensure that Audit Scotland pays for the cost of the visit.
21. You must not accept repeated hospitality from the same source.
22. Members of Audit Scotland should familiarise themselves with the terms of the Bribery Act 2010 which provides for offences of bribing another person and offences relating to being bribed.
23. You **must declare the giving and acceptance of any gifts or hospitality received by you or gifts and hospitality declined in your capacity as a member of Audit Scotland** to the Chief Operating Officer who will record the declaration in a register kept for that purpose.

Audit Scotland only recognises and approves the giving of gifts or hospitality if recorded in the register and the expenditure is detailed in our financial accounting system. All reimbursement

claims for gifts or hospitality given through expenses must be in accordance with the remuneration, allowances and expenses policy.

To assist Members the following guidance indicates items that do not require recording or disclosure:

- Working lunches at audited bodies, partner firms, working groups/committees/boards, professional institutes and other public bodies.
- Meals and accommodation incidental to the attendance at conferences, seminars and workshops.
- Giving or receiving gifts of modest value such as a pen or book.

Items that do require disclosure would therefore include:

- Isolated gifts in excess of £50.
- Meals in external restaurants whether working or not.
- Attendance at functions organised/hosted by professional bodies e.g. Institute Annual Dinners.
- Receptions held by public bodies, partner firms or other parties where there is a widespread range of attendees e.g. gallery viewings.
- Functions where the focus of the event is an awards ceremony which involves a public sector element.
- Meals paid for by visiting delegations from other audit offices, organisations and Parliaments/Governments.
- Provision of accommodation, travel or corporate hospitality to others.

24. Details of any gift or hospitality will be made available for public inspection through publication of the register on Audit Scotland's website.

## Confidentiality requirements

25. Audit Scotland carries out its work in the public interest and is committed to the principle of openness. However, there may be times when you will be required to treat discussions, documents or other information relating to the work of Audit Scotland in a confidential manner. You will often receive information of a private nature which is not yet public, or which perhaps would not be intended to be public. There are provisions in other legislation, such as the Data Protection Act 2018 and the Freedom of Information (Scotland) Act 2002, on the categories of confidential and exempt information and you must always respect and comply with the requirement to keep such information private.
26. It is unacceptable to disclose any information to which you have privileged access, for example derived from a confidential document, either orally or in writing. In the case of other documents and information, you are requested to exercise your judgement as to what should or should not be made available to outside bodies or individuals. In any event, such

information should never be used for the purpose of personal or financial gain, or used in such a way as to bring Audit Scotland into disrepute.

27. Breaches of confidentiality or information security will be treated with utmost seriousness and could prompt an investigation. Any wilful breach such as, unauthorised access or supply of information to others could lead to termination of your position with Audit Scotland and could lead to a criminal prosecution under Data Protection legislation. If you are in any doubt about a matter of confidentiality or information security, please check with the Chief Operating Officer.
28. If you are involved in an act that could cause Audit Scotland reputational risk or bring the organisation into disrepute e.g. you are arrested or charged for a criminal offence, you must inform Audit Scotland at the earliest available opportunity.

## Use of Audit Scotland's facilities

29. Members of Audit Scotland must not misuse facilities, equipment, stationery, telephony, computer, information technology equipment and services, or use them for party political or campaigning activities. Use of such equipment and services, etc must be in accordance with Audit Scotland's policy and rules on their usage. Care must also be exercised when using social media networks not to compromise your position as a member of Audit Scotland.

## Other Appointments

30. Non-Executive Members must seek the approval of the SCPA prior to accepting any additional office, employment or appointment or engaging in any other occupation.

## Conflicts of Interest

31. You may not hold any other office, employment or appointment or engage in any other occupation which would conflict with your responsibilities and duties as a member of Audit Scotland.

# Registration of Interests

## Introduction

32. The following paragraphs set out the kinds of interests, financial and otherwise which you have to register. These are called 'Registerable Interests'. You must at all times ensure that these interests are registered, when you are appointed and whenever your circumstances change in such a way as to require change or an addition to your entry in the Register. It is your duty to ensure any changes in circumstances are reported within one month of them changing. It is a breach of this Code not to comply with these requirements.
33. You should review regularly and at least once a year your personal circumstances. The interests which require to be registered are those set out in the following paragraphs and relate to you. It is not necessary to register the interests of your spouse or cohabitee.

## Remuneration

34. You have a registrable interest where you receive remuneration by virtue of being:
  - employed;
  - self-employed;
  - the holder of an office;
  - a director of an undertaking;
  - a partner in a firm; or
  - undertaking a trade, profession or vocation or any other work.
35. In relation to 34 above, the amount of remuneration does not require to be registered and remuneration received as a member does not have to be registered.
36. If a position is not remunerated it does not need to be registered under this category. However, you must note that unremunerated directorships may need to be registered under the category of 'Related undertakings'.
37. If you receive any allowances in relation to membership of any organisation, the fact that you receive such an allowance must be registered.
38. When registering employment, you must give the name of the employer, the nature of its business, and the nature of the post held in the organisation.
39. When registering self-employment, you must provide the name and give details of the nature of the business. When registering an interest in a partnership, you must give the name of the partnership and the nature of its business.
40. When registering a directorship, it is necessary to provide the registered name of the undertaking in which the directorship is held and give a broad indication of its business.

41. Where you undertake a trade, profession or vocation, or any other work, the detail to be given is the nature of the work and its regularity. For example, if you write for a newspaper, you must give the name of the publication and the frequency of articles for which you are paid.
42. Registration of a pension is not required as this falls outside the scope of the category.

### Related undertakings

43. You must register any directorships held which are themselves not remunerated but where the company (or other undertaking) in question is a subsidiary of, or a parent of, a company (or other undertaking) in which you hold a remunerated directorship.
44. You must register the name of the subsidiary or parent company or other undertaking and the nature of its business, and its relationship to the company or other undertaking in which you are a director and from which you receive remuneration.
45. The situations to which the above paragraphs apply are as follows:
  - You are a director of a board of an undertaking and receive remuneration declared under remuneration - and
  - You are a director of a parent or subsidiary undertaking but do not receive remuneration in that capacity.

### Contracts

46. You have a registrable interest where you (or a firm in which you are a partner, or an undertaking in which you are a director or in which you have shares of a value as described in 50 below) have made a contract with the public body of which you are a member:
  - under which goods or services are to be provided, or works are to be executed; and
  - which has not been fully discharged.
47. You must register a description of the contract, including its duration, but excluding the consideration.

### Houses, land and buildings

48. You have a registrable interest where you own or have any other right or interest in houses, land and buildings, which may be significant to, of relevance to, or bear upon, the work and operation of Audit Scotland to which you are appointed.
49. The test to be applied when considering appropriateness of registration is to ask whether a member of the public acting reasonably might consider any interests in houses, land and buildings could potentially affect your responsibilities to the organisation to which you are appointed and to the public, or could influence your actions, speeches or decision making.

## Interest in shares and securities

50. You have a registerable interest where you have an interest in shares comprised in the share capital of a company or other body which may be significant to, of relevance to, or bear upon, the work and operation of (a) the body to which you are appointed and (b) the nominal value of the shares is:
- (i) greater than 1% of the issued share capital of the company or other body; or
  - (ii) greater than £25,000.
51. Where you are required to register the interest, you should provide the registered name of the company in which you hold shares; the amount or value of the shares does not have to be registered.

## Non-financial interests

52. You may also have a registerable interest if you have non-financial interests which may be significant to, of relevance to, or bear upon, the work and operation of Audit Scotland to which you are appointed. It is important that relevant interests such as membership or holding office in other public bodies, clubs, societies and organisations such as trades unions and voluntary organisations, are registered and described.
53. In the context of non-financial interests, the test to be applied when considering appropriateness of registration is to ask whether a member of the public might reasonably think that any non-financial interest could potentially affect your responsibilities to the organisation to which you are appointed and to the public, or could influence your actions, speeches or decision-making.

## Related party disclosure

54. Related Party Disclosures is a requirement of International Accounting Standard 24. It is a requirement of the Code of Conduct that Board Members and Directors sign an annual declaration at the financial year end stating that you were not aware of any related party transactions in the year.
55. A related party is a person or entity that is related to the entity that is preparing its financial statements.
- (a) A person or a close member of that person's family is related to a reporting entity if that person:
    - (i) has control or joint control over the reporting entity;
    - (ii) has significant influence over the reporting entity; or
    - (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.
  - (b) An entity is related to a reporting entity if any of the following conditions applies:

- (i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment defined benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
- (vi) The entity is controlled or jointly controlled by a person identified in (a).
- (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

# Declaration of interests

## Introduction

56. The key principles of the Code, especially those in relation to integrity, honesty and openness, are given further practical effect by the requirement for you to declare certain interests in proceedings of Audit Scotland. Together with the rules on registration of interests, this ensures transparency of your interests which might influence, or be thought to influence, your actions.
57. Public bodies inevitably have dealings with a wide variety of organisations and individuals and this Code indicates the circumstances in which a business or personal interest must be declared. Public confidence in Audit Scotland and its members depends on it being clearly understood that decisions are taken in the public interest and not for any other reason.
58. In considering whether to make a declaration in any proceedings, you must consider not only whether you will be influenced but whether anybody else would think that you might be influenced by the interest. You must, however, always comply with the objective test ('the objective test') which is whether a member of the public, with knowledge of the relevant facts, would reasonably regard the interest as so significant that it is likely to prejudice your discussion or decision making in your role as a member of Audit Scotland.
59. If you feel that, in the context of the matter being considered, your involvement is neither capable of being viewed as more significant than that of an ordinary member of the public, nor likely to be perceived by the public as wrong, you may continue to attend the meeting and participate in both discussion and voting. The relevant interest must however be declared. It is your responsibility to judge whether an interest is sufficiently relevant to particular proceedings to require a declaration and you are advised to err on the side of caution. If a board member is unsure as to whether a conflict of interest exists, they should seek advice from the board chair.
60. As a member of Audit Scotland you might serve on other bodies. In relation to service on the boards and management committees of limited liability companies, public bodies, societies and other organisations, you must decide, in the particular circumstances surrounding any matter, whether to declare an interest. Only if you believe that, in the particular circumstances, the nature of the interest is so remote or without significance, should it not be declared. You must always remember the public interest points towards transparency and, in particular, a possible divergence of interest between Audit Scotland and another body. Keep particularly in mind the advice in paragraph 31 of this Code about your legal responsibilities to any limited company of which you are a director.

## Interests which require declaration

61. Interests which require to be declared, if known to you may be financial or non-financial. They may or may not cover interests which are registerable under the terms of this Code. Most of the interests to be declared will be your personal interests but, on occasion, you will have to consider whether the interests of other persons require you to make a declaration. The

paragraphs which follow deal with (a) your financial interests (b) your nonfinancial interests and (c) the interests, financial and non-financial, of other persons.

62. You will also have other private and personal interests and may serve, or be associated with, bodies, societies and organisations as a result of your private and personal interests and not because of your role as a member of Audit Scotland. In the context of any particular matter you will need to decide whether to declare an interest. You should declare an interest unless you believe that, in the particular circumstances, the interest is too remote or without significance. In reaching a view on whether the objective test applies to the interest, you should consider whether your interest (whether taking the form of association or the holding of office) would be seen by a member of the public acting reasonably in a different light because it is the interest of a person who is a member of Audit Scotland as opposed to the interest of an ordinary member of the public.

### Your financial interests

63. You must declare, if it is known to you, any financial interest (including any financial interest which is registerable under any of the categories prescribed in the remuneration section of this Code).
64. There is no need to declare an interest which is so remote or insignificant that it could not reasonably be taken to fall within the objective test.
65. You must withdraw from the meeting room until discussion of the relevant item where you have a declarable interest is concluded. There is no need to withdraw in the case of an interest which is so remote or insignificant that it could not reasonably be taken to fall within the objective test.

### Your non-financial interests

66. You must declare, if it is known to you, any non-financial interest if:
- (i) that interest has been registered under Non Financial Interests (paragraphs 52 and 53) of the Code; or
  - (ii) that interest would fall within the terms of the objective test.
67. There is no need to declare an interest which is so remote or insignificant that it could not reasonably be taken to fall within the objective test.
68. You must withdraw from the meeting room until discussion of the relevant item where you have a declarable interest is concluded. There is no need to withdraw in the case of an interest which is so remote or insignificant that it could not reasonably be taken to fall within the objective test.

## The financial interests of other persons

69. The Code requires only your financial interests to be registered. You also, however, have to consider whether you should declare any financial interest of certain other persons.
70. You must declare if it is known to you any financial interest of: -
- (i) a spouse, a civil partner or a co-habitee;
  - (ii) a close relative, close friend or close associate;
  - (iii) an employer or a partner in a firm;
  - (iv) a body (or subsidiary or parent of a body) of which you are a remunerated member or director;
  - (v) a person from whom you have received a registerable gift or registerable hospitality;
  - (vi) a person from whom you have received registerable expenses.
71. There is no need to declare an interest if it is so remote or insignificant that it could not reasonably be taken to fall within the objective test.
72. You must withdraw from the meeting room until discussion of and voting on the relevant item where you have a declarable interest is concluded. There is no need to withdraw in the case of an interest which is so remote or insignificant that it could not reasonably be taken to fall within the objective test.
73. This Code does not attempt the task of defining “relative” or “friend” or “associate”. Not only is such a task fraught with difficulty but is also unlikely that such definitions would reflect the intention of this part of the Code. The key principle is the need for transparency in regard to any interest which might (regardless of the precise description of relationship) be objectively regarded by a member of the public, acting reasonably, as potentially affecting your responsibilities as a member of Audit Scotland and, as such, would be covered by the objective test.

## The non-financial interests of other persons

74. You must declare if it is known to you any non-financial interest of: -
- (i) a spouse, a civil partner or a co-habitee;
  - (ii) a close relative, close friend or close associate;
  - (iii) an employer or a partner in a firm;
  - (iv) a body (or subsidiary or parent of a body) of which you are a remunerated member or director;
  - (v) a person from whom you have received a registerable gift or registerable hospitality;
  - (vi) a person from whom you have received registerable expenses.

- 75. There is no need to declare an interest if it is so remote or insignificant that it could not reasonably be taken to fall within the objective test.
- 76. There is only a need to withdraw from the meeting if the interest is clear and substantial.

### **Making a declaration**

- 77. You must consider at the earliest stage possible whether you have an interest to declare in relation to any matter which is to be considered. You should consider whether agendas for meetings raise any issue of declaration of interest. Your declaration of interest must be made as soon as practicable at a meeting where that interest arises. If you do identify the need for a declaration of interest only when a particular matter is being discussed you must declare the interest as soon as you realise it is necessary.
- 78. The oral statement of declaration of interest should identify the item or items of business to which it relates. The statement should begin with the words “I declare an interest”. The statement must be sufficiently informative to enable those at the meeting to understand the nature of your interest but need not give a detailed description of the interest.

### **Frequent declarations of interest**

- 79. Public confidence in Audit Scotland is damaged by perception that decisions taken by us are substantially influenced by factors other than the public interest. If you would have to declare interests frequently at meetings in respect of your role as a board member you should not accept a role or appointment with that attendant consequence. If members are frequently declaring interests at meetings then they should consider whether they can carry out their role effectively and discuss with their chair. Similarly, if any appointment or nomination to another body would give rise to objective concern because of your existing personal involvement or affiliations, you should not accept the appointment or nomination.

# Lobbying and access to members of public bodies

## Introduction

81. In order for Audit Scotland to fulfil its commitment to being open and accessible, it needs to encourage participation by organisations and individuals in the decision-making process. Clearly however, the desire to involve the public and other interest groups in the decision-making process must take account of the need to ensure transparency and probity in the way in which Audit Scotland conducts its business.
82. You will need to be able to consider evidence and arguments advanced by a wide range of organisations and individuals in order to perform your duties effectively. Some of these organisations and individuals will make their views known directly to individual members. The rules in this Code set out how you should conduct yourself in your contacts with those who would seek to influence you. They are designed to encourage proper interaction between members of public bodies, those they represent and interest groups.
83. The Lobbying (Scotland) Act 2016 (the Act) makes provisions about lobbying a member of the Scottish Parliament, a member of the Scottish Government, a junior Scottish Minister, a special adviser or the permanent secretary. Communications with the Scottish Government and Parliament by Audit Scotland are not classed as regulated lobbying by the provisions in section 22 (d) of the Schedule to the Act. This exemption only applies to engagement by members on Audit Scotland business and members should be mindful of the legislation if engaging with any of the above in any other capacity.

## Rules and guidance

84. You must not, in relation to contact with any person or organisation who lobbies, do anything which contravenes this Code of Conduct or any other relevant rule of Audit Scotland or any statutory provision.
85. You must not, in relation to contact with any person or organisation who lobbies, act in any way which could bring discredit upon Audit Scotland.
86. The public must be assured that no person or organisation will gain better access to, or treatment by, you as a result of employing a company or individual to lobby on a fee basis on their behalf. You must not, therefore, offer or accord any preferential access or treatment to those lobbying on a fee basis on behalf of clients compared with that which you accord any other person or organisation who lobbies or approaches you. Nor should those lobbying on a fee basis on behalf of clients be given to understand that preferential access or treatment, compared to that accorded to any other person or organisation, might be forthcoming from another member of Audit Scotland.

87. Before taking any action as a result of being lobbied, you should seek to satisfy yourself about the identity of the person or organisation who is lobbying and the motive for lobbying. You may choose to act in response to a person or organisation lobbying on a fee basis on behalf of clients but it is important that you know the basis on which you are being lobbied in order to ensure that any action taken in connection with the lobbyist complies with the standards set out in this Code.
88. You should not accept any paid work:
- which would involve you lobbying on behalf of any person or organisation or any clients of a person or organisation
  - to provide services as a strategist, adviser or consultant, for example, advising on how to influence Audit Scotland and its members. This does not prohibit you from being remunerated for activity which may arise because of, or relate to, membership of Audit Scotland, such as journalism or broadcasting, or involvement in representative or presentational work, such as participation in delegations, conferences or other events.
89. If you have concerns about the approach or methods used by any person or organisation in their contacts with you, you must seek the guidance of Audit Scotland.

# Appendix 1: Definitions

1. “Remuneration” includes any salary, wage, share of profits, fee, expenses, other monetary benefit or benefit in kind. This would include, for example, the provision of a company car or travelling expenses by an employer.
2. “Undertaking” means:
  - (a) a body corporate or partnership; or
  - (b) an unincorporated association carrying on a trade or business, with or without a view to profit.
3. “Related undertaking” is a parent or subsidiary company of a principal undertaking of which you are also a director. You will receive remuneration for the principal undertaking though you will not receive remuneration as director of the related undertaking.
4. “Parent undertaking” is an undertaking in relation to another undertaking, a subsidiary undertaking, if a) it holds a majority of voting rights in the undertaking; or b) it is a member of the undertaking and has the right to appoint or remove a majority of its board of directors; or c) it has the right to exercise a dominant influence over the undertaking (i) by virtue of provisions contained in the undertaking’s memorandum or articles or (ii) by virtue of a control contract; or d) it is a councillor of the undertaking and controls alone, pursuant to an agreement with other shareholders or councillors, a majority of voting rights in the undertaking.
5. “Group of companies” has the same meaning as “group” in section 474(1) of the Companies Act 2006. A “group”, within s 474(1) of the Companies Act 2006, means a parent undertaking and its subsidiary undertakings.
6. “A person” means a single individual or legal person and includes a group of companies.
7. “Any person” includes individuals, incorporated and unincorporated bodies, trade unions, charities and voluntary organisations.
8. “Spouse” does not include a former spouse or a spouse who is living separately and apart from you.
9. “Cohabitee” includes a person, whether of the opposite sex or not, who is living with you in a relationship similar to that of husband and wife.
10. “Code” code of conduct for members of public bodies.

# Code of Conduct

## Staff policy



Draft Prepared for Audit Scotland Board

September 202<sub>19</sub>

Audit Scotland is a statutory body set up in April 2000 under the Public Finance and Accountability (Scotland) Act 2000. We help the Auditor General for Scotland and the Accounts Commission check that organisations spending public money use it properly, efficiently and effectively.

