

Agenda

10.00 Tuesday 23 January 2024
Audit Scotland, via Teams



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

Standing items

- | | |
|---|-----------------|
| 5. Chair's report – verbal update | For information |
| 6. Accountable Officer's report – verbal update | For information |
| 7. Accounts Commission Chair's report – verbal update | For information |
| 8. Review of draft minutes: <ul style="list-style-type: none">• Board meeting: 21 November 2023 | For approval |
| 9. Review of action tracker | For assurance |

Strategic Priorities

- | | |
|---|---------------|
| 10. Strategic Improvement Programme: Update | For assurance |
|---|---------------|

Items to be taken in private

- | | |
|--|----------------|
| 11. Audit Modernisation Project – update [Item to be taken in private to support the effective conduct of business and commercial sensitivity] | For assurance |
| 12. 2024/25 Budget proposal - SCPA Report – Verbal Update [Item to be taken in private to support the effective conduct of business and commercial sensitivity] | For discussion |
| 13. Confidential item – Executive Team recruitment [Item to be taken in private to support the effective conduct of business and commercial sensitivity] | For approval |

Conclusion

14. Any other business

For discussion

15. Review of meeting

For discussion

16. Date of next meeting: 27 March 2024

For information

Minutes Board



Tuesday 21 November 2023, 10.00am
Audit Scotland, 102 West Port and Microsoft Teams

Present:

Alan Alexander (Chair)
Colin Crosby
Stephen Boyle
Jackie Mann

Apologies:

Ronnie Hinds, interim Chair, Accounts Commission

In attendance:

Vicki Bibby, Chief Operating Officer
Martin Walker, Director of Corporate Support
John Cornett, Executive Director of Audit Services
Kenny Oliver, Executive Director of Innovation and Quality
Antony Clark, Executive Director of Performance Audit and Best Value
Helena Gray, Controller of Audit
Ian Metcalfe, Corporate Performance Officer (items 10 and 15)
Stuart Dennis, Corporate Finance Manager (items 11, 13 and 19)
Gemma Diamond, Director of Innovation and Transformation (item 15)
Rebecca Seidel, Senior Manager, Performance Audit and Best Value (item 15)
Elaine Boyd, Director of Audit Quality and Appointments (item 16 and 17)
Owen Smith, Senior Manager, Audit Quality and Appointments (item 16)
John Gilchrist, Manager, Audit Quality and Appointments (items 13 and 21)
Miranda Nicoll, Executive Assistant Team Leader, Corporate Services (minutes)
Dr Kate Chamberlain, Chair, Audit Wales (observer)
Adrian Crompton, Auditor General, Audit Wales (observer)

1. Private meeting of Board members

The Board met privately and there were no matters arising.

2. Welcome and apologies

Vicki Bibby, Chief Operating Officer, and Martin Walker, Director of Corporate Support, John Cornett, Executive Director of Audit Services, Kenny Oliver, Executive Director of Innovation, Quality and Antony Clark, Executive Director of Performance Audit and Best Value and Helena Gray, Controller of Audit joined the meeting.

The Chair welcomed attendees to the meeting, particularly Kate Chamberlain and Adrian Crompton, Audit Wales as observers and introductions were made.

Apologies were noted from Ronnie Hinds, interim Chair, Accounts Commission.

The meeting was quorate in the absence of the Chair of the Accounts Commission as provided for by paragraph 20 of the Standing Orders and the relevant conditions having been met.

3. Declarations of interest

The following declarations of interest were noted:

Colin Crosby in relation to item 18 knows Lord Hardie.

4. Items to be taken in private

The Chair invited members to agree that items 13 to 19 of the agenda be considered in private for the reasons stated on the agenda. The members agreed.

5. Chair's report – verbal update

The Chair advised of regular meetings with Stephen Boyle, Auditor General for Scotland and Accountable Officer and Vicki Bibby, Chief Operating Officer and Ronnie Hinds, interim Chair of the Accounts Commission

In relation to internal engagement, the Chair invited members to note that he spoke at and attended the Annual Audit Planning Conference, attended Kenny Oliver's keynote session and will attend Helena Gray's forthcoming keynote session.

The Chair advised of further useful internal discussions with colleagues regarding Board items of business: audit delivery and performance targets and budget proposals. Thanks were given to colleagues for their work on the budget this year to present to the Scottish Commission for Public Audit (SCPA) on 11 December 2023.

In relation to Accounts Commission engagement, the Chair advised of introductory meetings with Allan Campbell, Secretary to the Accounts Commission, and the four new Accounts Commission members: Angela Leitch, Carol Evans, Mike Neilson and Derek Yule.

In addition, the Chair advised of his attendance at the Audit Committee and Remuneration Committee meetings on 14 November 2023, the former as an observer.

In relation to Parliamentary engagement, the Chair invited members to note an informal meeting with Rt Hon Ken McIntosh (former Presiding Officer), who has been appointed to review performance of parliamentary appointees. Mr McIntosh has also undertaken appraisal interview with the Chair.

In relation to external engagement, the Chair advised of a dinner meeting last night with Kate Chamberlain, Audit Wales Chair and Adrian Crompton, Audit Wales Auditor General.

In terms of forthcoming activities, the Chair advised members of the SCPA session to present the Audit Scotland budget on 11 December 2023.

Following discussion, the Board welcomed the update.

6. Accountable Officer's report – verbal update

Stephen Boyle invited the Board to note his regular engagement with the Chair and the interim Chair of the Accounts Commission.

Stephen advised members of his introductory meetings with three of the four new Accounts Commission members.

In relation to external engagement, Stephen invited the Board to note meeting with the Chair and Audit Wales colleagues yesterday and his regular engagement meeting with Adrian Crompton a couple of weeks ago.

In relation to Parliamentary engagement, Stephen advised the Board of his attendance at Scottish Parliament's Reception for HM Fire Service Inspectorate in Scotland's (HMFSI) 75th anniversary event.

Stephen invited members to note his attendance at the Scottish Leaders' Forum (SLF) at COSLA offices in Edinburgh where the focus was on the fiscal challenges Scotland is facing and the need for public service reform.

Stephen advised members of his introductory meeting with Chris Stark, Chief Executive, Climate Change Committee who was complimentary on our approach to auditing climate change.

Further external engagement included a meeting with Professor Graeme Roy, Scottish Fiscal Commission and his regular meeting with Jim Roberston, Chair of SGAAC (Scottish Government Audit and Assurance Committee).

Internally, Stephen invited Board members to note the successful Annual Audit Planning Conference event, the first in person event in 4 years. Thanks were given to Kenny Oliver, Paul O'Brien and colleagues for the delivery of a successful event.

Stephen also advised members of his attendance at Kenny Oliver's and Antony Clark's recent keynote events.

Stephen invited members to note recent publications including the Investing in Scotland's infrastructure briefing, the Scottish Government's workforce challenges briefing and the section 22 report on the Scottish Government Consolidated Accounts.

Following discussion, the Board welcomed the update.

7. Accounts Commission Chair's report – verbal update

Apologies were noted from Ronnie Hinds.

8. Review of minutes

Board meeting: 26 September 2023

The Board noted the minutes of the Board meeting of 26 September 2023, copies of which had been previously circulated.

The Board noted the minutes were an accurate record of the meeting, subject to minor amendments.

Audit Committee meeting: 5 September 2023

The Board noted the minutes of the Audit Committee meeting of 5 September 2023, copies of which had been previously circulated.

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

Remuneration and Human Resources Committee meeting: 29 August 2023

The Board noted the minutes of the Remuneration and Human Resources Committee meeting of 29 August 2023, copies of which had been previously circulated.

The Board noted the minutes were an accurate record of the meeting, subject to a minor amendment which has since been updated on the file copy.

9. Review of action tracker

The Board noted and approved the updated action tracker.

10. Q2 Corporate Performance Report

Ian Metcalfe, Corporate Performance Officer joined the meeting.

Martin Walker and Ian Metcalfe introduced the Q2 Corporate performance report, copies of which had been previously circulated.

The Board was invited to:

- Review the performance in Q2 as set out below and in appendix 1.
- Consider the issues affecting performance, the actions identified and whether any additional management action is required.

During discussion, the Board noted the financial audit outstanding from 2021/22 was being considered by the relevant committee later this week and Martin highlighted the additional analysis included at paragraphs 9 and 10 relating to audit delays.

During discussion, Martin advised that the Q3 Corporate Performance Report would include more indicators in the dashboard and confirmed the missing figure at slide 27 for the average L&D days per colleague was 0.23 days, reflective of the main focus for staff being audit delivery during Q2.

In relation to audit delays (paragraph 9), the Board noted the various approaches to take are: a strategic approach in improving engagement across sectors (with chief accountants, Directors of Finance etc) with firms present for setting expectations; local engagement leads setting expectations and clarity on those expectations: the content of work and importance of timelines. Work is progressing on this in collaboration from colleagues in I&Q.

In relation to recruitment and selection campaigns, the Board noted challenges for recruiting staff in Audit Services and I&Q and that work is underway with HR to explore new and creative avenues for recruitment.

Following discussion, the Board reviewed the performance in Q2 and were assured by the actions identified around the issues affecting performance.

Ian Metcalfe left the meeting.

11. Q2 Financial performance report

Stuart Dennis, Corporate Finance Manager joined the meeting.

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

The Board was invited to note the financial results for the six months to 30 September 2023, as reviewed by the Audit Committee on 14 November 2023.

Following discussion, the Board noted the financial results for the six months to 30 September 2023.

Stuart Dennis left the meeting.

12. Board and committee meetings 2024

Martin Walker introduced Board and committee meetings 2024, copies of which had been previously circulated.

The Board was invited to:

- Note the report
- Consider the options outlined below
- Decide on the venues for the 2024 meetings of the Board/ its committees.

During discussion, members noted 24 September 2024 is the Chair's last Board meeting and will be held in Edinburgh and suggested consideration for the May meeting to be held in Glasgow rather than March.

Following discussion, the Board noted the content of the report, agreed in principle to hold the May Board meeting in Glasgow and consider options for other locations in 2024/25.

Action ASB223: *The Board agreed in principle to hold 21 May 2024 Board meeting in Glasgow, subject to works being completed and build in time after the Board meeting for staff to join and meet with Board members. (21 May 2024)*

Action ASB224: *The Board agreed to review further options to visit other Audit Scotland office locations in 2024/25, in due course. (November 2024)*

Items taken in private

13. SCPA Budget proposal 2024/25

Stuart Dennis, Corporate Finance Manager joined the meeting.

Stuart Dennis introduced SCPA Budget proposal 2024/25, copies of which had been previously circulated.

The Board was invited to:

- discuss, review and provide comment on the draft 2024/25 Budget Proposal
- note the proposed 2023/24 audit fee increase by sector
- discuss the implications of a flat settlement and/ or options for savings should the SCPA not support the proposal
- agree the budget proposal is, subject to agreed amendments, submitted to the SCPA for scrutiny at its meeting on 11 December 2023.

During discussion, the Board was invited to note that colleagues had taken a rigorous approach to budgeting across the organisation, recognising current public finances, planning for the future and noting audit modernisation will likely require further investment.

Following discussion, the Board approved the submission of the budget to the SCPA.

Action ASB225: *The 2024/25 budget proposal to be submitted to the SCPA for scrutiny at its meeting on 11 December 2023. (December 2023)*

Stuart Dennis left the meeting.

14. Partnership Working Framework

Vicki Bibby introduced Partnership Working Framework, copies of which had been previously circulated.

The Board was invited to:

- Approve the Partnership Framework (attached at appendix 1); and
- Note the attached Partnership Working Framework has been approved by the Auditor General and the Accounts Commission.

During discussion, the Board noted the Auditor General and the Accounts Commission had approved the Partnership Working Framework.

Thanks were given to Vicki Bibby and Martin Walker for their work on the Partnership Working Framework.

Following discussion, the Board approved the Partnership Working Framework.

15. Environment, Sustainability and Biodiversity Annual Report 2022/23

Ian Metcalfe, Corporate Performance Officer, Gemma Diamond, Director of Innovation and Transformation and Rebecca Seidel, Senior Manager, Performance Audit and Best Value joined the meeting.

Gemma Diamond, Rebecca Seidel and Ian Metcalfe introduced Environment, Sustainability and Biodiversity Annual Report 2022/23, copies of which had been previously circulated.

The Board was invited to:

- Approve the Environment, Sustainability and Biodiversity Annual Report 2022/23, for publication on our external website on 29 November 2023.
- Approve the Green Future Strategy, for publication internally.

During discussion, the Board noted that the annual report is a statutory report required to be published annually and includes our approach to auditing climate change. The strategy is forward looking and brings together the organisational and audit approach to climate change. Work is ongoing to review organisational data, how we meet our targets and best practice in targeting offsetting.

In relation to measurement of commuting and working from home, the Board noted various white papers have been produced with methods for calculating this data and a project will be set up to collect this data from staff for future reporting.

During discussions, the Board noted that offsetting is not being introduced at present due to the changing landscape and has been put on hold until more research has been carried out in this area.

In relation to peer reviews, the Board noted that the Green Future Strategic Group has joined the Environmental Managers Forum with the aim for an external peer review process to be in place within the next two years.

Following discussion, the Board approved Environment, Sustainability and Biodiversity Annual Report 2022/23 for publication on our external website on 29 November 2023 and approved the Green Future Strategy for internal publication only.

Gemma Diamond, Rebecca Seidel and Ian Metcalfe left the meeting.

16. Audit Quality Interim report

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

Elaine Boyd and Owen Smith introduced Audit Quality Interim report, copies of which had been previously circulated.

The Board was invited to note:

- The good level of compliance of annual audit plans (AAPs) with the 2021 Code of Audit Practice.
- The results to date (1 November 2023) show that 2022/23 financial audit delivery performance of 50 per cent is expected to be at the same level as 2021/22 (51 per cent) once all 2022/23 audits are complete. Improvement is expected for 2023/24 though this area will remain a challenge for auditors for the rest of this five-year appointment cycle. It is recommended that auditors develop a timeline to return to the 95% delivery targets, this should be supported by explanations where there is a deviation from plans.

- Audit delivery performance rates are consistent with the prior year despite the additional challenges arising from the new audit appointments and new Code.
- That AQA recognise that the current delivery KPI needs revision and/or further supporting measures to demonstrate clearly whether the recovery plans put in place by auditors are on track.
- That AQA will work with audit providers to agree consistent additional audit delivery performance measures for all audit providers and that 2022/23 should be the baseline year for measuring yearly performance.
- The welcome creation of a single improvement plan to manage audit quality improvements in Audit Scotland. There is still a risk to the quality of ASG 2022/23 audits as some key improvement actions are not scheduled for completion until March 2024.
- The work done by AQA to monitor audit quality risks emerging from the wider audit profession and how they could impact upon the audit of the Scottish public sector.
- The positive feedback from auditors for ICAEW following an AQA survey of the 2021/22 ICAEW inspections.
- Comment on the report.

During discussion, the Board noted that this report was considered at the Audit Committee on 14 November 2023 and the Quality Improvement Action Plan (item 17) from I&Q provides a rolling quality improvement action plan to support continuous improvement.

Following discussion, the Board noted the report and were given assurance that progress is continuing in the right direction.

Owen Smith left the meeting.

17. Quality Update

Kenny Oliver and Elaine Boyd introduced Quality Update, copies of which had been previously circulated.

The Board was invited to note the information provided in this paper and to ask any questions of clarification.

During discussion, members noted that the report provides more information on recent quality monitoring activities and some wider context in the audit profession (paragraphs 11 – 15), highlighting the downward trend in improvement follow up from ICAS reports as a result of shared challenges in recruitment, technology and other factors.

Following discussion, the Board noted the Quality Update and were assured work is progressing in this area.

Elaine Boyd left the meeting.

18. Edinburgh Trams Inquiry

Martin Walker introduced a paper on the Edinburgh Trams Inquiry Report as it affects Audit Scotland, copies of which had been previously circulated.

The Board was invited to:

- Note the report.
- Note the next steps set out in paragraphs 28 to 31.

During discussion, members noted that although none of the 24 recommendations are directly related to public audit, it was important that Audit Scotland's approach to public audit fully considered the depth, timing and nature of each audit engagement. The Executive Director of PABV confirmed that Audit Scotland's approach captured these requirements and our Audit Management Framework had been refreshed on several occasions since the audits referred to in the Inquiry Report were undertaken.

Following discussion, the Board noted the report and next steps.

19. Edinburgh office development

Stuart Dennis, Corporate Finance Manager joined the meeting.

Stuart Dennis and Martin Walker introduced Edinburgh office development, copies of which had been previously circulated.

The Board was invited to:

- Consider and discuss the 'bronze, silver and gold' layout options and costs for the Edinburgh office development.
- Approve the recommendation to implement the 'bronze' option at a projected cost of £314k, excluding VAT

During discussion, members noted the benefits from the 'bronze' option, especially in relation to costings, disruption to office availability and recommended layout of the office space.

Following discussion, the Board approved the recommendation to implement the 'bronze' option for the Edinburgh office development.

Stuart Dennis left the meeting.

20. Any other business

There was no other business for discussion.

21. Review of meeting

The Chair invited members to comment on the papers and the conduct of the meeting.

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

The Chair thanked everyone for their contributions.

22. Date of next meeting: 23 January 2024

The members noted the next meeting of the Audit Scotland Board is scheduled for 23 January 2024.

Board actions

Tracker 2023

Item 9

| Ref | Forum | Agenda item no | Item title | Action description | Meeting date | Due date | Responsible | Assigned to | Complete/ongoing | Reported Yes/No | Progress notes |
|--------|-------|----------------|--|--|--------------|------------|------------------|------------------|------------------|-----------------|---|
| ASB203 | Board | 11 | Strategic Improvement Programme Review | additional indicative timelines and metrics detail for next report | 04/04/2023 | 01/09/2023 | Kenny Oliver | Gemma Diamond | Ongoing | | Noted for the next update report due to September Board meeting. Raised again at Sept 23 Board meeting To be included in paper for January Board meeting |
| ASB223 | Board | 12 | Board and committee meetings 2024 | principle to hold 21 May 2024 Board meeting in Glasgow, subject to works being completed and build in time after the board meeting for staff to join and meet with Board members | 21/11/2023 | 21/05/2024 | Nicola Constable | Nicola Constable | Ongoing | | 21/12/23: Keeping on radar for progress on office build. |
| ASB224 | Board | 12 | Board and committee meetings 2024 | The Board agreed to review further options to visit other Audit Scotland office locations in 2024/25 in due course. | 21/11/2023 | 26/11/2024 | Martin Walker | Martin Walker | Ongoing | | 21/12/23: Keeping on radar for new Chair's meeting in 2024. |
| ASB225 | Board | 13 | SCPA budget proposal 2024/25 report | The 2024/25 budget proposal to be submitted to the SCPA for scrutiny at its meeting on 11 December 2023. | 21/11/2023 | 11/12/2023 | Martin Walker | Martin Walker | Complete | | 11/12/23: Submitted and SCPA session held. Verbal update at January Board meeting. |

Strategic Improvement Programme: Update

Executive Director, Innovation & Quality

Item 10

Meeting date: 23 January 2024

Purpose

1. This report updates the Board on progress with the Strategic Improvement Programme (SIP), following the SIP Board meeting in December 2023.

Recommendations

2. The Board is invited to note the programme update provided in Appendix 1 and the progress made improving the overall project and programme management approach for the SIP.

Background

3. The purpose of the SIP is to provide a framework for transformational change projects to receive more capacity, scrutiny and direction to ensure that we deliver on our corporate plan strategic priorities and the outcomes in Public Audit in Scotland. The agreed criteria for SIP projects are as follows:
 - The actions and intended outcomes impact more than one business group.
 - The projects intend to deliver transformational change, not just business as usual.
 - Intended outcome will require a significant change in approach, skills, and resources.
 - Intended outcome is critical to the achievement of the corporate plan.
 - Activity can be framed as a project with appropriate measurement criteria.
 - Activity is a SIP board priority.

SIP programme update

4. At its December 2023 meeting, the SIP Board considered the programme update in Appendix one, noting the following:
 - Two projects are green (Insights and Resource and Management Information) and one is amber (Audit modernisation). The actions required for the Audit modernisation project are related to project resourcing (see slide five) and are being taken forward by the project team. A more detailed update for the Board on the Audit modernisation project is covered under agenda item 11.
 - The project manager recruitment for the Resource and management information project took longer than expected but the project is still assessed as green because this should not impact on the overall aim to deliver the project by summer 2024. The new PM is now in post and is working on a project initiation document (PID) for the March SIP

Board, which will set out a project plan with a defined end date. It has already been agreed we will purchase a new system rather than build one in house and research has already been undertaken on systems available that could meet our needs.

- There is interplay between the slippage in Insights milestones and the resource risk for Insights. It was confirmed that the team has mitigated against the resource risk by rephrasing the deliverables for the project so they are delivered consecutively rather than concurrently, prioritising the highest risk/urgency activities first, but that the overall project can still be delivered within the planned timescales (by July 2025).
5. At its SIP discussions in April and September the Audit Scotland Board noted it would like to see indicative timelines and metrics for SIP projects. Slide five of appendix one sets out target project end dates for each SIP project and the project-by-project slides set out recently completed and upcoming milestones. These inform the RAG status for each project. RAG status descriptions are included on slide 19. By March 2024 we will evolve these descriptions to incorporate an assessment of project spend against budget. As part of developing PIDs, each project is currently establishing project success criteria and this should also be completed by March 2024.

SIP project management framework

6. The SIP Board also considered progress developing the SIP project management framework, which included:
- Approving a PID template for use with SIP projects. This includes underpinning guidance and templates for project teams on communications and stakeholder engagement, change management, project planning and monitoring, project budgeting, risk management and lessons learned.
 - Noting that all three SIP projects will have PIDs in place by the March 2024 SIP Board meeting. This will allow for increased scrutiny by the SIP Board on the projects, including progress against milestones and spend against budget.
 - Noting the importance of the PID setting out a project budget that includes the cost of people's time. The team confirmed that resource planning and budget utilisation is a key area for development and that the project plan section of the PID sets out that teams need to analyse the resources required, both human and financial, and develop a project budget. All three SIP projects should have project budgets in place by March 2024.

Conclusion

7. The SIP Board continues to scrutinise SIP projects to ensure they have the capacity and direction required to deliver transformational change. There are currently no significant risks to SIP projects to draw to the attention of the Audit Scotland Board. The SIP programme management team continues to develop the project management framework for SIP projects to improve scrutiny. The next SIP Board meeting is in March and we will bring a further update to the Board in May.

SIP Board: Programme update

12 December 2023

| Page | Contents |
|-------|---|
| 3-5 | Defining transformational change SIP purpose and criteria SIP projects: status summary |
| 6-10 | Audit modernisation <ul style="list-style-type: none">• Goal and objectives• Status, progress and upcoming milestones• Project risks and resourcing |
| 11-14 | Insights <ul style="list-style-type: none">• Goal and objectives• Status, progress and upcoming milestones• Project risks and resourcing |
| 15-17 | Resource and performance information <ul style="list-style-type: none">• Goal and objectives• Status, progress and upcoming milestones• Project resourcing |
| 18 | Interdependencies between projects |
| 19 | Description of RAG statuses for SIP projects |

“Change that evolves our basic structure – our strategy, culture, structure or processes – and leads to a fundamental shift in how we operate.”



Why do it?

- To address major concerns, challenges or risks, or take advantage of major opportunities

What does it look like?

- Sudden and dramatic (like during the Covid-19 pandemic)
- Planned out over a longer period (like audit modernisation)

Purpose

To provide a framework for transformational change projects to receive more capacity, scrutiny and direction to ensure that we deliver on our corporate plan strategic priorities and the outcomes in Public Audit in Scotland.

Criteria for SIP projects

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

SIP projects: Status summary

| Project | Status | Target end date | Notes |
|-------------------------------------|--------|-----------------|---|
| Audit modernisation | Amber | October 2026 | <ul style="list-style-type: none">Progressing and additional management action required:<ul style="list-style-type: none">Agree timing for transfer of 2.0 FTE Band 2As from ASG to I&Q.Agree budget for PM in I&Q operational budget for 2024/25. |
| Insights | Green | July 2025 | <ul style="list-style-type: none">Some slippage to planned milestones but project plan and risk register have been updated to account for this and no further management action is required. |
| Resource and management information | Green | Summer 2024 | <ul style="list-style-type: none">On target with no additional management action required. |

Audit modernisation: Project goal and objectives

| Goal | Objectives |
|---|--|
| <p>Transformed audit approaches that are:</p> <ul style="list-style-type: none">• clearly defined, risk-based and data driven, to ensure compliance, quality and efficiency.• delivered through integrated auditing software and tools that automate and standardise processes.• delivered by confident teams and staff with the right skills in the right structure. | <ul style="list-style-type: none">• Refine and refresh our audit approaches so that they are risk-based, high quality, and can be delivered efficiently.• Deliver an interoperable suite of supporting software that enables efficient and automated processes, analysis and documentation where appropriate.• Develop sustainable and efficient ways of updating our audit approach, software and tools to ensure they remain fit for purpose and future proofed.• Develop and deliver a learning and support programme underpinned by change management principles to ensure that our staff are confident and are supported and empowered to deliver new ways of working.• Review the skills, capacity and grade mix required to deliver our new approach. |

Audit modernisation:

Status, progress and upcoming milestones

Project status: Amber – Progressing and additional management action required

Milestones delivered (September to November)

- Delivered planned audit approach improvement projects including updated guidance and programmes, as part of iterative improvement approach.
- Concluded ISA 315 post project implementation review and fed action plan and lessons learned into AMP.
- Continued market research with UK audit agencies and private sector audit firms, including a demo from the NAO on their new software and ongoing discussions about their audit methodology.

Upcoming milestones (December to March)

- Complete project initiation phase including establishing governance and resource arrangements (December 2023).
- Collect feedback from auditors on Asc to support improvements and inform AMP requirements building process (December 2023).
- Recruit to specialist PM on a short-term basis (December 2023)
- Recruit 2.0 FTE Band 2A colleagues on secondment into I&Q (January 2024).
- Use the Leadership Group's session on the Target Operating Model to help refine the scope for audit modernisation (January 2024).
- Collect feedback from auditors to support requirements building and create an audit approach development and implementation plan (March 2024)
- Complete market research and engagement activities (March 2024)
- Develop outline business case and procurement strategy (March 2024)
- Deliver ongoing developments to our audit approaches, as set out in the quality improvement action plan, including Group accounts audit, Audit sampling, Integrated performance audit framework (April 2024).

Audit modernisation:

Risk summary

| Summary of risk | Net score | Mitigation and further planned actions |
|--|-----------|---|
| <p>The programme does not have the skills or number of staff to deliver the project, leading to delays in aspects of the programme.</p> | 16 | <p>Two senior auditors to be recruited on secondment from ASG to I&Q to take forward key aspects of the programme in relation to financial audit approach.</p> <p>Discussions started to find longer-term solution to two secondments from PABV into I&Q due end early in 2024. These roles could play a significant role in audit modernisation.</p> <p>Recruitment for an interim PM role has taken longer than anticipated. PM in place early January.</p> |
| <p>Digital services do not have capacity to support and deliver what we require causing delays to implementation and go live of software.</p> | 16 | <p>Digital Services Management Team and data analytics team considering options that will meet future needs.</p> |
| <p>Existing Pentana software stops being supported or operating effectively, making it unusable and causing delays to audit delivery.</p> <p>Changing backup strategy to incremental backups means it will take longer to restore functionality in a disaster.</p> | 15 | <p>Digital Services aiming to invest in automated on premise and immutable cloud backups, which will mitigate the risk of Pentana data being destroyed in a ransomware attack.</p> <p>Audit modernisation project will replace current audit system, but extensions to timing of this exacerbates risk.</p> <p>Digital Services continuously monitoring and reducing the size of the archive database to ensure long term sustainability.</p> |

Audit modernisation:

Risk summary

We are developing the risk register for the audit modernisation project and are still to set out scores, controls and actions for the following risks:

- Failure to capture the right requirements at the start could lead to changes required during implementation, which could have cost and quality implications and impact on customer satisfaction.
- Failure to procure suitable software due to budget constraints, lack of suitable suppliers or challenges with our terms and conditions could impact on project timescales and budget.
- Failure to deliver the programme within the budget approved by the Board and SCPA could lead to cost and quality issues and would result in reputational damage.
- Failure to manage the contracts with suppliers effectively could lead to cost and quality issues.
- Failure to develop or procure software that is interoperable with other key systems, such as our Data analytics lab, resource management and time recording systems, leads to quality issues and impacts on customer satisfaction.
- The project does not keep pace with rapidly advancing technology including AI, meaning the final solution is not future-proofed.

Audit modernisation: Project resourcing

Internal project team in place:

- Senior Responsible Owner and Sponsor – Kenneth Oliver
- Strategic lead – Gemma Diamond
- Project lead – Morag Campsie
- Project manager (interim) – Phil Heywood
- Financial Audit and Performance Audit Approach Senior Managers – Sobhan Afzal and Gill Miller
- Senior Data Analyst - Graeme West
- Digital Service Manager - David McGurk
- Head of Quality - Jonny Steen
- Publications Coordinator - Gillian Allan

External costs:

- Budget agreed in 2023/24 (£30k from I&Q operational budget) and to be confirmed for 2024/25 (in I&Q operational budget) to support cost of external project manager.
- Future costs of new system / software to be determined through options appraisal at appropriate time.

| Goal | Objectives |
|--|--|
| <p>Deliver coordinated intelligence from impact monitoring and evaluation, stakeholder engagement and horizon scanning to:</p> <ul style="list-style-type: none">• support us to respond with agility to what's coming in the future• improve the information we have for decision making• support continuous improvement and innovation in our audit approach• help us promote the value of public audit | <ul style="list-style-type: none">• Design and implement a holistic approach to impact monitoring, evaluation and reporting, covering all our audit work as well as stakeholder perceptions and awareness of public audit.• Develop and implement a holistic approach to stakeholder engagement, incorporating the full spectrum of: understanding views and concerns, informing about what we do, consulting on plans and involving stakeholders in design and evaluation.• Develop a collective understanding of what we mean by horizon scanning and the value it adds, and review and improve our existing infrastructure for risks and issues monitoring and intelligence sharing. |

Project status: Green – Some slippage to planned milestones but project plan has been updated to account for this, project can still be delivered within overall planned timescales, and no further management action is required.

Milestones delivered (September to December)

- Delivered [second six-monthly impact report to AGS and Accounts Commission](#) (October/November).
- Launched impact monitoring and evaluation pilot in ASG, with five impact workshops delivered and a further three planned before the end of January (October).
- Finalised and issued guidance for performance audit teams on following up on recommendations (December).

Upcoming milestones (December to March)

- Pilot new post-audit review stakeholder feedback mechanisms in PABV (Planned for August 2023, delayed to January 2024 due to resource constraints.)
- Develop project performance monitoring (Planned for October 2023, delayed to December 2023 due to resource constraints).
- Commission annual public opinion survey (January 2024)
- Deliver six-monthly impact report to Public Audit Committee (February 2024 TBC – dependent on clerking team)
- Complete impact monitoring and evaluation pilot in ASG and deliver pilot findings report, including proposals for full roll out of new approach, to ASG MT (March 2024).
- Deliver a workshop to PABV and I&Q colleagues on applying the three horizons model in practice (March 2024)

Insights:

Risk summary

| Summary of risk and impact | Net score | Mitigation and further planned actions |
|--|-----------|--|
| <p>Failure to secure adequate resource to deliver the objectives of the project.</p> <p>Delaying the impact and stakeholder engagement strands may lead to reputational risk to Audit Scotland if we are not seen to be listening to stakeholders or being accountable for public audit outcomes.</p> <p>Delaying the horizon scanning strand will mean we may miss opportunities to be more efficient and effective in how we share intelligence across the organisation.</p> | 15 | <p>We have accepted this risk and put measures in place to reduce the impact of it. We have prioritised the resources we have on the impact and stakeholder engagement strands of the project because there is more of a reputational risk attached to these strands.</p> <p>We have paused some less urgent activity around stakeholder engagement and horizon scanning including: Horizon scanning strand scoping; Strategic stakeholder engagement grid; Formal intelligence sharing.</p> |
| <p>Failure to develop new impact monitoring, evaluation and reporting methodology that is accepted by the audit delivery business groups and can be adequately resourced.</p> <p>We do not adequately measure our impact, including our contribution to public audit outcomes, leading to reputational risk to Audit Scotland, the AGS and the Accounts Commission.</p> | 12 | <p>We are taking preventative measures through a consultative approach to developing tailored impact MER approaches for PABV and ASG. This includes engaging with business group management teams to consider resource implications through piloting data collection methods and planning full implementation of new approaches.</p> |

Internal project team in place:

- Project sponsor - Kenneth Oliver
- Project lead - Gemma Diamond
- Project manager - Michelle Borland
- Communications team representative - Simon Ebbett
- Data analyst and project logistics - Lynn Conway
- Business group representatives - Gillian Simpson, Amanda Kindness

External costs:

- We anticipate that the wider evaluation of our impact against public audit outcomes will require some external support from research specialists. The cost of this will be in the range of £30k and this will be split over the 2024/25 and 2025/26 financial years. We flagged this potential ask for 2024/25 through the operational planning process and it was agreed it would be considered as part of the centralised approach to managing consultancy spending.

Resource and management information:

Project goal and objectives

| Goal | Objectives |
|--|--|
| <p>To renew the systems that we use for resourcing and reporting on all key aspects in the delivery of our work, specifically the outward facing audit work that we undertake with public sector audit bodies across Scotland.</p> | <ul style="list-style-type: none">• Intended outcome: A new, organisation-wide solution that automates our resourcing and management/performance information reporting processes.• Project objectives to be agreed through development of project initiation document. |

Resource and management information:

Status, progress and upcoming milestones

Project status: Green – Some slippage to planned milestones but project plan has been updated to account for this, project can still be delivered within overall planned timescales, and no further management action is required.

Latest progress (September to December)

- Delivered initial meeting of project team focusing on project scope and project management approach (October 2023)
- Appointed project manager and they are due to start with us early December (December 2023)

Upcoming milestones (December to March)

- Project initiation document to be developed (March 2024)

Resource and management information:

Project resourcing

- Internal project team in place:
 - Sponsor – John Cornett
 - Business representatives - Fiona Mitchell-Knight, Amanda Kindness, Elaine Boyd, Gillian Simpson, Mark Taylor
 - Technical and corporate representatives - Martin Walker, Stuart Dennis, Nicola Constable, Ian Metcalfe
 - SIP and I&Q link - Michelle Borland
- Budget agreed in 2023/24 (£20k) and 2024/25 (£40k) to support cost of external project manager.
- Future costs of new system / software to be determined through options appraisal at appropriate time.

- Through the development of project PIDs, we have identified the following interdependencies between the SIP projects:
 - **AMP and R&MI** - Most off the shelf auditing software packages include resource management packages. However, the R&MI project is likely to identify a solution before we purchase new auditing software. It is vital that our R&MI project is well-coordinated with the AMP. Any new resource management software will need to be interoperable with existing and future audit software systems. It might be that the future auditing software provides a longer term and more integrated solution for R&MI.
 - **AMP and Insights** – The insights project is dependent on the AMP for improving and automating processes for monitoring and reporting on the impact of our audit recommendations.
- Project PIDs will also identify interdependencies between SIP and non-SIP projects. We will escalate these to SIP Board if they are causing any risks to SIP project delivery.

Project traffic lighting

| Traffic light | Description |
|---------------|---|
| Green | <ul style="list-style-type: none">• On target with no additional management action required.• Some slippage to planned milestones but project plan has been updated to account for this, project can still be delivered within overall planned timescales, and no further management action is required. |
| Amber | <ul style="list-style-type: none">• Progressing but with some slippage to planned milestones.• Additional management action required. |
| Red | <ul style="list-style-type: none">• Not progressing with significant slippage to planned milestones.• Significant additional management action required. |

Agenda

Audit Scotland Board

Wednesday 27 March 2024

Audit Scotland, 102 West Port, Edinburgh



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

Standing items

- | | |
|--|-----------------|
| 5. Chair's report - verbal update | For information |
| 6. Accountable Officer's report - verbal update | For information |
| 7. Accounts Commission Chair's report - verbal update | For information |
| 8. Review of draft minutes: | |
| • Board special meeting: 28 February 2024 | For approval |
| • Board meeting: 23 January 2024 | For approval |
| • Audit committee meeting: 14 November 2023 | For assurance |
| • Remuneration and Human Resources committee meeting: 14 November 2023 | For assurance |
| 9. Review of action tracker | For assurance |

Strategic items

- | | |
|---|---------------|
| 10. Strategic Improvement Programme: Update | For assurance |
| 11. 2024-25 Operational budget | For approval |

Business planning, performance and governance

- | | |
|---|---------------|
| 12. Q3 Corporate performance report | For assurance |
| 13. Q3 Financial performance report | For assurance |
| 14. Annual policy review: Freedom of information and environmental information requests and data protection | For approval |

Items to be taken in private

15. Annual report and accounts

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

For approval

16. Audit modernisation project update

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

For approval

17. Boardroom Apprentice Scheme

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

For approval

Conclusion

18. Any other business

For discussion

19. Review of meeting

For discussion

20. Date of next meeting: 21 May 2024

For information

Minutes Board



Tuesday 23 January 2024, 10.00am
Audit Scotland, Microsoft Teams

Present:

Alan Alexander (Chair)
Colin Crosby
Stephen Boyle
Jackie Mann
Ronnie Hinds

Apologies:

There were no apologies

In attendance:

Vicki Bibby, Chief Operating Officer
Antony Clark, Executive Director of Performance Audit & Best Value
John Cornett, Executive Director of Audit Services
Kenny Oliver, Executive Director of Innovation and Quality
Helena Gray, Controller of Audit
Martin Walker, Director of Corporate Support
Gemma Diamond, Director of Innovation and Transformation (item 10&11)
Michelle Borland, Head of Organisation Improvement, Innovation and Quality (item 10)
Morag Campsie, Head of Digital Audit, Innovation and Quality (item 11)
Susan Burgess, Head of Human Resources, Corporate Services (item 13)
Niki Ross, Forum Support Coordinator, Corporate Services (minutes)
Phil Heywood (observer, item 10 & 11)

1. Private meeting of Board members

The Board met privately and there were no matters arising.

2. Welcome and apologies

Vicki Bibby, Antony Clark, John Cornett, Kenny Oliver, Helena Gray and Martin Walker, joined the meeting.

The Chair welcomed attendees to the meeting.

A particular welcome was addressed to Ronnie Hinds, as this was his final Board meeting, with the Chair expressing his thanks on behalf of the Board and Audit Scotland for his valued contribution as Board member.

3. Declarations of interest

There were no declarations of interest noted.

4. Items to be taken in private

The Chair invited members to agree that items 11, 12 and 13 of the agenda be considered in private for the reasons stated on the agenda. The members agreed. The Chair requested that Executive Team members leave the meeting for item 13.

5. Chair's report – verbal update

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

The Chair advised members that he had attended the Controller of Audit keynote session on auditing local government which was also joined by the Chief Executive of the Improvement Service.

In relation to Parliamentary business, the Chair confirmed that he would provide a verbal update of the draft official SCPA report (item 12).

The Chair confirmed that he would be attending John Cornett's keynote session on 31 January 2024.

Following discussion, the Board welcomed the update.

6. Accountable Officer's report – verbal update

Stephen Boyle invited the Board to note his regular engagement with the Chair and the interim Chair of the Accounts Commission.

Stephen invited members to note the recent publication of three section 22 reports - NHS Forth Valley, Water Industry Commission for Scotland and the Scottish Prison Service.

In relation to the Public Audit Committee (PAC), Stephen advised that it has continued its interest in adult mental health following the joint report by the Auditor General and the Accounts Commission. The PAC has also pursued its interest in colleges with the round tables and accountable officer sessions from interested parties in that sector.

In terms of external engagement, Stephen invited members to note his useful catch-up with Richard Leonard, MSP.

Further external engagement included a range of introductory meetings with public sector leaders including the Chief Executives of Scottish Enterprise, Scottish National Investment Bank, the new Children and Young Peoples Commissioner and the Chief Constable of Police Scotland to hear of their organisations progress, financial position and matters relating to public sector reform.

Stephen advised members that he had an introductory meeting with the Auditor General for the Estates of Jersey who is also Chair of the Financial Reporting Advisory Board which oversees public sector financial standards setting. Stephen confirmed that there is an open opportunity to extend Audit Scotland's reach in some of the standards setting arrangements.

In addition, Stephen and Vicki visited Belfast to meet the Public Audit Forum Auditor General and Chief Operating Officers.

In relation to upcoming activities, Stephen advised there is a range of Public Audit Committee sessions over the next few weeks and will be publishing audit reports on Heating

Homes through the Scottish Government, NHS Overview report and a briefing paper on the National Strategy for Economic Transformation.

Stephen also advised that he was looking forward to meeting the new Chair of the Accounts Commission.

Stephen expressed his pleasure in working with Ronnie.

Following discussion, the Board welcomed the update.

7. Accounts Commission Chair's report – verbal update

Ronnie Hinds confirmed that the new Chair of the Accounts Commission will start on 1 February 2024. Public announcement of this will take place on 25 January 2024. Ronnie advised that he has an initial handover with the new Chair and will be mainly briefing on the work that he has done during his time as interim Chair of the Accounts Commission.

Ronnie advised that the Financial Bulletin report was published last week, which makes a useful contribution to elevating the debate around financial sustainability for local government. Ronnie paid tribute to Antony Clark's team for pulling this report together which is a good start for the new approach in overview reporting.

In relation to Helena's section 102 report on Renfrewshire Council, Ronnie highlighted the Council's weakness in community engagement and the high cost of improving the schooling provision. The Commission has asked for further information from the Council before deciding on the need for a Public Hearing.

Following discussion, the Board welcomed the update.

8. Review of minutes

Board meeting: 21 November 2023

The Board noted the minutes of the Board meeting of 21 November 2023, copies of which had been previously circulated, were an accurate record of the meeting, subject to minor amendments.

9. Review of action tracker

The Board noted and approved the updated action tracker.

10. Strategic priorities

Gemma Diamond, Director of Innovation and Transformation and Michelle Borland, Head of Organisation Improvement, joined the meeting.

Kenny Oliver introduced the report on strategic priorities, copies of which had been previously circulated.

The Board was invited to:

- Note the programme update provided in Appendix 1 and the progress made improving the overall project and programme management approach for the SIP.

The Board thanked the team for a reassuring and interesting report. The Board advised that in terms of clarity and simplicity on such a complex topic, future reports should present the main key points of work which has taken place since last presented to the Board.

During discussion, the Board noted assurance on the risks associated with the pace of project delivery against what is taking place externally and that an Audit Scotland Artificial Intelligence (AI) Strategy will be developed and linked to the audit modernisation project as well as other projects. Ongoing engagement with other UK organisations is taking place to help us understand the impact and the way forward with AI.

Further discussion took place on the requirement for external support. The team confirmed while some of the work can take place in-house, with some external support from research specialists required on the wider evaluation of our impact against public audit outcomes.

The Board welcomed the proposal to purchase/license a Resource and Information Management system rather than developing the system in-house with the potential to link into other Audit Scotland systems. The aim is to have the initial system in place by July 2024 and fully implemented towards the end of 2024.

Following discussion, the Board noted the programme update and was assured by the progress made to date.

Michelle Borland left the meeting.

Items taken in private

11. Audit modernisation project

Morag Campsie, Head of Digital Audit, joined the meeting.

Kenny Oliver introduced the audit modernisation project, copies of which had been previously circulated.

The Board was invited to:

- Note the update on progress and future plans.

The Board thanked the team for a clear and comprehensive report which sets out how we are managing the most complex and challenging project we have undertaken in recent years.

During discussion, the Chair emphasised the interest the SCPA is taking in the audit modernisation project and stressed the importance of continued engagement with the SCPA on this project.

Further discussion took place on how the Board can best support the project alongside the external assurance activity and external 'critical friend' which will be built into the project's governance arrangements and supported the idea of having a deep dive session to discuss their role.

The Board supported the potential of bringing in external skills particularly around audit methodology and artificial intelligence and agreed that staff engagement is critical in helping to shape the project.

Following discussion, the Board noted the progress and future plans and is very supportive of how the project is developing and that we continue to maintain the momentum going forward.

Action: Executive Team to give further thought on setting up a workshop session with SCPA as soon as possible to discuss the audit modernisation project.

Action: Arrange deep dive session for the Board on Artificial Intelligence developments in audit.

Gemma Diamond and Morag Campsie, left the meeting.

12. 2024/25 Budget proposal – SCPA report – verbal update

The Chair highlighted that a good session was had with the SCPA and that we were very clear and detailed in our answers. We have followed up with two detailed letters to the SCPA on the National Fraud Initiative and the audit modernisation project.

The Chair advised that we are waiting to hear from the SCPA on their recommendation to Parliament on Audit Scotland's budget.

Following discussion, the Board welcomed the update.

13. Confidential item

14. Any other business

There was no other business for discussion.

15. Review of meeting

The Chair invited members to comment on the papers and the conduct of the meeting.

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

The Chair thanked everyone for their contributions.

16. Date of next meeting: 27 March 2024

The members noted the next meeting of the Audit Scotland Board is scheduled for 27 March 2024.

Minutes

Audit Committee



Tuesday 14 November 2023, 10.00am
Audit Scotland, 102 West Port, Edinburgh / MS Teams

Present:

C Crosby (Chair)
J Mann
A Alexander

Apologies:

R Hinds, Interim Chair of the Accounts Commission
D Jeffcoat, Alexander Sloan

In attendance:

S Boyle, Accountable Officer and Auditor General for Scotland
V Bibby, Chief Operating Officer
M Walker, Director of Corporate Support
I Metcalfe, Corporate Performance Manager
S Tait, Corporate Support Officer
S Dennis, Corporate Finance Manager
J So, Alexander Sloan
G Gillespie, Wylie & Bisset
S Pringle, Wylie & Bisset
E Boyd, Director, Audit Quality & Appointments
O Smith, Senior Manager, Audit Quality & Appointments

1. Private meeting with Wylie & Bisset LLP

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

2. Welcome and apologies

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

Apologies were noted from Ronnie Hinds, Interim Chair of the Accounts Commission and David Jeffcoat, Alexander Sloan.

3. Declarations of interests

There were no declarations of interest.

4. Minutes of the last meeting: 5 September 2023

The Audit Committee members reviewed and agreed the minutes of the 5 September 2023 meeting, copies of which had previously been circulated, with one minor amendment to add

G Gillespie, Wylie & Bisset to the attendance list and to also note that G Gillespie presented the internal audit annual report 2023/24

The Audit Committee approved the minutes of the previous meeting.

5. Review of action tracker

Martin Walker, Director of Corporate Support advised that there are no live actions on the tracker.

The Audit Committee noted the tracker for completeness.

6. Q2 Financial report

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

The Audit Committee was invited to:

- Note the financial results for the six months to 30 September 2023.
- Discuss and note the main financial risks highlighted in paragraph nine.

Stuart advised that the wording of the financial risk regarding the pay award was written before the revised offer was accepted. In addition, the biggest risk is the work in progress position at 31 March 2024 as we start the 2023/24 audit work. Also highlighted, was the approved virement of 150k revenue budget to the capital investment budget to enable building work in Glasgow to be completed this financial year.

The members discussed the content of the report noting the risks and how they are being managed.

The Audit Committee welcomed the discussion and noted the Q2 Financial report.

Elaine Boyd and Owen Smith joined the meeting.

7. Audit Quality: Interim report

Elaine Boyd, Director Audit Quality & Appointments (AQA) introduced the audit quality interim report, copies of which had been previously circulated.

The Audit Committee was invited to note:

- The good level of compliance of annual audit plans (AAPs) with the 2021 Code of Audit Practice.
- The results to date (1 November 2023) show that 2022/23 financial audit delivery performance of 50 per cent is expected to be at the same level as 2021/22 (51 per cent) once all 2022/23 audits are complete. Improvement is expected for 2023/24 though this area will remain a challenge for auditors for the rest of this five-year appointment cycle. AQA recommend that auditors develop a timeline to return to the 95% delivery targets, this should be supported by explanations where there is a deviation from plans.

- Audit delivery performance rates are consistent with the prior year despite the additional challenges arising from the new audit appointments and new Code.
- That AQA recognise that the current delivery KPI needs revision and/or further supporting measures to demonstrate clearly whether the recovery plans put in place by auditors are on track.
- That AQA will work with audit providers to agree consistent additional audit delivery performance measures for all audit providers and that 2022/23 should be the baseline year for measuring yearly performance.
- The welcome creation of a single improvement plan to manage audit quality improvements in Audit Scotland. There is still a risk to the quality of ASG 2022/23 audits as some key improvement actions are not scheduled for completion until March 2024.
- The work done by AQA to monitor audit quality risks emerging from the wider audit profession and how they could impact upon the audit of the Scottish public sector.
- The positive feedback from auditors for ICAEW following an AQA survey of the 2021/22 ICAEW inspections.
- Comment on the report.

Elaine advised that this is the interim quality report that covers AQA Team's work between April and October 2023. Elaine highlighted the annual audit plans and this being the first year of the new appointment period. There has been a good level of compliance with the new code and also introducing the new audit appointments. Audit delivery rates are consistent with the prior year despite the additional challenges arising from the new audit appointments and the new code. Currently, there is a forecast of delivering 50% of audits in line with the audit planning guidance. Although there is a comprehensive improvement plan in place, we are still highlighting that there are delivery issues that could impact on the 2023/24 results because they haven't been addressed yet. Overall quality standards are improving.

Elaine also advised that the ICAEW have started their review work for the current audit year and an update will be brought back to the Audit Committee in May.

Members agreed that it is a helpful and positive report and acknowledged that there are a combination of factors affecting delivery and performance whilst understanding more of the complex background associated with this. There was also reference to the Kings speech and the disappointment felt within the audit profession about the lack of plans regarding the audit regulatory regime and the wider uncertainty that this brings.

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

The Audit Committee noted the interim report on audit quality.

Elaine Boyd and Owen Smith left the meeting.

8. Review of risk register

Martin Walker, Director of Corporate Support, introduced the review of risk register report, copies of which had been previously circulated.

Martin advised that this version of the risk register had been considered by the Executive Team on 31 October 2023.

The Audit Committee was invited to:

- Consider the updated risk register.
- Determine whether additional management action is required.

Martin advised that the overall risk profile is similar to the last register considered by the Audit Committee on 5 September 2023. Martin highlighted the key areas which included the recent ISO27001 certification audit on digital (awaiting final report) where a positive outcome is expected and that colleagues from Wylie & Bissett have started work on the audit of the Cyber Incident response Plan. A new risk has also been introduced to reflect the timeliness and accessibility of performance and business management information, where a new project is now under way.

Martin also confirmed that the International Standards on Quality Management (ISQM) risk register will be incorporated in the Risk Management Framework when it is next reviewed and approved by the Audit Committee and that the next deep dive (March 2024) would focus on impact and reputation.

The Audit Committee members welcomed the discussion and noted the review of the risk register.

9. Internal Audit Report: Procurement and appointment of Appointed Auditors

Graham Gillespie, Wylie & Bisset, introduced the Procurement and appointment of Appointed Auditors report, copies of which had been previously circulated.

Graham advised the audit provided a strong level of assurance surrounding procurement and appointment of appointed auditors, no risks or weaknesses were identified. Fourteen good practice points were raised with no recommendations for improvement made.

Members discussed the lengthy and onerous task of working on the tender process and revising the code of practice in tandem.

Action: AQA team to explore the possibility of separating the tender process and the revision of the code of practice going forward, and report recommendations to the Audit Committee.

The Audit Committee noted the Audit Appointments Process internal audit report.

10. Internal audit report: Procurement and contract management

Graham Gillespie, Wylie & Bisset, introduced the Procurement and contract management report, copies of which had been previously circulated.

Graham advised the audit provided a strong level of assurance surrounding contract management, with one low grade recommendation for consideration. Five good practice points were raised.

Action: Martin to explore the criteria for which contracts should be included in the annual report and consult with the Audit Committee in advance of the annual reporting process and report being finalised.

The Audit Committee members noted the IAR on Procurement and contract management.

11. Internal audit progress report

Graham Gillespie, Wylie & Bisset, introduced the Internal audit progress report, copies of which had been previously circulated.

Graham advised that four of the planned nine audits have been completed with four scheduled for completion before 31 March 2024. The four completed audits provided an overall conclusion of strong assurance. Graham noted the Overall Financial Controls audit, scheduled for October 2023, had been delayed due to unforeseen circumstances.

The Audit Committee members noted the Internal audit progress report.

Ian Metcalf and Sara Tait joined the meeting.

12. Internal Audit recommendations progress report

Martin Walker, Director of Corporate Support, introduced the progress with Internal Audit recommendations report, copies of which had been previously circulated.

The Audit Committee was invited to:

- Note the progress on the implementation of outstanding audit recommendations.

Martin advised the report provides members with an update on the implementation of recommendations from the internal audit reports. Martin noted that eleven recommendations were made, six are complete and five are in progress.

Members agreed that they are supportive of the resetting of some of the target dates for when work would be completed where appropriate. There was also discussion on the process for arriving at the recommendations in which Martin confirmed that there is typically agreement with the Auditors on the recommendations made in advance of the report being finalised.

The Audit Committee members noted the progress on the implementation of outstanding audit recommendations.

13. Annual review of Audit Committee Terms of Reference

Martin Walker, Director of Corporate Support, introduced the annual review of the Audit Committee Terms of Reference copies of which had been previously circulated.

The Audit Committee was invited to:

- Review the Terms of Reference (TOR).
- Agree the TOR, subject to any required amendments.

Martin noted the TOR are subject to annual review in November, they were last considered in November 2022.

The Audit Committee recommended the Terms of Reference be approved by the Board.

14. Annual review of external auditor's independence and objectivity, effectiveness, and value for money

Martin Walker, Director of Corporate Support, introduced the Annual review of external auditor's independence and objectivity, effectiveness and value for money report. copies of which had been previously circulated.

The Audit Committee was invited to:

- Note the report.

Martin advised that the Terms of Reference (TOR) for the Audit Committee requires a report each year on the external auditor's independence and objectivity and an appraisal of the effectiveness and value for money of the external audit service.

The members discussed the summary report noting no issues of concern regarding the timeliness or quality of the external audit services provided.

The Audit Committee noted the report on external auditor's independence and objectivity, effectiveness, and value for money.

15. Q2 Data incidents / loss report

Martin Walker, Director of Corporate Support, introduced the Q2 Data incidents/loss report, copies of which had been previously circulated.

The Audit Committee was invited to:

- Note the report.
- Note the actions taken to manage this risk.

Martin advised that there were eight data incidents recorded during quarter two. All eight incidents did not require reporting to the Information Commissioner's Office (ICO) given the low risk level associated with the incidents and swift action undertaken.

To raise awareness of the increased number of data incidents to colleagues, Corporate Governance published a blog on data incidents in the week commencing 9 October 2023. The blog was also promoted via the Executive Team update issued to all staff on 17 October 2023. There is also a broader programme of digital security training for staff.

The members noted the Q2 incidents were low level and were due to human error, but that the number of data incidents for 2023/24 is higher than average. The members discussed the blog highlighting and the issue to all staff, and the data incident/loss minimisation strategy.

The Audit Committee noted the data incidents/loss report.

16. Annual review of Audit Committee effectiveness

Martin Walker, Director of Corporate Support, introduced the annual review of Audit Committee effectiveness report, copies of which had been previously circulated.

The Audit Committee was invited to:

- Approve the proposed process and timeline for the annual self-evaluation process.

Members discussed the potential of added activities to bring in additional perspectives from other areas/groups.

Action: Martin to explore the potential of supplementing the current process with additional methods and bring proposals back to the Audit Committee.

The Audit Committee approved the proposed process and timeline for the annual self-evaluation process.

17. Any other business

There were no items of 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 is scheduled for 19 March 2024.

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

Board action tracker 2024

| Agenda | | | | | | | | Complete/ | |
|--------------|---------|-----------------------------------|--|------------|------------------|------------------|----------|---|--|
| Meeting date | item no | Item title | Action description | Due date | Responsible | Assigned to | ongoing | Progress notes | |
| 21/11/2023 | 12 | Board and committee meetings 2024 | The Board agreed in principle to hold 21 May 2024 Board meeting in Glasgow, subject to works being completed and build in time after the board meeting for staff to join and meet with Board members | 21/05/2024 | Nicola Constable | Nicola Constable | Ongoing | 21/12/23: Keeping on radar for progress on office build 19/02: Glasgow office due for completion 3 June. Planning to hold June's Board meeting in Glasgow, however kept room booking in Edinburgh as a contingency. | |
| 21/11/2023 | 12 | Board and committee meetings 2024 | The Board agreed to review further options to visit other Audit Scotland office locations in 2024/25 in due course. | 26/11/2024 | Martin Walker | Martin Walker | Ongoing | 21/12/23: Keep on radar for new Chair's meeting in 2024 | |
| 23/01/2024 | 11 | Audit modernisation project | Executive Team to give further thought on setting up a workshop session with SCPA as soon as possible to discuss the audit modernisation project. | Sep-24 | Vicki Bibby | Nicola Constable | Ongoing | 20/2/24: Discussions ongoing with SCPA Clerks to hold a session in September as part of the SCPA Business Planning day | |
| 23/01/2024 | 11 | Audit modernisation project | Arrange deep dive session for the Board on Artificial Intelligence developments in audit. | Feb-24 | Vicki Bibby | | Complete | 19/02 - deep dive session arranged for 19 March 2024. | |

Strategic Improvement Programme: Update

Director of Innovation and Transformation and Head of Organisational Improvement

Purpose

1. This report updates the Board on progress with the Strategic Improvement Programme (SIP), following the SIP Board meeting on 12 March 2024.

Recommendations

2. The Board is invited to note the progress with SIP projects summarised in this paper and the progress made improving the overall project and programme management approach for the SIP.

Background

3. The purpose of the SIP is to provide a framework for transformational change projects to receive more capacity, scrutiny and direction to ensure that we deliver on our corporate plan strategic priorities and the outcomes in Public Audit in Scotland. The SIP currently contains the projects set out in Table 1.

Table 1: Current SIP projects with agreed goals

| Project | Goal |
|---|---|
| Audit modernisation | Transformed audit approaches that are: <ul style="list-style-type: none">• Clearly defined, risk-based and data driven, to ensure compliance, quality and efficiency.• Delivered through integrated auditing software and tools that automate and standardise processes.• Delivered by confident teams and staff with the right skills in the right structure. |
| Insights | Deliver coordinated intelligence from impact monitoring and evaluation, stakeholder engagement and horizon scanning to: <ul style="list-style-type: none">• Support us to respond with agility to what's coming in the future.• Improve the information we have to inform decision making.• Support continuous improvement and innovation.• Better understand and report on the impact of public audit• Help us promote the value of public audit |
| Resource and management information (R&MI) | To renew and digitise the system that Audit Scotland uses for resourcing and reporting on all key aspects in the delivery of our work, specifically the outward facing audit work that we undertake with |

audited bodies across Scotland and also internally focussed corporate projects.

SIP programme update

4. At its March 2024 meeting, the SIP Board considered a programme update report, which set out the status of each project, based on supporting information including project plans, progress with project delivery and project risks. The status and expected timeline for each project is summarised in Table 2.
5. The SIP Board noted that all three projects require new processes, approaches and systems to be adopted into our business-as-usual activity. The expected timelines in Table 2 indicate start and end points of the projects to develop and deliver these and the SIP Board recognised that activity in these areas will continue beyond the project end dates.
6. The target end date for the R&MI project has been amended from summer 2024 to March 2025. The initial delivery timeline of summer 2024 was indicative only with no assessment or project planning in place. We now have a full-time project manager in post and have undertaken a full assessment of delivering a new resource and management information system with associated new ways of working. We recognise this is a significant organisation-wide digital transformation and cultural change project and we expect the earliest possible delivery date is March 2025, assuming we meet all milestones in the project plan.

Table 2: Status and expected timeline of SIP projects

| Project | Status | Expected timeline | Notes |
|---------------------|--------|--------------------------|---|
| Audit modernisation | Amber | June 2023 - October 2026 | <ul style="list-style-type: none"> • Some slippage in bringing resources into the team and arranging focus groups. • Currently overall timelines are not at significant risk. Project team is resolving resource issues, with contingency plans in place to progress work with other resources if necessary in interim. • No additional action requested from SIP board. |
| Insights | Amber | June 2022 to August 2025 | <ul style="list-style-type: none"> • Slippage to one planned milestone but delivery expected during March 2024. • Project team is scheduling milestones based on final deliverables and available resource. |

| | | | |
|--|-------|--|--|
| | | | <ul style="list-style-type: none"> No additional action requested from SIP board. |
| Resource and management information | Green | January 2024 to March 2025 (Pushed back from initial target end date of summer 2024.) | <ul style="list-style-type: none"> On target with no additional management action required. |

7. The SIP Board recognised the developments to the SIP project management framework delivered since December and the work projects had undertaken to develop and improve project data. This is summarised below.

Project initiation documents (PIDs)

8. All projects now have PIDs in place and these were reviewed by the SIP Board in December and March. The audit modernisation PID was agreed at the December 2023 meeting and the team brought an update on this to the Audit Scotland Board in January. The Insights PID and R&MI PID were discussed at the March 2024 SIP Board meeting. Below is a summary of the key discussion points. The audit modernisation project is covered under a separate paper.

Resource and Management Information

9. The R&MI PID will be agreed by correspondence pending a number of developments the SIP Board has requested. These include:
- Developing a more detailed project budget, including more accurate estimated internal costs, clarity on what external costs are covered within our 2024/25 operational budget and setting out any gaps.
 - Ensuring representation from HR in the core project team.
 - Developing the scope, interfaces and dependencies for the project to:
 - ensure time recording and flexi time is included.
 - provide more information on our current ways of working around resourcing, noting the behaviour change required alongside the systems change and the potential for this work to help inform our future organisational structure.
 - clarify that this project is not looking at a full enterprise resource planning system, but the system it identifies will need to feed into wider work to harmonise the performance data we get from various corporate systems to improve performance monitoring and reporting.
10. The SIP Board noted a potential gap in the additional work required to integrate data across multiple systems for performance reporting. It agreed to revisit this once the market analysis stage of the R&MI project is complete and we are clearer on what the new resourcing system can deliver for us.

Insights

11. The Insights PID was agreed at the March 2024 meeting. The SIP Board noted the work to set out clear deliverables and a clear end point for the project, which depends on integrating new processes and approaches into business-as-usual activity for various teams. The SIP Board noted the detailed budget under-pinning the project plan covering both internal and external costs.
12. The SIP Board recognised the good progress that had been made on the impact strand in particular and the collaborative and lean nature with which this had been delivered, with little core resource. There was some discussion on how we get better at shining a light on and celebrating our impact internally and the project team will consider this as part of the communications plan.

Project budgets

13. We issued projects with a budget template and guidance to support project budget development. Projects have taken different approaches to budgeting. Due to its size and complexity, the audit modernisation project is working up a detailed resource and cost profile based on assumptions and has developed a number of working scenarios at this stage in order to present a range of indicative costs. This includes both current and additional costs and also builds in optimism bias. The Insights and R&MI projects have produced budgets that pull together the estimated additional internal costs of delivering the project as well as estimated external costs. Table 3 summarises project budget information for the Insights and R&MI projects at a glance. The budget information for audit modernisation is included in the separate paper.
14. We will continue to work with projects to improve budget development, including phasing budgets by quarter, so we can accurately report on spend against budget from the 2024/25 financial year onwards.

Table 3: Summary of Insights and R&MI project budgets at a glance

| | Internal costs | Source | External costs | Source |
|--|--|--|--|--|
| Insights | £60,000 | Covered within existing staffing budgets | £30,000 | Can be accommodated within 2024/25 and 2025/26 operational budgets. |
| Total budget: £90,000 | Full cost estimate including colleague time on core project management, coordination and delivery. | | To cover cost of external support with wider evaluation of impact against Public audit in Scotland outcomes. | |
| Resource and management information | £17,000 | Covered within existing staffing budgets | £130,000 | PM costs can be accommodated within 2023/24 and 2024/25 operational budgets. |
| | Indicative cost estimate based on time charged to project to date / | | Includes cost of external project manager: 2023/24 (£20k) and 2024/25 (£40k) | |

| | | | |
|-----------------------------------|-------------------------|--|--|
| Total budget: £147,000 | team members' day rates | Indicative cost of solution / new system budgeted at £50k - £70k per annum. Exact cost to be determined following market research phase and presented to SIP Board as part of options appraisal. | Business case for additional and recurring cost of system solution will need to be factored into future budgets. |
| Total (£k) | £77,000 | £160,000 | |

Performance monitoring

- 15.** We issued projects with guidance on setting goals and objectives and measuring project success. We suggested projects should identify success criteria and success factors and defined these as follows:
- **Success criteria** - Things identified by stakeholders that must be achieved for the project to be a success. These are the standards by which the project will be judged.
 - **Success factors** - Things that need to be present to achieve a successful project. These are the facts that shape the result of projects.
- 16.** Table 2 summarises project success criteria and success factors for each project. Projects have taken different approaches to identifying success criteria and factors. For example, the audit modernisation project is following the Treasury 5-Case Business Case approach so it is using standardised categories connected to the outcomes the project aims to achieve. This supports the options appraisal process and is helpful for projects where additional funding is required. Once the project understands the direction and options in more detail, the team can refine these further to reflect this.
- 17.** The Insights and R&MI projects have taken a simpler approach, which is more proportionate to their size and scale. All projects have included core project management success criteria, such as delivering on time and to budget, and then expanded beyond this in areas such as project quality, customer satisfaction and capacity for change.
- 18.** The SIP Board reflected on the success factors and criteria at its meeting and the following are the key points from the discussion:
- It recognised the opportunity for the projects to learn from each other to improve consistency across and distinction between success criteria and success factors.
 - There is further work to be done to make the language within the criteria and factors accessible and meaningful to stakeholders, especially colleagues across Audit Scotland.

Table 2: Summary of project success factors and criteria at a glance

| | Audit modernisation | Insights | Resource and management information |
|------------------|--|---|--|
| Success criteria | <p>Strategic fit and business needs (Strategic case)</p> <p>Potential value for money (Economic case)</p> <p>Supplier capacity & capability (Commercial case)</p> <p>Potential affordability (Financial case)</p> <p>Potential achievability (Management case)</p> <p>Continuity of service (Specific to Audit Scotland)</p> | <p>Delivery on time</p> <p>Delivery on budget</p> <p>Colleague satisfaction</p> <p>Stakeholder feedback</p> <p>Integration to business as usual</p> | <p>Delivery on time</p> <p>Delivery on budget</p> <p>Delivery to agreed requirements</p> |
| Success factors | <p>Scope</p> <p>Schedule / milestones</p> <p>Budget and funding</p> <p>Quality</p> <p>Risk management</p> <p>Goals</p> <p>Communications and stakeholder engagement</p> <p>Change control</p> <p>Team capability</p> <p>Effective governance and assurance</p> <p>Business case capability</p> <p>Procurement capability</p> | <p>Organisation: Leadership buy-in</p> <p>Resource: Team capacity and capability</p> <p>Project: Schedule / milestones / targets defined</p> <p>Organisation: Capacity for change / to integrate new processes and approaches</p> | <p>Deliver:</p> <ul style="list-style-type: none"> • A new system that fulfils an identified gap. • Based on an agile approach which focuses on a MPV (Minimum Viable Product / Must-Have Requirements) priority. • Following a three-phased project approach with a post-go-live support in place which mitigates the new Digital Transformation People Factor and aims to provide support to colleagues who are |

less confident with digital organisational changes.

Communications planning

19. We have worked with the communications team to develop and issue a communications plan template and guidance. Projects have also taken different approaches to this:
- **Audit modernisation:** The communications plan sets out a range of governance-related engagement with key stakeholders, including Board, AGS, Commission, SIP Board, business group management teams, the Audit Approach Board, project board and project delivery team. It also sets out plans to communicate and engage directly with colleagues to raise awareness and ensure the system meets needs. The project team is launching an audit modernisation SharePoint Hub in mid-March 2023. Finally, it includes a range of external communications and engagement, including with the SCPA, audited bodies, potential suppliers, other audit agencies and audit firms.
 - **Insights:** The communications plan focuses on all colleague and targeted colleague communication aligned to delivery of key project milestones. It also includes some external engagement including with Scottish Government, audited bodies and the Public Audit Committee.
 - **R&MI:** The project sets out information about project communications in the PID. The PID focuses on project meetings and reporting to ET and Board. The project is engaging with a range of external stakeholders through the market research phase.

Conclusion

20. The SIP Board continues to scrutinise SIP projects to ensure they have the capacity and direction required to deliver transformational change. There are currently no significant risks to SIP projects to draw to the attention of the Audit Scotland Board.
21. We have completed developments to the project management framework for SIP projects. We will keep this under review to ensure we continuously improve the support and resources available within Audit Scotland for project management.
22. The next SIP Board meeting is in May, and we will bring a further update to the Board in June.

Purpose

1. The purpose of this report is to obtain Board approval of Audit Scotland's operational budget for 2024/25.

Recommendation

2. The Board is invited to:
 - Discuss the 2024/25 operational budget.
 - Note the triennial Lothian Pension Fund valuation leads to a budget reduction of £286k in employer pension contributions and agree a communication approach with the Scottish Commission for Public Audit (SCPA) on this adjustment.
 - Note the budget assumes a holiday pay accrual saving of £305k.

Background

3. Preparation of Audit Scotland's 2024/25 SCPA budget submission commenced in the summer of 2023 with the SCPA taking evidence on our financial plans at a session held on 11 December 2023.
4. The SCPA noted the budget proposal and it was incorporated within the Scotland Budget Bill 2024/25. The Scottish Budget was approved by the Scottish Parliament at its meeting on 27 February 2024.
5. Appendix 1 details the approved Net expenditure budget proposal compared to the operational budget requiring approval by the Board.
6. The proposed operational budget for 2024/25 is based on the overall Net Expenditure Requirement remaining the same.
7. Further budget adjustments are expected in the financial year as we incorporate the impact of the estates strategy, audit modernisation and the resourcing and management information project. The Board will be advised of these adjustments as part of the quarterly financial monitoring arrangements.

Net expenditure requirement

8. The net expenditure requirement of £13,079k is a cash increase of £1,029k from the 2023/24 budget.
9. **People costs** represent 65% of our expenditure budget and the budget requirement in 2024/25 is an increase of £1,526k from 2023/24. The budget covers:
 - The impact of the final 2023/24 pay award settlement being more than the approved budget and includes a provision for the impact of a 2024/25 pay settlement.

- The budget assumes that moving the annual leave year from calendar year to financial year will lead to a saving and a negative budget of £305k has been included within the budget.
 - The operational budget includes the proposed reduction in employer pension contributions. These were announced after the submission of our budget proposal. The reduction in employer rate from 19.4% to 17.6% leads to a saving of £286k. The excess budget has been allocated within the pension adjustments heading to reconcile to the original budget submission.
- 10. Fees and expenses paid to external firms** are based on the bids submitted as part of the tender exercise with 2022/23 being year one of the new appointments. The completion of 2022/23 audits is expected in 2023/24 financial year and, in accordance with the conditions of the contract, the payments for 2023/24 audit year work will be uplifted based on the cost of living pay award to Audit Scotland staff effective from April 2023. The budget assumes the commencement of 2024/25 audit work will be uplifted in line with the budgeted pay award to Audit Scotland staff effective from April 2024.
- 11. Other expenditure** has increased by £437k from the 2023/24 budget. The preparation of the operational budget allows for the realignment of budgets to the most appropriate subjective heading. These adjustments have no impact on the total other expenditure budget though reductions were identified in legal & professional fees and stationery & printing which are offset by increases in information technology and other. The main changes from 2023/24 are:
- The inclusion of £230k for the costs associated with the biennial national fraud initiative exercise.
 - A £298k increase in accommodation costs is attributable to the expanded capacity in Glasgow and inflation pressures in respect of service charges, energy and facilities management. The Edinburgh office floor space will reduce in 2024/25 and the budget assumes that the savings this will generate will commence in 2025/26.
 - Saving of £94k in travel and subsistence costs due to reduction in car leases.
- 12.** The **fees** budget for the financial year has increased by 6.9% with the fee increase for 2023/24 audits increasing by 6% compared to 2022/23 fees.
- 13.** The budget assumes an element of phased recovery to pre-pandemic levels and is based on the completion of the balance of 2023/24 audits and the commencement of 2024/25 audit work. EAFA funding of £100k has been included in the budget and this income stream will cease following completion of the final audit work in June 2024.

Capital requirement

- 14.** The capital budget for 2024/25 is £150k.
- 15.** The investment will continue to support our digital strategy and fund the Glasgow office expansion project.
- 16.** Contingency plans have been actioned in 2023/24 financial year to reprofile the 2024/25 planned IT spend into 2023/24 due to the slippage on the Glasgow office expansion project.

17. The minor works required to reduce the floor space in Edinburgh have not been classed as capital as the amendments add no value to the existing use and the plan is to fund this minor work from the release of some of the dilapidations provision.

2024/25 uncertainties

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

- Public sector pay claim/policy challenges.
- Timing of budget statements from the UK and Scottish Government.
- Impact of inflation/interest rates.
- Audit modernisation requirements.
- The cost and availability of goods/services.
- The work and resource required to complete European Agricultural Fund Account audit.

19. The approved 2024/25 budget settlement provides assurance that we can meet our breakeven obligation this financial year.

20. We continue to operate in an extremely unpredictable and volatile environment with significant pressure on public finances. We will need to continue to develop financial strategies to address future potential issues, which include:

- Impact of future pay and reward settlements.
- SCF funding pressures.
- Audit delivery and resourcing.
- Future direction of fees and funding taking cognisance of public sector funding pressures.
- Audit modernisation (including electronic working papers system development).
- Resourcing and Management Information Project.

AUDIT SCOTLAND

NET EXPENDITURE STATEMENT

| | Approved | Operational | |
|---|-----------------------|-----------------------|-----------------|
| | 2024-25 Budget | 2024-25 Budget | Movement |
| | £k | £k | £k |
| People Costs | | | |
| Salaries and temporary staff | 18,430 | 18,455 | (25) |
| Employers on costs | 5,880 | 5,575 | 305 |
| Pension adjustments | 100 | 386 | (286) |
| | 24,410 | 24,416 | (6) |
| Accounts Commission members | 178 | 178 | 0 |
| Total people costs | 24,588 | 24,594 | (6) |
| Fees and expenses paid to external firms | 7,737 | 7,737 | 0 |
| Other operating expenditure | | | |
| Rent & Rates | 768 | 768 | 0 |
| Other accommodation Costs | 592 | 592 | 0 |
| Travel & Subsistence | 402 | 402 | 0 |
| Legal & Professional Fees | 957 | 812 | 145 |
| Stationery & printing | 127 | 92 | 35 |
| Training & organisational development | 543 | 543 | 0 |
| Staff recruitment | 138 | 138 | 0 |
| Communications (telephone, postage) | 38 | 38 | 0 |
| Insurance | 98 | 98 | 0 |
| Information technology | 552 | 722 | (170) |
| Internal Audit | 30 | 30 | 0 |
| External Audit - financial statements | 35 | 35 | 0 |
| Other | 578 | 588 | (10) |
| Depreciation | 434 | 434 | 0 |
| Total other operating expenditure | 5,292 | 5,292 | 0 |
| TOTAL OPERATING EXPENDITURE | 37,617 | 37,623 | (6) |
| Corporation Tax payable | 0 | 0 | 0 |
| Income | | | |
| Fees and charges payable | 24,526 | 24,532 | (6) |
| Bank Interest | 12 | 12 | 0 |
| Miscellaneous income | 0 | 0 | 0 |
| Other finance income - pensions related | 0 | 0 | 0 |
| TOTAL | 24,538 | 24,544 | (6) |
| NET EXPENDITURE AFTER TAX | 13,079 | 13,079 | 0 |

Q3 Corporate performance report

Director of Corporate Support

Item 12
Meeting date: 27 March 2024

Purpose

1. This report provides the Board with a review of organisational performance as at quarter three (Q3) 2023/24.

Recommendations

2. The Board is invited to:
 - Review the performance in Q3 as set out below and in appendix 1.
 - Consider the issues affecting performance, the actions identified and whether any additional management action is required.

Background

3. The performance framework and the performance reporting are aligned to the [Audit Scotland corporate plan 2023-2028](#) published in June 2023.
4. The four sections in the slide deck attached as appendix one are:

| Section | Strategic Priorities |
|-------------------------|---|
| Summary | |
| Delivery | Timely and impactful annual audit Dynamic performance audit programme Enhanced audit approaches |
| Resources | Developing our people and our business |
| Innovation and learning | Insights driving innovation |

Performance overview

5. The infographic below provides a summary of performance as at Q3.

Audit Scotland Corporate Plan 2023-28: Strategic Priorities

Timely & impactful annual audit
Dynamic performance audit programme
Enhanced audit approaches
















Developing our people and our business

Insights driving innovation and improvement

Delivery

Resources

Innovation and learning

| Objective | Status | Objective | Status | Objective | Status |
|--|---|---|--|--|---|
| Audits delivered on time | RED  | Our finances: Spend against budget | AMBER  | Innovation driving audit transformation | -  |
| Audits delivered on budget | AMBER  | Our people: capacity to delivery - Establishment | AMBER  | Application of insights to decision-making, audit delivery & organisational change | -  |
| Audits delivered on time and on budget - Audit focus | AMBER  | Our people: capacity to delivery - Cost | GREEN  | | |
| Audit quality assurance results | GREEN  | Our people: capacity to delivery - Wellbeing | AMBER  | | |
| Impact through our work | GREEN  | Our people: capacity to delivery - Working across business groups | GREEN  | | |
| Progress towards net zero and climate resilience targets | GREEN  | Our people: right skills - Learning & Development | AMBER  | | |
| Progress against our equality outcomes | -  | | | | |

Note:

- That not all objectives are reported quarterly.
- Upward arrow indicates improving performance.
- Horizontal arrow maintaining performance.
- Downward arrow declining performance.

Not progressing/ significant additional management action required

Progressing and additional management action planned

On target/ no need for additional management action

Measures under development

Note: An upward arrow indicates improving performance.