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# Code of Conduct

## Introduction

1. Audit Scotland and our staff must demonstrate high standards of corporate and personal conduct. This can be achieved by embracing our core values, which are:
  - Independence, integrity and objectivity.
  - Valuing people and ensuring equality and fairness.
  - Effective communication.
2. This Code of Conduct gives you clear and helpful advice about the standards of behaviour expected of you as a member of staff. The Code will be reviewed annually and is subject to change. A serious breach of the Code may lead to disciplinary action.
3. In addition, you are expected to comply with the principles of the Ethical Standards for Auditors issued by the Financial Reporting Council. Guidance on the application of those standards can be found in the Staff Handbook ('Ethical Standards'), which must be read as part of the annual Fit and Proper process. Our Ethical Standards Application Guide has five main sections which cover:
  - General requirements and guidance.
  - Financial, business, employment and personal relationships.
  - Long association with the audit engagement and with entities relevant to engagements.
  - Fees, remuneration and evaluation policies, gifts and hospitality, litigation.
  - Non-audit / Additional services provided to entities.
4. You should also keep to the Codes of Conduct of the professional bodies of which you are a member.
5. The general principles upon which this Code of Conduct is based are:
  - **Duty** - You have a duty to uphold the law and act in accordance with the law and the public trust placed in you. You have a duty to act in the interests of Audit Scotland of which you are a staff member and in accordance with its core functions and duties.
  - **Selflessness** - You have a duty to take decisions solely in terms of public interest. You must not act in order to gain financial or other material benefit for yourself, family or friends.
  - **Integrity** - You must not place yourself under any financial, or other, obligation to any individual or organisation that might reasonably be thought to influence you in the performance of your duties.
  - **Objectivity** - You must make decisions solely on merit and in a way that is consistent with the functions of Audit Scotland when carrying out public business including making appointments, awarding contracts or recommending individuals for rewards and benefits.

- **Accountability and stewardship** - You are accountable for your decisions and actions to the public. You have a duty to consider issues on their merits, taking account of the views of others and must ensure that Audit Scotland uses its resources prudently and in accordance with the law.
- **Openness** - You have a duty to be as open as possible about your decisions and actions, giving reasons for your decisions and restricting information only when the wider public interest clearly demands.
- **Honesty** - You have a duty to act honestly. You must declare any private interests relating to your public duties and take steps to resolve any conflicts arising in a way that protects the public interest.
- **Leadership** - You have a duty to promote and support these principles by leadership and example, and to maintain and strengthen the public's trust and confidence in the integrity of Audit Scotland and its members in conducting business.
- **Respect** - You must respect colleagues and the role they play, treating them with courtesy at all times. Similarly, you must respect members of the public when performing duties as a staff member of Audit Scotland.

## Diversity and Equality

6. We value and promote diversity and equality of opportunity. We expect you to carry out your work following the principles within our Diversity and Equality policy.

## Relationships

7. You may have contact with audited bodies, other organisations or members of the public. You should deal fairly, equitably and consistently with those you come in contact with, and you should always be polite and portray a positive and professional image of Audit Scotland.
8. People may develop a relationship with you to influence our work or to acquire confidential or sensitive information for personal gain. They may also offer a financial or other benefit to supply them with information. These relationships are inappropriate and bring risks to your personal reputation and that of Audit Scotland (see Bribery and Corruption paragraphs 39 - 41). You must tell your line manager of any such approaches, relationships or offers of financial or other benefits, and you should do this as soon as possible so that Audit Scotland can support and advise you.
9. Staff must notify the Compliance Partner if applying for any employment in a public body subject to audit by auditors appointed by the Auditor General or Accounts Commission (see the Ethical standard policy, section 2).
10. Audit Scotland recognises that close personal or domestic relationships with colleagues may exist or develop during the course of their employment. In order that Audit Scotland's business is conducted and perceived to be conducted in a professional and proper manner it is necessary to distinguish between, and take account of, personal relationships which overlap with professional ones in the workplace. If you have any close personal or domestic

relationships where that relationship may impinge on your duties and responsibilities this must be declared in confidence to your line manager or senior manager. If necessary, upon disclosure of such a relationship and after consultation with both parties, reasonable arrangements will be made to ensure that future working arrangements and potential conflicts do not arise.

## **Contractors, suppliers and consultants**

11. You must be fair and impartial in your dealings with contractors, suppliers and consultants. If you are involved in the procurement or tendering process to appoint contractors, suppliers or consultants you must follow Audit Scotland's procurement handbook, and any other guidance issued.
12. If you have access to confidential information on tenders or costs for contractors, suppliers or consultants you must not show that information to any unauthorised person or organisation.
13. All private relationships with actual or potential contractors, suppliers or consultants must be declared, as set out in paragraph five below.

## **Independence, objectivity and conflicts of interest**

14. It is important that you carry out your work with independence and objectivity, and that you do not allow any private interest to influence your decisions. You must not use your position to further your own interests or the interests of others who do not have a right to benefit from our work.
15. You, or a member of your family or household, may have a private interest which relates to the work of Audit Scotland. It may be a financial one or one which a member of the public might reasonably think could influence your judgement. For example, you may be a member of a public body, an organisation or club and membership might lead to a conflict of interest with your work. This also applies to membership of organisations or clubs which are not open to the public e.g. Freemasonry.
16. You must declare all such interests to your Compliance Partner / Compliance Manager. A Compliance Partner is appointed for each business group within Audit Scotland. The best way of making such a declaration is to use the Fit & Proper Self-Assessment Form. This information is then retained in a secure area of SharePoint for three years, after which it is destroyed. The Compliance Partner / Manager will contact you and discuss any issues arising from your disclosure, as appropriate.
17. Fit & Proper Self-Assessment forms are completed by all new staff and other workers when starting their employment / assignment with Audit Scotland. Audit Scotland annually requests that the Form is refreshed. If, between the annual cycle, your circumstances change and you have information that should be reported to the Compliance Partner then it is your responsibility to do so immediately.

18. The Fit & Proper Self-Assessment form is available to download from the Staff Handbook within SharePoint. Your completed form should be emailed to your business groups Compliance Partner using the email address on the form. Business group Compliance Partners are:

Business Group	Compliance Partner
Audit Services	Fiona Kordiak
Corporate Services	Diane McGiffen
Performance Audit & Best Value	Fraser McKinlay

## Openness, disclosure and protection of information

19. Audit Scotland carries out its work in the public interest and is committed to the principle of openness. You should follow the Freedom of Information (Scotland) Act and our FOI policy.
20. There are occasions when information gathered during the course of your work must be kept confidential, both inside and outside the organisation and after leaving Audit Scotland. For example, when its disclosure would prejudice an investigation, breach confidentiality or contravene Data Protection legislation. This does not apply where there is a legal duty to provide information. You should follow our information management policy and procedures, including completing information management training if asked to do so.
21. We take information security very seriously. You must protect our information from inappropriate access, abuse, loss or damage. You must report any instance of this as quickly as possible and help fully in any investigation. Any breach of confidentiality or security may lead to an investigation under our discipline policy. Any wilful breach, such as unauthorised access or supply of information to others, could lead to the termination of your employment and to a criminal prosecution under Data Protection legislation. If you are in any doubt about a matter of confidentiality or security, please check with your manager.
22. If you are involved in an act that could cause Audit Scotland reputational risk or bring us into disrepute, e.g. you are arrested or charged for a criminal offence, you must tell Audit Scotland as soon as possible.

## Paid employment outside Audit Scotland

23. We will normally allow you to undertake paid employment outside Audit Scotland in your own time unless there is a conflict of interest, or it is likely to have an adverse effect on the work of Audit Scotland or on your own performance. A conflict of interest can arise where a member of staff seeks to do work for an audited body or to carry out work which relates to the work of

Audit Scotland. Outside employment can adversely affect the work of Audit Scotland if it damages the organisation's reputation. It can affect your own performance if it significantly reduces your ability to carry out your duties. If you do work outside Audit Scotland you must first get the approval of your director/ audit/ associate director and then advise the Human Resources team. This procedure is in your interests and will protect you. It will also allow us to meet our legal obligations in relation to family friendly benefits and Working Time Regulations. You are not allowed to use the equipment and resources of Audit Scotland in any outside employment.

24. If you receive a fee for a publication, broadcast, speech or lecture where you have used official information or your own work experience you must remit that fee to Audit Scotland. This also applies to external work carried out in working hours which attracts a fee. You may keep tokens of appreciation such as book tokens or commemorative items. You should let the Chief Operating Officer know of any tokens received as it will be recorded in a register kept for that purpose.

## Hospitality

25. You should not accept or offer hospitality connected with your work unless you can justify it and be sure that it will not lead to criticism from colleagues or the public. In general, modest hospitality may be acceptable in some circumstances for example, a sandwich lunch.
26. Accepting, declining or giving of hospitality should be declared and recorded in the register kept for that purpose. When accepting or giving hospitality, you should get approval from your director/ audit/ associate director and then let the Chief Operating Officer know. Hospitality given must be recorded in the register and the expenditure detailed in our financial accounting system. You must make sure that you charge the hospitality to the hospitality code 1255 and the appropriate cost centre for your business group. All reimbursement claims for hospitality given through expenses must follow the travel and expenses policy.
27. To help you decide what to declare, the following guidance may be useful:

### Reporting hospitality received

28. Items not requiring declaration and recording are:
- Working lunches at audited bodies, partner firms, working groups/committees, boards, professional institutes and other public bodies.
  - Meals and accommodation related to attendance at conferences, seminars and workshops.
29. Items that would require disclosure include:
- Meals in external restaurants, whether working or not.
  - Attendance at functions organised/hosted by professional bodies.
  - Receptions held by public bodies, partner firms or other parties where there is a widespread range of attendees, e.g. gallery viewings.

- Functions where the focus of the event is an awards ceremony which involves a public-sector element.
  - Meals paid for by visiting delegations from other audit offices and Parliaments/ Governments.
30. You should not accept offers to attend social or sporting events unless it would be of benefit to Audit Scotland or where Audit Scotland would expect to be represented.
31. In exceptional circumstances it may be appropriate to accept hospitality in order to avoid embarrassment or offence for example, hospitality offered from overseas hosts when we are carrying out international work.
32. You should not accept repeated hospitality from the same source.

### Reporting hospitality declined

33. Any offers of hospitality that you decline must be recorded.

### Reporting hospitality given

34. Items not requiring declaration and recording are:
- Working lunches when hosting meetings and conferences with audited bodies, partner firms, working groups/committees/boards, professional institutes and other public bodies. Lunches should be modest in scale and may typically consist of a buffet/sandwiches and tea and coffee throughout the day.
  - Travel costs as part of recruitment.
  - Consultant travel and accommodation costs where this is part of the consultant's fee.
35. Items that would require disclosure would therefore include:
- Meals provided in external restaurants whether working or not.
  - Meals provided to international visitors/groups.
  - Provision of overnight accommodation.
  - Provision of travel, e.g. flights or train tickets.
  - Hospitality at or the provision of theatre or sporting event tickets.

## Gifts

36. As a general rule, you must not accept personal gifts although you may keep isolated gifts of a trivial character such as a pen or diary, the token value of which must not exceed £50. Sometimes it may be appropriate to accept a gift of more than token value, for example where refusal would embarrass Audit Scotland or damage an important relationship. The acceptance of such a gift should be approved by your director/ audit/ associate director. Where an inappropriate gift is received and you are unable to return it or the donor refuses to accept its return, you should report the circumstances to your director/ audit/ associate director.

37. All gifts above token value will belong to Audit Scotland and are not a personal gift to you. The Chief Operating Officer keeps a register to record gifts, whether they are accepted or declined and to show that acceptance was authorised. The International Liaison Manager keeps a subsection of the gifts register for work with other countries. Any gifts received while carrying out work for other countries should be recorded in the register.
38. The giving of gifts is generally limited to international visits, the rules for which are set out in the Policy on visits, and the provision and acceptance of gifts & hospitality in relation to work with other countries. Gifts to visiting delegations are given as mementoes of their visit to Audit Scotland. They should be of modest value (e.g., book, Quaich, paper weight) and should exclude alcohol. Gifts given to non-international visitors or organisations should be recorded in the hospitality and gifts register. Items that would not require disclosure are modestly priced books and pens; alcohol should not be given as a gift.
39. Gifts recorded in the register must have the expenditure detailed in our financial accounting system. You must make sure that you charge the gift to the hospitality code 1255 and the appropriate cost centre for your business group. All reimbursement claims for gifts given through expenses must follow the travel and expenses policy.

## Bribery and corruption

40. Bribery is the offering, giving, receiving, or soliciting of any item of value or advantage to influence the actions of an official or any other person in charge of a public or legal duty.
41. It is a serious criminal offence for you to:
  - give, receive or solicit a bribe (i.e., to corruptly receive or give any gift, loans, fee, reward or advantage) in return for doing or not doing anything
  - show favour or disfavour to any person in the course of your work.
42. An act of bribery by an individual may make Audit Scotland liable of committing an offence. We have a zero tolerance to bribery and corruption, and such an act can lead to dismissal and prosecution.

## Use of resources

43. You and your colleagues serve the public, and you must remember this principle when you use Audit Scotland's equipment, materials and resources to ensure value for money and economy, efficiency and effectiveness.
44. The equipment of Audit Scotland is available to you for use in your personal affairs, provided that:
  - it is in your own time
  - the cost of any consumables, e.g. paper, postage, telephone calls is met by you
  - you are not receiving any fee or reward for the purpose

- you don't store your personal (non-work related) information on Audit Scotland equipment you follow our policy on the use of electronic media such as email and the Internet.

## Appointments

45. All appointments must be made on merit. If you are involved in the recruitment and selection process and have any kind of relationship which might affect your ability to be impartial, it must be declared to your director/ audit/ associate director. Your director/ audit/ associate director and the person chairing the selection process will decide whether you can take part in the process. The same procedure must be followed in other HR processes such as grievance, discipline or performance reviews.
46. You must not try to influence board members or a colleague either directly or indirectly to secure your own appointment or promotion, or the appointment or promotion of another person. You must report any instances of this occurring to your Director/ Audit/ Associate Director and the HR & OD Manager.

## Disclosure

47. We have access to a broad range of sensitive data and a number of the bodies we audit request staff to be security checked. The integrity and security of public information is core to the values of Audit Scotland and therefore all employees are subject to Disclosure checks.
48. Baseline Personnel Security Standard (BPSS) is the entry level check and forms part of a package of checks that represent good recruitment and employment practice. It provides an appropriate level of assurance as to the trustworthiness and integrity of prospective and existing workers. It involves verification of identity, nationality and immigration status together with employment history and criminal record declaration. The basic criminal record check (through Disclosure Scotland) will be carried out which will show any unspent convictions. Everyone working with Audit Scotland will be asked to consent to this baseline level of security clearance.
49. The next level is called Standard Disclosure and is required for all workers across Audit Services and Performance Audit & Best Value. Some workers in Corporate Finance, HR and Digital may be required to participate in checks to this level due to the nature of their work. Standard Disclosure enables Audit Scotland to check for certain spent convictions.
50. Enhanced Disclosure will only be needed when a worker, normally within Audit Services or Performance Audit & Best Value, is working with children or vulnerable people in the course of their work. If the worker is to be involved in such work on a long-term basis then Audit Scotland may decide to include security clearance in line with the Protection of Vulnerable Groups (PVG) to ensure continuous monitoring of the workers status. If necessary, all of the foregoing is also undertaken by our HR & OD team.
51. Security Clearance, Counter-terrorism checks and Developed Vetting will normally only be required when workers are involved in dealing with secret or sensitive data. Your manager will discuss this with you if it is required. This may be undertaken by the HR & OD team or by

our client organisation (i.e. Scottish Police Authority, Scottish Corporate Parliamentary Body etc.).

## Media

52. In your work with Audit Scotland, any contact with the media is likely to come from the Audit Scotland Communications team. If you are approached directly by the media, you should speak with the Communications Manager or one of the communications officers, unless circumstances make that impossible and it is better for you to respond to the media enquiry. In this case you must tell the Communications team afterwards. More detailed advice for Audit Services staff can be found in the Audit Manual. Media training is available for staff most likely to need it. Contact the Communications team or your line manager for more information.

## Social Media

53. Audit Scotland has a Social Media Strategy which sets out guidance for staff on how to conduct themselves on social media platforms. Employees must conduct themselves according to high standards at all times and be conscious that they act in the best interests of Audit Scotland.
54. In particular, when posting on social media platforms staff must be vigilant about:
- posting political views, or comments that could compromise your duty to be politically neutral in public
  - posting derogatory or inflammatory comments, or getting into heated exchanges with others
  - understanding whether a post is public or private. It can be easy to think you are posting to a private group but in fact be posting for anybody to see.

## Political neutrality

55. The public expects you to carry out your work in a politically neutral way. You must follow our policies, despite any personal views, and you must not do anything which might call into question the independence and political neutrality of Audit Scotland. You have the right to be a member of a political party, but it would be unsuitable to take part in high profile public party-political activity. If you are in any doubt, you should take advice from your director/ audit/ associate t director.

## Health and safety at work

56. We have a duty to ensure that all reasonable steps are taken to provide staff with a safe and healthy working environment. We will comply with the Health and Safety at Work Act, any other associated legislation and statutory codes of practice.
57. You have a duty under the Health and Safety at Work Act for the health, safety and welfare of yourself and others, including members of the general public who may be affected by what

you do or fail to do at work. You must comply with our Health and Safety policy and cooperate with us in our compliance with health and safety legislation.

## Fair and reasonable treatment at work

58. You should expect fair and reasonable treatment from your colleagues and managers. If you feel that you have been unfairly treated or have been discriminated against, there is a grievance procedure that you can use.
59. We expect you to support and comply with our policies, practices and procedures, both in your dealings with colleagues and those outside the organisation. You should not do anything which might undermine or adversely affect any position or decision of Audit Scotland.
60. We also have a whistleblowing policy. You should refer to this if you feel that you have been required to act in a way, or have become aware of practices in the organisation, which might be illegal, improper, unethical or in conflict with the principles of this Code.

## Working from home

61. Audit Scotland has a clear commitment to a range of flexible working options, including working from home. This provides you with the freedom to choose where and when you work.
62. Working from home can be required by the Incident Management Team for all staff during a national pandemic, and for an unspecified duration.
63. During the time you work from home we expect you to adhere to our policies, practices and procedures on digital security and data protection.
64. Health and safety is an organisational priority. While working from home, it is essential that you adhere to organisational requests around home workstation assessments to ensure that your health and safety needs are met. Assistance and advice is available from Digital Services and Business Support Services who will assist in determining your requirements.

# Annual policy review of records management policies

Corporate Governance Manager

**Item 15**  
Meeting date: 22 September 2021

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## Purpose

1. This report invites the Board to approve Audit Scotland's Records Management Policy for a further year.

## Background

2. Audit Scotland has in place a policy, records management plan and procedures to ensure compliance with the Public Records (Scotland) Act 2011 (PRSA).
3. The policy is reviewed on an annual basis to ensure it is up to date and submitted to the Knowledge, Information and Technology Governance Group (KITGG), Management Team and Board for approval. This also forms part of the annual assurance process leading to the Accountable Officer's Governance Statement.

## Annual review of Records Management Policy

4. The Corporate Governance Manager and KITGG carried out a review of the Records Management Policy during August 2021. The review found the policy was largely up to date. Minor amendments were made to reflect the UK's exit from the European Union by referring to the UK General Data Protection Regulations (GDPR) and the European Withdrawal legislation.
5. Audit Scotland's Records Management Plan was approved by the Keeper of Records in 2013. It was due for resubmission in 2019, however, invitation by the National Records of Scotland (NRS) was delayed with the introduction of the new model Records Management Plan in summer 2019.
6. In October 2020, the NRS invited Audit Scotland to submit the new five year plan for assessment in January 2021. The submission was made within timescale and Audit Scotland await the assessment outcome. NRS have advised that the assessment has not yet commenced due to resourcing challenges. It is anticipated that the outcome of the assessment will now be shared in autumn/winter 2021.
7. In June 2021, the European Union formally ratified two adequacy decisions on the UK's data protection regime. This is a positive move which will ensure the continued smooth flow of data transfers between data centres in the EU and the UK.

## Recommendations

8. The Board is invited to approve Audit Scotland's Records Management Policy for a further year.

## Records Management Policy

<b>Owned and maintained by:</b>	Corporate Governance Manager				
<b>Approved from:</b>	September 202 <del>1</del> <u>9</u>	<b>Next review:</b>	September 202 <del>2</del> <u>4</u>	<b>Version:</b>	08

## Introduction

1. The Public Records (Scotland) Act 2011 (the Act) places a duty on us to prepare and implement a records management plan which sets out proper arrangements for the management of our public records.
2. We recognise that the efficient management of our knowledge, information and records is essential to support our work, to facilitate our governance and management, to manage risk and to comply with our legal obligations under the Act and other legislation as enacted from time to time.
3. Records, like any other company asset, are vital to our past, present and future work. They show decisions made and the steps taken towards those decisions. Records and the information they contain form part of our corporate memory and therefore must be managed systematically from creation to disposal.
4. Records are fundamental to our Audit Quality arrangements and professional standards and running Audit Scotland efficiently and effectively.