Financial audit delivery

6. In quarter three the focus remained on the delivery of the outstanding accounts.

- 224 (88%) of Annual Accounts were completed. (44% on time compared to 51% 2021/22).
 - 23 (100%) of NHS audits were completed (74% were on time compared to 96% in 2021/22)
 - 103 (81%) of local government audits were completed (28% on time compared to 43% in 2021/22)
 - 83 (99%) of central government were completed (54% on time compared to 35% 2021/22)
 - 15 (71%) of further education audits were completed (67% on time compared to 81% 2021/22)
- 35 audits were outstanding as at the end of quarter 3 (8 ASG, 27 Firms).
- As at 12 March 2024 29 audits were outstanding (6 ASG, 23 Firms).

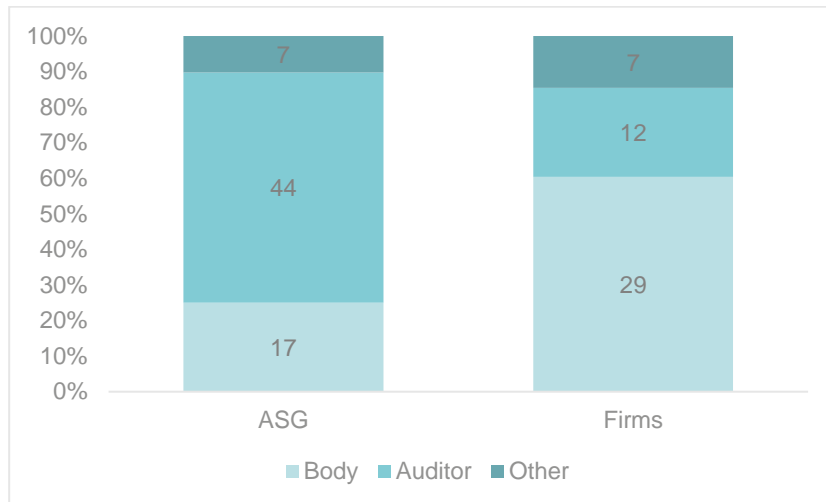
7. A further verbal update on the latest position will be provided at the meeting.

8. The deadline dates for the financial audits have returned to the pre covid dates. This means that the time available to complete the NHS and Local Government audits is shorter than it was for the 2021/22 audit year.

9. An analysis of the audits that have been delayed indicates that audits were delayed for a variety of causes, which have been summarised as either:

- Due to the body (including Board sign off date after deadline, availability of staff at audited bodies, body late providing evidence and audit amendments).
- Due to auditor (including prioritisation of other audits, phasing to accommodate scaling up, and availability of audit staff).
- Other (including late sign off of 2021/22 audits and delays in obtaining assurances from other auditors).

10. The breakdown of reasons is shown in the graphic below:



ASG delivery

11. The Audit Services Group (ASG) portfolio of audits for this appointment round is larger than in the last appointment round (159 compared to 139 previously). The portfolio also contains some large and complex audits, as well as more audits of Further Education (FE) colleges, these have a later sign-off deadline of 31 December 2023.
12. The change in deadline dates mean that direct year-on-year comparisons are more complex than in previous years. An analysis of delivery using rebased target dates for ASG is attached as **annexe 1** to this report at pages 6 and 7. This indicates that timeliness of audit delivery against planned sign-off dates is improving for ASG audits.
13. As outlined within our [Audit Scotland Business Plan 2023-25](#), approved by the Board in September 2023, our aim remains to use 2022/23 audits as the baseline, and to improve the timeliness in delivery of the annual audit of 159 public bodies against the timescales specified by the Auditor General and Accounts Commission in the planning guidance, through focused, risk-based improvements over the remaining four years of the current appointment round that maintain audit quality.
14. The milestones for the 2023/24 are agreed and detail is included on slide three of the appendix. Audit delivery is monitored on an ongoing basis and is formally reviewed by the ASG Management Team at its monthly meetings. The objective is to return to delivering 95% of the audits to the planning guidance deadlines by the end of the 2026/27 (the current audit round).

Delivery by the Firms

- 15.** The Q3 data highlights that some of the Firms are experiencing challenges in delivering to the scheduled deadlines. We are engaging with the Firms as appropriate and will provide further analysis in the Q4 report.

Pensions revaluation

- 16.** The results of a triennial pensions revaluation have recently become available. This may impact on the completion of up to ten Local Government audits. Audit providers are currently assessing the impact on the audits yet to be finalised. One Firm has estimated that this may result in the completion of the audit being delayed by two to three months.

Performance audit/ statutory reports delivery

- 17.** Nine performance audits/ other reports were scheduled for Q3 and all were delivered on time. The reports were:

- [Briefing: The Scottish Government's workforce challenges](#)
- [S22: NHS Forth Valley](#)
- [S22: Scottish Prison Service \(ASG\)](#)
- [S22: Water Industry Commission Scotland \(ASG\)](#)
- [S22: Scottish Government Consolidated Accounts \(ASG\)](#)
- [BV Controller of Audit Report: South Ayrshire Council](#)
- [BV Controller of Audit Report: Dundee City Council](#)
- [Blog: A renewed focus on the sustainability of Social Care](#)
- [Annual Report: Environment, Sustainability and Biodiversity 2022/23](#)

Resources and capacity

- 18.** The number of WTE at end of December was 327.6, against an establishment level 347.1 WTE. Year to date this equates to 94.4%. The breakdown by business group is included in Appendix 1.
- 19.** We currently have recruitment and selection campaigns under way to fill vacancies across the business groups.
- 20.** The sickness absence rate in Q3 was 1.74 days per employee compared to 1.3 days in Q3 last year. This remains below the average benchmarking figures for UK workplaces. The recent CIPD health and well-being at work 2023 report explores health, wellbeing, and absences in UK workplaces. The survey has found the highest absence rate in over a decade, 7.8 days per employee and 10.6 days for public sector bodies.
- 21.** We published a new Learning and Development Plan on 9 October 2023. The plan is based on our strategic priorities, areas identified through audit quality reviews and engagement with colleagues. The plan aims to ensure that all colleagues are equipped with the skills they need now and, in the future, and facilitates delivery of our corporate values. It expands

mandatory learning to cover professional developments. This will also provide the basis for colleagues to meet relevant Continuous Professional Development (CPD) requirements.

22. Audit Scotland operational costs were delivered 5.7% less than budget and additional information is contained on slide 21 of the appendix.

Innovation & Learning

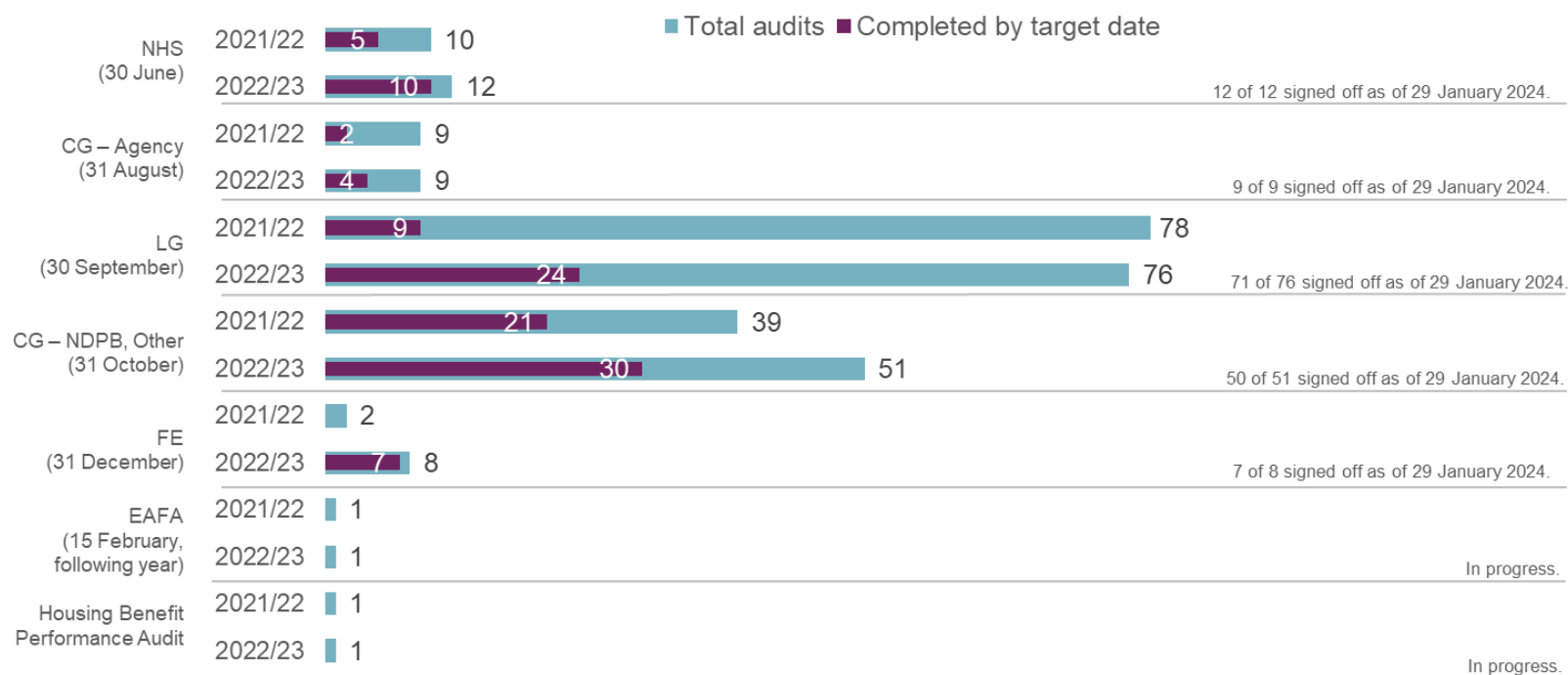
23. We are making progress with developing and monitoring measures in relation to innovation and learning and we have added detail in the appendix at slides 30 to 32. We are starting to get data for more measures and are refining the measures based on that intelligence. We have also included updates on appendix slides 31 and 32 where data measures are in development.
24. I&Q launched an 'ideas board' at the end of September 2023. During quarter 3 we had a total of 13 submissions from across the organisation. Ideas relate to areas such as the Audit Management Framework, SharePoint online and tools and software. Many of these were already being considered, developed or improved by colleagues in I&Q or CSG.

Developments in performance reporting

25. We are continuing to develop and refine our data collection, analysis, and reporting arrangements. This includes the increased use of targets, time series data and benchmarking.
26. We have initiated a Resourcing and Management Information project as part of the Strategic Improvement Programme. The purpose of this project is to assess the business need for and market availability of a resourcing and management information system so that we can deploy our people and analyse and report on performance in a more effective way and the project team expects to deliver early 2025.
27. Members of the Performance and Risk Management Group are also analysing how we can streamline and optimise our current performance report arrangements while this project is delivered.

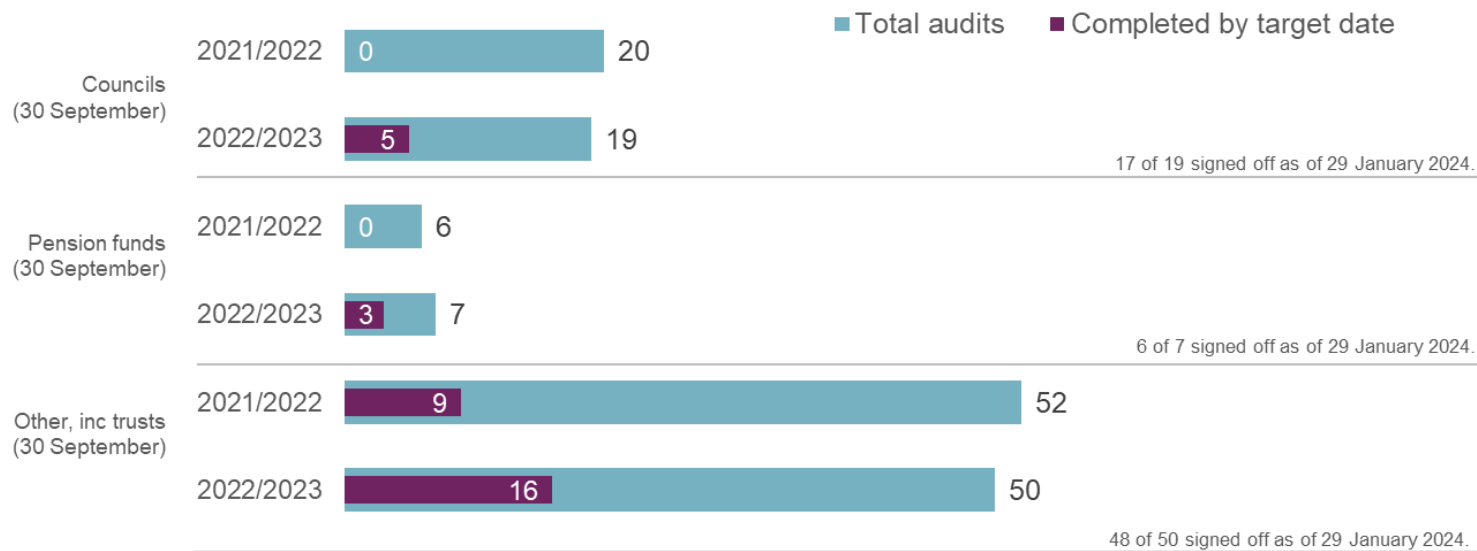
Annexe 1: ASG audit progress delivery update

Audit delivery – progress update (31 December)



2021/2022 has been restated for consistency with 2022/2023 performance reporting. Target date relates to planning guidance target date (rather than the statutory reporting deadlines, which are later).

LG splits – progress update (31 December)



2021/2022 has been restated for consistency with 2022/2023 performance reporting. Target date relates to planning guidance target date (rather than the statutory reporting deadlines, which are later).

Q3 Corporate Performance Report

Appendix 1

Audit Scotland Corporate Plan 2023-28: Strategic Priorities

Timely & impactful annual audit
Dynamic performance audit programme
Enhanced audit approaches

Developing our people and our business

Insights driving innovation and improvement

Delivery

| Objective | Status | |
|--|--------|---|
| Audits delivered on time | RED | ↔ |
| Audits delivered on budget | AMBER | → |
| Audits delivered on time and on budget - Audit focus | AMBER | → |
| Audit quality assurance results | GREEN | → |
| Impact through our work | GREEN | → |
| Progress towards net zero and climate resilience targets | GREEN | → |
| Progress against our equality outcomes | - | ↔ |

Resources

| Objective | Status | |
|---|--------|---|
| Our finances: Spend against budget | AMBER | → |
| Our people: capacity to delivery - Establishment | AMBER | → |
| Our people: capacity to delivery - Cost | GREEN | → |
| Our people: capacity to delivery - Wellbeing | AMBER | → |
| Our people: capacity to delivery - Working across business groups | GREEN | → |
| Our people: right skills - Learning & Development | AMBER | ↗ |

Innovation and learning

| Objective | Status | |
|--|--------|---|
| Innovation driving audit transformation | - | ↔ |
| Application of insights to decision-making, audit delivery & organisational change | - | ↔ |

Note:

- That not all objectives are reported quarterly.
- Upward arrow indicates improving performance.
- Horizontal arrow = maintaining performance.
- Downward arrow = declining performance.

Not progressing/ significant additional management action required

Progressing and additional management action planned

On target/ no need for additional management action

Measures under development

Summary | Highlights, challenges and actions

Highlights

Delivery year to date

- 220 (86%) of financial audits are complete

Resources

- Staff turnover YTD for all leavers was 2.05%
- Absence levels are 1.74 days compared to 1.3 days in Q3 Last year
- Audit Scotland organisational costs delivered at £485k less than budget (5.7% of budget) with a target breakeven by year end. The current forecast is an underspend of 229K (1.9% less than budget)

Increase in completion of mandatory training from 60 % to 80%.

Actions

For the 2023/24 ASG audits the following will be prioritised for sign-off on time, with plans in place to bring forward delivery across all audits more generally:

- All NHS audits for June sign off
- High risk audits identified in the ASG risks assessment for sign off at the most appropriate time, taking account of planning guidance deadlines, accounts availability and quality, ability for the client to support the audit
- Maintain sign off for the councils that signed off by Sept 2023 – Aberdeen, Edinburgh, South Ayrshire, Borders, and West Lothian all to sign off by Sept 2024
- Councils in year 2 of the BV Controller of Audit reports schedule (October 2024 – August 2025) to be signed off by Sept 2024 - Edinburgh, Highland, Borders, East Lothian, Eilean Siar (3 more than we achieved in 2022/23)
- Maintain sign off for the agencies signed off by August 2023 – Education Scotland, Accountant in Bankruptcy, Scottish Courts and Tribunal Service and Transport Scotland
- FE colleges 7/8 to be signed off by Dec 2024
- The other CG and LG bodies are to be scheduled by the superteams to make the best use of resources.

Challenges

Delivery

- 2022/23 was the first year after rotation, auditors' portfolios are different, and the available time for delivery of NHS and Local Government audits is shorter than for last year.

Resources

- The average WTE number of staff year to date is 329.9. This equates to 95.1% of the establishment
- Issues with TRS have impacted on monitoring audit costs. An alternative method based on days is in place as an interim measure

Delivery

Objective

Audits delivered on time and on budget

KPQ

Are audits delivered on **time**?

Target

95% of audits delivered on time



OVERVIEW **RED**

Financial Annual Audit Plans:

Year to date (YTD) we delivered:

- 217 (97%) of the 223 Annual Audit plans (AAPs), 148 (66%) of the AAPs were on time.
- On time: ASG = 72%, Firms = 58%

Financial Accounts: YTD delivery of audit (as at 31 December 2023), by Audit Scotland and the firms was:

- 224 (88%) of financial audits are complete (44% on time compared to 51% 2021/22).
 - 23 (100%) of NHS audits were completed (74% were on time compared to 96% in 2021/22)
 - 103 (81%) of local government audits were completed (28% on time compared to 43% in 2021/22)
 - 83 (99%) of central government were completed (54% on time compared to 35% 2021/22)
 - 15 (71%) of further education audits were completed (67% on time compared to 81% 2021/22)

Performance Audit

In Q3 we delivered all nine Performance and Best Value Products on time.

- Three for the Accounts Commission - on time
- Five for the AGS - on time
- One for Audit Scotland - on time

Year to Date

We have delivered 26 Performance audits/reports with 85% on time.

- Seven (of eight) for the Accounts Commission (88% on time)
- Nine (of eleven) for the AGS (80% on time)
- Three (of three) for Audit Scotland (100% on time)
- Three (of four) Joint reports (75% on time)

Objective

Audits delivered on time and on budget

KPQ

Are audits delivered on **time**?

Target

95% of audits delivered on time



OVERVIEW **RED**

Financial Annual Audit Plans: 98% of AAPs are complete, 68% on time.

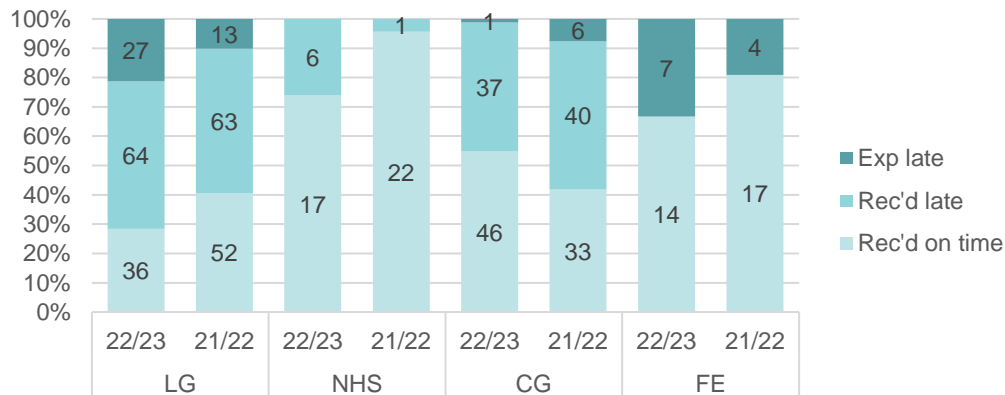
Financial Accounts: 86% of audits are complete, 44% on time.

- Where accounts were signed after the target date,
 - 3 accounts signed after the deadline were signed within a week.
 - the average delay was 6 weeks for ASG and 7 weeks for firms.
 - 49% ASG and 31% firms were signed earlier than the year before.
- As at 12 March 2024, 29 audits were outstanding (6 ASG, 23 Firms).

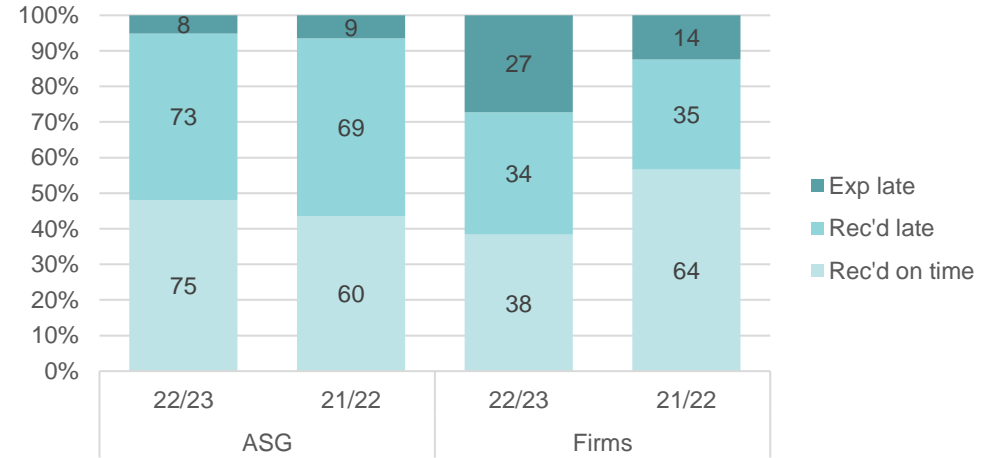
Planning Guidance Deadlines for delivery of financial annual audits are now in line with pre-covid dates. 2022/23 was the first year after rotation so auditors' portfolios are different, and the available time for delivery of NHS and Local Government audits is shorter than for last year.

This means a direct comparison is not possible but for indicative purposes:

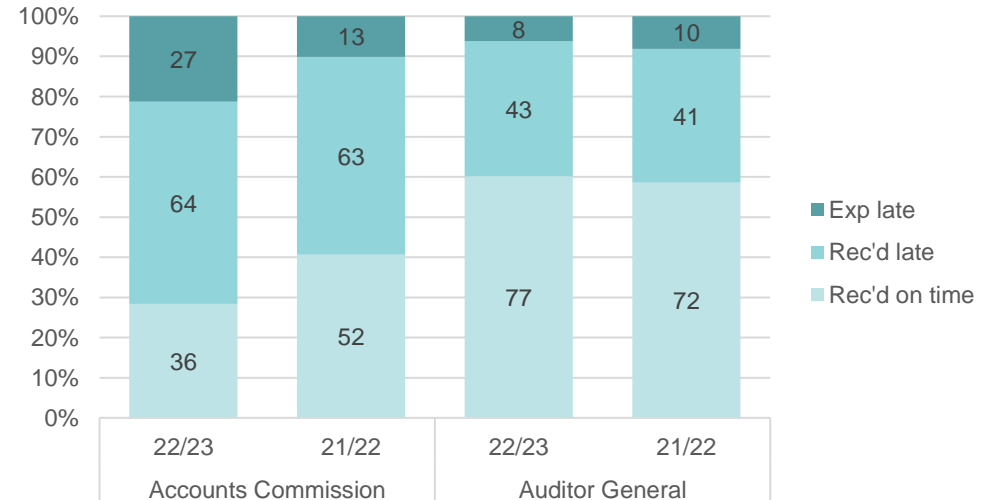
2022/23 Financial Accounts by sector as at 31/12/2023



2022/23 Financial Accounts by auditor as at 31/12/2023



2022/23 Financial Accounts by appointer as at 31/12/2023



Objective

Audits delivered on time and on budget

KPQ

Are audits delivered on **time**?

Target

95% of audits delivered on time



OVERVIEW

For **ASG audits**, when 2021/22 delivery is restated for consistency with 2022/23 performance reporting, progress is evident across all sectors.

Audit delivery – progress update (31 December)



2021/2022 has been restated for consistency with 2022/2023 performance reporting. Target date relates to planning guidance target date (rather than the statutory reporting deadlines, which are later).

Objective

Audits delivered on time and on budget

KPQ

Are audits delivered on **time**?

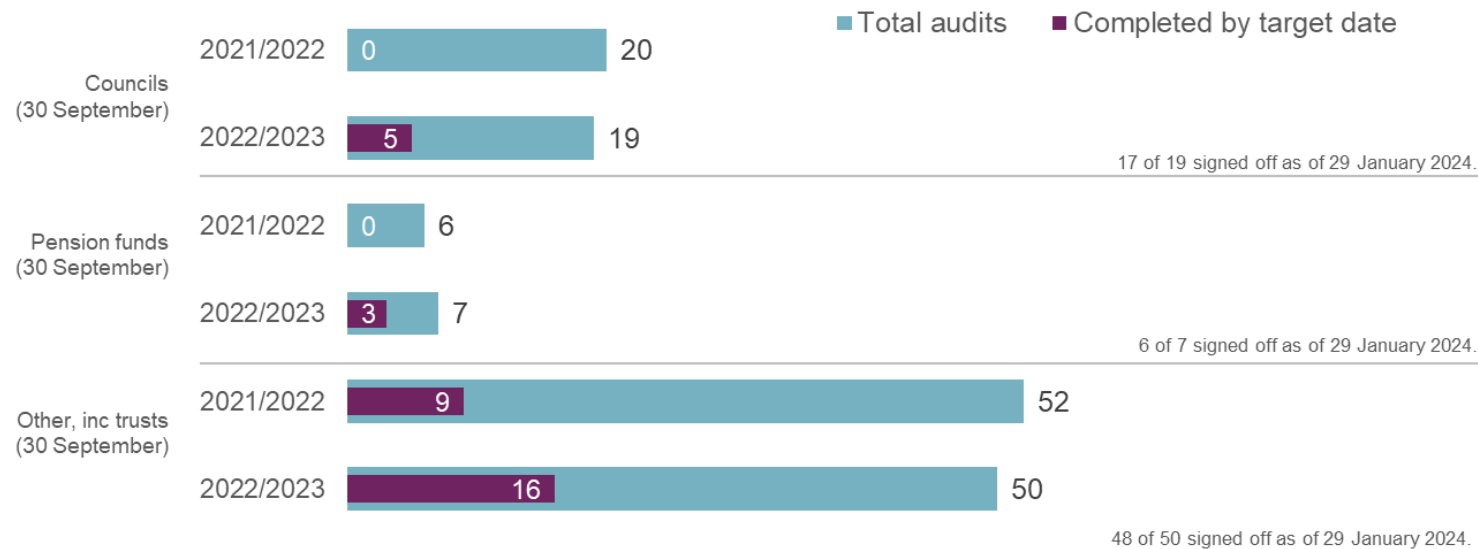
Target

95% of audits delivered on time

OVERVIEW

For **ASG** Local Government audits, when 2021/22 delivery is restated for consistency with 2022/23 performance reporting, progress is evident for Councils, Pension Funds, and Other (inc Trusts).

LG splits – progress update (31 December)



2021/2022 has been restated for consistency with 2022/2023 performance reporting. Target date relates to planning guidance target date (rather than the statutory reporting deadlines, which are later).

Objective

Audits delivered on time and on budget

KPQ

Are audits delivered on **time**?

Target

95% of audits delivered on time

Performance, trend and RAG

Auditors in the Health and local government sectors were working in a shortened 2022/23 audit year compared to 2021/22 and this would have contributed to the delivery performance in those sectors not improving.

Other factors which have impacted on delivery performance are:

- Auditor rotation following first year of new audit appointments. The first-year audits always demand more audit resources to build knowledge of audited bodies' systems and risks.
- Late sign off in prior year – The number of 2021/22 audits that were signed off late (51% were late in 2021/22 and 20 audits were signed between January and May 2023).
- Compliance with the 2021 Code – particularly for the Local Government sector where auditors took on new responsibilities for Best Value work.
- Resources within both audited body finance teams and financial audit teams. The audit recruitment market has been particularly challenging in the UK recently with firms expanding their recruitment search to Asia and Africa to meet demand.
- Scheduling of Board meetings – many bodies scheduled board meetings to approve audited accounts after the target dates set by Audit Scotland.
- Technical accounting and audit matters, including valuation and estimates, revised ISA 315, and level of prior year adjustments. Experience shows that there are more prior period adjustments following auditor rotation, resulting in more work for auditors and finance teams.
- Provision of IAS 19 employee benefits assurances between auditors delayed the completion of some audits where the auditor that was due to provide assurances had not completed their audit. Auditors collectively are now looking at scheduling this work for 2023/24 to avoid instances where audits cannot be completed due to waiting on another auditor supplying these assurances.

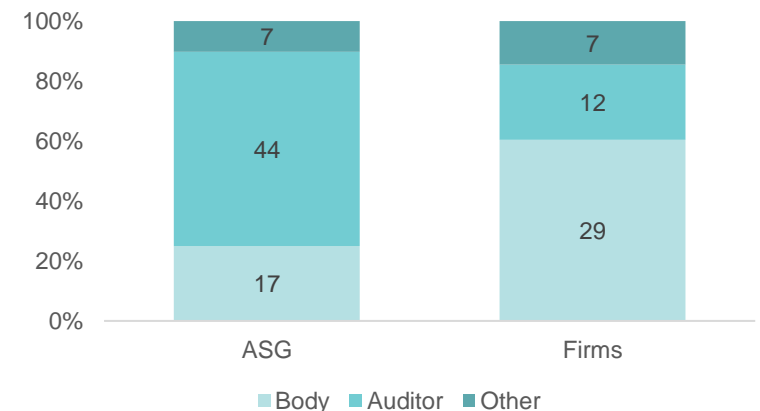
Auditors have managed the above additional challenges and maintained prior year audit delivery rates in 2022/23.

Reasons for delivery of audits after target dates

Audits were delayed for a variety of causes, which have been summarised as either:

- due to the body (including Board sign off date after deadline, availability of staff at audited bodies, body late providing evidence and audit amendments),
- due to auditor (including prioritisation of other audits, phasing to accommodate scaling up, and availability of audit staff).
- other (including late sign off of 2021/22 audits and delays in obtaining assurances from other auditors).

Auditors provided the following reasons for why audits were completed after target dates:



Objective

Audits delivered on time and on budget

KPQ

Are audits delivered on **time**?

Target

95% of audits delivered on time



OVERVIEW **RED**

Performance Audit

In Q3 we delivered all nine Performance and Best Value Products on time.

- Three for the Accounts Commission - on time
- Five for the AGS - on time
- One for Audit Scotland - on time

Year to Date

We have delivered 26 Performance audits/reports with 85% on time.

- Seven (of eight) for the Accounts Commission (88% on time)
- Nine (of eleven) for the AGS (82% on time)
- Three (of three) for Audit Scotland (100% on time)
- Three (of four) Joint reports (75% on time)

Performance Audit

Nine PABV products were delivered on time:

- [Briefing: The Scottish Government's workforce challenges](#)
- [S22: NHS Forth Valley](#)
- [S22: Scottish Prison Service \(ASG\)](#)
- [S22: Water Industry Commission Scotland \(ASG\)](#)
- [S22: Scottish Government Consolidated Accounts \(ASG\)](#)
- [BV Controller of Audit Report: South Ayrshire Council](#)
- [BV Controller of Audit Report: Dundee City Council](#)
- [Blog: A renewed focus on the sustainability of Social Care](#)
- [Annual Report: Environment, Sustainability and Biodiversity 2022/23](#)

Objective

Audits delivered on time and on budget

KPQ

Are audits delivered on **budget**?

Target

+/-5% of budget

OVERVIEW **Amber**

Data quality issues within our Time Recording System currently constrain our abilities to provide accurate and robust cost information and the digital development capacity to address this is currently unavailable.

Temporary controls are in place using Audit days as a measure of budget for audits.

As at 31 December 2023, ASG, has an overspend of 8.2% against the initial budgets set by audit teams before insights into new audits, new clients and possible risks were developed.

PABV is reporting 14% under budget.

Risk

Risk register

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

A6 – Failure of efficiency and ability to demonstrate value for money ● ⇨

A9 - Failure of timely & efficient access to performance & business management information ● ⇨

| Issues / Actions | Actions to improve performance | Who | Timescales | Comment / update |
|--------------------------|--|-------------------|------------|---|
| Audit Budget information | The Resource and Management Information project to deliver a resource tool that will improve reporting in this area. | CSG/ ASG/ PABV | ongoing | Our Resourcing and Management Information project, will seek to provide detailed cost breakdowns and reconciliation against budget costs. This project is due to deliver a new software solution in early 2025. ¹¹ |

Objective

Audits delivered on time and on budget

KPQ

Are colleagues **audit focused**?

Target

70% of available time on audit

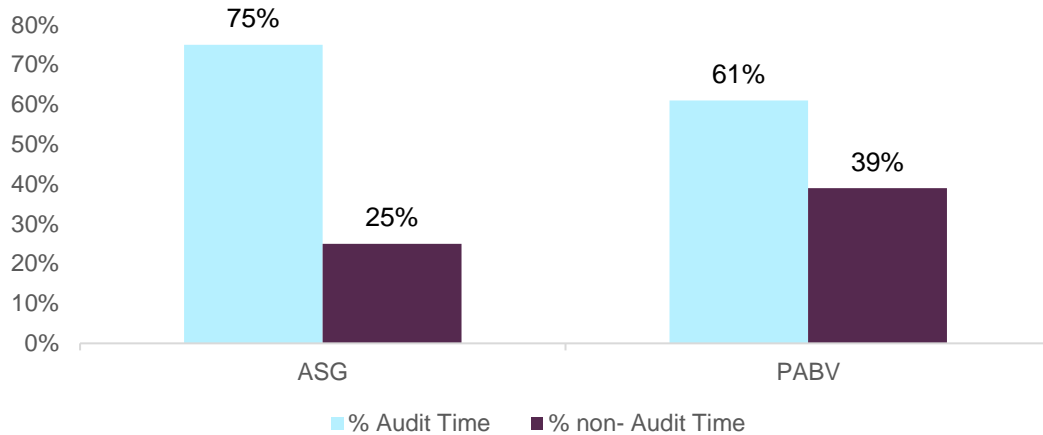


OVERVIEW **AMBER**

The combined time spent on audit for ASG and PABV is 71 percent which is slightly above target.

Available time does not include leave.

Q1 to Q3 Percentage of available time spent on Audit



Risk

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

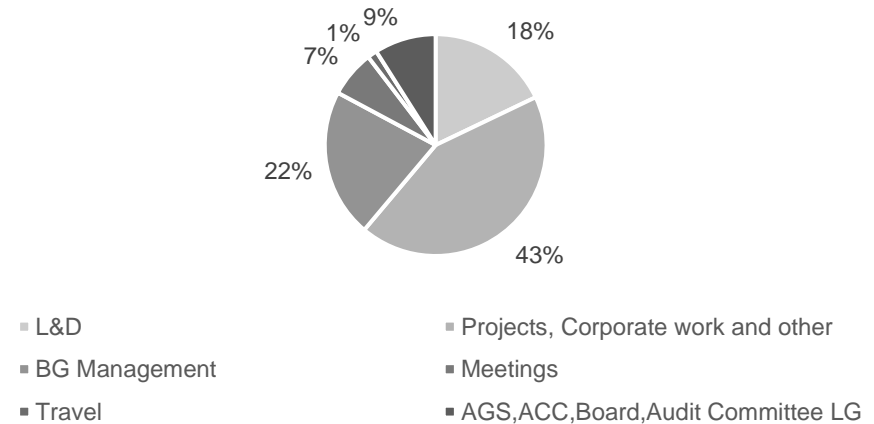
Risk register

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

A5 – Failure of audit quality

A3 – Failure to deliver audits to deadlines

Q1 to Q3 % Breakdown of non-audit activity for ASG & PABV



Objective

Audits delivered on time and on budget

KPQ

Are colleagues **audit focused**?

Target

70% of available time on audit



Performance, trend and RAG

Across the whole organisation 54% of time was recorded as audit time and 46% recorded as non-audit time. The breakdown by audit delivery business groups is shown in the graphic on the previous slide.

Percentage of colleagues delivering audit in audit delivery business groups:

- ASG 95%
- PABV 88.3%

Non audit time includes time codes for:

Learning & Development, Improvement Projects, Business Group management, meetings, travel and 'other' (including general administration)

Leave time codes include the following:

Annual leave, Public holiday, Flexi leave, Sickness, Medical appointment, Phased return, Maternity/Paternity leave, Compassionate, Secondment, Unpaid leave, Parental, Jury service/ public duties, Career break and Transport disruption.

Risk

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

Risk register

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

A5 – Failure of audit quality ● ⇨

A3 – Failure to deliver audits to deadlines ● ⇨

| Issues / Actions | Actions to improve performance | Who | Timescales | Comment / update |
|--|--|-----------------------------|------------|---|
| The target of 70% of available time spent on Audit | Time Codes are being reviewed to assure they are appropriate, and we continue to communicate with colleagues to ensure that time codes are used timeously, consistently and accurately | PRMG/ Business Groups | Ongoing | Time codes have been reviewed to ensure they reflect need. However, accuracy of data entry is an ongoing issue that all business groups will manage. The Time codes will continue to be monitored to ensure they are fit for purpose. |

Objective

Audit quality assurance results

KPQ

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

Target

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

OVERVIEW **GREEN**

The Interim Audit Quality Report was considered by the Board at its meeting on 21 November 2023.

The 2022/23 hot file review (HFR) programme for ASG was completed in December 2023. A Quality Bulletin was issued in December 2023 to ASG staff to summarise key HFR findings and ongoing quality activities.

The annual review of ISQM 1 implementation was completed and reported to the Quality & Ethics Committee in Q3, with some actions for improvement progressed in the quarter. We also started the cold file review planning and detailed reviews for financial audits.

To support PABV, we started to implement the recommendations from the 2023 peer review and post-project review exercises and shared a comprehensive overview of our 2023 quality results and actions with the PABV team. We also kicked off the 2024 peer review exercise with the other audit agencies and started our preparations for the 2024 hot and cold quality reviews.

The ICAEW external cold quality reviews for a sample of both ASG, PABV and firms' audits started in Q3 and will be reported in Q4.

The quality reviews are considered by Quality and Ethics Committee and feed into Quality Improvement Action Plan / medium term plan for addressing feedback received, some may be picked up in 23/24 audit cycle where time permits.



Risk

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

Risk register

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

A5 – Failure of audit quality  

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

| Issues / Actions | Actions to improve performance | Who | Timescales | Comment / update |
|--|--------------------------------|-----|------------|----------------------------------|
| Stakeholder feedback on audit quality | Survey to be carried out in Q4 | AQA | | To be report late Q4 early Q1 |
| As at 31 December 2023 Number of completed actions 2 (against 14 total actions). | | | | Actions due for completion in Q4 |

Objective

We engage with stakeholders

KPQ

How are we **engaging** with stakeholders

Target

Engagement - time series comparison

OVERVIEW GREEN

Stakeholder engagement is rated green: we continue to get our messages out effectively through a variety of means.

Media / broadcast:

- Top **AGS** reports: Briefing: Public Sector Workforce; S22: SG Consolidated Accounts; S22: Scottish Water Industry Commission
- We had anticipated greater coverage for the latter two, but this was impacted by the laying of these reports very close to the Christmas period
- Top **Accounts Commission** media items: CoA: South Ayrshire Council; CoA: Dundee City Council (these were the first two Controller of Audit Best Value reports)

Social media engagements:

- Auditor General posts = 89,102
- Accounts Commission posts = 1,957
- Audit Scotland posts = 15,644

PAC attendance:

- 9 parliament committees including Public Audit Committee and Finance and Public Administration Committee.

Consultations:

- We responded to two consultations on Wellbeing and Sustainable Development (Scotland) Bill and Post-legislative scrutiny of the Social Care (Self-directed Support) (Scotland) Act 2013

Risk

The risk is to Audit Scotland's reputation if we do not engage with key stakeholders.

Risk register

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

A12 - Failure of market capacity/ appetite for public audit work from the private sector (future appointments) ● New risk

M1– Failure to maximise the value, impact and influence of public audit ● ⇨

| Measure | Q3 | Q3 |
|-------------------------|---------|---------|
| | 23/24 | 22/23 |
| Consultation responses | 2 | 1 |
| PAC attendance | 9 | 7 |
| Web users | 72,208 | 47,829 |
| Downloads | 508,243 | 113,519 |
| Media mentions | 176 | 293 |
| Social media engagement | 106,723 | 63,232 |

Objective

We communicate with stakeholders

KPQ

How are we responding to enquiries from the public

Target

Communication - Better than 95% on time

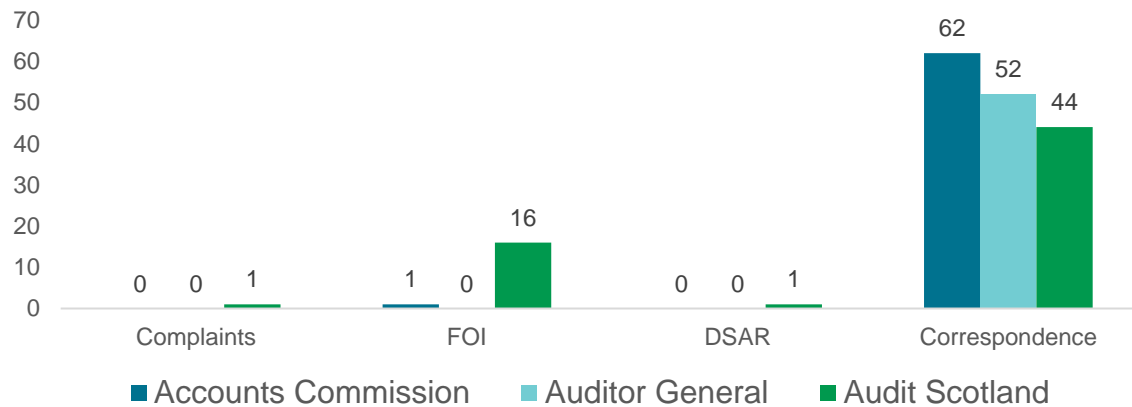


OVERVIEW

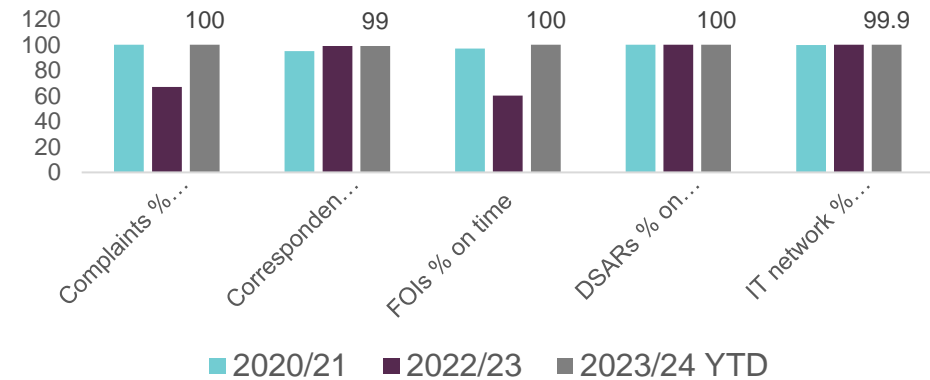
In Q3 we responded to:

- 51 items of correspondence/ issues of concern (100% responded to on time)
- 8 FOI/EIRs (87.5% on time with one response late)
- One data subject access request (on time)
- No complaints received.

Stakeholder engagement in YTD



Percentage on time



Objective

Progress against our **equality outcomes**.

KPQ

Are we progressing towards **our equality outcomes**

Target

TBC

OVERVIEW

During the quarter we agreed a project initiation document for the new Diversity, Equality, and Inclusion strategy. This sets out the goals, objectives and scope for the project and a high-level project plan. We will develop a more detailed project plan, including deliverables and milestones, during Q4 and bring an update on the project to the Audit Scotland Board's Remuneration Committee in March.

This is a key strategy for the organisation and is an action within our new People Strategy and current Business Plan. We know that diversity fuels innovation and growth and that an inclusive work environment supports colleagues to thrive and do their best work. Developing this strategy will support the organisation develop and improve and lead by example.

Equality and Human Rights Steering Group (Internal)

The steering group is currently reviewing its terms of reference in line with the wider review of corporate groups.

The group received an update on plans for developing the DEI strategy. Some members are involved in initial work on this and a workshop with the group is planned in Q4.

Equality and Human Rights Advisory Group (external)

We engaged with our external advisory group on a range of audit reports and topics. This included: Reducing car emissions, social care IJB work, and further discussion on the digital exclusion audit with a focus on lived experience.

ObjectiveProgress against our **equality outcomes**.**KPQ**Are we progressing towards our **equality outcomes****Target**

TBC

| Data Measure | Source | Comment |
|---|-----------------------------|--|
| Percentage of PABV products that: <ul style="list-style-type: none"> reference social and economic factors and protected characteristics reference social and economic factors and protected characteristics in audit recommendations improve accessibility by producing alternative outputs | PABV six-monthly monitoring | Aiming to have data collection and reporting in place for Q4 2023/24. |
| References to equalities across strategy and planning documents, in corporate meetings and in consultation responses | CSG / I&Q annual monitoring | Aiming to have data collection and reporting in place for Q1 2024/25. |
| Percentage of employees declaring diversity information | HR annual monitoring | Rates of declaration vary by protected characteristic due to data collection methods: <ul style="list-style-type: none"> Ethnicity – 93.5% Gender – 100% Disability – 43.8% Age – 100% Sexual orientation – 91.2% Religion – 94.4% Marital status – 97.4% |

ObjectiveProgress against our **equality outcomes**.**KPQ**

Are we progressing towards our equality outcomes

Target

TBC

| Data Measure | Source | Comment |
|---|----------------------------|--|
| Diversity of our workforce in relation to Scottish population | HR annual monitoring | We published our 2022/23 annual diversity report during Q2. Appendix A on page 26 sets out the diversity of our workforce in relation to the Scottish population. |
| Topics discussed / progress with actions from internal Equality and Human Rights Steering Group and external Equality and Human Rights Advisory Group | EHRSG quarterly monitoring | <p>YTD position as at end of Q3:</p> <p>Equality and Human Rights Steering Group. Our internal steering group has progressed a range of areas including:</p> <ul style="list-style-type: none"> • Equality impact assessments (EIAs) – Reviewing and refreshing our EIA guidance, including working with an external specialist and Scottish Government on development and training for colleagues. The EHRSG has also been involved in an EIA on our new occupational health provider. • Human rights-based approach – Developing our organisational response to the Human Rights Bill for Scotland consultation. EHRSG members are active in this area externally including attending think tank events and external advisory and implementation groups. <p>Equality and Human Rights Advisory Group (external) - We have engaged with our external advisory group on a range of audit reports and topics, including the following: heat in homes, social care, local government overview, drug and alcohol services, and our response to the Human Rights Bill for Scotland consultation.</p> |

Resources

Objective

Our finances: Spend against budget

KPQ

Spend against budget - Organisation

Target

Break even

OVERVIEW **AMBER**

- The Target for Audit Scotland is break even as required by the Public Finance and Accountability (Scotland) Act 2000.

At the end of December 2023 Audit Scotland's revenue financial position was an underspend of £485k (5.7% less than budget).

Income - recognition of income on completion of outstanding 21/22 audits for both firms and in-house work. Firms additional income (£225k) offset by increased Firms payments (£212k). For 22/23 audits, in-house work slightly behind plan for local government and EAFA. Firms behind plan mainly due to local government audit work. For 23/24 audits in-house work slightly behind plan in local government and health. No income recognised on 23/24 audits for the firms.

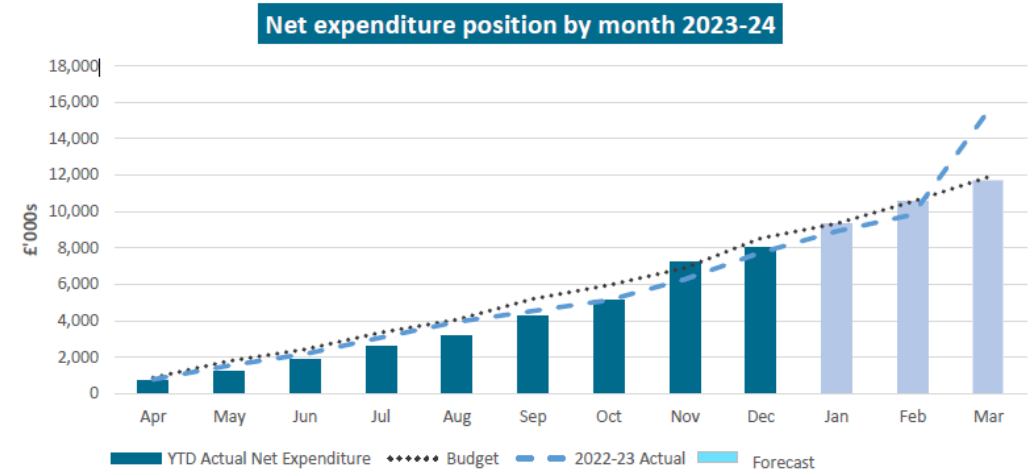
Pay - budgets include virements to cover the impact of the final pay award settlement being higher than the budget of 3%. The favourable variance is due to the average whole time equivalent (w.t.e.) position being 10.1 below funded establishment which includes a 2% vacancy/turnover factor.

Non-pay - underspends in firms' payments, professional services, travel & subsistence, recruitment and depreciation reduced by overspends in IT, training, property and occupational health costs.

Capital - £77k expenditure this financial year.

Management contingency - £500k budget. £150k allocated to capital investment and a further allocation of £288k to meet the impact of the agreed pay award.

Forecast - based on September result and presented to ET on 16 January. The forecast includes the impact of the agreed pay offer.



Objective

Our finances: Spend against budget

KPQ

Spend against budget - Organisation

Target

Break even

The current financial risks are:

- Closing work in progress position for 2023/24 audit work at 31 March 2024.
- Planning for loss of EAFA income.
- Resourcing pressures and staff wellbeing.
- Timing of capital expenditure.
- Financial implications of Estate strategy.
- Additional audit modernisation pressures (digital audit, climate change).
- Pension fund pressures (IAS 19 implications).

Risk

The financial risks that could impact on our ability to deliver within the 2023/24 budget allocation include:

- Work in progress position for 2022/23 audit work as at 31 March 2024
- Resourcing pressures and additional cost of audit
- Pension fund pressures
- Inflationary pressures

Risk register

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

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

Objective

Our people: Right skills and capacity to deliver

KPQ

Capacity to deliver - people establishment

Target

+/-5% of establishment

OVERVIEW **AMBER**

Current staffing level vs establishment

- The number of WTE at the end of December was 327.6, (establishment level 347.1 WTE.)
- This equates to **94.4%** - which is slightly lower than Q2 (94.8%).

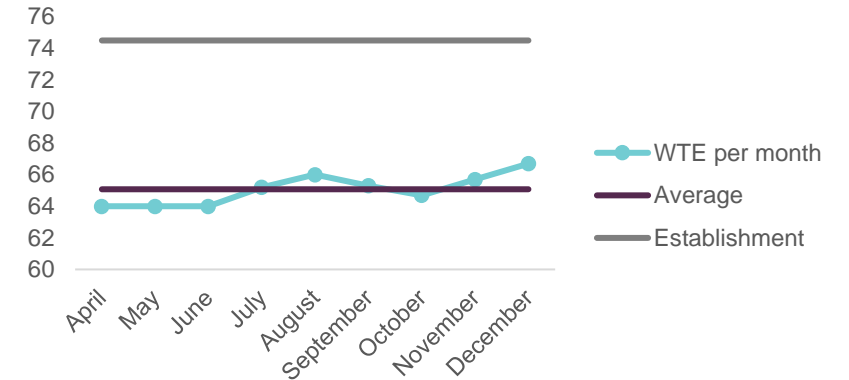
At the end of December 2023, the business groups were under establishment as follows:

- Audit Services = 98.1% of establishment. This excludes six summer interns
- Performance Audit and Best Value = 89.5% of establishment
- Corporate services = 90.1% of establishment
- Innovation and Quality = 90.3% of establishment.

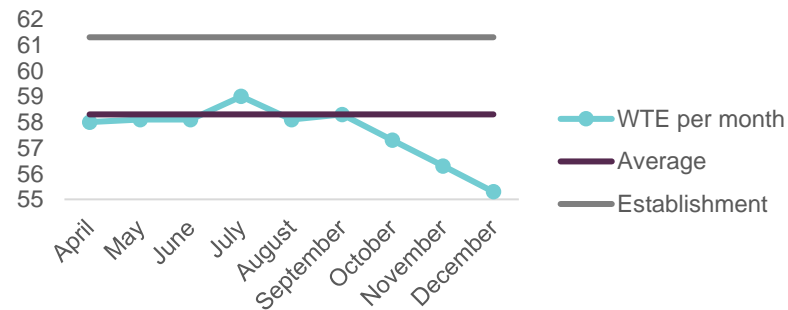
ASG - WTE staff in post 2023/24



PABV - WTE staff in post 2023/24



CSG - WTE staff in post 2023/24



I&Q - WTE staff in post 2023/24



Note: The WTE in post graphs are shown on different scales to highlight the direction of travel staffing position within each business group.

Objective

Our people: Right skills and capacity to deliver

KPQ

Capacity to deliver - People establishment

Target

+/-5%

Performance, trend and RAG

• Overall, this measure is rated amber due to FTE being at 327.6 which is 94.4% of establishment (347.1).

Actions include:

- Publication of People strategy in November 2023
- Current recruitment campaigns
- Focus on resourcing flexibilities within current budget envelope
- Coordination between ASG and I&Q to understand the workload and resourcing impact of changes in audit requirements and expectations.
- Closer coordination implemented between ASG and PABV in relation to the resourcing and delivery of Best Value requirements.
- Monitoring and reporting to ET, Board and AC
- Scenario planning and development of a new Target Operating Model

Risk

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

Risk register

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

A4 - Failure of capacity –establishment, deployment, skills.  

| Issues / Actions | Actions to improve performance | Who | Timescales | Comment / update |
|----------------------|--|------------|---------------------------------|-------------------------------|
| Capacity to deliver. | Integrated business, workforce and budget planning processes | I&Q/CSG/LG | AS Business Plan Board 26/09/23 | |
| | People Strategy | CSG | RemCo 14/11/23 | |
| | Workforce Plan | | | Leadership Group January 2024 |

Objective

Our people: Right skills and capacity to deliver

KPQ

People spend against budget.

Target

+/- %5 of budget

OVERVIEW **GREEN**

- Expenditure on pay and agency costs is £477.4k (2.75%) less than budget.
- budgets include virements to cover the impact of the final pay award settlement being higher than the budget of 3%.
- The favourable variance is due to the average whole time equivalent (w.t.e.) position being 10.1 below funded establishment which includes a 2% vacancy/turnover factor.

Risk

None

Risk register

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

A4 - Failure of capacity – establishment, deployment, skills ● ⇨

A9 - Failure of timely & efficient access to performance & business management information ● ⇨

| Issues / Actions | Actions to improve performance | Who | Timescales | Comment / update |
|------------------|--------------------------------|-----|------------------|--|
| Capacity | People Strategy | CSG | 14 November 2023 | Update reports to Remuneration Committee 14/11/23 & 19/03/24 |

Objective

Our people: Right skills and capacity to deliver

KPQ

Capacity to deliver - **Wellbeing**

Target

Per KPI

OVERVIEW Amber

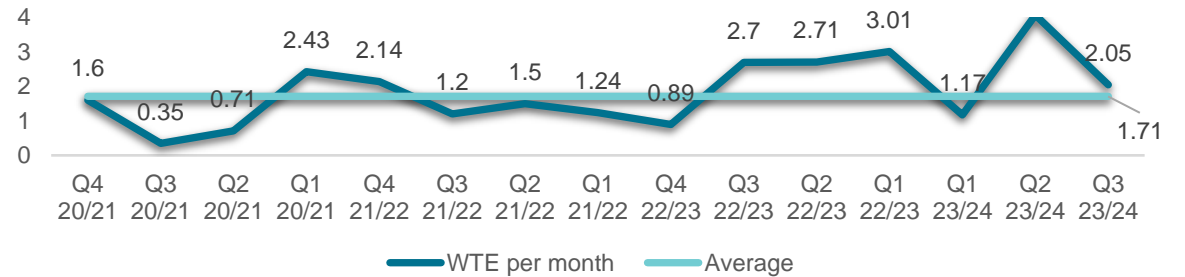
Staff **turnover** YTD for all leavers in Q3 was **1.46%** (2.11% in Q3 last year).

The graphic shows the variation for leavers above and below the average for the period 2020-21 to date. The variation is in most cases less than two percent above or below the average.

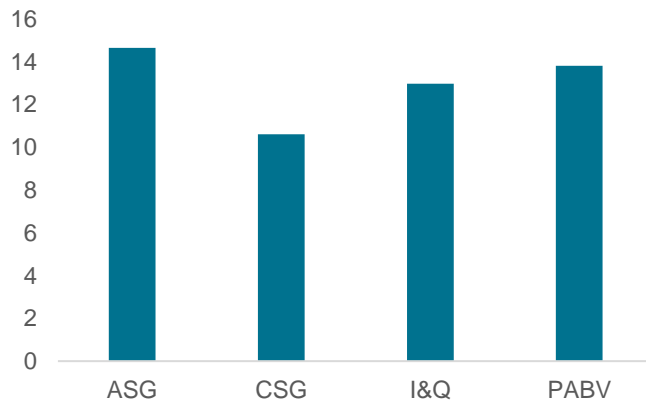
Sickness absence YTD was **1.74 days** compared to 1.3 days in Q3 Last year.

The trend for the percentage of colleagues with greater than 14.5 hours flexi is decreasing and the Percentage of colleagues with more that 7.25 hours negative flexi is stable for AGS and PABV and increasing for I&Q and CSG. We anticipate some of this is due to the time of year and we will continue to monitor in Q4.

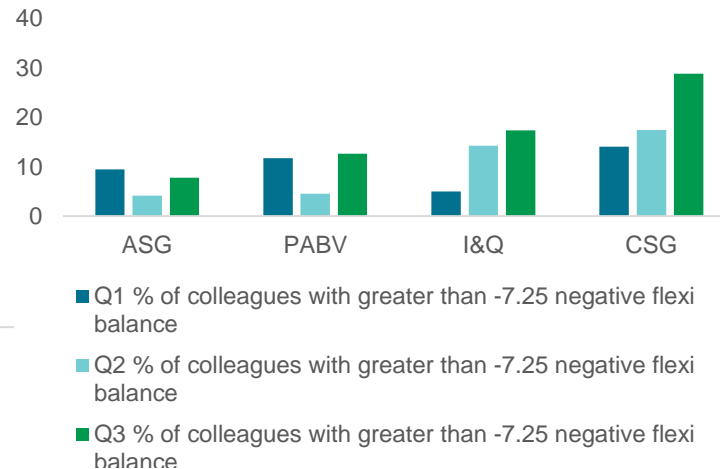
All Leavers 2021 to Q3 2023/24



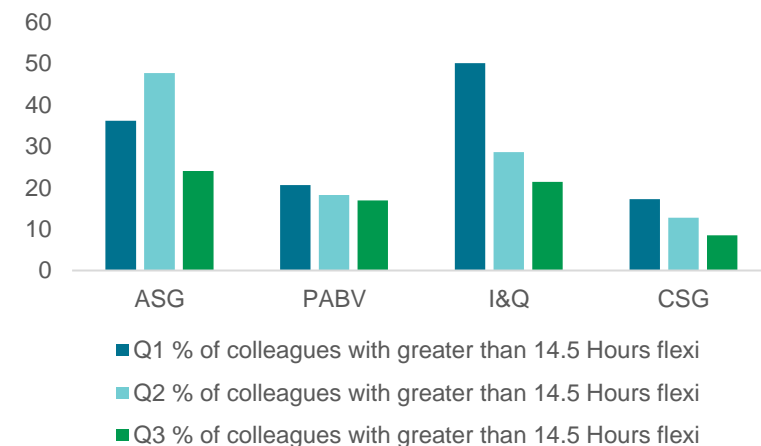
Q3 % Days leave outstanding



% of colleagues with greater than -7.25 negative flexi balance



% of colleagues with greater than 14.5 hours flexi



Objective

Our people: Right skills and capacity to deliver

KPQ

Capacity to deliver - **Wellbeing**

Target

Per KPI

Performance, trend and RAG

The number of days lost to sickness absence is lower than the same period last year and Audit Scotland's average remains below that of the public sector and UK labour market. In September 2023 CIPD published figures of 7.8 days (for all sectors) absence over the last year and 10.6 days for Public sector bodies.

Following a pulse survey in December 2023, overall, colleagues remain neutral both about how they are currently feeling and their optimism for the year ahead. The comments highlight recurring themes, showing that activities already underway are the right ones and need time to deliver to show impact. The results also highlighted that sustained communication at all levels is needed to highlight the activity underway to address the issues raised.

Actions in progress by Leadership Group, I&Q and HR colleagues include:

- Improving the quality of line management and 1-1 discussions. This is underway, with targeted training and development for all new line managers and training launched in late 2023, for all existing line managers to attend. This will all continue throughout 2024.
- Dealing with performance, training is being rolled out to all line managers on setting objectives, providing feedback and performance management at present. As part of the people strategy actions, there is also an upcoming project to review our employee performance and appraisal process
- Efficiencies and innovation, a project is underway to review our corporate forums with an aim of streamlining some of our working groups and decision making. The Innovation and Quality business group have also launched an Ideas Board where staff can share problems and areas for improvement. Answers to submitted ideas are regularly shared on SharePoint site.
- Resource support – including how to get resource to where it is needed most, and consideration of how best to use available skills. A project is underway to review and implement a new resource allocation and organisational performance information system.
- Consistency – desire for more consistency in audit processes. The Audit Modernisation in 2024 project is underway to support this.
- I&Q and corporate support – lack of awareness of how the activity of these business groups supports audit delivery. A priority action for I&Q has been to develop the SharePoint site with transparent information. The team are working closely with comms colleagues on key projects, including Audit Modernisation, to make sure we use a variety of means to communicate with colleagues about important projects.
- Communications – particularly style and messaging from Leadership Group. Leadership Group is working with comms colleagues on messages after meetings, and Executive Team now put out regular updates after each meeting.

Risk

Wellbeing of colleagues is key to capacity to deliver

Risk register

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

A4 - Failure of capacity – establishment, deployment, skills ● 

Objective

Our people: right skills - Learning & Development

KPQ

Learning (L&D)

Target

Target per KPI

OVERVIEW **AMBER**

Performance, trend and RAG

The Learning and Development (L&D) plan was published, with a new L&D SharePoint hub to support the plan. Information sessions were delivered across all business groups to provide additional information on the L&D plan.

Line Manager programs including optional and mandatory learning plans were created on the Learning Management System. The delivery of instructor lead events including Giving and Receiving feedback, Informal Performance Management and What do line Managers do has started.

We are looking to build the volume of eLearning. Work continued on the development of a skills matrix with the aim of launching this in Q1 2024/25.

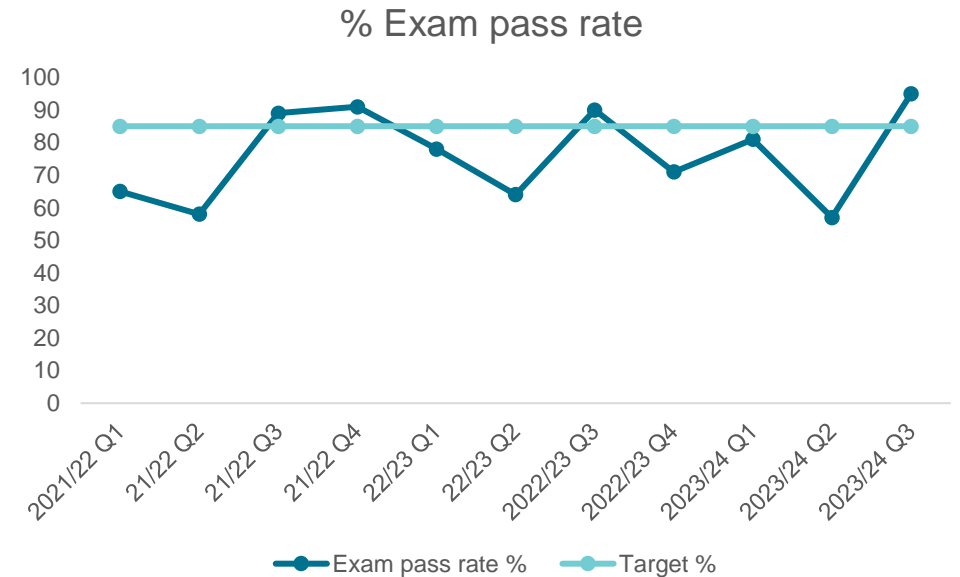
L&D in Q3:

- 29 trainees sat 121 exams with 115 exams passed (95%) against a Target of 85%. YTD the pass rate is 90%.
- 107 training events with 1162 attendees (Target N/A)
- Average L&D days per Colleague 0.79 (Target N/A)
- Percentage of **mandatory training days completed 80%** (Target 95%). This is an increase from 60% in Q2
- The percentage of completed 3Ds 86.6% compared to 50.9 in Q1.

Risk register

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

A4 – Failure of capacity – establishment, deployment, skills 



Note due to the small numbers of exams, the percentage pass rate is significantly impacted by a small number of exams not being passed.

Innovation & Learning

OVERVIEW

The Audit Modernisation Project Initiation Document (PID) was approved by the SIP Board in December 2023 with subsequent discussions at the AS Board in January. We have appointed an interim project manager. More detailed milestones and timelines are being agreed, and additional resource coming into the project team in Q4.

We are making progress with developing and monitoring innovation measures. We are starting to get data for some measures and are refining the measures based on that intelligence.

I&Q launched an Ideas board at the end of September 2023. During quarter 3 we had a total of 13 submissions from across the organisations. Most suggestions came from colleagues in PABV. Ideas relate to areas such as the AMF, documents, SharePoint online, and tools and software. Most are areas or tools that were already being considered, developed or improved by I&Q, or CSG colleagues.

In December 2023, I&Q delivered an updated version of the Scottish Budget Dashboard for the 2024/25 draft budget, in a total turnaround time of only 3 days, with the high-level analysis available on the same day as the budget announcement. This is both saving auditor's time and improving the quality of analysis.

We conducted a survey of Asc (financial data analytics software) users during Q3. This pointed to the perception of increased audit quality and improved job satisfaction, though also suggested areas where improvements or clarifications are required. We continued to prepare Asc for the upcoming audit year, and continued work on our revamped infrastructure that will unlock increased performance and new types of analysis.

I&Q has developed a web applications analytics package which will allow us to collect better data on how our inhouse built dashboards and tools are being used by auditors. This will both help improve our reporting on performance and help us make improvements to our tools.

Objective

Innovation driving audit transformation

KPQ

Target per KPI

Target

Prior year performance



Performance

The Innovation and Learning Data and KPIs are under development, and we will continue to present information where available and to refine KPIs as knowledge in this area develops.

Risk register

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

A4 – Failure of capacity – establishment, deployment, skills ● ⇨

A10 - Failure to deliver the objectives of audit modernisation ● New Risk

A11 - Failure to maximise the benefits and manage the risks of Artificial Intelligence. ● New risk

| Data Measure | Comment |
|---|--|
| Innovative behaviour identified in audit approach, learning shared and impact as a result (quality reviews, data analytics groups, impact evaluation) | I&Q are reviewing this measure and how we will collect meaningful data on this in a timely manner. An update will be provided in Q4. |
| Information and advice shared to drive innovation and improvement | Reporting on this KPI was originally proposed for Q2. I&Q are reviewing this measure and how we will collect meaningful data on this in a timely manner. An update will be provided in Q4. |
| Use of new products / analysis | We conducted a survey of Asc users in Q3. Main respondents were senior auditors. Feedback was generally positive. The majority of users felt that Asc helped provide a better quality audit. We are putting other systems in place to better monitor use of products and analysis, including web analytics, so that we can provide fuller statistics in future. |
| Colleague feedback on audit approach (programmes / templates / audit guide / AMF revisions) | The Audit Quality survey will be used to collect data in this area during Q4. The approach to collecting more feedback for this KPI is to be developed during Q4. |
| Auditors' feedback on technical documents and helpdesk responses (technical support) | The approach to collecting more feedback for this KPI is to be developed during Q4. |

Objective

Innovation & Learning - Insights

KPQ

Application of insights to decision making, audit delivery and organisational change

Target

TBC



OVERVIEW

During Q3 we continued to make progress with the Insights project, part of the Strategic Improvement Programme (SIP). This included developing a project initiation document to define the project goals, objectives and scope as well as a budget and project plan. We will bring this to the SIP Board and Audit Scotland Board in March. We also kicked off the planned pilot of new impact monitoring and evaluation approaches within Audit Services Group, with reporting on this planned for Q4 and Q1 2024/25.

The project continues to carry risks related to resourcing and there is interplay between these and slippage in planned milestone delivery for all strands (impact, stakeholder engagement and horizon scanning). The project team has mitigated against the resource risk by rephrasing the deliverables for the project so they are delivered consecutively rather than concurrently, prioritising the highest risk/urgency activities first. It aims for the overall project plan to be delivered by July 2025. .

Ongoing Actions

| Issues / Actions | Actions to improve performance | Who | Timescales | Comment / update |
|--|---|-----|-------------|------------------|
| Stakeholder feedback on how well public audit responds to key risks and issues | Aiming to have data collection and reporting in place for Q4 2023/24. | I&Q | Q4 2023/24. | |
| Colleague satisfaction with levels and effectiveness of intelligence sharing | Aiming to have data collection and reporting in place for Q4 2023/24. | | Q4 2023/24. | |

Performance, trend and RAG

| Data Measure | Comment |
|---|---|
| Progress with Insights project | <p>During Q3 we:</p> <ul style="list-style-type: none"> ▪ launched an impact monitoring and evaluation pilot in ASG, delivering five impact workshops with local audit teams. ▪ finalised and issued guidance for performance audit teams on following up on recommendations ▪ Some planned activity related to the stakeholder engagement and horizon scanning strands continues to be paused due to resource constraints. |
| Percentage of audit products applying new impact evaluation approaches | 81%* (Total number of audit products applying impact MER / Target number of audit products to be applying impact MER at this stage). |
| Number of insights events delivered internally / feedback on impact of these | <p>YTD data for Q3: 12 insights events with an average attendance: 36 people. Topics covered: Human rights, United Nations Convention on the Rights of the Child, Audit quality, Data science, External networking, Climate change, wellbeing economy, Scottish Budget.</p> <p>5 keynotes with an average attendance: 210 people. Topics covered: Public audit in Scotland outcomes, Values-based culture, Innovation and improvement, Supporting improvement and scrutiny through public audit.</p> |
| External engagement contributing to organisational learning and public audit system leadership. | <p>External engagement covered topics including:</p> <p>Future of scrutiny Leadership Group engagement with other senior leaders across the public sector to discuss the wider scrutiny landscape, accountability, public sector reform and what it means for public audit in Scotland. Aiming to establish core group interested in ongoing engagement about audit and scrutiny working differently.</p> <p>Digital audit Regular engagement with digital audit counterparts in the UK public audit agencies has fed into our thinking around IT audit approach and skills, and on analytics products and approaches, this includes consideration of how we use AI.</p> <p>Auditing standards Engagement with the other UK public audit agencies to inform:</p> <ul style="list-style-type: none"> ▪ the FRC consultation on its glossary of terms to reflect public sector requirements. ▪ required changes/timeline for updating Practice Note 10 to reflect changes in auditing standards. ▪ our responses to FRC consultations on revisions to ISA 250 and 2X0, considering implications and changes required for public sector audit. |

Q3 Financial performance report

Corporate Finance Manager



Item 13

Meeting date: 27 March 2024

Purpose

1. This report presents the financial results for the nine months to 31 December 2023.

Recommendation

2. The Board is invited to:
 - Note the financial results for the nine months to 31 December 2023.

Background

3. A Financial Performance Executive Summary is provided in the appendix to support this report.
4. The report was discussed by Audit Scotland's Leadership Group on 5 March and Audit Committee on 19 March 2024.

Summary position

| Financial Position as at end of December 2023 | | | | | | |
|---|----------------------|----------------------|------------------------|-----------------------|---------------------|------------------------|
| | Actual YTD £'000s | Budget YTD £'000s | Variance YTD £'000s | FY Forecast £'000s | FY Budget £'000s | Variance YTD £'000s |
| Income | (18,088.3) | (18,208.2) | (119.9) | (23,386.4) | (22,942.5) | 443.9 |
| Pay | 16,908.4 | 17,385.8 | 477.4 | 23,035.5 | 23,310.9 | 275.4 |
| Non-pay | 9,218.7 | 9,346.3 | 127.6 | 12,022.0 | 11,531.7 | (490.3) |
| Capital Expenditure | 77.0 | 50.0 | (27.0) | 300.0 | 300.0 | 0.0 |
| Funded by Scottish Consolidated Fund | 8,115.9 | 8,573.9 | 458.0 | 11,971.0 | 12,200.0 | 229.0 |

5. At the end of December 2023 Audit Scotland's total expenditure funded by the Scottish Consolidated Fund was £8,115.9k which was £458.0k (5.3%) less than budget.
6. Net operating expenditure of £8,038.9k was £485.0k (5.7%) less than budget.
7. The main reason for the underspend is pay related as we have been running at a higher vacancy level than planned.
8. Total capital expenditure year to date is £77k, which is £27k (54.0%) more than phased budget which was based on prior year expenditure profile.

9. At this stage of the new financial year the current forecast is £229.0k (1.9%) less than the budget allocation. The biggest financial risk is:

- The closing work in progress position on 31 March 2024 as we start 2023/24 audit work.

10. Variance analysis is provided in the main body of this report.

Income

11. Income recognition year to date of £18,088.3k is £119.9k (0.7%) less than budget.

12. In-house audit income £8.2k less than budget broken down as follows:

- Unbudgeted prior audit year income of £118.1k recognised for the completion of 2021/22 audits in the local government sector.
- 2022/23 audit fee income in health (£5.0k) and central government (£33.8k) more than budget with local government (£22.1k), EAFA (£67.3k) and further education (£6.0k) less than budget.
- 2023/24 audit fee income in central government (£24.3k), further education (£2.6k) and EAFA (£1.3k) more than budget with local government (£54.3k) and health (£43.6k) less than budget.

13. Income recognition for the firms is £181.1k (2.8%) less than budget due to:

- Unbudgeted prior year audit income of £225.1k recognised for completion of 2021/22 audits in local government (£86.3k), central government (£134.4k) and further education (£4.4k).
- Fee income recognition for 2022/23 audits is less than budget in local government (£465.1k) with central government (£69.2k), health (£213.1k) and further education (£61.5k) income more than budget.
- No fee income has been recognised for 2023/24 audits leading to an adverse variance of £284.9k.

14. The completion of all 2022/23 audits and the fee income associated with these audits is planned in this financial year and the position is being closely monitored on a monthly basis.

15. The balancing favourable variance of £69.4k is mainly due to unbudgeted bank interest on deposit balances and central charges recovery.

Pay expenditure

16. Expenditure on pay and agency costs of £16,908.4k is £477.4k (2.7%) less than budget.

17. The year-to-date underspend on staff pay is mainly due to:

- A volume variance with the average vacancy level for the year to date being 10.1 whole time equivalents (3.0%) less than funded establishment.

- 18.** Agency and secondment expenditure year to date of £55.7k is £44.4k (394.9%) more than budget and is providing cover for vacant positions in Accounts Commission Support and Corporate Support. This variance is being funded by the vacancy savings within these business groups staff pay budget.

Non-pay expenditure

- 19.** Non-pay expenditure includes the payments to firms under the audit appointments contract and other operating expenditure. Year to date expenditure of £9,218.7k is £127.6k (1.4%) less than budget.
- 20.** The main variances appear in Firms payments, professional services, travel & subsistence, IT, depreciation, property and health & wellbeing. The increase in training expenditure compared to budget is offset by reduced expenditure on recruitment leading to an overall net position of £11.6k less than budget.
- 21. Firm's payments** £85.7k (1.4%) less than budget with £212.0k relating to the completion of 2021/22 audit work, which is offset by the recognition of additional unbudgeted income. The position in respect of 2023/24 audit work being behind plan leads to payments for work being less than budget which leads to income recognition also being less than budget.
- 22. Professional services** £97.3k (28.6%) less than budget mainly due to timing of expenditure in Innovation & Quality, PABV and Audit Quality and Appointments (AQA) business groups. The budget in Innovation and Quality relates to the digital audit project. PABV use their budget allocation for any independent expert support required to deliver on work programme commitments. AQA's budget allocation relates to the external annual quality inspection work.
- 23. Travel & subsistence** £101.3k (28.7%) less than budget mainly due to savings generated in the car lease scheme with the number of eligible drivers decreasing at a faster pace than planned due to promotions and leavers.
- 24. IT** expenditure £55.2k (11.5%) more than budget due to one off payments for cyber security training and penetration testing. It is projected that this one-off IT expenditure will be funded from other savings within the Digital Services budget headings.
- 25. Depreciation** is £57.7k (17.2%) less than budget due to the budget phasing assumption being different from the timing of in year capital expenditure. This leads to a delay in the commencement of depreciation following the purchase of new assets. The reduction in actual expenditure is also attributable to capital expenditure in 2022/23 being less than budget.
- 26. Property** expenditure £116.4k (15.9%) more than budget due to increase in property service charges and business rates. The rates increases are being challenged with the valuation boards and the outcome of this will not be known until later in the year. The financial impact of the lease for the increased floor space in Glasgow also leads to the recognised overspend.
- 27. Health & wellbeing** relates to the cost of the annual health checks offered to staff. The cost of this contract increased and the take up by staff also increased leading to an overspend of £22.0k (68.8%) which will be funded by savings in other Human Resources budgets.