## Scope

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

## Definition

6. A record is information in any medium, created, received and maintained as evidence and information by an organisation or person, in pursuance of legal obligations or in the transaction of business.

## Roles and responsibilities

7. The Chief Operating Officer is responsible for ensuring there are appropriate arrangements for managing information and records.
8. In support of the Chief Operating Officer the Corporate Governance Manager is responsible for the day-to-day records management arrangements for Audit Scotland, the Accounts Commission and the Auditor General. The security of our electronic information systems is the responsibility of Audit Scotland's Digital Services Manager.

9. It is the Knowledge, Information & Technology Governance Group's (KITGG) role to ensure this policy remains relevant, represents good practice and is implemented effectively.
10. However, records management is the responsibility of everyone and this principle is embedded in our Code of Conduct. We are all expected to ensure the effective management of our records and the information we collect, create, store, share and dispose of, and to undergo training as required.

## The principles of good records management

11. It is our policy to fully comply with the Public Records (Scotland) Act 2011 and to apply the guiding principles of records management to ensure that information is available when and where it is needed, in an organised and efficient manner, and in a well maintained environment.

12. We must therefore ensure that our records are:

1. Authentic

It must be possible to prove that records are what they purport to be and who created them is known, by keeping a record of their management through time. Where information is later added to an existing document within a record, the added information must be signed and dated. With electronic records, changes and additions must be identifiable through audit trails.

2. Accurate

Records must accurately reflect the transactions and other business activities that they describe.

3. Accessible

Records must be readily available when needed.

4. Complete

Records must be sufficient in content, context and structure to reconstruct the relevant activities and transactions that they describe.

5. Comprehensive

Records must document the complete range of an organisation's business.

6. Compliant

Records must comply with any record keeping requirements resulting from legislation, audit rules, professional standards and other relevant regulations.

7. Effective

Records must be maintained for specific purposes and the information contained in them must meet those purposes. Records will be identified and linked to the business process to which they are related.

#### 8. Secure

Records must be securely maintained to prevent unauthorised access, alteration, damage or removal. They must be stored in a secure environment, the degree of security reflecting the sensitivity and importance of the contents. Where records are migrated across changes in technology, the evidence preserved must remain authentic and accurate.

13. Guidance in support of this policy has been prepared and is available to all staff in [SharePoint](#).
14. Business groups across Audit Scotland are responsible for the appropriate retention and disposal of files within their SharePoint sites, including the labelling of files to accurately determine ownership, sensitivity, file type and the current status of the document.

### Training and awareness

15. It is vital that everyone understands their information and record management responsibilities as set out in this policy. Therefore, directors and managers will ensure that staff are appropriately trained/briefed on how to manage records in accordance with this policy and our records management guidance.
16. In addition, training has been established to ensure that all staff are aware of their information obligations regarding Data Protection, Data Security and Freedom of Information.

### Supplementary documentation

17. The following Acts, policies, standards, procedures and guides should be used to support and supplement this policy:
  - Public Records (Scotland) Act 2011
  - Model Records Management Plan (revised 2019)
  - Data Protection Act 2018 & UK General Data Protection Regulation (UK GDPR)
  - European Union (Withdrawal) Act 2018
  - Freedom of Information (Scotland) Act 2002 (FOISA)
  - Audit Scotland's Data Protection Policy
  - Audit Scotland's Freedom of Information Policy
  - Audit Scotland's Clear Desk and Screen Policy
  - Audit Scotland's Information Security Management Policy
  - FOSIA section 61 Code of Practice on records management
  - Managing records - a staff guide
  - Procedure for transferring information to the National Archive of Scotland
  - Audit Scotland's records retention schedule
  - Audit requirements:
    - Audit standards e.g. ISA's
    - Audit Services audit and MKI guidance

- Audit Management Frameworks.

# Annual policy review of Freedom of Information and Environmental Information requests

Corporate Governance Manager

**Item 16**  
Meeting date: 22 September 2021

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## Purpose

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

## Background

2. Audit Scotland has in place a policy and procedures to ensure compliance with the Freedom of Information (Scotland) Act 2002 (FOISA) and the Environmental Information (Scotland) Regulations 2004.
3. The policy is reviewed each year to ensure it is up to date and submitted to the Knowledge, Information and Technology Governance Group (KITGG), Management Team and Board for approval. Its review also forms part of the annual assurance process leading to the Accountable Officer's Governance Statement in June 2022.

## Annual review of FOI and EIR policy

4. The Corporate Governance Manager and KITGG carried out a review of the Freedom of Information (FOI) and Environmental Information Regulations (EIR) in August 2021. The review found the policy was up to date.
5. A review of our FOI panel arrangements which form part of the KITGG terms of reference at annex 2 was also reviewed and it remains up to date with no changes required this year.
6. The Freedom of Information (Scotland) Act 2002 (the FOI Act) requires Scottish public authorities to produce and maintain a publication scheme. Authorities are under a legal obligation to:
  - publish the classes of information that they make routinely available
  - tell the public how to access the information and what it might cost.
7. The publication scheme for Audit Scotland is published on our website following internal review during August 2021.
8. In June 2021, the European Union formally ratified two adequacy decisions on the UK's data protection regime. This is a positive move which will ensure the continued smooth flow of data transfers between data centres in the EU and the UK.

## Recommendations

9. The Board is invited to approve Audit Scotland's Freedom of Information and Environmental Information Policy for a further year.

## Freedom of Information and Environmental Information Policy

<b>Owned and maintained by:</b>	Corporate Governance Manager				
<b>Approved from:</b>	September 202 <u>1</u>	<b>Next review:</b>	September 202 <u>24</u>	<b>Version:</b>	<u>1244</u>

## Introduction

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

## Our approach

2. Reporting in public is a principle of the public audit model. It contributes to openness and transparency in the conduct of public bodies in Scotland. Our audit work is carried out in the public interest and we believe that it is enhanced by the principles of the Freedom of Information and Environmental Information legislation. We embrace the legislation and are committed to its continued successful implementation.
3. There are some special considerations which relate to the audit process and these are recognised in the legislation. We will make use of relevant exemptions and exceptions only where we consider that this is necessary in the public interest.
4. We have one Publication Scheme covering the Auditor General, the Accounts Commission and Audit Scotland and we will follow a consistent approach to information handling and requests.
5. A professional relationship with the bodies we audit and other stakeholders is very important. If a request is made to us for disclosure of information obtained from a public body as part of our audit work we will, where reasonably practical, consult the body before complying with the request. We will also continue to liaise with other audit and scrutiny bodies in developing best practice in this area.

## Scope

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

## Roles and responsibilities

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

Auditor General is Audit Scotland's Accountable Officer and to support his duties under this legislation we have established the Knowledge, Information & Technology Governance Group (KITGG).

8. It is the KITGG's remit to ensure that information risks are assessed and mitigated to an acceptable level by having in place robust policies, procedures and processes.
9. The KITGG have established an Information Requests Panel to meet and decide on using exemptions in complex FOI requests and exceptions in EIR requests.

## Information we hold

10. We are committed to openness and transparency in our work. We are committed to supplying information to a request unless there is a valid reason for withholding it under the legislation.
11. When a request is received for information you must not alter, deface, block, erase, destroy or conceal applicable information with intent to prevent disclosure. To do so is an offence under the Act and will result in action under Audit Scotland's disciplinary policy and could incur a risk of personal prosecution.

## Training and awareness

12. We are committed to full staff awareness and training in Freedom of Information, Environmental Information and Data Protection legislation and its implications for our work. We are committed to maintaining effective systems for information requests to meet our obligations under this legislation.
13. Guidance on the application of FOISA and the EIRs are available on [SharePoint](#).
14. Annual newsletters are shared with colleagues across Audit Scotland outlining our performance on FOI and EIRs, which covers the types of requests that have been received and the timescales in which we responded.

## Charges

15. Audit Scotland may invoke a charge for providing information, which is not contained in our publication scheme, in accordance with the costing threshold within FOISA and the EIRs.
16. When a request is estimated to exceed £600 to fulfil, we will, whenever possible, attempt to narrow its scope and provide what we can within the threshold rather than refusing it outright.

## Supplementary documentation

17. The following documents should be used to support and supplement this policy:
  - Freedom of Information (Scotland) Act 2002
  - Freedom of Information (Scotland) Act 2002 section 60 and 61 codes of practice
  - Environmental Information (Scotland) Regulations 2004

# Information Security Management Policy review

Digital Services Manager

Item 17  
Meeting date: 22 September 2021

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## Purpose

1. This report invites the Board to review and, subject to any amendments, approve the updated Information Security Management Policy.

## Background

2. This policy is the principal policy for the Information Security Management System (ISMS) and highlights the commitments and responsibilities of Audit Scotland colleagues, contractors and consultants employed by Audit Scotland on how information security must be managed.
3. This policy has been delayed, originally planned for April 2020 it was inadvertently pushed back because of a change in process.
4. This policy is the subject of an effectiveness review as part of our annual policy review process. Policy updates have been made and were approved by the Knowledge, Information and Technology Governance Group (KITGG) via email on 20 August 2021.
5. After KITGG approval, this policy requires, as previously, to be approved by both Management Team and the Audit Scotland Board, reflecting leadership and commitment to the ISO 27001:2013 information security standard.
6. Audit Scotland re-certification to the ISO 27001:2013 standard was achieved in August 2019 for an additional three-year period, subject to six-monthly surveillance audits. The most recent of these was successfully completed in March. The audit did not identify any non-conformances and identified one opportunity for improvement.
7. The review and approval process of the policy demonstrates our continued commitment and compliance with the requirements of the ISO standard.

## Policy changes

8. The following changes have been applied to the policy:
  - Section 14 now includes the Digital Services Strategy as part of the Digital Services Management Team (DSMT) responsibilities.
  - Section 15 is a new section that details the Digital Services Team's responsibilities, specifically ensuring 'colleagues can work safely, securely and efficiently'.
  - Appendix 1 – Information Security Management System Environment diagram has been updated to include the Secure Build Standard and Asset Management Procedure in the DSMT section.

## **Recommendations**

9. The Board is invited to consider the updates made and approve the policy.

## Information Security Management Policy

Version:	1.7	Status:	For Management Team and Board approval
Author/Owner:	Digital Services Manager	Approval/Review:	Audit Scotland Board
Approval Date:	MT – 14/09/2021	Next review by:	

### Introduction

1. This policy sets out that Audit Scotland will:
  - 1.1. ensure the confidentiality, integrity, quality and availability of all the information it holds and processes
  - 1.2. ensure all the information it holds and processes will meet its contractual, legal and regulatory obligations.
2. This policy is supported by policies, standards, procedures and guidance and these are shown in the diagram at Appendix 1.

### Scope

3. This policy is mandatory for all employees, contractors and consultants employed by Audit Scotland. Failure to comply with this policy and supporting information security policies may result in disciplinary action.

### Commitments

4. Audit Scotland will:
  - 4.1. treat information security as business critical, whether that be for Audit Scotland information or client data managed by Audit Scotland
  - 4.2. produce, maintain and test business continuity plans to ensure the availability of its information and information systems
  - 4.3. ensure that its information is open and wherever possible not restricted by financial or legal agreements
  - 4.4. ensure legislative and regulatory requirements are met (including intellectual property rights)

- 4.5. ensure compliance with all relevant data protection regulations and implement privacy by design in all information systems
- 4.6. identify and implement appropriate controls for information assets proportionate to levels of risk
- 4.7. communicate all appropriate information security policies to all employees, contractors, consultants, clients and other stakeholders
- 4.8. allocate individual accountability for compliance with all appropriate information security policies, standards, guidance and procedures
- 4.9. all information security breaches whether actual or suspected, be reported and investigated in line with approved policies.
- 4.10. continue to improve information security management
- 4.11. develop, implement and maintain an Information Security Management System (ISMS) in accordance with best practice contained within ISO/IEC 27001:2013 and ISO/IEC 27002:2013.

## **Responsibilities**

5. Audit Scotland's Board through its Audit Committee has oversight of risks, including information risks.
6. Audit Scotland's Accountable Officer, with support from the Management Team, has overall responsibility for ensuring this policy is effectively implemented and delivered.
7. Audit Scotland's Senior Information Risk Officer (SIRO) is the Chief Operating Officer, who is responsible for the overall management of the organisation's information risks.
8. A monthly cyber security update is scheduled with the SIRO and a member of the Digital Services Management Team (DSMT) that ensures the latest updates are provided to Senior Management demonstrating leadership and commitment to ISO 27001:2013.
9. In addition to the SIRO monthly update, a 6-monthly update on Digital Security is provided to Management Team and then the Audit Committee.
10. Audit Scotland's Management Team will implement and manage appropriate controls to enable conformance to information security policies within their own areas of responsibility and will ensure individual accountability for control performance.
11. The Knowledge, Information and Technology Governance Group (KITGG) will support the Accountable Officer, Senior Information Risk Officer and Management Team by assessing and mitigating information security risks through standing agenda items Digital Security and Corporate Risk Register review, both providing assurance.

12. The KITGG will maintain this policy and associated information security policies ensuring they are communicated, reviewed and updated in response to changes in risks faced by Audit Scotland, legislation, and internal operational working practices.
13. The KITGG will ensure all information security policies and our performance in meeting their requirements is monitored and reviewed on an annual basis.
14. The DSMT will maintain the Digital Services Strategy, information security standards, guidance and procedures ensuring they are communicated, reviewed and updated in response to changes in risks faced by Audit Scotland, legislation, and internal operational working practices.
15. The Digital Services Team (DST) will deliver the Digital Services Strategy ensuring that all the Audit Scotland’s digital systems and services provide an environment that is independent of location, where colleagues can work safely, securely, and effectively, while supporting high quality audit work.
16. The Corporate Governance Manager (CGM) is the designated Data Protection Officer for Audit Scotland, responsible for updating Audit Scotland's Data Protection Policy. In addition, the CGM is the organisation’s Records Manager managing data subject access requests and providing governance and compliance advice to staff.
17. Information Asset Owners must understand what information is held by their business area, and approve the permissions required to access it.
18. All Managers will be responsible for implementing and communicating appropriate information security policies, guidance and procedures.
19. All employees, contractors and consultants employed by Audit Scotland are required to play an active role in the protection of Audit Scotland’s assets and treat information security appropriately, in order that this purpose can be achieved.

## Change Log

Version	Date	Author	Description
1.0	22/03/16	IT Manager	Information Security Management policy drafted for KITGG approval.
1.1	05/04/16	IT Manager	Some minor changes suggested by the KITGG and policy approved. For submission to the Audit Scotland Management Team for approval.
1.2	15/04/16	IT Manager	Minor changes to reflect Audit Management Team comments. Approved by Management Team and for submission to the Audit Scotland Board.
1.2	05/03/16	IT Manager	Approved by the Audit Scotland Board.

1.3	04/04/17	Digital Services Manager	Minor changes made by KITGG and approved. For submission to Management Team and the Board for final approval.
1.3	05/05/17	Digital Services Manager	Approved by Management Team and Audit Scotland Board.
1.4	12/04/18	Digital Services Manager	Annual effectiveness review and updates made and approved by KITGG. Approved by Management Team on 17/04/18 and Approved by the Board 02/05/18.
1.5	01/05/19	Digital Services Manager	Annual effectiveness review by KITGG, Management Team and the Board. Minor changes made to policy. Appendix 1 diagram updated to reflect current ISMS documentation.
1.6	13/05/20	Digital Services Manager	Annual refresh, additional objective included, CGM role updated and removed reference to Cyber Essentials Plus as superseded by ISO 27001. Board approved.
1.7	14/09/21 & 22/09/21	Digital Services Manager	Delayed annual refresh, minor change to responsibilities to include the Digital Services Strategy and Digital Services Team. The Information Security Management System Environment diagram has been updated to include the Secure Build Standard and Asset Management Procedure in the DSMT section. Approved by KITGG on 03/08/2021 submitted to Management Team on 14/09/2021 and then September Board.

# Appendix 1 - Information Security Management System Environment

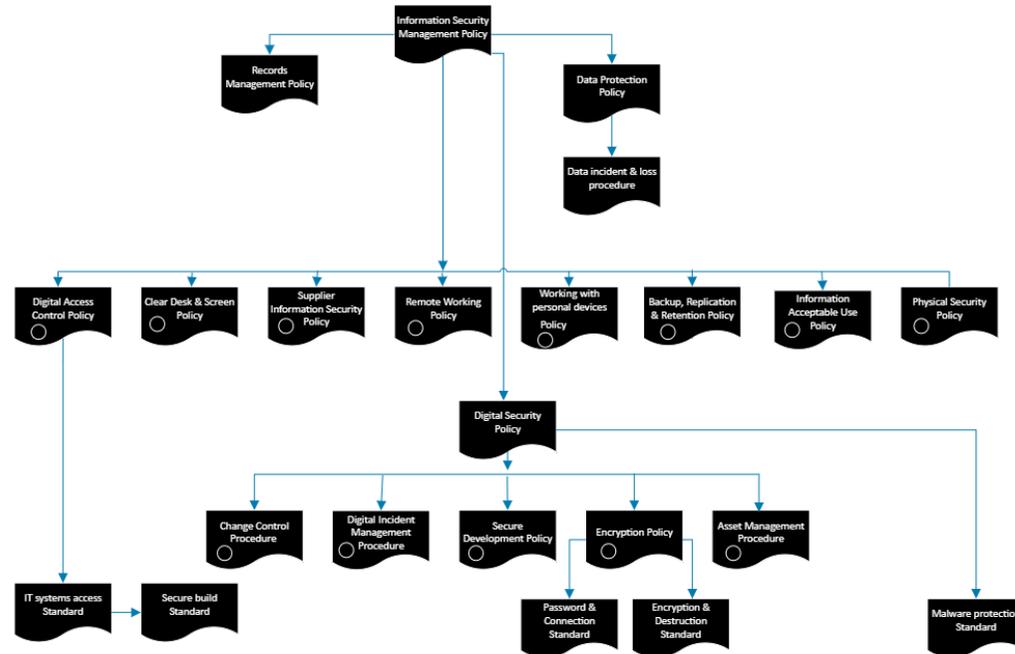
## Information Security Management System Environment

v1.5 September 2021

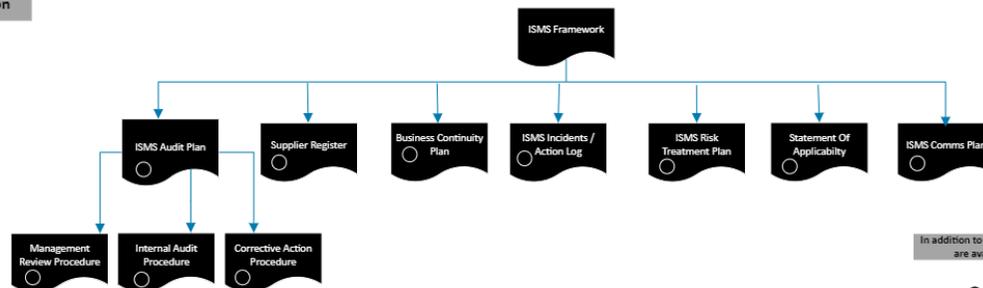
Board / Management Team approval

KITGG approval

DSMT approval



ISMS Corporate documentation



In addition to the above, a selection of information security guides that support the ISMS are available to staff from both Digital Services and Corporate Governance

● Indicates mandatory requirement of ISO 27001 Standard

# Proposed Board and Committee meeting schedule 2022

Chief Operating Officer

**Item 18**  
Meeting date: 22 September 2021

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## Purpose

1. This report invites the Board to consider the proposed meeting schedule for the Board and its committees during 2022.

## Background

2. The Board typically agrees its schedule of meeting dates for the year to come in September/October of each year. Between 2015/16 and 2017/18 the Board met on eight occasions each year. In 2018, the Board agreed to move to six meetings in 2019. In 2020 six Board meetings were scheduled with one additional meeting convened on 19 August to consider Audit Scotland's response to the Covid-19 pandemic and in 2021 the Board met six times.
3. We have reviewed the content, timing and profile of Board work from previous years to inform the schedule for the year to come. In doing so we have also considered key dates and actions, for example the timing of meetings to take account of:
  - the budget submission
  - the annual assurances process
  - the annual report and accounts
  - review dates for strategies, plans, policies and procedures
  - performance reporting
  - meetings of Parliamentary committees and the Accounts Commission.
4. The proposed schedule of meeting dates is attached at Appendix 1 and a schedule of indicative Board items is attached at Appendix 2.
5. The Standing Orders provide for any additional meetings to be called should they be required.

## Recommendations

6. The Board is invited to approve the proposed meeting dates for 2022.

## Proposed meeting schedule 2022

<b>Audit Committee*</b>	<b>Human Resources and Remuneration Committee*</b>	<b>Board<sup>+</sup></b>
		26 January 2022
2 March 2022	2 March 2022	
		23 March 2022
11 May 2022	11 May 2022	18 or 20 May 2022
1 June 2022 (AR&Accs)		1 June 2022 (AR&Accs)
7 September 2022		28 September 2022
9 November 2022	9 November 2022	23 November 2022

<sup>+</sup> Board meetings will be held in West Port and will be open to the public.

\* Committee meetings will be held in West Port.

## Indicative Work Programme 2022 – Audit Scotland Board

26 January 2022	4 April 2022	20 May 2022	1 June 2022	28 September 2022	23 November 2022
<p>Agenda items include:</p> <ul style="list-style-type: none"> <li>• Standing items</li> <li>• Covid-19 update</li> <li>• SIP update</li> <li>• Environmental scan</li> <li>• Publication programme</li> <li>• SCPA report on budget submission</li> <li>• New audit appointments update</li> <li>• Openness and transparency/Board development</li> <li>• Best companies results</li> <li>• 2022 Audit Scotland conference</li> </ul>	<p>Agenda items include:</p> <ul style="list-style-type: none"> <li>• Standing items</li> <li>• Covid-19 update</li> <li>• SIP update</li> <li>• Q3 performance reporting</li> <li>• Annual report and accounts timeline and outline plan</li> <li>• New audit appointments update</li> <li>• Equality outcomes</li> <li>• Board development</li> <li>• Draft Corporate Plan</li> </ul>	<p>Agenda items include:</p> <ul style="list-style-type: none"> <li>• Standing items</li> <li>• Covid-19 update</li> <li>• SIP update</li> <li>• Draft Annual report and accounts</li> <li>• New audit appointments update</li> <li>• Review of information, governance and security policies</li> </ul>	<p>Agenda items include:</p> <ul style="list-style-type: none"> <li>• Standing items</li> <li>• Covid-19 update</li> <li>• SIP update</li> <li>• Q4 performance reporting</li> <li>• Annual report and accounts</li> <li>• Annual reporting</li> <li>• New audit appointments update</li> <li>• Governance and assurance reporting</li> </ul>	<p>Agenda items include:</p> <ul style="list-style-type: none"> <li>• Standing items</li> <li>• Covid-19 update</li> <li>• SIP update</li> <li>• Q1 performance reporting</li> <li>• Audit Scotland’s draft budget submission</li> <li>• New audit appointments update</li> <li>• PSRA Annual statements</li> <li>• Openness and transparency/meeting schedule</li> <li>• Review of FOI, EIR and records management policies</li> </ul>	<p>Agenda items include:</p> <ul style="list-style-type: none"> <li>• Standing items</li> <li>• Covid-19 update</li> <li>• SIP update</li> <li>• Q2 performance reporting</li> <li>• Audit Scotland’s budget submission</li> <li>• New audit appointments update</li> <li>• Review Scheme of delegation/Financial regulations and Standing orders</li> <li>• Board development/self-evaluation</li> </ul>

# Agenda

Monday 22 November 2021 at 10.30am

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

---

## Standing items

- |  |                 |
|--|-----------------|
| 5. Chair's report - verbal update  | For information |
| 6. Accountable Officer's report - verbal update  | For information |
| 7. Accounts Commission Chair's report - verbal update  | For information |
| 8. Review of minutes:  |                 |
| <ul style="list-style-type: none"><li>• Board meeting: 22 September 2021</li><li>• Audit Committee meeting: 1 September 2021</li><li>• Remuneration and Human Resources Committee meeting: 12 May 2021</li></ul> | For approval    |
| 9. Review of action tracker  | For information |
| 10. Covid-19 update  | For information |

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## Strategic priorities

- |  |                 |
|--|-----------------|
| 11. Strategic Improvement Programme update | For information |
|--|-----------------|

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## Business planning, performance and governance

- |                                     |                 |
|-------------------------------------|-----------------|
| 12. Q2 Financial performance report | For information |
| 13. Q2 Corporate performance report | For information |

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## Conclusion

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

**16. Date of next meeting**

For information

**Items to be taken in private**

**17. 2022/23 Budget proposal**

For approval

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

**18. 2021/22 Spring Budget Revision**

For discussion

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

**19. Scottish Commission for Public Audit update**

For approval

[Item to be taken in private as intended for future publication]

**20. Draft Audit Scotland International Strategy for 2021-24**

For approval

[Item to be taken in private as intended for future publication]

**21. Environment, Sustainability and Biodiversity Annual Report 2020/21**

For approval

[Item to be taken in private as intended for future publication]

# Minutes Board

Wednesday 22 September 2021, 10.00am  
Audit Scotland by Video conference

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## Present:

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

## Apologies:

There were no apologies.

## In attendance:

Diane McGiffen, Chief Operating Officer  
Martin Walker, Associate Director, Corporate Performance and Risk  
Stuart Dennis, Corporate Finance Manager  
Gayle Fitzpatrick, Corporate Governance Manager  
David Robertson, Digital Services Manager  
Elaine Boyd, Associate Director, Audit Quality and Appointments  
John Gilchrist, Manager, Audit Quality and Appointments

## 1. Private meeting of Board members

The Board met privately and there were no matters arising.

## 2. Welcome and apologies

*Diane McGiffen, Chief Operating Officer, Martin Walker, Associate Director, Corporate Performance and Risk, Stuart Dennis, Corporate Finance Officer, Gayle Fitzpatrick, Corporate Governance Manager, joined the meeting.*

The Chair welcomed attendees to the meeting and noted there were no apologies.

## 3. Declarations of interest

There were no declarations of interest.

## 4. Items to be taken in private

The Chair invited members to agree that the reports at items 22, 23, 24, 25 and 26 of the agenda be considered in private based on the reasons set out on the agenda. The Board agreed.

The Chair advised that the review of the Human Resources and Remuneration Committee minutes at item 8 would also be considered in private.

## 5. Chair's report – verbal update

The Chair advised members of the first meeting with the Scottish Commission for Public Audit (SCPA) held on 1 September 2021 which considered Audit Scotland's 2020/21 Annual report and accounts.

The Chair invited members to note the evidence session he had attended with the Public Audit Committee of the Northern Ireland Assembly on 7 July 2021.

The Chair highlighted his attendance at the colleagues' drop-in session on Audit Scotland's approach to hybrid working as we emerge from the pandemic and the keynote session led by the Auditor General for Scotland and the Interim Chair of the Accounts Commission with Professor James Mitchell of Edinburgh University on 19 August 2021.

The Chair expressed his thanks to Colin Crosby, the Chair of Audit Scotland's Audit Committee and members for their respective contributions to the Risk Workshop held on 30 August 2021.

The Chair invited members to note that, following the Audit Committee meeting on 1 September 2021, he had received a briefing and update from Elaine Boyd, Associate Director and the Audit Quality and the Appointments (AQA) team on progress of the improvements required for Audit Quality and advised he was satisfied the areas are being addressed. Members noted the Chair will receive regular updates from the AQA team as matters progress.

The Chair recorded his and the Board's congratulations and thanks to the AQA team following the successful issue of the ITT for the procurement of new audit appointments on 6 September 2021.

The Chair informed members of regular meetings with Stephen Boyle, Auditor General for Scotland and Accountable Officer, Elma Murray, Interim Chair of the Accounts Commission and Diane McGiffen, Chief Operating Officer.

The Board welcomed the update.

## 6. Accountable Officer's report – verbal update

Stephen Boyle invited the Board to note regular engagement with the Chair, Interim Chair of Accounts Commission, a meeting with Jackie Mann and of a forthcoming meeting with Colin Crosby.

Stephen invited members to note his recent internal engagement including How we work sessions with colleagues, co-hosting the keynote session with the Interim Chair of the Accounts Commission and Professor James Mitchell *Tackling inequalities and helping public services recover: What's next for our work?* and of meetings with various teams across the organisation.

Turning to Parliamentary engagement, Stephen invited members to note the significant change in membership to the newly formed committees and advised of introductory

meetings with respective Convenors, together with attendance at the Public Audit Committee business planning day on 25 August 2021. He invited members to note the increased responsibilities and scrutiny of public audit across the parliamentary committees.

Stephen advised members that the first formal session with the SCPA on 1 September 2021 had been useful to meet the members and to give evidence on Audit Scotland's Annual report and accounts to 31 March 2021.

Turning to external engagement, Stephen advised of regular engagement with the respective Auditors' General in the UK and Ireland and attendance at the Scottish Learning Festival on 21 September 2021.

Stephen also expressed his gratitude to the Audit Quality and Appointments team on the successful implementation of the ITT procurement for new audit appointments.

The Board welcomed the update.

## **7. Accounts Commission Chair's report – verbal update**

Elma Murray invited the Board to note she had held regular meetings with the Auditor General for Scotland, the Chief Operating Officer and the Interim Controller of Audit.

Elma advised members that the Accounts Commission had used livestreaming to broadcast three of its public meetings since the last Board meeting and members had welcomed Colin Crosby's attendance to observe their meeting on 9 September 2021.

Elma advised that the Accounts Commission has considered two Best Value Audit Reports, and considered the Improvement Service Covid-19 database and the Audit Scotland Covid-19 dashboard. In addition, she advised that the Commission had signed off the Audit Planning Guidance prior to its consultation, agreed the Commission's five year strategy, which is due to be published this week, and held a private session with the Director of the Wellbeing Alliance.

The members noted the Accounts Commission Committees had also considered a range of business including accounting and auditing development, improving the quality of the audit work as well as the Commission's risk management arrangements, risk register and a thematic discussion on inequalities.

The Board also noted that, at the Mid-Year Strategy session, the Commission had considered its strategy in more detail, considered the increasing demands on members and how to improve efficiency and the most effective use of members' time.

Elma invited the Board to note that the Best Value Working Group had also met to consider progress on the approach to auditing Best Value for Integrated Joint Boards and expressed her thanks to Antony Clark, Interim Controller of Audit, for leading the team in this work.

Elma highlighted recent publications including the Best Value Audit Report for Aberdeen City Council, a recent blog on Digital Exclusion by the Deputy Chair and highlighted responses to a number of consultations including the Minimum Income Guarantee, Ethical Standards Commission's Strategic Plan and BEIS Department for Business and Enterprise Audit proposals and regulations. Elma invited members to note that the Commission will be

publishing the Best Value Audit Report for East Dunbartonshire Council, a Christie blog and interviews with Improvement Service in the coming weeks.

Elma invited members to note her attendance at the evidence session with the Local Government Housing Planning Committee together with introductory meetings with the respective Convenors of this and the Finance and Public Administration Committees.

The Board noted Elma had attended a Covid Recovery Roundtable session hosted by the Deputy First Minister on Sustainable Employment and noted Elma's membership of the Education Reform Stakeholder Group.

Elma advised the Strategic Scrutiny Group had heard from Adam Lang of Nesta about risk and innovation and considered a stocktake on powers in relation to the planned introduction of a new Human Rights Bill. The Board also noted Elma had attended a roundtable with the Scottish Human Rights Committee and scrutiny partners.

Elma invited the Board to note other engagement included meetings with Robert Scott, Chief Fire Inspector, the Strategic Alliance, with Improvement Service and the third Sector, attendance at a third Sector Symposium on the National Care Service and engagement with the Scottish Government on the Public Service Reform and with the new Director for Local Government.

The Board welcomed the update.

## 8. Review of minutes

### Board meeting: 2 June 2021

The Board considered the minutes of the meeting of 2 June 2021, which had been previously circulated.

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

### Human Resources and Remuneration Committee: 3 March 2021 (*considered in the private section of the Board meeting*)

The Board noted the minutes of the Human Resources and Remuneration Committee meeting of 3 March 2021, which had been previously circulated.

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

### Audit Committee: 12 May 2021

The Board noted the minutes of the Audit Committee meeting of 12 May 2021, which had been previously circulated.

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

### Audit Committee: 2 June 2021

The Board noted the minutes of the Audit Committee meeting of 2 June 2021, which had been previously circulated.

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

## **9. Review of action tracker**

The Board noted the updates provided on the action tracker.

## **10. Covid-19 update**

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

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

During discussion, the Board reflected on the substantial assurance received from Audit Scotland's internal auditor, BDO, on our Covid-19, Health, Safety and Wellbeing response and welcomed the video walkthrough of Audit Scotland's offices which had been made available to all colleagues. The Board members recorded their appreciation of the Business Support Team in supporting this work.

The members welcomed the overall approach and agreed to keep under review the ability to hold future Board meetings in person.

Following discussion, the Board welcomed the update and noted the actions taken to date in response to the Covid-19 pandemic, the ongoing actions and the next steps.

## **11. Strategic Improvement Programme update**

Martin Walker introduced the Strategic Improvement Programme update report, copies of which had been previously circulated.

Martin invited the Board to note the progress reported and next steps.

During discussion, the Board considered the update provided under Delivering World Class Audit and welcomed assurance that in relation to the Digital Audit strategy a robust application of options criteria would be applied in considering whether to 'build or buy' IT systems.

Turning to Being a World Class Organisation, the members highlighted risks around the ability to build capacity as part of Phase 2 of the Building Capacity project in light of scarcer resources for digital or specialist roles in the marketplace. The Board welcomed the proposal to create investigatory capacity in the organisation and were assured of the approach being adopted to attract new employees during this phase.

Following discussion, the Board welcomed the progress reported and next steps.

## **12. Q1 Financial performance report**

Stuart Dennis introduced the Q1 Financial performance report, copies of which had been previously circulated.

Stuart invited the Board to note the financial results for the three months to 30 June 2021 which had been scrutinised by the Audit Committee at its meeting on 1 September 2021.

The Chair invited any comments or queries on the comprehensive report and there being none, the Board noted the financial results for Q1 to 30 June 2021.

### 13. Q1 Corporate performance report

Martin Walker introduced the Q1 Corporate performance report, copies of which had been previously circulated.

Martin invited the Board to review the performance in quarter one and consider whether any additional management action is required.

During detailed discussion, the Board noted the overall strong performance reported, reflected on the external Delivering World Class Public Audit and internal Being a World Class Organisation areas, recognising these are complimentary corporate objectives.

The Board noted the overall level of communications activity reported and agreed they would like to understand how Audit Scotland can measure the impact and success of social media engagement with the public. The Chair agreed to invite the Communications Manager to comment by way of correspondence.

The members considered the performance dashboard in relation to lower examination pass rates by trainees and received clarification that this is slightly lower when compared to other organisations with work underway to understand the root causes, while recognising the significance of the issues and the small size of the sample. An update will be included in the next corporate performance report scheduled for November 2021.

The members also considered digital capacity and innovation in response to the Covid-19 pandemic and the challenges arising in delivering the audit. The Board noted there is a mixed picture of digital capability and resilience across the public sector and noted a proposed case study was scheduled for publication which would offer learning points and best practice.

Following discussion, the Board welcomed the update.

**ACTION ASB149: The Communications Manager to provide information to the Board on the impact and measurement of social media engagement with the public. (November 2021)**

### 14. Annual review of corporate governance policies

Gayle Fitzpatrick introduced the Annual review of corporate governance policies report, copies of which had been previously circulated.

Gayle invited the Board to consider the current Standing Orders, Financial Regulations and Scheme of Delegation and to approve them for a further year and to consider the revised Codes of Conduct and approve them for a further year.

During discussion, the Board noted that the Audit Committee had recommended the policies for approval following a further review by Management Team which had taken place. Martin

Walker invited the Board to note that Management Team considered a review of the Scheme of Delegation and the Financial Regulations on 14 September 2021 and had agreed appropriate provision was contained within the Financial Regulations for any award over £250,000 which is reserved to the Auditor General for Scotland and the Accounts Commission.

The Board noted the update and requested that the Scheme of Delegation be amended to specify the reserved nature of new audit appointments for the avoidance of any doubt.

Following discussion, the Board approved the policies for a further year subject to the agreed amendment with final drafts of the policies to be circulated to members prior to publication.

**ACTION ASB150: The Scheme of Delegation to be amended to specify the placing of orders for the New Audit Appointments are reserved to the Auditor General for Scotland and the Accounts Commission. (September 2021)**

**ACTION ASB151: Final drafts of the policies to be circulated to members prior to publication. (September 2021)**

## **15. Annual policy review of records management policies**

Gayle Fitzpatrick introduced the Annual review of records management policies, copies of which had been previously circulated.

Gayle invited the Board to approve Audit Scotland's Records Management Policy for a further year.

The Board considered the proposed minor amendments to the policy and approved Audit Scotland's Records Management Policy for a further year.

## **16. Annual policy review of Freedom of Information and Environmental Information requests**

Gayle Fitzpatrick introduced the Annual policy review of Freedom of Information and Environmental Information requests, copies of which had been previously circulated.

Gayle invited the Board to approve Audit Scotland's Freedom of Information and Environmental Information Policy for a further year.

The Board welcomed recent engagement with colleagues on Audit Scotland's statutory requirements and noted a blog would be shared on International Right to Know Day on 28 September 2021. The members also noted that, while no changes were proposed to the policies at this point, further consideration would be required during the year if any changes were made to the legislation and/or supporting guidance.

Following consideration, the Board approved Audit Scotland's Freedom of Information and Environmental Information Policy for a further year.

## **17. Information Security Management Policy review**

David Robertson introduced the Information Security Management Policy review report, copies of which had been previously circulated.

David invited the Board to consider and approve the proposed amendments to the policy.

Following consideration of the minor amendments proposed, the Board approved the revised Information Security Management policy.

## **18. Proposed Board and Committee meeting schedule 2022**

The Chair invited members to consider the Proposed Board and Committee meeting schedule 2022 report, copies of which had been previously circulated.

Joy Webber provided a verbal update on the proposed meeting dates for the Board and its Committees in 2022.

Following discussion, the Board approved the proposed meeting dates for 2022.

## **19. Any other business**

There was no other business.

## **20. Review of meeting**

The members welcomed the quality, content and comprehensive nature of the reports in supporting helpful and detailed discussion. The Chair thanked everyone for their contributions.

## **21. Date of next meeting: 22 November 2021**

The members noted the next meeting of the Audit Scotland Board is scheduled for 22 November 2021.

## **Items taken in private**

### **22. New audit appointments update**

*Elaine Boyd, Associate Director, Audit Quality and Appointments, and John Gilchrist, Manager, joined the meeting.*

The Chair introduced the New audit appointments update report, copies of which had been previously circulated.

The Chair invited members to note the publication of the Invitation to Tender for the New audit appointments on 6 September 2021 as scheduled and that preparations for the evaluation process are in progress.

During discussion, the members noted the legal advice sought on the tender process and welcomed the early indications of interest in the tender.

The Board recognised and paid tribute to the support and work by the Audit Quality and Appointments team over the past two and a half years.

Following discussion, the Board noted the report.

*Elaine Boyd left the meeting.*

### **23. 2022/23 Draft budget proposal**

Stuart Dennis introduced the 2022/23 Draft budget proposal report, copies of which had been previously circulated.

Stuart invited the Board to review and discuss the contents of this report and to approve that the assumptions set out in the proposed expenditure budget be used as a basis to develop the budget proposal to the Scottish Commission for Public Audit.

During discussion, the Board considered the draft expenditure proposal for SCF funding, considered the budget assumptions set out and discussed budgeting implications following the procurement of new audit appointments, the ongoing impact of Covid-19 and new quality standards and inflationary pressures.

The Board noted the proposed business planning meeting with the Scottish Commission for Public Audit which would provide an opportunity to discuss the anticipated demands on Audit Scotland's budget.

The members also noted that the UK budget is anticipated to be announced in October but it is currently unclear when the Scottish budget will be announced. In terms of engagement, the Board supported the request for the Accounts Commission to be briefed on the proposed budget prior to its submission to the SCPA and agreed Diane McGiffen and Elma Murray would discuss this further.

Following discussion, the Board noted the budgeting implications and approved that the proposed budget be used as a basis to develop the SCPA budget proposal report for consideration at the Board meeting on 22 November 2021.

**ACTION ASB152: Elma Murray and Diane McGiffen to discuss Accounts Commission engagement on the budget development. (October 2021)**

**ACTION ASB153: A further report with the draft Budget proposal to be scheduled for the Board. (November 2021)**

### **24. Discussion paper – Medium Term Financial Plan**

Stuart Dennis introduced the Medium-Term Financial Plan discussion paper, copies of which had been previously circulated.