Contingency and financial risks

28. The 2023/24 budget includes a contingency allocation of £500k to meet any unexpected financial pressures that may arise in the year. An allocation of £150k has been made to capital. Allocations are the responsibility of the Executive Team and a further allocation of £288k has been made to meet pay award pressures.
29. The main financial risk that has the potential to impact on our ability to deliver a balanced budget is the work in progress position on 2023/24 audit work at 31 March 2024.
30. We continue to operate in an extremely unpredictable and volatile environment which will impact on longer-term financial planning and future budget proposals. Factors that need to be considered include:
 - Future pay award settlements.
 - SCF funding pressures.
 - Audit delivery and resourcing.
 - Future direction of fees and funding.
 - Audit modernisation.
 - Electronic working papers system.
 - EAFA audit.
 - Implementation of estate strategy.

Capital expenditure

31. The original capital programme for 2023/24 planned to invest in IT hardware and software. The total budget allocation has increased by £150k to £300k to fund the minor works required to make the new extended Glasgow office suitable for our operational requirements.
32. Year to date capital expenditure of £77k has been spent on furniture for Glasgow and Edinburgh offices (£20k), audio equipment for meeting room EH1/2 in Edinburgh (£42k) and IT hardware (£15k).
33. The balance of £223k will be spent on building work on the Glasgow office extension and IT hardware and software. If there is any slippage on the Glasgow office project contingency plans are being developed to reprofile the planned IT spend in 2024/25 to 2023/24.

Virement

34. Executive Team approved the virement of £150k revenue budget from management contingency to the capital investment budget. This will enable us to complete the building work required in Glasgow this financial year.
35. To fund the 2023/24 pay award settlement there is a requirement to vire £288k from management contingency to staff pay.

Financial Position

Income – recognition of income on completion of outstanding 21/22 audits for both firms and in-house work. Firms additional income (£225k) offset by increased firms payments (£212k). For 22/23 audits, in-house work slightly behind plan for local government and EAFA. Firms behind plan mainly due to local government audit work. For 23/24 audits in-house work slightly behind plan in local government and health. No income recognised on 23/24 audits for the firms.

Pay – budgets include virements to cover the impact of the final pay award settlement being higher than the budget of 3%. The favourable variance is due to the average whole time equivalent (w.t.e.) position being 10.1 below funded establishment which includes a 2% vacancy/turnover factor.

Non-pay - underspends in firms' payments, professional services, travel & subsistence, recruitment and depreciation reduced by overspends in IT, training, property and occupational health costs.

Capital – £77k expenditure this financial year.

Management contingency - £500k budget. £150k allocated to capital investment and a further allocation of £288k to meet the impact of the agreed pay award.

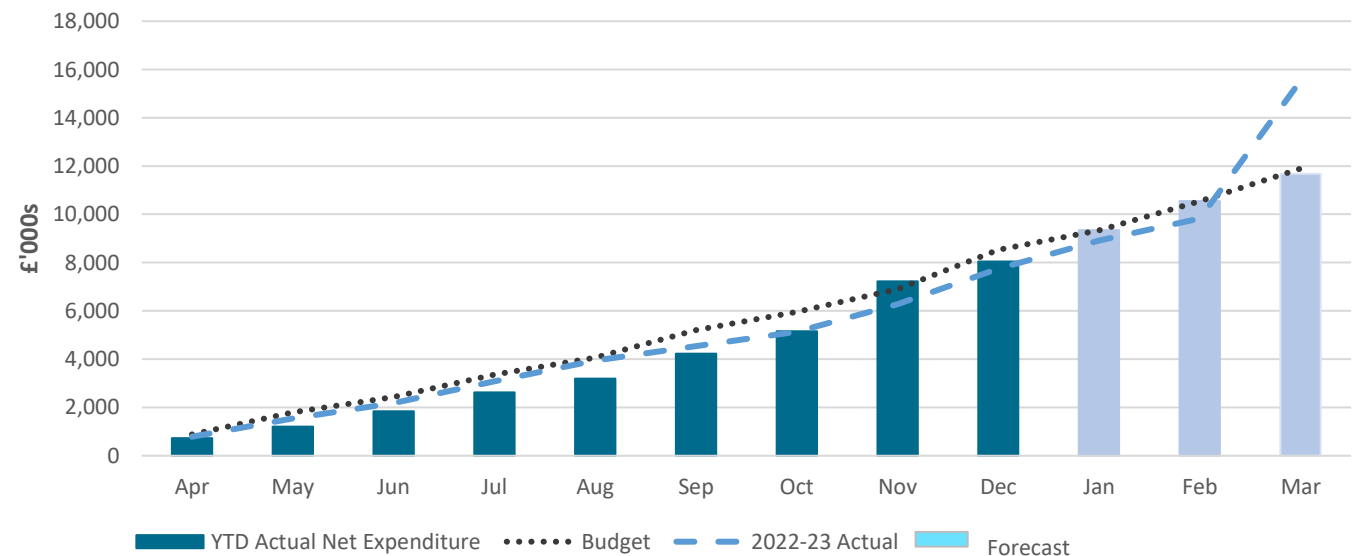
Forecast - based on September result and presented to ET on 16 January. The forecast includes the impact of the agreed pay offer.

Financial Risks

- Closing work in progress position for 2023/24 audit work at 31 March 2024.
- Planning for loss of EAFA income.
- Resourcing pressures and staff wellbeing.
- Timing of capital expenditure.
- Financial implications of Estate strategy.
- Additional audit modernisation pressures (digital audit, climate change).
- Pension fund pressures (IAS 19 implications).

| Financial Position as at end of December 2023 | | | | | | |
|---|----------------|----------------|--------------|-----------------|-----------------|--------------|
| | Actual YTD | Budget YTD | Variance YTD | FY Forecast | FY Budget | Variance YTD |
| | £'000s | £'000s | £'000s | £'000s | £'000s | £'000s |
| Income | (18,088.3) | (18,208.2) | (119.9) | (23,386.4) | (22,942.5) | 443.9 |
| Pay | 16,908.4 | 17,385.8 | 477.4 | 23,035.5 | 23,310.9 | 275.4 |
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| Capital Expenditure | 77.0 | 50.0 | (27.0) | 300.0 | 300.0 | 0.0 |
| Funded by Scottish Consolidated Fund | 8,115.9 | 8,573.9 | 458.0 | 11,971.0 | 12,200.0 | 229.0 |

Net expenditure position by month 2023-24



Summary Balance Sheet £'000s

| | 31/03/2023 | 31/12/2023 |
|--------------------------------|----------------|----------------|
| Total Non Current Assets | 2,083 | 2,848 |
| Total Current Assets | 6,528 | 5,893 |
| Total Current Liabilities | (8,649) | (6,921) |
| Total Non Current Liabilities | (2,751) | (4,056) |
| Assets Less Liabilities | (2,789) | (2,236) |
| Taxpayers Equity | 2,789 | 2,236 |

Non-current assets – increase in right-of-use assets (Glasgow lease and cars) and capital investment being reduced by year-to-date depreciation of assets.

Current assets – increase in cash and decrease debtors.

Current liabilities – decrease in deferred income with increases in balances due to SCF and monthly payroll payments due to HMRC and Lothian Pension Fund.

Non-current liabilities – adjustments reflect movement in unfunded pension provision and remeasurement of obligations under leases for Glasgow office.

Summary Cash Flow £'000s

| | |
|--|--------------|
| Net cash outflow from operating activities | (7,303) |
| Cashflows from investing activities | 77 |
| Obligations under leases | 784 |
| Drawdown from Consolidated Funds | 8,750 |
| Net increase/(decrease) in cash/cash equivalents | 2,308 |
| Net Cash requirement | 6,442 |

- Draw down from Scottish Consolidated Fund of £8.75 million.
- Net increase in cash / cash equivalents of £2.3 million from 31 March.
- Fee invoices issued in September all paid with no current outstanding debt.
- First instalment of 23/24 audit fee invoices to be issued in January 24.

Capital Expenditure £'000s

| | |
|---------------------------|------------|
| Total Funding | 300 |
| Audio equipment EH1/2 | 42 |
| 40 office chairs | 20 |
| Dell power switch/laptops | 15 |
| Balance | 223 |

- Year to date spend on upgrading audio equipment in Board meeting room at WP, IT hardware and office chairs.
- Virement of £150k from Revenue to Capital approved by ET to undertake Glasgow office building work. If we are unable to complete the work this financial year we will aim to accelerate the digital services requirement for 24/25 in to 23/24.

YTD financial position for each business group

The current YTD financial position for each business group is detailed here.

- **Overall** - at the end of December the revenue financial position was £485k less than budget. The forecast includes the agreed pay award offer.
- **Audit Services Group** - 21/22 audits complete with some residual income recognised this financial year. 22/23 audit work behind plan in local government and EAFA. Income of £331k recognised for 23/24 audit work compared to budget of £401k. Pay less than budget following virement in December to cover impact of increased pay award. Non-pay less than budget mainly due to reduced travel and lease car expenditure.
- **Performance Audit and Best Value** - pay costs less than budget with average w.t.e. 6.9 below funded establishment reduced by pay award above budget allocation. Vacant posts being filled. Non-pay costs less than budget due to timing of expenditure on professional services and car lease costs.
- **Innovation and Quality** - pay costs less than budget with the average w.t.e. 1.7 below funded establishment being reduced by pay award above budget allocation. Non-pay costs less than budget due to expenditure on professional fees (digital audit project), car lease costs and timing of training costs.
- **Audit Quality and Appointments** - underspend in non-pay costs due to budget phasing of professional fees.
- **Corporate Services Group and Corporate Costs** - Pay less than budget due to average 0.7 w.t.e. below plan. Non-pay more than budget with the most significant variances in property, occupational health and IT costs. This is being reduced by depreciation charges being less than budget.
- **Approved Auditors** – completion of some 21/22 audit work in 23/24 financial year and 22/23 audit work behind trajectory leading to fee income recognition being less than budget. Firm expenditure less than budget due to 22/23 audit work behind plan with some of the variance being reduced by the recognition of the costs of prior year work.
- **Accounts Commission and Support** - pay less than budget due to vacant Commission Chair post in May. Non-pay expenditure less than budget due to budget phasing of change programme and adopting alternative means to make Commission meetings available online.
- **Board, AGS and Exec Team** - non-pay costs more than budget due to travel and subsistence and training expenditure.

| Business Group | Cost type | Actual YTD £'000s | Budget YTD £'000s | Variance YTD £'000s | FY Forecast £'000s | FY Budget £'000s | Variance YTD £'000s |
|---|--------------|----------------------|----------------------|------------------------|-----------------------|---------------------|------------------------|
| Audit Services Group | Income | (9,087.9) | (9,096.1) | (8.2) | (11,950.2) | (11,851.9) | 98.3 |
| | Pay | 8,259.1 | 8,322.3 | 63.1 | 11,280.3 | 11,096.4 | (184.0) |
| | Non-pay | 331.8 | 406.8 | 75.0 | 463.8 | 552.3 | 88.4 |
| | Total | (497.0) | (367.1) | 130.0 | (206.1) | (203.3) | 2.8 |
| Performance Audit and Best Value | Income | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| | Pay | 3,459.1 | 3,750.5 | 291.4 | 4,687.1 | 4,992.5 | 305.4 |
| | Non-pay | 68.6 | 124.1 | 55.4 | 156.5 | 185.3 | 28.8 |
| | Total | 3,527.7 | 3,874.5 | 346.8 | 4,843.6 | 5,177.8 | 334.2 |
| Innovation and Quality | Income | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| | Pay | 1,289.1 | 1,357.1 | 68.0 | 1,713.4 | 1,809.5 | 96.1 |
| | Non-pay | 383.1 | 465.3 | 82.2 | 578.7 | 642.4 | 63.7 |
| | Total | 1,672.2 | 1,822.4 | 150.2 | 2,292.1 | 2,451.9 | 159.8 |
| Audit Quality and Appointments | Income | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| | Pay | 280.4 | 280.7 | 0.3 | 374.2 | 374.3 | 0.1 |
| | Non-pay | 8.6 | 35.3 | 26.8 | 157.4 | 157.3 | (0.1) |
| | Total | 289.0 | 316.0 | 27.0 | 531.6 | 531.6 | (0.1) |
| Corporate Services Group and Corporate costs | Income | (2,670.5) | (2,601.2) | 69.3 | (3,545.2) | (3,492.7) | 52.5 |
| | Pay | 2,541.9 | 2,594.6 | 52.7 | 3,531.5 | 3,589.2 | 57.7 |
| | Non-pay | 2,146.9 | 1,935.3 | (211.6) | 2,994.5 | 2,764.7 | (229.8) |
| | Total | 2,018.3 | 1,928.7 | (89.6) | 2,980.8 | 2,861.2 | (119.6) |
| Approved Auditors | Income | (6,329.8) | (6,510.9) | (181.1) | (7,891.0) | (7,597.9) | 293.1 |
| | Pay | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| | Non-pay | 6,229.3 | 6,315.0 | 85.7 | 7,583.4 | 7,070.0 | (513.4) |
| | Total | (100.5) | (195.9) | (95.4) | (307.6) | (527.9) | (220.3) |
| Accounts Commission and Support | Income | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| | Pay | 359.3 | 362.1 | 2.8 | 489.2 | 490.9 | 1.7 |
| | Non-pay | 31.2 | 53.4 | 22.3 | 54.6 | 137.5 | 83.0 |
| | Total | 390.4 | 415.6 | 25.1 | 543.8 | 628.4 | 84.7 |
| Board, AGS and Exec Team | Income | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| | Pay | 719.5 | 718.6 | (0.9) | 959.8 | 958.1 | (1.7) |
| | Non-pay | 19.3 | 11.1 | (8.2) | 33.0 | 22.1 | (10.9) |
| | Total | 738.8 | 729.7 | (9.1) | 992.8 | 980.2 | (12.6) |
| Funded by Scottish Consolidated Fund | | 8,038.9 | 8,523.9 | 485.0 | 11,671.0 | 11,900.0 | 229.0 |

Annual policy review of Freedom of Information and Environmental Information Requests and Data Protection

Director of Corporate Support

Item 14
Meeting date: 27 March 2024

Purpose

1. This report invites the Board to note the review of Audit Scotland's Freedom of Information, Environmental Information Policy and Data protection policy.

Recommendations

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

Background

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

Annual review of FOI and EIR policy

5. The Corporate Governance Team carried out a review of the Freedom of Information (FOI) and Environmental Information Regulations (EIR) in February 2024. The review found the policy was up to date and required only minor amendment in relation to mandatory training. The policy is attached as appendix 1 and the minor change are shown as tracked changes.
6. A review of our FOI panel arrangements, which form part of the Knowledge Information and Technology Governance Group (KITGG) terms of reference, was also carried out. The arrangements continue to be fit for purpose and no changes were required.
7. The Freedom of Information (Scotland) Act 2002 (the FOI Act) requires Scottish public authorities to produce and maintain a publication scheme. Authorities are under a legal obligation to:

- Publish the classes of information that they make routinely available.
 - Tell the public how to access the information and what it might cost.
8. The publication scheme for Audit Scotland is published on our website and is updated regularly throughout the year when our policies are reviewed/updated.

Annual review of Data Protection policy

9. In April 2018, the Data Protection Policy was updated to reflect the introduction of the EU General Data Protection Regulations (GDPR). The Board agreed this would be reviewed on an annual basis.
10. Since the approval of the policy the Information Commissioner's Office (ICO) continues to issue regular guidance updates and clarifications in respect of the legislation. The Corporate Governance team monitors these and advises staff of any significant changes which would impact on operational practice.
11. The Corporate Governance Team carried out a review of the Data Protection policy in February 2024. The review found the policy was up to date and required only minor amendment in relation to Data Protection and Digital Information Bill (see below)
12. The policy is attached as appendix 2 and the minor change are shown as tracked changes.
13. At time of writing the [Data Protection and Digital Information Bill](#) is currently in Committee Stage at the House of Lords. We continue to monitor its progress and will consider any changes which may be required to our policies and processes accordingly.

Conclusion

14. The review and approval process of the policy demonstrates our continued commitment to ensure our policies comply with standards.
15. The policies will next be subject to scheduled review in March 2025 to ensure they remain fit for purpose. If and when the Data Protection and Digital Information bill is enacted, we will review the Data Protection policy sooner to ensure it remains fit for purpose.

Freedom of Information and Environmental Information Policy

| | |
|---------------------------------|------------------------------|
| Owned and maintained by: | Corporate Governance Manager |
| Date checked/ created: | March 2023 2024 |
| Next review date: | March 2024 2025 |

Introduction

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

Our approach

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

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

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

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

Scope

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

Roles and responsibilities

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

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

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

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

Panels are convened by Corporate Governance and are composed of staff from across the main business groups. The membership of each panel varies to ensure independence and objectivity.

Information we hold

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

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

Training and awareness

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

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

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

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

Charges

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

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

Supplementary documentation

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

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

Change log

| Date | Author | Description |
|-------------------|--------------------------------------|---|
| 19/09/2012 | Corporate Governance Manager | Revised policy approved by Audit Scotland Board. |
| 24/10/2013 | Corporate Governance Manager | Revised policy approved by Audit Scotland Board |
| 20/08/2014 | Corporate Governance Manager | Revised policy approved by Audit Scotland Board |
| 17/09/2015 | Corporate Governance Manager | Revised policy approved by Audit Scotland Board |
| 03/05/2016 | Corporate Governance Manager | Revised policy approved by Audit Scotland Board |
| 23/08/2017 | Corporate Governance Manager | Revised policy approved by Audit Scotland Board |
| 23/09/2018 | Corporate Governance Manager | Revised policy approved by Audit Scotland Board |
| 18/09/2019 | Corporate Governance Manager | Revised policy approved by Audit Scotland Board |
| 30/09/2020 | Corporate Governance Manager | Revised policy approved by Audit Scotland Board |
| 22/09/2021 | Corporate Governance Manager | Revised policy approved by Audit Scotland Board |
| 05/04/2022 | Corporate Governance Manager | Revised policy approved by Audit Scotland Board |
| 04/04/2023 | Corporate Governance Manager | No changes to the policy. Update to Board on changes anticipated given Scottish Government consultation |
| <u>27/03/2024</u> | <u>Director of Corporate Support</u> | <u>Revised policy for approval ed by Audit Scotland Board</u> |

Data Protection Policy

| | |
|---------------------------------|------------------------------|
| Owned and maintained by: | Corporate Governance Manager |
| Date checked/ created: | April 2023 2024 |
| Next review date: | April 2024 2025 |

Introduction

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

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

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

UK GDPR

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

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

5-6. At time of writing the Data Protection and Digital Information Bill is currently in Committee Stage at the House of Lords. Once the bill is passed and an implementation date agreed, we will review and update this policy as required.

6-7. This Data Protection Policy applies to the Auditor General, the Accounts Commission and Audit Scotland. Throughout this policy the terms 'we' and 'us' are used to refer to the Auditor General, the Accounts Commission and Audit Scotland collectively.

7-8. As Data Controllers, we are committed to processing personal data (information) lawfully, fairly and in a transparent manner.

8-9. To discharge our statutory functions we collect, process, store and delete personal information covered by data protection legislation. Examples include information on current, past, and prospective employees, Accounts Commission members' and previous Auditors General, clients, suppliers, correspondents, complainants, people covered by the audit process and others with whom we communicate.

9-10. We recognise the benefits of protecting an individual's fundamental rights and freedoms and in particular their right to the protection of their personal information. We also recognise the seriousness of failing to comply with data protection legislation and the resulting risk to our reputation. Therefore, we are committed to:

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

[9.12.10.12.](#) ensuring that we keep our encryption solution(s) under review in the light of technological developments.

[10.11.](#) Data-matching exercises as part of the National Fraud Initiative are subject to a detailed Code of Data-Matching Practice which complies with this policy.

Definition

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

[12.13.](#) It applies only to living individuals and covers their personal information held on physical or digital medium.

Data protection principles

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

- [13.1.14.1.](#) Lawfulness, fairness and transparency;
- [13.2.14.2.](#) Purpose limitation;
- [13.3.14.3.](#) Data minimisation;
- [13.4.14.4.](#) Accuracy;
- [13.5.14.5.](#) Storage limitation;
- [13.6.14.6.](#) Integrity and confidentiality (security); and
- [13.7.14.7.](#) Accountability

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

[15.16.](#) To comply with the seven data protection principles, we will:

- [15.1.16.1.](#) process personal information lawfully, fairly and in a transparent manner in relation to the data subject;
- [15.2.16.2.](#) only collect personal information for specified, explicit and legitimate purposes and not further process it in a manner that is incompatible with those purposes;

- 45.3.16.3. 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;
- 45.4.16.4. 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;
- 45.5.16.5. 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;
- 45.6.16.6. 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
- 45.7.16.7. 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

46.17. We will only disclose personal information to:

- 46.1.17.1. those who are entitled to the information;
- 46.2.17.2. any authority we are required to do so by law e.g. HMRC;
and
- 46.3.17.3. anyone to whom we are required to disclose it, such as individuals seeking to access their own personal data

Rights of the individual

47.18. The UK GDPR provides the following rights for individuals which we as an organisation must be cognisant of:

- 47.1.18.1. The right to be informed - this covers some of the key transparency requirements of the UK GDPR. It is about providing individuals with clear and concise information about what you do with their personal data. Articles 13 and 14 of the UK GDPR specify what individuals have the right to be informed about.
- 47.2.18.2. 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.

47.3.18.3. 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.

47.4.18.4. 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.

47.5.18.5. 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.

47.6.18.6. 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.

47.7.18.7. 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.

47.8.18.8. 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

48-19. _____ The Corporate Governance Manager is our designated data protection officer and is to be involved appropriately and in a timely manner, in all issues which relate to the protection of personal information.

Personal responsibility

19-20. Data protection is the responsibility of everyone, and this principle is embedded in our Code of Conduct. We are all expected to ensure that we collect, process, store, share and dispose of personal data in a fair and lawful manner, in accordance with this policy and data protection legislation, and to undergo training as required.

Training and awareness

20-21. We are committed to ensuring full staff awareness of our statutory obligations around Data Protection, Information Security and Environmental Information Regulations. All staff receive mandatory training on the pertinent legislation and its implications for our work.

21-22. The training of staff is regularly tracked and monitored to maintain organisational compliance. We are committed to maintaining effective systems for handling personal data to meet our obligations under this legislation.

22-23. Audit Scotland recognises the annual International Data Protection Day on 28 January each year. To mark this date, a blog is shared with all colleagues on any updates to internal data protection practices and our performance on compliance with the legislation.

23-24. Corporate Governance ensure that any relevant updates to legislation and practice is shared via the internal Knowledge, Information and Technology Governance Group (KITGG) and all colleague Yammer channels.

24-25. Guidance on the application of data protection is available on [SharePoint](#).

Misuse of personal information

25-26. 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 | 01/05/2019 | Corporate Governance Manager | Revised policy approved by Audit Scotland Board |

| | | | |
|-----------|-------------------|--------------------------------------|---|
| 16 | 24/03/2020 | Corporate Governance Manager | Revised policy for the approval of KITGG (4 March) and Board (25/03/2020) |
| 17 | 24/03/2021 | Corporate Governance Manager | Revised policy for the approval of KITGG (March) and Board (24/03/2021) |
| 18 | 15/03/2022 | Corporate Governance Manager | Revised policy for the approval of Board (5 April 2022) |
| 19 | 15/02/2023 | Corporate Governance Manager | Review undertaken and no changes to the current Data Protection Policy. Update to Board (4 April 2023) on the proposed changes by the Data Protection and Information Bill 2022 |
| <u>20</u> | <u>04/03/2024</u> | <u>Director of Corporate Support</u> | <u>Revised policy for Approval of by Board March 2024</u> |

Agenda

Audit Scotland Board

Tuesday 21 May 2024

Audit Scotland, 102 West Port, Edinburgh



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

Standing items

- | | |
|--|-----------------|
| 5. Chair's report - verbal update | For information |
| 6. Accountable Officer's report - verbal update | For information |
| 7. Chief Operating Officer – verbal update | For information |
| 8. Accounts Commission Chair's report - verbal update | For information |
| 9. Review of draft minutes: | |
| • Board meeting: 27 March 2024 | For approval |
| • Audit committee meeting: 19 March 2024 | For assurance |
| • Remuneration and Human Resources committee meeting: 19 March 2024 | For assurance |
| 10. Review of action tracker | For assurance |

Annual reporting

- | | |
|--|---------------|
| 11. 2023-24 Annual report on information governance and security | For assurance |
| 12. 2023-24 Annual report on complaints | For assurance |
| 13. 2023-24 Annual Report Freedom of Information and Environmental Information | For approval |

Business planning, performance and governance

- | | |
|---|--------------|
| 14. Information Security Management Policy review | For approval |
|---|--------------|

15. 2024-28 Audit Scotland international engagement strategy

For assurance

Items to be taken in private

16. Stakeholder opinion and feedback

For assurance

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

Conclusion

17. Any other business

For discussion

18. Review of meeting

For discussion

19. Date of next meeting: 7 June 2024

For information

Minutes Board

Wednesday 27 March 2024, 10.00am
Audit Scotland, 102 West Port

Present:

Alan Alexander (Chair)
Colin Crosby
Stephen Boyle
Jackie Mann
Jo Armstrong

Apologies:

There were no apologies

In attendance:

Vicki Bibby, Chief Operating Officer (Item 17)
Kenny Oliver, Executive Director of Innovation and Quality (Item 10)
Gemma Diamond, Director of Innovation and Transformation (Item 10, 16)
Michelle Borland, Head of Organisation Improvement (Item 10)
Stuart Dennis, Finance Manager (Item 11, 13)
Martin Walker, Director of Corporate Support (Item 12, 14)
Ian Metcalf, Corporate Performance Officer (Item 12,14)
Simon Ebbett, Communications Manager (item 15)
Morag Campsie, Head of Digital Audit (Item 16)
Phil Heywood, Project Manager (Item 16)
Antony Clark, Executive Director of Performance Audit & Best Value
John Cornett, Executive Director of Audit Services

Niki Ross, Forum Support Coordinator (Minutes)

1. Private meeting of Board members

The Board met privately and there were no matters arising.

2. Welcome and apologies

Vicki Bibby, Antony Clark, John Cornett, Kenny Oliver and Martin Walker, joined the meeting.

The Chair welcomed attendees to the meeting.

A particular welcome was addressed to Jo Armstrong, as this was her first full Board meeting.

3. Declarations of interest

Jo Armstrong advised of an interest in item 11 as a previous member of the Water Industry Commission for Scotland. Members agreed it was appropriate for Jo to remain.

4. Items to be taken in private

The Chair invited members to agree that items 15, 16 and 17 of the agenda be considered in private for the reasons stated on the agenda. The members agreed.

5. Chair's report – verbal update

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

The Chair advised members that he had attended John Cornett's keynote session on financial planning and management. The Chair reflected that the session highlighted the need for reform and that we have the right people in Audit Scotland to assist in the process.

The Chair has had an introductory meeting with Jo Armstrong, Chair of the Account Commission.

The Chair confirmed that a response letter was sent to the Scottish Commission for Public Audit (SCPA) to acknowledge and respond to their recommendations on the budget submission. The budget was noted by SCPA in their report to Parliament. An SCPA session will take place on 24 June 2024 on audit modernisation. In addition, a session on the budget has been arranged for 30 September 2024 prior to the formal budget meeting in December 2024.

The Chair advised that he was interviewed by Wylie & Bisset, our internal auditors, on strategic planning.

The Chair attended Remco and Audit Committee on 19 March 2024.

The Chair advised that he has completed cyber security training.

Following discussion, the Board welcomed the update.

6. Accountable Officer's report – verbal update

Stephen Boyle invited the Board to note his regular engagement with the Chair and the Chair of the Accounts Commission.

Stephen advised that we have received the Best Companies survey results and that discussions will take place with Remco and the Board once data has been analysed. A high-level communications message has been sent to all staff and discussions will take place with staff in due course. Stephen confirmed that Audit Scotland has retained its 'one to watch' status.

Stephen advised he has attended Parliamentary Public Audit Committee sessions following publication of section 22 reports on NHS Forth Valley, Scottish Prison Service, Water Industry Commission for Scotland as well as briefing committee on other areas such as income tax arrangements and infrastructure spending in Scotland.

Further engagement included meeting with MSP Ivan McKee on public sector reform, MSP Fergus Ewing on the Scotland deposit return scheme.

Stephen and Rebecca Seidel have also given evidence to the Net Zero Committee at the Scottish Parliament on the Scottish Government's arrangements to deliver on its climate change ambitions.

Stephen advised that he has had met with the Permanent Secretary in March 2024 and will be attending the round table event hosted by the Royal Society of Edinburgh in respect of public sector reform in Scotland – date to be confirmed.

Stephen and Vicki are continuing to hold engagement sessions with partners from the firms that Audit Scotland has appointed to explore their views on how the public sector is performing. Meetings so far have taken place with Grant Thornton and KPMG.

Stephen advised that he has been invited to participate in the Audit Wales staff conference in May 2024.

Following discussion, the Board welcomed the update.

7. Accounts Commission Chair's report – verbal update

Jo Armstrong advised that she has chaired two Accounts Commission meetings as well as engaging in a strategy session with colleagues from Audit Scotland on Best Value.

Jo has met with the First Minister, senior Civil Servants, SOLACE, COSLA and Improvement Service.

The Accounts Commission have also approved the recommendation of appointing Andrew Burns as the new Deputy Chair and are awaiting confirmation from the First Minister.

Jo confirmed that she has had a positive induction process and good support and engagement across the organisation.

Following discussion, the Board welcomed the update.

8. Review of minutes

Board special meeting: 28 February 2024

The Board noted the confidential minutes of the Board meeting of 28 February 2024, copies of which had been previously circulated. The Board noted they were an accurate record of the meeting.

Board meeting: 23 January 2024

The Board noted the minutes and confidential minutes of the Board meeting of 23 January 2024, copies of which had been previously circulated. The Board noted they were an accurate record of the meeting.

Remuneration and Human Resources Committee: 14 November 2023

The Board noted the minutes and confidential minutes of the Remuneration and Human Resources Committee meeting of 14 November 2023, copies of which had been previously circulated. The Board noted the minutes were an accurate record of the meeting.

Audit Committee: 14 November 2023

The Board noted the minutes of the Audit Committee meeting of 14 November 2023, copies of which had been previously circulated. The Board noted the minutes were an accurate record of the meeting.

9. Review of action tracker

The Board noted and approved the updated action tracker.

10. Strategic Improvement Programme: update

Gemma Diamond and Michelle Borland joined the meeting.

Kenny Oliver introduced the report on strategic priorities, copies of which had been previously circulated.

The Board was invited to:

- Note the progress with SIP projects summarised in this paper and the progress made improving the overall project and programme management approach for the SIP.

The Board discussed external costs and noted that until we undertake the market research phase to explore potential options an estimate of costs is provided in the report. The Board acknowledged that costs for both the Insights project and the Resource & Management Information can be accommodated within the 2024/25 and 2025/26 operational budgets. Members noted that we need to be prepared for potential scrutiny on costs by the SCPA.

During discussion, members noted that engagement has taken place with other national audit agencies and some of the firms we work with to establish the systems they have implemented, and costs associated with this.

Following discussion, the Board noted the programme update and was assured by the progress made to date.

Gemma Diamond and Michelle Borland left the meeting.

11. Operational budget

Stuart Dennis joined the meeting.

Stuart Dennis gave an overview of the operational budget, copies of which had been circulated previously.

The Board was invited to:

- Discuss the 2024/25 operational budget.
- Note the triennial Lothian Pension Fund valuation leads to a budget reduction of £286k in employer pension contributions and agree a communication approach with the Scottish Commission for Public Audit (SCPA) on this adjustment.
- Note the budget assumes a holiday pay accrual saving of £305k.

The Board noted the budget reduction saving of £286k and agreed that in terms of transparency and openness we would propose to SCPA that we use this money as a spend to save option to recruit five additional auditors on two-year fixed term contracts. This will help to accelerate the pace of audit delivery. Members agreed that our approach for the proposal should be framed around 'business as usual'. Members noted that further work will be carried out to quantify this additional resource.

Following discussion, the Board noted the report and agreed that preparation work can begin on recruiting the additional resources.

Action: Vicki/Stuart to prepare a proposal to SPCA on the spend to save option discussed by members.

Stuart Dennis left the meeting.

12. Q3 Corporate performance report

Ian Metcalf joined the meeting.

Martin Walker introduced the quarter three corporate performance report, copies of which had been circulated earlier, highlighting that performance overall was similar to quarter two performance and that we are continuing to develop our approach.

The Board was invited to:

- Review the performance in Q3 as set out below and in appendix 1.
- Consider the issues affecting performance, the actions identified and whether any additional management action is required.

During discussion, the Board reflected on the delayed audits and the financial implications it can have on additional fees.

The Board noted that the timeliness of audit delivery against planned sign-off dates is improving, and that resilience and capacity has been built into the process for potential slippages.

The Board reflected on the percentage of audit time that was recorded against the percentage of non-audit time and agreed that this could distort the figures. Non-audit time is related to the business support functions of the organisation which are mainly in the business areas of Corporate Services and Innovation & Quality. As part of the Resource and Management Information project, work is being undertaken to explore products which can deliver a better system for identifying costs on productivity across the organisation.

The Board discussed the challenges of delivery by the firms and acknowledged that we are currently engaging with them, and a strategic discussion will be needed at some point on the future audit market.

Following discussion, the Board noted the report.

Action: Martin to quantify the cost of delayed audits and inform the Board.

13. Q3 Financial performance report

Stuart Dennis joined the meeting.

Stuart introduced the quarter 3 financial performance report, copies of which had been circulated in advance, highlighting the financial results for the nine months to December 2023.

The Board noted the financial results for the nine months to 31 December 2023.

Stuart Dennis left the meeting.

14. Annual policy review: Freedom of information and environmental information requests and data protection

Martin gave a brief introduction on the annual policy review of Freedom of Information and Environmental Information Requests and Data Protection, copies of which had been circulated previously.

The Board approved both reports and noted the update in relation to potential future changes to the Data Protection legislation.

Ian Metcalf left the meeting.

Items taken in private

15. 2023-24 Annual report & accounts

Simon Ebbett, Communications Manager, joined the meeting.

Simon Ebbett introduced a mock-up of the new design for annual report and accounts, copies of which had been previously circulated.

The Board noted the report and approved the revised design.

Simon Ebbett left the meeting.

16. Audit modernisation project update

Gemma Diamond, Director of Innovation and Transformation, Morag Campsie, Head of Digital Audit and Phil Heywood, Project Manager, joined the meeting.

Kenny gave an update on the audit modernisation project, copies of which had been previously circulated.

The Board was invited to:

- Consider, and confirm they are content with the vision, objectives, scope (paragraphs 5 and 6) and high-level timeline for the project (page 11).
- Consider progress to date (paragraphs 10 to 37) and note planned priorities for the next period (paragraph 38). This includes preparing for the SCPA session (paragraph 40).

- Note the provisional budget range that's been developed to date (paragraphs 18 to 23) and the ongoing work to refine these and develop a better understanding of potential efficiencies. Costs will be refined as we gather further information from auditors, audit agencies, Scottish Government procurement and suppliers over the coming months.

During discussion, the Board reflected on the slippages that has occurred in some areas and were content that processes are in place to manage this.

Further discussion took place on elective external assurance and the role of the Board in terms of project assurance. The Board acknowledged that there needs to be the independence between the team working on the project and the external assessor.

Following discussion, the Board noted the programme update.

Gemma Diamond, Morag Campsie and Phil Heywood left the meeting.

17. Boardroom Apprentice Scheme

The Chair gave an overview on the Boardroom Apprentice Scheme, copies of which had been previously circulated.

The Board was invited to:

- Note the purpose of the Boardroom Apprentice Scheme.
- Agree that further work is undertaken to determine the costs and criteria for host organisations.
- Agree that Audit Scotland's participation is explored with the SCPA.
- Agree a report is brought back to a future meeting, likely May, to allow a decision on Audit Scotland participation in 2025.

During discussion, the Board noted that the scheme allows for the Boardroom apprentice to have full and open access to the meetings, although they are not a decision maker.

Following discussion, the Board noted the programme update and was assured by the progress made to date.

18. Any other business

There was no other business for discussion.

19. Review of meeting

The Chair invited members to comment on the papers and the conduct of the meeting.

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

The Chair thanked everyone for their contributions.

20. Date of next meeting: 21 May 2024

The members noted the next meeting of the Audit Scotland Board is scheduled for 21 May 2024.

Minutes

Audit Committee



Tuesday 19 March 2024, 10.00am
Audit Scotland, 102 West Port, Edinburgh / MS Teams

Present:

Colin Crosby (Chair)
Jackie Mann
Jo Armstrong

Apologies:

In attendance:

Alan Alexander, Chair, Audit Scotland Board
Stephen Boyle, Accountable Officer and Auditor General for Scotland
Vicki Bibby, Chief Operating Officer
Martin Walker, Director of Corporate Support
Stuart Dennis, Corporate Finance Manager
Gemma Diamond, Director of Innovation & Transformation
Michelle Borland, Head of Organisational Improvement
Simon Ebbett, Communications Manager
David Robertson, Digital Services Manager
Jillian So, Alexander Sloan
David Jeffcoat, Alexander & Sloan
Graham Gillespie, Wylie & Bisset
Stephen Pringle, Wylie & Bisset
Niki Ross (Minutes)

1. Private meeting with Wylie & Bisset LLP

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

2. Welcome and apologies

The Chair opened the meeting and welcomed everyone, and formally welcomed Jo Armstrong to her first meeting as member of the Audit Committee following her appointment as Chair of the Accounts Commission.

Chair advised 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: 14 November 2023

Audit Committee members reviewed and agreed the minutes of the 14 November 2023 meeting, copies of which had been circulated previously.

Audit Committee approved the minutes of the previous meeting.

5. Review of action tracker

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

Vicki Bibby gave an update on the action in relation to item 9 confirming that the meeting to discuss the next round of audit appointments had not yet taken place and would involve a wider discussion. Vicki confirmed that the meeting will take place shortly.

Audit Committee noted the tracker for completeness.

6. Internal audit report: Cyber incident response plan

Graham Gillespie, Wylie & Bisset, introduced the Cyber Incident Response Plan internal auditor report, copies of which had been circulated previously.

Graham confirmed that our Cyber incident response plan has been assigned a 'substantial' grading, acknowledging that a lot of good work and progress is being done in this area.

The report highlighted two issues as follows:

- The response plan is not fully operational and still needs finalised.
- A formal schedule is still to be developed to allow regular testing on each playbook.

Members acknowledged that this is a positive achievement in a very complex area. During discussion, members agreed that the Board should have more focus on cyber security given the potential risks in this area.

Audit Committee noted the internal audit report on the cyber incident response plan.

7. Internal audit report: Overall financial controls

Graham Gillespie, Wylie & Bisset, introduced the Overall financial controls internal auditor report, copies of which had been circulated previously.

Graham confirmed that the overall financial controls has been assigned a 'strong' grading and that there were no recommendations.

Audit Committee noted the internal audit report on overall financial controls.

8. Internal audit report: Progress report

Graham Gillespie, Wylie & Bisset, introduced the internal audit progress report, copies of which had been circulated previously.

Audit Committee noted that the internal audit work was on schedule and that a final update report for 2023/24 will be brought to Audit Committee meeting on 7 May 2024.

9. Implementation of internal audit recommendations progress report

Martin Walker provided an update of the recommendations from the internal audit reports, copies of which had been circulated previously.

Audit Committee was invited to:

- Note the progress on the implementation of outstanding audit recommendations.

During discussion, Audit Committee noted that some implementation dates had been extended but were assured that this was a result of specific circumstances and not due to any systemic failings.

Following discussion, Audit Committee was content to note report.

10. 2023-24 Internal audit report: Internal/external audit cooperation

Graham Gillespie, Wylie & Bisset, introduced the report on internal and external audit cooperation, copies of which had been circulated previously.

David Jeffcoat, Alexander & Sloan, and Graham advised that joint working is working well with continuous liaison throughout the year and there are no concerns.

Following discussion, Audit Committee noted the positive cooperation between internal and external audit.

11. 2023-25 Accounting policies, key accounting estimates & judgements and year end statutory accounts timetable

Stuart Dennis, Corporate Finance Manager introduced the proposed accounting policies, key accounting estimates and judgements to be included within the Notes to the 2023/24 accounts, copies of which had been circulated previously.

Audit Committee was asked to:

- Approve the 2023/24 Accounting policies, key accounting estimates and judgements.

During discussion, Audit Committee noted that the draft timetable has been agreed with the appointed auditor and is similar to last year, and that there are no substantive changes to the accounting policies.

Members discussed the pension situation and noted that the final pension figures will not be available until the end of April.

Following discussion, Audit Committee approved the 2023/24 Accounting policies, key accounting estimates and judgements.

12. 2024-25 External audit plan

David Jeffcoat, Alexander Sloan introduced the 2024/25 External audit plan, copies of which had been circulated previously.

David highlighted the potential risk to the financial statement in terms of the large adjustment to the pension as well as the potential disclosure risk that the new layout to the

Performance Report and Accountability Report is not compliant with the FReM.

Audit Committee noted the 2024/25 External Audit Plan.

13. Q3 financial performance report

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

Audit Committee was invited to:

- Note the financial results for the nine months to 31 December 2023.
- Discuss and note the main financial risk highlighted in paragraph 9.

Members noted that the budget underspend is pay related as we have been running at a higher vacancy level than planned. The main reason is a volume variance with the average vacancy level being 3% less than the funded establishment. This is largely due to challenges in finding the right people for the right job. Members agreed that next year we need to be more proactive in the way the underspend is managed by trying to ensure that we are operating with the planned number of staff.

Following discussion, Audit Committee noted the report.

14. Review of risk register

Martin Walker introduced the updated corporate risk register, copies of which had been circulated previously.

Audit Committee was invited to:

- Consider the updated risk register.
- Determine whether additional management action is required.

During discussion, members reflected on the emerging risks and noted that more detail will be reported in due course on some risks.

Further discussion took place on audit quality and the need to emphasise to stakeholders and the SCPA that audit quality is of vital importance and that we are managing both quality and delivery.

Following discussion, Audit Committee noted the report.

15. Risk deep dive – impact and reputation

Gemma Diamond, Michelle Borland and Simon Ebbett joined the meeting.

Martin Walker introduced the risk deep dive into two connected risks on impact and reputation, copies of which had been circulated previously.

Audit Committee was invited to:

- Consider the deep dive.
- Note the controls and actions in place.
- Identify any further management action which may be required.

During discussion, members reflected on the variety of evidence confirming that we have good impact and good reputation. This is seen in the positive feedback we receive as well as the positive media coverage.

During discussion, members reflected on the robust and comprehensive framework and how we are taking a more holistic approach in gaining better quality data to build up trend information to give us a better understanding of our impact. Members also noted that the impact framework would increasingly consider what impact our recommendations have on longer term outcomes.

Following discussion, Audit Committee noted the report.

Gemma Diamond, Michelle Borland and Simon Ebbett left the meeting.

16. 2024 Schedule of risk deep dives

Martin Walker introduced the proposed schedule for the risk deep dives in 2024/25 copies of which had been circulated previously.

Audit Committee was invited to:

- Note the criteria used in developing the draft schedule.
- Discuss the proposed deep dive schedule for 2024/25 at paragraph 11.

During discussion members noted that the results of the survey of members of the public would be available in April/ May and that, given the range of communications channels that exist, the monitoring of views/ opinions needs to reflect this diversity.

Members noted the value of carrying out the deep dives and the importance of ensuring there is sufficient time to give them due consideration. Members also discussed the sequencing of the risk deep dives and noted that there is scope to amend the schedule if needed.

Following discussion, Audit Committee approved the schedule of deep dives for 2024/25.

17. Review of risk management framework

Martin Walker introduced the revised risk management framework (RMF) for 2024/25, copies of which had been circulated previously.

Audit Committee was invited to:

- Note the review of the RMF.
- Approve the updated RMF.

Martin highlighted the proposed changes in relation to nomenclature, the ISMS risk register and the alignment of risk tools with the corporate plan.

Following discussion, Audit Committee approved the updated risk management framework.

18. Digital security update

David Robertson joined the meeting.

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

Audit Committee was invited to:

- Note the digital security risk profile.
- Note the ongoing and planned actions to mitigate digital risks.
- Note the new summary of threats in appendix 1 and the more detailed threat landscape.

Members noted the staffing challenges facing the digital services team and the impact it has had on planned work. There was discussion on the difficulties in recruiting in this area and members enquired about how we are collaborating with public sector colleagues to maximise the potential for economies of scale and manage resilience.

Following discussion, Audit Committee noted the report.

David Robertson left the meeting.

19. 2023-24 Q3 Data incidents/loss report

Martin Walker provided an update on data incidents that have occurred during quarter three 2023-24, copies of which had been circulated previously.

Audit Committee was invited to:

- Note this report.
- Note the actions taken to manage the risks.

Following discussion, Audit Committee noted the report.

20. 2024 Annual assurance and statement of control process

Martin Walker provided an overview of the annual assurance and statement of control process for 2024, copies of which had been circulated previously.

Audit Committee was invited to:

- Note this report.

Following discussion, Audit Committee noted the report.

21. 2024 Annual review of business continuity arrangements

Martin Walker introduced the annual review of business continuity arrangements, copies of which had been circulated previously.

Audit Committee was invited to:

- Note the annual review of our Business Continuity arrangements.
- Approve the Policy and Objectives attached as an appendix to this report.
- Note that the detailed incident recovery plans have been updated.
- Note that further minor revisions to the plans may take place during the year as appropriate (to reflect updates to team composition or amendments to contact details).

During discussion, members welcomed the cyber incident response plan being integrated into our business continuity arrangements and noted that there are alternative options for homeworkers to continue working if a cyber security event took place.

Following discussion, Audit Committee noted the report.

22. Any other business

There were no other items of business.

23. Review of meeting

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

24. Date of next meeting

The next meeting of the Audit Committee is scheduled for 7 May 2024.

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

Board action tracker 2024



| Meeting date | Item title | Action description | Due date | Responsible | Complete/ongoing | Progress notes |
|--------------|-----------------------------------|--|------------|------------------|------------------|---|
| 21/11/2023 | Board and committee meetings 2024 | The Board agreed in principle to hold 21 May 2024 Board meeting in Glasgow, subject to works being completed and build in time after the board meeting for staff to join and meet with Board members | 21/05/2024 | Nicola Constable | Ongoing | <p>21/12/23: Keeping on radar for progress on office build</p> <p>19/02/24: Glasgow office due for completion 3 June. Planning to hold June's Board meeting in Glasgow, however kept room booking in Edinburgh as a contingency.</p> <p>15/04/24 - placeholder for Glasgow as the first choice but still to be confirmed depending on the Glasgow Estates work.</p> <p>09/05/24: June meeting won't be held in Glasgow as office completion not finalised.</p> |
| 21/11/2023 | Board and committee meetings 2024 | The Board agreed to review further options to visit other Audit Scotland office locations in 2024/25. | 26/11/2024 | Martin Walker | Ongoing | 21/12/23: Keep on radar for new Chair's meeting in 2024. |
| 27/03/2024 | Operational budget | Prepare a proposal to SPCA on the spend to save option discussed by members. | | Vicki Bibby | Complete | 09/05/24: This was actioned as a letter to SPCA requesting to use these funds and the SPCA responded 2 weeks ago to confirm we can use these funds within our budget. |
| 27/03/2024 | Q3 Corporate performance report | Martin to quantify the cost of delayed audits and inform the Board. | | Martin Walker | Ongoing | 09/05/24: Ongoing |
| 27/03/2024 | Audit modernisation project | Executive Team to give further thought on setting up a workshop session with SPCA to discuss the audit modernisation project. | Sep-24 | Vicki Bibby | Ongoing | <p>20/02/24: Discussions ongoing with SPCA Clerks to hold a session in September as part of the SPCA Business Planning day.</p> <p>15/04/24: Set up with SPCA for 24 June. Now with Kenny's team to take forward design and delivery of material.</p> |

Annual report: Information governance and security 2023/24

Director of Corporate Support and Head of Digital Services

Item 11
Meeting date: 21 May 2024

Purpose

1. This report provides assurance on our annual assessment of information governance and security management at Audit Scotland. This report forms part of a suite of assurance reports in support of the Accountable Officer's governance statement in the annual report and accounts.

Recommendations

2. Board is invited to:
 - Note the contents of this report.

Background

3. The information governance and security management assurance process was introduced in 2009/10 and is an annual process.
4. 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.
5. The Knowledge, Information and Technology Governance Group (KITGG) oversee the arrangements for information governance, risk and security management within Audit Scotland. The KITGG includes colleagues from all business groups.
6. This report has been considered by the KITGG and Executive Team and it contributes to the Accountable Officer's governance statement for 2023/24.

Assurance and controls

7. The KITGG met seven times in 2023/24 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.
8. In addition, the Information Security Management System (ISMS) Management Review group meet on a quarterly basis and is responsible for evaluating the effectiveness of information security. The group consider any potential weaknesses in information security and ways of implementing improvements. The group includes colleagues from all business groups.
9. Audit Scotland maintains its commitment to the Information Security Standard ISO 27001:2013. This is assessed through six-monthly surveillance audits that are led by an

external accredited body LRQA. The most recent surveillance audit took place in November 2023 and provided positive assurance. The next surveillance audit is scheduled for 28 and 29 May 2024. A new version of the Standard ISO 27002:2022 has been released and we have until 2025 to complete the transition. Planning work is already under way for this.

10. In June 2023, an Information security survey was issued to Audit Scotland staff. The survey was completed by 59.5% per cent of colleagues, a decrease of 1.8 per cent on the previous year's survey. The results indicate a good level of awareness and knowledge regarding information security practice throughout the organisation. There is evidence of good practice in many areas including being aware that everyone is responsible for digital information security and remaining cautious about opening external links or emails. The next Information Security Survey will be held again in November 2024 in line with reverting to the pre-pandemic cycle of 18 monthly surveys.
11. This year, the Information Asset Owners (IAOs) from each Business group completed the assurance review checklists for Accountable Officers and Boards and Records Management Compliance during March 2024. The findings from the annual assurance review checklists provide positive assurance about our information governance arrangements and also identify any areas requiring action.
12. 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 2023.
 - Information Management Policy updated in November 2023.
 - The Data Protection Policy and the Freedom of Information and Environmental Information Policy update in April 2024.
13. During 2023-24 the Corporate Governance team posted four detailed blogs and five Viva Engage posts on data protection, information security and data incidents.
14. During 2023-24 the Digital Services Teams posted 132 Cyber Security Viva Exchange posts and 10 detailed blogs on SharePoint Online including targeting awareness of phishing attacks, guidance on securing personal devices and improving privacy settings.

Information governance and assurance

15. The Information Security Management Policy is scheduled for Executive Team review by correspondence on 6 May and the Audit Scotland Board on 21 May.
16. Digital Services produce digital security update reports on a six-monthly basis, and these are considered by the Executive Team and the Audit Committee.
17. Wylie & Bisset conducted an internal audit on the implementation of the Cyber Incident Response Plan in November 2023, which returned a substantial finding with two recommendations for improvement, these are scheduled to be resolved once the Digital Service Team reaches establishment.
18. In 2023/2024 Digital Services completed two NCSC accredited external penetration test which tested our external and internal network, AVD environment and new laptops against

new vulnerabilities and attack vectors. A total of 25 recommendations were made, no Critical, 1 High, 5 Medium and 19 Low all of which have been resolved or are being actioned.

19. In 2023/2024 Digital Services completed two ISO 27001:2013 surveillance audits focussing on Operations Security, Communications Security, Cryptography, Physical Security and Continuous Improvement. All Minor Non-Conformance (NC) raised have been resolved.
20. The DSMT collaborate and share best cyber security practice with colleagues in the Scottish Government, National Audit Office (NAO), Audit Wales and Northern Ireland Audit Office (NIAO) with our next meeting on the 2nd/3rd May 2024.

Cyber incidents in 2023/24

21. In October 2023 we experienced one directed attack resulting in a partial security breach which allowed limited access to our networks. No information was exposed, and no systems were damaged. Three external ransomware attacks also affected our businesses processes.
22. Recent cyber-attacks affected three bodies we audit, Comhairle nan Eilean Siar, NHS Dumfries & Galloway, and National Library for Scotland. All had or were actively sharing audit evidence files with us, and these files could be used as a vector to deliver malware. We have implemented additional security processes to mitigate against this vector being used to compromise our systems.
23. In early February 2024, a media monitoring and distribution company recently engaged by Audit Scotland, was disabled by a ransomware attack and was unable to provide its services over a prolonged period. We have identified future improvements to our mandated cyber-security procurement checks which when implemented may identify suppliers with weak security provisions and mitigate similar disruption.

Threats and risks for 2024/25

24. Three members of DST have accepted new roles outside Audit Scotland and the Digital Service Team is currently at 70% establishment. This is placing a significant constraint on delivery of projects including the additional components to the Cyber Incident Response Plan (CIRP). Based on the improvements delivered of the new Digital Security Specialist role, DSMT is seeking Executive Teams approval to refocus two of the vacant development posts to provide new support to ongoing cloud and security actions and deliver much needed resilience for these vital operations. The re-aligned team will also establish a Chief Information Security Officer (CISO) role to take on overall responsibility for cyber security and resilience.
25. With one partially successful directed threat, and three potential threats from attacks on actively audited bodies we continue to improve our backups, increase the security of our devices and authentication systems. Attackers will try different methods to obtain money via extortion and we are aware of two significant new vectors of attack, the use of 'legitimate' accounts to exfiltrate our information poses a significant new threat and the use of third-party services for information sharing provides criminal gangs with a large source of data for exfiltration and extortion.
26. Ransomware attacks still pose the most significant threat to our business functions, but we are observing a continuing trend away from traditional ransomware attacks that encrypt

victims' data using malware attacks as more effective immutable backups make encryption less effective. In its place we are seeing a rapid increase in attacks that exfiltrate data, without using malware. Instead, attackers use legitimate captured credentials to access a system, find confidential and/or personal data and copy them out of the network using "legitimate" methods and accounts.

- 27.** To support this new method of data exfiltration we are witnessing greater attempts to capture or steal valid login credentials or to compromise third party authentication services. This new vector of attack has seen the number of ransomware victims increase significantly after a decline in 2022 and 2023. These new 'legitimate' attacks are specifically designed to avoid detection from traditional malware detection and defences; however, behavioural base cyber intrusion monitoring is effective against these new attacks.
- 28.** Although there is an increasing focus on attackers using 'legitimate' compromised accounts the primary vector for cyberattacks remains email phishing, using increasingly sophisticated AI generated emails and unpatched or zero-day vulnerabilities. However, there is a continuing and increasing threat from attacks that use supply chain services to exfiltrate information and then demand a ransom with file sharing and authentication services that provide access to tens of thousands of organisations information becoming increasingly targets by highly sophisticated attacks.
- 29.** Most attacks continue to come from organised crime groups, the majority reportedly sheltered by states such as Russian, Iran and North Korea. UK public sector has been subject to significant cyber-attacks primarily encrypting ransomware attacks as evidenced by Comhairle nan Eilean Siar, the British Library and Canterbury City Council and Dover District Council. North Korea is actively using Cyber Crime as a substantial source of income via crypto currency to fund its weapon program. The UK and Scottish Government continue to warn of a significant risk from attacks directed at the public sector by state actors in response to the Russian military action in Ukraine, and we are now seeing destructive actions from both sides as they use Cyber War to attack their infrastructures.

Actions and improvements for 2023/24

- 30.** This year Digital Services has completed on the following actions to improve our information security and governance:
 - Implemented an 'always on VPN' that removes the need for multi factor authentication (MFA) every time a colleague remotely connects. MFA is mandatory for all external devices and connections and now requires colleagues to enter two numbers to confirm authentication.
 - Implemented a Network Intrusion Prevention System which has now recorded a standard baseline of normal colleague activity which it uses with its 24/7 'AI' behavioural based monitoring to identify and, where necessary, block malicious activity.
 - Reducing the risk of malware and potential zero-day attacks with a technology called AppLocker that only allows safe listed applications to run on Audit Scotland Secured laptops.
 - Audit Scotland is now a hybrid working business. All colleagues are equipped with a laptop to work from the office, an audit site or from home. Colleagues are also supplied with mobile phones for telephony, Office Apps and to provide a 5G hotspot. All Audit

Scotland devices are required to have security updates applied as soon as possible and we notify colleagues of important security updates for their personal devices.

- Implemented a new backup solution that provides on-premises offline backups and will provide backups to a cloud-based immutable storage delivering unchangeable daily backups and continuing to maintain an 'air-gapped' immutable backup solution for MKI/Pentana data to provide an additional level of protection against a successful ransomware.
- A Cyber Incident Response Plan (CIRP) is now in place and underwent an internal audit in November 2023. This provided substantial assurance with two medium recommendations for improvement involving the regular testing of the threat playbooks and the completion of the unfinished elements of the document. Further implementation is on hold while we recruit the two new roles.
- Implemented an independent recovery workspace which is now fully active and tested regularly to ensure it provides a completely independent and high resilient Cyber Recovery environment.
- Begun the introduction of disposal policies that permanently delete unused or ephemeral information, preventing it from being used in a ransomware exfiltration attack. Teams' personal chats are now deleted after 7 days, and gradually deploying disposal policies that automatically delete any Audit Services client data on SharePoint that has been unused for two years.
- Training our colleagues via a new cybersecurity training programme which went live in August 2023. Designed to promote a cybersecurity culture and improve cybersecurity understanding amongst staff it delivers mandatory monthly, short (5-10 min) thematic training. This training has proved very engaging for staff, with an engagement/completion rate of 95%, and positive qualitative and quantitative feedback from colleagues. The training has successfully improved phishing resilience, reducing the 16.3% 'phish-prone' colleagues in August 2023 to 2.3% 'phish-prone' after our most recent January 2024 test.
- Successfully performed an annual systems recovery testing to test our recovery procedures and ensure we can recover all systems after a simulated incident.
- Completed an ISO re-certification audit in November 2023 with one Opportunity for Improvement on documentation management and continued certification to the Information Security Standard. A new improvement project to prepare for the considerable changes required for certification to the new ISO 27001:2022 standard is underway, and the next surveillance audit is scheduled for 28 & 29 May 2024.
- In November 2023 we carried out a NCSC accredited external penetration test which tested our external and internal network, AVD environment and new laptops against new vulnerabilities and attack vectors. A total of 25 recommendations were made, no Critical, 1 High, 5 Medium and 19 Low all of which have been or are actively being addressed.

Key information legislative and governance developments

31. There have been a number of developments to the information governance regulatory and legislative frameworks during the year, including work to improve our internal processes through certification and membership of information security workgroups to:

- Maintain ISO 27001:2013 certification and begin the transition to the new 2022 standard.
- Participate in Scottish Governments Public Sector Action Plan (PSAP) achieving the advanced tier of preparedness.
- Participate in the National Cyber Security Centre (NCSC) Cyber Security Information Sharing Partnership (CiSP).

Information governance, risk and security mitigation actions

32. We continue to make good progress in embedding information management and security into our corporate culture with:

- An established information risk hierarchy, from the Accountable Officer to the Senior Information Risk Officers and through to Information Asset Owners in business groups.
- A KITGG, chaired by the Director of Corporate Support, overseeing our information management and risk arrangements. The work of the KITGG is raised by IAO's at the leadership teams of all business groups where appropriate.
- Timely updates on any active or possible cyber security threats between the Digital Services Management Team and the Director of Corporate Support.
- The undertaking of data protection impact assessments in the event of policy/procedural changes.
- An information risk register, which is reviewed and updated every two months at KITGG.
- An annual evaluation of our information risk and security, through the completion of assurance checklists.
- Mandatory staff training on information security and data protection.
- Identifying cyber incident management training for the Executive Team.
- Identifying a new cyber training package that will be mandatory for all staff.
- The provision of a Chief Information Security Officer (CISO) role.
- Six monthly reporting on information risk and security to Executive Team and the Audit Committee.

Risk management

33. The KITGG maintains an information risk register which is reviewed at each of the meetings taking place over the year.
34. The register shows there are currently twenty-seven main information and security risks for Audit Scotland. Seventeen of these are active risks and ten are for monitoring due to the low net risk scores.
35. One of the active risks has a high gross risk score (red), thirteen have amber net risk scores defined as 'acceptable level of risk that requires constant active monitoring' and three have green net risk scores defined as 'acceptable level of exposure subject to regular active monitoring'.

Conclusion

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

Annual report on complaints 2023/24

Director of Corporate Support

Item 12
Meeting date: 21 May 2024

Purpose

1. This is the 2023/24 annual report on complaints received by Audit Scotland about its work. This report forms part of a suite of assurance reports in support of the Accountable Officer's governance statement in the annual report and accounts.

Recommendations

2. The Board is invited to:
 - Note the report.

Background

3. The [Public Services Reform \(Scotland\) Act 2010](#) (the Act) required the Scottish Public Services Ombudsman to introduce a set of complaint handling principles, to which all public bodies must adhere.
4. The complaints procedure is a two-stage process, stage one is front line resolution. Stage two is for more complex complaints or those not resolved at stage one. The timescale for dealing with complaints are within 5 working days, for stage one, and 20 working days. For stage two.
5. Audit Scotland, the Auditor General and the Accounts Commission introduced a joint complaint handling process in December 2012. The joint complaints handling process was reviewed and updated in 2014 and again in December 2018.
6. In January 2020 the Scottish Public Services Ombudsman (SPSO) published a revised Model Complaints Handling Procedure (MCHP). The Ombudsman expected the revised MCHP to be fully implemented by 1 April 2021. The updated [Audit Scotland MCHP](#) was approved by the Board in September 2020, six months ahead of schedule.
7. The four key performance indicators (KPIs) required under the MCHP are included in this report:
 - Total number of complaints.
 - For each complaint stage the number and percentage closed within time scales.
 - Average working days to respond per stage.
 - The outcome of each complaint at each stage.

Complaints received

8. Complaints received about Audit Scotland are managed by the Corporate Governance Team (CGT). For those complaints dealt with at stage two the CGT will investigate the complaint. In some instances, to ensure independence or where specialist knowledge is required, the complaint is investigated at Director level. The Corporate Governance team maintains the register of complaints received.
9. The register shows there were four complaints received in 2023/24 (compared to three in 2022/23). Three complaints were not upheld and one was partially upheld.
 - Complaint one concerned dissatisfaction with time taken to respond to an issue of concern and the way the concern was handled. This complaint was not upheld.
 - Complaint two related to concerns by the complainant that Audit Scotland had misrepresented their issue of concern, that they were treated with a lack of respect and they were discredited by Audit Scotland's response. This complaint was partially upheld - in relation to timeliness of response.
 - Complaint three raised concerns that a candidate felt they had not been treated fairly as part of the recruitment process. This complaint was not upheld.
 - Complaint four expressed dissatisfaction with a lack of response to phone calls to Audit Scotland. The complaint was not upheld.

SPSO Complaint KPIs

| Stage 1 closed with 5 days | Stage 1 closed with 5 days % | Stage 2 closed with 20 days | Stage 2 closed with 20 days % | Average working days to respond stage 1 | Average working days to respond stage 2 | Upheld | Partial | Not upheld |
|----------------------------|------------------------------|-----------------------------|-------------------------------|---|---|--------|---------|------------|
| 2 | 50% | 3 | 75% | 7 | 17 | 0 | 1 | 3 |

10. Three of the four complaints were dealt with within the specified deadlines. One complaint was late at stage two, by eight days. This was due to the complexity of the complaint and its consideration clashing with annual leave.

Appeals to the Scottish Public Services Ombudsmen (SPSO)

11. The Scottish Public Services Ombudsman Act 2002 (the Act) provides a framework for matters that can be considered by the SPSO for investigation.
12. There were no complaints to the SPSO During 202023/24.

Conclusion

13. The Board is invited to note the complaints made in 2023/24, the outcomes of those complaints and the management arrangements in place. This report concludes that there are no significant issues that should be brought to the attention of the Board.

Annual report: Freedom of information and environmental information 2023/24

Director of Corporate Support

Item 13
Meeting date: 21 May 2024

Purpose

1. This is the 2023/24 annual report to the Executive Team on our Freedom of Information (FOI) and Environmental Information Regulations (EIRs) arrangements, requests and performance. This report forms part of the suite of assurance reports in support of the Accountable Officer's governance statement in the annual report and accounts.

Recommendations

2. The Board is invited to:
 - Note the performance in 2023/24.

Background

3. Audit Scotland, the Auditor General and the Accounts Commission are subject to the Freedom of Information (Scotland) Act 2002 (FOISA) and the Environmental Information (Scotland) Regulations 2004 (EIRs).
4. Audit Scotland developed and implemented suitable joint arrangements, in 2005, for the discharge of FOISA/EIRs for all three bodies. These arrangements are reviewed on an annual basis.
5. The Scottish Ministers' Code of Practice on the discharge of functions by Scottish public authorities under FOISA and the EIRs require us to monitor our handling of information requests.
6. 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 Scottish Information Commissioner (SIC) quarterly returns.
7. Since 1 April 2013 public bodies are required to submit their FOI and EIR handling statistics, to the Scottish Information Commissioner (SIC) on a quarterly basis. Audit Scotland has complied timeously with this requirement.

FOI/EIR overview for 2023/24

Governance

8. The Knowledge, Information and Technology Governance Group (KITGG) provides oversight of our FOI/EIR arrangements and reports its activity to Executive Team, the Audit

Committee and the Board as necessary. The Corporate Governance Team is responsible for day-to-day management of our FOI/EIR arrangements.

9. The FOI/EIR policy was reviewed by the KITGG and Executive Team and re-approved by the Board on 27 March 2024.
10. Staff acknowledged compliance with the extant policy via the Fit and Proper form in January 2024.
11. We reviewed our FOI publication scheme, in September 2023, to ensure it remains up to date.

Approach to requests

12. 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.
13. 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.
14. Where it is appropriate, we may apply exemptions and exceptions to the information being requested. Audit Scotland has established a group of colleagues trained in considering FOI/EIR exemptions and exceptions to complex requests. Members of this group form a Freedom of Information Panel of three members. The membership of each panel varies to ensure independence and objectivity.

Statistics and Analysis

Number of requests received

15. Audit Scotland recorded 46 FOI and no EIR requests this year (compared to 70 FOI requests in 2022/23). These were received as follows:

| Requests received | 2023/24 | | 2022/23 | |
|-------------------------|-----------|----------|-----------|----------|
| | FOI | EIR | FOI | EIR |
| Q1 (April – June) | 7 | 0 | 15 | 0 |
| Q2 (July – September) | 10 | 0 | 14 | 0 |
| Q3 (October – December) | 8 | 0 | 14 | 0 |
| Q4 (January – March) | 21 | 0 | 27 | 0 |
| Total | 46 | 0 | 70 | 0 |

Type of requestor

16. We categorise the requests we receive for analysis purposes. This year we received requests from the following sources:

| Requester type | 2023/24 | | 2022/23 | |
|-----------------------|-----------|----------|-----------|----------|
| | FOI | EIR | FOI | EIR |
| Media | 3 | 0 | 8 | 0 |
| MSP/MP | 1 | 0 | 18 | 0 |
| Organisation | 23 | 0 | 13 | 0 |
| Members of the public | 15 | 0 | 29 | 0 |
| Public Body | 4 | 0 | 2 | 0 |
| Total | 46 | 0 | 70 | 0 |

Focus of requests

17. Themes emerging from the information being requested are:

- 39% - Data held on other organisations.
- 28% - Audit Scotland's governance, policies, procedures or expenditure.
- 24% - Contract information: Information technology, equipment, other contracts.
- 9% - Reports, draft reports and correspondence relating to those reports.

Responding to requests

18. FOISA and the EIRs require public bodies to reply to requests within 20 working days and within 40 working days for complex EIRs.

19. Audit Scotland met this requirement for 93 per cent of the requests. One request was late, two did not proceed as clarification was not provided and one was withdrawn.

20. Information requested was released in full on 28 (62%) occasions, partially released on three (7%) occasions and the information requested was not held by us on 11 (24%) occasions. In addition, one requests were withdrawn and two were did not proceed as clarification was not provided.

Cost of administrating and responding to requests

21. The time spent on specific requests is generally recorded to the job code for the audit work concerned. In addition, the time spent on FOI/EIR training is coded to the general learning and development job code.

22. We have a dedicated time recording code to cover administering our FOI systems and procedures, replying to some requests and dealing with complex requests at FOI panels.

23. In 2023/24 11 colleagues recorded 305 hours to this code (compared to 385 hours in 2022/23). This equates to approximately £7,467 (compared to £11,614 in 2022/23) using the average hourly rate from the Time Recording System.

24. It is acknowledged that the full cost to Audit Scotland of complying with FOI/EIRs will be higher due to the way some FOI/EIR work and training is recorded.

Charging for dealing with requests

25. Public bodies can make charges for dealing with FOI and EIR requests.
26. We issued no fee notices in 2023/24.
27. 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.
28. No requests were refused on excessive cost of compliance this year.

FOI/EIR panels, reviews, and appeals

29. Two FOI Panels were convened in 2023/24 to consider applying exemptions to some or all the information being requested.
30. One Panel agreed to apply exemptions relating to commercial interests, confidentiality and personal information. After considering the public interest test, the other panel agreed to release the information in full.
31. Where an applicant is not satisfied with our initial response to their request, they can ask Audit Scotland for a review. In 2023/24 there were no requests for a review.
32. 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

33. Audit Scotland staff undertake basic FOI/EIR training when they join Audit Scotland and training is now being issued through Audit Scotland Learning Management system and certification will be done every two years. All colleagues were asked to complete FOI training in March/April 2024 and the next round will be 2026. In addition, staff updates are published when changes to legislation occur.

Conclusion

34. 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.

Information Security Management Policy review

Digital Project Manager

Item 14
Meeting date: 21 May 2024

Purpose

1. This report has been prepared to present the Information Security Management Policy to the Audit Scotland Board for annual review and sign off. The policy was reviewed by the Executive Team on 8 May 2024 and recommended for approval.

Recommendations

2. The Board is invited to:
 - Note the annual review of the Information Security Management Policy.
 - Approve the policy.

Background

3. As an organisation, Audit Scotland are not only responsible for securely managing our own information but also that of our clients. The Information Security Management Policy (ISMP) sets out the objectives that will help us to protect and securely manage all information we hold.
4. This refreshed policy was approved by the Knowledge, Information, Technology and Governance Group (KITGG) in April and Executive Team on 8 May 2024.
5. The ISMP is attached as an appendix and the amendments are highlighted as tracked changes.

Considerations

6. We currently comply with the requirements of the information security standard ISO 27001:2013, with all our information security policies and procedures subject to ISO surveillance audit by a UKAS accredited body every six months.
7. The journey to work towards certification to ISO 27001:2022 is now underway and includes the need to expand our policies to meet both the requirements of ISO 27001:2022 requirements and ISO 27001:2013. Changes identified in ISO 27001:2022 that are applicable to the ISMP have been captured as part of this review process.
8. Executive Team reviewed and approved updated Information sensitivity classifications during the annual review of the Information Acceptable Use Policy on 8 May 2024 and as a result the new classifications have been updated in this policy. This change is aligned with UK GDPR and introduces a new subcategory of Personal information for sensitive personal information.

9. There are no major changes being proposed to the Objectives section of the policy, with KITGG validating the effectiveness of these objectives through delivery of actions assigned to each and reported through our ISMS Framework. Evaluation of objectives is a new requirement of ISO 27001:2022.
10. Once approved, the policy will be published for all interested parties to access, internally on our Staff Handbook and externally on the Audit Scotland website.
11. Compliance with the policy is a requirement and confirmation of this is checked through the annual 'Fit and Proper' process.
12. The approval of this policy by the Executive Team and the Board is a positive way of demonstrating at ISO surveillance audits that information security is a priority for Audit Scotland. The next ISO audit is scheduled for 28 & 29 May 2024.

Conclusion

13. The Information Management Security Policy is an important part of our digital security and information governance arrangements. It is subject to annual review by the KITGG, Executive Team and the Board.

Information Security Management Policy

| | |
|---------------------------------|---|
| Owned and maintained by: | Digital Services / Head of Digital Services |
| Date checked/ created: | <u>KITGG approved April 2024, Executive Team 8 May 2024</u> |
| Next review date: | <u>For Board review May 2024</u> |

Introduction

- This policy sets out that in respect of the information Audit Scotland holds and processes it will have arrangements in place to:
 - protect and maintain the confidentiality, integrity, quality, and availability of all the information it holds and processes
 - manage all the information it holds and processes to meet its contractual, legal, and regulatory obligations.
- This policy aligns to the Audit Scotland Corporate Plan.
- This policy is supported by the Information Security Management System documentation shown in the diagram at Appendix 1.

Commented [NP1]: New ISO 27001:2022 standard requirement (a) to refer to alignment with Business Strategy

Scope

- 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.
- This policy covers all regulations, legislation and contracts that affect Audit Scotlands information security.
- This policy is made available to all interested parties.
- Where appropriate and necessary individual policies state the requirements and processes for handling exemptions and exceptions.
- Information sensitivity classifications**
- Information will be managed in accordance with the Audit Scotland Information classifications as below:
 - Public – Information which has been published or would be readily released under a Freedom of Information (FOI) request

Commented [NP2]: New ISO 2022 requirement 5.1 (b)

Commented [NP3]: ISO 2022 requirement (g)

Commented [NP4]: Sensitivity added as the term Sensitivity labels will be use in SharePoint, so this will help associate with them once in use

Commented [NP5]: Information classifications feature heavily across ISO 2022 and links with how we manage physical security. Recommend building this section back into our info sec policies.

- Controlled – Information that has not yet been published and would require review before sharing with others
- Personal – Information as defined under Data Protection legislation and would not be released unless it is lawful to do so.
- Personal – Information defined as personal data by the UK Data Protection legislation (UK GDPR) and would not be released unless it is lawful to do so. Any information that can identify an individual is defined as Personal.
 - Protected Personal – A sub category of Personal Information that covers sensitive personal information that comprises of:
 - Information classified as “special categories of personal data” under UK GDPR – Race, ethnic origin, political opinions, religious or philosophical beliefs, trade union membership, genetic data, biometric data, health data, sex life or sexual orientation.
 - Detailed unique financial data, for example a salary or pension amount and unique identifiers used for personal life, for example personal mobile number, NI number, Passport Number or Driving Licence number.

Commented [NP6]: New sub categories for managing personal information, aligning to UK GDPR. Approved by Executive Team through IAU policy review 08/05/24.

Information Security Objectives

4.10. Audit Scotland will:

- ~~–~~ treat information security as business critical, whether that be for Audit Scotland information or client data managed by Audit Scotland and meet legislative and regulatory requirements (including intellectual property rights)
- seek to ensure the confidentiality, integrity and availability of Audit Scotland's and client owned information, held by, and managed by Audit Scotland
- produce, maintain, and test business continuity plans to ensure the availability of its information and information systems
- ensure that wherever possible its information is open, not restricted by financial or legal agreements
- ~~–~~ meet legislative and regulatory requirements (including intellectual property rights)
- comply with all relevant data protection regulations and implement privacy by design in all information systems
- identify and implement appropriate controls for information assets proportionate to levels of risk

Commented [NP7]: No changes to objectives, only merging of two objectives.

ISO 2022 (c) principles to guide all activities relating to information security are covered under both these two sections objectives and responsibilities.

- manage information security risks to an acceptable level, as defined in the Risk Framework
- communicate all appropriate information security policies to all employees, contractors, consultants, clients and other stakeholders
- allocate individual accountability for compliance with all appropriate information security policies, standards, guidance and procedures
- report and investigate all information security breaches, whether actual or suspected and ensure they are reported and investigated in line with approved policies.
- continue to improve information security management and training to raise awareness of the importance of information security regularly to our colleagues,
- develop, implement, and maintain an Information Security Management System (ISMS) in accordance with guidance contained within ISO/IEC 27001:2013 standard.

Roles & Responsibilities

- ~~5.11.~~ Audit Scotland's Board through its Audit Committee has oversight of risks, including information risks.
- ~~6.12.~~ Audit Scotland's Accountable Officer, with support from the Executive Team, has overall responsibility for ensuring this policy is effectively implemented and delivered.
- ~~7.13.~~ 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.
- ~~8.14.~~ The Digital Services Management Team (DSMT) ensures the latest updates are provided to Senior Management demonstrating leadership and commitment to ISO 27001.
- ~~9.15.~~ A 6-monthly update on Digital Security is provided to Executive Team and then the Audit Committee.
- ~~10.16.~~ Audit Scotland's Executive Team will implement and manage appropriate controls to enable conformance to information security policies within their own areas of responsibility and will ensure individual accountability for control performance.
- ~~11.17.~~ The Knowledge, Information and Technology Governance Group (KITGG) will support the Accountable Officer, Senior Information Risk Officer and Executive Team by assessing and mitigating information security risks and threats through standing agenda items on Digital Security and Corporate Risk Register review, both providing assurance.
- ~~12.18.~~ 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.

Commented [NP8]: ISO 2022 5.2 - Allocation of information security roles and responsibilities should be done in accordance with the information security policy and topic-specific policy.

Title update to reflect the content of the policy which does already cover roles and responsibilities. Makes it easier when directing an ISO auditor to evidence.

Commented [NP9]: ISO 2022 requires that our policy should take into consideration the Business Strategy and it's requirements. KITGG discussion and agreed Business Plan to be included in visio diagram in Appendix.

Commented [NP10]: ISO 2022 refers to threats as well as risks 5.1 (c) - we already consider threats through our ISMS Statement Of Applicability where annually we map threats to ISO controls or consider potential new threats.

- ~~13.~~ The KITGG will review and monitor all information security policies and our performance in meeting their requirements is monitored and reviewed on an annual basis.
- ~~14.~~19. 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 practice.
- ~~15.~~20. The Digital Services Team will deliver the Digital Services Strategy ensuring that all the Audit Scotland's digital systems and services provide an environment that is independent of location, where colleagues can work safely, securely, and effectively, while supporting high quality audit work.
- ~~16.~~ The Corporate Governance Manager (CGM) is the designated Data Protection Officer for Audit Scotland is, 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.~~21. Information Asset Owners must understand what information is held by their business group/teams, and approve the permissions required to access it.
- ~~18.~~22. All Managers will be responsible for implementing and communicating appropriate information security policies, guidance, and procedures.
- ~~19.~~23. 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.