Stuart invited the Board to consider the potential financial issues over the next five-year period highlighted in the report that will impact on the new version of the Medium-Term Financial Plan (MTFP) 2022/23 to 2026/27.

The Chair invited consideration of this and the following report together given the links between them.

## 25. Discussion paper – Future funding and fee arrangements

Stuart Dennis introduced the Future funding and fee arrangements discussion paper, copies of which had been previously circulated.

Stuart invited the Board to use the report to inform high level thinking and discussion on potential options on the future funding arrangements of Audit Scotland.

The Chair welcomed the comprehensive reports which considered together supported a discussion on the range of complex issues to be considered.

During detailed discussion, the Board considered and agreed a number of key areas to explore in order to deliver the future financial strategy and stability for Audit Scotland including: the strategy for the organisation over the next five year period, the anticipated changes in the audit profession; commitment to delivering quality, changes to the way that audit work is carried out; uncertainty around the recovery from the pandemic and other external operating and environmental factors; and recognising the increased scrutiny on and value of delivering world class Public Audit in Scotland.

In addition, the Board agreed to consider possible funding options recognising the lack of flexibility of the current funding model, the limitations of the requirement to break even in each financial year, options to streamline invoicing and to develop thinking around engagement on these matters with the SCPA.

Following discussion, the Board welcomed the discussion and agreed to a separate strategic session to be scheduled in November 2021.

**ACTION ASB154: A discussion on strategic financial planning to be scheduled in November 2021.**

## 26. Audit Committee risk workshop

Martin Walker introduced the Audit Committee risk workshop report, copies of which had been previously circulated.

Martin invited the Board to discuss the key issues arising from the risk workshop session and to note the follow-on actions noted in the report.

The Board considered the summary of the workshop and welcomed the report as a useful resource document which will help to inform future discussions of the Audit Committee and the Board.

# Minutes

## Audit Committee



Wednesday 1 September 2021, 10.00am  
Microsoft Teams

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### Present:

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

### Apologies:

There were no apologies.

### In attendance:

A Alexander, Chair, Audit Scotland Board  
S Boyle, Accountable Officer and Auditor General for Scotland  
D McGiffen, Chief Operating Officer  
C Ridley, BDO  
M Walker, Associate Director, Corporate Performance and Risk  
G Fitzpatrick, Corporate Governance Manager  
S Dennis, Corporate Finance Manager  
E Boyd, Associate Director, Audit Quality and Appointments  
F Kordiak, Director, Audit Services  
A Clark, Interim Director of PABV and Interim Controller of Audit  
O Smith, Senior Manager, Audit Quality and Appointments  
S Burgess, Assistant HR Manager  
D Robertson, Digital Services Manager

### 1. Private meeting with BDO

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

### 2. Welcome and apologies

The Chair opened the meeting, welcomed everyone particularly Chloe Ridley as this was her first meeting, and noted that there were no issues arising from the private meeting.

### 3. Declarations of interests

There were no declarations of interest.

### 4. Minutes of the last meeting: 2 June 2021

The Audit Committee members reviewed the minutes of the meeting of 2 June 2021, copies of which had previously been circulated.

*The Audit Committee approved the minutes of the previous meeting.*

## 5. Review of action tracker

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

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

Gayle advised that the tracker has been updated, no action were currently outstanding and that the tracker was for noting.

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

## 6. Organisation response to Covid-19

Diane McGiffen, Chief Operating Officer, advised that Audit Scotland's approach to preparing a Covid secure working environment for colleagues was well underway. She advised that a third working preferences survey is currently live, with over 200 responses received in the four days to date. She also advised that drop-in sessions with colleagues around "how we work" have been held and that more are planned. Formal consultation meetings with PCS regarding work arrangements are underway and further meetings are scheduled. Diane advised that the Incident Management Team (IMT) continues to meet weekly and that plans are progressing well over-all.

Martin Walker, Associate Director, Corporate Performance and Risk advised that infection rates continue to be monitored closely and that, based on national statistics, it is estimated that 87% of colleagues will have received their first vaccination and 77% will have received their second.

The Audit Committee members noted the update. Given the stage of the pandemic, the members agreed that going forward the organisational response to Covid-19 be reported by exception. The members welcomed a future consideration of a lessons learned report focussing on how the organisation coped during the pandemic and impact on the organisation.

Diane advised members that the IMT had held a stocktake session and that a further review was planned. She advised that the benefits of the weekly IMT meetings will also be considered.

***The Audit Committee noted the Audit Scotland response to Covid-19 update.***

***Action AC133: Diane McGiffen to schedule a Lessons Learner Review for a future meeting of the Board. (Date tbc)***

## 7. Audit Quality update

*Elaine Boyd, Antony Clark, Fiona Kordiak and Owen Smith joined the meeting.*

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

Elaine provided an update on the progress in addressing the quality improvement areas identified by the Institute of Chartered Accountants of Scotland (ICAS). Elaine advised that there has been significant amount of work carried out, that a new Quality Assurance team

has been established, a root cause analysis had been undertaken, that a comprehensive action plan is in place and that staff had received additional training.

The Audit Committee members discussed Audit Scotland's capacity to address quality issues. Fiona Kordiak, Director, Audit Services advised that capacity is always a challenge. She advised that a significant amount of recruitment has bolstered Professional Support and the audit teams but that rising demand means capacity will always be an issue. Fiona also advised that discussion around how audit managers spend their time is required and that any capacity issues will be alerted to the Management Team and Board as appropriate.

The Audit Committee members were satisfied with the response and welcomed a further update in the November meeting. Members noted the importance of the Audit Quality and Appointments (AQA) team in making audit quality central to the organisation's priorities.

Elaine advised that ICAS had helped refocussed Audit Scotland's attention on the areas for improvement and how we take this forward.

***The Audit Committee noted the audit quality update.***

*Elaine Boyd, Antony Clark, Fiona Kordiak and Owen Smith left the meeting.*

## **8. Q1 Financial performance report**

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

Stuart advised of the variance to budget which was due some audits being slightly behind schedule. He advised that the overall financial position was reasonable with no other additional costs anticipated at this stage. The Audit Committee members discussed income and expenditure for in-house audits and the adjustments to the office portfolio costs.

A discussion took place on the impact of pandemic on working patterns and the office working in the future. Diane McGiffen, Chief Operating Officer, advised that the way we work in future will be closely monitored in terms of the implications on our office estate requirements. She advised that engagement with the Scottish Commission for Public Audit (SCPA) and a strategic review of property requirements would be carried out in the next two years. Travel and subsistence costs were also considered and Diane advised that how we travel will be considered as part of Audit Scotland's ambition to be net zero.

The members discussed the increase in costs for specific councils and Stuart advised that he will share further information following the meeting.

***Action AC134: Stuart to provide Audit Committee members with details regarding the additional LG costs. (September 2021)***

***The Audit Committee noted the Q1 Financial report.***

## **9. Review of risk register**

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

Martin advised that the risk profile, and the overall risk assessment was broadly similar to the report presented in June. Martin advised that the risk workshop on Monday 30 August was helpful in informing the next iteration of this report for the November Audit Committee meeting.

The Audit Committee members discussed risk A3, audit quality, and noted that the risk should remain red until the impact of the activity in that area is evident from quality review outcomes.

The members also discussed capacity, risk A2. Martin advised that resource requirements were subject to detailed consideration at the Strategic Improvement Programme Board meetings and that some proposals had been approved, and other proposals were under assessment.

Diane McGiffen, Chief Operating Officer, advised that phase one of building capacity focussed on audit capacity and that phase two will be focussing on the specialist and support services. The members also discussed the capacity of the firms.

The Audit Committee members noted the need for clear markers and milestones to ensure that improvements are being delivered.

***The Audit Committee noted the review of the risk register.***

## **10. Internal Audit report: Covid-19, Health Safety and Wellbeing**

*Susan Burgess, Assistant HR Manager, joined the meeting.*

Chloe Ridley, BDO, introduced the internal audit report, copies of which had been previously circulated.

Chloe advised that the Covid Health, Safety and Wellbeing audit provided a substantial level of assurance for both design and operational effectiveness and that the report reflected the hard work of Audit Scotland in supporting colleagues during the pandemic.

Two low risk recommendations have been addressed, one around updating policies and one around risk assessments. Martin Walker, PCS and external Health and Safety advisers will be reviewing the risk assessment before we move into phase two of providing limited access to the offices and that this would provide an opportunity to check on our arrangements.

***The Audit Committee noted the internal audit report.***

*Susan Burgess, Assistant HR Manager, left the meeting*

## **11. Internal Audit progress report**

Chloe Ridley, BDO, introduced the internal audit recommendations progress report, copies of which had been previously circulated.

Chloe advised the members of the planned dates of the audits relating to the performance against operational plan.

The Audit Committee members discussed the timing of the review of the Procurement of Audit Firms and agreed that it would be beneficial to bring this date forward if possible. Chloe advised that the first draft would be available before Christmas and the members noted that a special meeting of the Audit Committee may be required to consider the report.

**Action AC135: Gayle Fitzpatrick to consider the timing of the Procurement of Audit Firms in consultation with BDO and the AQA team. (September 2021)**

*The Audit Committee noted the report.*

## **12. Internal Audit recommendations progress report**

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

Gayle advised that BDO had made ten recommendations, four have been completed with six in progress.

It was recognised that this represented good progress considering the challenges of the pandemic.

The Audit Committee members discussed the coverage of diversity training in the organisation. Diane McGiffen, Chief Operating Officer advised that training is being driven through the organisation via various forums and events. The Leadership Group have been trained and this is extending out to drop-in sessions and training for managers and other colleagues. Diane advised the members of the various activities underway to support equality and diversity training for colleagues.

*The Audit Committee noted the report.*

## **13. Annual review of Corporate governance policies**

Gayle Fitzpatrick, Corporate Governance Manager, introduced the annual review of corporate governance policies, copies of which had been previously circulated.

The Audit Committee members recommended that the Standing Orders, Financial Regulations and Codes of Conduct (members and staff) be approved by the Board and agreed that further discussion was required around the Scheme of Delegation.

***Action AC136: Management Team to discuss the issues raised in advance of the Board's consideration of the suite of governance documents at its meeting on 22 September 2021. (September 2021).***

## **14. Digital security update**

*David Robertson, Digital Services Manager, joined the meeting.*

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

David advised of various threats during the last period, some of which were classified as significant. The Audit Committee members noted the report stating it was reassuring,

helpful and sobering. The members recognised that Audit Scotland is as vulnerable as other organisations and is working hard to mitigate cyber security threats.

The Chair advised a future focussed report be brought to the Audit Committee to encourage discussion of the medium to longer term digital challenges, threats and opportunities. It should detail our preparedness for potential future threats in light of the commitment to digital auditing.

***The Audit Committee noted the Digital security update.***

***Action AC137: David Robertson to schedule a report to a future meeting of the committee. (Date tbc)***

*David Robertson, Digital Services Manager, left the meeting.*

## **15. Data incidents/loss report**

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

Gayle highlighted that there was one data incident during quarter one which was minor and did not require reporting to the Information Commissioners Office.

Gayle advised that the data incident referenced in the digital security update (item 14) would be included in quarter two reporting.

Gayle advised members of data protection awareness raising and training in place for the existing and new colleagues that have joined the organisation.

***The Audit Committee noted the data incidents/loss report.***

## **16. Proposed Board and Committee meeting schedule for 2022**

Diane McGiffen, Chief Operating Officer, introduced the proposed Board and Committee meeting schedule for 2022, copies of which had been previously circulated.

***The Audit Committee approved the meeting schedule for 2022.***

## **17. Any other business**

There were no items of any other business

## **18. Review of meeting**

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

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

## **19. Date of next meeting**

The next meeting of the Audit Committee was scheduled on 10 November 2021, 10.00am via video conference, to be chaired by Colin Crosby.

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

REF	FORUM	Agenda Item No	Item Title	Action Description	Meeting Date	Due Date	Responsible	Assigned to	Complete/Ongoing	Reported Yes/No	Progress Notes
ASB147	Board	20	Counter Fraud Policy review	David Blattman to review the policy and provide an update to the Board.	02/06/2021	Jul-21	David Blattman	David Blattman	Ongoing	No	The Counter Fraud Policy and the Diversity and Equalities poilicy will come to the Board early in 2022. We are taking legal advice on one aspect of the former and the latter will be informed by the review work currently being undertaking in conjunction with BITC
ASB149	Board	13	Q1 Corporate performance report	The Communications Manager to provide information to the Board on the impact and measurement of social media engagement with the public.	22/09/2021	Jan-22	Simon Ebbett	Simon Ebbett	Ongoing	No	An update to be provided to the Board as part of the next quarter 26 January 2022.
ASB150	Board	14	Annual review of corporate governance policies	The Scheme of Delegation to be amended to specify the placing of orders for the New Audit Appointments are reserved to the Auditor General for Scotland and the Accounts Commission.	22/09/2021	Sep-21	Martin Walker	Gayle Fitzpatrick	Complete	No	Amendments made and documents shared via e-mail 23/09/21.
ASB151	Board	14	Annual review of corporate governance policies	Final drafts of the policies to be circulated to members prior to publication.	22/09/2021	Sep-21	Martin Walker	Gayle Fitzpatrick	Complete	No	Amendments made and documents shared via e-mail 23/09/21.
ASB152	Board	23	2022/23 Draft budget proposal	Elma Murray and Diane McGiffen to discuss Accounts Commission engagement on the budget development.	22/09/2021	Oct-21	Diane McGiffen	Diane McGiffen	Ongoing	No	Discussion scheduled on 18 November and a verbal update will be provided at today's meeting.
ASB153	Board	23	2022/23 Draft budget proposal	A further report with the draft Budget proposal to be scheduled for the Board.	22/09/2021	Nov-21	Stuart Dennis	Stuart Dennis	Complete	No	Budget proposal report on the agenda for today's meeting.
ASB154	Board	25	Discussion paper - Future funding and fee arrangements	A discussion on strategic financial planning to be scheduled in November 2021.	22/09/2021	Nov-21	Diane McGiffen	Stuart Dennis	Complete	No	Strategic workshop discusssion took place on 09/11/21.

# Covid-19 update

Associate Director, Corporate Performance and Risk

## Purpose

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

## Background

3. The Audit Scotland Board most recently considered a [Covid-19 update report](#) at its meeting on 22 September 2021. Board members continue to receive the weekly updates from the Incident Management Team (IMT).
4. The Covid-19 delta variant remains highly contagious and the combination of this, the relaxation of suppression measures and the return to schools led to a significant increase in the infection rates. In recent weeks the infection rates have levelled off, though there are some indications they may be rising again.
5. The vaccination programme has had a significant effect in mitigating the impact of serious illness, hospitalisation and death rates and the booster programme is now under way.
6. In a [statement](#) in Parliament on 9 September 2021 the Deputy First Minister indicated that further virus suppression measures may be required.
7. Public health experts are predicting further challenges in the weeks and months ahead, both in terms of infections and the pressures on the NHS. There is also speculation that the COP26 conference may also lead to a surge in infections.

## Organisational implications and responses

8. We continue to monitor the virus and the changing guidance closely and this is reflected in our organisational response and planning.
9. In June we published our [plan](#) for a phased approach to accessing our workplaces.
  - Phase 1: August – which provided continued access for business-critical activities and access for some colleagues to support health, safety and wellbeing.
  - Phase 2: October – which provided access for specific tasks (including induction, coaching and meetings, and specific tasks which cannot be done remotely).
  - Phase 3: November – which provides access for early stages of hybrid working and access for site visits and on-site work.
10. In early September we [reviewed](#) our approach to working arrangements against the extant [Scottish Government/STUC agreement](#) on working practices and the [BSI Flex 45005 – Safe working guidance](#). The review provided assurance that we comply with the guidance in the vast majority of areas. It also identified a small number of areas that we have

actioned. The review report was considered by the People Focus Group on 20 September and the Partnership Forum on 29 September 2021. At the latter meeting PCS branch members expressed support for the measures in place.

11. In September we launched the '[Accessing our workplaces – what you need to know hub](#)'. This includes a broad range of information and guidance for colleagues on how to access the office, what they can expect and what we expect of them. It also includes access to the desk booking system and 'walk through' videos for each of the offices showing the Covid security arrangements in place.
12. On 12 October 2021 Management Team reviewed the [Covid secure capacity options](#) in advance of the move to phase 3. This review confirmed a careful approach in the early stages of phase 3 and the retention of a two-metre social distancing approach to capacity planning. At that meeting Management Team also approved the [Covid-19 Outbreak Management Plan](#).
13. On 1 November 2021 we moved into phase 3. This provides access for the early stages of hybrid working and access for site visits and on-site audit work.
14. During phase 2 and phase 3 to date demand for access to the offices has been fairly limited, with the largest number of colleagues attending being 10 in any one day. Access to the offices during early November has also been low due to the disruption associated with COP26 and we took the decision to close the Glasgow and Edinburgh offices over the period 5 to 8 November 2021.

## Our people

15. From the start of the pandemic, we have prioritised the health, safety and wellbeing of our colleagues. This continues to be a key priority. We have worked hard to support colleagues who are currently all dispersed, working from home and juggling sometimes quite difficult home and work responsibilities. This support has taken a variety of forms, including regular communications and engagement, advice and guidance, access to systems and the provision of digital and office equipment.
16. Since the last update:
  - From the data we have available, since September 2021, fewer than five colleagues have tested positive for Covid-19 and fewer than five colleagues are currently shielding. Fewer than five colleagues are currently absent due to persisting Covid-19 symptoms.
  - The second quarter sickness absence statistics show that the average sick days per employee is 1.55 for Q2 2021-22. This compares to 1.56 days average per employee in the same quarter last year.
  - During October 2021 we saw a 17.8% decrease in the total of absence days taken in 2021 compared to October 2020 mainly due to a decrease in the number of colleagues on long-term sickness absence.
  - Based on the national vaccination statistics as at 10 November 2021 we estimate that 89% of colleagues may have received their first dose, 83% their second and 9% their booster/third jab.
  - An analysis of the time logged by colleagues to the C-19 business continuity time recording codes as at 11 November 2021 tells us that 2,842 days have been logged to

this code since the start of the pandemic in March 2020. This equates to approximately 13 FTE over the 19-month period.

## New ways of working

17. Over the course of the pandemic we have undertaken a broad range of engagement and communication with colleagues. This has included pulse surveys, working preference surveys, drop-in sessions with members of Management Team, team meetings and weekly communications from the IMT. This provides a rich source of information to inform the development of our new ways of working.
18. We have adopted a principles-based approach to date, focussing on:
  - wellbeing and safety
  - effectiveness
  - equity and inclusion
  - sustainability.
19. We will continue to use these principles to guide our thinking. As we move into phase 3 of [our workplaces plan](#) we will begin to better understand what hybrid working will mean in practice for individual colleagues, teams and the organisation as a whole. This will be an iterative process and be informed by action learning. The situation remains dynamic and we will need to continue to use a flexible approach as new ways of working develop.
20. We are currently developing a range of tools to support managers and colleagues as we consider the practicalities of new ways of working and we will also need to consider the impact on our policies and procedures and the longer-term consequences on terms and conditions. We will engage with a range of stakeholders and in particular the People Focus Group, the Partnership Forum and PCS.

## Digital and office equipment

21. We continue to support people with home working. All colleagues are being provided with laptops, these will be used both remotely and when people access the offices. To date 99% of colleagues have Audit Scotland laptops.
22. We have also issued 439 items of digital equipment to 328 colleagues. These items have mainly been screens, keyboards and mice. The total cost to date has been £28,900.66, an average of £88.11 per colleague who has needed equipment.
23. We have also issued 381 items of office equipment to 300 colleagues. These items have included desks, chairs, footrests, and some items have been issued from existing stock in the offices. The number of requests received each week is now down to one or two items per week and these are for new starts. The total cost to date has been £19,641.15, an average of £65.47 per person who has needed equipment.

## Financial management

24. We continue to monitor the financial situation very closely.
25. At the end of the second quarter Audit Scotland's Net Operating Expenditure of £3,701k was £8k (0.2%) better than budget. In-house fee income was £121k (2.8%) worse than

budget and the net position on audits carried out by external firms was £81k (19.9%) better than budget. Expenditure on staff and other costs was £48k (0.4%) better than budget.

- 26.** In terms of the current cash flow position, we invoiced the final fee instalment for the 2020/21 chargeable audits in September. This totalled £6.5 million and did not include the further education (FE) sector. To date we have received payments of £5.2 million leaving an outstanding balance of £1.3 million.
- 27.** On 25 August 2021 the Chair and Accountable Officer wrote to the Scottish Commission for Public Audit (SCPA) to provide an update on Audit Scotland's response to the pandemic and how the additional funds recommended by the Commission were being used. The second update is on the agenda for today's meeting as a separate item.

## Audit implications and responses

- 28.** To date we have prioritised our statutory audit obligations and, in consultation with the Auditor General for Scotland and the Accounts Commission, adjusted the focus and timescales for the audit work where we have more discretion. We have also been clear that we will do what is achievable, but that we cannot guarantee all deadlines can be met. This is due to the disruption in audited bodies as well as Audit Scotland. We have also been clear that, while timescales may change, audit quality remains a priority and is even more important at times of significant disruption.

## Financial audits 2020/21

- 29.** The submission deadlines and progress on the 2020/21 audits is summarised below:

Sector	Pre pandemic deadline	New deadline	Completion to date
Health	30/06/21	30/09/21	100%
Central Government – Agencies and Scottish Water	30/06/21	30/09/21	68%
Central Government – NDPBs and similar	31/10/21	31/10/21	
Local Government	30/09/21	30/11/21	55%
Colleges	31/12/21	31/12/21	0%

- 30.** There are indications that the process of completing the audit work will remain challenging for some audits during the remainder of 2021 and in some cases into 2022. This is the full first year in which the pandemic will impact on the annual accounts, this brings additional complexity for the audited bodies and for auditors.

## Covid-19 audit work

- 31.** Since the last update in September we have published a broad range of material which directly consider or make connections to the pandemic:
- A report on [‘Tracking the impact of Covid-19 on Scotland’s public finances’](#) (15 September).

- A [briefing on the vaccination programme](#) (30 September).
- A thematic study report on the [Impact of Covid-19 on Scottish councils' benefits services](#) (7 October).
- [The 2020/21 audit of NHS National Services Scotland: Response to the Covid-19 pandemic](#) (12 October).
- An update report on [Covid-19 and community empowerment](#) (28 October).

**32.** These, along with all of our audit reports, are published on the Audit Scotland [website](#).

**33.** The Auditor General for Scotland and Audit Scotland colleagues have attended parliamentary committees to provide evidence on the reports, a number of which consider/reference Covid-19. This has included sessions on colleges, educational outcomes, children's and adolescent's mental health and sustainable alternatives to custody, the vaccination programme, NHS National Services Scotland and Personal Protective Equipment.

**34.** Publications in the coming months include:

- reports on skill investment and the sustainability of social care (January 2022)
- the NHS overview report (February 2022)
- financial overview of IJBs (March 2022)
- a briefing on social care (New Year).

## Recommendations

**35.** The Board is invited to:

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

# Strategic Improvement Programme update

Associate Director, Corporate Performance and Risk

## Purpose

1. This report provides the Board with an update on the Strategic Improvement Programme (SIP).

## Background

2. The Audit Scotland Board approved the Strategic Improvement Programme (SIP) at its meeting on 25 November 2020.
3. The key objectives of the SIP are to:
  - drive our organisational transformation and improvement over the next 18 months
  - provide a bridge between the 'recovery phase' and our new longer-term operating model
  - assure and inspire our colleagues
  - ensure we deliver on our core commitments on audit (quality, focus, methodology and value added)
  - ensure we deliver on our commitments on how we run the organisation – being people focussed by prioritising the health, safety, wellbeing and development of our people, and by being innovative and efficient.
4. The Audit Scotland Board most recently considered an update [report](#) on the SIP at its meeting on 22 September 2021.

## Programme milestones and areas of focus

5. We are making good progress on what is an extensive improvement programme.
6. The sections below provide an update on progress in key areas of the SIP since the last update report. A detailed list of the projects in the programme is attached at Appendix 1.

### Delivering world class audit – What we do

7. The refreshed **dynamic work programme** was approved by the Auditor General for Scotland and published in May. A broad range of reports, briefings and blogs have been published since then. These are detailed in the Quarter 2 performance report which is also on today's agenda. The next quarterly update report on the programme will be considered by the Auditor General for Scotland and the Accounts Commission in December 2021.
8. We are continuing to develop our audit methodology:
  - Financial audit approach – In July the Audit Approach Programme Board confirmed that the new audit planning tool would be rolled out and the ISA315 concepts would be

applied as scheduled and a year before the required ISA implementation date. It also confirmed that the revised controls approach and the baseline testing pilot would be rescheduled until 2022/23.

- Best value – The proposed approach to scheduling the programme was discussed at the Best Value Working Group (BVWG) in October 2021. The proposal is for Controller of Audit Best Value reports to be reported to the Commission between October 2023 to August 2027.
  - Best value IJBs – The new approach is being piloted and the BVWG is considering pilot reports and the new methodology, which is scheduled to be implemented with effect from 2023. The approach will be considered by the Accounts Commission early in 2022.
  - Less complex bodies – The approach was agreed by the New Audit Appointments Steering Group in August and guidance was published with the Invitation to Tender in September 2021. IAASB consultation has been issued and is scheduled for completion by January 2022.
9. **Audit Quality** – The Audit Quality Assurance programme includes a 15-point action plan, 11 actions of which are now complete. The Audit Quality Committee considered an [update report](#) at its meeting on 28 October 2021 and the Audit Committee considered the [Interim Quality Report](#) at its meeting on 10 November 2021.
  10. The internal hot reviews are progressing and are due to be complete by the end of November and the cold review programme will commence in December 2021.
  11. A new working group has been established to take forward the implementation of the new quality management standards (which replace ISQC 1). The new standards will affect the whole organisation. The priority will be to ensure our policies and procedures are updated, where required, to reflect the key components of ISQM1 which requests organisations to establish a system of quality management by December 2022.
  12. **New audit appointments** – The tender process is progressing to schedule. The Invitation to Tender (ITT) was published on 6 September 2021 and the team have been responding to queries from potential bidders. The ITT closes in November and contract awards are expected to be made in February 2022. The New Audit Appointments Steering Group next meets on 25 November 2021.
  13. **Digital audit strategy** – The SIP board considered an [update](#) on this project at its meeting on 31 August 2021. This included information on the status of the external and internal development work on the digital audit tools and future milestones including consideration of a business case (December) and a ‘build or buy’ decision (March 2022). The update also provided a timeline for the development for a new approach to IT audit. The proposed approach, including draft audit programmes, was considered by the SIP Board at its meeting on 2 November 2021.
  14. **Electronic Working Papers (EWP)** – At its meeting on 31 August 2021 the SIP Board agreed the [outline scope](#) for this project, confirming that this project be prioritised and resourced accordingly.
  15. **Diversity and Equalities** – The Human Rights Based Approach organisational self-assessment exercises commenced in October and four workshops have been held to date. The two workshops for Audit Services Group (ASG) colleagues have been rescheduled to

January 2022 in light of the pressures around the financial audit work and the results from the self-assessment exercise are expected in March 2022.

16. The Audit Scotland Annual Diversity and Equalities report is due to be published in November 2021. We have also been working with Business in the Community (BITC) who have been undertaking a holistic review of our approach to equalities and diversity. This review has looked at our policies, procedures and culture across the organisation and the results of the review are expected to be considered in full during January 2022 by Management Team and the Human Resources and Organisational Development (HR & OD) team.
17. **Auditing climate change** – We published an [update report](#) on 21 October 2021 summarising the roundtable discussion from July, stating our audit position and Audit Scotland's next steps for climate change. An output is planned following COP26 to summarise recommendations, areas for improvement and implications for national and local government. A pilot of climate change reporting within an annual audit report will take place in the first half of 2022.

### **Being a world class organisation – How we work**

18. **Learning and development** – The refreshed learning and development plan was [published](#) on 15 October 2021.
19. **Building capacity** – The second phase of the building capacity project focussed on building capacity in some specialist and support services and on investing in improvement. Over the course of August to October 2021, Management Team considered, assessed and agreed proposals on additional roles and positions and areas where external consultancy support would be required. The recruitment and selection process for the new positions is now under way.
20. **One Organisation deployment** – A project team has been established and some initial scoping has taken place. This project is currently on hold to prioritise the delivery of the core audit work and we are looking at external consultancy support as a way to progress the project.
21. **Our workplaces** – In June we published our [plan](#) for a phased approach to accessing our workplaces. During September and October we reviewed our arrangements against the most up-to-date guidance and best practice, agreed an Outbreak Management Plan, reviewed office capacity using a range of social distancing options, launched a booking system and an information hub with guidance for colleagues and engaged with the People Focus Group, the Partnership Forum and colleagues across the organisation.
22. On 1 November 2021 we moved into Phase 3. This provides access for the early stages of hybrid working and access for site visits and on-site audit work. More detailed information is available in the Covid-19 update report which is also on the agenda for today's meeting.
23. **Medium term financial strategy** – The Audit Scotland Board considered discussion papers on the Medium-Term Financial Plan and the Fees and Funding Strategy at its meeting on 22 September 2021. The Board held a strategic planning workshop session on 9 November 2021. This will inform the 2022/23 budget process and longer-term planning.
24. **Business Management System** – A contract has been signed and the system set-up is under way. The payroll module is scheduled to go live in February 2022 including a period of testing and parallel running over the course of November 2021 to January 2022.

- 25. Green future** (Environment, sustainability and biodiversity) – Our draft Environment, Sustainability and Biodiversity Annual Report is on the agenda for today’s meeting. It will be published by 30 November 2021.

### Our purpose

- 26. Public Audit in Scotland and the Partnership Working Framework** – Scoping work is under way for the development of a refreshed Public Audit in Scotland and the Partnership Framework. The corporate plan and business plans also form part of this workstream. Management Team considered [development options](#) at its meeting on 14 September 2021 and the target deadlines dates are: Business Plans (January 2022), Partnership Framework (March 2022), Corporate Plan (March 2022) and Public Audit in Scotland (August 2022). A project team is now in place and we intend to have discussions with the Auditor General for Scotland and the Accounts Commission in November/December to agree the engagement process.

### Programme communications and engagement

- 27.** The [Our Plan Sharepoint site](#) has been updated as appropriate.
- 28.** At its meeting on 2 September 2021 the SIP Board considered an [update report](#) on the Audit Scotland 2021 engagement programme. This highlighted the broad range of events which have taken place over recent weeks, including:
- Keynote events (including the role of audit, communities and the third sector in recovery and radical thinking).
  - Insight events (including the new audit products, human rights and audit, data analytics, health and wellbeing/fitness sessions, the barriers to change in Scotland’s justice system, leadership in the pandemic and understanding LGBTQ+ issues in the workplace).
  - Perspectives (including blogs on introducing a human rights-based approach to our work, how the third sector supports vulnerable people, freedom of information, moving to net zero, the Venture Trust and reflections on the audit profession).
- 29.** Upcoming events include:
- Keynote events in November, December and January hosted by members of Management Team.
  - Insight sessions on climate change, providing support in a pandemic (MND and children, carers and support services) and further health and wellbeing sessions.
  - Perspectives activity including communications, carers and digital techniques.

### Programme governance and reporting

- 30.** The SIP Programme Board is responsible for the oversight and delivery of the Strategic Improvement Programme and is comprised of members of Management Team.
- 31.** The SIP Programme Board met most recently on 2 November 2021. At that meeting it considered update reports on the programme overall, the approach to auditing IT under ISA315 and the Audit Scotland 2021 engagement programme.

- 32.** SIP-related business also takes place at Management Team to ensure that timely progress is being made and project reports and updates feature regularly on the Management Team agenda.
- 33.** We submitted the first update to the Scottish Commission for Public Audit (SCPA) on 25 August 2021 and the SIP featured in discussions during the SCPA's evidence session on the Annual Report and Accounts 2020/21 on 1 September 2021. A draft of the second SCPA update letter is on the agenda for today's meeting.

## **Recommendations**

- 34.** The Board is invited to note the progress update on the SIP and next steps.

## SIP Project summary

 What we do	 How we work	 Our purpose
<ul style="list-style-type: none"> <li>• New dynamic work programme</li> <li>• Code of Audit Practice</li> <li>• New audit appointments</li> <li>• Audit approach (including financial audit approach, BV in LG, BV in IJBs, less complex bodies, following the pandemic pound and auditing climate change)</li> <li>• Digital Audit</li> <li>• Audit quality action plan</li> <li>• Electronic working papers</li> <li>• Diversity &amp; equality</li> <li>• Parliamentary engagement</li> </ul>	<ul style="list-style-type: none"> <li>• People strategy (inc workforce plan and learning and development offer)</li> <li>• Building capacity</li> <li>• One organisational deployment</li> <li>• Medium term financial strategy (including fees and funding)</li> <li>• Our workplaces (Covid-secure and longer-term office strategy)</li> <li>• Digital services strategy</li> <li>• Business Management System</li> <li>• Green future</li> <li>• Shaping our future (Audit Scotland 2021) engagement</li> </ul>	<ul style="list-style-type: none"> <li>• Public audit in Scotland</li> <li>• Partnership Framework</li> <li>• Corporate Plan</li> <li>• Business Plans</li> </ul>

# Q2 Financial performance report

Corporate Finance Manager

Item 12  
Meeting date: 22 November 2021

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## Purpose

1. This report presents the financial results for the six months to 30 September 2021.

## Background

2. The detailed finance performance report for the six months to 30 September is provided in Appendix 1 to this paper.
3. The report was discussed by Management Team on 26 October 2021.

## Discussion

4. At the end of the second quarter of the 2021/22 financial year Audit Scotland's Net Operating Expenditure was £3,701k which was £8k (0.2%) better than budget.
5. In-house income for 2020-21 audits was in total £121k (2.8%) worse than budget with a negative volume variance of £134k and a positive price variance of £13k.
6. Fee income earned for 2020-21 audits carried out by external firms net of fees and expenses paid to the firms was £81k (19.9%) better than budget. Income recognition was £183k better than budget with fees and expenses payable to the external firms being £102k worse than budget.
7. Staff costs including agency expenditure was £88k (0.9%) better than budget.
8. Other expenditure £40k (2.6%) worse than budget. The main positive variances were recorded in travel and subsistence (£37k) and property costs (£27k). The main adverse variances appear in information technology (£71k), recruitment (£18k) and training (£16k).
9. The detailed variance analysis and explanation is provided in Appendix 1 attached to this report. Appendix 1 also includes a section on the allocation of management contingency and the key financial risks that will need to be managed in 2021/22.

## Virement

10. There were no instances of budget virement in excess of £20k in the six months to 30 September 2021.

## Recommendation

11. The Board is invited to note the financial results for the six months to 30 September 2021.

## Headline Results

The summary financial position to 30 September 2021:

£000	Annual Budget	Actual	Budget	Var.	% Var.	Prior Year	Note
Fee Income - In House	7,975	4,187	4,308	(121)	-2.8%	3,950	1
Fee Income - Audit Firms	5,118	3,591	3,408	183	5.4%	2,962	2
Central Charges	5,644	2,822	2,822	0	0.0%	2,823	
Rebate	0	0	0	0	-	0	
Interest	0	0	0	0	-	1	
Other Income	0	1	0	1	-	1	
IAS 19 Income	0	0	0	0	-	0	
<b>TOTAL INCOME</b>	<b>18,737</b>	<b>10,601</b>	<b>10,538</b>	<b>63</b>	<b>0.6%</b>	<b>9,737</b>	
Approved auditors	4,553	3,102	3,000	(102)	-3.4%	2,575	2
Staff salaries and oncosts	19,903	9,499	9,625	126	1.3%	8,754	3
Payroll provisions incl. severance	269	0	0	0	-	0	
Agency and secondment costs	75	92	54	(38)	-70.4%	178	3
IAS 19 Pension costs	100	0	0	0	-	0	
Property costs	984	403	430	27	6.3%	425	
Travel and subsistence	719	149	186	37	19.9%	170	4
Legal, professional and consultancy	652	179	192	13	6.8%	206	
Training	483	155	139	(16)	-11.5%	109	5
Recruitment	138	88	70	(18)	-25.7%	75	5
Printing and office costs	236	104	98	(6)	-6.1%	76	
Information technology	522	326	255	(71)	-27.8%	259	6
Audit	60	32	30	(2)	-6.7%	37	
Depreciation	279	150	139	(11)	-7.9%	173	
Other costs	578	23	29	6	20.7%	21	7
<b>EXPENDITURE</b>	<b>29,551</b>	<b>14,302</b>	<b>14,247</b>	<b>(55)</b>	<b>-0.4%</b>	<b>13,058</b>	
<b>NET OPERATING (EXPENDITURE)</b>	<b>(10,814)</b>	<b>(3,701)</b>	<b>(3,709)</b>	<b>8</b>	<b>0.2%</b>	<b>(3,321)</b>	

Funded by Scottish Consolidated Fund    10,814    3,701    3,709    (8)    3,321

## Income and Expenditure Summary

### 1. Fee Income – In House

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

The table below shows the performance by sector as at 30 September 2021 for in-house audits:

Sector	2020/21 Audit Year		Price	Prior Years	Total
	Volume				
	WIP %	£	£	£	£
Local Government	-0.82	-38	+50	-	+12
Health	-5.77	-88	+17	-	-71
FE	-18.22	-9	-	-	-9
Central Government	+3.04	+33	-42	-	-9
Non-statutory	-5.19	-32	-12	-	-44
<b>Total – Sept 20</b>	<b>-1.55</b>	<b>-134</b>	<b>+13</b>	<b>-</b>	<b>-121</b>

#### Local Government

Local Government audits are 0.82% behind budget leading to an adverse volume variance of £38k. The positive price variance of £50k is due to increased fees being applied to local government bodies with the most significant increases being applied to Aberdeenshire Council, Angus Council, Fife Council and Scottish Borders Council. The principle reason for the increase in fees is due to the additional audit work required for charitable trust accounts. Audit sign off for the majority of the local government sector is expected by the end of November though we need to plan for the possibility that a small number of bodies could experience a delay. The situation continues to be closely monitored.

#### Health

Overall health audits are 5.77% behind the re-profiled budget leading to a negative volume variance of £88k. The positive price variance is due to an increase in the fee for NHS Tayside and NHS National Services Scotland. The expected audit sign off of the health sector was planned for the end of September and 50% of the health audits achieved this target with the remainder expected to complete in October.

#### Further Education (FE)

ASG undertake 2 FE audits, Dundee & Angus College and Edinburgh College. Progress on 20/21 audits is currently behind plan but we expect to meet the final sign off of these audits to our target deadline of the end of December.

### Central Government

Central Government chargeable audits are 3.04% ahead of plan leading to a positive volume variance of £33k. Within this sector it is a mixed picture with some audits complete and others behind planned trajectory. The negative price variance is due the agreed fee for a new body, South of Scotland Enterprise, being less than the original expected fee. Current planning assumptions are based on an expected audit sign off for this sector by the end of November.

### Non-statutory

The European Agricultural Fund Account (EAFA) audit is behind schedule by 5.19% leading to a volume variance of £32k. The price variance is due to an adjustment in the agreed fee following fee discussions with the National Audit Office on the audit work required. Initial planning for the next audit cycle indicates that the fee level could reduce by £160k.

## **2. Fee income and expenditure – Audit Firms**

The positive income variance of £183k is reduced by the negative expenditure variance of £102k for approved auditors. Effectively this approach highlights a net favourable variance of £81k on chargeable audits.

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

The table, below, shows the performance for approved auditors by sector to 30 September 2021:

Sector	2020/21 Audit Year		Prior Year	Total
	Volume	Price	Price	
	WIP %	£	£	£
Local Government	-1.52	-44	+118	+74
Health	-0.42	-5	+50	+45
Water	-	-	-	-
FE	-32.80	-148	+19	-90
Central Government	+6.03	+27	+127	+154
<b>Total – Sept 20</b>	<b>-3.86</b>	<b>-170</b>	<b>+314</b>	<b>+183</b>

### Local Government

Audits on the local government sector are 1.52% behind estimated plan leading to an adverse volume variance of £44k. Audit firms have agreed fees above expected fees leading to a price variance recognition of £118k with the most significant increases being applied to Aberdeen City Council, Highland Council, City of Edinburgh Council

and West Lothian Council. The increases relate to charitable trust audit work as well as additional risk management and assurance work.

### Health

Health audit completion is 0.42% behind trajectory generating a minor negative volume variance of £5k. There is a £50k price variance due to agreed fees being higher than expected with the main increases being applied to Public Health Scotland and NHS Lothian.

### Water

The 2020/21 audit is complete.

### Further Education (FE)

Progress on 2020/21 audits is 32.80% behind schedule leading to a negative volume variance of £148k which is being reduced by a positive price variance of £19k. The prior year audit income of £39k relates to the final agreed settlement fees for completion of the 2019/20 audits with the main increases applying to Inverness College, Lews Castle College, North East Scotland College and Perth College.