Commented [NP11]: Updated title to reflect vacant post and Interim DPO role sitting with Head of Digital Services.

Objectives Evaluation

- ~~24.~~ Evaluation of our information security objectives in section 10 is reported through KITGG.

Commented [NP12]: New requirement to evaluate objectives ISO 2022 Management clause 6.2. Extension of process described in ISMS Framework, document owner KITGG

Change Log

| Date | Author | Description |
|----------|--------------------------|---|
| 13/05/20 | Digital Services Manager | Annual refresh, additional objective included, CGM role updated and removed reference to Cyber Essentials Plus as superseded by ISO 27001. Board approved. |
| 22/09/21 | Digital Services Manager | Delayed annual refresh, minor change to responsibilities to include the Digital Services Strategy and Digital Services Team. KITGG and Management Team approved, with final sign off by the Audit Scotland Board on 22/09/21. |

| | | |
|-----------------------------------|---|--|
| 17/05/22 | Digital Services Manager | Annual effectiveness review of policy and review timing aligned with all other ISMS documentation. Renamed Commitments section to be aligned with ISMS Framework & Scope. Additional objectives included with an emphasis on risk and raising awareness of information security. ISMS environment diagram updated to reflect document changes. Board approved. |
| 23/05/23 | Head of Digital Services | Annual review and approval of the policy by KITGG, Executive Team and the Audit Scotland Board. Minor updates made including the addition of a reference to training. |
| <u>March 2024</u> | <u>Head of Digital Services</u> | <u>Annual review of policy by KITGG in March, then for review and approval by ET and the Board. Updates reflecting compliance with ISO 27001:2013 and the new standard ISO 27001:2022.</u> |
| <u>May 2024</u> | <u>Head of Digital Services</u> | <u>Approved by Executive Team 08/05/24. For final sign off by the Board.</u> |

Appendix 1

Audit Scotland ISMS documentation

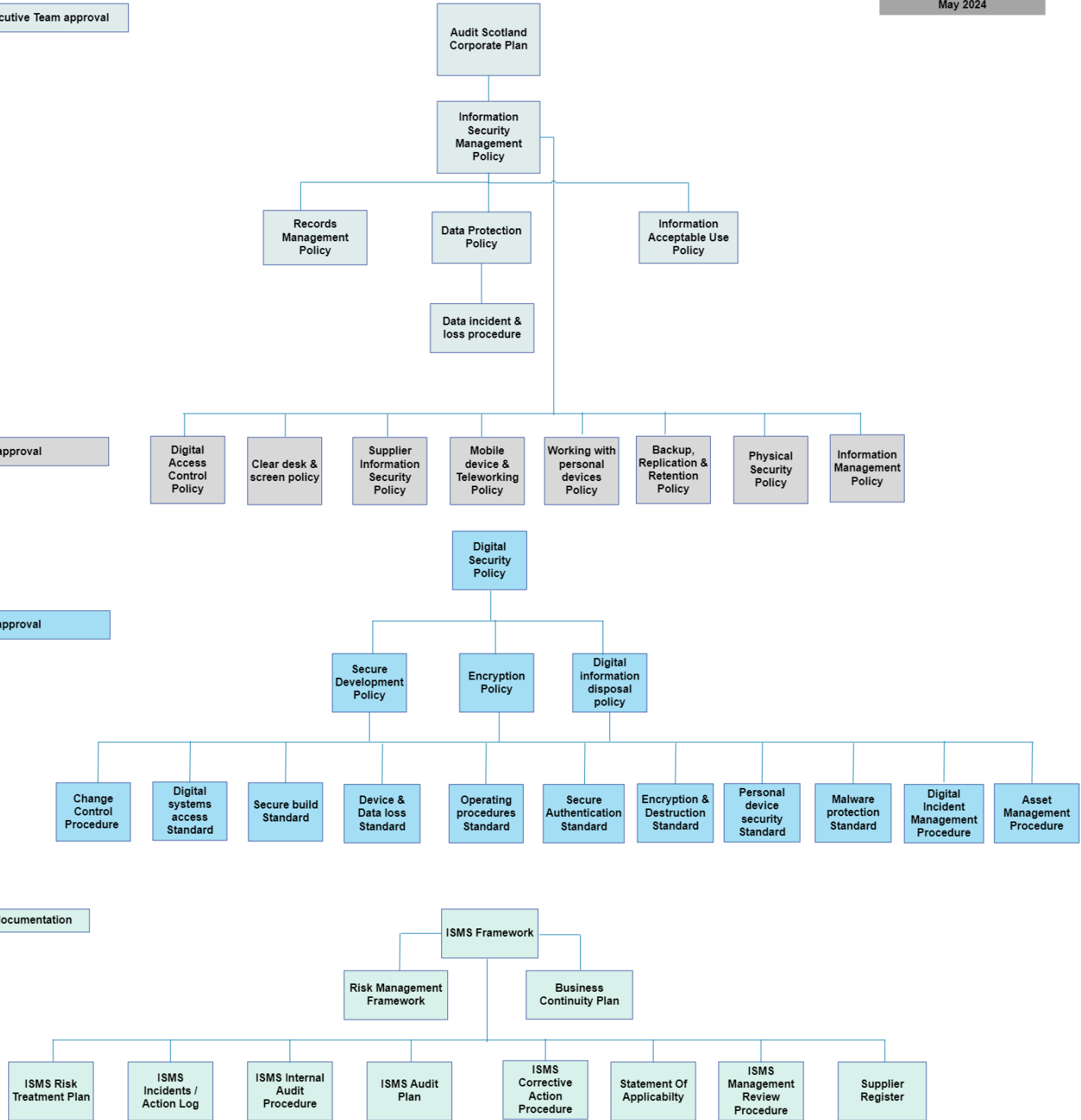
May 2024

Board / Executive Team approval

KITGG approval

DSMT approval

ISMS Corporate documentation



Commented [NP13]: Diagram updates:
 • Corporate Plan added to meet requirement ISO 2022 5.1 (a)
 • Information Acceptable Use policy now Executive Team approved and not KITGG
 • Clear desk policy title change
 • Information Management now a policy and not a guidance document.
 • Sizing changes to meet accessibility requirements

International engagement: Strategy 2024-2028

Director of Innovation and Transformation
and Head of Organisational Improvement

Purpose

1. This report sets out progress delivering our [International work strategy 2021-2024](#) and introduces our new international strategy covering 2024/25 to 2027/28.

Recommendations

2. The Audit Scotland Board is invited to:
 - Note the progress against our International work strategy 2021-24 and how the new International strategy 2024-2028 builds on this.
 - Approve the International strategy 2024-2028, included as Appendix 1.

Background

3. In September 2023 Executive Team agreed that it was important we maintain our profile internationally and that we should develop and publish a new, externally facing international strategy.

Considerations

Progress against International work strategy 2021-24

4. Our [International work strategy 2021-2024](#) sets out our mission to learn, share our knowledge and expertise, and help support effective public sector governance and accountability in both Scotland and overseas. We also commit to ensuring international activity is conducted efficiently, effectively, provides value for money and promotes sustainability. The strategy sets out the following key activities:
 - Learning from overseas audit institutions.
 - Developing a network of contacts from overseas audit organisations.
 - Sharing our knowledge with Audit Scotland colleagues and with colleagues in other audit agencies.
 - Sharing our expertise and contributing to good public governance in other countries as a way of 'giving something back'.
5. During the period of the strategy we engaged in a range of international work, as summarised in Table 1. Reflecting on this, while it is clear that it is connected to the mission and key activities we outline in our strategy, it is primarily reactive and it is less clear how or whether the learning from our engagement is impacting on our planning and practice. It is also clear that the nature of international engagement has changed post-Covid. Under previous international strategies much effort and time was spent hosting international visitors who were keen to learn from us. These requests are now much fewer, meaning we

can be more proactive and actively seek engagement on areas of strategic interest to Audit Scotland.

Table 1: Summary of international engagement April 2021 to March 2024

| Date | Engagement |
|-------------------|---|
| Nov 2021 | EURORAI conference (Virtual): Presented on how Audit Scotland conducted its performance audit work during the Covid-19 pandemic. |
| Dec 2021 | ACCA public sector conference (Virtual): AGS interviewed alongside counterparts from Jamaica and the Maldives. |
| May 2022 | EURORAI seminar (Frankfurt): Presented on public sector audit in times of digital changes. |
| Oct 2022 | EURORAI Congress (Palma): Audit Scotland joined the Management Committee of EURORAI and attended its first Committee meeting. Colleagues presented our work on auditing acute services within the NHS as part of a panel discussion on auditing hospitals. |
| May 2023 | OECD Integrity Week (Paris): Attended annual event aimed at supporting governments and organisations to strengthen integrity, build trust, and fight corruption. Findings informed our good practice note on climate change/sustainability and our Annual Fraud and Irregularity report. |
| May 2023 | North Macedonia Parliamentary Budget Office visit (Edinburgh): Presented on the role of Audit Scotland and our scrutiny/oversight function, recent examples and how we work with the Scottish Parliament to support scrutiny. |
| May 2023 | EURORAI International Seminar (Spain): Event focused on performance audit methodologies and how they are changing. Colleagues presented on the impact of our audit work on improving outcomes for young people through school education. |
| May 2023 | Queensland Audit Office (Virtual): Discussion on QAO project to deliver new financial audit software including demo of system and lessons learned. |
| Oct 2023 | Antony Clark's Keynote event (Virtual): A panel of international stakeholders explored challenges facing public services globally, how public audit is changing to support transformation of public services and evolving audit practices from across Europe and beyond. |
| Currently ongoing | Office of the Auditor General Caymen Islands (OAGCI): We are exploring the opportunity for reciprocal staff secondment arrangements between Audit Services Group and the Office of the Auditor General Cayman Islands (OAGCI). Discussions are in early stages and any changes would likely take effect from 2025 at the earliest. We will actively consider our ethical position and follow advice from the Foreign, Commonwealth & Development Office before agreeing this engagement. |

New international strategy 2024-2028

6. Appendix one sets out our international strategy 2024-2028. It builds on our international work strategy 2021-2024 by:
 - Positioning our international work within the context of **Public audit in Scotland 2023-2028** and our **Corporate Plan 2023-2028**, placing more emphasis on the learning that can be gained from international engagement and ensuring that influences our planning and practice.
 - Setting out **principles, priorities** and **areas of strategic interest** for our international work. Recognising the nature of international work has changed since Covid-19, with a reduction of visitors to us, the strategy is more proactive about seeking opportunities to inform our work.
 - Providing an overview of the **stakeholder landscape** for our international work. We have kept engagement with UK and Irish audit agencies out of scope because it is more regular and routine but have recognised the important role the UK Public Audit Forum plays in supporting our international influence.
 - Summarising how we will **monitor and report** on our international work.
7. Through consultation with colleagues on developing this strategy, it is clear that we have knowledge, ideas and enthusiasm for pursuing international work within Audit Scotland. It is our intention that any international work is delivered through our existing establishment and there are no additional costs for this work expected at this time. We set out being proactive as a principle in the strategy and note our intentions to be proactive around areas of strategic interest. Our aim is to identify specific actions to support the strategy through the 2025-26 to 2027-28 operational planning process.

Conclusion

8. Over the last three years we have been involved in a small number of international engagements. Our new international strategy is more focused and intentional about our principles, priorities and areas of strategic interest. We recognise the capacity challenges within our ambitions and will use our operational planning process to identify specific actions.
9. Following Board sign off, we will publish the strategy on our website and continue to monitor and report on the pace and quality of activity in this area.

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About Audit Scotland

Audit Scotland is Scotland's public audit agency. We are independent of government and work to provide assurance about public spending and to improve public services.

We provide the Auditor General and the Accounts Commission with the services they need. We work together to deliver the outcomes set out in our shared statement of purpose, [Public audit in Scotland](#).

We do this through our financial and performance audits, our work with stakeholders and scrutiny partners, and our communications and engagement across the wide range of people, organisations and groups with an interest in and who are impacted by our work.

This includes:

- Delivering the annual audits of almost 300 public body accounts, and statutory reports on issues found.
- Performance audits on areas of public services, and Best Value reports on local authorities.
- National Fraud Initiative.
- Housing benefit reports.
- Briefings and blogs on areas of public interest.
- Communications and engagement activity.

Visit our [website](#) to learn more.

Introduction

Our vision is that public money is well spent to meet the needs of Scotland’s people.

We believe that being outward-facing and developing a culture of learning, innovation and continuous improvement will play a critical role in delivering this vision. Helping identify solutions to address the challenges public services in Scotland are currently facing as well as those we are facing as a national audit organisation.

This international strategy sets out how we will develop our international work. It covers the period 2024 to 2028 and builds on our previous strategy, which covered the period 2021 to 2024.

The nature of our international work has changed. New ways of working have made it possible to undertake international engagement without leaving Scotland. In delivering this strategy, we will ensure all our international activity is delivered efficiently and effectively and is underpinned by principles of value for money and sustainability.

Context

Our strategy

Public audit in Scotland 2023-2028 sets out our vision, mission and outcomes. Audit Scotland’s Corporate Plan 2023-2028 sets out our strategic priorities and our values.



Within our corporate plan we note how public audit can be a positive catalyst for changes in public services, and to driving improvement and innovation in the audit profession. Through our international work, we will be responsive, innovative and ambitious, using it to inform both our audit work and how we develop and improve Audit Scotland.

Our international strategy will play a key role in helping deliver our **Insights driving innovation and improvement** strategic priority, including:

- **Horizon scanning:** Exploring what the future might look like to understand uncertainties, consider the impact of these on our work and systematically investigating evidence about future trends.

- **Stakeholder engagement:** Developing international relationships to share our thinking, listen and learn, and gather ideas and feedback to fuel innovation and inform future planning.
- **Public audit system leadership:** Exploring the future direction of scrutiny, making external connections to lead the public audit system in Scotland and influence future audit approaches. We want to innovate and support to elevate our people, our organisation and public audit, improve quality and grow our reputation.

It will also play a key role in developing a **culture for innovation**, supporting us to learn, share ideas and think differently and be proactive in changing what we do and how we do it.

International stakeholder landscape

Our international work gives us the opportunity to influence and learn across a wide range of developments and challenges facing the global audit and accounting profession, including the changing regulatory landscape, the future auditor skillset, the volume and use of data and new technologies, and changes to climate change and sustainability reporting.

We recognise that Audit Scotland is not a supreme audit institution (SAI) and for many international bodies, membership and engagement is limited to SAIs. While we will build relationships with international stakeholders where appropriate, we will continue to foster relationships through the UK Public Audit Forum (PAF), with the National Audit Office (NAO), Audit Wales and the Northern Ireland Audit Office. The NAO is the SAI for the UK and our engagement with the PAF is a key part of our international influence.

Table 1 sets out the stakeholder landscape for our international work.

Table 1: International stakeholder landscape

| Body | Role and current engagement |
|--|--|
| Chartered Institute of Public Finance and Accountancy (CIPFA) | CIPFA is an international accountancy membership and standard-setting body. Audit Scotland is represented on CIPFA's steering group for the development of a new international performance audit qualification. |
| European Organisation of Regional Audit Institutions (EURORAI) | EURORAI is a cooperation project among public sector audit institutions in Europe. It provides an exchange of experiences and enables progress around public sector financial control and public finances. Audit Scotland is a member of EURORAI's Management Committee. |
| International Accounting Standards Board (IASB) | The IASB is an independent group of experts with experience setting accounting standards and in preparing, auditing, or using financial reports, and in accounting education. IASB members are responsible for the development and publication of IFRS Accounting Standards. |
| International Auditing and Assurance Standards Board (IAASB) | The International Auditing and Assurance Standards Board (IAASB) sets international standards for auditing (ISAs), assurance, and quality management (ISQM) that strengthen public confidence in the global profession. We contribute to IAASB consultations directly as |

| Body | Role and current engagement |
|---|--|
| | well as through our membership of the ICAS Auditing and Assurance Panel. |
| <u>International Ethical Standards Board for Accountants (IESBA)</u> | The IESBA sets international ethical standards to drive ethical behaviour in business and organisations and to improving public trust in financial and non-financial information. |
| <u>International Federation of Accountants (IFAC)</u> | IFAC represents the accountancy profession through advocacy, development, and support for its member organisations and professional accountants. |
| <u>International Organisation of Supreme Audit Institutions (INTOSAI)</u> | INTOSAI operates as an umbrella organisation for the external government audit community. Its main aim is to promote the exchange of ideas, knowledge and experience between its members. The European Organisation of Supreme Audit Institutions (EUROSAI) is one of the seven regional working groups of INTOSAI. |
| <u>International Public Sector Accounting Standards Board (IPSASB)</u> | The IPSASB works to improve public sector financial reporting through the development of international accounting standards, for use by governments and other public sector entities around the world. Audit Scotland is represented on the group that meets the UK's representative on IPSASB to discuss UK interests in IPSASB developments. |
| <u>Organisation for Economic Co-operation and Development (OECD)</u> | The OECD is an international organisation that works to shape policies that foster prosperity, equality, opportunity and well-being for all. We engage with the OECD's anti-corruption and integrity events, which support governments and organisations to strengthen integrity, build trust, and fight corruption. |
| Overseas audit agencies | There are hundreds of audit agencies around the world, focused on scrutinising public spending and providing assurance, and promoting good governance, transparency and positive outcomes for citizens and communities. We engage with overseas audit agencies on areas of shared interest, ensuring this is in accordance with our principles and values. |

Our principles and priorities for international work

Our principles

- We emphasise the learning that can be gained from international engagement and we ensure it influences our planning and practice.
- We develop relationships to share our thinking, listen and learn, and gather ideas and feedback to fuel innovation and inform future planning.
- We explore what the future might look like to understand uncertainties and investigate evidence about future trends.
- We are proactive and focused in directing our international engagement, primarily seeking opportunities to influence and inform our work in areas of strategic interest.
- We are efficient and effective in our international engagement and aim to deliver value for money and sustainability by taking the default position to participate in international work remotely.
- We actively consider our ethical position and follow advice from the Foreign, Commonwealth & Development Office before deciding to engage internationally.

Our priorities

We want to play a lead role in the global public audit system and will aim to build our profile and reputation internationally by developing a network of contacts within international audit institutions. We will draw on this network to deliver our priorities for our international work between 2024 to 2028, which are as follows:

- **Learning to inform our work** – We will gather expertise and good practice in targeted areas to inform our work, aligned to key priorities in our corporate plan. We will actively share learning widely within Audit Scotland to ensure colleagues benefit.
- **Sharing our expertise** – We will contribute to good public governance in other countries by sharing our expertise and practice internationally and seeking to influence international auditing and quality standards.

Our areas of strategic interest

We want to use our international work to proactively seek opportunities to inform what we do. This includes seeking out international engagement to inform areas of strategic interest. Table 2 summarises our key areas of strategic interest. We will identify specific actions through our operational planning process, which drives our Audit Scotland Business Plan.

We will maintain our awareness of audit work on areas of strategic interest by monitoring audit databases hosted by the Canadian Audit and Accountability Foundation (CAAF) and INTOSAI. These databases provide access to audit reports and learning and development materials. We will also share relevant reports we publish through these channels.

Table 2: Areas of strategic interest for international work

| Strategic interest | Areas to explore |
|-----------------------------|---|
| Audit modernisation | <p>Globally audit institutions are under pressure to deliver audits more efficiently and effectively, to ensure audit remains affordable for audited bodies and adds value. We will engage internationally to:</p> <ul style="list-style-type: none"> • understand the risks and opportunities that advancing technologies bring for us as an audit institution and for the bodies we audit. • understand the changing skill set required for our organisation to assess risks and take advantage of opportunities related to technological change. • support us to enhance our audit methodology and be a sector leader in technology and new audit approaches. |
| Climate change | <p>Through our engagement with the UK's representative on the IPSASB we aim to gain insight into the work of its Sustainability Steering Committee, which is considering the disclosure of information relating to sustainability and climate change.</p> <p>We will engage with IAASB and access its webinars and forums to understand developments relating to auditing sustainability and climate-related disclosures.</p> <p>Through our membership of EUROAI we will take opportunities to share our approach to auditing climate change and build our network of European audit agencies leading on climate change audits. We will also engage with the National Audit Office to explore how we can best link into the INTOSAI Working Group on Environmental Auditing network.</p> |
| Equalities and human rights | <p>Through our audit work we look at how inequalities impact on different groups in society and help ensure public bodies address inequalities and protect human rights. There are significant legal developments planned in Scotland in the context of human rights. Our international engagement will focus on sharing and learning about the audit and scrutiny implications of incorporating international human rights treaties and standards into domestic law.</p> |

Strategic interest**Areas to explore**

| | |
|-----------------------------|--|
| Future of performance audit | <p>We recognise that approaches to performance audit are constantly evolving and will engage in international work that builds capacity and shares learning in areas such as:</p> <ul style="list-style-type: none"> • ‘Real-time’ auditing. • Embedding lived-experience into audit work, including citizen auditors and direct service-user involvement in audit teams. • Auditing and reporting on outcomes. • Making reform and transformation more central to performance audit work. • Making data more central to our work, both in terms of how public bodies are using it and how we select topics for investigation. • Different and innovative ways of reporting audit findings. • Measuring our impact. |
|-----------------------------|--|

| | |
|--------------------------------|---|
| International standard setting | <p>We will nurture and develop relationships with key bodies such as the IAASB and the IPSASB to influence international auditing and quality standards and how they are applied to UK public audit work.</p> <p>We will work with standard setters where appropriate to develop the public audit profession, including developing qualifications and learning and development opportunities.</p> |
|--------------------------------|---|

Monitoring and reporting on our international work

We will monitor our international activity on a six-monthly basis in line with our principles, priorities and areas of strategic interest. We will report on our international activity annually in our Annual Report and Accounts.

Agenda

Audit Scotland Board

Friday 7 June 2024

Audit Scotland, 102 West Port, Edinburgh



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

Standing items

5. Review of draft minutes:
 - Board meeting: 21 May 2024 For approval
6. Review of action tracker For assurance

Strategic items

7. SIP Programme Board update For assurance
8. 2025-26 Budget timetable For discussion

Annual reporting

9. 2023-24 Annual report from the Chair of the Audit Committee to the Board For assurance
10. 2023-24 Annual report: Review of Remuneration and Human Resources Committee performance For assurance
11. Policy on the provision of Non-Audit Services by Audit Scotland's external auditor For assurance
12. 2023-24 Governance statement and certificate of assurance For approval
13. Letter of Representation and Audit summary report for the year ended 31 March 2024 For assurance
14. Annual review of counter fraud policy For approval

Business planning, performance and governance

- | | |
|---|---------------|
| 15. Q4 Corporate performance reporting | For assurance |
| 16. Q4 Financial performance reporting | For assurance |

Items to be taken in private

- | | |
|---|---------------|
| 17. 2023-24 Transparency report [Item to be taken in private to support the effective conduct of business, intended for future publication] | For assurance |
| 18. 2023-24 Quality of public audit in Scotland [Item to be taken in private to support the effective conduct of business, intended for future publication] | For assurance |
| 19. 2023-24 Draft Annual Report & Accounts [Item to be taken in private to support the effective conduct of business, intended for future publication] | For approval |
| 20. Audit modernisation project update [Item to be taken in private to support the effective conduct of business, intended for future publication] | For assurance |
| 21. Boardroom Apprentice Scheme [Item to be taken in private to support the effective conduct of business, intended for future publication] | For approval |

Conclusion

- | | |
|--|-----------------|
| 22. Any other business | For discussion |
| 23. Review of meeting | For discussion |
| 24. Date of next meeting: 24 September 2024 | For information |

Minutes Board

Tuesday 21 May 2024, 10.00am
Audit Scotland, 102 West Port

Present:

Alan Alexander (Chair)
Colin Crosby
Stephen Boyle
Jackie Mann
Jo Armstrong

Apologies:

There were no apologies

In attendance:

Vicki Bibby, Chief Operating Officer (Item 7)
Antony Clark, Executive Director of Performance Audit & Best Value
John Cornett, Executive Director of Audit Services
Kenny Oliver, Executive Director of Innovation & Quality
Helena Grey, Controller of Audit
Martin Walker, Director of Corporate Support (Items 11, 12, 13,14)
Ian Metcalfe, Corporate Performance Officer (Item 11,12,13,14)
Sara Tait, Corporate Support Officer (Item 11,12,13,14)
Ethan Bayne, Digital Security Specialist (Item 11,12,13,14)
Nicola Paton, Digital Project Manager (Item 11,12,13,14)
Michelle Borland, Head of Organisation Improvement (Item 15)
Gemma Diamond, Director of Innovation and Transformation (Item 15,16)
Simon Ebbett, Communications Manager (Item 16)
Niki Ross, Forum Support Coordinator (Minutes)

1. Private meeting of Board members

The Board met privately and there were no matters arising.

2. Welcome and apologies

Vicki Bibby, Antony Clark, John Cornett, Kenny Oliver, Helena Gray and Martin Walker joined the meeting.

The Chair welcomed attendees to the meeting.

3. Declarations of interest

There were no declarations of interest noted.

4. Items to be taken in private

The Chair invited members to agree that item 16 of the agenda be considered in private for the reasons stated on the agenda. The members agreed.

5. Chair's report – verbal update

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

The Chair confirmed that he would be attending Antony Clark's keynote session on 29 May 2024.

The Chair will be attending the pre-meeting with the Scottish Commission for Public Audit (SCPA) on the annual report and the Audit Modernisation session which will take place end of June 2024.

Following discussion, the Board welcomed the update.

6. Accountable Officer's report – verbal update

Stephen Boyle invited the Board to note his regular engagement with the Chair and the Chair of the Accounts Commission.

In relation to parliamentary activity, Stephen has been involved in sessions with the Public Audit Committee (PAC) on his proposed forward work programme. PAC has engaged with the Parliamentary Committees and Stephen is waiting on a formal response from this before finalising the forward work programme. There have also been private discussions with PAC on impact reporting in which Stephen welcomed the opportunity to discuss this at a future public meeting.

PAC has also had Accountable Officer sessions on the back of the reporting of the Scottish Prison Service, performance audit on Heat in Homes and the published briefing paper on the Government's National Strategy for Economic Transformation.

Stephen advised the Board that we will shortly be marking the 25th anniversary of the formation of the Scottish Parliament and will keep the Board updated on events around this.

In relation to external engagement, Stephen has had meetings with the Chief Executive of the Scottish Futures Trust, the Controller and Auditor General of the National Audit Office and, along with Vickie Bibby, has continued to meet with our appointed audit firms. Stephen has also participated with Audit Wales colleagues, at their staff conference, where they were exploring the scope of public audit in terms of current and future priorities.

Stephen highlighted that the Joint Report on Digital Exclusion will be published over the next few weeks.

Stephen highlighted that Mark Taylor, Audit Director of Audit Services, will be retiring shortly and expressed his thanks for Mark's many years of service to Audit Scotland.

Following discussion, the Board welcomed the update.

7. Chief Operating Officer's report – verbal update

Vicki Bibby highlighted the current engagement with PCS on the 2024-25 pay award. Work is also underway with Executive Team and Leadership Group on the budget setting process for 2025-26. Results from the Best Value review of Audit Scotland will be discussed at the next Leadership Group meeting on 28 May 2024.

Vicki advised that she attended the April and May meetings of the Accounts Commission and has had regular meetings with Jo Armstrong, Chair of the Accounts Commission. Vicki advised that the Change Programme has been closed which demonstrates our positive partnership working arrangements.

Vicki confirmed that the Executive Team would attend the Accounts Commission meeting in August 2024 to discuss Audit Modernisation. A joint session will be arranged with the Accounts Commission and the Board on the new audit appointment process towards the end of 2024.

In terms of parliamentary business, Vicki has regular catchups with the Clerks and meets fortnightly with Chief Operating Officers of other audit agencies. Vicki and John Cornett have also been meeting with the Scottish Government and NHS to discuss audit fees.

Vicki has met with the organisers of the Boardroom Apprentice Scheme and will bring a report to Board on 7 June 2024.

Vicki gave an update on our key recruitment activities including: Executive Director of Performance Audit and Best Value; Head of Governance and Performance and the Secretary to the Accounts Commission.

Following discussion, the Board welcomed the update.

8. Accounts Commission Chair's report – verbal update

Jo Armstrong advised of having chaired three Accounts Commission meetings since the Board last met in March 2024. The Accounts Commission and the Performance Audit and Best Value team have produced two reports.

Jo advised that she meets regularly with Ellen Leaver from the Scottish Government and is starting to meet with other agencies including the Society of Local Authority Chief Executives (SOLACE)

Following discussion, the Board welcomed the update.

9. Review of minutes

Board meeting: 27 March 2024

The Board noted the minutes of the Board meeting of 27 March 2024, copies of which had been previously circulated. The Board noted they were an accurate record of the meeting.

Audit Committee: 19 March 2024

The Board noted the minutes of the Audit Committee meeting of 19 March 2024, copies of which had been previously circulated. The Board noted the minutes were an accurate record of the meeting.

Remuneration and Human Resources Committee: 19 March 2024

The Board noted the minutes and confidential minutes of the Remuneration and Human Resources Committee meeting of 19 March 2024, copies of which had been previously circulated. The Board noted the minutes were an accurate record of the meeting.

10. Review of action tracker

Martin provided an update on the Glasgow office refurbishment and confirmed that the project is on schedule for completion at the end of June.

The Board noted and approved the updated action tracker.

11. 2023-24 Annual report on information governance and security

Ian Metcalfe, Sara Tait, Ethan Bayne and Nicola Paton joined the meeting.

Martin Walker introduced the annual report on information governance and security, copies of which had been previously circulated.

The Board was invited to:

- Note the contents of the report.

During discussion, members thanked the team for a comprehensive and excellent report.

Members noted the diverse range of assurance and controls in place to continue to strengthen defences and resilience to protect the organisation from potential threat.

Further discussion was on Audit Scotland's commitment to meeting the newly released Information Security Standard (ISO) 27002:22. Members noted that planning work is underway and that we have until 2025 to complete the transition.

Further discussion was on the tight restrictions around access and compatibility to our systems which members agreed is vital to protect the organisation.

The Board agreed that to continue to strengthen our resilience we need to invest in this area and welcomed the re-focus and re-alignment of the current team as well as supporting recruitment for additional posts.

Following discussion, the Board noted the annual report and was assured by the progress made to date.

Action: Vicki and Jo to explore the potential of rolling out Audit Scotland's mandatory cyber security training to Accounts Commission members.

12. 2023-24 Annual report on complaints

Martin Walker introduced the annual report on complaints, copies of which had been circulated previously.

The Board was invited to:

- Note the contents of the report.

During discussion, the Board discussed the frequency of reviewing the complaints handling process and were assured that we comply with the Model Complaints Handling Procedure.

Following discussion, the Board noted the report and was assured by the progress made to date.

13. Q3 2023-24 Annual Report on freedom of information and environmental information

Martin Walker introduced the annual report on freedom of information and environmental information, copies of which had been circulated previously.

The Board was invited to:

- Note the performance in 2023-24.

Following discussion, the Board noted the report and was assured by the progress made to date.

14. Information security management policy review

Nicola Paton introduced the review of the information security management policy, copies of which have been circulated previously.

The Board was invited to:

- Note the annual review of the Information Security Management Policy.
- Approve the policy.

Following discussion, the Board approved the annual review of the information security management policy.

Ian Metcalfe, Sara Tait, Ethan Bayne and Nicola Paton left the meeting.

15. Annual 2024-28 Audit Scotland international engagement strategy

Gemma Diamond and Michelle Borland joined the meeting.

Gemma Diamond introduced the annual 2024-28 Audit Scotland international strategy, copies of which had been circulated previously.

The Board was invited to:

- Note the progress against our international work strategy 2021-24 and how the new international strategy 2024-2028 builds on this.

- Approve the International strategy 2024-2028, included as Appendix 1.

Members discussed the reference to our ethical position and noted that this is linked to our reputational position in terms of who we would engage with and our principles around this.

Further discussion was on our default position to participate in international work remotely and that this shouldn't exclude an appropriate visit in person.

Members discussed areas to explore to inform our strategic interest and in particular 'measuring our impact' against future performance audits and agreed that this area should be broader and not specific to just performance audits.

Following discussion, the Board noted the annual review report and was assured by the progress made to date.

Michelle Borland left the meeting.

Items taken in private

16. Stakeholder opinion and feedback

Simon Ebbett, Communications Manager, joined the meeting.

Simon Ebbett introduced the stakeholder opinion and feedback report, copies of which had been previously circulated.

The Board was invited to:

- Note the results of the 2024 public opinion survey, 2023 MSP survey, 2024 audited bodies' survey and 2023 local government survey.
- Review and give feedback on the discussion points and next steps.

Members welcomed the report and agreed that the results give us a clearer and insightful picture of where we are.

Members discussed the results and in particular feedback on awareness, visibility and understanding of Audit Scotland and the Accounts Commission and agreed there is more work to be done in this area to raise our profile and to better share examples of best practice.

Following discussion, the Board noted the report on stakeholder opinion and feedback.

Simon Ebbett and Gemma Diamond left the meeting.

17. Any other business

There was no other business for discussion.

18. Review of meeting

The Chair invited members to comment on the papers and the conduct of the meeting.

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

The Chair thanked everyone for their contributions.

19. Date of next meeting: 7 June 2024

The members noted the next meeting of the Audit Scotland Board is scheduled for 7 June 2024.

Board action tracker 2024



| Agenda | | | | | | | Complete/ | |
|--------------|---------|-----------------------------------|--|------------|------------------|------------------|-----------|---|
| Meeting date | item no | Item title | Action description | Due date | Responsible | Assigned to | ongoing | Progress notes |
| 21/11/2023 | 12 | Board and committee meetings 2024 | The Board agreed in principle to hold 21 May 2024 Board meeting in Glasgow, subject to works being completed and build in time after the board meeting for staff to join and meet with Board members | 21/05/2024 | Nicola Constable | Nicola Constable | Ongoing | 21/12/23: Keeping on radar for progress on office build 19/02/24: Glasgow office due for completion 3 June. Planning to hold June's Board meeting in Glasgow, however kept room booking in Edinburgh as a contingency. 15/04/24 - placeholder for Glasgow as the first choice but still to be confirmed depending on the Glasgow Estates work. 09/05/24: June meeting won't be held in Glasgow as office completion not finalised. |
| 21/11/2023 | 12 | Board and committee meetings 2024 | The Board agreed to review further options to visit other Audit Scotland office locations in 2024/25. | 26/11/2024 | Martin Walker | Martin Walker | Ongoing | 21/12/23: Keep on radar for new Chair's meeting in 2024. |
| 27/03/2024 | 11 | Operational budget | Prepare a proposal to SPCA on the spend to save option discussed by members. | | Vicki Bibby | Stuart Dennis | Complete | 09/05/24: This was actioned as a letter to SPCA requesting to use these funds and the SPCA responded 2 weeks ago to confirm we can use these funds within our budget. |
| 27/03/2024 | 12 | Q3 Corporate performance report | Martin to quantify the cost of delayed audits and inform the Board. | | Martin Walker | | Ongoing | 09/05/24: Ongoing |
| 27/03/2024 | 16 | Audit modernisation project | Executive Team to give further thought on setting up a workshop session with SPCA to discuss the audit modernisation project. | Sep-24 | Vicki Bibby | Nicola Constable | Ongoing | 20/02/24: Discussions ongoing with SPCA Clerks to hold a session in September as part of the SPCA Business Planning day. 15/04/24: Set up with SPCA for 24 June. Now with Kenny's team to take forward design and delivery of material. |

Strategic Improvement Programme: Update

Director of Innovation and Transformation and Head of Organisational Improvement

Purpose

1. This report updates the Board on progress with the Strategic Improvement Programme (SIP), following the SIP Board meeting on 14 May 2024.

Recommendations

2. The Board is invited to note:
 - The progress with SIP projects summarised in this paper.
 - The progress made improving the underpinning budget data for SIP projects.
 - Future plans to develop project performance monitoring.

Background

3. The purpose of the SIP is to provide a framework for transformational change projects to receive more capacity, scrutiny and direction to ensure that we deliver on our corporate plan strategic priorities and the outcomes in Public Audit in Scotland. The SIP currently contains the projects set out in Table 1.

Table 1: Current SIP projects with agreed goals

| Project | Goal |
|----------------------------|---|
| Audit modernisation | Transformed audit approaches that are: <ul style="list-style-type: none">• Clearly defined, risk-based and data driven, to ensure compliance, quality and efficiency.• Delivered through integrated auditing software and tools that automate and standardise processes.• Delivered by confident teams and staff with the right skills in the right structure. |
| Insights | Deliver coordinated intelligence from impact monitoring and evaluation, stakeholder engagement and horizon scanning to: <ul style="list-style-type: none">• Support us to respond with agility to what's coming in the future.• Improve the information we have to inform decision making.• Support continuous improvement and innovation.• Better understand and report on the impact of public audit.• Help us promote the value of public audit. |

Resource and management information (R&MI)

To renew and digitise the system that Audit Scotland uses for resourcing and reporting on all key aspects in the delivery of our work, specifically the outward facing audit work that we undertake with audited bodies across Scotland and also internally focussed corporate projects.

Considerations**SIP programme update**

4. At its May 2024 meeting, the SIP Board considered a programme update report, which set out the status of each project, based on supporting information including project plans, progress with project delivery and project risks. The status and expected timeline for each project is summarised in Table 2.

Table 2: Status and expected timeline of SIP projects

| Project | Status | Expected timeline | Notes |
|-------------------------------------|--------|--|---|
| Audit modernisation | Amber | June 2023 - October 2026 (Dependent on procurement route) | <ul style="list-style-type: none"> The project status is currently assessed as amber because the timing of some milestones is still to be agreed. Project team action in progress. No additional action requested from SIP board. |
| Insights | Green | June 2022 to August 2025 | <ul style="list-style-type: none"> On target with no additional management action required. |
| Resource and management information | Green | January 2024 to March 2025 | <ul style="list-style-type: none"> On target with no additional management action required. |

Project budgets

5. Table 3 summarises the estimated total costs for each SIP project.

Table 3: Estimated total project costs as at May 2024

| Project | Estimated costs (£) | Estimated internal costs (£)* | Estimated external costs (£)** |
|---------------------|---------------------|-------------------------------|--------------------------------|
| Audit modernisation | 694,340 | 499,915 | 194,425 |
| Insights | 108,053 | 78,053 | 30,000 |
| R&MI | 147,000 | 17,000 | 130,000 |
| Total | 949,393 | 594,968 | 354,425 |

6. For all three projects the internal costs represent project team members who are permanent Audit Scotland colleagues working on the project. Costs are estimated based on day rates for the colleagues involved and the proportion of the time we expect they will spend on the project. The Board is invited to consider the additional context below for each project.

Audit modernisation

7. The estimated costs for the audit modernisation project include known costs for 2023-24 and 2024-25 only. External costs represent additional resource required, including costs for project management, assurance, legal, commercial and procurement advice. All costs will be met from existing budgets and efficiency savings where possible.
8. We are breaking the procurement and legal costs into smaller packages as required, starting with support for considering how we would partner with NAO. We can accommodate the assurance costs and this initial package of support from the I&Q budget making use of current underspend against establishment. We may need support from across the organisation for further legal and procurement costs depending on size, direction of the project and our budget position. The project has noted the risk of these additional costs.
9. We will agree the full project budget after developing the Outline Business Case with costs included in our 2025-26 budget proposals to the SCPA. As set out at the March SIP Board meeting, currently, the upper range of estimated costs of transforming our approach and procuring new software is between £3.9m and £6m in additional costs (up to 2031).
10. The audit modernisation project is discussed in more detail in a separate paper.

Insights

11. The estimated costs of the Insights project have increased since March from £90,000 to £108,053. This is due to adding in costs incurred between June 2022 and September 2023, which was before the full project plan and budget were developed and adding in additional costs for contingency. The external costs will cover external support with wider evaluation of impact against public audit in Scotland outcomes. All internal and external costs are covered within existing operational budgets.

R&MI

12. The estimated costs for the R&MI project have not yet been baselined and are based on the top end estimate of the annual cost of a new resourcing system (£70k). All internal costs and costs of the external project manager are covered within existing budgets. We will need to factor in the business case for the additional and recurring cost of the system solution into our future budget proposals.

Budget phasing and variance analysis

13. In line with SIP Board feedback, SIP project managers have undertaken further work on project budgets to support analysis of spend against budget. Table 4 sets out the phasing and spend to date since the projects started and planned annual spend for 2024/25 and 2025/26, where this is available.

Table 4: Planned phasing and spend versus budget

| Project | Phased budget to 31 March 2024 (£) | Actual spend to 31 March 2024 (£) | Variance | 2024/25 phasing (£) | 2025/26 phasing (£) |
|-----------------------------------|---|--|-----------------|----------------------------|----------------------------|
| Audit modernisation | 52,744 | 35,209 | -33% | 641,596 | Not yet phased |
| Insights | 44,030 | 42,513 | -4% | 39,016 | 25,007 |
| Resource & management information | 25,000 | 24,468 | -2% | 122,000 | N/A |
| Total | 121,744 | 102,190 | -16% | 802,612 | 25,007 |

Project performance monitoring

14. At its March meeting the SIP Board and Audit Scotland Board fed back that work should be undertaken to improve the consistency across and distinction between success criteria and success factors, including making the language more accessible and meaningful.
15. While we have not yet undertaken a full review of success criteria and factors across the SIP projects, we recognise there is room for improvement in supporting projects to distinguish between these areas and how they are monitored and reported. This is primarily a reporting issue and is not holding up project progress.
16. The SIP Board agreed that projects should seek to apply existing guidance on defining success factors and criteria and that projects should set KPIs based on success criteria and integrate success factors into the project risk management approach. We will update on progress in this area at the September Board meeting.

Review of SIP criteria and composition

17. The current SIP purpose and criteria were agreed as part of the SIP refresh undertaken in early 2023 and are set out in Table 5. Within the SIP we define transformational change as follows: Change that evolves our basic structure – our strategy, culture, structure or processes – and leads to a fundamental shift in how we operate.
18. We deliver transformational change to address major concerns, challenges or risks, or take advantage of major opportunities. It can be sudden and dramatic (like during the Covid-19 pandemic) or planned out over a longer period (like audit modernisation).

Table 5: SIP purpose and criteria

| Purpose | Criteria |
|---|--|
| To provide a framework for transformational change projects to receive more capacity, scrutiny and direction to ensure that we deliver on our corporate plan strategic priorities and the outcomes in Public Audit in Scotland. | <ul style="list-style-type: none"> • The actions and intended outcomes impact more than one business group. • The projects intend to deliver transformational change, not just business as usual. • Intended outcome will require a significant change in approach, skills, and resources. • Intended outcome is critical to the achievement of the corporate plan. • Activity can be framed as a project with appropriate measurement criteria. • Activity is a SIP board priority. |

- 19.** The SIP Board has been careful in its application of the criteria to decision-making, including considering whether projects are genuinely about transformational change or more at the adaptive end of the change management spectrum. It has also ensured that activities on the SIP can be clearly framed as projects and the introduction of the project management framework has supported this.
- 20.** At its meeting in May the SIP Board agreed a minor adjustment to the SIP criteria, as set out below, and no changes to the composition of the SIP.
- Specific mention of organisational culture and expenditure – Intended outcome will require a significant change in approach, skills, resource allocation, **planned expenditure** or **organisational culture**.
- 21.** The SIP Board agreed it would review the outcomes of the 2025/26 to 2027/28 operational planning process in September and use the refreshed criteria to assess whether any further projects should be added to the SIP.

Conclusion

- 22.** The SIP Board continues to scrutinise SIP projects to ensure they have the capacity and direction required to deliver transformational change. There are currently no significant risks to SIP projects to draw to the attention of the Audit Scotland Board. We have made good progress developing project budget reporting and have further work to do to improve project performance monitoring. We will update on progress with this in September.
- 23.** We have completed a review of the criteria for the SIP and have made minor changes to this. We will review the outcomes of the 2025/26 to 2027/28 operational planning process later this year and use the new criteria to assess whether any further projects should be added to the SIP.
- 24.** The next SIP Board meeting is in September and we will bring a further update to the Board at its September meeting.

Purpose

1. This report presents the proposed budget preparation timetable for 2025/26.

Recommendation

2. The Board is invited to:
 - Note the 2025/26 budget timetable.

Background

3. Based on the written agreement between the Scottish Commission for Public Audit (SCPA) and Audit Scotland the submission of detailed budget proposals to the SCPA is required no later than the first week in December each year.
4. For the 2024/25 budget proposal the SCPA took evidence on 11 December 2023. It is anticipated that for the 2025/26 budget proposal the session will take place at a date to be confirmed in December 2024.
5. The SCPA has also requested an informal budget proposal discussion on 30 September 2024 to discuss our initial draft proposals as part of the budget scrutiny process.
6. The budget will need to include the significant financial challenges identified in the Strategic Improvement Programme (SIP) such as the audit modernisation project as well as future pay awards, resourcing, firms' contractual obligations, operational business plans, hybrid working and fee income pressures.
7. The preparation of the 2025/26 budget proposal is based on the continued development of the one organisation joined up approach to developing a budget. The proposal will integrate organisational business planning and the people strategy. This approach will aim to assess cost and savings implications of various scenarios with a view to delivering key corporate objectives.
8. Early engagement with the Accounts Commission on Audit Scotland's budget proposals will also take place.
9. An initial discussion on the budget assumptions, proposals and funding implications is scheduled for the Audit Scotland Board meeting on 24 September.

Timetable

10. A timetable has been prepared to ensure that the 2025/26 budget submission meets the SCPA deadline and is attached as Appendix 1. It identifies the key actions required, dates for completion and the individuals responsible for delivering each action.

11. The approach follows previous years where Finance will work closely with budget holders to review and update budget projections for 2025/26.
12. A report of the first draft 2025/26 budget submission will be considered by Executive Team on 10 September 2024. Following discussion and approval at this meeting a provisional cost outcome and budget assumption report will be issued for Board approval at its meeting on 24 September 2024.
13. The timetable includes the new budget scrutiny session on the 30 September 2024 to enable early engagement with the SCPA on Audit Scotland's initial draft budget proposals before formal submission in early December.
14. Following Board approval on 24 September the draft SCPA budget proposal receives further scrutiny at Executive Team meetings on the 8 October and 5 November 2024.
15. Consultation with the Accounts Commission on budget proposals will commence in September 2024 with the aim to present a draft budget proposal at the Commission meeting scheduled for 7 November 2024.
16. The Board will formally approve the 2025/26 Budget proposal for submission to the SCPA at its meeting on 26 November 2024.

Next steps

17. Finance will work with budget holders to prepare a draft budget submission.

Appendix 1

| | Milestone | Who | Complete by | Comments |
|----|--|-----------------------|-------------|---|
| 1 | Budget assumptions and Scenario Planning | SD/GD/MB/Budget Leads | May | At least 2 weeks before approval at ET below. |
| 2 | Budget Assumptions and Timetable for approval | ET | 22 May 2024 | |
| 3 | Provide budget holders base workforce plan numbers | Finance | 19 Jul 2024 | |
| 4 | Confirmation of updated workforce from budget holders to Finance | Budget holders | 29 Jul 2024 | |
| 5 | Consolidation of budget and workforce schedules | SD | 31 Jul 2024 | |
| 6 | Circulate establishment and cost centre first draft expenditure proposals to budget holders for review | SD | 31 Jul 2024 | |
| 7 | Initial discussion around material for SCPA Budget session on 30 Sept | ET | 6 Aug 2024 | ET Strategic Session Papers due 1/8 |
| 8 | Return of business plans to Finance highlighting any additional requirements | Budget holders | 16 Aug 2024 | |
| 9 | Consolidation of budget returns/business plans | SD | 21 Aug 2024 | |
| 10 | Liaise with AQA on impact to expected fee income | AQA/SD | 22 Aug 2024 | |
| 11 | Leadership Team discussion | LT | 27 Aug 2024 | To be a joint item with Draft Business plan and workforce plan item at same meeting. Paper due 22/8. Michelle/Gemma/Martin/Stuart/Budget leads |

| | | | | |
|----|---|---------------|-------------------|--|
| 12 | Prepare SCPA Budget session material: needs discussion and approval with ET or at least COO/AGS/Chair | ET | 3 Sept 2024 | ET Strategic Session 3/9. Material due 29/8 |
| 13 | Share SCPA Budget papers with Board members for comments | AS Board | 10 Sept 2024 | Papers due to Board 6/9 |
| 14 | Initial review of budget submission | ET | 10 Sep 2024 | Item to be around 1 hour long. Should be an in-depth discussion. Possible include Gemma/Michelle/Martin/Budget Leads |
| 15 | Accounts Commission draft budget consultation | AC/AS staff | 12 to 20 Sep 2024 | |
| 16 | Final review of SCPA material | COO/AGS/Chair | 17 Sep 2024 | Due to colleagues by 15/9 |
| 17 | Submit any papers to SCPA for session on 30 September | NB | 20 Sep 2024 | SCPA require papers 2 weeks before any session |
| 18 | SCPA budget session run through | All | 24 Sep 2024 | NB to schedule after ET meeting 22/5 |
| 19 | Review of budget assumptions and provisional cost outcomes by AS Board | AS Board | 24 Sep 2024 | |
| 20 | Initial SCPA budget session | | 30 Sep 2024 | |
| 21 | Informal Budget session with Board | | | TBC. We did this as part of the process in 2023 and should be replicated this year |
| 22 | ET further review of draft budget | ET | 08 Oct 2024 | |
| 23 | ET approval of budget proposal for Board review | ET | 05 Nov 2024 | |
| 24 | Accounts Commission update on draft budget | AC | 07 Nov 2024 | |

| | | | | |
|----|---|---------------|-------------|-------------------------|
| 25 | AS Board approval of SCPA budget proposal | AS Board | 26 Nov 2024 | |
| 26 | Final approval of Budget for submission | COO/AGS/Chair | 29 Nov 2024 | Final version due 28/11 |
| 27 | Submission of Budget Proposal to SCPA | AGS/COO | 02 Dec 2024 | |
| 28 | Approval of 2025/26 Operational Budget | AS Board | tbc | |

2023-24 Annual report from the Chair of the Audit Committee to the Board

Chair of the Audit Committee

Item 9
Meeting date: 7 June 2024

Purpose

1. This report presents the annual report from the Audit Committee Chair to the Audit Scotland Board.

Recommendations

2. The Board is invited to:
 - Note the report.

Background

3. The Audit Committee is a standing Committee of the Board established under Audit Scotland's Standing Orders. The Audit Committee consists of the members of the Board, other than the Chair of the Board and the Accountable Officer. In practice the Chair of the Board and the Accountable Officer attend the meetings as observers.
4. In May 2023, William Moyes resigned as Chair of the Accounts Commission. Tim McKay represented the Accounts Commission until 6 June when Ronnie Hinds became the Interim Chair of the Accounts Commission pending the appointment of the new Chair of the Accounts Commission, Jo Armstrong in February 2024.

Programme of work

5. The Audit Committee met five times in 2023/24 at Audit Scotland's Offices and via Microsoft Teams. In accordance with its Terms of Reference and the Audit Committee Planner, the committee considered a broad range of work across 103 agenda items, including 84 papers. This included reports and updates on:
 - Financial management.
 - Governance, including the annual assurance and statement of control process.
 - Internal and external audit.
 - Audit quality.
 - Organisational risk.
 - Information security and governance.
 - 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. The evaluation process also included feedback from offers who attend and present reports to the committee. A report on the outcome of the review and the actions arising was presented to the meeting of the Audit Committee on 7 May 2024.

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 2024 at its meeting on 19 March 2024.
9. The audit of the 2023/24 accounts has concluded and will be reported to the Audit Committee and the Board on 07 June 2024.
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 2023. The review resulted in minor changes.
12. In addition, the Audit Committee considered its Terms of Reference at the November meeting in line with the agreed annual review. No amendments were required to be made. The next review will be reported to the Audit Committee on 11 November 2024.
13. The Code of Conduct for members and employees was reviewed by the Board in September 2023 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 2024. The Business Continuity Plan, which is subject to annual review, received minor amendments.
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:
 - Data Incidents.
 - Hospitality and Gifts.
 - Bribery and Fraud.
 - Whistleblowing.
 - Correspondence Handling and Whistleblowing.
 - Audit Quality.
 - Governance statement on internal control and Certificate of Assurance.

Internal and external audit

16. Wylie & Bisset were appointed by the Audit Committee as Audit Scotland's internal auditors in April 2022.
17. The external auditors and internal auditors have attended all of the Audit Committee meetings during 2023/24.
18. At each meeting there is a private session with both external and internal auditors. This provides the opportunity for the auditors to raise issues with members of the committee and for the committee to ask questions and seek the view of auditors. No material issues were raised during 2023/24.
19. At its meeting in March 2024 the Audit Committee considered a report from the internal and external auditors on their joint working arrangements.
20. The Audit Committee approves the programme of internal audit work each year. Wylie & Bisset carried out seven internal audits and one follow-up review during 2023/24. 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. The table below details the audits and overall assurance assessments:

| Audit | Conclusion | Recommendations |
|---|-------------|-----------------|
| GDPR July 2023 | Strong | 2 Low |
| Performance Audits & Best Value Audits July 2023 | Strong | 0 |
| Contract Management November 2023 | Strong | 1 Low |
| Procurement & Appointment of Appointed Auditors November 2023 | Strong | 0 |
| Cyber Incident Response Plan November 2023 | Substantial | 2 Medium |
| Overall Financial controls February 2024 | Strong | 0 |
| Strategic Planning March 2024 | Strong | 1 low |

21. There were six recommendations from the seven internal audits during 2023/24. Four recommendations were classified as low significance and two of medium significance. Management responses have been provided for all audit recommendations and work is being undertaken to implement them as appropriate.
22. The Corporate Governance team reports to the Audit Committee on progress with internal audit recommendations on a quarterly basis.
23. The internal audit service and scrutiny provided by Wylie & Bisset offered substantial assurances in the round for the 2023/24 annual internal audit report.
24. The Audit Committee is satisfied with the performance of internal audit with services delivered to the required standard for the year 23/24. Members were appreciative of the

'benchmarking' section within internal audit reports which provided Audit Scotland with a comparison against other organisations, and which considers current and evolving best practice.

25. The cost of the internal audit work for 2023/24 amounted to £24,960. This was a favourable variance of £5,040 against the £30k budget.
26. Wylie & Bisset completed all audits within the agreed 55 days during 23/24.
27. The internal audit plan for 2024/25 was approved by Audit Committee on 07 May 2024.

Audit quality

28. The Audit Quality Framework, approved in November 2019, committed to providing regular reporting to the Audit Committee on audit quality as well as to the Auditor General for Scotland and the Accounts Commission. Over the course of the last five years regular updates have been provided on audit quality to Audit Committee.
29. The framework uses a broad range of tools to assess audit quality including external and internal 'cold' reviews and surveys of audited bodies and auditors. This range of evidence continues to identify good practice and areas for improvement in audit quality.
30. The Quality of Public Audit in Scotland annual report 2023/24 was presented to the Audit Committee on 7 May 2024. The Audit Quality and Appointments team concluded that the quality of audit work is consistently good in Performance Audit and Best Value (PABV) audit and for five out of the six accountancy firms carrying out public sector audit work. The conclusion for the quality of financial audit work in the Audit Services Group (ASG) for 2022/23 is more mixed.
31. The independent quality reviews provide a clear indication that high quality standards are consistently being achieved in PABV audit work and that it can also be achieved in financial audit. Further work continues in some key areas to ensure that all the audit work meets the standards expected by all our stakeholders and in particular by the Auditor General for Scotland and the Accounts Commission.
32. At the same meeting in May the Audit Committee considered the Audit Scotland Transparency report 2024 and an update report on the Audit Quality Action Plan.
33. Taken together the above reports provide assurance and a positive direction of travel in relation to audit quality.

Risk management

34. Audit Scotland's Risk Management Framework was reviewed and approved by the Audit Committee on 19 March 2024. In accordance with the framework the committee reviewed the Risk Register at each of its five meetings.
35. The Audit Committee also considered quarterly reports on data incidents and noted the corrective actions proposed by Audit Scotland to reduce and prevent further incidents. It also received detailed six-monthly update reports on digital and cyber security risks.
36. The Risk Management Framework provides for risk 'deep dives'. These provide for more in-depth consideration of risks, or groups of connected risks and also provide for a more flexible approach than the risk interrogations that had preceded them.

37. In 2023/24 the Audit Committee undertook deep dives into capacity, delivery, the value of public audit and impact and reputation. In addition, the Board considered a deep dive into Artificial Intelligence and Audit Automation.
38. The Audit Committee agreed the schedule of deep dives for 2024/25 at its meeting on 19 March 2024.

Governance statement

39. The Audit Committee considered a report on the effectiveness of the systems of internal control. There were no matters arising from Audit Scotland's business groups which would require to be raised specifically in the Accountable Officer's governance statement.
40. Internal auditors provided Audit Scotland with reasonable assurance that there are no major weaknesses in the internal control system for the areas reviewed in 2023/24.
41. It is the Audit Committee's opinion, based on our scrutiny and oversight of the work of Audit Scotland, that the Accountable Officer and Board can take assurance that there are sound systems of internal control in place within Audit Scotland to support the achievement of the organisation's policies, aims and objectives as set out by the Audit Scotland Board.
42. On the basis of the work reviewed and progress made during 2023/24, the Audit Committee can advise the Board that, in its opinion, the internal control systems in Audit Scotland are effective.

Acknowledgements

43. The Chair of the Audit Committee thanks the members of the Audit Committee for their invaluable input during 2023/24.

Review of Remuneration and Human Resources Committee (Remco) performance

Chair of the Remuneration and Human Resources Committee

Purpose

1. The purpose of this report is to provide a review of the past 12 months of performance of the Remuneration and Human Resources Committee (Remco) and share future priority areas for discussion during 2024/25.

Recommendations

2. The Board is invited to note the report and the areas which the Committee will take forward as a priority for 2024/25.

Background

3. The Remco Terms of Reference state that a review of past performance of Remco is an annual item of business scheduled to occur at the May Remco meeting.
4. The process follows good practice for the operation of committees. The chair provides a separate report to the Audit Scotland Board and Accountable Officer following discussion by Remco members.
5. During 2023/24, Remco met as planned, in person in the West Port, Edinburgh office with MS Teams virtual attendance enabled where required by attendees.
6. Remco members welcomed Jo Armstrong, new Accounts Commission Chair to all Remco meetings from March 2023 onwards.

Considerations

7. During 2023/24 Audit Scotland's Remco met on four occasions:
 - 16 May 2023.
 - 29 August 2023.
 - 14 November 2023.
 - 19 March 2024.
8. The meeting held on 29 August 2023 was an extraordinary meeting and was convened to approve an updated pay award proposal which allowed pay negotiations to continue at Audit Scotland. The Accountable Officer also shared an updated Executive Team pay award proposal at that meeting.

9. At the August meeting, the Head of HR also took the opportunity to share the results of the 2023 stress survey. During discussion, Remco asked for the topic of employee wellbeing to become a standing item for its future meetings.
10. In accordance with its Terms of Reference the committee considered a broad range of work. This has included reports and updates on:

Strategy

- Regular updates about our business and workforce as we have managed the continued evolution of a hybrid model of working and the development of a new Innovation and Quality business group.
- Consideration and discussion of the 2023 employee stress survey results with resulting actions.
- Approval of the 2023/24 pay award and negotiations with the Public & Commercial Services (PCS), including the latest public sector pay policy in Scotland and the implications of this upon our own pay settlement, budget and fee strategy.
- Approval of the 2023/24 pay award for Executive Team members.
- Planned work around our future strategy on diversity, equality and inclusion.
- Approval of an Audit Scotland People Strategy in November 2023.
- Consideration of plans for talent management, succession planning and approving the wider workforce plans for 2024/25.

Governance

- Approval of a number of staff handbook policies.
- Annual review and assurance in connection with the expenses of the Auditor General for Scotland.

Performance

- Reviewing Audit Scotland's people reports produced throughout the year which included both the gender pay gap report and annual diversity report.
 - Annual review of Remco past performance and the setting of future priorities.
11. 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.

Priorities for 2024/25

12. The main priorities for 2024/25 are set out in the [People Strategy](#), approved by the Remco in November 2023.
13. There will be an annual update to Remco on the progress being made on the actions identified in the strategy. This is likely to include updates on:

- New diversity, equality and inclusion and health, safety and wellbeing strategies being developed in partnership with [Business in the Community](#) and internal committees.
 - A fully integrated approach to future workforce planning in response to the demands arising from digital auditing, the competitive recruitment market and our early careers widening access ambitions. This will combine business planning, financial planning and people resourcing planning in one.
 - Succession planning, with a particular focus on Executive Team and roles within the organisation which carry a level of risk in the event of a departure.
 - Supporting the strategic improvement projects, in particular the audit modernisation project and what this will mean for the target operating model and learning and development requirements.
 - A new approach to employee performance and development.
- 14.** The Head of HR proposes that Remco continues to consider regular health and wellbeing updates in light of our evolving hybrid way of working, staff engagement and staff stress survey results. Therefore, wellbeing is proposed to remain a standing item for discussion.

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

Director, Audit Quality and Appointments

Item 11
Meeting date: 7 June 2024

Purpose

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

Recommendations

2. The Board is invited to:
 - Note that the draft policy was reviewed by the Audit Committee at its meeting on 7 May 2024 and was recommended to the Board for approval.
 - Approve the policy.

Background

3. The Audit Committee is responsible for developing and monitoring a policy on engaging the external auditor to provide non-audit services, taking into account relevant guidance on the provision of non-audit services by the external audit firm.
4. The SCPA appoints Audit Scotland's external auditors and may impose contractual restrictions or prohibitions on the external auditor providing non-audit services. In the absence of contractual restrictions, the Audit Committee and Audit Scotland Board are responsible for determining in what circumstances Audit Scotland may engage the external auditor to provide non-audit services.
5. The current policy on the provision of Non-Audit Services was approved in June 2023 and is reviewed annually.
6. The draft policy was considered by the Audit Committee at its meeting on 7 May 2024 and was recommended to the Board for approval.

Financial Implications

7. There are no financial implications.

Considerations

8. The Financial Reporting Council (FRC) updated the [Ethical Standard](#) in 2023. The revised standard becomes effective on 15 December 2024. There are no material changes regarding the provision of non-audit services.
9. The standard defines non audit services as

'any engagement in which a firm provides professional services to an audited entity other than the audit of financial statements of the audited entity.'

10. The current Audit Scotland policy states:

'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.'

- 11.** Audit Scotland has never needed to engage its external auditors to provide non-audit services. If Audit Scotland needed the professional services of an accountant or auditor, there is considerable in-house expertise. If in-house expertise was not sufficient or appropriate, then alternative sources such as the other UK audit agencies, or different firms, could be used without creating any risk of independence threats.
- 12.** I therefore propose that a simplified revised policy be adopted, whereby Audit Scotland shall not engage the external auditors to provide any non-audit services.
- 13.** In view of the proposed change, I also propose that the frequency with which the policy is reviewed moves from annual to a three-year basis.

Conclusion

- 14.** The revised policy is appropriate and in line with the FRC's Ethical Standard and is attached as appendix 1.

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

| | |
|---------------------------------|--|
| Owned and maintained by: | Director of Audit Quality and Appointments |
| Date checked/ created: | June 2024 |
| Next review date: | June 2025 |

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 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.
3. 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.

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.
6. 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.
7. On that basis Audit Scotland shall not engage the external auditors appointed by the SCPA to provide any non-audit services.

2023-24 Governance statement and certificate of assurance

Director of Corporate Support

Item 12
Meeting date: 7 June 2024

Purpose

1. This report informs the Board of the annual review of our internal controls to support the achievement of the organisation's policies, aims and objectives. It forms part of the suite of assurance reports in support of the Accountable Officer's governance statement in the annual report and accounts.
2. The report also provides the Certificates of Assurance on our internal controls from each of Audit Scotland's business groups.

Recommendations

3. Board is invited to:
 - Consider the certificates of assurance.

Background

4. Executive Team agreed to adopt the internal control checklist and certificate of assurance process in 2011 to support the Accountable Officer's governance statement.

Considerations

5. Business groups reviewed their internal controls in March and April 2024 with the aid of the internal control checklist. Based on the review and checklist findings the business group Executive Directors/ Directors completed and approved their business group's Certificate of Assurance.
6. Business group Executive Directors/ 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 Quality and Assurance](#)
 - [Audit Services](#)
 - [Corporate Services](#)
 - [Innovation & Quality](#)
 - [Performance and Best Value.](#)
7. The Executive Team reviewed the certificates of assurance at its meeting on 22 May 2024 and did not identify any issues to bring to the attention of the Audit Committee.

8. The Audit Committee reviewed the certificates of assurance at its meeting on 7 June and did not identify any issues to bring to the attention of the Board.

Good practice

9. The annual assurance process has demonstrated good practice across the organisation's internal controls including:
 - Robust governance and performance reporting.
 - Strong communication and collaboration within and across business groups.
 - A focused internal audit programme on existing and new areas of work.



CERTIFICATE OF ASSURANCE

To: Audit Scotland's Accountable Officer

ANNUAL ACCOUNTS 2023/24: ASSURANCE FOR THE GOVERNANCE STATEMENT

- I am aware that, as Chief Operating Officer, you are required to sign a governance statement for the annual accounts for 2023/24. To assist you in that process, I can confirm that I Executive team have reviewed the required assurances from each business Group.
- Based on that review, and my own knowledge of internal control matters in Audit Scotland I can confirm that these controls have been, and are, working well. There are, in my opinion, no significant matters arising in my area of responsibility which would require to be raised specifically in the governance statement.

Name of Director: Vicki Bibby (Chief Operating Officer)

Signature:

A handwritten signature in black ink that reads "Vicki A Bibby".

Date: 25 May 2024

Annual review: Counter fraud policy

Director of Corporate Support and Head of Human Resources

Purpose

1. This report provides the Board with the annual review of the counter fraud policy.

Recommendations

2. The Board is invited to:
 - Note the review.
 - Note that the policy was reviewed by the Audit Committee at its meeting on 7 May 2024 and was recommended to the Board for approval.
 - Approve the Counter Fraud Policy.

Background

3. 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.
 - 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.
4. Audit Scotland requires a standard of absolute honesty and integrity from its 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. Integrity is one of our corporate values.
 5. The Audit Committee's Terms of Reference refer to fraud as follows

' 8. The Audit Committee will advise the Board and Accountable Officer on:'

 - *'Anti-fraud policies, whistle-blowing processes and arrangements for special investigations.'*
 6. The counter fraud policy is approved at Board level to reinforce its significance. The policy was last approved by the Board at its meeting on 17 May 2022.

7. The Audit Committee considers an Annual Report on Bribery and Fraud. While reviewing the 2022/23 annual report at its meeting on 16 May 2023, the Audit Committee agreed that the counter fraud policy should be reviewed on an annual basis.
8. The policy was reviewed by the Executive Team at its meeting on 23 April 2024 and was recommended to the Audit Committee.
9. The policy was reviewed by the Audit Committee at its meeting on 7 May 2024 and was recommended to the Board for approval.

Financial Implications

10. There are no financial implications arising from this policy, however any instances of fraud could have both financial and reputational implications.

Considerations

11. We carried out a review of the policy in April 2024. The policy remains fit for purpose and the proposed amendments are minor, relating to nomenclature, designations and a reference to the new corporate values.
12. The amendments are shown as tracked changes in the appendix to this report.
13. The annual report on bribery and fraud was considered by the Audit Committee at its meeting on 7 May 2024.

Next steps

14. The policy is supported by a Fraud Response Plan. This was last [reviewed](#) in April 2021 and will be reviewed and updated by the Executive Team in June 2024.

Conclusion

15. Audit Scotland is committed to the prevention and detection of fraud. This policy forms part of that commitment.

Counter Fraud Policy

| | |
|--------------------------|---|
| Owned and maintained by: | <u>Head of Human Resources & Organisational Development</u> |
| Date checked/created: | April 2022 2024 |
| Next review date: | June 2024 2025 |

1. This policy sets out our approach to preventing, investigating and reporting fraud. All employees must ensure they are familiar with this policy. Audit Scotland takes a zero-tolerance approach to fraud including bribery and corruption.
2. Fraud is a common law offence in Scotland and therefore does not have a legal definition. However, the [Fraud Act 2006](#) provides a useful definition which should be referred to. A person commits a fraud if they intend to make a gain for themselves or another, cause loss to another or to expose another to a risk of loss by:
 - dishonestly making a false representation;
 - dishonestly failing to disclose to another person information which they are under a legal duty to disclose; or
 - dishonestly abusing a position that they occupy in which they are expected to safeguard, or not to act against, the financial interests of another person.
3. Audit Scotland requires a standard of absolute honesty and integrity from its 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. Integrity is one of our corporate values.
- 3-4. 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.
- 4-5. 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 employees as part of the NFI exercise. Further information on the National Fraud Initiative is available from the [Counter fraud hub](#) on 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.

5-6. Copies of these documents are located in Audit Scotland's Staff Handbook within SharePoint and are also available from the Human Resources & ~~Organisational Development~~ team.

7. Audit Scotland employees should be aware of the [Criminal Finances Act 2017](#) and are expected to comply with the law as set out in legislation. This Act targets corruption, money laundering and tax evasion and affects all UK organisations.

6-8. The Act builds on existing legislation to offer greater enforcement powers and additional measures to protect the public purse. Under section 52(1) tax is stated to include "duty and any other form of taxation (however described)". All government levies, excises, tariffs, as well as VAT, national insurance contributions, capital gains tax, income tax, corporation tax, inheritance tax and all other taxes are covered.

7-9. This policy requires Audit Scotland employees to report any instance of suspected fraud to their Director or [Audit Executive](#) Director. Where employees do not understand any aspect of the policy, they should seek clarification from their Director or [Audit Executive](#) Director.

8-10. All employees are required to read and agree to Audit Scotland's [Code of Conduct](#) annually. This includes disclosing any potential conflicts of interest. The [Compliance Ethics](#) Partner /~~Compliance Manager~~ is responsible for reviewing all disclosures and addressing any conflicts that arise.

9-11. Educational information may be issued to employees 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 Executive](#) 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.

10-12. 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.

11-13. 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 employees 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, flash drives, audit files (including those in archive), departmental expenditure, credit cards, Audit Scotland mobile phones, supplies and leased company cars.
- Identify risks associated with safeguarding this property and information. Ask yourself:
 - How could this property or information be misused or improperly used?
 - If this property or information were misused or misappropriated, how would I know?

-
- What controls exist to prevent or detect inappropriate use or loss of property or information?
 - What additional controls are necessary to ensure the property or information is adequately protected from loss?
 - Is the cost of these additional controls reasonable in relation to the risk involved?
 - Establish a positive control environment in your department. It is important to demonstrate control consciousness – interest and concern for internal control should be communicated to all employees. 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, in the office, on Audited body sites, at home or whilst travelling on business
 - proper documentation and authorisations, with consideration of any remote or virtual processes and procedures
 - adequate supervision e.g. independent checking of key transactions.

12-14. Audit Scotland aims to recruit honest employees. The degree of background checking is dependent 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 checks¹ which is why you should speak with them prior to any formal checks being undertaken.

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

13-15. Employees 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. Employees 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. See Audit Scotland's [Red Flags \(Procurement\) document](#) for examples of situations where flags may be identified.

14-16. Audit Scotland's Whistleblowing Policy is intended to encourage employees 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.

15-17. Be assured that there will be no recriminations against employees who report reasonably held suspicions. Victimising or deterring employees from reporting any concerns is a serious

¹ All Audit Scotland employees are subject to a Basic Disclosure Scotland check. Those who are accountants or training to become accountants are subject to a Standard Disclosure Scotland check. Further enhanced 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 Head of HR prior to any such checks being commissioned.

disciplinary matter. Any contravention of this policy should be reported in accordance with Audit Scotland's Disciplinary and Grievance Policies.

16-18. Abuse of this policy by raising malicious allegations could be regarded as a disciplinary matter.

17-19. If you have good reason to suspect a colleague, contractor or other person of fraud or an offence involving Audit Scotland or an audited body you should discuss it first with your manager. If you suspect your manager, you should go to the next most senior person above them in accordance with Audit Scotland's approach in the Disciplinary and Grievance Policies. Alternatively, you have the option to:

- Discuss the matter confidentially with the Chief Operating Officer; or
- Advise the Chief Operating Officer anonymously of your concerns.

18-20. You may find it helpful to read Audit Scotland's Whistleblowing Policy which provides further information.

19-21. 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.

20-22. Do not approach the individual(s) about whom you have concerns and do not discuss the matter with anyone else.

Q4 Corporate performance report

Director of Corporate Support

Item 15
Meeting date: 7 June 2024

Purpose

1. This report provides the Board with a review of organisational performance as at quarter four (Q4) 2023/24.

Recommendations

2. The Board Team is invited to:
 - Review the performance in Q4 as set out below and in appendix 1.
 - Consider the issues affecting performance, the actions identified and whether any additional management action is required.

Background

3. The performance framework and the performance reporting are aligned to the [Audit Scotland corporate plan 2023-2028](#) published in June 2023.
4. The four sections in the slide deck attached as appendix one are:

| Section | Strategic Priorities |
|-------------------------|---|
| Summary | |
| Delivery | Timely and impactful annual audit Dynamic performance audit programme Enhanced audit approaches |
| Resources | Developing our people and our business |
| Innovation and learning | Insights driving innovation |

5. The Q4 performance report was reviewed by Executive Team at its meeting on 22 May 2024.

Performance overview

6. The infographic below provides a summary of performance as at Q4.

Audit Scotland Corporate Plan 2023-28: Strategic Priorities

Timely & impactful annual audit
Dynamic performance audit programme
Enhanced audit approaches

Developing our people and our business

Insights driving innovation and improvement

| Delivery | | | Resources | | | Innovation and learning | | | | | |
|--|--------|---|---|--------|---|--|--------|---|----------------------------|--|--|
| Objective | Status | | Objective | Status | | Objective | Status | | | | |
| Audits delivered on time | Red | ↔ | Our finances: Spend against budget | Green | → | Innovation driving audit transformation | Amber | → | | | |
| Audits delivered on budget | Amber | → | Our people: capacity to delivery - Establishment | Green | → | Application of insights to decision-making, audit delivery & organisational change | Amber | → | | | |
| Audits delivered on time and on budget - Audit focus | Amber | → | Our people: capacity to delivery - Cost | Green | → | | | | | | |
| Audit quality assurance results | Green | → | Our people: capacity to delivery - Wellbeing | Amber | → | Notes: • That not all objectives are reported quarterly. • Upward arrow indicates improving performance. • Horizontal arrow = maintaining performance. • Downward arrow = declining performance. | | | | | |
| Impact through our work | Green | → | Our people: capacity to delivery - Working across business groups | Green | → | | | | | | |
| Progress towards net zero and climate resilience targets | Green | → | Our people: right skills - Learning & Development | Amber | → | | | | | | |
| Progress against our equality outcomes | Green | → | | | | | | | | | |
| Not progressing/ significant additional management action required | | | Progressing and additional management action planned | | | On target/ no need for additional management action | | | Measures under development | | |

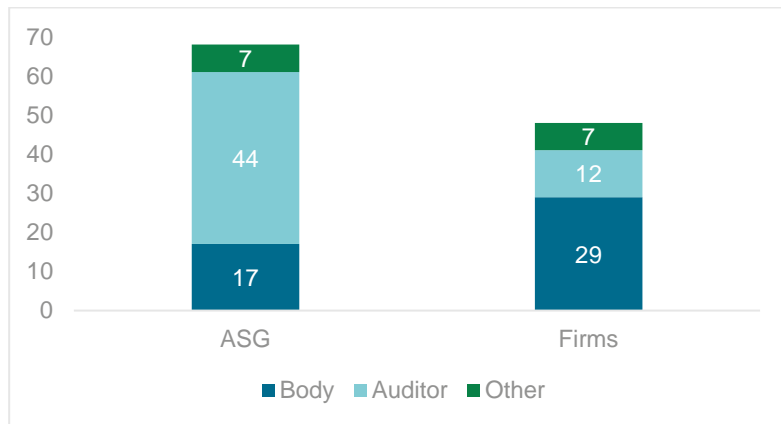
Performance overview 2023/24

7. The delivery of **financial audits** has improved compared to last year in absolute terms. However, the planning guidance dates have returned to the pre pandemic dates and are earlier for some sectors and as a result the proportion of audits meeting the new dates has reduced compared to last year.
8. In **ASG** there is an action plan in place to recover audit delivery timeliness to 95% by the end of the appointment round. Actions include securing additional capacity, closer coordination with PABV on resourcing and the delivery of Best Value requirements, a with greater proportion of work undertaken by PABV and audit teams being empowered to act at the local level to reduce the amount of audit work undertaken, remove duplication and take action to reduce inefficiencies. There are also continued improvements in management to provide a better focus on utilisation of staff through productivity, availability and deployment data, monthly, formal reporting of audit delivery forecasts and financial budget reports to ASGMT to drive remedial action and inform resourcing decisions and closer coordination between ASG and I&Q to understand the workload and resourcing impact of changes in audit requirements and expectations.
9. For the **Firms** - each auditor has set out the measures they will implement to incrementally bring performance back to target dates. In some cases, this will take until 2026/27 audits to maintain audit quality and staff wellbeing. These measures include additional recruitment, prioritisation, debrief and lessons learned sessions, and quicker escalation when delivery is not as expected. AQA is monitoring performance closely and AQA, the Chief Operating Officer and the Accountable Officer have been meeting with representatives of the Firms.
10. The **delivery of performance audits** has been strong. We have delivered 38 Performance audits/reports with 89% on time.
11. **Quality**- taken together the Quality of Public Audit in Scotland 2023/24 report, transparency reports and the audit quality action plan provide assurance and indicate a positive direction of travel.
12. **Resourcing** - the target for Audit Scotland is to break even as required by the Public Finance and Accountability (Scotland) Act 2000.

13. In 2023/24 the operational underspend was £9k (0.1%) with the balance of £1,880k relating to the non-cash in-year pension service cost adjustment required under International Accounting Standard 19 (IAS 19).
14. We are within 5% of establishment and are in the process of securing additional resources. The implementation of the People Strategy is under way.
15. **Impact & insight** – impact reporting is now established and further developments are under way. Metrics have been developed and targets will be set as data becomes available.

Financial audit delivery

16. The deadline dates for the financial audits have returned to the pre covid dates. This means that the time available to complete the NHS and Local Government audits is shorter than it was for the 2021/22 audit year.
17. In quarter four the focus remained on the delivery of the outstanding accounts and delivery of 2023/24 Annual Audit plans.
 - 235 (93%) of Annual Accounts were completed. (44% on time compared to 51% 2021/22).
 - 23 (100%) of NHS audits were completed (74% were on time compared to 96% in 2021/22)
 - 113 (90%) of local government audits were completed (28% on time compared to 43% in 2021/22)
 - 84 (100%) of central government were completed (54% on time compared to 35% 2021/22)
 - 15 (71%) of further education audits were completed (67% on time compared to 81% 2021/22)
 - 162 (80%) of the 202 2023/24 Annual Audit plans due were delivered, 136 (67%) were on time.
 - As at 31 May 2024 19 audits were outstanding as at the end of quarter 4 (2 ASG, 17 Firms). A verbal update on the latest position will be provided at the meeting.
18. An analysis of the audits that have been delayed indicates that audits were delayed for a variety of causes, which have been summarised as either:
 - due to the body (including Board sign off date after deadline, availability of staff at audited bodies, body late providing evidence and audit amendments),
 - due to auditor (including prioritisation of other audits, phasing to accommodate scaling up, and availability of audit staff).
 - other (including late sign off of 2021/22 audits and delays in obtaining assurances from other auditors):
19. The breakdown of reasons is shown in the graphic below:



ASG delivery

- 20.** The Audit Services Group (ASG) portfolio of audits for this appointment round is larger than in the last appointment round (159 compared to 139 previously). The portfolio also contains some large and complex audits, as well as more audits of Further Education (FE) colleges, these have a later sign-off deadline of 31 December 2023.
- 21.** The change in deadline dates mean that direct year-on-year comparisons are more complex than in previous years. An analysis of delivery using rebased target dates for ASG and the Firms is included in slides 9 and 10 of the appendix to this report. This indicates that timeliness of audit delivery against planned sign-off dates is improving for ASG audits.
- 22.** As outlined within our [Audit Scotland Business Plan 2023-25](#), approved by the Board in September 2023, our aim remains to use 2022/23 audits as the baseline, and to improve the timeliness in delivery of the annual audit of 159 public bodies against the timescales specified by the Auditor General and Accounts Commission in the planning guidance, through focused, risk-based improvements over the remaining four years of the current appointment round that maintain audit quality.

Delivery by the Firms

- 23.** The Firms have 17 Accounts outstanding and some of the Firms are experiencing challenges in delivering to the scheduled deadlines.
- 24.** An analysis of delivery using rebased target dates for the Firms is included in slides 9 and 10 of the appendix to this report. This indicates that timeliness of audit delivery against planned sign-off dates is improving slightly – though there are some issues to address by some Firms.
- 25.** Each auditor has set out the measures they will implement to incrementally bring performance back to target dates based on an analysis of the causes of delays. In some cases, this will take until 2026/27 audits to maintain audit quality and staff wellbeing. These measures include additional recruitment, prioritisation, debrief and lessons learned sessions, and quicker escalation when delivery is not as expected.

Performance audit/ statutory reports/ other reports delivery

26. Twelve performance audits/ other reports were scheduled for Q4 and all were delivered on time. The reports were:

Auditor general

- [Administration of Scottish Income Tax 2022/23](#)
- [Decarbonising Heat in Homes Performance Audit](#)
- [National Strategy for Economic Transformation Briefing](#)
- AGS Budget Briefing (Internal)
- [NHS in Scotland 2023 Overview](#)

Accounts Commission

- [BV Controller of Audit report: Dumfries and Galloway Council](#)
 - [Local government financial bulletin 2022/23 Briefing](#)
 - [S102: Renfrewshire Council \(Dargavel\) \(External Firm\)](#)
 - [BV Controller of Audit report: Orkney Islands Council](#)
 - LG budget briefing (Internal)
 - [BV Controller of Audit report: Moray Council](#)
 - Annual Assurance and Risks Report (AARR) (Internal)
-

Resources and capacity

Budget

27. The target for Audit Scotland is to break even as required by the Public Finance and Accountability (Scotland) Act 2000.
28. In 2023/24 the operational underspend was £9k (0.1%) with the balance of £1,880k relating to the non-cash in-year pension service cost adjustment required under International Accounting Standard 19 (IAS 19).
29. At the end of March 2024 Audit Scotland's total expenditure funded by the Scottish Consolidated Fund was £10,258k which was £1,942k (15.9%) less than budget. Net operating expenditure of £10,011k was £1,889k (15.9%) less than budget. Additional information is contained on slide 20 of the appendix

People

30. The number of WTE at end of March 2024 was 331.4, against an establishment level 347.1 WTE. Year to date this equates to 95.5%. The breakdown by business group is included in Appendix 1.
31. Recruitment and selection campaigns are under way to fill vacancies across the business groups.

- 32.** We have secured agreement from the SCPA that some budget savings arising from changes in pension costs can be retained to provide additional fixed term capacity to support the audit recovery process.
- 33.** Staff turnover for 2023/24 for all leavers was 9.33% compared to 8.7% in 2022/23. In Q4 it was 2.04% compared to 1.19% in Q4 last year). This compares to the benchmark of 22.5% (2022).
- 34.** The sickness absence rate for 2023/24 was 6.01 days compared to 4.66 in 2022/23. In Q4 it was 1.86 days per employee compared to 1.27 days in Q4 last year. This remains below the average benchmarking figures for UK workplaces. The recent CIPD health and well-being at work 2023 report explores health, wellbeing, and absences in UK workplaces. The survey has found the highest absence rate in over a decade, 7.8 days per employee and 10.6 days for public sector bodies.

Innovation & Learning

- 35.** The pass rate for exams is 92% which is an improvement on the 85% achieved in 2022/23 and the percentage of mandatory training days completed 79% (Target 95%).
- 36.** We are making progress with developing and monitoring measures in relation to innovation and learning and we have added detail in the appendix at slides 30 to 31.

Developments in performance reporting

- 37.** We are continuing to develop and refine our data collection, analysis, and reporting arrangements. This includes the increased use of targets, time series data and benchmarking.
- 38.** The Resourcing and Management Information project as part of the Strategic Improvement Programme. The purpose of this project is to assess the business need for and market availability of a resourcing and management information system so that we can deploy our people and analyse and report on performance in a more effective way and the project team expects to deliver early 2025.

Q4 Corporate Performance Report

Appendix 1

Audit Scotland Corporate Plan 2023-28: Strategic Priorities

Timely & impactful annual audit
Dynamic performance audit programme
Enhanced audit approaches

Developing our people and our business

Insights driving innovation and improvement

Delivery

| Objective | Status | |
|--|--------|---|
| Audits delivered on time | Red | ↔ |
| Audits delivered on budget | Amber | → |
| Audits delivered on time and on budget - Audit focus | Amber | → |
| Audit quality assurance results | Green | → |
| Impact through our work | Green | → |
| Progress towards net zero and climate resilience targets | Green | → |
| Progress against our equality outcomes | Green | → |

Resources

| Objective | Status | |
|---|--------|---|
| Our finances: Spend against budget | Green | → |
| Our people: capacity to delivery - Establishment | Green | → |
| Our people: capacity to delivery - Cost | Green | → |
| Our people: capacity to delivery - Wellbeing | Amber | → |
| Our people: capacity to delivery - Working across business groups | Green | → |
| Our people: right skills - Learning & Development | Amber | → |

Innovation and learning

| Objective | Status | |
|--|--------|---|
| Innovation driving audit transformation | Amber | → |
| Application of insights to decision-making, audit delivery & organisational change | Amber | → |

Notes:

- That not all objectives are reported quarterly.
- Upward arrow indicates improving performance.
- Horizontal arrow = maintaining performance.
- Downward arrow = declining performance.

Not progressing/ significant additional management action required

Progressing and additional management action planned

On target/ no need for additional management action

Measures under development

Summary | Highlights, challenges and actions

Highlights

Delivery year to date

- 235 (93%) of financial audits are complete (154 of 156 ASG audits, 98.7%)
- Financial audit delivery has improved compared to last year.
- 38 Performance Audits/ reports with 89% on time.

Resources

- In 2023/24 the operational underspend was £9k (0.1%) with the balance of £1,880k relating to the non-cash in-year pension service cost adjustment required under International Accounting Standard 19 (IAS 19).
- Staff turnover YTD for all leavers was 9.33% (9.31% last year)
- Absence levels YTD 6.01 days (4.66 days last year)

Actions

In **ASG**, the following actions are in place to recover audit delivery timeliness to 95% by the end of the appointment round:

- Appointments to five additional Senior Auditor and five Professional Trainee posts to ensure contingency for secondments / absences (e.g. maternity leave).
- Closer coordination between ASG and PABV for resourcing and delivery of Best Value requirements with greater proportion of work undertaken by PABV.
- Teams empowered to act at the local level to reduce the amount of audit work undertaken, remove duplication and take action to reduce inefficiencies.
- Continued improvements in management to provide a better focus on utilisation of staff through productivity, availability and deployment data.
- Monthly, formal reporting of audit delivery forecasts and financial budget reports to ASGMT to drive remedial action and inform resourcing decisions.
- Closer coordination between ASG and I&Q to understand the workload and resourcing impact of changes in audit requirements and expectations.

For the **Firms** - each auditor has set out the measures they will implement to incrementally bring performance back to target dates. In some cases, this will take until 2026/27 audits to maintain audit quality and staff wellbeing. These measures include additional recruitment, prioritisation, debrief and lessons learned sessions, and quicker escalation when delivery is not as expected.

Challenges

Delivery

- Planning Guidance deadlines for delivery of financial annual audits are now in line with pre-covid dates. 2022/23 was the first year after rotation, auditors' portfolios are different, and the available time for delivery of NHS and Local Government audits was shorter than for last year. The proportion of audits delivered to the new planning guidance was lower than last year.

Resources

- The average WTE number of staff year to date is 330.6. This equates to 95.2% of the establishment. Recruitment campaigns are under way.
- Issues with TRS have impacted on monitoring audit costs. An alternative method based on days is in place as an interim measure.

Delivery

Objective

Audits delivered on time and on budget

KPQ

Are audits delivered on **time**?

Target

95% of audits delivered on time



OVERVIEW Red

Financial Annual Audit Plans:

For the 2023/24 Annual Audit plans due by 31 March 2024:

- 162 (80%) of the 202 Annual Audit plans (AAPs) delivered, 136 (67%) of the AAPs were on time.
- On time: ASG = 77%, Firms = 51%

Financial Accounts: YTD delivery of audit (as at 31 March 2024), by Audit Scotland and the firms was:

- 235 (93%) of financial audits are complete (44% on time compared to 51% 2021/22).
 - 23 (100%) NHS audits were completed (74% were on time compared to 96% in 2021/22)
 - 113 (90%) local government audits were completed (28% on time compared to 43% in 2021/22)
 - 84 (100%) central government were completed (54% on time compared to 35% 2021/22)
 - 15 (71%) further education audits were completed (67% on time compared to 81% 2021/22)

Planning Guidance deadlines for delivery of financial annual audits are now in line with pre-covid dates. 2022/23 was the first year after rotation so auditors' portfolios are different, and the available time for delivery of NHS and Local Government audits is shorter than for last year. Overall, the delivery of the financial audit has improved compared to last year.

Performance Audit

In Q4 we delivered all nine Performance and Best Value Products on time.

- Three for the Accounts Commission - on time
- Five for the AGS - on time
- One for Audit Scotland - on time

Year to Date

We have delivered 38 Performance audits/reports with 89% on time.

- 14 (of 15) for the Accounts Commission (93% on time)
- 14 (of 16) for the AGS (88% on time)
- Three (of three) for Audit Scotland (100% on time)
- Three (of four) Joint reports (75% on time)

Objective

Audits delivered on time and on budget

KPQ

Are audits delivered on **time**?

Target

95% of audits delivered on time



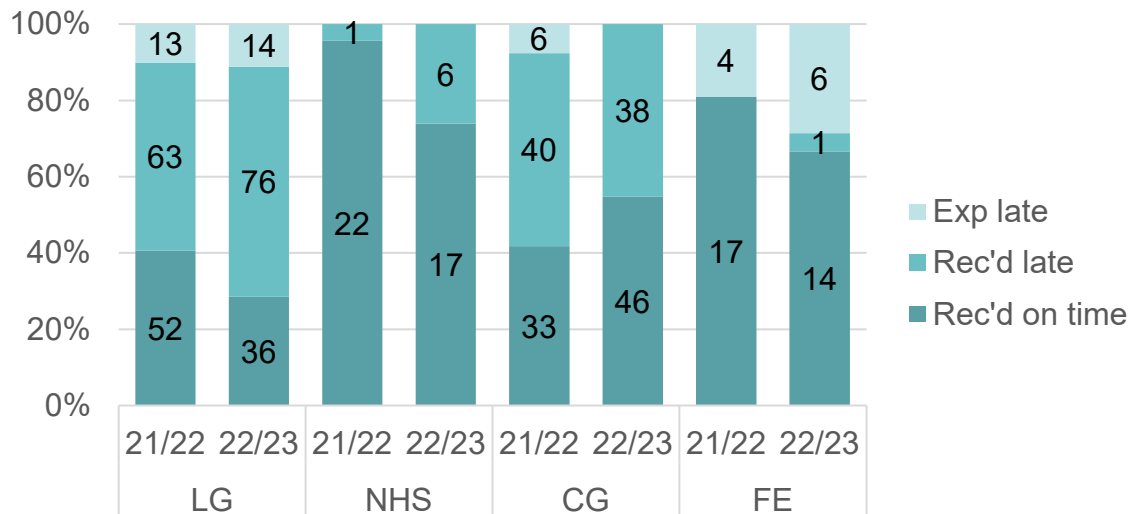
OVERVIEW Red

Financial Accounts: 93% of audits are complete, 44% on time.

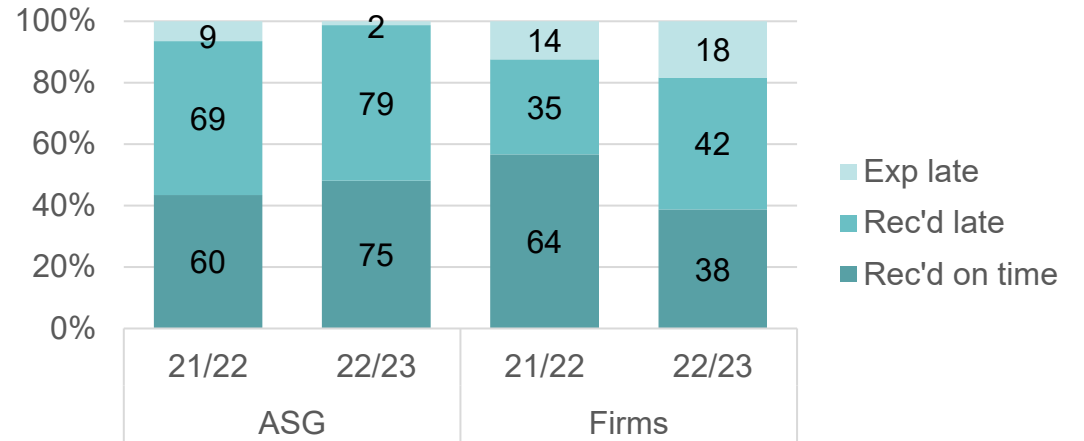
- Where accounts were signed after the target date,
 - the average delay was 6 weeks for ASG and 7 weeks for firms.
 - 49% ASG and 31% firms were signed earlier than in the year before.
- As at 13 May 2024, 19 audits were outstanding (2 ASG, 17 Firms).

Planning Guidance Deadlines for delivery of financial annual audits are now in line with pre-covid dates. 2022/23 was the first year after rotation so auditors' portfolios are different, and the available time for delivery of NHS and Local Government audits is shorter than for last year. This means a direct comparison is not possible, but for indicative purposes:

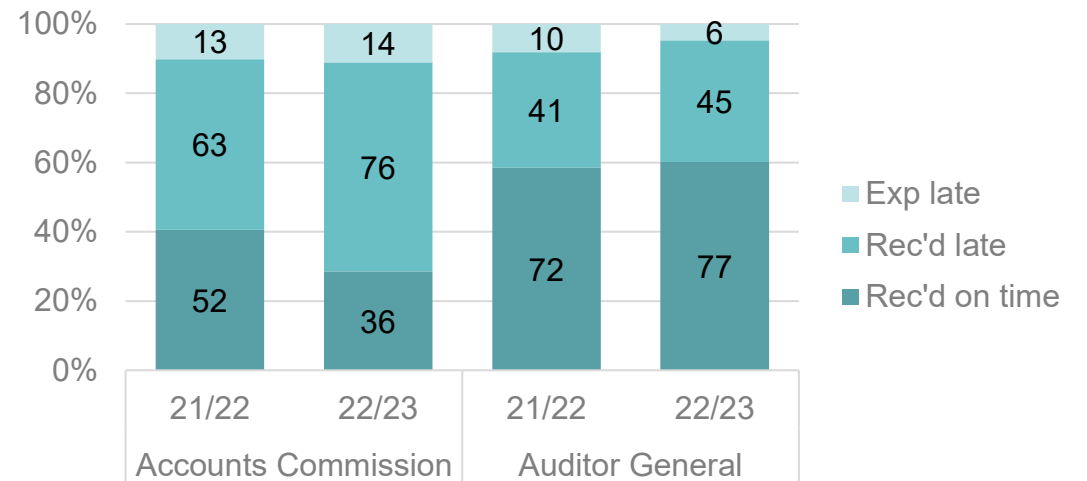
2022/23 Financial Accounts by sector



2022/23 Financial Accounts by auditor



2022/23 Financial Accounts by appointer



Objective

Audits delivered on time and on budget

KPQ

Are audits delivered on **time**?

Target

95% of audits delivered on time

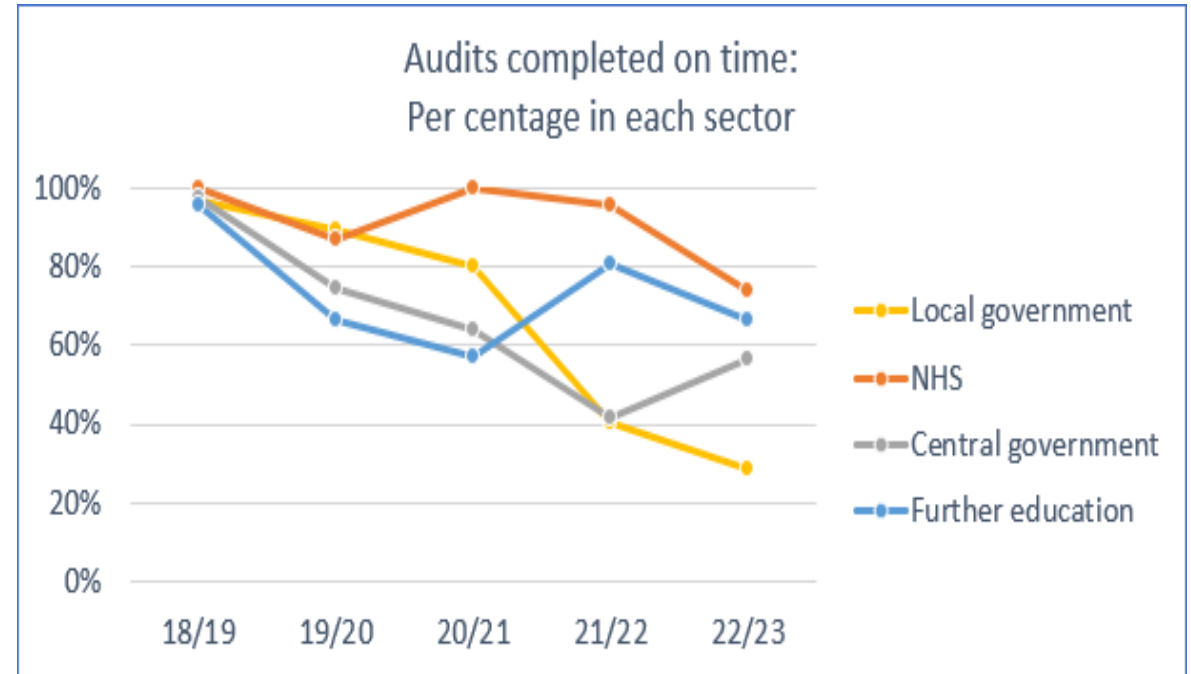
OVERVIEW Red

Auditors (ASG and the Firms) completed 44 per cent of 2022/23 audits by the revised target dates, a slight reduction from 49 per cent for 2021/22 audits.

This was achieved despite significant obstacles to delivery such as audit handovers, a shortened timetable for NHS and local government and late prior year audits. This operating environment also coincided with an increased ask of auditors under the 2021 Code and compliance with enhanced requirements under auditing standards.

Timeliness of financial audit work on the 2022/23 accounts

Audit Scotland sets targets for auditors to ensure that their financial audits are completed in a timely manner. Audit Scotland expects auditors to do all they can to meet the targets, but also recognises that there may be events beyond auditors' control that result in the targets being missed. Auditors' performance in meeting the targets for 2022/23 audits and the previous four years is shown in the graph.



Objective

Audits delivered on time and on budget

KPQ

Are audits delivered on **time**?

Target

95% of audits delivered on time

OVERVIEW Red

Auditors (ASG and the Firms) did well to achieve only a slight reduction in the delivery performance to the target dates compared to the previous year in light of the following circumstances:

- The 2022/23 audits were the first in the new round of appointments where auditors rotated which increases the work required in the first year.
- Target dates for audit completion returned to pre-pandemic dates for all sectors. This meant that there was 10 months between target dates in the NHS sector and 11 months in the local government sector.
- 48 per cent of 2021/22 audits were completed on time, resulting in half of 2022/23 audits being unable to start on time (this year and prior year have been adjusted to include local government charitable trusts for the first time).

Auditors reported that delays were caused by:

- the quality of draft accounts and working papers submitted for audit
- significant adjustments required to accounts
- prioritisation of audits by auditors
- availability of staff, both among auditors and finance staff in audited bodies
- obtaining assurances from auditors at other delayed audits
- scheduling of committees by audited bodies to consider the accounts.

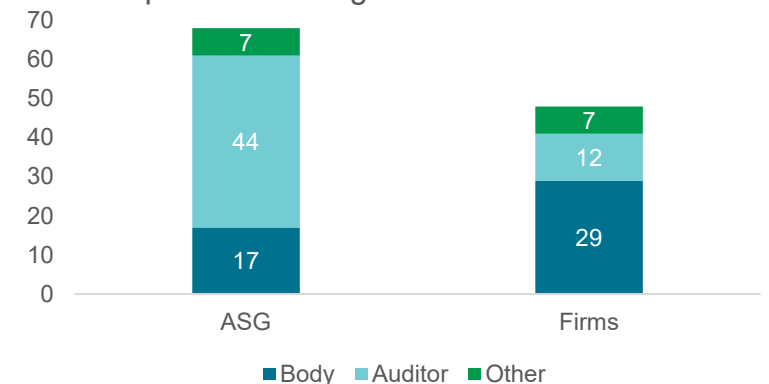
All auditors are working towards achieving earlier completion of audits. We expect an improvement in auditors' capacity to deliver audits by target dates in future years as auditors are not having to manage a handover and have a full 12 months between target dates. However, it is likely to take a further three years before we return to pre-pandemic delivery performance, particularly for audits that were delivered late this year.

Reasons for delivery of audits after target dates

Audits were delayed for a variety of causes, which have been summarised as either:

- due to the body (including Board sign off date after deadline, availability of staff at audited bodies, body late providing evidence and audit amendments),
- due to auditor (including prioritisation of other audits, phasing to accommodate scaling up, and availability of audit staff).
- other (including late sign off of 2021/22 audits and delays in obtaining assurances from other auditors).

Auditors provided the following reasons for why audits were completed after target dates:



Objective

Audits delivered on time and on budget

KPQ

Are audits delivered on **time**?

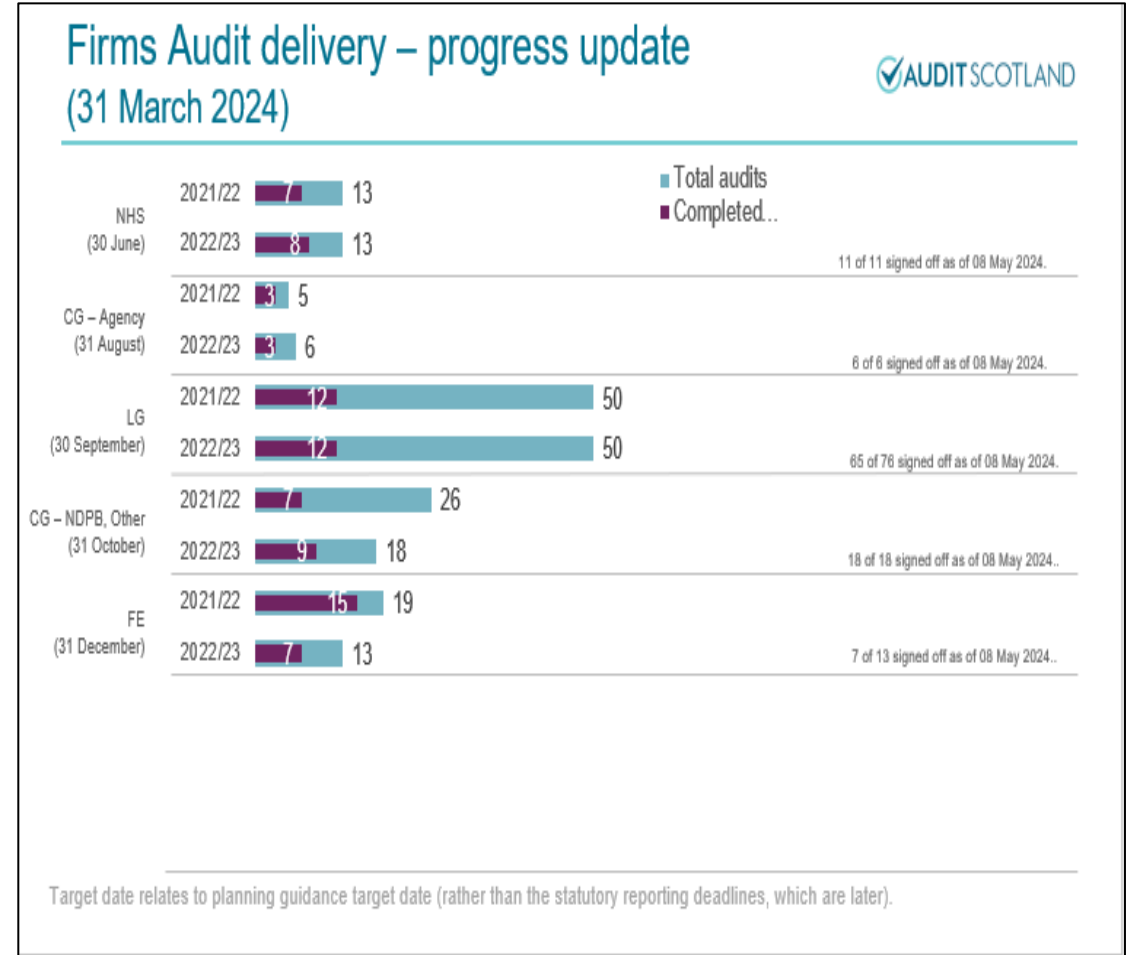
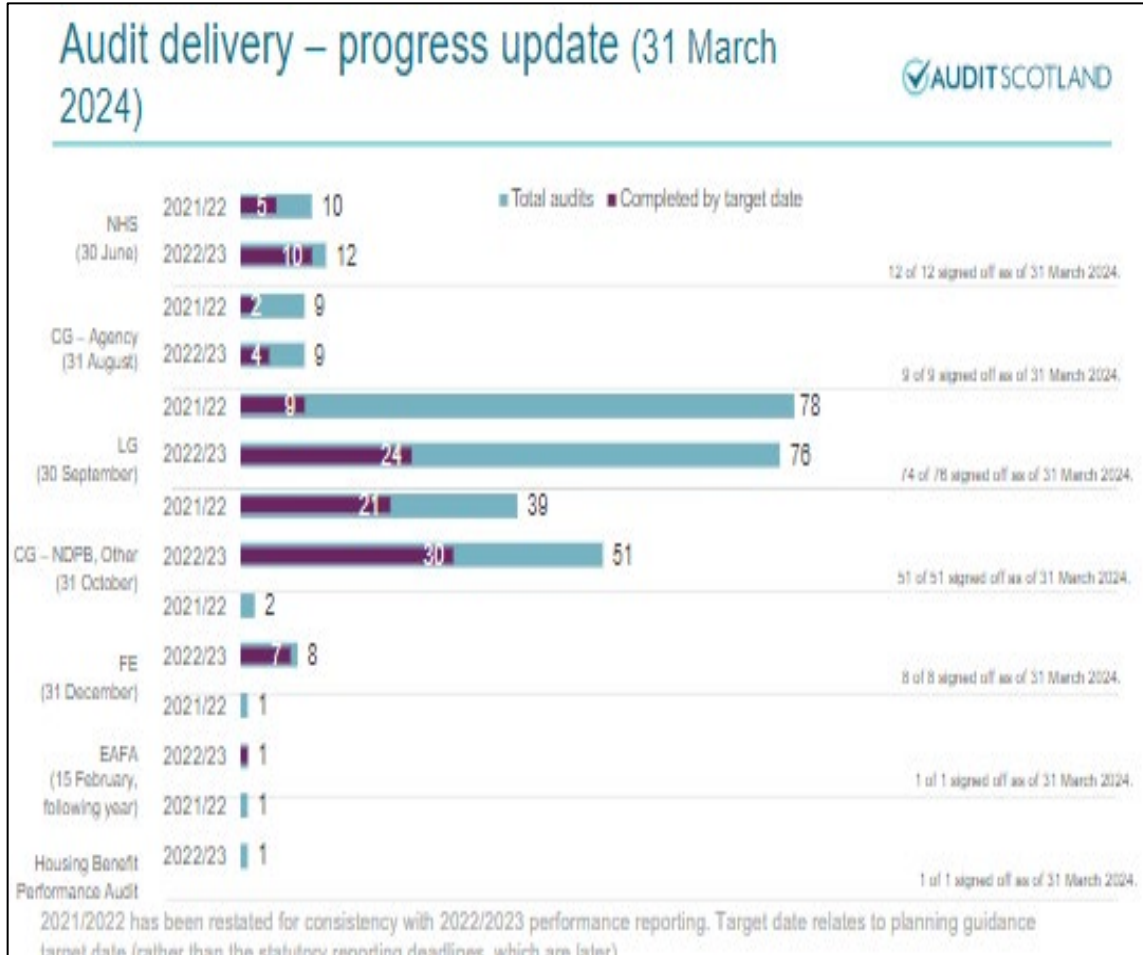
Target

95% of audits delivered on time



OVERVIEW

For **ASG audits**, when 2021/22 delivery is restated for consistency with 2022/23 performance reporting, progress is evident across all sectors.
For the **Firms** – performance has declined compared to last year



Objective

Audits delivered on time and on budget

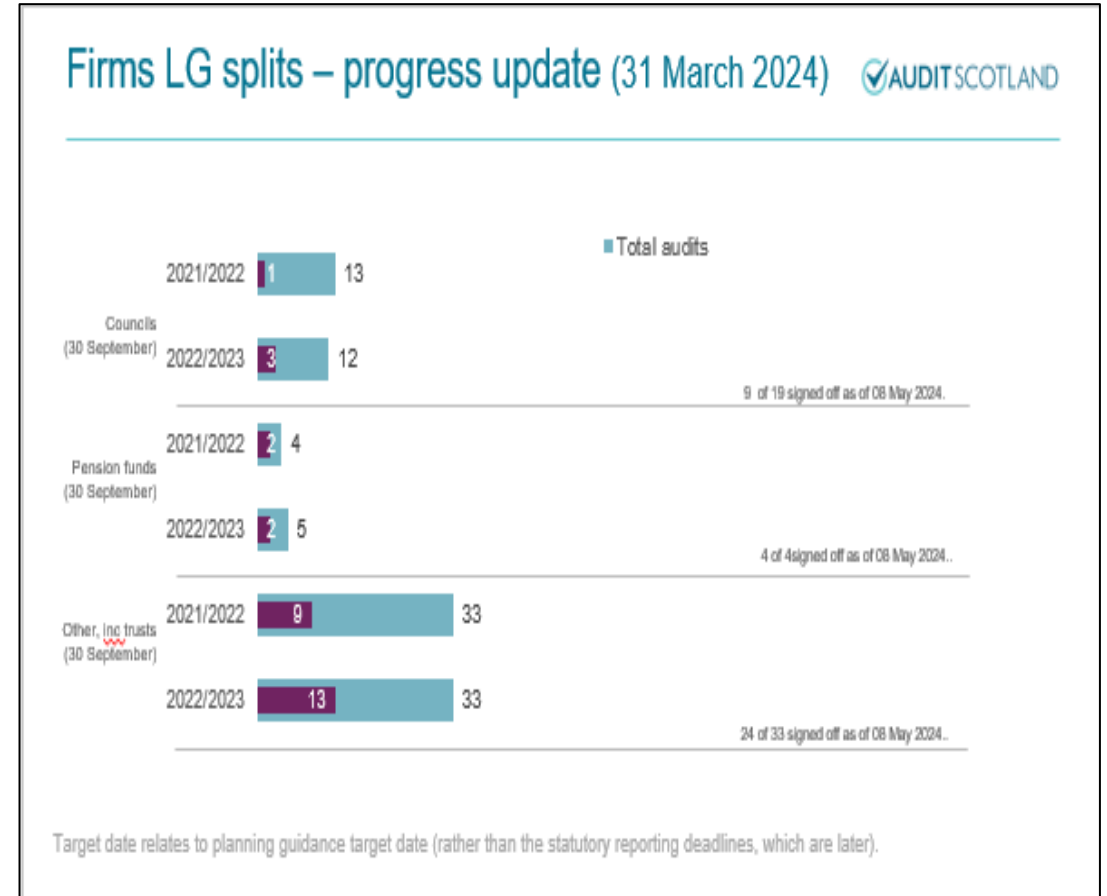
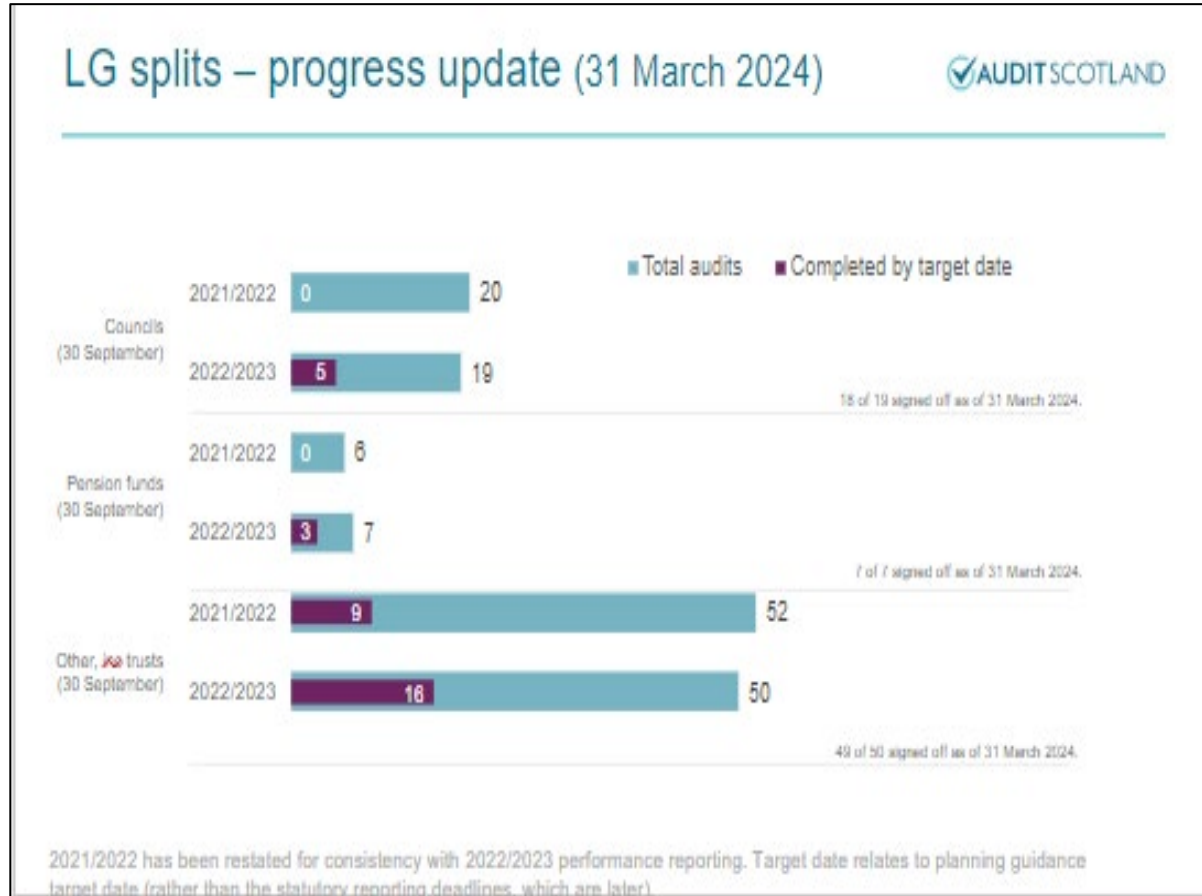
KPQ

Are audits delivered on **time**?

Target

95% of audits delivered on time

OVERVIEW



Objective

Audits delivered on time and on budget

KPQ

Are audits delivered on **time**?

Target

95% of audits delivered on time

OVERVIEW **Red**

Performance Audit

In Q4 we delivered 12 Performance and Best Value Products on time.

- Seven for the Accounts Commission - on time
- Five for the AGS - on time

In 2023/24

We delivered 38 Performance audits/reports with 89% on time.

- 14 (of 15) for the Accounts Commission (93% on time)
- 14 (of 16) for the AGS (88% on time)
- Three (of three) for Audit Scotland (100% on time)
- Three (of four) Joint reports (75% on time)

Performance Audit

Twelve PABV products were delivered on time.

Auditor General for Scotland

- [Administration of Scottish Income Tax 2022/23](#)
- [Decarbonising Heat in Homes Performance Audit](#)
- [National Strategy for Economic Transformation Briefing](#)
- AGS Budget Briefing (Internal)
- [NHS in Scotland 2023 Overview](#)

Accounts Commission

- [BV Controller of Audit report: Dumfries and Galloway Council](#)
- [Local government financial bulletin 2022/23 Briefing](#)
- [S102: Renfrewshire Council \(Dargavel\) \(External Firm\)](#)
- [BV Controller of Audit report: Orkney Islands Council](#)
- LG budget briefing (Internal)
- [BV Controller of Audit report: Moray Council](#)
- Annual Assurance and Risks Report (AARR) (Internal)

Objective

Audits delivered on time and on budget

KPQ

Are audits delivered on **budget**?

Target

+/-5% of budget

OVERVIEW **Amber**

2023/2024 was the first year of the new audit rotation and in year 1 of audit appointments we generally expect to spend approximately 10% more due to factors listed, but also specific ISA requirements placed on the auditor following a handover.

As at 31 March 2024, ASG, has an overspend of 12.1% against the initial budgets set by audit teams before insights into new audits, new clients and possible risks were developed – this is in line with expectations given these factors. For 2023/24, based on a robust 'challenge and confirm' process for each audit, the budget is projected to be 12.5% less than 2022/23 actuals, providing confidence in initial budgets.

PABV is reporting 10% under budget. Reasons for underspend include less time being spent on R&D work than initially planned. Many of these R&D estimates were based on previously agreed audit time assumptions which are likely to be reviewed during 2024-25.

Other reasons for underspend include work not going ahead as planned, for example Ferries 801/802 follow up (which remains in the pipeline, but timing and scope are yet to be confirmed).

We have received a small number of larger than normal requests for additional fees this year. Although these are revenue neutral for Audit Scotland because costs are passed on to the audited bodies, the bodies concerned pay significantly more. AQA will carry out a review of the process for auditors requesting and Audit Scotland approving additional fees to ensure that appropriate controls are in place.

Risk register

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

A6 – Failure of efficiency and ability to demonstrate value for money ● ⇨

A9 - Failure of timely & efficient access to performance & business management information ● ⇨

| Issues / Actions | Actions to improve performance | Who | Timescales | Comment / update |
|--------------------------|--------------------------------|-----|------------|------------------|
| Audit Budget information | See above | | | |

Objective

Audits delivered on time and on budget

KPQ

Are colleagues **audit focused**?

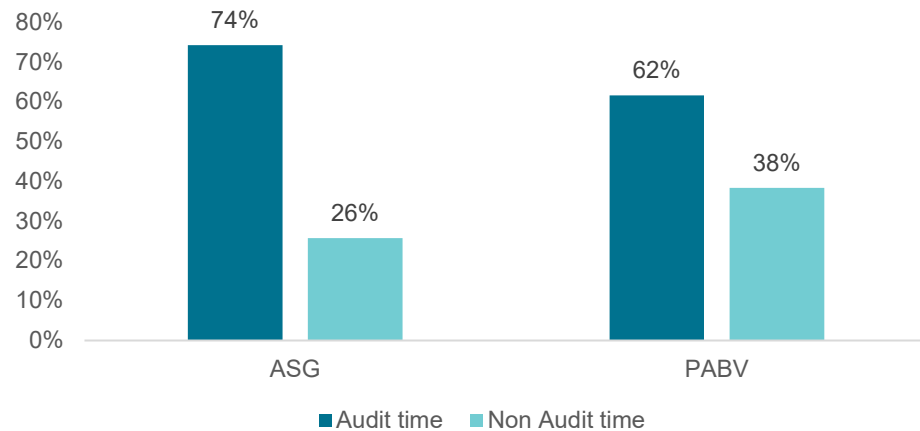
Target

70% of available time on audit

OVERVIEW **Amber**

The combined time spent on audit for ASG and PABV is 71 percent, which is above target. (Available time does not include leave.)

Q1 to Q4 Percentage of available time spent on Audit



Risk

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

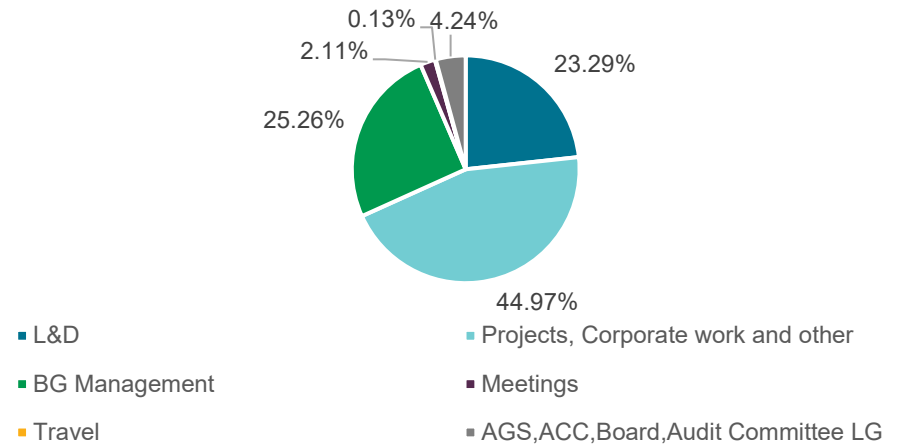
Risk register

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

A5 – Failure of audit quality

A3 – Failure to deliver audits to deadlines

Q1 to Q4 % Breakdown of non-audit activity for ASG & PABV



Objective

Audits delivered on time and on budget

KPQ

Are colleagues **audit focused**?

Target

70% of available time on audit

Performance, trend and RAG

The breakdown by audit delivery business groups is shown in the graphic on the previous slide.

Percentage of colleagues delivering audit in audit delivery business groups:

- ASG 99%
- PABV 89%

Non audit time includes time codes for:

Learning & development, improvement projects, business group management, meetings, travel and 'other' (including general administration)

Leave time codes include the following:

Annual leave, public holiday, flexi leave, sickness, medical appointment, phased return, maternity/paternity leave, compassionate, secondment, unpaid leave, parental, jury service/ public duties, career break and transport disruption.

Risk

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

Risk register

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

A5 – Failure of audit quality

A3 – Failure to deliver audits to deadlines

| Issues / Actions | Actions to improve performance | Who | Timescales | Comment / update |
|--|--|-----------------------------|------------|---|
| The target of 70% of available time spent on Audit | Time Codes are being reviewed to assure they are appropriate, and we continue to communicate with colleagues to ensure that time codes are used timeously, consistently and accurately | PRMG/ Business Groups | Ongoing | Time codes have been reviewed to ensure they reflect need. However, accuracy of data entry is an ongoing issue that all business groups will manage. The Time codes will continue to be monitored to ensure they are fit for purpose. |

Objective

Audit quality assurance results

KPQ

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

Target

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

OVERVIEW **Green**

Feedback on the annual audit from audited bodies continues to show a high level of satisfaction with 87 per cent of respondents considering the annual audit to be fairly or very useful

ASG:

The results were mixed in Audit Services Group (ASG) for 2022/23 financial audit work based on the ICAEW's independent quality reviews and Audit Scotland's internal quality reviews. Eight out of the twelve ASG audits reviewed were graded as 'good' or 'limited improvements required' and met the expected quality standards. Four were graded as 'improvements required' and therefore did not meet the expected quality standards. Two internal ASG reviews were also awarded the highest gradings for their 2022/23 audit work. For the second year running no ASG audits were graded as 'significant improvement required'.

PABV:

Consistently good results in Performance Audit and Best Value (PABV) audit work based on both the independent and internal quality reviews. The two PABV audits reviewed by ICAEW and the two internal cold reviews this year were all graded as 'limited improvements required'.

Firms:

Consistently results good over the last four years in five out of six of the accountancy firms carrying out public sector audit work in Scotland based on the independent ICAEW quality reviews and the internal quality reviews of financial audits. 41 out of the 44 cold reviews carried out on accountancy firm audits in the last four years were graded as 'good' or 'limited improvements required'. Only Mazars has been graded as 'improvements required' over this period. No accountancy firm has been graded as 'significant improvement required'.

Targets: Financial audits is 70% for independent reviews and 88% for internal reviews the last 3 years. PABV is 100% for independent reviews and 75% for internal reviews.

Risk

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

Risk register

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

A5 – Failure of audit quality ● ⇨

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

Objective

We engage with stakeholders

KPQ

How are we **engaging** with stakeholders

Target

Engagement - time series comparison

OVERVIEW Green

Stakeholder engagement is rated green: we continue to get our messages out effectively through a variety of means.

Media / broadcast:

- Top **AGS** reports: PA: Decarbonising heat in homes, Briefing: National strategy for economic transformation, Overview: NHS in Scotland 2023
- Top **Accounts Commission** reports: LG financial bulletin 2022/23, CoA: Moray Council, CoA: Orkney Islands Council,

Social media engagements:

- Auditor General posts = 9,813
- Accounts Commission posts = 9,976
- Audit Scotland posts = 20,072

Parliament committee attendance:

- 10 parliament committees including Public Audit Committee and Finance and Public Administration Committee.

Consultations:

We considered 9 consultations and responded to 5. The consultations responded to were:

- Non-investment Asset Valuation for Financial Reporting Purposes - Exposure Draft
- Invitation to Comment - Code of Practice on Local Authority Accounting in the UK - Short Term England-only Measures
- Post-legislative scrutiny of the Social Care (Self-directed Support) (Scotland) Act 2013
- Wellbeing and Sustainable Development (Scotland) Bill
- Social Security (Amendment) (Scotland) Bill

Risk

The risk is to Audit Scotland's reputation if we do not engage with key stakeholders.

Risk register

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

A12 - Failure of market capacity/ appetite for public audit work from the private sector (future appointments) ● ⇨

M1- Failure to maximise the value, impact and influence of public audit ● ⇨

| Measure | Q4 23/24 | Q4 22/23 |
|-------------------------|-------------|-------------|
| Consultation responses | 5 | 4 |
| Committee attendance | 10 | 8 |
| Downloads | 199,503 | 77,990 |
| Media mentions | 308 | 350 |
| Social media engagement | 39,861 | 10,821 |

Objective

We communicate with stakeholders

KPQ

How are we responding to enquiries from the public

Target

Communication - Better than 95% on time

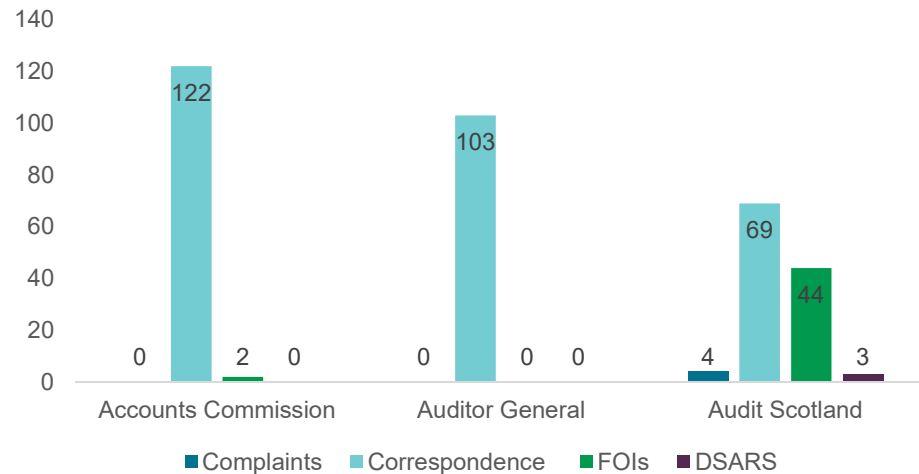


OVERVIEW

In Q4 we responded to:

- 85 items of correspondence/ issues of concern (98% responded to on time)
- 20 FOI/EIRs (100% on time)
- One data subject access request (on time)
- One complaint received. Responded to on time and the outcome was not upheld.

Stakeholder engagement in 2023/24



OVERVIEW

In 2023/24 we responded to

| | 22/23 total | 23/24 total | 22/23 % on time | 23/24 % on time |
|----------------|-------------|-------------|-----------------|-----------------|
| Complaints | 3 | 4 | 67 | 75 |
| FOI | 70 | 45 | 64 | 98 |
| DSAR | 1 | 3 | 100 | 100 |
| Correspondence | 232 | 248 | 99 | 98 |

In 2023/24 the issues raised were

FOI

- 39% - Data held on other organisations
- 28% - Audit Scotland's governance, policies, procedures or expenditure
- 24% - Contract information: Information technology, equipment, other contracts
- 9% - Reports, draft reports and correspondence relating to those reports

Complaints

- Level of service from Audit Scotland including timeliness, recruitment and quality of response

Correspondence

- transparency of decisions about education
- councils' governance and scrutiny arrangements
- council spend on local area projects
- officer and elected members' conduct and transparency
- planning / planning decisions.

Objective

Progress against our **equality outcomes**.

KPQ

Are we progressing towards **our equality outcomes**

Target

TBC

OVERVIEW Green

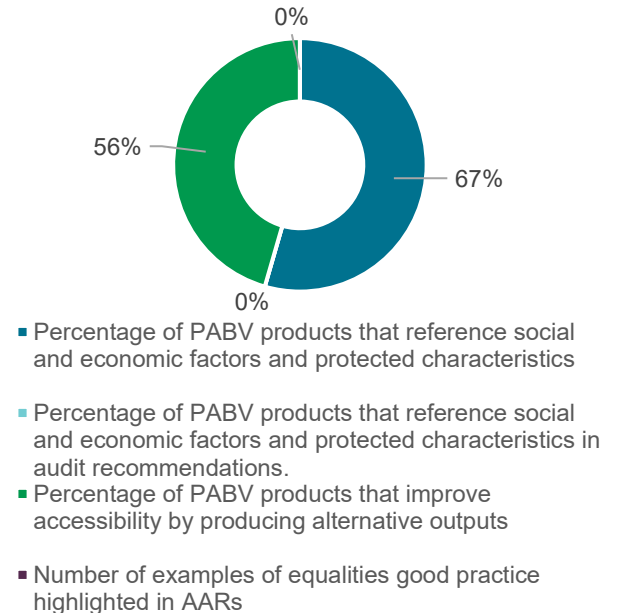
In our audit work:

- PABV audit products regularly reference social and economic factors and protected characteristics (see ring chart), this doesn't always lead to recommendations.
- We produce alternative outputs that improve accessibility for over 50% of PABV products
- We discussed three audit scopes with our external Equality and Human Rights Advisory Group taking feedback that will improve the audit scopes.

As an organisation:

- We now have references to equalities across our key strategic documents – Public Audit in Scotland, and our Corporate Plan and equality is one of our values
- We are progressing the development of a new Diversity, Inclusion and Equality Strategy in line with the People Strategy
- We've discussed the proposed Human Rights Bill with Executive Team, the Accounts Commission and the Board, and responded to the Scottish Government consultation
- In this quarter our six staff network groups have undertaken 24 awareness raising activities

Equality KPIs



| Issues / Actions | Actions to improve performance | Who | Timescales | Comment / update |
|--|--------------------------------|-----|------------|--|
| We now have data against all the new KPIs. We will monitor data over next few quarters to develop targets and ranges to allow us to assess progress. | | | | Review and update by Q2 report 2024/25 |

Resources

Objective

Our finances: Spend against budget

KPQ

Spend against budget - Organisation

Target

Break even

OVERVIEW **Green**

The target for Audit Scotland is to break even as required by the Public Finance and Accountability (Scotland) Act 2000.

In 2023/24 the operational underspend was £9k (0.1%) with the balance of £1,880k relating to the non-cash in-year pension service cost adjustment required under International Accounting Standard 19 (IAS 19).

Fee income - recognition of income on completion of outstanding 21/22 audits for both firms and in house work. Firms additional income (£225k) offset by increased firms payments (£198k). For 22/23 audits, in-house work behind plan for local government and EAFA. Firms behind plan on 22/23 audits due to local government and FE audit work. The combined position for in-house and firms' 23/24 audit work is on plan.

Other income - favourable pension fund adjustment of £1,675k and unbudgeted bank interest of £67k.

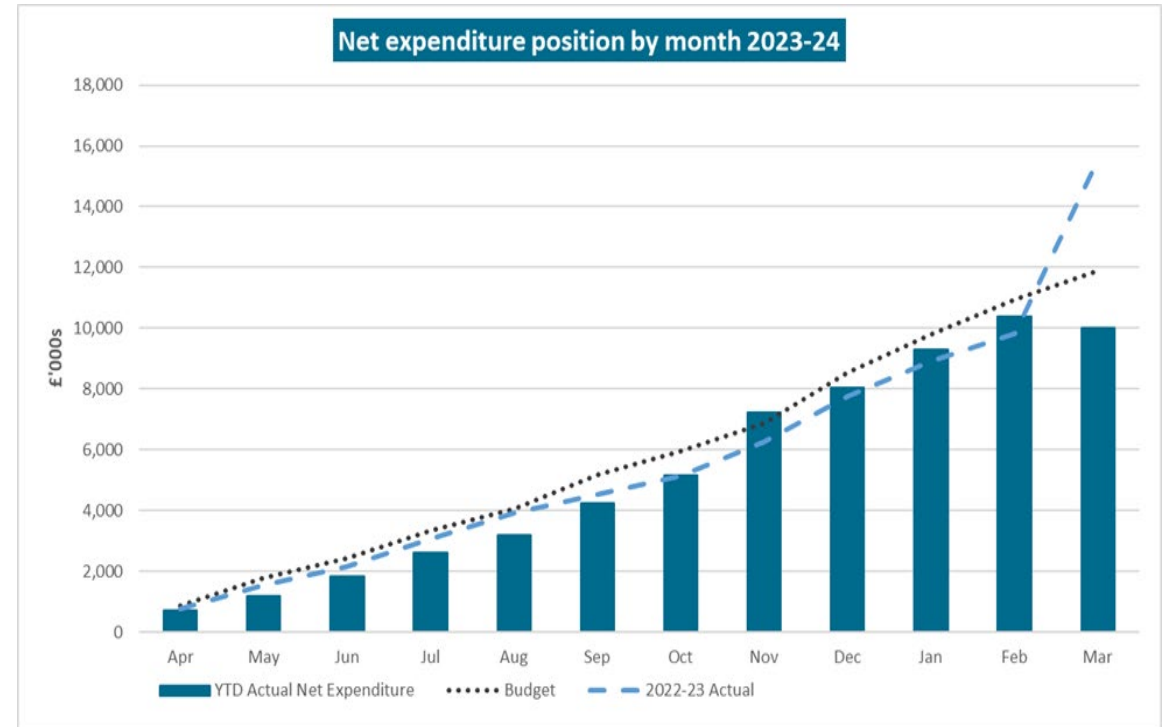
Pay - budgets include virements to cover the impact of the final pay award settlement being higher than the budget of 3%. £514k of the favourable variance is due to the average whole time equivalent (w.t.e.) position being 9.4 below funded establishment, which is then reduced by increased agency and secondment expenditure. The balance of the variance is due to pensions (£222k) and holiday pay accrual (£242k).

Non-pay - underspends in travel & subsistence, professional fees and depreciation reduced by overspends in firms' payments, IT, training, property and occupational health costs.

Capital - £247k expenditure, £53k less than budget.

Management contingency - £500k budget. £150k allocated to capital investment and a further allocation of £288k to meet the impact of the agreed pay award.

Forecast - based on September result, presented to ET on 16 January and did not include the forecast pension underspend.



Objective

Our finances: Spend against budget

KPQ

Spend against budget - Organisation

Target

Break even

The current financial risks are:

- Closing work in progress position for 2023/24 audit work at 31 March 2024.
- Firms additional audit work and fees.
- Outstanding 2022/23 audits.
- Cash flow issues in respect of payment of 2023/24 audit fees.
- Financial implications of Estate strategy.
- Procurement demand and lead times.

Risk

The financial risks that could impact on our ability to deliver within the 2023/24 budget allocation include:

- Work in progress position for 2022/23 audit work as at 31 March 2024
- Resourcing pressures and additional cost of audit
- Pension fund pressures
- Inflationary pressures

Risk register

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

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

Objective

Our people: Right skills and capacity to deliver

KPQ

Capacity to deliver - people establishment

Target

+/-5% of establishment

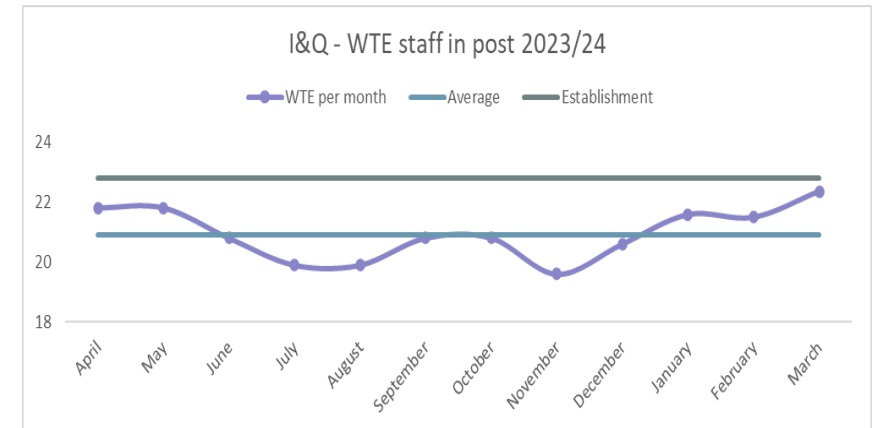
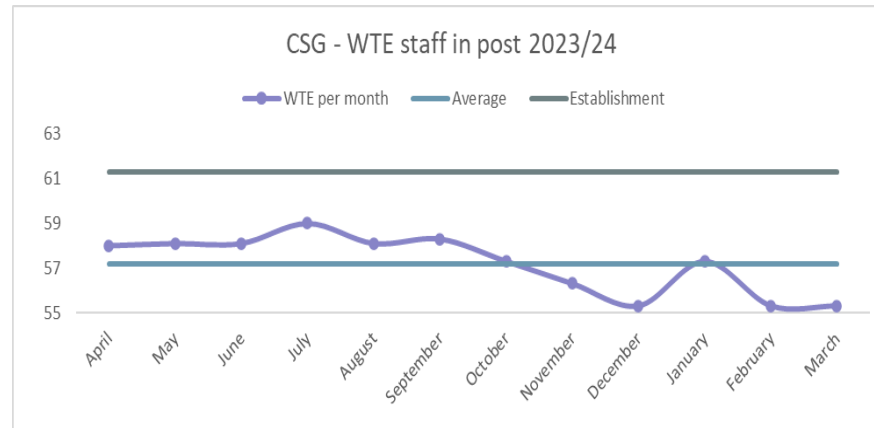
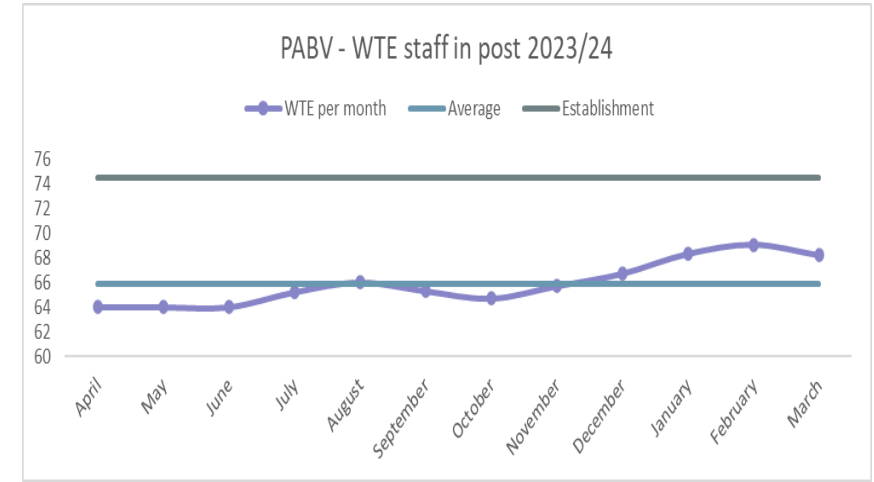
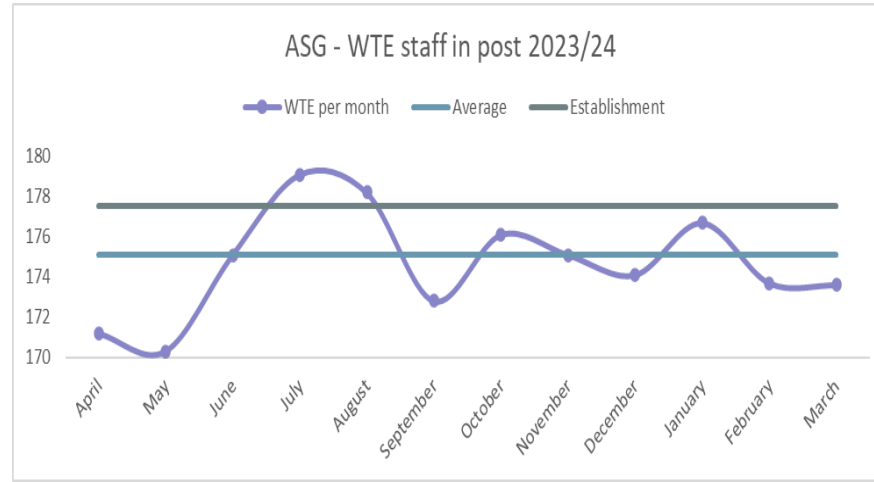
OVERVIEW Green

Current staffing level vs establishment

- The number of WTE at the end of March 2024 was 331.4 (establishment level 347.1 WTE.)
- This equates to **95.5%** - which is within target.

At the end of March 2024, the business groups were under establishment as follows:

- Audit Services = 97.8% of establishment.
- Performance Audit and Best Value = 91.5% of establishment
- Corporate services = 90.1% of establishment
- Innovation and Quality = 98.1% of establishment.



Note: The WTE in post graphs are shown on different scales to highlight the direction of travel staffing position within each business group.

Objective

Our people: Right skills and capacity to deliver

KPQ

Capacity to deliver - People establishment

Target

+/-5%

Performance, trend and RAG

Overall, this measure is rated green due to FTE being at 331.4 which is 95.2% of establishment (347.1).

Actions include:

- Current recruitment campaigns
- Focus on resourcing flexibilities within current budget envelope
- Coordination between ASG and I&Q to understand the workload and resourcing impact of changes in audit requirements and expectations.
- Closer coordination implemented between ASG and PABV in relation to the resourcing and delivery of Best Value requirements.
- Monitoring and reporting to ET, Board and AC
- Scenario planning and development of a new Target Operating Model

Risk

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

Risk register

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

A4 - Failure of capacity –establishment, deployment, skills. 

| Issues / Actions | Actions to improve performance | Who | Timescales | Comment / update |
|------------------|--------------------------------|---------|------------|------------------|
| | Ongoing recruitment campaigns | Various | Various | |

Objective

Our people: Right skills and capacity to deliver

KPQ

People spend against budget.

Target

+/- %5 of budget

OVERVIEW Green

- Expenditure on pay and agency costs is £477.4k (2.75%) less than budget.
- budgets include virements to cover the impact of the final pay award settlement being higher than the budget of 3%.
- The favourable variance is due to the average whole time equivalent (w.t.e.) position being 10.1 below funded establishment which includes a 2% vacancy/turnover factor.

Risk

None

Risk register

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

A4 - Failure of capacity – establishment, deployment, skills ● ⇨

A9 - Failure of timely & efficient access to performance & business management information ● ⇨

| Issues / Actions | Actions to improve performance | Who | Timescales | Comment / update |
|------------------|--------------------------------|-----|---|---|
| Capacity | People Strategy | CSG | COMPLETE: Approved by RemCo 14 November 2023 | Update reports to Remuneration Committee 14/11/23 & 19/03/24 |

Objective

Our people: Right skills and capacity to deliver

KPQ

Capacity to deliver - **Wellbeing**

Target

Per KPI

OVERVIEW Amber

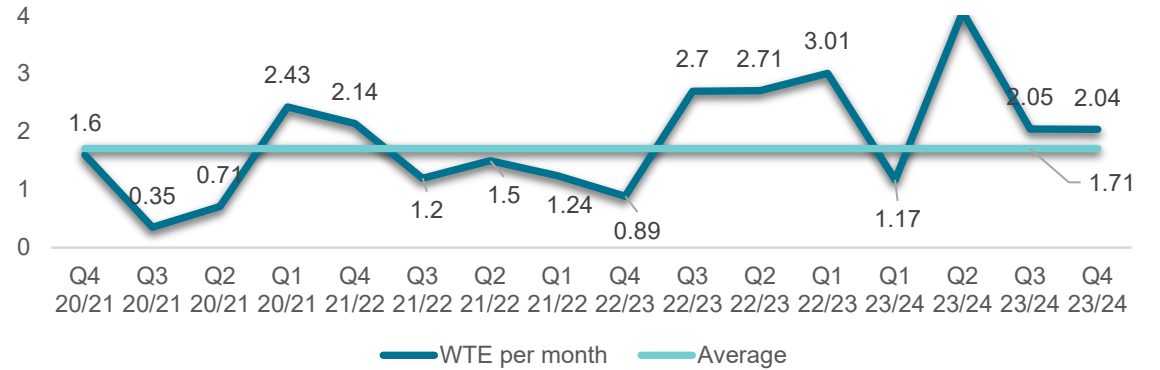
Staff **turnover** YTD for all leavers was 9.33% compared to 8.7 in 2022/23. In Q4 it was **2.04%** compared to 1.19% in Q4 last year). This compares to the benchmark of 22.5% (all sectors in 2022)

The graphic shows the variation for leavers above and below the average for the period 2020-21 to date. The variation is in most cases less than two percent above or below the average.

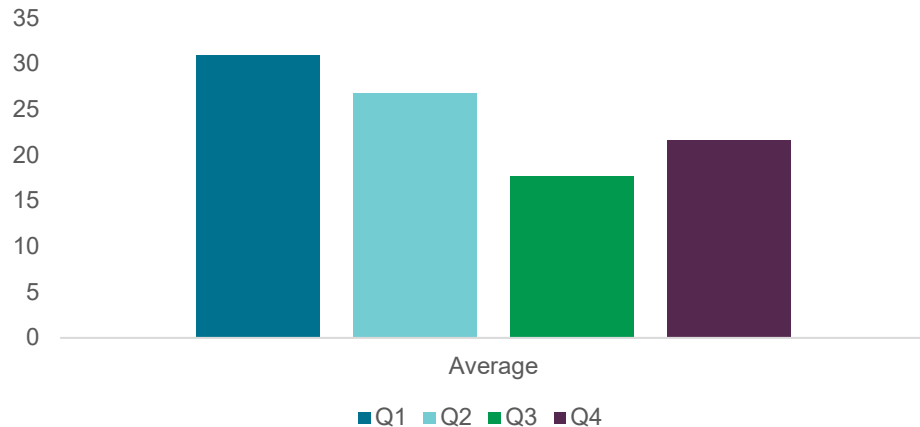
Sickness absence YTD was 6.01 days compared to 4.66 in 2022/23 and in Q4 **1.86 days** compared to 1.27 days in Q4 Last year.

The trend for the percentage of colleagues with greater than 14.5 hours flexi is decreasing and the percentage of colleagues with more that 7.25 hours negative flexi is mixed.

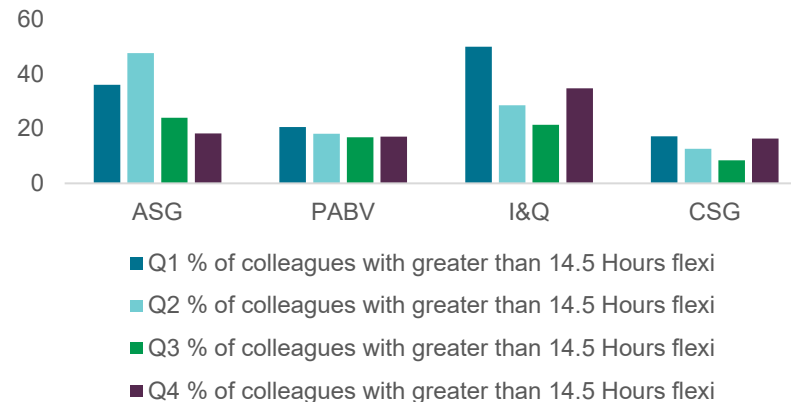
All Leavers 2021 to Q4 2023/24



Average % of colleagues with greater than 14.5 hours flexi



% of colleagues with greater than 14.5 hours flexi



Objective

Our people: Right skills and capacity to deliver

KPQ

Capacity to deliver - **Wellbeing**

Target

Per KPI

Performance, trend and RAG

- **Our sickness absence levels are 6.01 days which is higher than the 4.66 days in 2022/23.**
- Audit Scotland's average absence rates remain below that of the public sector and UK labour market. This must be considered against the backdrop of reported absence rates, in the UK, being at the highest reported level in over a decade, 7.8 days average per employee in 2023. (Source: [CIPD Health and wellbeing report 2023](#))
- The HR team continue to support line managers in managing high or long-term absence cases within teams and encouraging individuals to record absences against the relevant reason code in the HR system.
- The total percentage of **resignations** (voluntary turnover) and total **turnover** is down at the end of 2023/24 compared to 2022/23 and remains lower than the external benchmarks for the year to date. For example, based on the most recent figures available - The labour market total turnover rate was 22.5%, in public services the total turnover rate was 16.2% and in organisations with 250-999 employees, the total turnover rate was 21.7% (Source: [XpertHR Labour turnover rates 2023](#))
- Employee **wellbeing** remains a focus of regular discussion at Leadership Group with quarterly people data being shared and considered against qualitative data such as exit interviews and survey commentary. 2024 Best Companies results are in the process of being analysed.

Risk

Wellbeing of colleagues is key to capacity to deliver

Risk register

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

A4 - Failure of capacity –establishment, deployment, skills ● 

Objective

Our people: right skills - Learning & Development

KPQ

Learning (L&D)

Target

Target per KPI

OVERVIEW **Amber**

Performance, trend and RAG

- Q4 is the busiest quarter for delivery of learning, with Audit Update and IFRS 16 events delivered January-March. Positive feedback has been received on these events..
- The delivery of mandatory line manager training continued and will be completed by October 2024.
- The average completion rate of the 3 mandatory training events in Q4 was 80%. Protecting Information part 3 completion rate of 50% reduced the overall average, with completion rates for the other two events above 85%. Routine reporting and regular reminders from business groups have improved completion rates.
- Additional investment has been provided to all leadership teams to complete MBTI and to redevelop "Thinking on your feet" as we transition to a new supplier. The first courses using new L&D software published on the LMS have received positive feedback and evaluation scores of 5/5.
- Development of the 2024/25 L&D offering has begun with benchmarking discussions with firms and other audit agencies. We have renewed our eLearning provider contract and new e-learning courses are now being added to LMS, the focus areas include Health, Safety and Wellbeing, Compliance, DE&I and Performance & Leadership.

Risk register

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

A4 – Failure of capacity – establishment, deployment, skills 

Objective

Our people: right skills - Learning & Development

KPQ

Learning (L&D)

Target

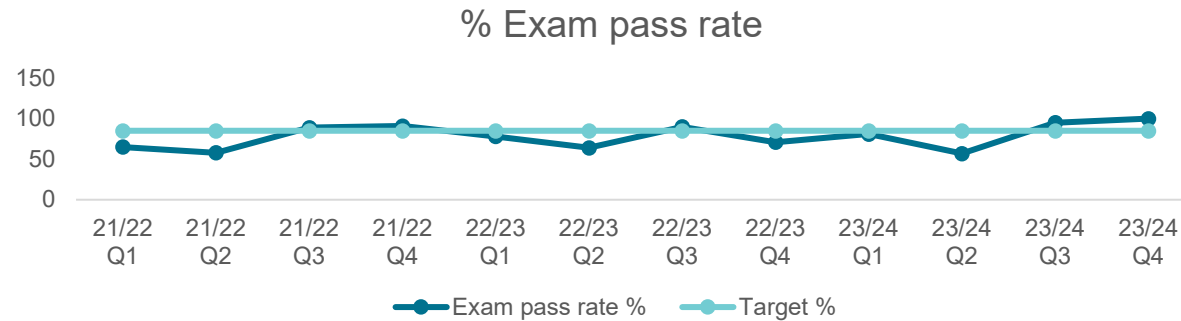
Target per KPI



OVERVIEW Amber

L&D in Q4:

- 26 trainees sat 30 exams with 30 exams passed (100%) against a Target of 85%. YTD the pass rate is 92% which is an improvement on the 85% achieved in 2022/23.
- 161 training events with 2,319 attendees (Target N/A)
- Average L&D days per Colleague 1.08 (Target N/A)
- Percentage of **mandatory training days completed** 79% (Target 95%). This is slightly lower than Q3 (80%)



L&D in 2023/24:

- Trainees sat 194 exams with 178 exams passed (92%) against a Target of 85%. (Compared to 85% in 2022/23).
- 446 training events with 5,778 attendees compared to 292 with 3,139 last year
- Average L&D days per Colleague 2.3

Risk register

- The performance affects the following risk in the corporate risk register.
- A4 – Failure of capacity – establishment, deployment, skills ● ⇒

| Issues / Actions | Actions to improve performance | Who | Timescales | Comment / update |
|---------------------------|--|------------------|------------|---|
| Mandatory completion rate | Investigate LMS issue which results in under reporting of completion rates | Gordon Robertson | June 2024 | A number of colleagues appear to have undertaken the training, but have not completed the declaration. The LMS does not record completion until the declaration is complete. Issued reminders to colleagues affected and completion rate has increased above 90% for Trust & Ethics |

Innovation & Learning

Objective

Innovation driving audit transformation

KPQ

Target per KPI

Target

Prior year performance



OVERVIEW Amber

Performance

- Audit Modernisation Project (AMP) progressing well. Seconded resources agreed across the organisation, focus group started, and discussions with SG procurement on Prior Information Notice issued in April.
- At March SIP Board, project was assessed as amber due to delays getting resources in place, management action has resolved these delays.
- The budget dashboard was put to good use for the February Scottish budget, allowing teams to access updated data within days of the budget being published. It is also helping efficiency with one team estimating that it had saved them 50 hours of work.
- The audit approach board agreed the use of a sample size calculator on a number of audits across ASG. Initial feedback is positive.
- We received another 2 suggestions to our ideas board, making it 15 in total since launch in Q3.

Risk register

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

A4 – Failure of capacity – establishment, deployment, skills ● ⇨

A10 - Failure to deliver the objectives of audit modernisation ● ⇨

A11 - Failure to maximise the benefits and manage the risks of Artificial Intelligence. ● ⇨

| Issues / Actions | Actions to improve performance | Who | Timescales | Comment / update |
|--|---|-------------------------------------|------------|--|
| Capacity constraints within I&Q and within the wider organisation has caused some slippage on AMP project. | We will have resources in place in Q1 24/25 to better support the project and deliver key milestones in Q1 and Q2. We will continue to monitor progress and escalate any issues as required, through the project board. | Head of Digital Audit/ project lead | Q1 24/25 | There is an update report on the AMP on the Bord agenda for 7 June 2024. |

OVERVIEW Amber

During Q4 we continued to make progress with the **Insights** project:

- We completed an impact evaluation pilot within ASG and reported on the findings of this to ASG Management Team.
- We also made progress with the horizon scanning and stakeholder engagement strands of the project, which were previously paused due to resource constraints.
- The SIP Board signed off the Insights project initiation document, which sets out a clear project plan and a project end date of summer 2025.
- At the SIP board in March the project status was assessed as amber, with management action being taken to schedule milestones

We have also:

- Shared a digital issues and risks bulletin with staff
- Shared a technical issue relating to college audit (arising from quality reviews) with staff in a technical bulletin to ensure timely knowledge and action

In the year to date

- We have run 12 insights events with an average attendance of 36 people.
- These events covered a wider range of topics including: Human rights, United Nations Convention on the Rights of the Child, Audit quality, Data science, External networking, Climate change, wellbeing economy, Scottish Budget tracking.
- We've held 6 keynotes with an average attendance of 187 people
- In the Best Companies survey we achieved a score of 4.29 in the Colleague satisfaction with levels and effectiveness of intelligence sharing. This is an overall positive score on the Best Companies 1-7 scale in response to the following question: Internal information and intelligence sharing generally works well in this organisation.

| Issues / Actions | Actions to improve performance | Who | Timescales | Comment / update |
|--|--------------------------------|-----|------------|--|
| Data now collected for all KPIs. We will monitor data over next two quarters to develop targets and ranges to enable full assessment of performance. | | | | Review and update by Q2 report 2024/25 |

Q4 Financial performance report

Corporate Finance Manager



Item 16

Meeting date: 7 June 2024

Purpose

1. This report presents the financial results for the twelve months to 31 March 2024.

Recommendation

2. The Audit Committee and Board is invited to:
 - note the audited financial results for the twelve months to 31 March 2024.