### Central Government

Central government audits are 6.03% ahead of schedule leading to a positive volume variance of £27k. The £127k price variance is due a new public sector body, Scottish National Investment Bank, requiring audit for an agreed unplanned fee of £84k and there has also been a number of agreed fee increases for other bodies in the sector. The largest increases relate to Scottish Canals, Bord na Gaidhlig and Commissioner for Ethical Standards in Public Life in Scotland.

## 3. Staff & Agency Costs

Business Group	Annual Budget £000	Actual £000	Budget £000	Variance £000	Actual Average w.t.e.	Average Budget w.t.e.	Note
ASG staff costs	10,601	4,986	5,037	51	168.1	171.1	a)
ASG agency & secondments	75	61	54	(7)			
PABV staff costs	5,139	2,393	2,536	143	78.8	81.3	b)
PABV agency & secondments	0	0	0	0			
CSG staff costs	2,292	1,188	1,140	(48)	38.9	36.1	c)
CSG agency & secondments	0	31	0	(31)			
Business Support staff costs	755	394	377	(17)	20.0	18.8	d)
Business Support agency & secondments	0	0	0	0			
Governance & Other staff costs	1,485	538	535	(3)	5.1	5.0	e)
Governance & Other agency & secondments	0	0	0	0			
<b>Total staff costs</b>	<b>20,272</b>	<b>9,499</b>	<b>9,625</b>	<b>126</b>	<b>310.9</b>	<b>312.3</b>	
<b>Total agency &amp; secondments</b>	<b>75</b>	<b>92</b>	<b>54</b>	<b>(38)</b>			

- a) There is an underspend (£51k) year to date with the in-year establishment increase of 22 being funded from the new financial powers budget allocation and the contingency increase approved as part of our 2021/22 budget submission. There will be a further increase in the next quarter as we look to fill specialist resource requirements and additional budget will be allocated to cover this expenditure commitment.

Agency costs are slightly over budget and it is projected that we will be on budget this financial year as we have increased our permanent staff numbers to meet audit work demands and implement a recovery plan. However, this is

subject to change should resource requirements identify a particular pressure (e.g. increase in sickness, leavers). Some agency staff charged at the start of the year were successful in applying for permanent positions within Audit Scotland.

- b) PABV underspend is due the staggered start dates in May and June of new staff members following the building capacity recruitment campaign and also some vacancies arising during quarter 2 as staff leave Audit Scotland. An additional 6 posts were identified as part of the building capacity programme and in addition to these posts there was also a number of vacant positions that PABV looked to fill as part of the overall recruitment exercise. The next recruitment phase will focus on further additions to establishment as we look to recruit specialist posts (e.g. digital audit) and also aim to fill the current vacancies in established posts.
- c) The average staff resource requirement in CSG has been higher than budgeted w.t.e. due to the provision of cover for maternity leave (2 posts) and a secondment from PABV of a temporary project manager in Audit Quality and Appointments (AQA). The AQA post is being funded from savings generated in professional fees. Additional resources have been approved in Digital Services, Communications and HR (1 w.t.e. in each) to meet increased demand. This will be funded through the ring-fenced contingency and a budget adjustment will take place to meet the increased costs from the next quarter.  
  
Agency costs relate to temporary HR Advisors as short-term backfill for leavers in the HR department.
- d) Business support variance is due to the extension of a fixed term contract and the approval for additional resources in Business support as part of phase 2 of the building capacity programme. Additional budget will be allocated from contingency to meet the increase in cost with the projected year-end outturn being within the revised budget.
- e) The expenditure in Governance & Other is slightly more than budget as we incurred in April the additional part month costs of the outgoing Director of PABV and Controller of Audit.

#### **4. Travel and subsistence**

We are incurring very little travel and subsistence expenditure as we continue to adopt recommended guidance to work from home and deliver audit remotely. The primary reason for the current underspend in this expenditure heading is due to reduced car lease expenditure. The underspend is attributable to mileage credits on return of vehicles to the lessor and members of the scheme leaving/retiring from Audit Scotland with there being no further obligation in respect of the lease car.

#### **5. Training and Recruitment**

Training overspend of £16k is due to expenditure on personal development training being ahead of plan and this will correct itself as we progress through the year, with the forecast outturn being within the budget allocation.

The overspend on recruitment is attributable to agency placement fees for agency temp auditors and human resources staff. As we look to continue to build capacity in specialist positions and meet ongoing recruitment demands it is possible that the full year budget might not be sufficient. There is flexibility from savings (e.g. travel and subsistence) and management contingency to enable us to meet any potential overspend.

## 6. Information technology

The overspend is attributable to IT hardware purchases and software licences. IT hardware expenditure has been incurred to make the workstations in our offices fit for purpose as we look to implement a phased return to limited capacity office working. With the increase in the number of employees we need to ensure that we have sufficient Microsoft and mki licences to enable staff to work remotely in a safe and effective IT environment. This is a financial pressure that will be funded from savings in other budgets this financial year but future budgets will need to increase to reflect this increase in demand.

## 7. Other costs

The main reason for the underspend in other costs is reduced expenditure on occupational health requirements.

## Contingency and Financial risks

The 2021/22 budget includes a contingency allocation of £2 million which is controlled by the Management Team (MT). The budget has earmarked £1.5 million for the Strategic Improvement Programme (SIP) with the balance of £0.5 million being set aside to meet any unforeseen financial pressures that may arise during the year.

As at the end of September MT approvals have committed all of the £1.5 million on a full year cost basis. The use of this additional funding has enabled us to build sufficient capacity to deliver our core objectives as outlined in our budget submission to the SCPA.

Key financial risks still need to be managed as the environment we are operating in remains extremely uncertain. These include:

- Audit recovery plan and closing work in progress at 31 March 2022
- Additional costs to deliver audit (implications on audit of additional Covid-19 funding)
- Resource availability to meet audit demand
- Impact on firms' costs
- Inflationary pressures
- Recruitment market conditions (competition and quality of candidates)
- Pension year-end accounting adjustments

The long-term financial issues to be considered as part of our 2022/23 budget proposal to the SCPA and also our Medium-Term Financial Planning include:

- SCPA continue to support funding increase
- Impact of firms' procurement exercise
- Review of fees and funding model
- Resourcing pressures and additional cost of audit
- Pension fund pressures
- Auditing post Covid-19 (onsite, remote, hybrid)
- Carbon emission targets

- EAFA audit
- Inflationary pressures
- Pay award uncertainty

## **Capital Expenditure and Funding**

The capital budget for 2022/23 increased from £150k to £250k with our capital programme focusing on office re-configuration to provide a Covid secure environment and new IT hardware and software. The total capital expenditure year to date is £153k with IT hardware purchases totaling £102k (laptops and other IT equipment) and £51k of IT software purchases (business management system).

**Stuart Dennis**

Corporate Finance Manager

26 October 2021

# Q2 Corporate performance report

Associate Director, Corporate Performance and Risk

## Purpose

1. This report provides the Board with a review of organisational performance in quarter two (Q2) 2021/22.

## Background

2. The performance information is reported under the two strategic objectives of 'delivering world class public 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.
3. This report was considered by Management Team at its meeting on 9 November 2021.

## Q2 performance summary

4. The following objectives are 'amber'. This is defined as 'progressing and additional management action planned'.
  - We conduct relevant and timely audits and report in public (where the main impact is on delivery dates and budgets).
  - We manage our resources effectively (where the main impact is on audit costs and income).
  - We maximise our efficiency (where the main impact is on colleague productivity).
  - Audit work is of high quality and we are systematically improving the quality of our work (reflecting the quality review outcomes).
5. We expect to continue to operate in a volatile environment during 2021/22 which may impact performance throughout 2021/22.

## Delivering world class public audit

6. All NHS financial audits were completed by the 30 September 2021 deadline.
7. There were 195 publications in Q2 comprising: 12 Annual Audit Plans, 172 Annual reports and accounts, one Best Value Assurance Report and 10 other reports.
8. Media mentions and social media engagements are up on the same quarter last year, but downloads are down on the previous quarter and the same quarter last year.

## Being a world class organisation

9. We continued to prioritise communication and engagement with colleagues across the organisation using a broad range of channels. This includes formal business messaging through the regular Incident Management Team (IMT) updates, informal Yammer channels and drop-in sessions/meetings with the Auditor General for Scotland and members of Management Team.
10. We had 318.2 (98.8 %) whole time equivalent colleagues in place at the end of the quarter against a budget establishment of 321.8.
11. The absence rate is the same as Q2 last year and remains low at 1.55 days.
12. The outturn on core funding was £3,701k which was £8k (0.2%) less than budget.

## Forward look

13. Quarter three will include the publication of Central Government, Local Government and Further Education financial audits in line with the Audit planning guidance and statutory deadlines. It will also include the publication of any statutory reports on those audits where appropriate.

## Recommendations

14. The Board is invited to:
  - review the performance in quarter two
  - consider whether any additional management action is required.

## 2021/22: Q2 performance summary

 Delivering world class public audit	Measure in Q2	Previous quarter	Same quarter last year	
We conduct relevant and timely audits and report in public.				
Reports 2021/22 (Q2)	195	100	184	↑
On time (YTD)	81%	82.5%	96%	↓
Audit Budget (YTD)	-0.2	-1.92	+18	↓
We get our messages out effectively				
Media mentions (Q2)	137	196	125	↑
Downloads (Q2)	112,061	161,730	210,057	↓
Social media engagements (Q2)	4,215	6,590	3,822	↑

### Key performance messages in Q2:

- All NHS financial audits were completed by the 30/09/21 deadline.
- We delivered 195 audits/reports.
- 81% of the annual audit plans were delivered on schedule.
- Audits were delivered 4.37 per cent more than budget and within our 5 per cent tolerance for this measure.
- Communications statistics show we are getting our messages out effectively. These include 112,061 downloads, 4,215 social media engagements and 137 media mention of Audit Scotland and/or Accounts Commission.
- We attended 11 external working groups and responded to 12 consultations.

### Key actions

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

<b>Key:</b> <b>Red</b> = Not progressing/significant additional management action required. <b>Amber</b> = Progressing and management action planned. <b>Green</b> = On target/no need for additional management action
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 Being a world-class organisation	Measure in Q2	Previous quarter	Same quarter last year	
We manage our resources effectively				
Budget Variance (YTD)	0.2%	+2.9%	+13.9	↓
WTE establishment (YTD)	98.9%	99.4%	98.9%	→
We maximise our efficiency				
Staff costs (YTD)	9,499	4,676k	8,754k	↑
Agency/secondment costs (YTD)	92k	75k	178k	↓
Average cost per audit day (Q2)	462	470.5	433.5	↑
Proportion of audit time (Q2)	65.5	67.5%	65%	→
We empower and support our people to be engaged, highly skilled and perform well				
Absence (YTD)	2.58	1.03 days	3.29	↓
Staff turnover (YTD)	4.25%	1.56%	3.15%	↑
Exams pass rate (YTD)	63%	65%	80%	↓
Training events (YTD)	74	42	50	↑
Training attendees (YTD)	1013	828	931	↑
IT uptime	99.74	99.69	100%	↓

### Key performance messages in Q2:

- The outturn on core funding was £3,701 (0.2%) more than budget.
- The number of colleagues at the end of Q2 was 98.9% of the budgeted establishment.
- Absence levels (2.58 days) is the lower than last year (3.29 days).
- Staff turnover (4.25%) increased compared to (3.15%) in Q2 last year.
- The exam pass rate for Professional Trainees was lower than in previous years.
- The proportion of audit time was 65.5 per cent, similar to the 65 per cent 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. They include several workstreams on resourcing, learning and development and wellbeing.

# Appendix 2

## Performance detail 2021/22: Quarter 2



**We conduct relevant and timely audits and report in public.**

Key Performance Questions	2019- 20				2020-21				2021-22			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Are relevant audits being delivered?	G	G	G	G	A	A	G	G	G	G		
Are audits delivered on time?	G	G	G	G	A	A	G	G	G	G		
Are audits delivered on budget?	G	G	G	G	R	R	R	R	A	A		

### Key messages

All NHS financial audits were completed by the 30/09/21 deadline

In Quarter 2 195 audits/reports were delivered including: 12 annual audit plans, 102 accounts certified, 70 annual audit reports, one Best Value Assurance Report, and 10 other products.

In August 2021 the Auditor General for Scotland and the Accounts Commission agreed the first quarterly update to the dynamic work programme. They added nine new products to the programme. They also agreed to shift timescales or replace existing planned products to accommodate new and emerging work. We changed the publication date of the Investing in skills performance audit to ensure we maximise its impact by publishing in January rather than in December, which will be a busy time for statutory reports and other media activity.

Audit expenditure is 4.37% more than budget and is within the 5% tolerance target.

**Audit/report schedule 2021/11**

	Q1	Q2	Q3	Q4	21/22 YTD
Annual Audit Plans Audit Scotland (120)	37 ✓	1 ✓	5		120
Annual Audit Plans Firms (102)	41 ✓	11 ✓	-		99
Accounts certified Audit Scotland (124)	4 ✓	51 ✓	70		4
Accounts certified Firms (102)		51 ✓	51		
Annual Audit Reports Audit Scotland (125)	4 ✓	45 ✓	76		4
Annual Audit Reports Firms (102)	4 ✓	25 ✓	73		4
Performance Audit (3)			Investing in skills	New ferries for the Clyde and Hebrides Reviewing Scotland's financial response to the Covid-19 pandemic	
Best Value Assurance Report (5)	Aberdeen City ✓	East Dunbartonshire ✓	South Ayrshire	Falkirk Moray (follow up)	1
Overview Report (3)	Challenges and performance LGO 2021 ✓			NHS in Scotland 2021 Financial overview of local government 2020/21 Financial overview of IJBs 2020/21	1
Statutory (6-12 tbc)			S22: Bord na Gaidhlig		

Other (20-30)

Key:

BR = Briefing

BL= Blog

CS = Case studies

RT = Round table

OT = Other

<p>Scotland's Colleges 2020 <sup>BI</sup> ✓</p> <p>Cyber security and resilience <sup>BI</sup> ✓</p> <p>Social care <sup>BI</sup> ✓</p> <p>Personal Protective Equipment <sup>BR</sup> (PPE) ✓</p> <p>Investing in skills <sup>BL</sup> ✓</p> <p>Climate change <sup>BL</sup> ✓</p> <p>Digital innovation used to respond to the Covid-19 pandemic <sup>CS</sup> ✗</p> <p>Transparency Report 2020 ✓</p>	<p>Sustainable alternatives to custody <sup>BR</sup> ✓</p> <p>Scottish Government Provisional Outturn <sup>BL</sup> ✓</p> <p>Child &amp; Adolescent MH Services <sup>BL</sup> ✓</p> <p>Tracking the implications of C19 on Scotland's public finances to ✓</p> <p>vaccinations programme <sup>BR</sup> ✓</p> <p>Climate change: <sup>RT</sup> ✗</p> <p>Digital innovation used to respond to the Covid-19 pandemic <sup>CS</sup> ✓</p> <p>Christie 10 years on <sup>BL</sup></p> <p>Digital exclusion <sup>BL</sup> ✓</p> <p>Annual fraud &amp; irregularity report 2020/21 ✓</p> <p>Risks &amp; issues facing Scottish public sector <sup>OT</sup> ✓</p> <p>What needs to happen to improve outcomes from school education? Discussion at Scottish Learning Festival <sup>EV</sup> ✓</p>	<p>The impact of Covid-19 on Scottish councils' benefit services</p> <p>Community empowerment Covid-19 update</p> <p>Housing Benefit Performance Audit - Annual Update</p> <p>Social care: <sup>BR</sup></p> <p>Climate change</p>	<p>Administration of Scottish Income Tax 2020/21</p> <p>Scotland's economic recovery</p> <p>Data governance &amp; ethics</p> <p>Digital exclusion and connectivity</p>	<p>7</p>
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Published

100

195

**On budget:** In Q2 the expenditure on audit is more than budget by four per cent

	Budget £	Actual £	£ Variance	% Variance
ASG	10,845,251	11,376,612	531,361	4.9
PABV	1,355,004	1,356,678	1,674	0.12
<b>Total</b>	<b>12,200,255</b>	<b>12,733,290</b>	<b>533,035</b>	<b>4.37</b>

### Forward look

In Q3 the remaining Central Government, Local Government and Further Education audits are due to be published as per the deadlines below:

Sector	Deadline
Central Government – NDPBs and similar	31/10/21
Local Government	30/11/21
Colleges	31/12/21

The Auditor General for Scotland and the Accounts Commission will review the dynamic work programme again in November/December 2021 and we will report the outcome of this review in the Q3 report. While they continue to talk about being ambitious and bold in our reporting, they are also being flexible about timescales and open conversations about priorities and resources. PABV is operating at capacity and adding more products to the programme will have knock on effects elsewhere. We will continue to be flexible with our plans to respond to stakeholder needs.

As part of the wider development to the work programme we have started capturing learning in a range of ways to support continuous improvement.

During Q3 we are also focusing on impact and how best to assess this across a diverse range of products in the short, medium and longer term.

### Issues/risks

The main risk for this objective is our capacity to deliver the financial audit work and the dynamic work programme. We continue to monitor resources closely and review priorities so we can adjust plans as necessary.



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

Key Performance Questions	2019- 20				2020-21				2021-22			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Are we assured about the quality of our work?	G	G	G	G	A	A	A	R	A	A		
Are we improving the quality of our work?	G	G	G	G	A	A	A	R	A	A		

### Key messages

- ASG and Professional Support have put in place arrangements to mitigate the risks raised in the QPAS 2021 report on risks of material misstatement.
- An AQA review of Annual Audit Plans (AAPs) noted that:
  - 29 of the 30 IJBs AAPs reviewed clearly described what the auditor was planning to do to meet their Best Value responsibilities.
  - Only seven of the 19 non IJB other local government bodies reviewed included a clear reference to the planned work on best value in their AAPs.
- We developed a hot review covering 9 ASG financial audits, and a thematic review of our GLiQ data analytics tool. We also issued a Quality Bulletin (in mid-August) to ASG staff summarising key findings from the hot reviews.
- Technical Guidance during Q2 included:
  - A report to the 27/07/21 Audit Quality Committee with updates on actions in response to quality review work. This highlighted that good progress has been made on updating records management guidance and the review and approval log used in performance audits to ensure it now captures key points arising from each stage of review on the audit.
  - Guidance notes on: risks of misstatements in the 2020/21 annual accounts of colleges, Independent Auditor's Reports for colleges for 2020/21, technical developments and emerging risks in the quarter.
  - 20 technical briefing notes.
- We responded to 234 technical enquiries and published three frequently asked questions publications.
- We attended three meetings of the Audit Approach Project Board and held briefing sessions with all super teams and with super team champions on the implementation of the new Audit Planning Tool.
- Updated cluster teams on recent quality developments and the new guidance.
- We met with other PAF agencies to share good practise and discuss progress in the development of audit approaches to reflect the revised ISA 315.

**Forward look:**

- Due to delays from HM Treasury, we deferred publication of a Technical Guidance Note on Whole of Government Accounts
  - We are continuing to develop the new ASG audit approach for roll out to 2021/22 audits.
  - An internal audit on the impact of Covid-19 on audit quality and delivery taking place in October/November.
  - We are developing training packs on an enhanced approach to risk assessment and audit planning and the new Audit Planning Tool for delivery across all ASG starting early November.
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## We get our messages out effectively

Key Performance Questions	2019- 20				2020-21				2021-22			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Are we getting messages out effectively?	G	G	G	G	G	G	G	G	G	G		

### Key messages

- The Scottish Parliament was in recess during July and August.
- We continue to get our messages out effectively. Media mentions (137) were up on the same period last year (125), Social media engagements (4,215) were up on Q2 last year (3,822) but downloads (112,061) were down from (210,057). The decrease in downloads is in part due to a change in, September 2020, to the download capture software. The change makes the data gathering more manageable, less time-consuming and is focussed on capturing the most important data. It is also the case that people are less likely to download large documents, preferring to view shorter summaries on-line. Our approach to using a diverse range of shorter outputs reflects this.

### Engagement: In Q2 we attended/delivered:

- 8 Parliamentary Committees (less than normal due to the election period).
- 11 external working group meetings - including CIPFA/LASAAC Board for the Local Authority Accounting Code and NHS Technical Accounting Group.
- One external presentation on our work on counter-fraud.
- We responded to 12 consultations.

### Parliamentary engagement

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
July	0	0	0	0	0
August	1	1	0	0	0
September	6	20	2	8	36
Quarter total	7	21	2	8	<b>38</b>

**Communications**

	Q1	Q2	Q3	Q4	YTD	20/21
Media	196	137			333	678
Downloads	161,730	112,061			273,791	818,874
Engagements*	6,590	4,215			10,805	18,963

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

**Media in Q2:**

The top three published reports by media coverage were, the children and young person mental health services blog, the sustainable alternatives to custody briefing and the Covid-19 financial implications tracker.

Short blogs and briefings are having a significant impact in the media. Blogs on the 10-year anniversary of the Christie report and mental health services for children and young people had a broad impact beyond the pages of the mainstream media. All briefings were well covered in the media, particularly the sustainable alternatives to custody briefing, which had very strong messages about the challenges facing Scotland's justice system. The briefing on tracking the implications of Covid-19 on Scotland's public finances, included broadcast interviews with BBC Radio Scotland, commercial radio stations and a blog on the BBC Scotland website by economy editor Douglas Fraser.

**Downloads in Q2:**

There were lower numbers of downloads for our reports this quarter. The key downloads during Q2 all recorded relatively lower number of downloads (450-700 each month). The highest downloads were, education outcomes, children and young people's mental health and community empowerment, and community justice

**Social media activity in Q2:**

Q2 was notable for the exceptional performance of a tweet linking to the Auditor General's September blog on the 10-year anniversary of the Christie report. The post was engaged with more than 1,000 times on twitter, with former politicians, members of the public and prominent public and third sector leaders commenting – and praising – the blog's messages. It is the most popular post from Audit Scotland/the Auditor General in the last four years. A tweet about the mental health blog was also very well received, with over 250 engagements.

**Consultations in Q2:**

We responded to 12 consultations including consultations from: UK Department for Business, Energy & Industrial, Ethical Standards Commissioner for Scotland, Public Sector Audit Appointments, Finance and Public Administration Committee, DWP, Local Government,

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Housing & Planning Committee, Ethical Standards Commissioner for Scotland, Scottish Government, Constitution, Europe, External Affairs and Culture Committee, Equalities, Human Rights and Civil Justice Committee.

### Correspondence

New correspondence cases	Q1	Q2	Q3	Q4	YTD	19/20
Number of cases	34	35				119
Acknowledgement within five working days	100%	94%				98%
Final response within 30 working days	100%	91%				96%

### FOI/EIR/Complaints:

- In Q2 there were 10 FOI requests, no EIRs and all were responded to on time.
  - There were no complaints responded to in Q2.
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### Forward look:

- To support the new dynamic work programme, we will consult on how best to collect feedback from external stakeholders as part of ongoing conversations.
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## We systematically deliver impact through our work

Key Performance Questions	2019- 20				2020-21				2021-22			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Is our work delivering impact?	G	G	G	G	G	G	G	G	G	G		
Are our recommendations leading to improvements?	G	G	G	G	G	G	G	G	G	G		
Are we offering insight and foresight and making information and intelligence available to others?	G	G	G	G	G	G	G	G	G	G		

### Examples of where work has made a positive impact and/or positive feedback received in Q2 include:

#### [Community justice: Sustainable alternatives to custody briefing paper, published 15 July](#)

- The Scottish Government launched a consultation on the national community justice strategy at the end of September. The consultation document referenced the briefing paper and listed the things we suggested the Scottish Government should be considering. It noted that these issues would be considered as part of the review. News coverage at the time of publication included The Times, The Scotsman, The National, Holyrood, the BBC and STV. The Scottish Parliament's Public Audit Committee are bringing the Scottish Government in for an evidence session on the briefing later in October.

#### [Covid 19: Tracking the impact of Covid-19 on Scotland's public finances, published 15 September](#)

- The briefing was covered extensively on the day of publication, with reports by The Courier, The National, Scottish Daily Mail, Press & Journal, The Herald, The Metro, The Scotsman, and The Times and the AGS being interviewed by BBC Radio Scotland. The key messages on the AGS' warning about the prospect for difficult spending decisions in the future and the need for transparency around Covid-19 spending came through.
- The Scottish Government, Scottish Liberal Democrats, Labour, and the Scottish Conservatives all issued statements on the briefing.
- The briefing prompted two questions about transparency around Covid-19 spending from Liz Smith (Con) and Dean Lockhart (Con) in parliament, and it was mentioned by the First Minister during FMQs on 16 September.

#### [Public Services and Scotland's Voluntary Sector during Covid-19, blog published 25 June](#)

- The blog was well engaged with on social media, particularly Twitter. A number of third sector stakeholders engaged with the post, including: The Scottish Council for Voluntary Organisations; Association of Chief Officers of Scottish Voluntary Organisations; Corra Foundation; and

Inspiring Scotland. As well as number of senior individuals in the sector including Anna Fowlie, CEO of SCVO and Martin Crewe, Director of Barnardo's Scotland.

#### [Covid-19: Personal protective equipment briefing paper, published 17 June](#)

- Since the briefing paper published the AGS has published a section 22 on NHS NSS, the two reports will be considered by the PAC on the 4 November 2021.
- On the day of publication, the briefing paper was covered on the front page of the Herald and in a number of other publications including BBC, Daily Mail, Express, Evening Express, Metro, Sun, Scotsman and Times. The key messages were clearly reported in most of the coverage.
- The AGS appeared on Good Morning Scotland, the BBC Scotland's FMQ show, STV and Reporting Scotland. The Audit Manager pre-recorded clips were on two local stations.
- The Labour leader raised the briefing at FMQ and we received good engagement on twitter from organisations such as the BMJ.

#### [CAMHS blog, published 31 August](#)

- On the day of publication, the blog was covered by the Times, the Herald, the Scotsman, the Daily Record, the Daily Express and the Sun and a number of local newspapers. The key messages were clear in the coverage. The team also participated in some local radio interviews.
- The Times requested responses to additional questions and wrote a [longer feature](#) the day after publication.
- The Public Audit Committee held a roundtable discussion on 7th October off the back of the blog about Children and Young People's Mental Health.

#### [Christie 10 years on blog, published 7 September](#)

- The blog was covered by The Herald, Scotsman, Press and Journal, Daily Express, The Courier, Edinburgh Evening News, The National and The Times, amongst others.
  - Douglas Fraser used the blog as a springboard to write a complementary Christie blog on the BBC website.
  - Radio Scotland reported on the blog as part of their news coverage.
  - There were very high levels of engagement with the blog on social media, particularly twitter. Public sector leaders, workers, academics and others engaged with the post. It was retweeted 64 times and liked 88 times. It is the most successful individual post on twitter in recent years.
  - Lib Dem leader Alex Cole-Hamilton issued a statement on the day of the blog's publication.
  - The blog was raised twice - by Conservatives Liz Smith MSP and Donald Cameron MSP - in the Scottish Parliament as part of the debate on the programme for government.
  - The AGS will be attending the Scottish Parliament's Finance and Public Administration Committee to discuss this.
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## Best Value

### [Aberdeen City BVAR, published 24 June](#)

- The council considered and accepted the BVAR recommendations, alongside an action plan, at its meeting on August 23<sup>rd</sup>. The council issued a press release to publicise this decision. Due to Aberdeen City Council doing their accounts to an accelerated timetable, the wider scope aspect of the AAR draws heavily upon the BVAR.

*Note: initials of audited bodies below to be removed in the public version of the report*

### **Central government**

(SF) Our 2019/20 annual audit report highlighted that the client's grant system did not have the functionality to provide a detailed listing of all grants accrued, leading to a risk of inaccurate information. During 2020/21, following our recommendation, management worked with the supplier to make improvements to the system's reporting and a detailed listing of grants is now available. This improvement in reporting has resulted in improved estimation of the year-end grant accrual.

### **Health**

(NSS) Our review of the arrangements in place for procurement of PPE identified that the body was acting as principal and not agents, this led to an additional expenditure of over £300m (2020/21) in its books that would have otherwise been accounted for by the SG.

(NHSFV) We provided training to members of the Audit and Risk Committee (ARC) on their role with a focus on scrutinising the accounts. The Chair of the ARC used the slides to prepare a checklist for use by ARC and Board members. At the ARC on 16 September, we observed an increase in the level of questions directed to officers on the draft accounts. Furthermore, at the Board meeting on 30 September, the chair of the ARC suggested the checklist should be used by all ARC's.

### **Local Government**

(SLIJB) In previous years we had reported that the Annual Performance Report could be improved through use of infographics and by streamlining the narrative included in the report. The Annual Performance Report for 2020/21 shows significant improvement with a clear focus on providing the necessary information required and in a more reader friendly format.

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

Key Performance Questions	2019- 20				2020-21				2021-22			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Are new processes, products and services being developed?	G	G	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	G	G		

### Key messages:

We continue to develop the range of audit products we're producing, which now includes blogs, briefings and events alongside more traditional products such as performance audits, Best Value Assurance Reports and statutory reports. Our product development centres on the audience we are trying to reach and the impact we want to have.

During Q2 we added nine new products to the programme: four blogs, two impact events and one other report. For the other two new products we will decide how best to report once we have had further conversations about audience and impact.

We made steady progress on our Strategic Improvement Programme (SIP) in Q2. This is the subject of a separate report on today's agenda for the Board.

### Q2 highlights include:

- Child and Adolescent Mental Health Services (Audit Scotland blog)
- Improving outcomes for young people through school education (Impact events x 2)
- Christie 10 years on (AGS and AC blogs)
- Digital exclusion (AC blog)
- Financial analysis of IJBs (AC report)
- Social security (AGS product)
- Child poverty (Joint)
- Drugs and alcohol (Joint).

### **Forward look**

The key areas of focus in the SIP currently include:

- The New Audit Appointments procurement process.
- Planning for a refresh of Public Audit in Scotland, the Partnership Framework and the new Corporate Plan

To support continuous improvement of our products we have started capturing learning in a range of ways and we will use this identify improvement actions for our newer products. This is happening alongside our routine project review process for more traditional products.

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## We manage our resources effectively and maximise efficiency

Key Performance Questions	2019- 20				2020-21				2021-22			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Are we managing our resources effectively	A	A	A	A	R	R	R	R	A	A		
Are we maximising efficiency?	A	A	A	A	R	R	R	R	A	A		

### Key messages

In the six months to 30 September 2021 Audit Scotland's Net Operating Expenditure was £3,701k which was £8k (0.2%) less than budget.

### Resource management

In the six months to 30 September 2021 Audit Scotland's Net Operating Expenditure was £3,701k which was £8k (0.2%) less than budget.

	Q1	Q2	Q3	Q4	20/21
Actual	(2,064)	(3,701)			12,429
Budget	(2,006)	(3,709)			13,215
Variance K	(58)	8			786

**Staff** - The average number of staff in the quarter was 96.6 per cent of establishment. However, the number in post by the end of the quarter is 98.9 per cent of establishment. New post will continue to phase in during the year.

	Q1	Q2	Q3	Q4	20/21
2020/21 establishment w.t.e	321.8	321.8			290.2
Average no. of staff employed in 2021/22 w.t.e:	301.1	310.9			290.7
No. of staff at end of quarter w.t.e:	312	318.2			294.3

**Staff and Agency costs** – The total staff costs in the six months to 30 September 2021 were £88k (0.9%) less than budget.

	Annual Budget £000	Actual YTD	Budget YTD	Variance	Actual Average WTE	Budget WTE
Total Staff costs 2021-22	20,272	9,499	9,625	126	310.9	312.3

Total agency & secondments 2021-22	75	92	54	(38)		
Q2 Staff costs 2020-21	18,016	8,754	8,737	(17)	301.1	302.4
Q2 agency & secondments 2020-21	75	178	38	(140)		

**Legal, professional and consultancy:**

	Q1	Q2	Q3	Q4
Actual	88	179		
Budget	110	192		
Prior year spend	81	206	382	768

**Estate:**

	Q1	Q2	Q3	Q4
Actual	194	403		
Budget	216	430		
Prior year spend	215	425	634	1,117

**Costs of travel:** The underspend is attributable to mileage credits on return of vehicles to the lessor and members of the scheme leaving/retiring from Audit Scotland with there being no further obligation in respect of the lease car.

	Q1	Q2	Q3	Q4
Actual	75	149		
Budget	93	186		
Prior year spend	87	170	258	355

**Capital Expenditure:**

The capital budget for 2022/23 increased from £150k to £250k with our capital programme focusing on office re-configuration to provide a Covid secure environment and new IT hardware and software. The total capital expenditure year to date is £153k with IT hardware purchases of £102k (laptops and other IT equipment) and £51k of IT software purchases (business management system).

**Digital Services:** Downtime was due to issues with the Citrix servers on six different occasions.

IT Network	Q1	Q2	Q3	Q4	20/21
IT uptime (%)	99.69	99.74			99.66
Working hours lost	875	733			0.34
Average time lost per person	2.42	2.03			2.63

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

- 91.35% of the requests were accepted within the response time SLA.
- 91.0% of the requests were closed within the fix time SLA.
- An average of 2.4 incidents were logged per user.

Digital Services: Downtime was mostly due to a power cut in 102WP and an issue with a failed drive in the storage area network.

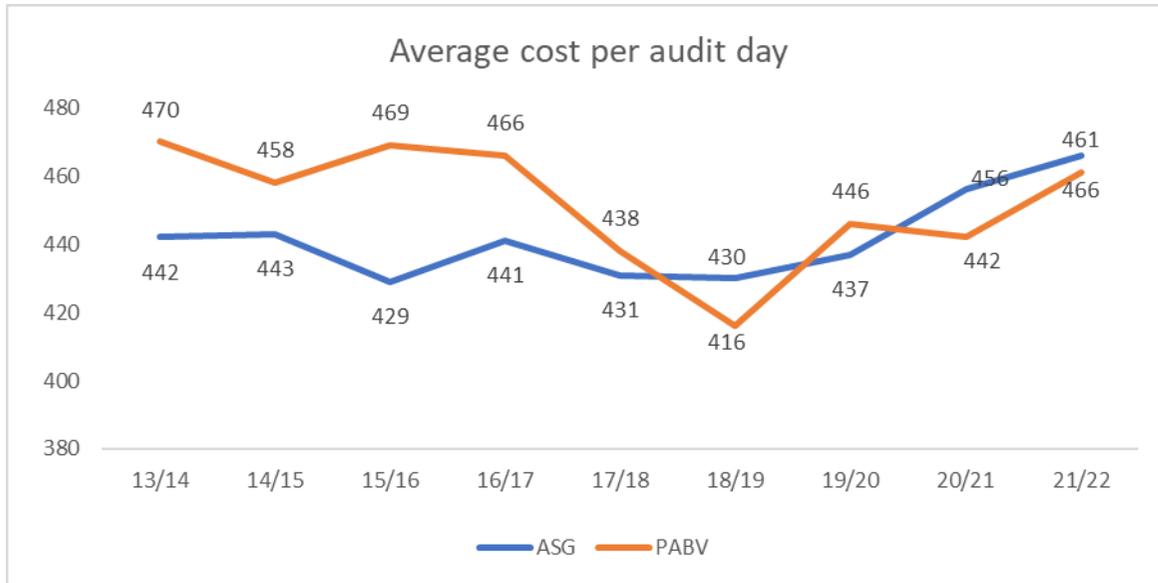
### **Business group audit and non-audit time**

Audit time is defined as any time charged through TRS/MKI to an approved audit (overviews, performance audit, BVARs, 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 and correspondence. Non audit time includes time off, corporate forums, improvement projects and learning and development.

During Q2 business group audit time was 65.5% similar to Q2 last year (65%).

	21/22 (%)				20/21 (%)			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
ASG	64	69			62	65	63	73
PABV	60	62			58	65	62	58

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

### Forward Look

- PRMG to review the underlying reasons for the direction of travel for average cost per audit day.



## We manage information and intelligence effectively (internal)

Key Performance Questions	2019- 20				2020-21				2021-22			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Are we managing information and intelligence effectively (Internal)	G	G	G	G	G	G	G	G	G	G		

### Key messages

During Q2:

- We continued to implement various aspects of the Digital Services Strategy, in particular maintaining cyber security and supporting business continuity.
- [Digital services strategy update](#) published 20/08/21 – this includes updates on supporting colleagues with remote working during the pandemic, enhanced cyber security measures and supporting transformation.
- Audit Committee considered the 6 monthly [digital security update](#) at its meeting on 1 September 2021.
- We continued to roll out of laptops – 99% of colleagues currently have an Audit Scotland laptop.
- We have replaced Citrix desktop boxes with docking stations and installed new technology in meeting rooms to support hybrid working.

### Forward look

- ISO27001 Audit – 28 and 29 October 2021.
- KITGG meeting 2 November (items include 2022 workplan, Q2 Digital Services Performance, Information Risk Register and ISMS risk treatment plan).
- Internal audit on FOI – Audit Committee 10 November.
- Business Management System phase 1 (Finance) parallel running – January 2022.


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

Key performance questions	2019- 20				2020-21				2021-22			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Are our people empowered and engaged?	G	G	G	G	G	G	G	G	G	G		
Are our people highly skilled?	G	G	G	G	G	G	G	G	G	G		
Are people performing well?	G	G	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	G	G		
Are career paths offered across the organisation?	G	G	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	G	G		

**Key messages:**

- During Q2 absence levels remain similar to the same quarter last year. We still have a number of long-term absence cases that the HR & OD team are managing carefully in conjunction with Directors and line managers.
- Learning and development has continued throughout Q2, although Q2 Technical learning has reduced significantly as Q1 included learning associated with ICAS Audit Quality results.
- Recruitment activity during Q3 and Q4 will significantly increase, as phase 2 of our Building Capacity is implemented.

**Highly skilled:**

- The process for training attendance data is being reviewed and updated and attendance recording now includes online completion of learning as well as formal virtual learning.

**Wellbeing:**

- We shared information on drug and alcohol awareness as part of Healthy Working Lives
- Incident management team and the HR & OD team continue to remind colleagues of our employee counselling service via Wellness International.

**Career Paths:**

- One successful CDG transition in Q2.

Vacancies filled	21/22 YTD	20/21
Internal	11	6
External	36	34
Total	47	40

Absence levels: remain low and are the same as Q2 last year.

	Q1 days	Q2 days	Q3 days	Q4 days	YTD days
Audit Scotland – 21/22	1.03	1.55			2.58
Audit Scotland – 20/21	1.3	1.56	1.66	1.3	5.81
Audit Scotland – 19/20	1.6	0.46	1.33	1.32	4.97
Audit Scotland - 18/19	1.28	0.76	1.41	1.4	4.85

Staff turnover: Resignations and leavers in Q1 are higher than the same quarter last year (0.35 and 0.71 respectively) but we are well below the CIPD benchmark.

	Q1	Q2	Q3	Q4	YTD	20/21 CIPD benchmark
Resignations %	1.24	1.5			2.74	2.94 n/a
All Leavers %	1.56	2.69			4.25	4.9 16%

**Exam results:** The small number of exams taken means a small change has a significant impact on the percentage. However, it is noted that there appears to be a downward trend in exam success. This is being examined to understand the reasons and contributory factors.

	Q1	Q2	Q3	Q4	YTD	20/21
Exams taken	37	12			49	163
Exams passed	24	7			31	145
% pass rate	65	58			63	89

**Highly skilled:** Year to date the number of events (74) events is great than last year (50) and the number of attendees (1013) is also greater than last year (931).

	Q1		Q2		Q3		Q4		YTD		20/21	
	Events	Attendees										
Health, Safety and Wellbeing	1	8	1	1					2	9	4	30
Knowledge Cafes	0	0	0	0					0	0	1	25
Learning & Development	2	24	2	21					4	45	15	459
Management Development	4	30	3	14					7	44	18	109
Organisational Development	20	300	8	78					28	378	24	135
Technical Training	17	466	16	71					33	537	28	629
Total	42	828	30	185					74	1013	90	1387

**Other training included:**

- Three insight sessions on the impact of new style audit outputs (e.g., Blogs and Briefings).
- Introductions to - Public Audit Committee (PAC), the AMF and Audit Methodologies.
- How to scope a performance audit and record evidence and judgements.
- Understanding the quality arrangements and our individual responsibilities.
- Certifying housing benefit subsidy claims for 2020/21.

**Forward look**

- Recruitment activity during Q3 and Q4 will significantly increase, as phase 2 of our Building Capacity has resulted in approval to increase our staffing establishment.
- The HR & OD team are also working with finance to build the new Business Management System which will launch in early 2022.
- The new L&D plan for 2021/22 was launched on 15 of October 2021

**Issues/ risks**

- There is a risk that the increase in the number of Covid cases will impact on absence levels during Q3.
-