Background

3. A Financial Performance Executive Summary is provided in the appendix to support this report.
4. The report was discussed by Audit Scotland's Executive Team on 22 May.

Summary position

| Financial Position as at end of March 2024 | | | | | | |
|--|----------------------|----------------------|------------------------|-----------------------|---------------------|------------------------|
| | Actual YTD £'000s | Budget YTD £'000s | Variance YTD £'000s | FY Forecast £'000s | FY Budget £'000s | Variance YTD £'000s |
| Income | (25,116) | (22,943) | 2,174 | (23,386) | (22,943) | 444 |
| Pay | 22,333 | 23,311 | 978 | 23,035 | 23,311 | 275 |
| Non-pay | 12,794 | 11,532 | (1,262) | 12,022 | 11,532 | (490) |
| Capital Expenditure | 247 | 300 | 53 | 300 | 300 | 0 |
| Funded by Scottish Consolidated Fund | 10,258 | 12,200 | 1,942 | 11,971 | 12,200 | 229 |

5. At the end of March 2024 Audit Scotland's total expenditure funded by the Scottish Consolidated Fund was £10,258k which was £1,942k (15.9%) less than budget.
6. Net operating expenditure of £10,011k was £1,889k (15.9%) less than budget.
7. The operational underspend was £9k (0.1%) with the underspend balance of £1,880k relating to the non-cash in-year pension service cost adjustment required under International Accounting Standard 19 (IAS 19). The pension service cost adjustments appear in both Income and Pay headings. The net positive result in Income of £1,741k is due to expected interest income from local government pension scheme assets exceeding the interest payable on scheme liabilities. The balance of £139k in Pay is due to retirement benefit scheme costs being less than the actual contributions made in the year.

8. Total capital expenditure year to date was £247k, £53k (17.7%) less than budget.
9. The forecast of £229k (1.9%) less than budget was based on the operational budget and took no account of the IAS 19 pension adjustment.
10. Variance analysis is provided in the main body of this report.

Income

11. Income recognition year to date of £25,116k is £2,174k (9.5%) more than budget. Excluding the pension adjustment the operational income position is £499k (2.2%) more than budget.
12. In-house audit income £52k more than budget broken down as follows:
 - Unbudgeted prior audit year income of £118k recognised for the completion of 2021/22 audits in the local government sector.
 - 2022/23 audit fee income in local government (£57k), health (£5k) and central government (£34k) more than budget with EAFA (£87k) less than budget.
 - 2023/24 audit fee income in local government (£34k), central government (£2k), and further education (£16k) more than budget with health (£30k) and EAFA (£97k) less than budget.
13. Income recognition for the firms is £249k (3.3%) more than budget due to:
 - Unbudgeted prior year audit income of £211k recognised for completion of 2021/22 audits in local government (£73k), central government (£134k) and further education (£4k).
 - Fee income recognition for 2022/23 audits is less than budget in local government (£193k) and further education (£113k) with central government (£69k) and health (£222k) income more than budget.
 - Fee income for 2023/24 audits is less than budget in further education (£107k) with local government (£32k), health (£105k) and central government (£23k) more than budget.
14. Central charges income is £133k more than budget and reflects the recovery of pooled costs and the local government allocation of PABV costs.
15. Unbudgeted pension fund income of £1,675k relates to the interest income on plan assets of £6,856k being more than the interest cost on defined benefit obligations of £5,115k. The balance of £66k represents the interest charge adjustment required to meet the unfunded and ombudsmen pension obligations.
16. The balancing favourable variance of £65k is mainly due to unbudgeted bank interest on deposit balances. This is due to the increase in deposit account interest rates during the year.

Pay expenditure

17. Expenditure on pay, pensions and agency costs of £22,333k is £978k (4.2%) less than budget.
18. The year-to-date underspend of £688k on staff pay is mainly due to:
 - A favourable volume variance of £652k with the average vacancy level for the year to date being 9.4 whole time equivalents (2.8%) less than funded establishment.
 - A minor favourable price variance of £36k following budget adjustments made to cover the final pay award settlement.
19. Agency and secondment expenditure year to date of £189k is £174k more than budget and provided cover for vacant positions in Accounts Commission Support, and Corporate Support. There was also a requirement for additional expert support on the audit modernisation and resourcing projects. This variance is being funded by the vacancy savings within these business groups staff pay budget.
20. At the end of each financial year an adjustment is required to account for untaken holiday and flexitime balances. The adjustment in 2023/24 is a favourable variance of £242k as the management plan to reduce outstanding leave balances is achieving a positive outcome.
21. The funded pension adjustment in 2023/24 was a credit of £139k and the unfunded charge was £83k less than budget.

Non-pay expenditure

22. Non-pay expenditure includes the payments to firms under the audit appointments contract and other operating expenditure. Year to date expenditure of £12,794k is £1,262k (10.9%) more than budget.
23. The main variances appear in Firms payments, professional services, travel & subsistence, IT, depreciation, property, training and health & wellbeing.
24. **Firms payments** £1,077k (15.2%) more than budget due to additional work undertaken and the costs of completing prior year audit work. Additional fee income covers some of the additional costs with the firms identifying a significant number of adjustments, discrepancies in the application of accounting standards and delays in the availability of working papers. Audit year 2022/23 was year one of the new five-year appointments and it is expected that the position will improve for future audit year work.
25. **Professional services** £176k (24.8%) less than budget mainly due to reduced expenditure in Innovation & Quality (£148k) and PABV (£39k) business groups. The savings in Innovation and Quality relates to unused budget for the digital audit project and the release of an old accrual relating to historical costs incurred to support housing benefit audit work. PABV use their budget allocation for any independent expert support required to deliver on work programme commitments and this was lower than planned in 2023/24.
26. **Travel & subsistence** £156k (32.3%) less than budget mainly due to savings generated in the car lease scheme with the number of eligible drivers decreasing at a faster pace than planned due to promotions and leavers.

- 27. IT** expenditure £160k (25.0%) more than budget due to one off payments for cyber security training, penetration testing and the unbudgeted software upgrade required for the finance system. With the finance system server being unsupported from November 2023 it was essential that a migration to a cloud based system was undertaken in 2023/24 in order to minimise the risk of failure. While there wasn't sufficient IT budget to meet the cost, savings were identified in other budget headings to fund this project.
- 28. Depreciation** is £69k (15.4%) less than budget due to the budget phasing assumption being different from the timing of in year capital expenditure. This leads to a delay in the commencement of depreciation following the purchase of new assets. The reduction in actual expenditure is also attributable to capital expenditure in 2022/23 being less than budget.
- 29. Property** expenditure £311k (29.3%) more than budget due to increase in property service charges, business rates and facilities management costs. The business rates increases are being challenged with the valuation boards and the outcome of this will not be known until 2024/25 financial year. The financial impact of the lease for the increased floor space in Glasgow also accounts for overspend.
- 30. Training** £94k (18.8%) more than budget with additional investment identified at all levels in the organisation to ensure the delivery of high-quality audit and additional support for managers to ensure the wellbeing of colleagues is being managed effectively.
- 31. Health & wellbeing** relates to the cost of the annual health checks offered to staff. The cost of this contract increased and the take up by staff also increased leading to an overspend of £33k (92.9%) which will be funded by savings in other Human Resources budgets.

Contingency and future financial risks

- 32.** The 2023/24 budget includes a contingency allocation of £500k to meet any unexpected financial pressures that may arise in the year. An allocation of £150k was made to capital. Allocations are the responsibility of the Executive Team and a further allocation of £288k has been made to meet pay award pressures.
- 33.** After agreement of a pay settlement in October 2023 the main financial risk to manage has been the work in progress position at 31 March 2024. This relates to the amount of income we can recognise following the start of the 2023/24 audits.
- 34.** There continues to be many outside influences that will impact on longer-term financial planning and future budget proposals. Factors being considered include:
- Future pay award settlements.
 - SCF funding pressures.
 - Audit delivery and resourcing.
 - Future direction of fees and funding.
 - Public audit model and impact on future procurement.
 - Audit modernisation.

- Resourcing system.
- Implementation of estate strategy.

Capital expenditure

- 35.** The approved capital programme for 2023/24 planned for further investment in IT hardware and software. Following Board approval of the Estates Strategy and the expansion of our Glasgow office the total budget allocation was increased in the year by £150k to £300k. This budget increase was required to fund the minor works required to make the Glasgow office suitable for our operational requirements.
- 36.** Due to slippage on the Glasgow office project our contingency plan to bring forward planned IT spend in 2024/25 into 2023/24 was actioned.
- 37.** Total capital expenditure of £247k was spent on furniture for Glasgow and Edinburgh offices (£20k), audio equipment for meeting room EH1/2 in Edinburgh (£42k) and IT hardware (£185k).

Virement

- 38.** Executive Team approved the virement of £150k revenue budget from management contingency to the capital investment budget. This was to enable us to complete the building work required in the Glasgow office.
- 39.** To fund the 2023/24 pay award settlement there is a requirement to vire £288k from management contingency to staff pay.

Financial Position

Fee income – recognition of income on completion of outstanding 21/22 audits for both firms and in house work. Firms additional income (£225k) offset by increased firms payments (£198k). For 22/23 audits, in-house work behind plan for local government and EAFA. Firms behind plan on 22/23 audits due to local government and FE audit work. The combined position for in-house and firms' 23/24 audit work is on plan.

Other income – favourable pension fund adjustment of £1,675k and unbudgeted bank interest of £67k.

Pay – budgets include virements to cover the impact of the final pay award settlement being higher than the budget of 3%. £514k of the favourable variance is due to the average whole time equivalent (w.t.e.) position being 9.4 below funded establishment, which is then reduced by increased agency and secondment expenditure. The balance of the variance is due to pensions (£222k) and holiday pay accrual (£242k).

Non-pay - underspends in travel & subsistence, professional fees and depreciation reduced by overspends in firms' payments, IT, training, property and occupational health costs.

Capital – £247k expenditure, £53k less than budget.

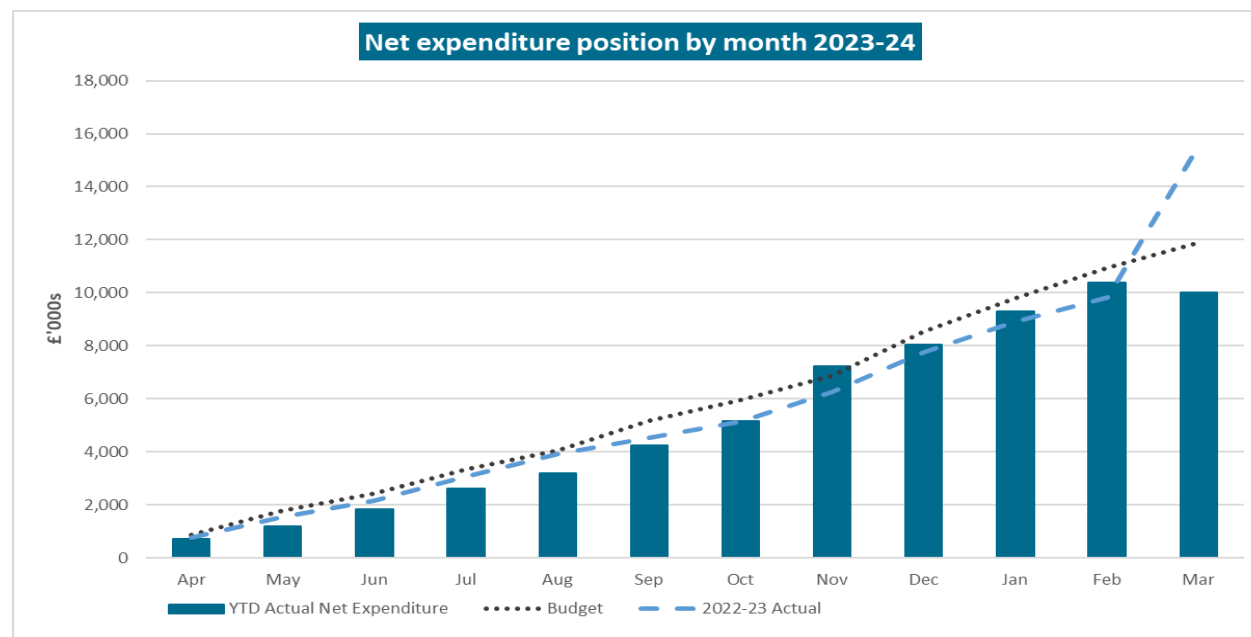
Management contingency - £500k budget. £150k allocated to capital investment and a further allocation of £288k to meet the impact of the agreed pay award.

Forecast - based on September result, presented to ET on 16 January and did not include the forecast pension underspend.

Financial Risks

- Closing work in progress position for 2023/24 audit work at 31 March 2024.
- Firms additional audit work and fees.
- Outstanding 2022/23 audits.
- Cash flow issues in respect of payment of 2023/24 audit fees.
- Financial implications of Estate strategy.
- Procurement demand and lead times.

| Financial Position as at end of March 2024 | | | | | | |
|---|----------------------|----------------------|------------------------|-----------------------|---------------------|------------------------|
| | Actual YTD £'000s | Budget YTD £'000s | Variance YTD £'000s | FY Forecast £'000s | FY Budget £'000s | Variance YTD £'000s |
| Income | (25,116) | (22,943) | 2,174 | (23,386) | (22,943) | 444 |
| Pay | 22,333 | 23,311 | 978 | 23,035 | 23,311 | 275 |
| Non-pay | 12,794 | 11,532 | (1,262) | 12,022 | 11,532 | (490) |
| Capital Expenditure | 247 | 300 | 53 | 300 | 300 | 0 |
| Funded by Scottish Consolidated Fund | 10,258 | 12,200 | 1,942 | 11,971 | 12,200 | 229 |



Summary Balance Sheet £'000s

| | 31/03/2023 | 31/03/2024 |
|--------------------------------|----------------|----------------|
| Total Non Current Assets | 2,083 | 6,291 |
| Total Current Assets | 6,528 | 6,093 |
| Total Current Liabilities | (8,649) | (7,777) |
| Total Non Current Liabilities | (2,751) | (7,344) |
| Assets Less Liabilities | (2,789) | (2,737) |
| Taxpayers Equity | 2,789 | 2,737 |

Non-current assets – increase in right-of-use assets (Glasgow and Edinburgh lease and car leases) and capital investment being reduced by year-to-date depreciation of assets.

Current assets – decrease in cash and increase in VAT debtor and prepayments.

Current liabilities – decrease in SCF creditor and untaken leave accrual.

Non-current liabilities – adjustments reflect movement in unfunded pension provision and remeasurement of obligations under leases for Glasgow and Edinburgh offices.

Summary Cash Flow £'000s

| | |
|--|---------------|
| Net cash outflow from operating activities | (11,064) |
| Cashflows from investing activities | (247) |
| Obligations under leases | (632) |
| Drawdown from Consolidated Funds | 11,152 |
| Net increase/(decrease) in cash/cash equivalents | (791) |
| Net Cash requirement | 11,943 |

- Draw down from Scottish Consolidated Fund of £11.152 million.
- Net decrease in cash / cash equivalents of £0.791 million from 31 March.
- First instalment of 23/24 audit fee invoices issued in January 24 with outstanding debt of £1.267 million on 31 March.

Capital Expenditure £'000s

| | |
|---------------------------|------------|
| Total Funding | 300 |
| Audio equipment EH1/2 | 42 |
| 40 office chairs | 20 |
| Dell power switch/laptops | 15 |
| Mobile phones | 22 |
| Laptops | 116 |
| 48G Switch x 10 | 15 |
| FortiProxy software | 17 |

Balance **53**

- Year to date spend on upgrading audio equipment in Board meeting room at WP, IT hardware, mobile phones, software and office chairs.
- Virement of £150k from Revenue to Capital approved by ET to undertake Glasgow office building work. We did not start the work this financial year and have accelerated the digital services requirement for 24/25 in to 23/24.

Appendix | Financial Performance by Business Group – March 2024

YTD financial position for each business group

The current financial position for each business group is detailed here.

- **Overall** - at the end of March the un-audited revenue position was £2,001k less than budget.
- **Audit Services Group** - 21/22 audits complete with some residual income recognised this financial year. 22/23 audit work slightly behind plan in local government and EAFA. Income of £2,931k recognised for 23/24 audit work compared to budget of £3,006k. Pay less than budget following virement in December to cover impact of increased pay award. Non-pay less than budget mainly due to reduced travel and lease car expenditure.
- **Performance Audit and Best Value** - pay costs less than budget with average w.t.e. 6.1 below funded establishment reduced by pay award above budget allocation. Vacant posts being filled. Non-pay costs less than budget due to reduced expenditure on professional services and reduction in car lease costs.
- **Innovation and Quality** - pay costs less than budget with the average w.t.e. 1.4 below funded establishment being reduced by pay award above budget allocation. Non-pay costs less than budget due to reduced expenditure on professional fees (digital audit project) and car lease costs which is offset by overspend in training costs.
- **Audit Quality and Appointments** - overspend in pay costs due to additional temporary support from ASG.
- **Corporate Services Group and Corporate Costs** - pay less than budget due to average 2.5 w.t.e. below plan together with corporate savings in pensions (£222k) and holiday pay accrual (£242k). Non-pay more than budget with the most significant variances in property, professional services, occupational health and IT costs. This is being reduced by depreciation charges being less than budget. Income includes unbudgeted pension finance (£1,675k), central charge recovery more than budget (£133k) and unbudgeted bank interest (£67k).
- **Approved Auditors** – completion of some 21/22 audit work in 23/24 financial year with 22/23 audit work behind trajectory leading to fee income recognition being slightly less than budget. Income for 23/24 audit work slightly more than budget. Firm expenditure more than budget due to cost of additional 22/23 audit work.
- **Accounts Commission and Support** - non-pay expenditure less than budget due to unused change programme budget and adopting alternative means to make Commission meetings available online.
- **Board, AGS and Exec Team** - non-pay costs more than budget due to additional training expenditure and a reduction in corporate subscription expenditure.

| Business Group | Cost type | Actual YTD £'000s | Budget YTD £'000s | Variance YTD £'000s | FY Forecast £'000s | FY Budget £'000s | Variance YTD £'000s |
|---|--------------|----------------------|----------------------|------------------------|-----------------------|---------------------|------------------------|
| Audit Services Group | Income | (11,904) | (11,852) | 52 | (11,950) | (11,852) | 98 |
| | Pay | 11,081 | 11,096 | 15 | 11,280 | 11,096 | (184) |
| | Non-pay | 439 | 552 | 113 | 464 | 552 | 88 |
| | Total | (383) | (203) | 180 | (206) | (203) | 3 |
| Performance Audit and Best Value | Income | 0 | 0 | 0 | 0 | 0 | 0 |
| | Pay | 4,668 | 4,993 | 325 | 4,687 | 4,993 | 305 |
| | Non-pay | 109 | 185 | 76 | 156 | 185 | 29 |
| | Total | 4,777 | 5,178 | 401 | 4,844 | 5,178 | 334 |
| Innovation and Quality | Income | 0 | 0 | 0 | 0 | 0 | 0 |
| | Pay | 1,762 | 1,809 | 48 | 1,713 | 1,809 | 96 |
| | Non-pay | 508 | 642 | 135 | 579 | 642 | 64 |
| | Total | 2,270 | 2,452 | 182 | 2,292 | 2,452 | 160 |
| Audit Quality and Appointments | Income | 0 | 0 | 0 | 0 | 0 | 0 |
| | Pay | 383 | 374 | (9) | 374 | 374 | 0 |
| | Non-pay | 152 | 157 | 5 | 157 | 157 | (0) |
| | Total | 535 | 532 | (3) | 532 | 532 | (0) |
| Corporate Services Group and Corporate costs | Income | (5,366) | (3,493) | 1,873 | (3,545) | (3,493) | 53 |
| | Pay | 2,981 | 3,589 | 608 | 3,531 | 3,589 | 58 |
| | Non-pay | 3,375 | 2,765 | (611) | 2,995 | 2,765 | (230) |
| | Total | 991 | 2,861 | 1,871 | 2,981 | 2,861 | (120) |
| Approved Auditors | Income | (7,847) | (7,598) | 249 | (7,891) | (7,598) | 293 |
| | Pay | 0 | 0 | 0 | 0 | 0 | 0 |
| | Non-pay | 8,147 | 7,070 | (1,077) | 7,583 | 7,070 | (513) |
| | Total | 300 | (528) | (828) | (308) | (528) | (220) |
| Accounts Commission and Support | Income | 0 | 0 | 0 | 0 | 0 | 0 |
| | Pay | 499 | 491 | (8) | 489 | 491 | 2 |
| | Non-pay | 37 | 138 | 100 | 55 | 138 | 83 |
| | Total | 536 | 628 | 92 | 544 | 628 | 85 |
| Board, AGS and Exec Team | Income | 0 | 0 | 0 | 0 | 0 | 0 |
| | Pay | 959 | 958 | (1) | 960 | 958 | (2) |
| | Non-pay | 26 | 22 | (4) | 33 | 22 | (11) |
| | Total | 986 | 980 | (5) | 993 | 980 | (13) |
| Funded by Scottish Consolidated Fund | | 10,011 | 11,900 | 1,889 | 11,671 | 11,900 | 229 |

Agenda

Audit Scotland Board

Tuesday 24 September 2024

Audit Scotland, 102 West Port, Edinburgh



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

Standing items

- | | |
|--|-----------------|
| 5. Chair's report – verbal update | For information |
| 6. Accountable Officer's report – verbal update | For information |
| 7. Chief Operating Officer – verbal update | For information |
| 8. Accounts Commission Chair's report – written update | For information |
| 9. Review of draft minutes: | |
| • Audit Committee meeting: 7 June 2024 | For approval |
| • Board meeting: 7 June 2024 | |
| • Extraordinary Audit Committee meeting: 18 June 2024 | |
| • Extraordinary Board meeting: 18 June 2024 | |
| • Extraordinary Board meeting: 3 September 2024 | |
| 10. Review of action tracker | For assurance |

Strategic items

- | | |
|--|------------------|
| 11. SIP Programme Board update | For assurance |
| 12. Diversity, Equality & Inclusion Strategy | For consultation |

Business planning, performance and governance

- | | |
|--|--------------|
| 13. Annual review of Corporate Governance documents: | For approval |
| • Standing Orders | |
| • Scheme of Delegation | |
| • Financial Regulations | |
| • Code of Conduct Members | |

- Code of Conduct Staff

| | |
|---|---------------|
| 14. Review Staff Handbook policies: Whistleblowing policy | For approval |
| 15. Annual policy review of records management policies | For approval |
| 16. Quarter 1: Corporate performance reporting | For assurance |
| 17. Quarter 1: Financial performance reporting | For assurance |
| 18. 2025 Proposed Board and Audit Committee meeting schedule | For approval |

Items to be taken in private

| | |
|--|----------------|
| 19. 2025/26 Draft Budget submission [Item to be taken in private to support the effective conduct of business, intended for future publication] | For discussion |
| 20. Audit modernisation business case/project update [Item to be taken in private to support the effective conduct of business, intended for future publication] | For assurance |

Conclusion

| | |
|---|-----------------|
| 21. Any other business | For discussion |
| 22. Review of meeting | For discussion |
| 23. Date of next meeting: 26 November 2024 | For information |

Purpose

1. This report provides an update on the work and engagements of the Chair of the Accounts Commission.

Engagement and Commission business

2. Recent and forthcoming engagements and Commission work are as follows:

Audit Scotland engagement

- 3 Jul: Work programme discussion with the Auditor General and PABV colleagues.
- 25 Jul: Meeting on the development of the 2024/25 Audit planning guidance, led by Paul O'Brien and attended by 3 other Commission members and Audit Scotland colleagues.
- 31 Jul: Audit Modernisation Project (AMP) overview with Kenny Oliver and Gemma Diamond, ahead of an informal discussion on the AMP with the Commission on 8 August.
- Regular meetings with members of the Audit Scotland Executive Team.

External engagement

- 15 Aug: Meeting with Theresa Shearer (Chief Executive of Enable), alongside the Auditor General.
- 3 Sep: Private informal briefing session with the Local Government, Housing and Planning (LGHP) Committee, alongside Derek Yule and PABV colleagues, focusing on local government finances to inform the Committee's pre-budget scrutiny.
- 6 Sep: Speaking engagement at the Solace conference, covering local government financial sustainability and transformation.
- 19-20 Sep: Attendance at the COSLA Conference.
- 24 Sep: Public evidence session with the LGHP Committee, similar to above.

Commission business

- 8 Aug: Accounts Commission meeting.
- 22 Aug: Meeting of a joint Accounts Commission and Audit Scotland working group on the Statutory Performance Information Direction.

- 11 Sep: Commission's six-monthly Strategy Seminar.
- 12 Sep: Accounts Commission meeting.
- Regular meetings with Sarah Watters, Secretary to the Commission, since she took up post on 12 August, and with other Commission Support Team staff.

Forthcoming work and engagements

- 10 Oct: Accounts Commission meeting.
- 15 Oct: Visit from a delegation from the Swedish Association of Local Authorities and Regions (equivalent to COSLA) on the theme of municipal audit.
- 30 October: Annual audit planning conference.
- 7 Nov: Accounts Commission meeting.

Publications

- 3.** The Commission has published a large number of outputs in the past two months, in part because some were delayed from May or June due to the pre-election period restrictions. Below is a list provided for members' information, with links to each publication.
- Delivering for the future: why leadership matters – [briefing](#) and [blog](#)
 - [Blog: The important role of a CFO](#)
 - [Integration Joint Boards' Finance and performance 2024](#)
 - [Blog: Benchmarking and good public performance reporting matter](#)
 - [Accounts Commission Annual Report 2023/24](#) (non-statutory, summary of activity)
 - [Renfrewshire Council: Update report on for Dargavel](#) (section 102 report)
 - [Tackling digital exclusion](#) (joint performance audit with the Auditor General)
 - Forthcoming: Best Value in Clackmannanshire Council (26 Sep); Briefing on sector-led transformation in councils (1 Oct)

Commission Strategy Seminar

- 4.** The Accounts Commission held its latest six-monthly strategy seminar on the afternoon of 11 September at Audit Scotland's Edinburgh office. The agenda for the day included:
- Detailed discussion on the Commission's work programme, including its alignment with the Commission's strategic priorities and with the current audit risk environment.
 - Consideration of a new 'councils at a glance' resource from the Controller of Audit (CoA), summarising the current overall position of each council based on audit evidence and intelligence, and the schedule for Year 3 and Year 4 CoA Best Value reports.

- Review of the Commission's newly revised and refreshed business risk register.
 - Discussion between members on their role as audit sponsors.
 - Recap of outcomes from the previous Strategy Seminar including discussion on stakeholder engagement approaches, and Commission ways of working.
- 5.** In considering the current and future work programme, we reflected on what are the key things that the Commission is uniquely placed to comment and report on, how to prioritise different potential topic areas for reporting, what the Commission wants to achieve and the impact it seeks to have in its reporting, and how best to engage with Audit Scotland and the Auditor General as well as external stakeholders.
- 6.** Points of discussion regarding the work programme included:
- How to incorporate the issue of transformation across its work including in the overview reporting programme, and enable different areas of work to be more joined up.
 - Enhancing scrutiny coordination with regulatory bodies and using its 'convening' power to bring relevant stakeholders together on key issues.
 - Whether and how to free up capacity for contingency, to be able to be more responsive to emerging issues, as well as for other forms of work such as good practice guidance similar to that produced by the NAO and Audit Wales.
 - Placing an even greater focus on the intended impact and outcomes of particular pieces of work, when developing the work programme and from the outset of an audit.
- 7.** A range of actions were agreed for PABV colleagues, the Commission Support Team and others to take forward over the coming months ahead of another, similar review of the strategy and work programme at the next Strategy Seminar in February.

Conclusion

- 8.** The Board is invited to:
- Note this report.

Minutes

Audit Committee

Friday 7 June 2024, 10.00 am
Audit Scotland, 102 West Port, Edinburgh



Present:

Colin Crosby (Chair)
Jackie Mann
Jo Armstrong

Apologies:

Stephen Pringle (Wbg)

In attendance:

Alan Alexander, Chair, Audit Scotland Board
Stephen Boyle, Accountable Officer and Auditor General for Scotland
Vicki Bibby, Chief Operating Officer
Antony Clark, Executive Director of Performance and Best Value
Martin Walker, Director of Corporate Support
Stuart Dennis, Corporate Finance Manager
Ian Metcalfe, Corporate Performance Officer
Jillian So, Alexander Sloan
David Jeffcoat, Alexander & Sloan
Graham Gillespie, Wbg
Niki Ross, Forum Support Coordinator (Minutes)

1. Private meeting with Wylie & Bisset LLP

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

2. Welcome and apologies

The Chair opened the meeting, welcomed everyone, and noted 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: 7 May 2024

The Audit Committee members reviewed and agreed the minutes of the 7 May 2024 meeting, copies of which had been circulated previously.

5. Review of action tracker

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

The Audit Committee noted that work is still ongoing to separate the tender process with the revision of the audit code of practice, and a paper detailing the process will be brought to the Board meeting in November 2024.

The Audit Committee noted the tracker for completeness.

6. 2023-24 Internal Audit annual report

Graham Gillespie, Wylie & Bisset, introduced the 2023-24 Audit Scotland annual report, copies of which had been circulated previously.

Graham highlighted the overall opinion 'We are satisfied that sufficient internal audit work has been undertaken to allow us to draw a conclusion as to the adequacy and effectiveness of the Organisation's risk management, control and governance processes. In our opinion Audit Scotland did have adequate and effective risk management, control and governance processes to manage its achievement of the Organisation's objectives at the time of our audit work'. Graham advised that all audits but one were given a rating of strong assurance levels with the Cyber Incident Response Plan allocated a rating of substantial assurance. Graham also advised that the number and significance of the recommendations raised through the audit was lower than in benchmarked organisations.

The Audit Committee welcomed the positive assurance and noted the 2023-24 Audit Scotland annual report.

7. Implementation of internal audit recommendations progress report

Martin Walker provided an update on the implementation of internal audit recommendations progress report, copies of which had been circulated previously.

The Audit Committee was invited to:

- Note the progress on the implementation of outstanding audit recommendations.

During discussion members noted that there was one outstanding recommendation in progress which relates to the 2022-23 Internal Audits and five recommendations in progress from the 2023-24 Internal Audits.

Following discussion, the Audit Committee noted the report on internal audit recommendations and were assured of the progress made.

8. Q4 Financial performance report

Stuart Dennis provided an update on the Q4 Financial performance report, copies of which had been circulated previously.

The Audit Committee was invited to:

- Note the audit financial results for the twelve months to 31 March 2024.

During discussion, members noted the final position for 2023-24 aligns with the budget. Members agreed that greater clarity is required in how the underspend is presented, regarding the operating outturn and the pension service cost adjustment.

Following discussion, the Audit Committee noted the Q4 Financial performance report.

9. Review of risk register

Martin Walker provided an update on the review of the risk register, copies of which had been circulated previously.

The Audit Committee was invited to:

- Consider the updated risk register.
- Determine whether additional management action is required.

During discussion, the Audit Committee was content to note the ongoing monitoring and engagement taking place with the Firms and that plans have been developed to bring performance back to target dates incrementally.

Further discussion took place on the identified actions from the recent deep dive session on efficiency and demonstrating value for money and how this is being progressed.

Following discussion, the Audit Committee was content to note the updated risk register.

Action: Martin Walker to produce a summary note of the deep dive session for the Audit Committee on 3 September 2024.

10. 2023-24 Governance statement and certificate of assurance

Ian Metcalfe joined the meeting.

Martin Walker introduced the governance statement and certificate of assurance, copies of which had been circulated previously.

The Audit Committee was invited to:

- Consider the certificates of assurance.
- Determine whether to raise any issues which should be drawn to the attention of the Audit Scotland Board at its meeting on 7 June 2023 with the Annual Accounts and governance statements.
- Recommend the Chief Operating Officer issues the Audit Scotland certificate of assurance to the Board as part of the annual assurance process.

Following discussion, the Audit Committee agreed, subject to minor amendments, the Chief Operating Officer, issues the Audit Scotland certificate of assurance to the Board as part of the annual assurance process.

11. 2023-24 External audit letter and opinion on financial year

David Jeffcoat highlighted that the accounts give a true and fair view. However, this statement is strictly on the understanding that we are currently awaiting information from the

Principal Civil Service Pension Scheme and that currently the accounts have been issued as unmodified. Members noted that the lack of information for the disclosure is outwith Audit Scotland's control.

The Audit Committee considered the draft External Auditor Report and associated documents.

Further discussion took place on the Audit Summary Report which highlights the key findings arising from the External Auditors audit of Accounts for 2023-24.

The committee noted the verbal update provided in relation to the delayed information from the provider in relation to a single pension disclosure and the consequential impact on finalising the annual report and accounts and the external audit process.

Following discussion, the Audit Committee were content to note the 2023-24 external audit letter and opinion on financial year.

12. Draft Annual Report and accounts – year ended 31 March 2024

Stuart Dennis introduced the draft annual report and accounts, copies of which had been circulated previously.

The Audit Committee was asked to:

- Approve the draft Annual report and accounts for the year ended 31 March 2024 and recommend that the Auditor General for Scotland, being Accountable Officer of Audit Scotland, sign the accounts on Monday 10 June 2024 subject to receipt of the outstanding pension disclosure information.

Further discussion took place in the context of the discussion on the preceding item.

Following discussion the Audit Committee:

- Noted the draft external audit letter and opinion on financial year 2023/24 and the draft letter of representation and the draft Annual Report and Accounts
- Recommended that the Board consider the draft documents at its meeting on 7 June and note this discussion at the Audit Committee
- Agreed that an extraordinary meeting of the Audit Committee take place, at a date to be confirmed, when the appropriate material becomes available in relation to the pensions disclosure.
- Recommended that the Board hold an extraordinary meeting immediately following that meeting of the Audit Committee to progress the finalisation of the Annual Report and Accounts 2023/24.

Action: Extraordinary meetings of the Audit Committee and Board to be convened, on receipt of the required information/ disclosure, to facilitate the finalisation of the Annual Report and Accounts.

13. 2023-24 Annual report from the Chair of the Audit Committee to the Board

The Chair introduced the 2023-24 annual report from the Audit Committee to the Board, copies of which had been circulated previously.

The Audit Committee was invited to:

- Consider the draft report.
- Subject to any amendments, approve its submission to the Board.

Following discussion, the Audit Committee approved the report's submission to the Board.

14. 2023-24 Annual report on correspondence and whistleblowing (external)

Antony Clark joined the meeting.

Antony Clark introduced the 2023-24 Annual report on correspondence and whistleblowing, copies of which had been circulated previously.

The Audit Committee was invited to:

- Note the contents of the 2023/24 Annual report on correspondence and whistleblowing. This report will be published on our website later this month.

The Audit Committee thanked the team for a very comprehensive and important report.

During discussion, the Audit Committee discussed how and why people contact us and being able to strike the right balance in terms of what support Audit Scotland can and can't provide given its remit and powers. Members noted that we demonstrate our integrity and transparency by publishing our annual report on the Audit Scotland website.

Following discussion, Audit Committee noted the annual report on correspondence and whistleblowing.

The Chair recognised that this was Antony's last attendance at Audit Committee and on behalf of the Audit Committee thanked him for his valued contribution to Audit Scotland over the years.

Antony Clark left the meeting.

15. Any other business

There were no other items of business.

16. Review of meeting

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

17. Date of next meeting

The next meeting of the Audit Committee is scheduled for 3 September 2024.

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

Minutes Board

Friday 7 June 2024, 12.30
Audit Scotland, 102 West Port



Present:

Alan Alexander (Chair)
Colin Crosby
Stephen Boyle
Jackie Mann
Jo Armstrong

Apologies:

There were no apologies

In attendance:

Vicki Bibby, Chief Operating Officer (*Item 21*)
Antony Clark, Executive Director of Performance Audit & Best Value
John Cornett, Executive Director of Audit Services
Kenny Oliver, Executive Director of Innovation & Quality (*Item 17*)
Gemma Diamond, Director of Innovation and Transformation (*Items 7, 20*)
Stuart Dennis, Corporate Finance Manager, (*Items 8, 16, 19*)
Martin Walker, Director of Corporate Support (*Items 9, 12, 14, 15*)
Owen Smith, Senior Manager Audit Quality & Appointments (*Item 11, 18*)
Ian Metcalfe, Corporate Performance Officer (*Item 12*)
Paul O'Brien, Director of Quality & Support (*Item 17*)
Jennifer Doolan, Senior Auditor (*Item 18*)
Niki Ross, Forum Support Coordinator (Minutes)

1. Private meeting of Board members

The Board met privately and there were no matters arising.

2. Welcome and apologies

Vicki Bibby, Antony Clark, John Cornett, Kenny Oliver and Martin Walker joined the meeting.

The Chair welcomed attendees to the meeting. A warm welcome was addressed to Antony Clark, as this was his last Board meeting. The Chair thanked him on behalf of the Board and Audit Scotland for his valuable contribution to public audit and Audit Scotland over many years.

3. Declarations of interest

There were no declarations of interest noted.

4. Items to be taken in private

The Chair invited members to agree that items 13, 17, 18, 19, 20, 21 of the agenda be considered in private for the reasons stated on the agenda. Item 13 would be taken in private to enable the effective conduct of business and on the basis of future publication. The members agreed.

5. Review of minutes

Board meeting: 21 May 2024

The Board noted the minutes of the Board meeting of 21 May 2024, copies of which had been previously circulated. The Board noted they were an accurate record of the meeting.

Vicki Bibby provided an update on the pay award negotiations. A formal meeting with PCS is scheduled for the end of June 2024. The Scottish Government has issued its three-year public sector pay policy starting in 2024-25, based on future inflation forecasts.

6. Review of action tracker

The Board noted and approved the updated action tracker.

7. Strategic Improvement Programme Board update

Gemma Diamond joined the meeting.

Gemma Diamond provided an update on the progress of the Strategic Improvement Programme (SIP), copies of which had been previously circulated.

The Board was invited to note:

- The progress with SIP projects summarised in this paper.
- The progress made improving the underpinning budget data for SIP projects.
- Future plans to develop project performance monitoring.

The Board discussed the estimated costs for the audit modernisation project and the resource and management information system. Members noted that the project team is exploring options through market analysis to better estimate costs, which will inform the outline business case.

Further discussion was on project success factors and criteria and their monitoring and reporting. Members noted that guidance has been developed and the next step is to apply it consistently across current and new SIP projects.

The Board discussed adding organisational culture to the SIP criteria, recognising that projects can affect behaviour. Members noted that metrics on staff behaviour are gathered from various sources and used to support change.

Following discussion, the Board was assured of the progress made and the future plans to develop project performance monitoring.

Action: Kenny/Gemma will arrange a session with Jo on audit modernisation.

Gemma Diamond left the meeting.

8. 2025-26 Budget timetable

Stuart Dennis joined the meeting.

Stuart Dennis presented the proposed budget timetable for 2025-26, copies of which had been circulated previously.

The Board was invited to:

- Note the 2025-26 budget timetable.

The Board noted the budget scrutiny session on 30 September 2024 for early engagement with the SCPA on our draft budget proposal before its formal submission in early December. Members acknowledged the tight timeline and welcomed the chance to review and comment on the budget before the Board meeting on 24 September.

Following discussion, the Board was content with the direction of travel and noted the 2025-26 budget timetable.

Stuart Dennis left the meeting.

9. 2023-24 Annual report from the Chair of the Audit Committee to the Board

The Chair of the Audit Committee introduced the annual report from the Chair of the Audit Committee to the Board, copies of which had been circulated previously and approved by the Audit Committee at its meeting on 7 June 2024.

The Board was invited to:

- Note the report.

Following discussion, the Board was content to note the annual report.

10. 2023-24 Annual report: Review of Remuneration and Human Resources Committee performance

The Chair of the Remuneration and Human Resources Committee introduced the 2023-24 review of the Remuneration and Human Resources Committee, copies of which had been circulated previously.

The Board was invited to:

- Note the report and the areas which the Committee will take forward as a priority for 2024/25.

Following discussion, the Board was content to note the 2023-24 annual report of the Remuneration and Human Resources Committee.

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

Owen Smith joined the meeting.

Owen Smith introduced the Policy on the provision of Non-Audit Services by Audit Scotland's external auditor, copies of which had been circulated previously.

The Board was invited to:

- Note that the draft policy was reviewed by the Audit Committee at its meeting on 7 May 2024 and was recommended to the Board for approval.
- Approve the policy.

Following discussion, the Board approved the policy on the provision of Non-Audit Services by Audit Scotland's external auditor, and agreed that in future this policy should be reviewed every three years rather than annually.

Owen Smith left the meeting.

12. 2023-24 Governance statement and certificate of assurance

Ian Metcalfe joined the meeting.

Martin Walker introduced the 2023-24 governance statement and certificate of assurance, copies of which had been circulated previously.

The Board was invited to:

- Consider the certificates of assurance.

Following discussion, the Board approved the 2023-24 certificates of assurance.

Ian Metcalfe left the meeting.

13. Letters of Representation and Audit summary report for the year ended 31 March 2024

Item taken in private.

14. Annual review of Counter Fraud Policy

Martin Walker provided an overview of the annual review of the Counter Fraud Policy, copies of which had been circulated previously.

The Board was invited to:

- Note the review.
- Note that the policy had been reviewed by the Audit Committee at its meeting on 7 May 2024 and was recommended to the Board for approval.
- Approve the Counter Fraud Policy.

Following discussion, the Board approved the Counter Fraud Policy.

15. Q4 Corporate performance reporting

Ian Metcalfe joined the meeting.

Martin Walker introduced the Q4 corporate performance report, copies of which had been circulated previously.

The Board was invited to:

- Review the performance in Q4 as set out below and in appendix 1.
- Consider the issues affecting performance, the actions identified and whether any additional management action is required.

During discussion, the Board noted that some Firms are experiencing challenges in meeting deadlines and that we have measures in place to closely monitor the situation.

The Board noted that ASG has an action plan to achieve 95% audit delivery timeliness by the end of the appointment round and that audit teams are empowered to achieve this and can seek guidance from the Innovations and Quality team as needed.

The Board discussed the risk deep dive session on 'failure of people/capacity/health, safety, and wellbeing' scheduled for September 2024, and suggested exploring the establishment figure and absence turnover rates during this session.

Following discussion, the Board noted the Q4 corporate performance report and were assured of progress.

Ian Metcalfe left the meeting.

16. Q4 Financial performance reporting

Stuart Dennis joined the meeting.

Stuart Dennis introduced the Q4 financial performance report, copies of which had been circulated previously.

The Board was invited to:

- Note the audited financial results for the twelve months to 31 March 2024.

Following discussion, the Board noted the Q4 financial performance reporting.

Stuart Dennis left the meeting.

Items taken in private

17. 2023-24 Transparency report

Paul O'Brien, Owen Smith and Jennifer Doolan joined the meeting.

Paul O'Brien introduced the 2023-24 Transparency report, copies of which had been previously circulated.

The Board was invited to:

- Comment on the draft Transparency Report.
- Approve the report for publication.

The Board noted that the draft report had been considered by the Audit Committee at its meeting on 7 May 2024.

Following discussion, the Board approved the 2023-24 Transparency report for publication in due course.

18. Quality of public audit in Scotland

Owen Smith introduced the report on the Quality of public audit in Scotland, copies of which had been previously circulated.

The Board was invited to:

- Approve the Quality of public audit in Scotland annual report 2023/24 for publication as part of the suite of annual reports.

The Board noted that the draft report had been considered by the Audit Committee at its meeting on 7 May 2024.

Following discussion, the Board approved the Quality of public audit in Scotland report for publication in due course.

Paul O'Brien, Owen Smith and Jennifer Doolan left the meeting.

19. 2023-24 Draft annual report and accounts: year ended 31 March 2024 and Letters of Representation and Audit summary report for the year ended 31 March 2024 (Item 13)

Stuart Dennis joined the meeting.

Martin Walker presented the draft Annual report and accounts, copies of which had been previously circulated.

The Board was asked to:

- Approve the draft Annual report and accounts for the year ended 31 March 2024 and recommend that the Auditor General for Scotland, being Accountable Officer of Audit Scotland, sign the accounts on Monday 10 June 2024 subject to receipt of the outstanding pension disclosure information.

The Board noted the discussion which had taken place at the Audit Committee meeting which had preceded this Board meeting.

Following discussion the Board:

- Noted the draft external audit letter and opinion on financial year 2023/24 and the draft letter of representation and the draft Annual Report and Accounts

- Agreed that an extraordinary meeting of the Audit Committee take place, at a date to be confirmed, when the appropriate material becomes available in relation to the pensions disclosure
- Agreed with the Audit Committee recommendation that the Board hold an extraordinary meeting immediately following an extraordinary meeting of the Audit Committee to progress the finalisation of the Annual Report and Accounts 2023/24.

Action: Extraordinary meetings of the Audit Committee and Board to be convened, on receipt of the required information/ disclosure, to facilitate the finalisation of the Annual Report and Accounts.

Stuart Dennis left the meeting.

20. Audit Modernisation Project: update

Gemma Diamond joined the meeting.

Kenny Oliver provided an update on the Audit Modernisation Project (AMP), copies of which had been previously circulated.

The Board was invited to:

- Consider and note the progress to date.
- Feedback on the type and detail of information provided, including the appendices.

During discussion, the Board noted that intelligence has been sought from staff focus group sessions across all business areas and extensive market analysis.

The Board discussed the preparations for the SCPA informal session on 24 June 2024 and agreed on framing the AMP content appropriately. The members of the Board who will attend the meeting with SPCA will meet prior to the session scheduled for 20 June 2024.

The Board discussed the complexities of the procurement process and our position in relation to this and recognised and supported the need to seek legal and procurement advice in this area.

Following discussion, the Board noted the update on the Audit Modernisation Project.

Gemma Diamond left the meeting.

21. Audit Scotland Boardroom Apprentice Scheme

Vicki Bibby provided an update on the Boardroom Apprentice Scheme, copies of which had been previously circulated.

The Board was invited to:

- Note the update on further discussions on Boardroom Apprentice Scheme since 27 March.
- Agree to proceed with applying as a scheme host, subject to approval from SPCA.

During discussion, the Board was very supportive of the scheme and agreed, due to timing restrictions, that we don't approach the SCPA.

The Board noted that the apprentice is an observer at the meetings and has no decision-making powers. Therefore, there are no changes to our standing orders.

Further discussion involved assigning a board member as an apprentice board buddy. Members agreed that Jacke Mann will take on this role.

Following discussion, the Board agreed to proceed with applying as a scheme host.

22. Any other business

There was no other business for discussion.

23. Review of meeting

The Chair invited members to comment on the papers and the conduct of the meeting.

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

The Chair thanked everyone for their contributions.

24. Date of next meeting: 24 September 2024

The members noted the next meeting of the Audit Scotland Board is scheduled for 24 September 2024.

Minutes Extraordinary Audit Committee Meeting



Tuesday 18 June 2024, 09.00 am
Audit Scotland, Microsoft Teams

Present:

Colin Crosby (Chair)
Jackie Mann
Jo Armstrong

Apologies:

In attendance:

Alan Alexander, Chair, Audit Scotland Board
Stephen Boyle, Accountable Officer and Auditor General for Scotland
Vicki Bibby, Chief Operating Officer
Martin Walker, Director of Corporate Support
Stuart Dennis, Corporate Finance Manager
Simon Ebbett, Communications Manager
David Jeffcoat, Alexander & Sloan
Niki Ross, Forum Support Coordinator (Minutes)

1. Welcome and apologies

The Chair opened the meeting, welcomed everyone and noted there were no apologies.

2. Declarations of interests

There were no declarations of interest.

3. External audit – financial year 2023-24

The Committee considered the audit summary report for year ending 31 March 2024, copies of which had been circulated previously, noting the amendment in relation to the pensions disclosure.

Members noted the previous detailed discussion which had taken place at the Audit Committee and Board meetings on 7 June 2024.

The Chair expressed thanks to the Alexander Sloan external audit team on behalf of the Audit Committee.

Following discussion, the Audit Committee were content to note the audit summary report and draft letter of representation and recommend they be considered by the Board.

4. Draft Annual Report and accounts – year ended 31 March 2024

The Committee considered the draft annual report and accounts, copies of which had been circulated previously.

The Audit Committee was asked to:

- Approve the draft Annual report and accounts for the year ended 31 March 2024 and recommend to the Board that the Auditor General for Scotland, being Accountable Officer of Audit Scotland, sign the accounts on Tuesday 18 June 2024.

The committee noted the amendments which had been made to the report since it's consideration on 7 June 2024, which had been highlighted in the covering report.

Following discussion, the Audit Committee recommended that the draft annual report and accounts for year ending 31 March 2024 be progressed to the Board meeting on 18 June 2024 for approval, and that the Auditor General for Scotland, being Accountable Officer for Audit Scotland, sign the accounts on Tuesday 18 June 2024.

Minutes

Extraordinary Board Meeting

Tuesday 18 June 2024, 09.00 am
Audit Scotland, Microsoft Teams



Present:

Alan Alexander (Chair)
Jackie Mann
Colin Crosby
Stephen Boyle
Jo Armstrong

Apologies:

In attendance:

Vicki Bibby, Chief Operating Officer
Martin Walker, Director of Corporate Support
Stuart Dennis, Corporate Finance Manager
Simon Ebbett, Communications Manager
Jillian So, Alexander Sloan
David Jeffcoat, Alexander & Sloan
Niki Ross, Forum Support Coordinator (Minutes)

1. Welcome and apologies

The Chair opened the meeting, welcomed everyone and noted there were no apologies.

2. Declarations of interests

There were no declarations of interest.

3. External audit – financial year 2023-24

The Board considered the audit summary report for year ending 31 March 2024, copies of which had been circulated previously, noting the amendment in relation to the pensions disclosure.

The Board noted the discussion which had taken place at the Audit Committee meeting which preceded the Board meeting.

Following discussion, the Board were content to note the audit summary report and the draft letter of representation.

4. Draft Annual Report and accounts – year ended 31 March 2024

The Chair introduced the draft annual report and accounts, copies of which had been circulated previously.

The Board was invited to:

- Note the update to quality figures on page 16.
- Note the text inserted on pages 46 and 47 regarding the AGS' accrued pension.
- Note the Audit Committee's recommendation of the report to the Board.
- Approve the updated report and accounts ahead of their signing and laying.

The Board noted the discussion which had taken place at the Audit Committee meeting which preceded the Board meeting.

The Board members expressed their appreciation to the Audit Scotland colleagues involved in producing the annual report and accounts and to the external audit team from Alexander Sloan.

Following discussion, the Board approved the annual report and accounts for year ending 31 March 2024 and agreed that the Auditor General for Scotland, being Accountable Officer for Audit Scotland, sign the accounts on Tuesday 18 June 2024, and that the report be submitted for laying in the Scottish Parliament.

Minutes

Extraordinary Board Meeting

Tuesday 3 September 2024, 12.30
Audit Scotland



Present:

Alan Alexander (Chair)
Jackie Mann
Colin Crosby
Stephen Boyle
Jo Armstrong

Apologies:

In attendance:

Vicki Bibby, Chief Operating Officer
Martin Walker, Director of Corporate Support
John Cornett, Executive Director Audit Services
Daniela Yaneva, Project Manager
Niki Ross, Forum Support Coordinator (Minutes)

1. Welcome and apologies

The Chair opened the meeting, welcomed everyone and noted there were no apologies.

2. Declarations of interests

There were no declarations of interest.

3. Resource and Management Information Project – Tender

John Cornett gave a brief update on the Resource and Management Information Project, copies of which had been previously circulated, highlighting the requirement to move to an open tender procurement exercise.

The Board was invited to:

- Approve commencement of an open tender exercise, to be supported by Scottish Government Procurement Services, to culminate in the appointment of a preferred supplier.
- Note the updated project timescales, specifically completion of the project by 1 June 2025.
- Note that should budget constraints result in a lack of funding for this project then the process can be stopped at the tendering stage.

During discussion, the Board noted that funding for the project is expected to come from unspent Employer Pension Contributions and that the project will become self-sustaining

through efficiency savings after three years. Members noted that these contributions were originally intended for hiring up to five additional audit officers, with only two having been recruited. Members acknowledged that this would not impact audit delivery and recognised that the addition of two staff members would still contribute to an acceleration in audit delivery.

The Board thought it would be desirable to provide the Chair of the Accounts Commission with a background note on the fact that the change to the decision on employing additional auditors will have no detrimental effect on the delivery of audits.

The Board agreed that the decision to vary the previous allocation of the unspent employer's pension contributions should be communicated to the SCPA, with an indication that we will be happy to discuss it, if necessary, at our scheduled meeting on 30 September.

Members were pleased to note that both time recording and expenses will be incorporated into the new resourcing system, irrespective of which system is procured.

Following discussion, the Board were content to approve the recommendations.

Action: John Cornett will prepare a briefing paper for the Chair of the Accounts Commission addressing the concerns raised, ensuring it highlights that there will be no negative impact on our audit delivery performance over the next three years.

Board action tracker 2024



| Meeting date | Agenda item no | Item title | Action description | Due date | Responsible | Assigned to | Complete/ongoing | Progress notes |
|--------------|----------------|--|---|------------|---------------|-------------|------------------|---|
| 21/11/2023 | 12 | Board and committee meetings 2024 | The Board agreed to review further options to visit other Audit Scotland office locations in 2024/25. | 26/11/2024 | Martin Walker | Nic Bryson | Ongoing | 21/12/23: Keep on radar for new Chair's meeting in 2024. |
| 27/03/2024 | 12 | Q3 Corporate performance report | Martin to quantify the cost of delayed audits and inform the Board. | | Martin Walker | | Ongoing | 09/05/24: Ongoing 04/09: Ongoing |
| 03/09/2024 | 3 | Resource and management information system | John Cornett will prepare a briefing paper for the Chair of the Accounts Commission addressing the concerns raised, ensuring it highlights that there will be no negative impact on our audit delivery performance over the next three years. | Sep-24 | John Cornett | | Ongoing | |

Strategic Improvement Programme: Update

Director of Innovation and Transformation and Head of Organisational Improvement

Purpose

1. This report updates the Board on progress with the Strategic Improvement Programme (SIP), following the SIP Board meeting on 4 September 2024.

Recommendations

2. The Board is invited to note:
 - The progress with SIP projects summarised in this paper.
 - The latest budget and performance monitoring data provided by SIP projects.
 - That a further review of SIP composition will happen in November 2024 following progress with the 2025/26 to 2027/28 operational planning process.

Background

3. The purpose of the SIP is to provide a framework for transformational change projects to receive more capacity, scrutiny and direction to ensure that we deliver on our corporate plan strategic priorities and the outcomes in Public Audit in Scotland. The SIP currently contains the projects set out in Table 1.

Table 1: Current SIP projects with agreed goals

| Project | Goal |
|----------------------------------|--|
| Audit modernisation (AMP) | Transformed audit approaches that are: <ul style="list-style-type: none">• Clearly defined, risk-based and data driven, to ensure compliance, quality and efficiency.• Delivered through integrated auditing software and tools that automate and standardise processes.• Delivered by confident teams and staff with the right skills in the right structure. |
| Insights | Deliver coordinated intelligence from impact monitoring and evaluation, stakeholder engagement and horizon scanning to: <ul style="list-style-type: none">• Support us to respond with agility to what's coming in the future.• Improve the information we have to inform decision making.• Support continuous improvement and innovation.• Better understand and report on the impact of public audit. |

- Help us promote the value of public audit.

Resource and management information (R&MI)

To renew and digitise the system that Audit Scotland uses for resourcing and reporting on all key aspects in the delivery of our work, specifically the outward facing audit work that we undertake with audited bodies across Scotland and also internally focussed corporate projects.

Employee performance appraisal and development (EPAD)

Develop and implement a modern and effective employee performance appraisal and development (EPAD) process that:

- Aligns to our strategic objectives and outcomes and is applied consistently across Audit Scotland.
 - Ensures colleagues are clear on their roles and responsibilities, and we have regular conversations about performance and development, based on good quality feedback.
-

Considerations

SIP programme update

- At its September 2024 meeting, the SIP Board considered a programme update report, which set out the status of each project, based on supporting information including project plans, progress with project delivery and project risks. The status and expected timeline for each project is summarised in Table 2.
- The SIP Board noted that the additional management action being taken within the AMP and R&MI project teams is as follows:
 - **AMP:** Plan and budget to be updated following approval of Strategic Outline Case and in preparation for Outline Business Case. The project team had a handover plan in place following the departure of the outgoing project manager, with key tasks distributed amongst members.
 - **R&MI:** Seeking approval for the project expenditure from the AS Board so we can proceed with open procurement as quickly as possible, followed by tight management of the open procurement process to ensure it is delivered within indicative timelines from Scottish Government.
- For the Insights project the SIP Board was asked to discuss resource and capacity challenges to deliver the following planned milestones and agree whether these are still considered a priority:
 - Engage with scrutiny partners on the dynamic work programme (due by Dec 2024).
 - Deliver annual roundtable of third sector representatives (due by Dec 2024).
- The SIP Board agreed that we should aim to deliver these milestones and noted that objectives for a third sector roundtable event needed to be clearly defined. The SIP Board asked I&Q colleagues to take forward discussions with PABV, communications and the Accounts Commission Support Team on how to best to deliver these milestones.

Table 2: Status and expected timeline of SIP projects

| Project | Status | Expected timeline | Notes |
|---|--------|--|---|
| Audit modernisation | Amber | June 2023 - October 2026 (Dependent on procurement route) | <ul style="list-style-type: none"> Baselined plan and budget are not yet fully in place and there are concerns with respect to timing of onboarding for Project Manager and capacity within team. The project budget is under spent by 13%. Additional management action required being taken within project team and no additional action was requested from SIP board. |
| Insights | Amber | June 2022 to August 2025 | <ul style="list-style-type: none"> Progressing but with some slippage to planned milestones. Additional management action was required from SIP Board. |
| Resource and management information | Amber | January 2024 to March 2025 | <ul style="list-style-type: none"> Progressing but with some slippage to planned milestones. Additional management action required being taken within project team and no additional action was requested from SIP board. |
| Employee performance appraisal and development | Green | | <ul style="list-style-type: none"> Some slippage to planned milestones but project plan has been updated to account for this and no further management action is required. |

Project budgets

8. Table 3 summarises the estimated total costs for each SIP project. The Audit Scotland Board is invited to consider this with the following context:
- Audit modernisation:** The estimated costs for the audit modernisation project include known costs for 2023-24 and 2024-25 only. Longer term budgets will be refined and baselined as part of development of the Outline Business Case later this year. The AMP update paper covers this in more detail, including planned funding sources for known costs. There has been a £4k increase to the total budget since May 2024, due to reprofiling internal resource to support key milestones. The budget split between internal and external has changed due to reprofiling future project manager costs as internal as the new project manager will be on a fixed term contract.
 - Insights:** All costs are accounted for in current budgets. The SIP Board asked the project team to consider the proposals for wider evaluation of impact against public audit outcomes, and whether the planned expenditure for this (circa £30 over 2024/25 and 2025/26) could be reduced and confined to 2024/25 only. This will help deal with wider budget pressures in 2025/26. The project team agreed to plan on this basis and report back on progress in November.

- R&MI:** The estimated costs for the R&MI project have increased from £147k to £179k. These costs include the new system costs for 2024-25 only (estimated at £92k) and these are covered out of existing budgets. The initial top end estimate for the annual recurring cost of a new resourcing system was £70k. Following the market research phase of the project, this has now increased to £192k. The delays to the project due to the change in procurement route mean the project will incur additional external project management costs into 2025-26 and it is expected these will be met within existing budgets. At its meeting on 3 September 2024 the Audit Scotland Board's Audit Committee agreed that this project would initially be funded by the savings from the pension scheme employers' contribution. After this, the project would be funded from direct workforce reduction because of increased efficiency in resource allocation.
- EPAD:** All internal and external costs are accounted for in current budgets.

Table 3: Estimated total project costs as at August 2024

| Project | Estimated costs (£) | Estimated internal costs (£) | Estimated external costs (£) |
|--------------|---------------------|------------------------------|------------------------------|
| AMP | 697,992 | 527,992 | 170,000 |
| Insights | 108,053 | 78,053 | 30,000 |
| R&MI | 179,000 | 17,000 | 162,000 |
| EPAD | 42,076 | 25,076 | 17,000 |
| Total | 985,045 | 623,045 | 362,000 |

9. Table 4 sets out the phasing and spend to date since the projects started and planned annual spend for 2025/26, where this is available.

Table 4: Planned phasing and spend versus budget (to date as at 31 July 2024)

| Project | Phased budget to 31 July 2024 (£) | Actual spend to 31 July 2024 (£) | Variance | 2025/26 phasing (£) |
|--------------|-----------------------------------|----------------------------------|------------|-------------------------------|
| AMP | 206,911 | 179,112 | -13% | Not yet budgeted or baselined |
| Insights | 52,036 | 49,469 | -5% | 25,007 |
| R&MI | 40,000 | 40,000 | 0% | 8,000 |
| EPAD | 30,275 | 29,192 | -4% | N/A |
| Total | 314,222 | 297,773 | -5% | 33,007 |

Project performance monitoring

10. The SIP Board noted progress projects have made developing success criteria and success factors in line with agreed SIP project management guidance. Where projects have identified KPIs that have a quarterly reporting frequency, the current position of these is outlined in Table 5.

Table 5: Project key performance indicators

| Project | Success criteria | KPI | Current position |
|----------|--|--|--|
| AMP | Schedule: Project delivered on time | Milestone delivery against agreed deadlines | Some slippage to PM recruitment timelines. |
| | Budget: Project delivered on budget | Expenditure within +/- 5% of budget | -13% (budget not yet baselined) |
| | Scope: Project objectives delivered | Progress against project objectives | Not yet collected. Anecdotal feedback is positive. |
| Insights | Schedule: Project delivered on time | Milestone delivery against agreed deadlines. | Some slippage to current and upcoming milestones. This is currently not expected to impact on delivering the overall project to agreed timescales (June 2025). |
| | Budget: Project delivered on budget | Expenditure within +/-5% of budget. | Budget on track. |
| EPAD | Schedule: Project delivered on time | Milestone delivery against agreed deadlines. | Some slippage to current and upcoming milestones. This is currently not expected to impact on delivering the overall project to agreed timescales (Feb 2025). |
| | Budget: Project delivered on budget | Expenditure within +/-5% of budget. | Budget on track. |

11. In line with SIP Board feedback, where these have been identified, project success factors have been integrated into project risk registers and are being managed in this way. Project risks that score amber or red are reported to SIP Board and these are set out in Table 6.

Table six: Project risk summary

| Project | Summary of risk | Net score | Controls, mitigation and further planned actions |
|---------|---|-----------|--|
| | <p>IF the AM project cannot secure approval for additional budget through the SCPA, and approval of the business case and a successful Gate 2 outcome</p> <p>THEN delivery of the new contract, audit approach, contract award and service maybe delayed</p> <p>RESULTING IN the need to extend the current vendor contract again, possible legal challenge and none of the strategic business objectives as outlined in the business case being met.</p> | 15 | <p>Develop supporting business case options analysis and benefits to support the SCPA Submission.</p> <p>Initial discussion with SCPA in June 2024 ahead of budget submission to socialize budget thinking and case for change.</p> <p>Share budget submission with Executive Team and Audit Scotland Board by mid-September.</p> |
| AMP | <p>IF there are departures of key staff during the lifetime of the AM project, or there is limited capacity of key staff due to absence or commitment to other projects.</p> <p>THEN there is a risk to the AM project of a lack of continuity in skills and knowledge, plus a reduction in available capacity.</p> <p>RESULTING IN delays in delivery and a lack of consistent focus across the AM project.</p> | 16 | <p>Develop forward looking resource profile and undertake monthly project reviews that include continuity planning.</p> <p>Monitoring plans and escalation routes for requests and needs in place.</p> <p>This risk increased in the past month due to ongoing recruitment to permanent posts within I&Q relating some workstream leads. There were also unforeseen staff absences during this period in addition to holidays.</p> |
| | <p>IF the overall AM project fails to demonstrate and deliver value for money</p> <p>THEN there is a risk of an enquiry into the operation of Audit Scotland and/or this project</p> <p>RESULTING IN reputational damage to the organisation and colleagues.</p> | 15 | <p>Develop clear benefits realisation and measurement plan as part of the business case, gain approval from impacted areas and assign responsibilities for measuring and reporting.</p> |
| | <p>IF the procurement exercise does not result in a contract award and/or the award is for software/a supplier that subsequently is found to be unsuitable</p> | 15 | <p>Requirements and evaluation will be developed to reflect AS requirements and future needs for PABV and ASG, together with all non-functional</p> |

| Project | Summary of risk | Net score | Controls, mitigation and further planned actions |
|----------|---|-----------|--|
| | <p>and requires significant change (also should the incumbent win during the evaluation stage)</p> <p>THEN the feasibility of successfully completing the migration to a new platform successfully or achieving the required benefits will be significantly at risk</p> <p>RESULTING IN Audit Scotland needing to consider alternative options such as the short-listed options in the Strategic Outline Case, inability to use existing toolsets fully (e.g. ASC)</p> | | <p>requirements and required architectural principles. Acquisition strategy also to be developed.</p> <p>From a T&C's and commercial perspective in addition to the requirements aspect, we have to ascertain the preferred supplier has the commercial appetite to provide 'flexibility' in all its forms.</p> <p>Initial capabilities of potential suppliers have been analysed through the RFI returns.</p> |
| Insights | <p>Failure of capacity</p> <p>If we fail to secure adequate resource to deliver the objectives of the project, there is a reputational risk as we may be seen as not listening to stakeholders or being accountable for public audit outcomes. There are also operational and strategic risks as we may miss opportunities to be more efficient and effective in how we share intelligence across the organisation and gather external perspectives to inform our plans.</p> | 12 | <p>Clear project plan in place with required resources identified for each milestone.</p> <p>Ongoing engagement across business groups to secure resources required to deliver objectives.</p> <p>Further engagement required to ensure adequate capacity to resource agreed stakeholder engagement milestones (third sector engagement) and to prioritise full implementation within ASG.</p> |
| R&MI | <p>Open tender</p> <p>If SG Procurement keep to their indicated timelines being 4 months, then the project will suffer a delay resulting in a 'go live' date of 1st June 2025 instead of the original 1st April 2025</p> | 16 | <p>Procurement engaged for an initial Open Tender conversation on 8 August 2024. The SG Shared Services Procurement Team are aware that project timelines are aggressive, and that the open tender exercise must be completed efficiently (and by start-November at the latest). The Project Manager is awaiting the relevant templates from the SG Shared Services Procurement Team, which must be populated as part of initiating the Open Tender.</p> |

Review of SIP composition

- 12.** The SIP Board considered the operational priorities emerging through the 2025/26 to 2027/28 operational planning process and whether any of these should be added to the SIP. The emerging priorities are as follows:
- High quality, impactful and timely annual audit programme.
 - High quality and impactful dynamic work programme.
 - Audit modernisation (already part of SIP – AMP).
 - Right staff with the right skills working on the right things at the right times to deliver Audit Scotland’s strategic priorities (Skills | Capability | Capacity) (Already part of SIP – R&MI).
 - Learning and continuous professional development to foster skills for the future.
 - Collaboration and cross-organisational working.
 - Code of Audit Practice and preparations for the new audit appointment round.
- 13.** The SIP Board agreed to wait until further work has been undertaken by the operational planning group to make the priorities more granular and specific and revisit the SIP composition at its November meeting.

Conclusion

- 14.** Three SIP projects are reporting amber and one is green. The management action required is being taken within the project teams and the SIP Board was asked to consider the priority of planned milestones within the Insights project. Further action within the project team is now planned. Most projects have undertaken further work on performance monitoring to apply guidance and improve consistency. The SIP Board agreed to revisit the SIP composition again in November 2024 following further progress with the 2025/26 to 2027/28 operational planning process.

Diversity, equality and inclusion strategy: Consultation

Director of Innovation and Transformation
and Head of Organisational Improvement

Item 12
Meeting date: 24 September 2024

Purpose

1. This report introduces our emerging diversity, equality and inclusion strategy and invites the Audit Scotland Board to feedback on this.

Recommendations

2. The Audit Scotland Board is invited to:
 - **Respond to the consultation** on the emerging DEI strategy included in [Appendix one](#). The emerging strategy and consultation questions are summarised in Table 1 below (page two).
 - **Note** the plans for wider consultation on the strategy with colleagues internally and external stakeholders.

Background

3. In March 2024, the Audit Scotland Board's Remuneration Committee agreed proposals to integrate the 2025-2029 equality outcomes for Audit Scotland and the Accounts Commission into a wider DEI strategy. It also agreed the goal, objectives and scope for the DEI strategy development and the proposed engagement plan with the Audit Scotland Board.

Considerations

Emerging DEI strategy

4. We are consulting on the emerging DEI strategy included as [Appendix one](#). The purpose of the consultation is set out on slide two. We have completed the background scoping and data diagnostic phase of the strategy development process, in line with Business in the Community's diversity and inclusion framework, and this has informed the draft content for consultation summarised in Table 1.
5. In developing the emerging strategy, we have distinguished more clearly between equality outcomes and wider activity to deliver against the Public Sector Equality Duty, including mainstreaming equality. We have used the evidence from the data diagnostic to inform this. This has helped us be more precise about the areas where we want to focus on with an equality outcome. This should help us to prioritise activity in the areas where we can make the most difference, while also ensuring we keep improving steadily across the board. Through both our equality outcomes and our mainstreaming activity, we have retained content that covers our work as an employer and our audit work.

6. The evidence has highlighted that we should not treat performance audit and annual audit in the same way. Therefore, we have proposed an equality outcome for our performance audit work only. For annual audit we concluded from the evidence that activity would be best focused on improving support to appointed auditors in undertaking the existing requirement to cover equalities once during the five-year audit appointment. This means that we can maximise the value of that work and ensure its consistency and support of our overall strategy, rather than asking financial auditors to do more.

Table 1: Summary of emerging strategy content for consultation

| Section | Further information |
|--------------------------------|---|
| Context | <p>Sets out the ethical, business and legal case for having a DEI strategy</p> <p>Aligns the strategy to our purpose, as set out in Public Audit in Scotland, the Accounts Commission’s strategy and the Audit Scotland corporate plan.</p> <p>Consultation questions:</p> <ul style="list-style-type: none"> • Have we captured the context for the strategy adequately? • Is anything missing? |
| Draft equality outcomes | <p>Sets out draft equality outcomes for the period 2025-2029.</p> <p>Briefly explains the evidence base for the draft outcomes and identifies actions we can take to deliver on them.</p> <p>The emerging strategy is proposing a shift in our equality outcomes. Previously our outcomes have been broad and generic, and we have aligned all our planned DEI activity to outcomes. However, guidance on setting equality outcomes advises that outcomes should be about specific changes for people, communities or society because of our actions. They should also be based on evidence and involvement with people who share protected characteristics.</p> <p>In the emerging strategy we are proposing four outcomes. These cover our organisational equalities work and our performance audit work, both areas where we have a strong evidence base to inform where we want to drive specific changes.</p> <p>There is less evidence around our annual audit work on equalities to inform a clear outcome in this area. Activity in this area is covered under the wider Public Sector Equality Duty section of the strategy.</p> <p>Consultation questions:</p> <ul style="list-style-type: none"> • Are these the right outcomes for us to focus on? • Could any of the outcomes be made more specific? • What feedback do you have on the planned actions to deliver the outcomes? • What else could we be doing? |

Delivering the Public Sector Equality Duty

Sets out how we will mainstream the general equality duty into our work. In this section we have also set out planned activity to build capacity around human rights.

Explains our planned actions around employee information and improving our approach to impact assessment.

Consultation questions:

- Are these the right areas of focus for wider delivery against the Public Sector Equality Duty?
- What feedback do you have on the planned actions?
- What else could we be doing?

Consultation plans

7. Table 2 sets out our proposed consultation plans for the strategy beyond the Audit Scotland Board meeting in September.

Table 2: Proposed consultation plans

| Stakeholder | Approach | Timing |
|--|---|--|
| Employee network groups | Engage directly through existing meetings. | Between September 2024 and October 2024 (to be confirmed): <ul style="list-style-type: none"> • DCWG – 20 September • Other groups TBC |
| PCS/Partnership Forum | Engage directly through an existing meeting. | 3 October 2024 |
| Accounts Commission | Table emerging strategy at Accounts Commission meeting and invite feedback. | 10 October 2024 |
| All colleagues | Invite colleagues to respond to a consultation survey. | 28 October 2024 – 15 November 2024 |
| Equality and Human Rights Advisory Group | Engage directly through an existing meeting. | 29 October 2024 |
| Equality and Human Rights Commission | Engage directly through a dedicated meeting | 6 November 2024 |
| Other scrutiny bodies | TBC | TBC |

Audited bodies,
including Scottish
Government and the
NDPB Equality
Forum

TBC

TBC

Next steps following consultation

- 8.** Following the consultation phase of the strategy development, we will move into the final stages of the project. These are set out in Table 3. Alongside publishing our new strategy in April next year, we also need to publish our equality mainstreaming report for 2023-2025. We are proposing to seek sign off on the mainstreaming report and the new strategy at the same time from key stakeholders.

Table 3: Final milestones in DEI strategy project

| Milestone | Timing |
|---|---|
| Analysis of consultation feedback and strategy redrafting Development of mainstreaming equality: Progress report 2023-2025 | November 2024 – February 2025 |
| Accounts Commission sign off new DEI strategy and 2023-2025 equality mainstreaming report | March 2025 TBC |
| Audit Scotland Board sign off new DEI strategy and 2023-2025 equality mainstreaming report | March 2025 TBC |
| Publication | April 2025 TBC (Statutory deadline is 30 April 2025) |

Conclusion

- 9.** We have made good progress between March and September on the DEI strategy project. This has involved background scoping and data analysis to determine where we should focus activity in our new strategy. Our draft equality outcomes for 2025 to 2029 are evidence-based and intend to drive specific changes for people in Scotland. Wider activity around diversity, equality, inclusion and human rights is captured as part of our work to deliver against the Public Sector Equality Duty.
- 10.** The Audit Scotland Board is invited to feedback on the emerging DEI strategy as part of the consultation phase of this strategy development project.

Diversity, equality and inclusion strategy 2025-2029

Consultation

September – November 2024

 AUDIT SCOTLAND

We want to involve people who share protected characteristics in preparing our new equality and human rights strategy, including our new equality outcomes. This includes all colleagues, staff network groups and wider external stakeholders.

Involvement helps give a voice to people who are affected by our decisions and ways of working and by our audit work. This improves decision-making. Consultation and involvement can help us understand where we have been successful in advancing equality and human rights where action is most needed.

We want to gather feedback on:

- **Context for our strategy** - Have we captured this adequately and is there anything missing?
- **Equality outcomes** - Our draft equality outcomes for 2025 to 2029 and the evidence base and action plan under-pinning these.
- **Public sector equality duty** – Our wider plans for mainstreaming the general equality duty into our work, building capacity for human rights, and improving our approaches to employee information and equality impact assessments.

Context for our strategy

Consultation questions:

- Have we captured the context for the strategy adequately?
- Is anything missing?

Why do we need an equality and human rights strategy?

Ethical and business case

- People are at the heart of delivering our work and of the public services we audit. We should all have equal opportunity to develop, progress, and be rewarded and recognised at work. Citizens should have access to the services they need regardless of their background, characteristics or attributes.
- A more diverse and inclusive workforce leads to better outcomes for staff, clients and stakeholders. When people feel like they belong, they are happier in their work, have empathy for colleagues and look out for each other.
- Understanding differences can lead to a more rounded approach to our work and understanding of the diverse needs of people receiving public services and the improvements required to meet these needs
- An effective EDI strategy has a positive impact on:
 - innovation, creativity, productivity, reputation, engagement and business results
 - recruitment and retention
 - corporate reputation and image.

Legal case

- The **Equality Act 2010** sets out the personal characteristics that are protected by the law and the behaviour that is unlawful. It aims to help Britain become a fairer society, improve public services, and help business perform well.
- The **Public Sector Equality Duty** ensures public authorities consider how they can positively contribute to a more equal society through advancing equality and good relations in their day-to-day business, to:
 - take effective action on equality
 - make the right decisions, first time around
 - develop better policies and practices, based on evidence
 - be more transparent, accessible and accountable
 - deliver improved outcomes for all.

Public Audit in Scotland and Audit Scotland Corporate Plan



The [Accounts Commission's 2021-2026 strategy](#) sets out that it will use its statutory powers to shine a spotlight on and support improvement around inequalities.

It notes the contribution local government makes to tackling poverty and lessening the impact of inequalities on different communities, including where multiple forms of inequality combine to create further negative outcomes for people.

It commits to reporting on the performance of local government services in relation to those impacts.

Public audit in Scotland sets out the changes we want to deliver during 2023-28 and the impact we want to have on public services and on the outcomes that people and communities in Scotland experience.

Public services in Scotland work better together to target resources more effectively

Tackling inequalities requires a whole systems approach and better collaboration across public bodies. Public audit can play a role in challenging and influencing spending decisions and to support public bodies by sharing good practice and making recommendations about:

- partnership working to improve outcomes and foster innovation
- robustness of scrutiny and shared working arrangements
- planning for improved outcomes.

Our recommendations have a positive impact for people in Scotland

We want our work to make a genuine difference to people, including making progress in key policy areas where we know there are persistent inequalities: education, poverty and health.

Our strategic priorities

- **Dynamic performance audit programme** – Strengthening our focus on how well public bodies are working together to address inequalities. Scrutinising progress with change and reform, including preventative spending to reduce inequalities and promoting equalities and human rights.
- **Enhanced audit approaches** – Developing methodology for mainstreaming equality and human rights into audit reporting.
- **Developing our people and our business** – Lead by example with our organisational response to tackling inequalities.

Our values

**Equality | Independence | Innovation | Integrity
| Respect**

Our **equality value** sets out that we will:

- treat all people fairly and support them to have the best chance to progress and succeed
- broaden our culture of diversity and inclusion, so people are valued and engaged
- apply our standards of quality and professionalism to all our work
- embed equality in all we do and support public bodies to address inequalities.

Equality outcomes 2021-2025

- Our work supports the public sector to address inequalities including protected characteristics and socio-economic disadvantage, and to protect human rights
- We will increase the diversity of people into Audit Scotland and their progression through every level of our organisation
- We will broaden our culture of diversity and inclusion, so all employees feel valued, engaged and contribute

Progress highlights

- More than 70% of performance audit products reference social and economic factors and protected characteristics.
- References in recommendations has increased each year from 8% of products in 2021/22 to 26% in 2023/24.
- Expanded publications range, tailored to meet the different communications needs of our audiences.
- Significant external engagement on equality and human rights policy.
- Developing approaches to integrating service user involvement and human rights into our audit methodology.
- Increase in applications from ethnic minorities (13.8% in 2019/20 to 24.6% in 2022/23) and disabled people (3.4% in 2019/20 to 7.10% in 2022/23).
- Gender pay gap decreased from circa 10% in 2020/21 to just over 6% in 2022/23.
- Six active diversity network groups led by colleagues. These regularly seek feedback from colleagues, support each other and support our organisation to understand their needs and design and deliver policies that take these into account.

Draft equality outcomes

Consultation questions:

- Are these the right outcomes for us to focus on?
- Could any of the outcomes be made more specific?
- What feedback do you have on the planned actions to deliver the outcomes?
- What else could we be doing?

Outcomes are changes that:

- result for people, communities or society because of our actions.
- intend to bring practical improvements in the life chances of people who experience discrimination and disadvantage.

Outcomes can be:

- **Short-term** – Improved service delivery, changes in knowledge, skills and attitudes.
- **Long-term** – Changes in behaviours, decision-making or social and environmental conditions.

Legislative context

Outcomes should aim to further one or more of the needs in the general equality duty:

- **eliminate discrimination, harassment, victimisation** and any other conduct that is prohibited by or under the Act.
- **advance equality of opportunity** between persons who share a relevant protected characteristic and persons who do not share it.
- **foster good relations** between persons who share a relevant protected characteristic and persons who do not share it.

Draft outcomes, evidence base and planned activities

| Situation and evidence What is the issue we are trying to address? | Outcome What is the change we want to achieve? How does this support the General Equality Duty? | Activities What actions do we need to take? What will we do/deliver? |
|---|--|---|
| <p>In 2022/23, 6.2% of colleagues declared that they had a disability, compared to circa 22% of Scotland's working age population. 57.6% did not disclose whether they have a disability.</p> <p>Colleague disclosure rates for disability / no disability are low. Some disabled colleagues say:</p> <ul style="list-style-type: none">- they don't feel comfortable discussing their disability or any adjustments they need with managers who are not their line manager.- there are barriers to progression in Audit Scotland due to their disability. | <p>All colleagues have increased awareness about different disabilities and how to support disabled people, with more disabled colleagues feeling confident to disclose their disability and to seek support and adjustments that help Audit Scotland meet their needs.</p> <ul style="list-style-type: none">• Eliminate discrimination, harassment and victimisation• Advance equality of opportunity• Foster good relations | <p>Develop a programme of training around disability awareness and the policies and guidance we have in place to support colleagues with disabilities. This should include neurodiversity awareness, adjustments and support for colleagues.</p> <p>Introduce and embed an employee passport scheme, providing appropriate guidance and training for line managers.</p> <p>Work with staff network groups to develop communications about disabled colleagues with positive experiences of being supported.</p> |

| Situation and evidence What is the issue we are trying to address? | Outcome What is the change we want to achieve? How does this support the General Equality Duty? | Activities What actions do we need to take? What will we do/deliver? |
|---|---|---|
| <p>In 2022/23 25% of applicants were from a minority ethnic background and this has steadily increased from 14% in 2019/20. During the same period, the percentage of minority ethnic employees has stayed relatively constant at circa 7%, compared to circa 5% of Scotland's working age population.</p> <p>While we are attracting an increasing number of applicants from minority ethnic people, the proportion of minority ethnic colleagues has remained relatively static. There is a risk that people from minority ethnic backgrounds are less likely to be successful through our recruitment process.</p> <p>People from minority ethnic backgrounds are also under-represented in bands four and Executive Team within Audit Scotland.</p> | <p>An increased proportion of minority ethnic applicants secure employment with Audit Scotland and progress within the organisation.</p> <ul style="list-style-type: none">• Eliminate discrimination, harassment and victimisation• Advance equality of opportunity• Foster good relations | <p>Consult with REACH network group for ideas to support / enhance internal progression.</p> <p>Develop partnerships with organisations who can help us make improvements to recruitment training or provide support and advice for candidates both internally and externally.</p> <p>Adapt recruitment training to reflect learning from organisations with specialist guidance.</p> |

| Situation and evidence What is the issue we are trying to address? | Outcome What is the change we want to achieve? How does this support the General Equality Duty? | Activities What actions do we need to take? What will we do/deliver? |
|---|---|--|
| <p>As at 31 March 2024:</p> <ul style="list-style-type: none">• Women made up the majority of Audit Scotland's workforce at 57 per cent, compared to circa 51 per cent of the Scottish working age population.• Women had higher levels of representation in every pay band except for band four and Executive Team, where male representation was higher. <p>In 2023/24, our mean gender pay gap was 3.8% (down from 9.9% in 2020/21).</p> <p>Women are under-represented in senior roles in Audit Scotland. Overall, men are earning more than women and our gender pay gap is not zero.</p> | <p>An increased proportion of women fill senior roles within Audit Scotland and our gender pay gap is reduced.</p> <ul style="list-style-type: none">• Eliminate discrimination, harassment and victimisation• Advance equality of opportunity• Foster good relations | <p>Introduce and promote women in leadership training to band 2 and 3 colleagues.</p> <p>Advertise senior opportunities on women focused recruitment boards for example on https://www.workingmums.co.uk/ and trainee roles via https://www.stemwomen.com/for-employers</p> <p>Promote the return from maternity support available - colleagues available at all bands to "mentor" or buddy those returning from a period of leave.</p> |

| Situation and evidence What is the issue we are trying to address? | Outcome What is the change we want to achieve? How does this support the General Equality Duty? | Activities What actions do we need to take? What will we do/deliver? |
|--|---|---|
| <p>Between 2021/22 - 2023/24, 33 PABV outputs (40%) referenced protected characteristics. Of those 91% mentioned age being a factor, 67% sex and/or disability, 27% race/ ethnicity and 6% sexual orientation.</p> <p>Inequalities due to gender reassignment, marriage/civil partnership, pregnancy/maternity and religion/ beliefs were not mentioned in any output.</p> <p>Our audit work doesn't include findings/recommendations about all protected characteristics. The voices of people who use public services are not consistently included in audit work. We are testing methods for incorporating lived experience in some audits.</p> | <p>The voices of people with lived experience of public services are more embedded into performance audit work, with an emphasis on where there are persistent inequalities in society.</p> <p>We deliver improved scrutiny of spending decisions related to equality, reporting on good practice and making recommendations to support public bodies to tackle inequalities.</p> <ul style="list-style-type: none"> • Eliminate discrimination, harassment and victimisation • Advance equality of opportunity • Foster good relations | <p>Redevelop our equalities scoping note to ensure colleagues consider all protected characteristics when scoping and to invite colleagues to consider the voice of those with lived experience in audit methodology.</p> <p>Use lived experience and public participation to inform quality and human rights findings in our audit work, make our reports more person centred and help improve outcomes for people in Scotland using public services.</p> <p>Develop a strategy, guidance and good practice for working with people with lived experience.</p> |

Delivering the Public Sector Equality Duty

Consultation questions:

- Are these the right areas of focus for mainstreaming equality and human rights?
- What feedback do you have on the planned actions?
- What else could we be doing?

Mainstreaming is...

“making the **general equality duty** part of our functions and practices at all levels, embedding it across policies, procedures, corporate systems and reflecting it in business planning and reporting cycles.”

Legislative context

The **general equality duty**:

- **eliminate discrimination, harassment, victimisation** and any other conduct that is prohibited by or under the Act.
- **advance equality of opportunity** between persons who share a relevant protected characteristic and persons who do not share it.
- **foster good relations** between persons who share a relevant protected characteristic and persons who do not share it.

Mainstreaming equality and human rights into our audit work

| Area of focus | Actions | Rationale |
|--------------------------------|---|---|
| Audit methodology | <p>Review and update the equalities scoping note and related guidance in the Audit Management Framework to ensure it helps further the needs of the general equality duty, is up to date and relevant.</p> <p>Develop language guidance so that language is sensitive and appropriate towards those with protected characteristics.</p> <p>Develop new equalities guidance for appointed auditors, with a focus on further the needs of the general equality duty, to support the annual planning guidance for 2025/26 audits and beyond.</p> | <p>Auditor guidance should reflect legislation and other relevant developments.</p> <p>Our style guide includes guidance on using people first language. Social model of language is used within public sector in Scotland. Better guidance is needed as to when each is most appropriate.</p> <p>There is currently limited guidance and support for appointed auditors to ensure consistent coverage of equalities within AARs.</p> |
| Accessibility of audit outputs | <p>Make use of innovative approaches to publishing and disseminating outputs and key messages to maximise accessibility and target key audiences.</p> | <p>To ensure our reports and communications are accessible and our messages reach the widest possible audience, including relevant target audiences for each output.</p> <p>Technology, behaviour and societal expectations are continually evolving so making sure we are using the most appropriate methods and keeping up to date.</p> |

Mainstreaming equality and human rights into our audit work

| Area of focus | Actions | Rationale |
|---|---|--|
| <p>Coverage of equalities in our audit work</p> | <p>Identify relevant equality issues across our performance audit work, taking a risk-based approach and aiming to include a wider range of protected characteristics in our reporting, and making specific recommendations that can effect real change.</p> <p>As part of Best Value audit work across all sectors, take a risk-based approach to evaluating and reporting on the performance of audited bodies in meeting their BV equality and fairness duty, identifying and reporting on good practice and making recommendations for improvement where appropriate.</p> | <p>We do not always mention specific protected characteristics, some are not mentioned at all (age is covered most).</p> <p>We may be inadvertently excluding some groups from our audit reports that are facing inequalities or not giving sufficient attention to those more at risk.</p> <p>Annual planning guidance requires auditors to take a risk-based approach to covering equality and fairness, reporting at least once during the five-year audit appointment.</p> |

Mainstreaming equality and human rights into our organisation

| Area of focus | Actions | Rationale |
|-------------------------------|---|---|
| Learning and development | <p>Develop and communicate inclusive and accessible learning pathways that:</p> <ul style="list-style-type: none">• Improve colleague awareness and knowledge on equality and human rights• Support managers and colleagues to tackle bullying and harassment in the workplace• Promote a culture of inclusion• Support inclusive leadership | <p>Stress survey results from 2022 and 2023 (2024 available in November) indicate stress levels are rising. Absence data supports this.</p> <p>During 2023/24 there were 129 attendances at instructor-led DEI training opportunities and 262 attendances at e-learning opportunities with a DEI focus.</p> <p>There were 240 attendances at corporate induction sessions for our diversity network groups and 232 attendances at workshops that focused on designing our new values charter.</p> |
| Human rights and child rights | <p>Increase our knowledge/ awareness of human rights and the implications of the UNCRC.</p> | <p>A new human rights bill for Scotland is due to be implemented by May 2026.</p> <p>We will have duties as a listed authority and a scrutiny body.</p> <p>The United Nations Convention on the Rights of the Child (Incorporation) (Scotland) Act 2024 comes into force in July 2024. We are not a listed authority but will have a role in commenting on how public bodies are implementing it.</p> |

Mainstreaming equality and human rights into our organisation

| Area of focus | Actions | Rationale |
|--|---|---|
| Diversity and inclusion within our workforce | <p>Widen access to careers in public audit for younger people by integrating a variety of apprenticeship models into our future workforce planning arrangements.</p> <p>Support and empower our staff diversity network groups by:</p> <ul style="list-style-type: none">• Encouraging leadership group members to sponsor and be active within the diversity network groups.• Encouraging a larger percentage of the Audit Scotland population to be involved with the diversity network groups as an ally or as active members.• Support our diversity network groups to share good practice outside Audit Scotland and be involved in external groups.• Retain and improve accreditations for our diversity network groups. | <p>Only 7.4% of our workforce is aged 16-24, compared to 16% of Scotland's working-age population. 65% is aged 25-49 (compared to just 51% of the national working-age population) while 26.2% are aged 50-64 (below the national figure of 33%). In recruitment, 29.5% of applicants for vacancies in 2022/23 were aged 16-24 (down from 42.4% in 2020/21).</p> <p>Supportive environments and feedback loops for staff network groups have a positive impact on employee engagement and retention.</p> <p>They give groups of staff a voice to influence organisational policy and provide a safe space for people who share protected characteristics.</p> |

Legislative context

Under the **Public Sector Equality Duty** we are expected to gather information on the composition of our employees and the recruitment, development and retention of our employees.

This includes the number of and relevant protected characteristics of our employees.

We should use this information to help us better perform the **general equality duty**.

Planned actions

Gather routine data on the composition, recruitment, development and retention of our employees, and consider how this helps us perform the general equality duty, reporting:

- annually through our annual diversity report and gender pay gap report
- every four years through our equal pay report.

Expand our data collection to include data on caring responsibilities and the socio-economic status of colleagues.

Review our approach to benchmarking employee data to agree internal and external benchmarks.

Rationale

This is a legislative requirement under the Public Sector Equality Duty.

Additional data will improve our understanding of the intersectionality between people who share different characteristics, helping ensure that certain groups are not disadvantaged from our policies and practices. We can use intersectional data to design targeted approaches for specific groups.

Benchmarking allows us to identify areas for improvement and learn from good practice in the wider public sector.

Legislative context

Under the **Public Sector Equality Duty** we are expected to assess the impact of applying any proposed new or revised policy or practice against the needs of the **general equality duty**.

We should also take account of the results of impact assessments and publish our assessments.

| Planned actions | Rationale |
|---|--|
| Develop a register of EIAs and a mechanism for monitoring EIA actions to ensure these are delivered and EIAs are refreshed as required. | We do not currently have corporate oversight of the number of EIAs that have been completed, when they are due to be reviewed or of progress against EIA action plans. |
| Improve consistency around the publication of EIAs by developing dedicated space on the Audit Scotland website to host these. | We do not consistently publish our EIAs. |
| Review how well we are fulfilling the duty to integrate the general equality duty into our impact assessment approach, consider evidence and take account of the results. | It is not always clear through our existing EIA approach and process how the actions we set out help fulfil the general equality duty. |

Annual review of corporate governance policies

Director of Corporate Support

Item 13
Meeting date: 24 September 2024

Purpose

1. This paper invites the Board to review and approve the Standing Orders, Scheme of Delegation, Financial Regulations and Codes of Conduct for members and staff for a further year.

Recommendations

2. The Board is invited to:
 - Note the annual review of the corporate governance documents
 - Note they were reviewed by the Audit Committee at its meeting on 3 September 2024
 - Note the Audit Committee determined to recommend the revised documents
 - Approve the suite of corporate governance documents

Background

3. The Standing Orders state that the Audit Committee is to keep under review the Standing Orders, Financial Regulations and Scheme of Delegation and recommend to the Board any amendments.
4. The Audit Committee's Terms of Reference (TOR) states that it will advise the Board on corporate governance requirements and are to be provided with a report on policy documentation reviews.
5. The Standing Orders, Financial Regulations, Scheme of Delegation and Codes of Conduct for members and staff were last updated as part of the normal annual cycle in September 2023.
6. The suite of documents comprises:
 - Standing Orders
 - Scheme of Delegation
 - Financial Regulations
 - Members Code of Conduct
 - Staff Code of Conduct

Annual review

7. This report covers the proposed updates to the Standing Orders, Scheme of Delegation, Financial Regulations and the Code of Conduct for members and staff.
8. In reviewing and applying proposed amendments to the suite of corporate governance policies, the following national guidance was considered:
 - Scottish Government publication, 'On Board' guidance (2023)
 - The UK Corporate Governance Code (2018)
 - The Financial Reporting Council's Revised Ethical Standard (2024)
 - Scottish Government publication, 'Members of devolved public bodies: model code of conduct' (2021).
9. The corporate governance documents were reviewed by the Executive Team at its meeting on 13 August and, subject to minor amendments were recommended to the Board.
10. The documents were reviewed by the Audit Committee on 3rd September and recommended for Board approval.
11. The codes of conduct were also reviewed by the Ethics Partner to ensure consistency and compliance with the Ethical Standards policy.
12. All proposed changes are shown as tracked changes in the attached documents.
13. Subject to approval by the Board on 24 September 2024, the policies will come into effect on 25 September 2024.

Annual review of corporate governance policies

14. A review of our Standing Orders, Financial Regulations and Scheme of Delegation took place in July 2024.
15. The proposed changes are:
 - Standing Orders – paragraph 13 - removal of the reference to live streaming. As meetings are open to the public (in person or via MS Teams) and given the limited public interest to date, we do not consider live streaming to be a proportionate or cost-effective provision to pursue at this time.
 - Scheme of Delegation - schedule 1.4 – further clarification on the appointments process for the Controller of Audit.
 - Financial regulations
 - new paragraph 16 – additional information/ assurance re budget revisions in relation to SCPA
 - amendment to paragraph 33 – minor change to requirements for approval of credit card allocation.

16. Other minor changes relate to nomenclature and numbering. The documents are attached, and the amendments are shown as tracked change for ease of reference.

Annual review of codes of conduct

17. The Codes of Conduct for members and staff are reviewed on an annual basis.
18. The Code of Conduct for Members – paragraphs 41 and 42 have been expanded to provide an example of a potential conflict and the steps to be taken to manage and mitigate risks in this area.
19. The Code of Conduct for staff has been reviewed and amendments have been applied as follows:
 - Insertion of references to Chief Operating Officer, to cover business groups which do not have an Executive Director
 - New paragraphs 67 – 70 – these reflect the Bullying and Harassment policy which was approved by Board on 23 May 2023.
20. The documents are attached, and the amendments are shown as tracked change for ease of reference.

Standing Orders



Prepared by Audit Scotland

[September 2024](#)

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Standing Orders

Introduction

1. The Constitution and membership of Audit Scotland is unusual in having both members appointed by the Scottish Parliament and members with or having access to Direction giving powers. The Board will seek to operate on a consensus basis recognising that on occasion a majority decision may be reached and that the Auditor General and the Accounts Commission may issue Directions for the purpose of or in connection with the exercise of Audit Scotland's functions in relation to either or both of them.

Constitution

2. Audit Scotland is a body corporate established under section 10 of the [Public Finance and Accountability \(Scotland\) Act 2000](#) ("the Act").

3. The function of Audit Scotland is to provide such assistance and support as the Auditor General and the Accounts Commission require in the exercise of their respective functions and, in particular, to provide them, or ensure that they are provided, with the property, staff and services which they require for the exercise of those functions. Section 98 of the [Local Government \(Scotland\) Act 1973](#) provides that the Commission shall have power to incur such expenses as appear to them to be necessary or expedient for the proper discharge of their functions, and such expenses shall be met by Audit Scotland.

4. The Auditor General and the Accounts Commission may give directions to Audit Scotland in connection with the exercise of their functions. Detailed provisions about the operation of Audit Scotland are contained in Schedule 2 to the Act as amended by the Public Services Reform (Scotland) Act 2010.

5. The Board remains responsible for the exercise of all functions of Audit Scotland. It exercises its powers and authorities through the Scheme of Delegation, which it determines and approves on an annual basis.

6. Under [section 18](#) of the Public Finance and Accountability (Scotland) Act 2000 the Accountable Officer is responsible for ensuring the propriety and regularity of the finances of Audit Scotland and ensuring that the resources of Audit Scotland are used economically, efficiently and effectively.

7. The members of Audit Scotland are the Auditor General, the Chair of the Accounts Commission and three other members appointed by the Scottish Commission for Public Audit.

8. The three other members will be appointed under terms and conditions, including remuneration, as determined by the Scottish Commission for Public Audit. The Auditor General and the Chair of the Accounts Commission may not receive any remuneration as members of Audit Scotland.

9. Members of Audit Scotland may terminate their appointments at any time by notifying, in writing, the appropriate appointing body, and following the prescribed period in the letter of engagement.

10. In these Standing Orders the members of Audit Scotland meeting together to discharge their functions are referred to as the Board.

Chair

11. The Scottish Commission for Public Audit will appoint one of the members of Audit Scotland which it has appointed to preside at the meetings of the Board ("the Chair").

Meetings

12. Meetings will be held in public at times, dates and places agreed by the members. In addition, a meeting may be called at any time by the Chair or by not less than three members giving the Chief Operating Officer a written request for such a meeting stating the business to be transacted. The use of MS Teams video or telephone conferencing by members will be deemed as attendance at the meeting.

13. In exceptional circumstances, for example, where office locations are closed and all employees are required to work from home, meetings will take place by MS Teams. To ensure digital security during this time, these meetings may not be open to the public. ~~Meetings will be recorded and shared online alongside the agenda and reports from the meetings. Audit Scotland is currently considering live streaming of Board meetings and investigating options for extending the public access to face to face and hybrid meetings.~~

Agenda and Papers

14. The Chair will approve the Board agenda, including the consideration of items to be taken in private, 10 working days prior to the scheduled meeting, following discussion with the Chief Operating Officer.

15. At least five clear working days before a meeting of the Board the Chief Operating Officer will send written notice of the approved time and place of the meeting and of the business to be transacted to each member. So far as possible, reports and other papers relating to agenda items will be circulated with the agenda.

16. At least two clear working days before a meeting of the Board the Chief Operating Officer will publish the meeting agenda and reports and papers to be taken in public on the Audit Scotland website.

Conduct of Business

17. The Chair, if present, will preside. If the Chair cannot be present the Board must appoint one of the other members appointed by the Scottish Commission for Public Audit to preside at the meeting.

18. No business other than that stated in the notice of the meeting will be transacted at that meeting other than with the consent of the Chair and a minuted explanation of why the matter had to be conducted without the standard notice.

19. The Chair of the meeting will decide all questions of order, relevancy and conduct of business during the meeting.

20. A quorum for a meeting of the Board is three members including those present by MS Teams. The Auditor General and the Chair of the Accounts Commission must be present for a quorum to be constituted, save that in the event that the Auditor General and/or the Chair of the Accounts Commission are unable to attend a meeting of the Board, either may confirm, by giving notice in writing, by email or where circumstances require verbally by telephone prior to the commencement of the meeting, that (i) they consent to the meeting proceeding in their absence; (ii) that the meeting may be deemed to be quorate notwithstanding their absence provided the other requirements for a quorum to be constituted as set out in paragraphs 18, 19 and 20 are met; and (iii) that any business detailed on the agenda circulated pursuant to paragraph 13 and transacted at the meeting shall be deemed to be transacted validly provided that all other requirements of these Standing Orders are complied with.

21. Where the Auditor General and/or the Chair of the Accounts Commission consents to a meeting proceeding in their absence, they shall, within five working days of the date of the meeting, be provided with a copy of the draft minutes of the meeting produced pursuant to paragraph 22.

22. No business which is not detailed on the agenda circulated pursuant to paragraph 12, and which the Board deems to be material to the operation of Audit Scotland, shall be transacted at a meeting at which either the Auditor General and/or the Chair of the Accounts Commission is not present.

Minutes

23. Minutes of every meeting of the Board will be drawn up and will be approved at the following meeting.

Directions

24. Section 10(4) of The Public Finance and Accountability (Scotland) Act 2000 ("the Act") provides that:-

25. 'Directions may be given to Audit Scotland—

26. (a) by the Auditor General, for the purpose of or in connection with the exercise of Audit Scotland's functions in relation to the Auditor General,

27. (b) by the Accounts Commission, for the purpose of or in connection with the exercise of Audit Scotland's functions in relation to the Commission.'

28. Section 27(4) of the Act provides that:

29. 'Directions under sections 10(4) and 19(4) and paragraph 6 of schedule 3 are to be given in writing and may be varied or revoked by subsequent directions under the same provision.'

30. In accordance with the provisions of sections 10(4) and 27(4) of the Act any directions given by the Auditor General or the Accounts Commission to Audit Scotland must be given in writing.

31. Following receipt of any direction given by the Auditor General or the Accounts Commission, Audit Scotland will hold a board meeting to consider the direction with regard to its own response.

Vacancy

32. The proceedings of the Board will not be invalidated by any vacancy in membership or by any defect in the appointment of any person.

Code of Conduct

33. Each member will abide by the Code of Conduct for Members of the Audit Scotland Board current at any time.

Committees

34. The Board may appoint standing or ad hoc committees consisting of such numbers as the Board may determine. Committees may consist of members and other suitable persons chosen by the Board.

35. The Board will establish an Audit Committee with the terms of reference contained in Appendix 1.

36. The Board will establish a Remuneration & Human Resources Committee with the terms of reference contained in Appendix 2.

37. The Board will establish an Appeals Committee with the terms of reference contained in Appendix 3.

38. Any committee will operate within the terms of remit and any delegation made to it by the Board.

Deeds and Documents

39. Any deed or document requiring formal execution by Audit Scotland will be signed for and on behalf of Audit Scotland by the Chair of the Accounts Commission or the Auditor General for Scotland and the Chief Operating Officer.

Advisers and Committee Co-optees

40. The Board may appoint advisers and/or co-optees to Committees and pay them such remuneration and expenses as the Board decide. The co-option appointment procedure is contained in Appendix 4.

41. Employees of Audit Scotland, advisers and others may be present at items taken in private at meetings of the Board at the invitation of the members.

Openness and Transparency

42. The Board meet in public where possible. Agenda, minutes and papers to be considered will be published on the Audit Scotland website. Meetings may be conducted by video conference. In these instances, meetings may not be held publicly, though in the interests of inclusivity and upholding our commitment to transparency agendas, minutes, reports and recordings of meetings will be published online.

Board Effectiveness

43. The Board will conduct a self-evaluation of its effectiveness on an annual basis.

Application of Standing Orders

44. These Standing Orders will apply to meetings of committees of the Board subject to any due modification of details.

Alteration

45. These Standing Orders may be altered by the Board provided that the alteration is approved by a majority of the members of the Board.

Appendix 1: Audit Committee remit

46. The Audit Committee will consist of members of the Board. The Board may appoint persons who are not members of the Board to be members of or advisers to the Audit Committee and may pay them such remuneration and expenses as the Board decides. The Chair of the Board and the Accountable Officer may not be members of the Audit Committee but may attend meetings.

47. The purposes of the Audit Committee are detailed in the Audit Committee terms of reference. The key points are:

Internal Control and Corporate Governance

48. To evaluate the framework of internal control, strategic processes for risk and corporate governance comprising the following components:

- Control Environment.
- Risk Management.
- Information and Communication.
- Control Procedures.
- Monitoring and Corrective Action.
- Audit quality monitoring and arrangements.

49. To review the system of internal financial control, which includes:

- The safeguarding of assets against unauthorised use and disposal.
- The maintenance of proper accounting policies and records and the reliability of financial information used within the organisation or for publication.
- To ensure that Audit Scotland's activities are within the law and regulations governing them.
- To monitor performance and best value by reviewing the economy, efficiency and effectiveness of operations.
- To present an annual statement of assurance to the Board to support the Accountable Officer's governance statement.

Internal Audit

- To review the Terms of Reference and appointment of the internal auditors.

- To review and approve the internal audit strategic and annual plans.
- To monitor audit progress and review audit reports.
- To monitor the management action taken in response to the audit recommendations through an appropriate follow up mechanism.
- To consider internal audit's annual report and assurance statement.
- To review the operational effectiveness of internal audit by considering the audit standards, resources, staffing, technical competency and performance measures.
- To ensure that there is direct contact between the Audit Committee and internal audit and that the opportunity is given for discussions with internal audit who should attend every meeting of the Committee.

External Audit

50. To consider all audit material, in particular:

- Audit Reports.
- Annual Reports.
- Management Letters.
- Management Reports.

51. To monitor management action taken in response to all external audit recommendations.

52. To hold meetings with the external auditors at least once per year and, as required, without the presence of senior management.

53. To review the extent of co-operation between external and internal audit.

54. The external auditor will be appointed by the Scottish Commission for Public Audit under Section 25 of the 2000 Act. The external auditor will examine and certify the account and report on the account to the Commission. The Commission must lay before the Parliament a copy of the account and the auditor's report and publish the account and that report.

Annual Accounts

55. To review and recommend approval of the Annual Accounts.

Standing Orders, Financial Regulations and Scheme of Delegation

56. To keep under review the Standing Orders, Financial Regulations and Scheme of Delegation and recommend to the Board any amendments.

Other duties

57. The Audit Committee may take on other duties as determined by the Audit Scotland Board.

Appendix 2: Remuneration & Human Resources Committee remit

58. The Remuneration & Human Resources Committee (Remco) will consist of members of the Board. The Accountable Officer became a formal member of Remco during 2021. The Board may appoint persons who are not members of the Board to be members of or advisers to the Remuneration & Human Resources Committee and may pay them such remuneration and expenses as the Board decided.

59. The purposes are detailed in the Remuneration & Human Resources Committee terms of reference.

Remuneration & Human Resources Committee responsibilities

60. In relation to members of Audit Scotland's Executive Team¹, are to:

- Review and approve all terms & conditions of employment, including job descriptions, all pay and benefit reward elements associated with each post.
- Ensure remuneration policy and strategy is aligned to the relevant public sector policies being implemented by the UK and Scottish Governments.
- Set and review the overall reward structure, including the value of pay ranges and general annual pay award strategy.
- Assure itself that effective arrangements are followed for performance assessments in respect of Audit Scotland's Executive Team, including any changes to pay and benefits arising from the assessment of performance during the review period.
- Review talent management and succession planning arrangements.
- Approve remuneration packages for newly appointed members of the Executive Team.
- Recommend appointments and changes affecting Executive Team to the Board.

¹ Executive Team is comprised of the Accountable Officer, Chief Operating Officer, Controller of Audit, Executive Director of Audit Services Group, Executive Director of Performance Audit and Best Value and the Executive Director of Innovation and Quality

- Decide on applications for early retirement.
- Determine compensation payments for loss of office.
- Agree, oversee and review the operation of expenses policy.
- Review the expense claims of the Accountable Officer on an annual basis.

61. In relation to other staff employed by Audit Scotland, are to:

- Determine the remuneration policy governing all terms and conditions of employment, including pay, benefits, retirement policy and other policies relating to compensation for loss of office.
- Ensure remuneration policy and strategy is aligned to the relevant public sector policies being implemented by the UK and Scottish Governments.
- Approve the parameters for the annual pay award cycle.
- Review, not less than annually, the application of remuneration policy.
- Assure itself about any issues relating to the overall performance of employees.

Other duties

62. The Remuneration & Human Resources Committee may take on other duties as determined by the Audit Scotland Board.

Appendix 3: Appeals Committee remit

63. The Appeals Committee will consist of at least two members of the Board.

64. The purpose of the Appeals Committee is:

- To consider and dispose of any matters requiring independent deliberation which may be referred to it by the Board.
- To hear and dispose of appeals by members of the Executive Team under the Audit Scotland disciplinary and grievance procedures.

Appendix 4: Co-option procedure

Introduction

65. Audit Scotland's standing orders state that:

- The Board may appoint standing or ad hoc committees consisting of such numbers as the Board may determine. Committees may consist of members and other suitable persons chosen by the Board.
- The Board may appoint advisers and/or co-optees to Committees and pay them such remuneration and expenses as the Board decide. Employees of Audit Scotland, advisers and others may be present at items taken in private at meetings of the Board at the invitation of the members.

Reasons for co-option

66. There may be times when specialist expertise is required which the Board may be unable to fulfil, or when the current or future balance of skills available to the Board's committees may need strengthened.

67. The Board should discuss and agree the specification of skills and experience being sought through co-option.

Nominations process

68. If the Board agrees to co-opt to its committees to fulfil requirements identified under 60 above, an advertisement seeking expressions of interest will be placed on Audit Scotland's website.

Application process

69. Applicants for co-option should provide a written statement of their relevant skills and a CV.

70. Following a shortlisting process, applicants will be interviewed by the Chair of the Board and the Chair of the relevant committee, plus one other member of the Board.

71. Candidates and interviewers must declare any relationships or potential conflicts of interest to the Chair.

72. The Board should approve the final recommendation from the Chair.

Term of Office

73. Co-option is intended to provide specific skills for a fixed term as determined by the Board.

74. There is potential for renewal, subject to the approval of the Board.

Remuneration

75. Remuneration, where applicable, will be determined by the Board and will be no greater than the rate set by the SCPA for Board members.

Conduct of co-opted members

76. Co-opted members will be required to follow the Audit Scotland Code of Conduct for Board members, and the associated disclosure requirements, and their appointment may be terminated by the Chair, subject to the approval of the Board.

Engagement with Scottish Commission for Public Audit

77. The Board will write to the Scottish Commission for Public Audit in advance of the co-option of members to a Committee, setting out:

77.1. the reason for co-opting

77.2. the process by which any appointments will be made.

Standing Orders



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Scheme of Delegation



Prepared by Audit Scotland

[September 2024](#)

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Scheme of Delegation

Introduction

1. The Board remains responsible for the exercise of all the functions of Audit Scotland. Regardless of the provisions of this Scheme of Delegation the Board may at any time determine any matter within the competence of Audit Scotland either at the Board's initiative or on the recommendation of an officer to whom the matter is delegated.
2. This Scheme sets out the matters reserved for determination by the Board. All powers which have not been retained as reserved to the Board or specifically delegated in this Scheme will be exercised by the Executive Team or their nominees.
3. The following areas are matters reserved for the Auditor General for Scotland and the Accounts Commission under the provisions of the Local Government (Scotland) Act 1973 and the Public Finance and Accountability (Scotland) Act 2000:
 - 3.1. Appointment of auditors
 - 3.2. Approval of audit work programme

Conditions of delegation

4. The delegations made in this Scheme are subject to the following conditions:
 - 4.1. All delegated powers will be exercised in accordance with the relevant policies decided by the Board.
 - 4.2. Before exercising any delegated function, all appropriate consultations will be undertaken and, in particular, decisions with financial or personnel consequences will be the subject of consultation with the Chief Operating Officer.
 - 4.3. Delegated powers will not be exercised in a manner which is likely to be a cause for public concern.

Reservations to the Board

5. The following matters are reserved for determination by the Board:
 - 5.1. Approval of the Corporate Plan.
 - 5.2. Approval of annual estimates of expenditure and income.
 - 5.3. Approvals of strategic policies relating to the governance of Audit Scotland are a matter for the Board. (Approval of operational policies of Audit Scotland are a matter for the Accountable Officer and the Executive Team / Leadership Group).

- 5.4. Approval of Standing Orders, Financial Regulations and Scheme of Delegation.
- 5.5. Approval of Annual Accounts and Annual Reports.
- 5.6. Approval of internal audit arrangements.
- 5.7. Approval of conditions of service affecting all employees.
- 5.8. Approval of specific matters referred to in the attached Schedule.

6. Approvals can be remotely provided via DocuSign, an electronic signature system which allows for all parties to sign accounts remotely and securely. DocuSign is acceptable for laying accounts in Parliament and complies with all relevant legislative requirements.

7. In exceptional circumstances where a decision of the Board is required and it is not possible to convene a meeting of the Board, a member of the Executive Team ¹in consultation with the Chair, or another Board member if the Chair is unavailable, may take the necessary decision and report the action taken to the next meeting of the Board.

Quorum for Executive Team

8. The quorum for the Executive Team is three, comprising of the Accountable Officer or the Chief Operating Officer plus two others.
 - 8.1. In the event of a vacancy at Executive Team level, a member of staff at Audit Director level may attend Executive Team and will count towards the quorum.
 - 8.2. In the event of a vacancy in the role of Chief Operating Officer a member of staff nominated by the Accountable Officer and approved by the Board may take their place for the purposes of Executive Team quorum.

Making, revocation and variation

9. The matters reserved to the Board and delegated to officers of Audit Scotland are as detailed above and as shown in the Schedule.
10. This Scheme of Delegation may be varied or revoked by the Board.

¹ Executive Team is comprised of the Accountable Officer, Chief Operating Officer, Controller of Audit, Executive Director of Audit Services Group, Executive Director of Performance Audit and Best Value and the Executive Director of Innovation and Quality

Schedule

| 1.1 | Appointment of Executive Team to | Executive Team and Board | |
|-----|--|--|--|
| 1.2 | Appointment of employees of Audit Directors | Executive Team | |
| 1.3 | All other appointments | Executive Team, Directors or their nominees | The Accounts Commission Chair/members will select for appointment the Secretary to the Accounts Commission |
| 1.4 | Appointment of Controller of Audit | Not applicable | The Board does not have a role here. The Controller of Audit is appointed by Scottish Ministers on recommendation of the Accounts Commission |
| 2 | Personnel matters | | |
| 2.1 | Disciplinary action, including dismissal | Appeals Committee and as per approved disciplinary procedure | See Discipline Policy in staff handbook |
| 2.2 | Grading of Executive Team posts | Board | See also Job Evaluation procedure in staff handbook |
| 2.3 | Grading of Audit Director posts and all other posts | Executive Team | See also Job Evaluation procedure in staff handbook |
| 2.4 | Changes to Executive Team | Board | |
| 2.5 | Changes to approved establishment below Executive Team | Executive Team | |
| 2.6 | Variation of conditions of service for members of the Executive Team | Board | |

| | | | |
|-----|--|--|---|
| 2.7 | Variation of conditions of service for Audit Directors and all other staff | Executive Team | All staff have a right of appeal to the Remuneration & Human Resources Committee or the Board following discussion by the Remuneration & Human Resources Committee |
| 2.8 | Decisions on applications for early retirement: <ul style="list-style-type: none"> • Executive Team • All other employees | Board Executive Team | |
| 3 | | | |
| 3.1 | Financial matters Approval of expenditure for which there is no provision in the overall budget. | Board | Financial Regulations 1567 |
| 3.2 | Approval of virement within agreed budget: <ul style="list-style-type: none"> • Virement between budget groups • Virement between budget heads • Virement between budget lines | Executive Team Relevant Executive Directors Budget Holders | Financial Regulations 1768 |
| 3.3 | Virement of salary budget over £250,000, cumulatively in one year | Board | Financial Regulations 1768 |
| 3.4 | Approval of Accounting Policies | Board | Financial Regulation 2435 |
| 3.5 | Approval for the issue of credit cards to members of staff and credit limit to be applied. (To be reported at next Executive Team meeting) Credit Card default limits: <ul style="list-style-type: none"> • Executive Team £1,500 • Other staff £1,000 | Accountable Officer and Chief Operating Officer | Financial Regulation 3234 – 3342 See also Credit Card Procedures. Default amounts may be varied by Executive Team, Incident Management Team (IMT) for individuals on either a permanent or temporary basis. |

| | | | |
|------|--|--|--|
| 3.6 | <p>Acceptance of tenders and placing of orders:</p> <ul style="list-style-type: none"> • Above £250,000 • Between £100,000 and £250,000 • Up to £100,000 • Below £50,000 | <p>Board Accountable Officer and Chief Operating Officer Executive Team Budget Holders</p> | <p>Financial Regulations 4879 Financial Regulations 5243 (appointment of auditors) See also the Procurement Handbook</p> |
| 3.7 | <p>Acceptance of offers for disposal of assets</p> | <p>As for acceptance of tenders and placing of orders</p> | |
| 3.8 | <p>Approval of expenditure within agreed budget:</p> <ul style="list-style-type: none"> • Any budget group • Specific budget group • Specific cost centre budget | <p>Executive Team Relevant Executive Director Budget Holder</p> | <p>Financial Regulations 5435</p> |
| 3.9 | <p>Payment of accounts other than to approved auditors:</p> <ul style="list-style-type: none"> • Above £50,000 • Below £50,000 | <p>Executive Team Member of Executive Team or as delegated</p> | <p>Financial Regulations 5342 – 5859 Delegated signatories are approved by Executive Team and are responsible for the expenditure approved. As evidence a delegated purchasing authority letter will be issued. Those with delegated authority may request authority to be passed to members of their staff, but the limit of authority granted must be notified to Executive Team and Finance who will maintain a list of those approved.</p> |
| 3.10 | <p>Payment of accounts for orders placed using electronic purchase orders.</p> | <p>Member of Executive Team or as delegated</p> | <p>Electronic purchase orders are sent, via email, to be authorised. The process requires the authoriser to be selected from a list,</p> |

| | | | |
|------|---|--|--|
| | | | maintained within the finance system, of signatories delegated to sign for the cost centre and for the value of goods or services being ordered. The signatories are the same as those delegated in the previous section. |
| 3.11 | Parameters for automatic payment of electronic purchase orders. | Executive Team | <p>Financial Regulations 69159</p> <p>Where an invoice is received as the result of an order placed using the electronic purchase order system it can be processed by Finance for payment if:</p> <ul style="list-style-type: none"> • The order has been marked as received in the electronic purchase order system, • The value shown on the invoice is within the parameters of +5% or - 10% of the value authorised for that order. <p>Any invoice where the value is outwith these parameters must be sent for an additional, manual, authorisation before payment can be made.</p> |
| 3.12 | <p>Certification of accounts for payment to approved auditors:</p> <ul style="list-style-type: none"> • Interim invoices up to £50,000 and final invoices up to £10,000 • Interim invoices over £50,000 and final invoices over £10,000 | <p>A member of the Audit Quality and Appointments team Director, Audit Quality and Appointments or member of Executive Team</p> | <p>Financial Regulations 6120</p> |

| | | | |
|------|--|---|---|
| 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 7789 - 808179 Delegation requires appropriate Executive Director approval and notification to Finance. The initial delegation is £2,000. Variations from this amount may be agreed by the Budget Holder and notified to the Executive Team and Finance who will maintain a list of those approved. |
|------|--|---|---|

Budget Holders comprise: Executive Team members, and Corporate Services managers.

Note: Executive Team is defined in section 9 of the Financial Regulations as follows “the Executive Team consists of the Accountable Officer, the Chief Operating Officer, the Controller of Audit, the Executive Director of Audit Services, the Executive Director of Performance Audit and Best Value, and the Executive Director of Innovation and Quality or such other combination of officers as may be determined from time to time by the Board”. Decisions can only be made by Executive Team when they are quorate as defined in section 6 of this document as follows “The quorum for the Executive Team is three, comprising of the Accountable Officer or the Chief Operating Officer plus two others”.

Scheme of Delegation



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Financial Regulations



Prepared by Audit Scotland

[September 2024](#)

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Financial regulations

Introduction

- 1.** Audit Scotland is a body corporate established under section 10 of the Public Finance and Accountability (Scotland) Act 2000. It came into existence on 1 April 2000 under the Public Finance and Accountability (Scotland) Act 2000 (Commencement) Order 2000 (SSI 2000 Number 10(c.1)).
- 2.** The Board of Audit Scotland consists of the Auditor General for Scotland (AGS), the Chair of the Accounts Commission and three other members appointed by the Scottish Commission for Public Audit, one of which will be appointed as Chair.
- 3.** Audit Scotland's function is to provide such assistance and support as the AGS and the Accounts Commission require in the exercise of their respective functions and, in particular, is to provide them, or ensure that they are provided, with the property, staff and services which they require for the exercise of those functions. The Accounts Commission shall have power to incur such expenses as appear to them to be necessary or expedient for the proper discharge of their functions, and such expenses shall be met by Audit Scotland.
- 4.** Directions may be given to Audit Scotland by:
 - 4.1.** The Auditor General, for the purpose of, or in connection with the exercise of Audit Scotland's functions in relation to the Auditor General,
 - 4.2.** The Accounts Commission, for the purpose of, or in connection with the exercise of Audit Scotland's functions in relation to the Accounts Commission
- 5.** Audit Scotland may impose reasonable charges in respect of the exercise of its functions. In determining the amounts of the charges Audit Scotland must seek to ensure that the total sum received in respect of the charges is, taking one year with another, broadly equivalent to its expenditure. Any expenditure not met out of sums received is payable out of the Consolidated Fund.
- 6.** The Scottish Commission for Public Audit (SCPA), established under section 12 of the Public Finance and Accountability (Scotland) Act 2000, has the duty to designate an accountable officer for Audit Scotland. The SCPA has designated the Auditor General as the Accountable Officer. The responsibilities of the Accountable Officer are set out in section 18 of the 2000 Act. They are:
 - 6.1.** signing the accounts of the expenditure and receipts of Audit Scotland;
 - 6.2.** ensuring the propriety and regularity of the finances of Audit Scotland; and

6.3. ensuring that the resources of Audit Scotland are used economically, efficiently and effectively.

7. All members of the Board and all employees, shall conduct their business with diligence and with a view to the security of the property of Audit Scotland, avoiding loss, exercising economy and efficiency in the use of resources and conforming with the requirements of Standing Orders, Financial Regulations and the Scheme of Delegation.

8. The Board has made Standing Orders, these Regulations and a Scheme of Delegation to govern the operation of Audit Scotland. They should be read together.

Definitions and interpretation

9. In these Regulations terms will have the following meanings:

9.1. “the 2000 Act” means the Public Finance and Accountability (Scotland) Act 2000

9.2. “the 1973 Act” means the Local Government (Scotland) Act 1973

9.3. “the Board” means the members of Audit Scotland acting together to discharge the functions of Audit Scotland

9.4. “the Executive Team” consists of the Accountable Officer for Audit Scotland, the Chief Operating Officer, the Controller of Audit, the Executive Director of Audit Services, the Executive Director of Performance Audit and Best Value and the Executive Director of Innovation and Quality, or such other combination of officers as may be determined from time to time by the Board.

Corporate Plan

10. A Corporate Plan will be prepared and will be reviewed annually by the Board. It will set out the strategic approach to be adopted by Audit Scotland in performing its functions. So far as possible, it will outline the financial consequences of proposals contained in it.

11. The Corporate Plan will be approved by the Board.

Budget

12. The financial year of Audit Scotland is 1 April to 31 March.

13. Proposals for the use of resources and expenditure for each financial year will be submitted to the SCPA at such times as the Commission requires to enable it to examine the proposals and report to the Parliament under section 11(9) of the 2000 Act.

14. Estimates of expenditure and income will be submitted as budget proposals to the Board for approval prior to the submission to the SCPA. Provided the SCPA report has been submitted to and approved by Parliament,

a final version of the budget will be submitted to the Board not later than 31 March in the year preceding the financial year to which it relates.

15. In the event that Parliament has not approved the budget, a version of the budget that includes our best estimate of operational changes will be submitted to the Board by 31 March. A final version to be submitted when the Scottish Government budget is passed.

15-16. Bodies funded by Parliamentary Vote, such as Audit Scotland, only have authority to spend the resources voted to them in one financial year. Audit Scotland may request for additional resources in-year as part of either the Autumn Budget Revision (ABR) or Spring Budget Revision (SBR) which are approved by Parliament. Certain types of expenditure requiring budget revisions will include pension charge adjustments, which are treated as Annually Managed Expenditure (AME) and IFRS 16 leases which is treated as non-cash Capital Departmental Expenditure Limit (CDEL). Adjustments in AME cover and IFRS 16 leases cover is re-determined once a year with HM Treasury for inclusion in the ABR and SBR.

16-17. No expenditure will be incurred unless there is provision for the expenditure within the overall budget approved by the Board. Approval of expenditure where there is no provision within the overall budget will be made by the Board. (Scheme of delegation 3.1)

17-18. There may be virement within the budget, in accordance with the Scheme of Delegation. (Scheme of delegation 3.2 and 3.3)

Budgetary control and reporting

18-19. Financial performance will be monitored against budget and reported regularly to the Executive Team and at least quarterly to the Board.

19-20. Systems of budgetary control will be devised and maintained to include:

19.1.20.1. Regular financial reports as prescribed above containing -

19.1.1.20.1.1. income and expenditure to date and, when relevant, forecast year end position

19.1.2.20.1.2. explanations of any material variations

19.1.3.20.1.3. details of any corrective action necessary

19.1.4.20.1.4. virement

19.2.20.2. The issue of timely, accurate and comprehensible advice on financial reports to each budget holder covering the areas for which they are responsible

19.3.20.3. Arrangements for the authorisation of virement.

20-21. Each budget holder will be responsible for the management of their budgets within the approved policies of the Board.

21-22. In exceptional circumstances, for example, a national pandemic increased reporting on financial performance may be required by the Incident Management Team, Audit Committee and Board.

Accounting

22-23. An effective system of internal financial control will be maintained including detailed financial procedures and systems incorporating the principles of separation of duties and internal checks. These will be documented and maintained.

23-24. Proper records will be maintained to show and explain Audit Scotland's transactions in order to disclose, with reasonable accuracy, the financial position of Audit Scotland at any time.

24-25. Accounting policies will be set consistent with appropriate guidance and all accounting procedures and records will be consistent with any form of accounts prescribed. Accounting policies will be approved by the Board. (Scheme of delegation 3.4)

25-26. Annual Accounts will be prepared and submitted to the Board for approval no later than 31 August in respect of the financial year finishing on the 31 March.

Bank accounts

26-27. HM Treasury require public bodies to operate a bank account through the Government Banking Service (GBS), to allow the transfer of monies from central accounts to public bodies and vice-versa.

27-28. Apart from the requirement to use a bank specified by the GBS for the transfer of central funds, Audit Scotland will, for day to day banking and transactions, make arrangements for the appointment of bankers in accordance with the provisions for the letting of contracts set out in these Regulations.

28-29. No Audit Scotland monies will be held in any bank accounts outwith those approved by the Board.

29-30. Detailed arrangements and instructions on the operation of bank accounts will be prepared and maintained as Treasury Management Procedures by the finance department, and will include:

29.1-30.1. The conditions under which each bank account is to be operated.

29.2-30.2. The limit to be applied to any overdraft.

29.3-30.3. Those authorised to sign cheques or other orders drawn on Audit Scotland's bank accounts, and the limits of their authority in accordance with the Scheme of Delegation.

30-31. Banking arrangements will be reviewed at regular intervals to ensure that they reflect best practice and represent best value for money.

31-32. _____ Controlled stationery (e.g. cheques) will be held securely at all times and proper records will be maintained in relation to such stationery.

Credit Cards

32-33. _____ Credit cards will be offered to members of the Executive Team automatically. Credit cards will also be offered to other members of staff, with the specific approval of the Accountable Officer/_____, the Chief Operating Officer, and/or [a member of the Executive Team/](#) Incident Management Team where there is an on-going requirement for credit card use.

33-34. _____ The default credit limit for all cards will be set in the Scheme of Delegation and variations for individual cards will be approved by the Executive Team and/or the Incident Management Team. (Scheme of delegation 3.5)

Income

34-35. _____ Systems will be designed and maintained for the proper recording, invoicing, collection and coding of all monies due to Audit Scotland.

35-36. _____ All monies received will be banked promptly.

36-37. _____ Arrangements will be made for appropriate recovery action on all outstanding debts.

37-38. _____ Fees and charges, including fees to audited bodies, will be determined in accordance with policies decided by the Board.

Investments and borrowings

38-39. _____ No borrowing or investments will be made without the expressed agreement of the Board. In exceptional circumstances the Accountable Officer may consult with the Chair of the Board and agree a short term borrowing strategy, but this must be reported to, and ratified by the full Board at the earliest opportunity.

39-40. _____ All short term borrowings will be kept to the minimum period of time possible, consistent with the overall cash flow position.

40-41. _____ Any long term borrowing must be consistent with policies decided by the Board.

41-42. _____ Detailed procedural instructions will be prepared on the operation of investment accounts and regular reports will be made to the Board on the performance of any investments held.

Insurance

42-43. _____ Arrangements will be made to ensure that all insurance cover is effected, periodically reviewed and adjusted as necessary.

43-44. Insurance arrangements will be reviewed regularly and the market will be competitively tested and costs will be sought for insurance services in accordance with the provisions set out in these Regulations at least every three years.

Tendering procedures

44-45. Tendering procedures are contained in the Procurement Handbook, which is published on SharePoint. This document provides information on the procedures to be adopted by Audit Scotland staff when purchasing any goods and services and the need to follow value for money principles when carrying out this activity.

45-46. No contract for the supply of goods and materials, the provision of services or for the execution of works will be made where the probable cost, over the contract period, exceeds £50,000 unless tenders have been invited by advertisement on Public Contracts Scotland, the Scottish Government procurement system.

46-47. In exceptional circumstances the Chair of the Board, on a report by the Accountable Officer, may except a contract from the above provisions and direct adoption of such other procedure for the letting of the contract as seems appropriate. The decision will be notified to the full Board at the earliest opportunity.

47-48. Standing contracts for the provision of goods, materials, services or works will be kept under review and competitive tenders for such standing contracts will be sought at least every three years, or later if the contract has been extended under the terms of the original contract. No extension will be greater than three additional years before retendering.

48-49. The overall value of the tender will determine who is required to approve the acceptance of the tender and place the order for the goods, materials or service. The Scheme of Delegation will list those authorised to accept and place orders. (Scheme of delegation 3.6)

49-50. All orders will be generated through the electronic ordering system. Orders will be sent for authorisation in accordance with the procedure contained within the Scheme of Delegation (Scheme of Delegation 3.10). All orders must be made in accordance with the procedures and controls and within the terms of the Scheme of Delegation.

50-51. Official orders will be issued for all work, goods or services to be supplied to Audit Scotland except for supplies of public utility services or periodical payments such as rent or rates or such other exceptions as may be approved by the Executive Team.

51-52. Government directives prescribing procedures for awarding forms of contracts shall have effect as if incorporated in these Regulations and Audit Scotland's Procurement Handbook should be followed as appropriate.

52-53. The appointment of auditors under section 97(6) of the 1973 Act and section 21(3) of the 2000 Act will be recommended to the Accounts

Commission and the Auditor General for Scotland respectively at such intervals as they require. With the exception of the interval between awards (see paras 42-44), the procedure relating to these contracts should follow the procedure set out in these Regulations.

Payment of accounts

53-54. Before an invoice is paid the certifying officers will satisfy themselves that the account has not been previously passed for payment and is a proper liability of Audit Scotland and that:

53.1-54.1. The works, goods or services to which the account relates have been received or carried out satisfactorily.

53.2-54.2. Prices, extensions, calculations, trade discounts, other allowances, credits and tax are correct.

53.3-54.3. The expenditure has been authorised and is within the relevant estimate provisions.

54-55. All duly certified invoices shall be authorised for payment by the officer authorised under the Scheme of Delegation. (Scheme of delegation 3.8)

55-56. An officer shall not add any additional items to an invoice rendered to Audit Scotland by a supplier.

56-57. When an order has been placed using the electronic purchase ordering (EPO) system, this process incorporates authorisation of the payment prior to an order being placed. In these circumstances the authoriser will be advised of the cost of the goods or services, or an estimate if a firm cost is not available, at the time they receive the EPO. Authorisers are required to satisfy themselves that the cost displayed is reasonable and represents value for money, before they electronically sign the order. Once an EPO is signed the system will not allow any changes to the order by the authoriser or the originator.

57-58. The EPO system maintains a list of staff with delegated authority to authorise expenditure, as per para. 51 above.

58-59. When the goods or services have been received the originator records the receipt through the EPO system.

59-60. On receipt of the invoice, Finance will check whether the goods or services have been marked as received. The invoiced amount charged will be checked against the EPO submitted and, if the amount is within the parameters agreed by the Executive Team, the invoice will be accepted and paid. (Scheme of delegation 3.10)

60-61. Executive Team will set agreed parameters and if the value of the invoice is outwith the agreed parameters it will be sent back to the authoriser for an additional manual authorisation. The invoice will not be paid until the second authorisation has been received. (Scheme of delegation 3.11)

~~61-62.~~ The receipt, certification and payment of accounts to approved auditors are subject to separate arrangements under the Scheme of Delegation. (Scheme of delegation 3.12)

Audit

~~62-63.~~ The Board will establish an Audit Committee with clearly defined terms of reference under Standing Orders.

~~63-64.~~ The external auditor is appointed by the SCPA to report on whether expenditure and income have been applied lawfully and the accounts comply with the accounts direction. The external auditor will report to the SCPA who must lay the report and accounts before Parliament and publish them.

~~64-65.~~ The internal auditor is appointed by Audit Scotland and reports to the Executive Team and the Audit Committee on systems of internal control.

~~65-66.~~ The external and internal auditor are entitled to:

~~65.4-66.1.~~ enter any Audit Scotland establishment at all reasonable times;

~~65.2-66.2.~~ have reasonable and appropriate access to all records, documents and correspondence (including computer records) relating to financial and other transactions of Audit Scotland;

~~65.3-66.3.~~ require and receive explanations as are necessary concerning any matter under examination;

~~65.4-66.4.~~ require any employee of Audit Scotland to produce cash, equipment or any other property under his/her control; and

~~65.5-66.5.~~ direct access to the Chair of the Audit Committee.

Security and Fraud Prevention

~~66-67.~~ Arrangements will be made to develop and document effective policies on:

~~66.1-67.1.~~ Prevention of fraud and irregularity.

~~66.2-67.2.~~ IT security.

~~66.3-67.3.~~ Security of assets.

~~67-68.~~ Proper security must be maintained, at all times, for all buildings, stores, furniture, equipment, cash, information, etc.

~~68-69.~~ A register of secure key containers will be maintained by Business Support and kept under review by the Chief Operating Officer. Keys removed from the secure key containers will be signed for and are to be kept safe at all times until returned. The loss of any such keys must be reported immediately to Business Support staff.

69-70. 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 [Head of Performance and Corporate Governance Manager](#). The ID badges will be deactivated immediately.

70-71. The Chief Operating Officer is responsible for maintaining proper security and privacy relative to information held in the computer installations.

71-72. Under the terms of the Counter Fraud Policy, employees are required to notify their Business Group Executive Director or Director of any financial irregularity or suspected irregularity. Such concerns may be raised under the terms of the Whistleblowing Policy if considered appropriate. The employee, or senior management to whom the concerns are reported, must also advise the Chief Operating Officer. Details of these policies are available to all staff through the staff handbook.

Salaries, wages and pensions

72-73. Arrangements will be made for the payment of all salaries, wages, pensions, compensation and other emoluments due to all employees or former employees of Audit Scotland or the Accounts Commission, the Auditor General for Scotland, appropriate members of the Board and to members of the Accounts Commission.

73-74. Salaries and other payments will normally be paid by direct transfer to a nominated bank account.

74-75. A record of all matters affecting the payment of such emoluments shall be kept and in particular the following information will be recorded:

74.4.75.1. appointments, resignations, dismissals, suspensions, secondments and transfers;

74.2.75.2. absences from duty for sickness or other reason, including approved leave;

74.3.75.3. changes in remuneration, including those arising from normal increments and pay awards and agreements of special and general application;

74.4.75.4. information necessary to maintain records of service for superannuation, income tax, national insurance and the like;

74.5.75.5. particulars of any deduction from salary for loans, subscriptions and the like, and the authority for such deduction.

75-76. All deductions and changes in gross pay entitlement will be certified by Human Resources or other appropriate person and checked by a second officer prior to payment.

76-77. Pension payments are paid to former staff through the appropriate pension agency. Audit Scotland's role is to make the required deductions from

salary and to provide the information which is required from time to time by the pension supplier to allow them to maintain their records, provide information about pensions and make payments.

77-78. There are special arrangements in place relating to pensions for former Ombudsman staff and the former Auditors General, which are separate from the arrangements for Audit Scotland.

Travelling, subsistence, expenses and other allowances

78-79. The Secretary to the Accounts Commission shall review, authorise and ensure all travelling or other allowances are paid to Commission Members and advisers who are entitled to claim them upon receipt of a fully completed expense claim form.

79-80. The Chief Operating Officer shall review, authorise and ensure all travelling or other allowances are paid to Board members and advisers who are entitled to claim them upon receipt of a fully completed expense claim form.

80-81. All claims by staff for payment of car mileage allowances, subsistence allowances, travelling and incidental expenses and any advances shall be submitted duly certified and made up to the end of each month and in accordance with the current travel and subsistence policy, published in the staff handbook, and the expenses procedures published on the intranet. The officers authorised to certify such records shall be determined by the Scheme of Delegation. Initial delegation is £2,000. (Scheme of delegation 3.13)

Observance of Financial Regulations

81-82. It shall be the duty of the Accountable Officer to ensure that these regulations are made known to the appropriate Audit Scotland staff and to ensure that they are adhered to.

82-83. Any breach or non-compliance with these Regulations must, on discovery, be reported immediately to the Chief Operating Officer who will discuss the matter with the Accountable Officer in order to determine the proper action to be taken. Such concerns may be raised under the terms of the Whistleblowing Policy if considered appropriate.

Variation of Financial Regulations

83-84. These Regulations may be varied from time to time by the Board on receipt of a report and recommendations from the Accountable Officer.

84-85. 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.

Financial Regulations



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Members' Code of Conduct



Prepared by Audit Scotland
September [2023/2024](#)

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Guidance on the Code of Conduct

Introduction

1. The Scottish public has a high expectation of those who serve on the boards of public bodies and the way in which they should conduct themselves in undertaking their duties for the public body. You must meet those expectations by ensuring that your conduct is above reproach and by embracing our core values, which are:

- Independence, integrity and objectivity.
- Valuing people and ensuring equality and fairness.
- Effective communication.

2. As a member of Audit Scotland, it is your responsibility to make sure that you are familiar with, and that your actions comply with, the provisions of this Code of Conduct.

3. You must observe the rules of conduct contained in this Code. It is your personal responsibility to comply with these and review regularly, and at least annually, your personal circumstances with this in mind, particularly when your circumstances change. You must not at any time advocate or encourage any action contrary to the Code of Conduct.

4. The Code has been developed in line with the key principles listed in paragraph 6 and provides additional information on how the principles should be interpreted and applied in practice. No Code can provide for all circumstances and if you are uncertain about how the rules apply, you should seek advice from the Ethics Partner. You may also choose to consult your own legal advisers and, on detailed financial and commercial matters, seek advice from other relevant professionals.

5. You should familiarise yourself with the Scottish Government publications "On Board – a guide for board members of public bodies in Scotland" and "Members of devolved public bodies: model code of conduct - revised edition December 2021". These publications will provide you with information to help you in your role as a member of a public body in Scotland and can be viewed on the Scottish Government website.

Key principles of the Code of Conduct

6. The general principles upon which this Code of Conduct are based are:

Duty

You have a duty to uphold the law and act in accordance with the law and the public trust placed in you. You have a duty to act in the interests of Audit Scotland of which you are a member and in accordance with its core functions and duties.

Selflessness

You have a duty to take decisions solely in terms of public interest. You must not act in order to gain financial or other material benefit for yourself, family or friends.

Integrity

You must not place yourself under any financial, or other, obligation to any individual or organisation that might reasonably be thought to influence you in the performance of your duties.

Objectivity

You must make decisions solely on merit and in a way that is consistent with the functions of Audit Scotland when carrying out public business including making appointments, awarding contracts or recommending individuals for rewards and benefits.

Accountability and stewardship

You are accountable for your decisions and actions to the public. You have a duty to consider issues on their merits, taking account of the views of others and must ensure that Audit Scotland uses its resources prudently and in accordance with the law.

Openness

You have a duty to be as open as possible about your decisions and actions, giving reasons for your decisions and restricting information only when the wider public interest clearly demands.

Honesty

You have a duty to act honestly. You must declare any private interests relating to your public duties and take steps to resolve any conflicts arising in a way that protects the public interest.

Leadership

You have a duty to promote and support these principles by leadership and example, to maintain and strengthen the public's trust and confidence in the integrity of Audit Scotland and its members in conducting public business.

Respect

You must respect fellow members of Audit Scotland and its employees and the role they play, treating them with courtesy at all times. Similarly, you must respect members of the public when performing duties as a member of Audit Scotland.

7. You should apply the principles of this Code to your dealings with fellow members of Audit Scotland, its employees and other stakeholders. Similarly, you should also observe the principles of this Code in dealings with the public when performing duties as a member of a public body.

General conduct

8. The rules of good conduct in this section must be observed in all situations where you act as a member of Audit Scotland.

Conduct

9. You must treat the chair, your colleagues and employees of Audit Scotland with courtesy and respect. This includes in person, in writing, at meetings, when you are online and when you are using social media.

10. You must comply with rulings from the chair in the conduct of the business of these meetings.

Relationships with Board Members, employees of Audit Scotland and others

11. Audit Scotland values and promotes diversity and equality of opportunity. You will carry out your duties following the principles within our Diversity and Equality policy.

12. You will treat your fellow board members and any staff employed by Audit Scotland with courtesy and respect. It is expected that fellow board members and employees will show you the same consideration in return. It is good practice for employers to provide examples of what is unacceptable behaviour in their organisation. Public bodies should promote a safe, healthy and fair working environment for all.

~~12-13.~~ As a board member you should be familiar ~~with, and~~ with and understand the policies of Audit Scotland in relation to bullying and harassment in the workplace and also lead by exemplar behaviour. You will accept exhibiting certain behaviours is as important as what you communicate, given that disrespect, bullying and harassment can be physical, verbal and non-verbal conduct.

~~13-14.~~ You will not become involved in operational management of Audit Scotland, except where it is explicit within your role. You acknowledge and understand that operational management is the responsibility of the Chief Operating Officer and the Executive Team.

~~14-15.~~ You will not undermine any individual employee or a group of employees, or raise concerns about their performance, conduct or capability in public. You will raise any concerns on such matters in private with the Executive Team as appropriate

~~15-16.~~ You will not take, or seek to take, unfair advantage of your position in dealing with employees of Audit Scotland or bring undue influence to bear on employees to take a certain action. You will not ask or direct employees which you know, or should reasonably know, could compromise them or prevent them from undertaking their duties properly and appropriately.

16-17. You will accept the principle of collective decision-making and corporate responsibility. This means that once the Board has made a decision, you will support that decision, even if you did not agree with it or vote with it.

17-18. Relationships may be developed with you by others to influence our work or to acquire confidential or sensitive information for personal gain. Those seeking to develop a relationship with you may also offer a financial or other benefit to supply them with information. These relationships are inappropriate and bring risks to your personal reputation and that of Audit Scotland (see Section on Bribery and Corruption). You must inform the Chair of the Board and the Ethics Partner of any such approaches, relationships or offers of financial or other benefits, and you should discuss any concerns about any such issues as soon as possible so that Audit Scotland can support and advise you.

Remuneration, allowances and expenses

18-19. You must comply with any rules of Audit Scotland regarding remuneration, allowances and expenses.

Bribery and corruption

19-20. Bribery is the offering, giving, receiving, or soliciting of any item of value or advantage to influence the actions of an official or any other person in charge of a public or legal duty.

20-21. It is important that you are aware that it is a serious criminal offence for you to:

- give, receive or solicit a bribe (i.e. to corruptly receive or give any gift, loans, fee, reward or advantage) in return for doing or not doing anything
- show favour or disfavour to any person in the course of your work with Audit Scotland.

21-22. It is also important to be aware that an act of bribery by an individual may render Audit Scotland liable of committing an offence.

22-23. Audit Scotland has a zero tolerance to bribery and corruption therefore corrupt actions, including bribery, can lead to dismissal and prosecution.

Gifts and hospitality

23-24. You must never ask or seek gifts or hospitality.

24-25. You must not accept any offer by way of a gift or hospitality which could give rise to a real or substantive personal gain or reasonable suspicion of influence on your part to show favour, or disadvantage, to any individual or organisation. You should also consider whether there may be any reasonable perception that any gift received by your spouse or cohabitee or by any company in which you have a controlling interest, or by a partnership of which

you are a partner, can or would influence your judgement. The term 'gift' includes benefits such as relief from indebtedness, loan concessions, or provision of services at a cost below that generally charged to members of the public.

25-26. You are personally responsible for all decisions connected with the offer or acceptance of gifts or hospitality offered to you and for avoiding the risk of damage to public confidence in Audit Scotland. As a general guide, it is usually appropriate to refuse offers except:

- isolated gifts of a minor nature or token of modest intrinsic value offered on an infrequent basis, the value of which must not exceed £50
- normal hospitality associated with your duties, hospitality which has been approved in advance by Audit Scotland and which would reasonably be regarded as appropriate; or
- gifts received on behalf of Audit Scotland.

26-27. You must not accept any offer of a gift or hospitality from any individual or organisation which stands to gain or benefit from a decision Audit Scotland may be involved in determining, or who is seeking to do business with us, and which a person might reasonably consider could or would influence my judgement. If you are making a visit in your capacity as a member of Audit Scotland then, as a general rule, you should ensure that Audit Scotland pays for the cost of the visit.

27-28. You must not accept repeated hospitality from the same source.

28-29. You will not allow the promise of money or other financial advantage to induce you to act improperly in your role as a Board member. You accept that the money or advantage (including any gift or hospitality) does not have to be given to you directly. The offer of monies or advantages to others, including community groups, may amount to bribery, if the intention is to induce me to improperly perform a function.

29-30. You will not accept any gift or hospitality from any individual or applicant who is awaiting a decision from, or seeking to business with Audit Scotland.

30-31. Members of Audit Scotland should familiarise themselves with the terms of the Bribery Act 2010 which provides for offences of bribing another person and offences relating to being bribed.

31-32. 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 Ethics Partner who will record the declaration in a register kept for that purpose.

Audit Scotland only recognises and approves the giving of gifts or hospitality if recorded in the register and the expenditure is detailed in our financial accounting system. All reimbursement claims for gifts or hospitality given

through expenses must be in accordance with the remuneration, allowances and expenses policy.

To assist Members the following guidance indicates items that do not require recording or disclosure:

- Working lunches at audited bodies, partner firms, working groups/committees/boards, professional institutes and other public bodies.
- Meals and accommodation incidental to the attendance at conferences, seminars and workshops.
- Giving or receiving gifts of modest value such as a pen or book.

Items that do require disclosure would therefore include:

- Isolated gifts in excess of £50.
- Meals in external restaurants whether working or not.
- Attendance at functions organised/hosted by professional bodies e.g. Institute Annual Dinners.
- Receptions held by public bodies, partner firms or other parties where there is a widespread range of attendees e.g. gallery viewings.
- Functions where the focus of the event is an awards ceremony which involves a public sector element.
- Meals paid for by visiting delegations from other audit offices, organisations and Parliaments/Governments.
- Provision of accommodation, travel or corporate hospitality to others.

32-33. Details of any gift or hospitality will be made available for public inspection through publication of the register on Audit Scotland's website.

Confidentiality requirements

33-34. Audit Scotland carries out its work in the public interest and is committed to the principle of openness. However, there may be times when you will be required to treat discussions, documents or other information relating to the work of Audit Scotland in a confidential manner. You will often receive information of a private nature which is not yet public, or which perhaps would not be intended to be public. There are provisions in other legislation, such as the Data Protection Act 2018 and the Freedom of Information (Scotland) Act 2002, on the categories of confidential and exempt information and you must always respect and comply with the requirement to keep such information private.

34-35. You will only use confidential information to undertake your duties as a Board member. It is unacceptable to disclose any information to which you

have privileged access, for example derived from a confidential document, either orally or in writing. In the case of other documents and information, you are requested to exercise your judgement as to what should or should not be made available to outside bodies or individuals. In any event, such information should never be used for the purpose of personal or financial gain or used in such a way as to bring Audit Scotland into disrepute.

35-36. Breaches of confidentiality or information security will be treated with utmost seriousness and could prompt an investigation. Any wilful breach such as, unauthorised access or supply of information to others could lead to termination of your position with Audit Scotland and could lead to a criminal prosecution under Data Protection legislation. If you are in any doubt about a matter of confidentiality or information security, please check with the Ethics Partner.

36-37. If you are involved in an act that could cause Audit Scotland reputational risk or bring the organisation into disrepute e.g. you are arrested or charged for a criminal offence, you must inform Audit Scotland at the earliest available opportunity.

Use of Audit Scotland's resources

37-38. Members of Audit Scotland must not misuse facilities, equipment, stationery, telephony, computer, information technology equipment and services, or use them for party political or campaigning activities. Use of such equipment and services, etc must be in accordance with Audit Scotland's policy and rules on their usage. Care must also be exercised when using social media networks not to compromise your position as a member of Audit Scotland.

38-39. You will not use, or in any way enable others to use Audit Scotland's resources imprudently, unlawfully, for any political activities or matters relating to these, or improperly.

Other Appointments

39-40. 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

41. 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. [This may include, but is not restricted to, being a member/ employee of a body subject to audit by the Auditor General or the Accounts Commission.](#)

40-42. [Members should consult with the Head of Performance and Corporate Governance and the Ethics Partner to discuss any potential/ perceived conflicts of interest and to discuss the implications and any mitigating controls which may be appropriate.](#)

Registration of Interests

Introduction

41-43. The following paragraphs set out the kinds of interests, financial and otherwise which you have to register. These are called 'Registerable Interests'. You must at all times ensure that these interests are registered, when you are appointed and/or within one month of whenever your circumstances change in such a way as to require change or an addition to your entry in the Register. It is your duty to ensure any changes in circumstances are reported within one month of them changing. It is a breach of this Code not to comply with these requirements.

42-44. You should review regularly and at least once a year your personal circumstances. The interests which require to be registered are those set out in the following paragraphs and relate to you. It is not necessary to register the interests of your spouse or cohabitee.

Remuneration

43-45. You have a registrable interest where you receive remuneration by virtue of being:

- employed;
- self-employed;
- the holder of an office;
- a director of an undertaking;
- a partner in a firm;
- appointed or nominated by Audit Scotland to another body; or
- undertaking a trade, profession or vocation or any other work.

44-46. In relation to [43-445](#) above, the amount of remuneration does not require to be registered and remuneration received as a member does not have to be registered.

45-47. If a position is not remunerated it does not need to be registered under this category. However, you must note that unremunerated directorships may need to be registered under the category of 'Related undertakings' or 'Other roles'.

46-48. If you receive any allowances in relation to membership of any organisation, the fact that you receive such an allowance must be registered.

47-49. When registering employment, you must give the name of the employer, the nature of its business, and the nature of the post held in the organisation.

48-50. When registering self-employment, you must provide the name and give details of the nature of the business. When registering an interest in a partnership, you must give the name of the partnership and the nature of its business.

49-51. When registering a directorship, it is necessary to provide the registered name of the undertaking in which the directorship is held and provide information about the nature of its business, organisation, undertaking, partnership or body as appropriate. You will recognise that certain employments may be incompatible with your role as a Board member of Audit Scotland in terms of lobbying and access.

50-52. Where you undertake a trade, profession or vocation, or any other work, the detail to be given is the nature of the work and its regularity. For example, if you write for a newspaper, you must give the name of the publication and the frequency of articles for which you are paid.

51-53. Registration of a pension is not required as this falls outside the scope of the category.

Related undertakings

52-54. You must register any directorships held which are themselves not remunerated but where the company (or other undertaking) in question is a subsidiary of, or a parent of, a company (or other undertaking) in which you hold a remunerated directorship.

53-55. You must register the name of the subsidiary or parent company or other undertaking and the nature of its business, and its relationship to the company or other undertaking in which you are a director and from which you receive remuneration.

54-56. The situations to which the above paragraphs apply are as follows:

- You are a director of a board of an undertaking and receive remuneration declared under remuneration - and
- You are a director of a parent or subsidiary undertaking but do not receive remuneration in that capacity.

Contracts

55-57. 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 [59-61](#) below) have made a contract with the public body of which you are a member:

- under which goods or services are to be provided, or works are to be executed; and
- which has not been fully discharged.

56-58. You must register a description of the contract, including its duration, but excluding the consideration.

Houses, land and buildings

57-59. You have a registrable interest where you own or have any other right or interest in houses, land and buildings, which may be significant to, of relevance to, or bear upon, the work and operation of Audit Scotland to which you are appointed.

58-60. The test to be applied when considering appropriateness of registration is to ask whether a member of the public acting reasonably might consider any interests in houses, land and buildings could potentially affect your responsibilities to the organisation to which you are appointed and to the public, or could influence your actions, speeches or decision making.

Interest in shares and securities

59-61. You have a registerable interest where you have an interest in shares comprised in the share capital of a company or other body which may be significant to, of relevance to, or bear upon, the work and operation of (a) the body to which you are appointed and (b) the nominal value of the shares is:

- (i) greater than 1% of the issued share capital of the company or other body;
or
- (ii) greater than £25,000.

60-62. Where you are required to register the interest, you should provide the registered name of the company in which you hold shares; the amount or value of the shares does not have to be registered.

Non-financial interests

61-63. You may also have a registerable interest if you have non-financial interests which may be significant to, of relevance to, or bear upon, the work and operation of Audit Scotland to which you are appointed. It is important that relevant interests such as membership or holding office in other public bodies, companies, clubs, societies and organisations such as trades unions and voluntary organisations, are registered and described.

62-64. In the context of non-financial interests, the test to be applied when considering appropriateness of registration is to ask whether a member of the public might reasonably think that any non-financial interest could potentially affect your responsibilities to the organisation to which you are appointed and to the public, or could influence your actions, speeches or decision-making in Audit Scotland.

Related party disclosure

63-65. Related Party Disclosures is a requirement of International Accounting Standard 24. It is a requirement of the Code of Conduct that Board

Members and Directors sign an annual declaration at the financial year end stating that you were not aware of any related party transactions in the year.

~~64-66.~~ A related party is a person or entity that is related to the entity that is preparing its financial statements.

(a) A person or a close member of that person's family is related to a reporting entity if that person:

(i) has control or joint control over the reporting entity;

(ii) has significant influence over the reporting entity; or

(iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

(b) An entity is related to a reporting entity if any of the following conditions applies:

(i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment defined benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Declaration of interests

Introduction

65-67. The key principles of the Code, especially those in relation to integrity, honesty and openness, are given further practical effect by the requirement for you to declare certain interests in proceedings of Audit Scotland. Together with the rules on registration of interests, this ensures transparency of your interests which might influence, or be thought to influence, your actions. The objective test involved in determining whether you should make a declaration of your interests fall into three stages: connection, interest and participation as set out below:

Connection

65.4-67.1. For each particular matter you are involved in as a Board Member, you will first consider whether you have a connection to that matter.

65.2-67.2. You understand that a connection is any link between the matter being considered and you, as a person or body you are associated with. This could be a family relationship or a social or professional contact.

65.3-67.3. A connection includes anything that you have registered as an interest.

65.4-67.4. A connection does not include being a member of a body to which you have been appointed or nominated by Audit Scotland, unless (a) the matter being considered by Audit Scotland is quasi-judicial or regulatory, or (b) You have a personal conflict by reason of your actions, your connections, or your legal obligations.

Interest

65.5-67.5. You understand your connection is an interest that requires to be declared where the objective test is met - that is where a member of the public with knowledge of the relevant facts would reasonably regard your connection to a particular matter as being so significant that it would be considered as being likely to influence the discussion or decision-making.

Participation

65.6-67.6. You will declare your interest as early as possible in meetings. You will not remain in the meeting nor participate in any way in those parts of the meetings where you have declared an interest.

65.7-67.7. You will consider whether it is appropriate for transparency reasons to state publicly where you have a connection, which you do not consider amounts to an interest.

65.8-67.8. You note that you can apply to the Standards Commission and ask it to grant a dispensation to allow you to take part in the discussion and decision-making on a matter where you would otherwise have to declare an interest and withdraw (as a result of having a connection to the matter that would fall within the objective test). You note that such a dispensation is sought and that you cannot take part in any discussion or decision-making on the matter in questions, unless, and until, a conclusion is reached.

65.9-67.9. You note that public confidence in a public body is damaged by the perception that decisions taken by that body are substantially influenced by factors other than public interest. You will not accept a role or appointment if doing so means you will have to declare interests frequently at meetings in respect of your role as a Board member. Similarly, if any appointment or nomination to another body would give rise to objective concern because of your existing personal involvement or personal affiliations, you will not accept the appointment or nomination.

66-68. Public bodies inevitably have dealings with a wide variety of organisations and individuals and this Code indicates the circumstances in which a business or personal interest must be declared. Public confidence in Audit Scotland and its members depends on it being clearly understood that decisions are taken in the public interest and not for any other reason.

67-69. In considering whether to make a declaration in any proceedings, you must consider not only whether you will be influenced but whether anybody else would think that you might be influenced by the interest. You must, however, always comply with the objective test ('the objective test') which is whether a member of the public, with knowledge of the relevant facts, would reasonably regard the interest as so significant that it is likely to prejudice your discussion or decision making in your role as a member of Audit Scotland.

68-70. If you feel that, in the context of the matter being considered, your involvement is neither capable of being viewed as more significant than that of an ordinary member of the public, nor likely to be perceived by the public as wrong, you may continue to attend the meeting and participate in both discussion and voting. The relevant interest must however be declared. It is your responsibility to judge whether an interest is sufficiently relevant to particular proceedings to require a declaration and you are advised to err on the side of caution. If a board member is unsure as to whether a conflict of interest exists, they should seek advice from the board chair.

69-71. 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

41 of this Code about your legal responsibilities to any limited company of which you are a director.

Interests which require declaration

70-72. _____ Interests which require to be declared, if known to you may be financial or non-financial. They may or may not cover interests which are registerable under the terms of this Code. Most of the interests to be declared will be your personal interests but, on occasion, you will have to consider whether the interests of other persons require you to make a declaration. The paragraphs which follow deal with (a) your financial interests (b) your nonfinancial interests and (c) the interests, financial and non-financial, of other persons.

71-73. _____ You will also have other private and personal interests and may serve, or be associated with, bodies, societies, and organisations as a result of your private and personal interests and not because of your role as a member of Audit Scotland. In the context of any particular matter you will need to decide whether to declare an interest. You should declare an interest unless you believe that, in the particular circumstances, the interest is too remote or without significance. In reaching a view on whether the objective test applies to the interest, you should consider whether your interest (whether taking the form of association or the holding of office) would be seen by a member of the public acting reasonably in a different light because it is the interest of a person who is a member of Audit Scotland as opposed to the interest of an ordinary member of the public.

Your financial interests

72-74. _____ You must declare, if it is known to you, any financial interest (including any financial interest which is registerable under any of the categories prescribed in the remuneration section of this Code).

73-75. _____ There is no need to declare an interest which is so remote or insignificant that it could not reasonably be taken to fall within the objective test.

74-76. _____ You must withdraw from the meeting room until discussion of the relevant item where you have a declarable interest is concluded. There is no need to withdraw in the case of an interest which is so remote or insignificant that it could not reasonably be taken to fall within the objective test.

Your non-financial interests

75-77. _____ You must declare, if it is known to you, any non-financial interest if:

- (i) that interest has been registered under Non-Financial Interests (paragraphs 52 and 53) of the Code; or
- (ii) that interest would fall within the terms of the objective test.

76-78. _____ There is no need to declare an interest which is so remote or insignificant that it could not reasonably be taken to fall within the objective test.

77-79. You must withdraw from the meeting room until discussion of the relevant item where you have a declarable interest is concluded. There is no need to withdraw in the case of an interest which is so remote or insignificant that it could not reasonably be taken to fall within the objective test.

The financial interests of other persons

78-80. The Code requires only your financial interests to be registered. You also, however, have to consider whether you should declare any financial interest of certain other persons.

79-81. You must declare if it is known to you any financial interest of: -

- (i) a spouse, a civil partner or a co-habitee;
- (ii) a close relative, close friend or close associate;
- (iii) an employer or a partner in a firm;
- (iv) a body (or subsidiary or parent of a body) of which you are a remunerated member or director;
- (v) a person from whom you have received a registerable gift or registerable hospitality;
- (vi) a person from whom you have received registerable expenses.

80-82. There is no need to declare an interest if it is so remote or insignificant that it could not reasonably be taken to fall within the objective test.

81-83. You must withdraw from the meeting room until discussion of and voting on the relevant item where you have a declarable interest is concluded. There is no need to withdraw in the case of an interest which is so remote or insignificant that it could not reasonably be taken to fall within the objective test.

82-84. This Code does not attempt the task of defining "relative" or "friend" or "associate". Not only is such a task fraught with difficulty but is also unlikely that such definitions would reflect the intention of this part of the Code. The key principle is the need for transparency in regard to any interest which might (regardless of the precise description of relationship) be objectively regarded by a member of the public, acting reasonably, as potentially affecting your responsibilities as a member of Audit Scotland and, as such, would be covered by the objective test.

The non-financial interests of other persons

83-85. You must declare if it is known to you any non-financial interest of:

-

- (i) a spouse, a civil partner or a co-habitee;
- (ii) a close relative, close friend or close associate;
- (iii) an employer or a partner in a firm;

(iv) a body (or subsidiary or parent of a body) of which you are a remunerated member or director;

(v) a person from whom you have received a registerable gift or registerable hospitality;

(vi) a person from whom you have received registerable expenses.

84-86. There is no need to declare an interest if it is so remote or insignificant that it could not reasonably be taken to fall within the objective test.

85-87. There is only a need to withdraw from the meeting if the interest is clear and substantial.

Making a declaration

86-88. You must consider at the earliest stage possible whether you have an interest to declare in relation to any matter which is to be considered. You should consider whether agendas for meetings raise any issue of declaration of interest. Your declaration of interest must be made as soon as practicable at a meeting where that interest arises. If you do identify the need for a declaration of interest only when a particular matter is being discussed you must declare the interest as soon as you realise it is necessary.

87-89. The oral statement of declaration of interest should identify the item or items of business to which it relates. The statement should begin with the words "I declare an interest". The statement must be sufficiently informative to enable those at the meeting to understand the nature of your interest but need not give a detailed description of the interest.

Frequent declarations of interest

88-90. Public confidence in Audit Scotland is damaged by perception that decisions taken by us are substantially influenced by factors other than the public interest. If you would have to declare interests frequently at meetings in respect of your role as a board member you should not accept a role or appointment with that attendant consequence. If members are frequently declaring interests at meetings then they should consider whether they can carry out their role effectively and discuss with their chair. Similarly, if any appointment or nomination to another body would give rise to objective concern because of your existing personal involvement or affiliations, you should not accept the appointment or nomination.

Lobbying and access

Introduction

90-92. In order for Audit Scotland to fulfil its commitment to being open and accessible, it needs to encourage participation by organisations and individuals in the decision-making process. Clearly however, the desire to involve the public and other interest groups in the decision-making process must take account of the need to ensure transparency and probity in the way in which Audit Scotland conducts its business.

91-93. You will need to be able to consider evidence and arguments advanced by a wide range of organisations and individuals in order to perform your duties effectively. Some of these organisations and individuals will make their views known directly to individual members. The rules in this Code set out how you should conduct yourself in your contacts with those who would seek to influence you. They are designed to encourage proper interaction between members of public bodies, those they represent and interest groups.

92-94. The Lobbying (Scotland) Act 2016 (the Act) makes provisions about lobbying a member of the Scottish Parliament, a member of the Scottish Government, a junior Scottish Minister, a special adviser or the permanent secretary. Communications with the Scottish Government and Parliament by Audit Scotland are not classed as regulated lobbying by the provisions in section 22 (d) of the Schedule to the Act. This exemption only applies to engagement by members on Audit Scotland business and members should be mindful of the legislation if engaging with any of the above in any other capacity.

Rules and guidance

93-95. You understand that a wide range of people will seek access to you as a Board member and try to lobby you, including individuals, organisations and companies. Using the objective test below, you must distinguish between;

93.4.95.1. Any role you have in dealing with enquiries from the public;

93.2.95.2. Any community engagement where you are working with individuals and organisations to encourage their participation and involvement, and;

93.3.95.3. Lobbying, which is where I am approached by any individual or organisation who is seeking to do business with Audit Scotland.

94-96. You must not, in relation to contact with any person or organisation who lobbies, do anything which contravenes this Code of Conduct or any other relevant rule of Audit Scotland or any statutory provision.

95-97. You must not, in relation to contact with any person or organisation who lobbies, act in any way which could bring discredit upon Audit Scotland.

96-98. The public must be assured that no person or organisation will gain better access to, or treatment by, you as a result of employing a company or individual to lobby on a fee basis on their behalf. You must not, therefore, offer or accord any preferential access or treatment to those lobbying on a fee basis on behalf of clients compared with that which you accord any other person or organisation who lobbies or approaches you. Nor should those lobbying on a fee basis on behalf of clients be given to understand that preferential access or treatment, compared to that accorded to any other person or organisation, might be forthcoming from another member of Audit Scotland.

97-99. Before taking any action as a result of being lobbied, you should seek to satisfy yourself by applying the objective test about the identity of the person or organisation who is lobbying and the motive for lobbying. You may choose to act in response to a person or organisation lobbying on a fee basis on behalf of clients but it is important that you know the basis on which you are being lobbied in order to ensure that any action taken in connection with the lobbyist complies with the standards set out in this Code.

98-100. You should not accept any paid work:

- which would involve you lobbying on behalf of any person or organisation or any clients of a person or organisation
- to provide services as a strategist, adviser or consultant, for example, advising on how to influence Audit Scotland and its members. This does not prohibit you from being remunerated for activity which may arise because of, or relate to, membership of Audit Scotland, such as journalism or broadcasting, or involvement in representative or presentational work, such as participation in delegations, conferences or other events.

99-101. If you have concerns about the approach or methods used by any person or organisation in their contacts with you, you must seek the guidance of Audit Scotland.

Appendix 1: Definitions

1. "Remuneration" includes any salary, wage, share of profits, fee, expenses, other monetary benefit or benefit in kind. This would include, for example, the provision of a company car or travelling expenses by an employer.
2. "Bullying" is inappropriate and unwelcome behaviour, which is offensive and intimidating, and which makes an individual or group feel undermined, humiliated, or insulted.
3. "Chair" is the individual discharging a similar function to that of a Chair or Convenor under alternative decision-making structures
4. "Confidential information" includes:
 - 4.1. Any information passed on to Audit Scotland by a Government department (even if it is not clearly marked as confidential) which does not allow the disclosure of that information to the public;
 - 4.2. Information of which the law prohibits disclosure (under statute or by the order of a Court);
 - 4.3. Any legal advice provided to Audit Scotland, or;
 - 4.4. any information which could reasonably be considered a breach of confidence should it be made public.
5. "Undertaking" means:
 - (a) a body corporate or partnership; or
 - (b) an unincorporated association carrying on a trade or business, with or without a view to profit.
6. "Related undertaking" is a parent or subsidiary company of a principal undertaking of which you are also a director. You will receive remuneration for the principal undertaking though you will not receive remuneration as director of the related undertaking.
7. "Parent undertaking" is an undertaking in relation to another undertaking, a subsidiary undertaking, if a) it holds a majority of voting rights in the undertaking; or b) it is a member of the undertaking and has the right to appoint or remove a majority of its board of directors; or c) it has the right to exercise a dominant influence over the undertaking (i) by virtue of provisions contained in the undertaking's memorandum or articles or (ii) by virtue of a control contract; or d) it is a councillor of the undertaking and controls alone, pursuant to an agreement with other shareholders or councillors, a majority of voting rights in the undertaking.
8. "Group of companies" has the same meaning as "group" in section 474(1) of the Companies Act 2006. A "group", within s 474(1) of the Companies Act 2006, means a parent undertaking and its subsidiary undertakings.

9. "A person" means a single individual or legal person and includes a group of companies.

10. "Any person" includes individuals, incorporated and unincorporated bodies, trade unions, charities and voluntary organisations.

11. "Spouse" does not include a former spouse or a spouse who is living separately and apart from you.

12. "Cohabitee" includes a person, whether of the opposite sex or not, who is living with you in a relationship similar to that of husband and wife.

13. "Code" code of conduct for members of public bodies.

Members' Code of Conduct



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Code of Conduct

Staff Policy



Prepared by Audit Scotland
[September 2024](#)

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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:

- Equality
- Independence
- Innovation
- Integrity
- Respect.

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 40 - 42). You must tell your line manager of any such approaches, relationships or offers of financial or other benefits, and you should do this as soon as possible so that Audit Scotland can support and advise you.

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 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 Audit Scotland's Compliance Partner and Ethics Partner - the Executive Director of Innovation and Quality. The best way of making such a declaration is to use the Fit & Proper Self-Assessment

Form. This information is then retained in a secure area of SharePoint for three years, after which it is destroyed. The Compliance Partner will contact you and discuss any issues arising from your disclosure, as appropriate.

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~~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 the Compliance Partner using the email address on the form.

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 Freedom of Information and Environmental Information Regulations 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 Executive Director or the Chief Operating Officer, and then advise the Human Resources team. This procedure is in your interests. It will also allow us to meet our legal obligations in relation to family friendly benefits and Working Time Regulations. You are not allowed to use the equipment and resources of Audit Scotland in any outside employment.

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 Executive Director or the Chief Operating Officer, ~~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 Executive Director or the Chief Operating Officer. 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 Executive Director or the Chief Operating Officer.

37. All gifts above token value will belong to Audit Scotland and are not a personal gift to you. The Chief Operating Officer keeps a register to record gifts, whether they are accepted or declined and to show that acceptance was authorised. Innovation and Quality retains and maintains a subsection of the gifts register for work with other countries. Any gifts received while carrying out work for other countries should be recorded in the register.

38. The giving of gifts is generally limited to international visits, the rules for which are set out in the Policy on visits, and the provision and acceptance of gifts and hospitality in relation to work with other countries. Gifts to visiting delegations are given as mementoes of their visit to Audit Scotland. They should 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 Executive Director [or the Chief Operating Officer](#) and Human Resources.

46. Your Executive Director [or the Chief Operating Officer](#) 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.

47. You must not try to influence board members or a colleague either directly or indirectly to secure your own appointment or promotion, or the appointment or promotion of another person. You must report any instances of this occurring to your Executive Director [or the Chief Operating Officer](#), and the Head of HR.

Disclosure

48. We have access to a broad range of sensitive data and a number of the bodies we audit request staff to be security checked. The integrity and security of public information is core to the values of Audit Scotland and therefore all employees are subject to Disclosure checks in line with our [Security Vetting and Clearance policy](#) which can be found in the Staff Handbook.

49. Baseline Personnel Security Standard (BPSS) is the entry level check and forms part of a package of checks that represent good recruitment and employment practice. It provides an appropriate level of assurance as to the trustworthiness and integrity of prospective and existing workers. It involves verification of identity, nationality, and immigration status together with employment history and criminal record declaration. The basic criminal record check (through Disclosure Scotland) will be carried out which will show any

unspent convictions. Everyone working with Audit Scotland will be asked to consent to this baseline level of security clearance.

50. The next level is called Standard Disclosure and is required for all workers across Audit Services and some across Performance Audit & Best Value. Only those who are accountants by definition require a standard check. Some workers in our Finance team may be required to participate in checks to this level due to the nature of their work as accountants. Standard Disclosure enables Audit Scotland to check for certain spent convictions.

51. Enhanced Disclosure will only be needed when a worker, normally within Audit Services or Performance Audit & Best Value, is working with children or vulnerable people in the course of their work. If the worker is to be involved in such work on a long-term basis then Audit Scotland may decide to include security clearance in line with the Protection of Vulnerable Groups (PVG) to ensure continuous monitoring of the workers status. If necessary, all of the foregoing is undertaken by our HR team.

52. Security Clearance, Counter-terrorism checks and Developed Vetting will normally only be required when workers are involved in dealing with secret or sensitive data. Your manager will discuss this with you if it is required. This may be undertaken by the HR team or by our client organisation (i.e. Scottish Police Authority, Scottish Corporate Parliamentary Body etc.).

Media

53. In your work with Audit Scotland, any contact with the media is likely to come from the Audit Scotland Communications team. If you are approached directly by the media, you should speak with the Communications Manager or one of the communications officers, unless circumstances make that impossible and it is better for you to respond to the media enquiry. In this case you must tell the Communications team afterwards. More detailed advice for Audit Services staff can be found in the Audit Manual. Media training is available for staff most likely to need it. Contact the Communications team or your line manager for more information.

Social Media

54. Audit Scotland has a [Social Media Hub](#) which sets out guidance for staff on how to conduct themselves on social media platforms. Employees must conduct themselves according to high standards at all times and be conscious that they act in the best interests of Audit Scotland.

55. In particular, when posting on social media platforms staff must be vigilant about:

- posting political views, or comments that could compromise your duty to be politically neutral in public
- commenting on issues linked to public bodies or public figures, even in a private capacity, so as to not compromise the objectivity of the audit

- posting derogatory or inflammatory comments, or getting into heated exchanges with others
- understanding whether a post is public or private. It can be easy to think you are posting to a private group but in fact be posting for anybody to see.

Political neutrality

56. It is essential that Audit Scotland is seen to be free from political bias. The public expects you to carry out your work in a politically neutral way. You must follow our policies, despite any personal views, and you must not do anything which might call into question the independence and political neutrality of Audit Scotland.

57. We support an individual's freedom to participate in public affairs and hold personal beliefs and opinions, and to this end our people can be members of political parties, and they can engage in local and national political activities outside of the restrictions set out below.

58. All staff must, however, ~~must~~ receive the written permission of the Ethics Partner before any activity is undertaken. The restrictions in respect of political activity are as follows. Our people cannot:

- 58.1.** Stand as candidates for, or be co-opted into any local or national assembly.
- 58.2.** Hold roles in any party-political organisations in the field of national or local government
- 58.3.** Speak in public on matters of local or national political controversy where the impartiality of the comments may be called into question.
- 58.4.** Express views on such matters in letters to the press, books, articles, or in any other media, including social media.
- 58.5.** Canvas on behalf of candidates for any local or national assembly or on behalf of a political party.

59. In seeking the written permission from the Ethics Partner, individuals should give precise details of the intended activities and the period over which the activity is likely to take place. If permission is given the activity must not take place while the individual is on duty as an employee of Audit Scotland or on official premises.

60. Staff must observe the Official Secrets Acts at all times.

61. Individuals must not make any reference to their employment by Audit Scotland when speaking in public, except where they are required by law to declare an interest. If any risks to the interests of Audit Scotland arise from involvement in approved political activities, individuals will be required to withdraw their participation. Failure to do so may result in formal disciplinary procedures.

62. The Ethics Partner is the senior authority on what constitutes political activity and what is subject to restriction.

63. The above measures are not intended to discourage people from participating in public service activities such as school governors, approved non-executive directors, trade union work, or volunteering. The key consideration is that staff should avoid any possibility that their activities might impact on Audit Scotland's political neutrality.

Health and safety at work

64. We have a duty to ensure that all reasonable steps are taken to provide staff with a safe and healthy working environment. We will comply with the Health and Safety at Work Act 1974, any other associated legislation and statutory codes of practice.

65. You have a duty under the Health and Safety at Work Act 1974 for the health, safety and welfare of yourself and others, including members of the general public who may be affected by what you do or fail to do at work. You must comply with our Health and Safety policy and cooperate with us in our compliance with health and safety legislation.

Fair and reasonable treatment at work

66. You should expect fair and reasonable treatment from your colleagues and managers. If you feel that you have been unfairly treated or have been discriminated against, there is a grievance procedure that you can use.

67. Audit Scotland is committed to providing a working environment that is free from bullying and harassment of any nature. A workplace culture, where bullying or harassment of any nature is tolerated, is harmful to the wellbeing of our colleagues, as well as the wider organisation. We take a zero-tolerance approach to non-inclusive behaviours.

68. Any such action will be treated as a serious disciplinary offence. All managers have a duty to establish and maintain a working environment free from bullying and harassment. All employees must comply with these guidelines and take steps to ensure that bullying and harassment does not occur.

69. We expect all of our colleagues to proactively support our equality, diversity and inclusion initiatives by attending [mandatory](#) events and [by attending](#) workshops organised by Audit Scotland's Learning and Development and HR teams and employee network groups to educate themselves [as appropriate](#) on the challenges faced by others and how to help alleviate these in the workplace.

66-70. Our Bullying and Harassment policy is available on the staff handbook and is regularly reviewed. All colleagues should be familiar with the policy and aware of the process to disclose any bullying or harassment.

67-71. 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.

Commented [SB1]: Added in some additional wording to strengthen our position around bullying and harassment.

68-72. We also have a whistleblowing policy. You should refer to this if you feel that you have been required to act in a way, or have become aware of practices in the organisation, which might be illegal, improper, unethical or in conflict with the principles of this Code.

Working at home

69-73. Audit Scotland has a clear commitment to a range of flexible working options, including working at home. This provides you with the freedom to choose where and when you work.

70-74. Working at home can be required by the Incident Management Team for all staff during a national pandemic, and for an unspecified duration.

74-75. While working at home, we expect you to adhere to our policies, practices and procedures on digital security and data protection.

72-76. Health and safety is an organisational priority. While working at 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.

Code of Conduct



Audit Scotland, 4th Floor, 102 West Port, Edinburgh EH3 9DN
Phone: 0131 625 1500 Email: info@audit-scotland.gov.uk
www.audit-scotland.gov.uk

AS.4.0

Staff Handbook policy review – Whistleblowing policy

Head of HR

Item 14
Meeting date: 24 September 2024

Purpose

1. This report is to allow the Board to conduct the two-yearly review of our Whistleblowing policy held within our staff handbook on SharePoint. This policy requires approval by the Board.

Recommendations

2. The Board is invited to:
 - Consider the changes proposed to the policy at appendix one.
 - Approve the changes to the policy at appendix one.

Background

3. The policy has been shared with our PCS union representatives and Executive Team for review, with those comments responded to and incorporation made where applicable.

Considerations

4. It is not considered that there are any revisions which represent a significant departure from existing Audit Scotland policy, however, a summary of changes is noted in the below table.

| Policy | Review outcome | Approval |
|-----------------------|--|----------|
| Whistleblowing Policy | The policy has been revised on a mostly minor, non-substantive basis. It is proposed that in responding to a complaint, the investigating officer would normally be a member of Leadership Group, with removal of the existing ambiguous reference to a 'senior individual'. | Board |

Whistleblowing Policy

| | |
|--------------------------|--------------------------------------|
| Owned and maintained by: | Human Resources |
| Date checked/ created: | November 2022 August 2024 |
| Next review date: | November 2024 August 2026 |

Introduction

1. Audit Scotland encourages an open culture in dealings between its employees and all people with whom we engage. In particular, we recognise that effective and honest communication is essential if concerns about breaches or failures are to be effectively dealt with and the organisation's success ensured.
2. All of us at one time or another have concerns about what is happening at work. Usually, these concerns are easily resolved. However, when they are about unlawful conduct, financial malpractice or actions that could damage the reputation of Audit Scotland it can be difficult to know what to do.
3. Audit Scotland has introduced this policy to enable all those who work with or within the organisation to raise their concerns about such malpractice at an early stage and in the right way. We would rather you raised the matter when it is just a concern rather than wait for proof.
4. If something is troubling you and you think we should know about it, please follow the section on how to raise a concern [internally](#). ~~However, if~~ If you are aggrieved about your personal position, please use the Grievance Policy within the staff handbook on [SharePoint](#). This policy is primarily for concerns where the interests of others or of the organisation itself are at risk. It should be read in conjunction with our Counter Fraud Policy.
5. There may be occasions when, due to individual acts, omissions or failings, it may be necessary to bring certain matters to the attention of Audit Scotland's Executive team. If you are concerned about an aspect of individual behaviour or practice, you should raise it. Your concerns may fall under one (or more) of the following categories:
 - A criminal offence has been committed, is being committed or is likely to be committed.
 - A person has failed, is failing or is likely to fail to comply with any legal obligation to which they are ~~subject~~.
 - A miscarriage of justice has occurred, is occurring or is likely to occur.
 - The health and safety of any individual has been, is being or is likely to be endangered.
 - A person has supplied, is supplying or is likely to supply Audit Scotland and / or client information, without appropriate authorisation.
 - The environment has been, is being or is likely to be damaged.

- Information tending to show any matter falling within any of the above has been, is being or is likely to be deliberately concealed.

Personal and Vicarious Liability

6. Amendments made to the Public Interest Disclosure Act 1998 which came into force in 2013 included new rules introducing personal and vicarious liability. These changes mean that individuals can face personal liability to whistleblowers, and employers can be "vicariously" liable for the acts of their staff (irrespective of whether the acts are done with their knowledge or approval).

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Our Assurances to you

Your safety

7. The Board and Executive Team are committed to the aims and objectives of this policy. If you raise a genuine concern under this policy, you will not be at risk of losing your job or suffering any form of retribution as a result. Provided you are acting in the public interest, and Audit Scotland's Executive Team is satisfied you had a genuine belief of the wrongdoing committed and no personal gain was involved, it does not matter if you are mistaken.
8. If your concern is subsequently shown to be false or inaccurate, employees you will be informed of the discrepancy between your their report and the facts at hand.

Your confidence

9. We will not tolerate the harassment or victimisation of anyone raising a genuine concern. However, we recognise that you may nonetheless want to raise a concern in confidence under this policy. If you ask us to protect your identity by keeping your confidence, we will not disclose it without your consent. If the situation arises where we are not able to resolve the concern without revealing your identity (e.g. because your evidence is needed in court), we will discuss with you whether and how we can proceed.
10. ~~While we will consider anonymous disclosures, this policy is not appropriate for concerns raised anonymously.~~

How we will handle the matter

11. Once you have told us of your concern, we will look to assess what action should be taken. This may involve an internal inquiry or alternative formal investigation. We will tell you who is handling the matter, how you can contact them and whether your further assistance may be needed. If you request, we will write to you summarising your concern and how we propose to handle it, together, with the relevant outcome (once known) save for in instances where an obligation of confidentiality arises.
12. Due to the varied nature of these sorts of concerns, which may involve internal investigators and / or the police, it is not possible to lay down precise timescales for such investigations. The

investigating officer will ensure that the investigations are undertaken as quickly as possible without affecting the quality of the investigations.

13. The investigating officer will normally be a member of Audit Scotland's Leadership Group Executive Team senior individual from Audit Scotland, but however, the officer will not work within the same business area from where a concern has been raised against.
14. When you raise the concern, you may be asked how you think the matter might best be resolved. If you do have any personal interest in the matter, you should tell us at the outset. If your concern falls more properly within the Grievance Policy, we will discuss that with you ~~we will decide whether to uphold your proposal.~~
15. We will keep summary details of each whistleblowing matter raised and investigated to enable annual reporting of disclosures made under this policy.

How to raise a concern internally

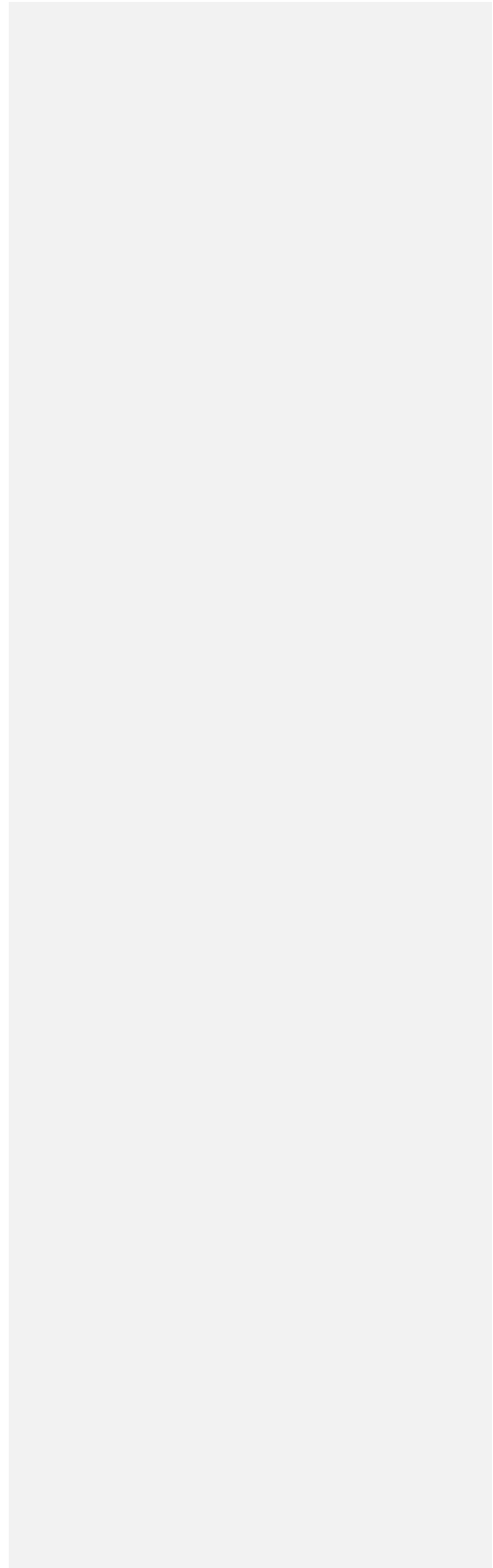
16. Step one - If you have a concern about suspected wrongdoing malpractice, we hope you will feel able to raise it first with your manager. This may be done verbally orally or in writing.
17. Step two - If you feel unable to raise the matter with your manager, for whatever reason, please raise the matter with the Chief Operating Officer or another member of the Executive Management Team. Please say if you want to raise the matter in confidence so that they can make appropriate arrangements.
18. Step three - If these channels have been followed and you still have concerns, or if you feel that the matter is so serious that you cannot discuss it with any of the above, please contact a member of the Board. Contact details of Board members can be obtained from the Head of HR if required. ~~Alan Alexander, Board Member on 07770 492 475 or Colin Crosby, Chair of the Audit Committee on 07976 634 836.~~

Independent advice

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

External contacts

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



Annual policy review of records management

Director of Corporate Support

Item 15
Meeting date: 24 September 2024

Purpose

1. This report invites the Board to approve the submission of Audit Scotland's Records Management Policy for a further year.

Recommendations

2. Board is invited to:
 - Approve the updated records management policy.

Background

3. Audit Scotland has a policy, records management plan and procedures in place to ensure compliance with the [Public Records \(Scotland\) Act 2011](#) (PRSA).
4. Records management is regularly discussed at the internal forum, the Knowledge, Information and Technology Governance Group (KITGG) which meets six times a year. Records management is a standing item for scrutiny via the Information Risk Register.
5. Information Asset Owners (IAOs) from across the organisation undertake an annual review of the Information Asset Register (IAR) to ensure that all records are managed effectively and efficiently.
6. The records management policy is reviewed on an annual basis to ensure it is up to date and submitted to Executive Team and Board for approval.
7. This also forms part of the annual assurance process in support of the Accountable Officer's Governance Statement.

Financial Implications

8. There are no financial implications related to the policy beyond officer time to carry out the review.

Annual review of Records Management Policy

9. Corporate Governance and KITGG carried out a review of the Records Management Policy during July 2024.
10. The review found no substantive amendments were required given the formal approval of the [Records Management Plan 2021-26](#) by The Keeper of the Records, and the subsequent publication of our [assessment](#) online by National Records of Scotland (NRS) in summer 2022.

Developments to our records management arrangements

11. We currently have development work under way in relation to records management, this includes:
- The annual review of the Information asset register and retention schedule by Information Asset Owners (IAO) over August and September 2024. The outcome of the review will be reported to KITGG in September 2024.
 - Later this year, in collaboration with Digital Services, we will start to plan the development and implementation of records management functionality in Microsoft 365 and SharePoint. This will allow us to fully utilise the records management tools available and automate a number of actions which are currently managed manually.
 - ISO 27001:2022 has new requirements for records management. We are working through the controls to identify what changes may be required. As a result, this policy may need to come back again later in the year for further approval to align with the requirements of ISO 27001:2022.

Records Management Policy

| | |
|---------------------------------|--|
| Owned and maintained by: | Head of Performance and Corporate Governance |
| Date checked/ created: | September 2024 |
| Next review date: | September 2025 |

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 Head of Performance and Corporate Governance 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 Information Governance and Management Group's (IGMG) 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:

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.

Accurate

Records must accurately reflect the transactions and other business activities that they describe.

Accessible

Records must be readily available when needed.

Complete

Records must be sufficient in content, context and structure to reconstruct the relevant activities and transactions that they describe.

Comprehensive

Records must document the complete range of an organisation's business.

Compliant

Records must comply with any record keeping requirements resulting from legislation, audit rules, professional standards and other relevant regulations.

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.

Secure

Records must be securely maintained to prevent unauthorised access, alteration, damage or removal. They must be stored in a secure environment, the degree of security reflecting the sensitivity and importance of the contents. Where records are migrated across changes in technology, the evidence preserved must remain authentic and accurate.

13. Guidance in support of this policy has been prepared and is available to all staff in [SharePoint](#).

14. Business groups across Audit Scotland are responsible for the appropriate retention and disposal of files within their SharePoint sites, including the labelling of files to accurately determine ownership, sensitivity, file type and the current status of the document.

Training and awareness

15. It is vital that everyone understands their information and record management responsibilities as set out in this policy. Therefore, directors and managers will ensure that staff are appropriately trained/briefed on how to manage records in accordance with this policy and our records management guidance.

16. In addition, training has been established to ensure that all staff are aware of their information obligations regarding Data Protection, Data Security and Freedom of Information.

Supplementary documentation

17. The following Acts, policies, standards, procedures and guides should be used to support and supplement this policy:

- Audit Scotland Records Management Plan, 2021-26
- Public Records (Scotland) Act 2011
- Model Records Management Plan (revised 2019)
- Data Protection Act 2018 & UK General Data Protection Regulation (UK GDPR)
- 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 Management Guides and Frameworks

Q1 Corporate performance report

Director of Corporate Support

Item 16
Meeting date: 24 September 2024

Purpose

1. This report provides the Board with a review of organisational performance as at quarter one (Q1) 2024/25.

Recommendations

2. The Board is invited to:
 - Review the performance in Q1 as set out below and in appendix 1.
 - Consider the issues affecting performance, the actions identified and whether any additional management action is required.

Background

3. The Performance framework and the quarter one report is aligned to the [Audit Scotland Corporate Plan 2023-2028](#) published in June 2023.
4. The sections in the slide deck attached as appendix one are:

| Section | Strategic Priorities |
|-------------------------|---|
| Summary | |
| Delivery | Timely and impactful annual audit Dynamic performance audit programme Enhanced audit approaches |
| Resources | Developing our people and our business |
| Innovation and learning | Insights driving innovation |

Performance overview

5. The infographic below provides a summary of performance as at Q4.

| Audit Scotland Corporate Plan 2023-28: Strategic Priorities | | | | | | | | |
|---|--------|---|---|--------|---|--|--------|---|
| Timely & impactful annual audit Dynamic performance audit programme Enhanced audit approaches | | | Developing our people and our business | | | Insights driving innovation and improvement | | |
| Delivery | | | Resources | | | Innovation and learning | | |
| Objective | Status | | Objective | Status | | Objective | Status | |
| Audits delivered on time | Amber | → | Our finances: Spend against budget | Green | → | Innovation driving audit transformation | Amber | → |
| Audits delivered on budget | Amber | → | Our people: capacity to delivery - Establishment | Green | → | Application of insights to decision-making, audit delivery & organisational change | Amber | → |
| Audits delivered on time and on budget - Audit focus | Amber | → | Our people: capacity to delivery - Cost | Green | → | | | |
| Audit quality assurance results | Green | → | Our people: capacity to delivery - Wellbeing | Amber | → | Notes: | | |
| Impact through our work | Green | → | Our people: capacity to delivery - Working across business groups | Green | → | <ul style="list-style-type: none"> • That not all objectives are reported quarterly. • Upward arrow indicates improving performance. • Horizontal arrow = maintaining performance. • Downward arrow = declining performance. | | |
| Progress towards net zero and climate resilience targets | Green | → | Our people: right skills - Learning & Development | Amber | → | | | |
| Progress against our equality outcomes | Green | → | | | | | | |
| Not progressing/ significant additional management action required | | | Progressing and additional management action planned | | | On target/ no need for additional management action | | |
| | | | | | | Measures under development | | |

Financial audit delivery

6. Quarter one focussed on the delivery of annual audit plans, NHS accounts and two Performance and Best Value (PABV) reports.
7. All NHS audits have been delivered and in addition we delivered 6 other accounts (1 Local Government and 5 Central Government).
8. There were no Accounts Commission (Local Government) accounts due in Q1.
9. We delivered 100 per cent of the outputs due in the quarter one and 91 per cent were on time. Performance improved in Q1, but audit delivery going forward stays at amber as projected performance indicates that delivery targets are not going to be met.
10. As at 12 September 2024, 12 of the 2022/23 financial audits remain outstanding.
 - Eight are local government audits (1 ASG, 7 Firms)
 - Four are Further Education College audits (Firms)
11. A verbal update on the most up to date position will be provided at the meeting.

ASG delivery

12. The focus in Quarter 1 for Audit Services was the delivery of 2023/24 health audits and 12 of the 12 NHS audits (100%) were signed off by the 30 June target date (this compares to 83% last year).

Delivery by the Firms

13. The focus in Quarter 1 for the firms was the delivery of 2023/24 health audits. Nine of the 11 Health Boards (82%) were signed off by the 30 June target date this compares to 55% in 2023/24. The two delayed reports were delivered within 1 week of the delivery date.

Performance audit/ statutory reports/ other reports delivery

14. The General Election impacted our publications schedule in Q1. We delivered Two performance audits/ other reports were scheduled for Q1 and were delivered on time. The reports were:

- [BV Controller of Audit Report: Falkirk Council](#)
- [Local Government Budget Statement \[LG24\]](#)

15. The following reports were rescheduled in light of the general election publication moratorium:

- [Local Government performance statement](#) – published 15 May 2024
- [JBs Finance and Performance report](#) – published 25 July 2024
- [Benchmarking and good public performance reporting matters](#) - published 1 August 2024
- Auditor General mid-term [blog](#)– published 13 August 2024
- [S102: Renfrewshire Council – Dargavel](#) – published 20 August 2024
- [Tackling Digital Exclusion](#) (joint report with AGS) – published 22 August 2024

Resources and capacity

16. The number of FTE at end of June 2024 was 337.56, against an establishment level 366.07 FTE. Year to date this equates to 92% of establishment. The breakdown by business group is included in Appendix 1.

17. Recruitment and selection campaigns are under way to fill vacancies across the business groups.

18. Staff turnover for Q1 for all leavers was 0.57% compared to 1.17% in 2023/24.

19. The sickness absence rate for Q1 was 1.97 days - compared to 0.85 in Q1 2023/24. This remains below the average benchmarking figures for UK workplaces. The most recent CIPD health and well-being at work 2023 report explores health, wellbeing, and absences in UK workplaces. The survey has found the highest absence rate in over a decade, 7.8 days per employee and 10.6 days for public sector bodies.

20. Audit Scotland operational costs were delivered 14.9% less than budget. Additional information is contained on slide 16 of the appendix.

Innovation & Learning

21. The pass rate for exams is 95%, this is an improvement on the 92% achieved in 2023/24.

22. The percentage of mandatory training days completed is 90%. This is an improvement on the 79% reported in Q4 2023/24, but remains below the target of 95%.

Developments in Audit delivery

23. In Q1 we have seen an improvement in the delivery of the NHS audits on time compared to last year. All ASG all audits were delivered on time and, for the Firms, 82% were delivered on time and the two late audits were delivered within one week of the deadline.

24. The tables below show current the anticipated delivery for all sectors for both the ASG and the Firms for the 2023/24 audits.

| Firms | | | | | |
|--|-----|-----|-----|-----|-------|
| Expected delivery by Sector | NHS | LG | CG | FE | Total |
| Number of audits met or expected to meet target date | 9 | 27 | 16 | 11 | 63 |
| Total audits in sector | 11 | 49 | 24 | 12 | 96 |
| Percentage of audits met or expected to meet target sign-off date in 2023/24 | 82% | 55% | 67% | 92% | 66% |
| Percentage of audits meeting target sign off date in 2022/23 | 64% | 27% | 50% | 54% | 42% |
| Performance against prior year | ↑ | ↑ | ↑ | ↑ | ↑ |

| ASG | | | | | |
|--|------|-----|-----|-----|-------|
| Expected delivery by Sector | NHS | LG | CG | FE | Total |
| Number of audits met or expected to meet target date | 12 | 42 | 44 | 7 | 105 |
| Total audits in sector | 12 | 75 | 60 | 8 | 155 |
| Percentage of audits met or expected to meet target sign-off date in 2023/24 | 100% | 56% | 73% | 88% | 68% |
| Percentage of audits meeting target sign off date in 2022/23 | 83% | 32% | 57% | 88% | 48% |
| Performance against prior year | ↑ | ↑ | ↑ | → | ↑ |

Q1 Corporate Performance Report

Appendix 1

Audit Scotland Corporate Plan 2023-28: Strategic Priorities

Timely & impactful annual audit
Dynamic performance audit programme
Enhanced audit approaches

Developing our people and our business

Insights driving innovation and improvement

Delivery

| Objective | Status | |
|--|--------|---|
| Audits delivered on time | Amber | → |
| Audits delivered on budget | Amber | → |
| Audits delivered on time and on budget - Audit focus | Amber | → |
| Audit quality assurance results | Green | → |
| Impact through our work | Green | → |
| Progress towards net zero and climate resilience targets | Green | → |
| Progress against our equality outcomes | Green | → |

Resources

| Objective | Status | |
|---|--------|---|
| Our finances: Spend against budget | Green | → |
| Our people: capacity to delivery - Establishment | Amber | → |
| Our people: capacity to delivery - Cost | Green | → |
| Our people: capacity to delivery - Wellbeing | Amber | → |
| Our people: capacity to delivery - Working across business groups | Green | → |
| Our people: right skills - Learning & Development | Amber | → |

Innovation and learning

| Objective | Status | |
|--|--------|---|
| Innovation driving audit transformation | Amber | → |
| Application of insights to decision-making, audit delivery & organisational change | Green | → |

Notes:

- That not all objectives are reported quarterly.
- Upward arrow indicates improving performance.
- Horizontal arrow = maintaining performance.
- Downward arrow = declining performance.

Not progressing/ significant additional management action required

Progressing and additional management action planned

On target/ no need for additional management action

Measures under development

Summary | Highlights, challenges and actions

Highlights

Delivery year to date

- **All NHS audits delivered** (100%)
 - 91% on time (this compares to 74% on time in Q1 2023/24)
 - ASG delivered 100% on time and the Firms 82% on time.
 - The two outstanding NHS audits were delivered within 7 days of the scheduled target date.
- 6 other audits delivered in Q1 (1 Local government , 5 Central Government) this compared to three in Q1 last year.

Resources

- At the end of June 2024 Audit Scotland's total expenditure funded by the Scottish Consolidated Fund is £2,561k which is £434k (14.5%) less than budget.
- Net operating expenditure of £2,325k is £445k (14.9%) less than budget.
- At the end of the first quarter of the 2024/25 financial year the full year forecast is that we will be on budget.
- Staff turnover YTD for all leavers was 0.57% (1.17% Q1 last year)
- Absence levels YTD 1.97 days (0.85 Q1 days last year)
- Trainees sat 39 exams with a pass rate of 95% (target = 85%).

Challenges

Delivery

- Delivery of the 12 outstanding 2022/23 Audits (ASG 1, Firms 11)
- Planning Guidance targets for delivery of financial annual audits are in line with pre-covid dates.

Resources

- The number of WTE at the end of June 2024 was 337.56 (establishment level 366.07 WTE.)
- This equates to 92% of the establishment. This is outwith the 5% tolerance margin. Recruitment campaigns are ongoing.

Delivery

Objective

Audits delivered on time and on budget

KPQ

Are audits delivered on **time**?

Target

95% of audits delivered on time

OVERVIEW **Amber**

All NHS audits have been delivered with only two late (and these were by less than one week. This is a significant improvement on last year and should help auditors as they move on to central government and local government audits.

Where Annual audit plans are outstanding, they relate to audits that were completed late in 2022/23, some of which remain outstanding.

Financial Accounts:

Accounts due in Q1:

- All 23 NHS accounts were delivered (ASG 12, Firms 11).
- 21 (91%) of the NHS accounts were on time. ASG 12 on time (100%) Firms 9 on time (82%)
- 6 other audits delivered (these are reports due in Q2 (ASG 5, Firms 1)).

There are 12 outstanding 2022/23 audits (ASG 1, Firms 11)

Financial Annual Audit Plans:

For the 2023/24 Annual Audit plans due by 30 June 2024:

- 196 (88%) of the 222 Annual Audit plans (AAPs) delivered. This is the same percentage of AAPs delivered in Q1 last year. ASG delivered 98%, Firms delivered 74%
- 148 (67%) of the AAPs were on time. (compared to 65% last year). ASG 76% Firms 52% compared to ASG 72% and Firms 58% in Q1 last year.

Performance Audit

The general election publication moratorium impacted our publications schedule during Q1 (see slide 6).

Both Performance and Best Value reports were published to schedule.

- 2 for the Accounts Commission - on time
- 0 for the AGS
- 0 for Audit Scotland

Objective

Audits delivered on time and on budget

KPQ

Are audits delivered on **time**?

Target

95% of audits delivered on time

OVERVIEW **Amber**

Financial audit

The deadlines for the 203/24 Financial Accounts due in Q1 were:

- NHS accounts 30 June 2024

For Auditor General for Scotland in Q1:

Annual Audit Plans

- 116 of 123 (94%) of the NHS, CG and FE annual audit plans have been delivered year to date
- 92 (75%) on time. ASG 61(80%) on time. Firms 31 (66%) on time.

Accounts

- All 23 NHS accounts were delivered (ASG 12, Firms 11).
- Five Central Government Accounts delivered in Q1. These will be reported in Q2 as due date is 30 September 2024

For Accounts Commission in Q1

Annual Audit Plans

- 87 of 99 (88%) of the Local Government Annual Audit plans have been delivered year to date
- 56 (56%) were on time. ASG 41(71%) on time, Firms 15 (37%) on time).

Accounts

- One Local Government account was delivered in Q1. LG audit delivery will be reported in Q2 as due date is 30 September 2024

Performance Audit

Two Performance Audit products were delivered on time in Q1.

Accounts Commission

- [BV Controller of Audit Report: Falkirk Council](#)
- [Local Government Budget Statement \[LG24\]](#)

The following reports were rescheduled in light of the general election publication moratorium:

- [Local Government performance statement](#) – published 15 May 2024
- [IJBs Finance and Performance report](#) – published 25 July 2024
- [Benchmarking and good public performance reporting matters](#) - published 1 August 2024
- Auditor General mid-term [blog](#)– published 13 August 2024
- [S102: Renfrewshire Council – Dargavel](#) – published 20 August 2024
- [Tackling Digital Exclusion](#) (joint report with AGS) – published 22 August 2024

Reasons for delivery of audits after target dates

In Q1 two NHS audits were delivered 1 week late. Both were Firms audits.

One audit was late due to late amendments, and the other was late due to delays in the audited body providing audit evidence.

Objective

Audits delivered on time and on budget

KPQ

Are audits delivered on **budget**?

Target

+/-5% of budget

OVERVIEW **Amber**

In **ASG** the initial budget for 2023/24 audits was 23,177 days (inclusive of EAFA and Housing Benefit Performance Audit. Audit teams were asked to be cautiously ambitious and, as such, this represented 12.5% fewer days than 2022/23 actuals.

As at 1 July 2024, 13,314 days have been spent on 2023/24 audits (57.4% of budget).

For NHS audits, 3,283 days were charged as at 30 June 2024 against a budget of 3,168 days. This represents an overspend of 3.6%, or 115 days. Three boards overspent by more than 10% of budget: NHS Dumfries and Galloway, Highland and Borders.

The reasons for the overspends are being considered to ensure audit approaches and budgets are revised for 2024/25. A small amount of additional time is anticipated to be charged to NHS audits in July – but, by comparison, last year we exceeded NHS budgets by 7.2%, 233 days.

PABV is reporting 5% above budget.

This includes an overspend in the IJB financial and performance report 2024 due to the General Election delay resulting in re-work to the report as well as additional supplements being added to the output.

R&D in the justice portfolio was over budget in Q1 with the Community Justice Blog being removed from the work programme and the AGS requesting a longer-term plan for justice audit work. For various reasons, HMICS work also took around a month longer than planned.

Risk register

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

A6 – Failure of efficiency and ability to demonstrate value for money ● ⇨

A9 - Failure of timely & efficient access to performance & business management information ● ⇨

Objective

Audits delivered on time and on budget

KPQ

Are colleagues **audit focused**?

Target

70% of available time on audit

OVERVIEW **Green**

Colleagues are audit focused.

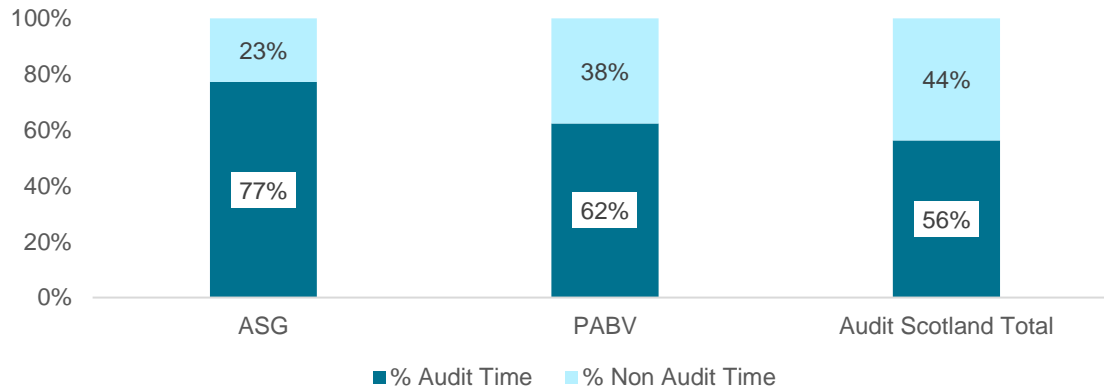
The combined time spent on audit for ASG and PABV is 73 percent, which is above target. (Available time does not include leave.)

The percentage of **colleagues delivering audit** in ASG and PABV.

- ASG 96%
- PABV 90%

(This excludes colleagues who do not work on audit and those on Maternity leave)

Q1 Percentage of available time spent on Audit

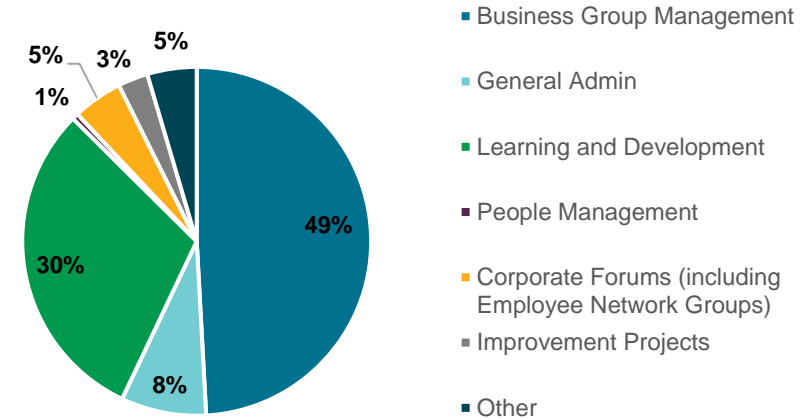


In comparison, in Q1 2023/24:

ASG – 66% Audit time and 34% Non-Audit time

PABV – 50% Audit time and 50% Non-Audit time

% Breakdown of non-audit activity for ASG & PABV



Non audit time includes time codes for:

Learning & development, improvement projects, business group management, meetings, travel and other (including general administration)

Risk

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

Risk register

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

A5 – Failure of audit quality

A3 – Failure to deliver audits to deadlines

Objective

Audit quality assurance results

KPQ

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

Target

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

OVERVIEW **Green**

During Q1

I&Q held two quality feedback sessions for ASG and PABV staff in May to share the findings from internal and ICAEW cold file reviews, lessons learned and planned improvement activity. These mandatory training sessions were well attended, and the recording and materials are available online via LMS.

The Quality Team facilitated root cause analysis (RCA) discussions with selected ASG audit teams. The RCAs will inform the refresh of our quality improvement action plan which is due for update in Q2.

A summary of the RCAs was presented to ASGMT in June and the summary has been shared with all ASG staff to inform quality improvement. I&Q also assisted with various discussions with ICAEW to finalise the external monitoring visit and helped prepare the response to the final monitoring report '2022/23 QAD Review of Audit Scotland' issued in May 2024.

We completed two internal cold file reviews for Performance Audit products in April. Both achieved a grade 2 'limited improvements required' outcome.

An RCA process with selected PABV audit teams is scheduled for Q2 which will inform the update of the improvement action plan.

The Quality Team started the next phase of monitoring in Q1. This is focused on hot file reviews and a thematic review of Best Value audit work.


Risk

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

Risk register

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

A5 – Failure of audit quality 

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

Objective

We engage with stakeholders

KPQ

How are we **engaging** with stakeholders

Target

Engagement - time series comparison

OVERVIEW Green

We continue to get our messages out effectively through a variety of means. Reports were rescheduled due to the General Election. We followed civil service guidance and did not publish any reports that could be used to influence voting intentions.

In Q1

Media / broadcast:

- Top **AGS** reports: None in the quarter
- Top **Accounts Commission** reports: CoA: Falkirk Council, Briefing: Councils' budgets 2024/25

Social media engagements:

- Auditor General posts = 349
- Accounts Commission posts = 6,022
- Audit Scotland posts = 9,738

Parliament committee attendance:

- 10 parliament committees including Public Audit Committee, Local Government, Housing and Planning Committee, Health, Social Care and Sport Committee, The Net Zero, Energy and Transport Committee and Finance and Public Administration Committee.

Consultations: In Q1 we responded to three consultations:

- Consultation on the United Nations Convention on the Rights of the Child (Incorporation) (Scotland) Act 2024:
- Housing (Scotland) Bill
- National Performance Framework: Inquiry into Proposed National Outcomes

Risk

The risk is to Audit Scotland's reputation if we do not engage with key stakeholders.

Risk register

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

A12 - Failure of market capacity/ appetite for public audit work from the private sector (future appointments) ● ⇨

M1– Failure to maximise the value, impact and influence of public audit ● ⇨

| Measure | Q1 | Q1 |
|-------------------------|---------|---------|
| | 24/25 | 23/24 |
| Consultation responses | 3 | 7 |
| Committee attendance | 10 | 16 |
| Downloads | 463,647 | 153,474 |
| Media mentions | 137 | 428 |
| Social media engagement | 16109 | 13061 |

Objective

We communicate with stakeholders

KPQ

How are we responding to enquiries from the public

Target

Communication - Better than 95% on time

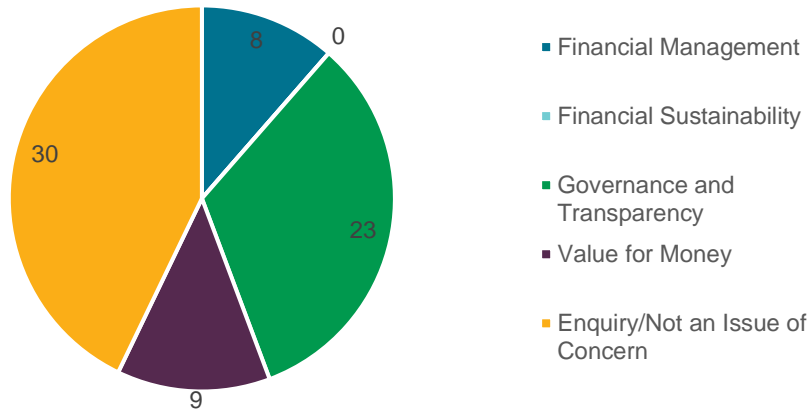


OVERVIEW

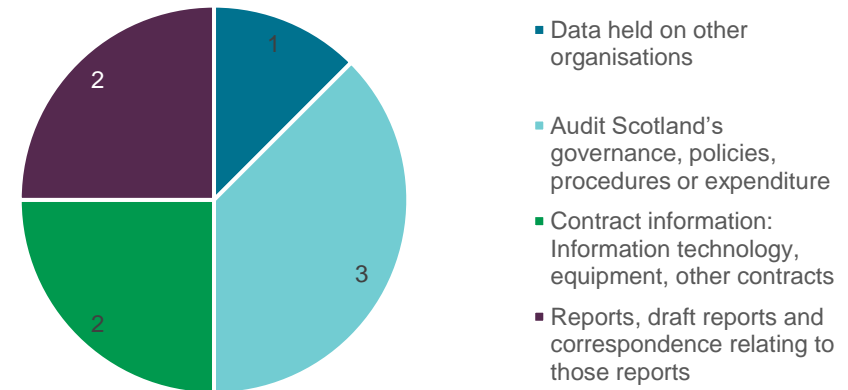
In Q1 we responded to:

| | 24/25 total | 23/24 total | 24/25 % on time | 23/24 % on time |
|----------------|-------------|-------------|-----------------|-----------------|
| Complaints | 0 | 4 | N/A | 75 |
| FOI | 8 | 45 | 100 | 98 |
| DSAR | 0 | 3 | N/A | 100 |
| Correspondence | 70 | 248 | 100 | 98 |

Correspondence category



FOI Categories



Objective

Progress against our **equality outcomes**.

KPQ

Are we progressing towards **our equality outcomes**

Target

TBC

OVERVIEW Green

In 2023/24 we undertook a review of progress review against 2021-2025 equality outcomes, three years into new outcomes cycle.

We are using this review to inform our new DEI strategy and next set of equality outcomes for 2025 to 2029. The key findings of the review are set out below.

We have delivered significant activity that contributes towards our equality outcomes:

- More than 70% of our performance audit products reference social and economic factors and protected characteristics and references in recommendations has increased each year from 8% of products in 2021/22 to 26% in 2023/24. We have expanded our range of publications and tailored them to meet the different communications needs of our audiences.
- We undertake significant external engagement on equality and human rights policy and are developing our approaches to integrating service user involvement and human rights into our audit methodology.
- We have seen an increase in applicant numbers amongst ethnic minorities (13.8% in 2019/20 to 24.6% in 2022/23) and disabled people (3.4% in 2019/20 to 7.10% in 2022/23).
- Our gender pay gap has decreased from circa 10% in 2020/21 to just over 6% in 2022/23.
- We have six active diversity network groups led by colleagues. These groups regularly seek feedback from colleagues who share protected characteristics, support each other and support our organisation to understand their needs and design and deliver policies that take these into account.

| Issues / Actions | Actions to improve performance | Who | Timescales | Comment / update |
|--|--------------------------------|-----|------------|--|
| We now have data against all the new KPIs. We will monitor data over next few quarters to develop targets and ranges to allow us to assess progress. | | | | Review and update by Q2 report 2024/25 |

Resources

Objective

Our finances: Spend against budget

KPQ

Spend against budget - Organisation

Target

Break even

OVERVIEW Green

The target for Audit Scotland is to break even as required by the Public Finance and Accountability (Scotland) Act 2000.

At the end of June 2024 Audit Scotland's total expenditure funded by the Scottish Consolidated Fund is £2,561k which is £434k (14.5%) less than budget.

Net operating expenditure of £2,325k is £445k (14.9%) less than budget.

At the end of the first quarter of the 2024/25 financial year the full year forecast is that we will be on budget.

Fee income – recognition of income on completion of outstanding 22/23 audits for both firms and in-house work. Firms additional income £718k and in-house £22k. For 23/24 audits, in-house work behind plan on central government, FE and EAFA though the overall position remains on target. Firms slightly ahead of plan on all sectors except for local government.

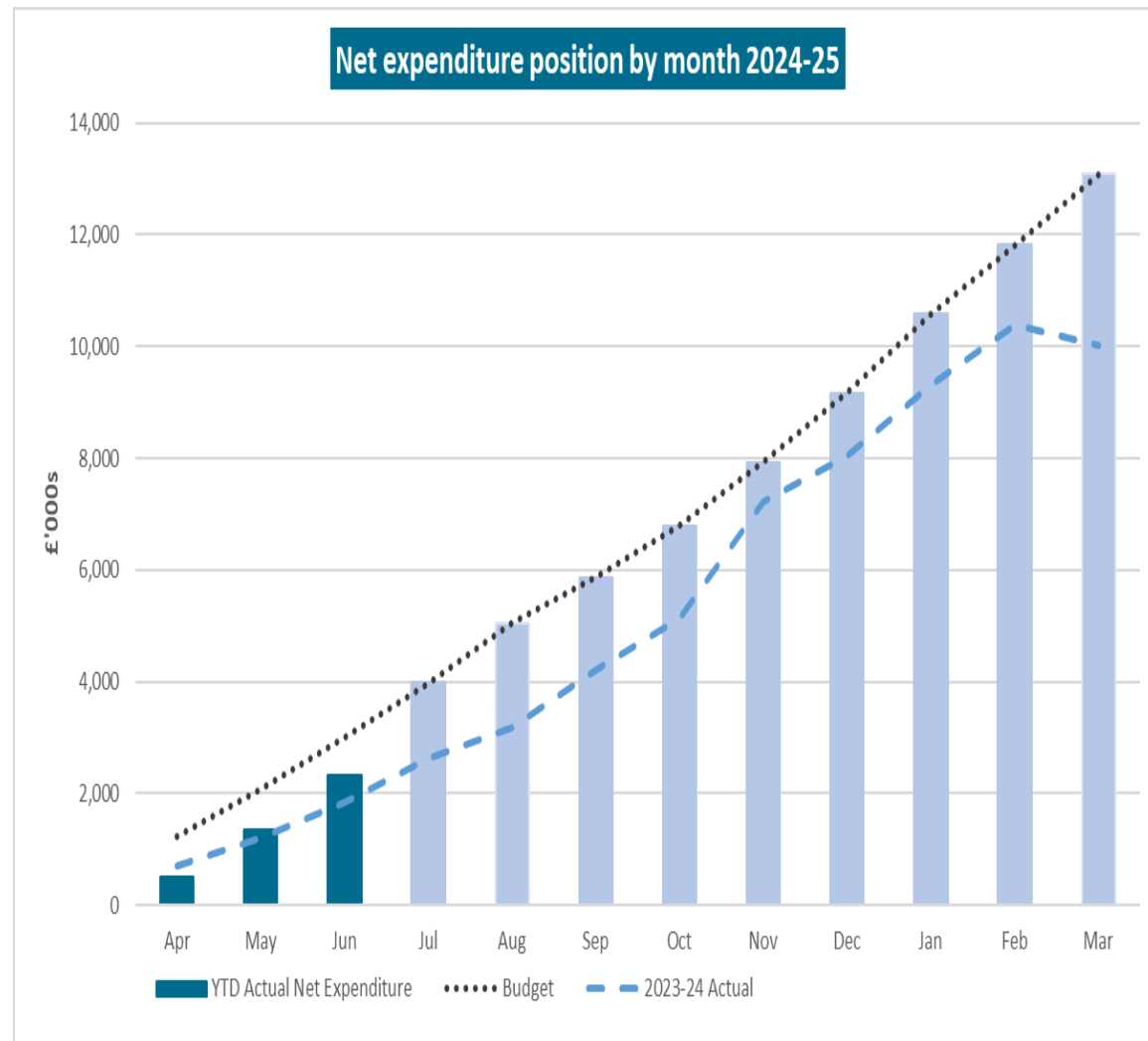
Other income – bank interest £12k better than budget.

Pay – budgets include a pay award settlement of 4% and the actual ytd position includes an accrual to account for the impact of the outstanding pay award. The pay variance of £237k is due to the average whole time equivalent position being 10.6 being below funded establishment and there is also a price variance (£53k) which is due to staff turnover. This is reduced by agency expenditure of £98k.

Non-pay - overspends in firms' payments, professional services and IT costs. Firms overspend offset by additional fee income and overspends in professional services and IT to be met by future savings.

Capital – £11k expenditure as Glasgow minor building works project.

Forecast - assumes on budget with first forecast to be prepared following closure of June management accounts.



Objective

Our finances: Spend against budget

KPQ

Spend against budget - Organisation

Target

Break even

The current financial risks are:

- Closing work in progress position for 2024/25 audit work at 31 March 2025.
- 2024 pay settlement.
- Firms additional audit work and fees.
- Outstanding 2022/23 audits.
- Impact of audit modernisation and resourcing system projects. - Procurement demand and lead times.
- Planned reduction in holiday pay accrual.

Risk register

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

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

Objective

Our people: Right skills and capacity to deliver

KPQ

Capacity to deliver - people establishment

Target

+/-5% of establishment

OVERVIEW **Amber**

Current staffing level vs **establishment**

- The number of FTE at the end of June 2024 was 337.56 (establishment level 366.07 WTE.)
- This equates to **92%** - which is under the 95% target.

At the end of June 2024, the business groups were under establishment as follows:

- Audit Services = 92.19% of establishment.
- Performance Audit and Best Value = 92.41% of establishment
- Corporate services = 92.73% of establishment
- Innovation and Quality = 87.25% of establishment.
- Audit Quality and Appointments = 125% of establishment
- Accounts Commission Support = 50% of establishment

Objective

Our people: Right skills and capacity to deliver

KPQ

Capacity to deliver - People establishment

Target

+/-5%

Performance, trend and RAG

Overall, this measure is rated amber due to WTE being at 326.6 which is 93% of establishment (351.2).

Actions include:

- Recruitment campaigns
- Focus on resourcing flexibilities within current budget envelope
- Coordination between ASG and I&Q to understand the workload and resourcing impact of changes in audit requirements and expectations.
- Closer coordination implemented between ASG and PABV in relation to the resourcing and delivery of Best Value requirements.
- Monitoring and reporting to ET, Board and AC
- Scenario planning and development of a new Target Operating Model

Risk

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

Risk register

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

A4 - Failure of capacity –establishment, deployment, skills.  

| Issues / Actions | Actions to improve performance | Who | Timescales | Comment / update |
|------------------|--------------------------------|---------|------------|------------------|
| | Ongoing recruitment campaigns | Various | Various | |

Objective

Our people: Right skills and capacity to deliver

KPQ

People spend against budget.

Target

+/- %5 of budget

OVERVIEW **Green**

The year-to-date underspend of £462k on staff pay is mainly due to:

- A favourable volume variance of £30k with the average vacancy level for the year to date being 1.8 whole time equivalents (0.5%) less than funded establishment.
- The favourable price variance of £432k relates to the inclusion of a 4% pay award uplift in the budget with pay negotiations ongoing with union representatives.

Risk

None

Risk register

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

A4 - Failure of capacity – establishment, deployment, skills ● ⇨

A9 - Failure of timely & efficient access to performance & business management information ● ⇨

Objective

Our people: Right skills and capacity to deliver

KPQ

Capacity to deliver - **Wellbeing**

Target

Per KPI

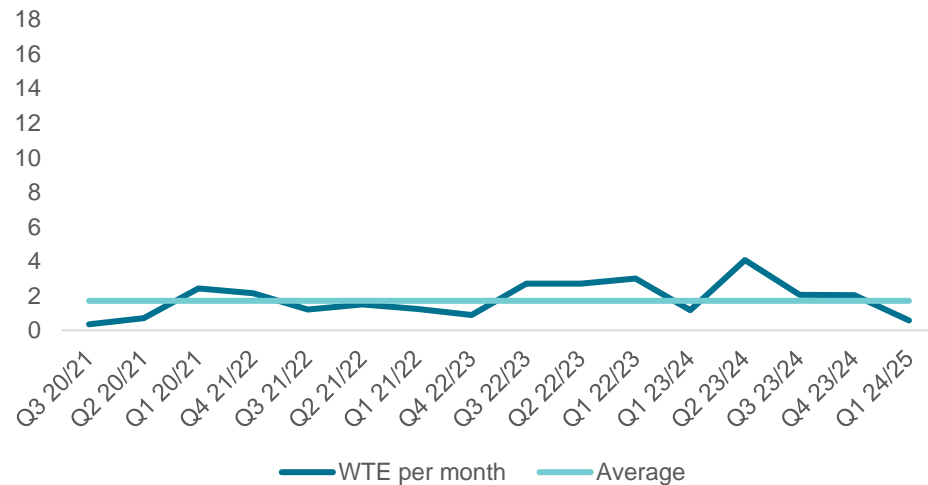


OVERVIEW Green

Staff turnover YTD for all leavers was 0.57% compared to 1.17 in Q1 2023/24. The median figure for the UK is 10.3

The graph shows the variation for leavers above and below the average for the period 2020-21 to date. The variation is in most cases less than two percent above or below the average.

All leavers to Q1 2024/25



OVERVIEW Amber

Sickness absence YTD was 1.97 days compared to 0.85 in Q1 2023/24. Breakdown by business group is shown in the table.

| Average Sickness days by Business group | | | | | |
|---|------|----|----|----|-----|
| | Q1 | Q2 | Q3 | Q4 | YTD |
| ASG | 2.47 | | | | |
| PABV | 0.93 | | | | |
| I&Q | 1.07 | | | | |
| CSG | 2.20 | | | | |
| AS average | 1.97 | | | | |

Objective

Our people: Right skills and capacity to deliver

KPQ

Capacity to deliver - **Wellbeing**

Target

Per KPI

OVERVIEW **Amber**

Flexi Balances

Flexi reports are re-run at the end of each quarter to provide a more accurate assessment of staff balances.

Note: Is it not possible to highlight staff balances which are historically carried forward with no reset, or static in terms of flexi being used at the same rate it is being accrued.

In 2023/24, no member of staff – at any grade- was reported to have worked in excess of 48 hours in a week

Risk

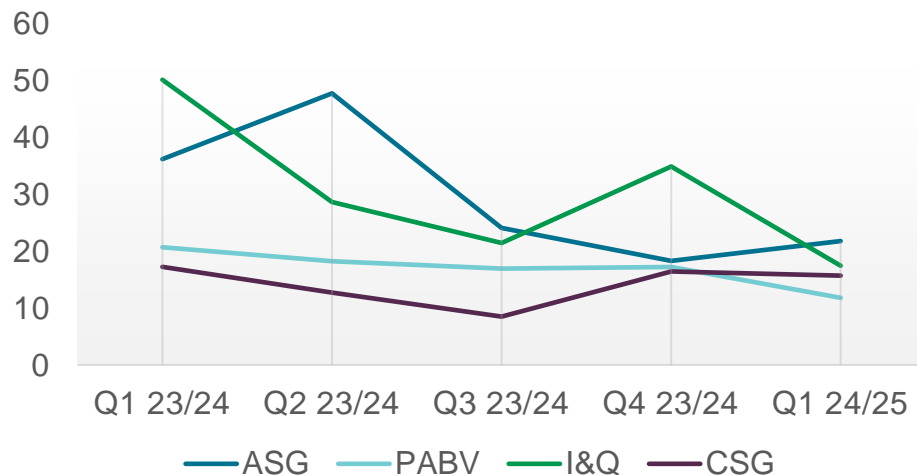
Wellbeing of colleagues is key to capacity to deliver

Risk register

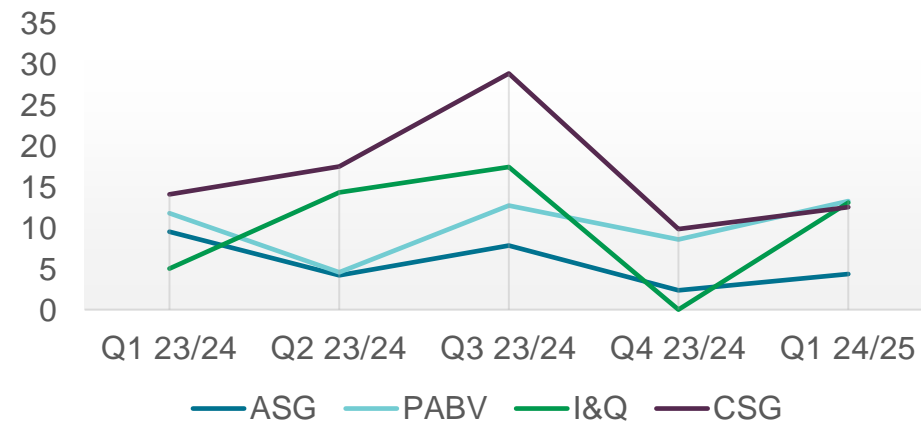
The performance affects the following risk in the corporate risk register.

A4 - Failure of capacity –establishment, deployment, skills ● ⇨

% of colleagues with greater than 14.5 hours flexi



% of colleagues with greater than -7.25 hours flexi



Objective

Our people: right skills - Learning & Development

KPQ

Learning (L&D)

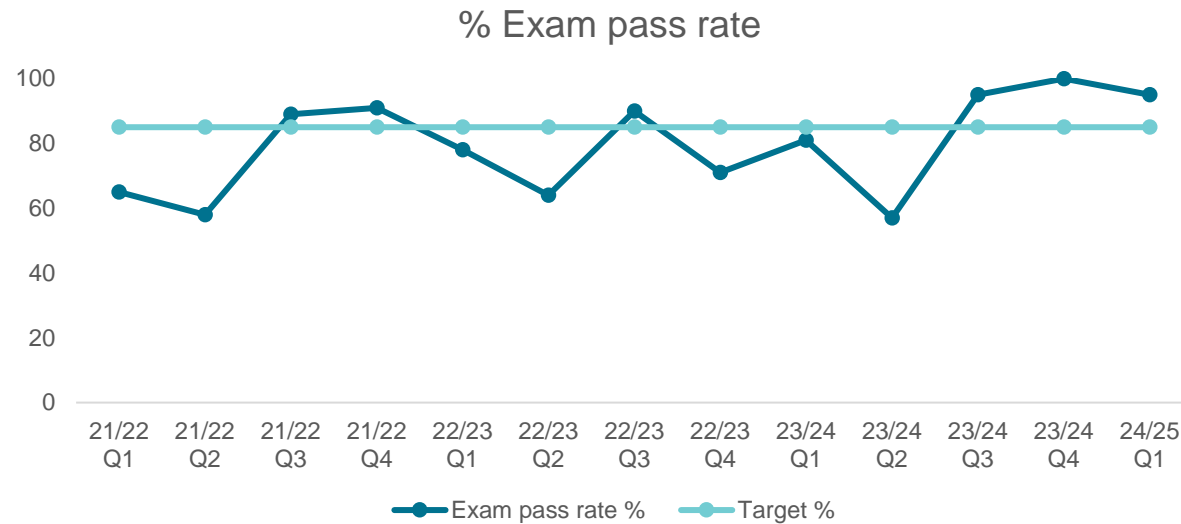
Target

Target per KPI

OVERVIEW Amber

L&D in Q1:

- Trainees sat 39 exams with 37 exams passed (95%) against a Target of 85%. This compares to 81% pass rate in Q1 2023/24.
- Percentage of **mandatory training days completed** = 90% (Target 95%). This is better than Q4 (79%)



| Event | Completed |
|--|------------|
| Data Protection including GDPR | 95% |
| Digital Services Cybersecurity Training (not available on LMS) | 89% |
| Emotional Intelligence (ILT Report) | 82% |
| Hybrid working DSE | 87% |
| Freedom of Information | 96% |
| Protecting Information Part 2 | 92% |
| Protecting Information Part 3 (materials) | 81% |
| Trust and Ethics (materials) | 99% |
| Total Mandatory training | 90% |

Objective

Our people: right skills - Learning & Development

KPQ

Learning (L&D)

Target

Target per KPI



OVERVIEW **Amber**

Key messages

- The new “Aspiring Leaders” programme that is being run with Audit Wales was launched in May .
- eLearning continues to be used widely across the organisation.
- There has been an increase in those completing the mandatory training in Q1, this has improved the completion rate to 90%, with the most notable increase in Trust and Ethics. This continues the steady increase compared to previous quarters.
- There has been new content added to the LMS including materials that have been shared by NHS on fraud, money laundering and preventing procurement fraud.
- Work has commenced on the development of learning pathways for each of the bands.
- Materials continue to be created for technical audit utilising Easy Generator including “Housing benefit subsidy certification 2023/24” and “IFRIC 14 & pension asset ceilings”
- The L&D plan for 24/25 was published in August

Risk register

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

A4 – Failure of capacity – establishment, deployment, skills  

Objective

Our people: Right skills and capacity to deliver

KPQ

Working across business groups

Target

Score greater than four



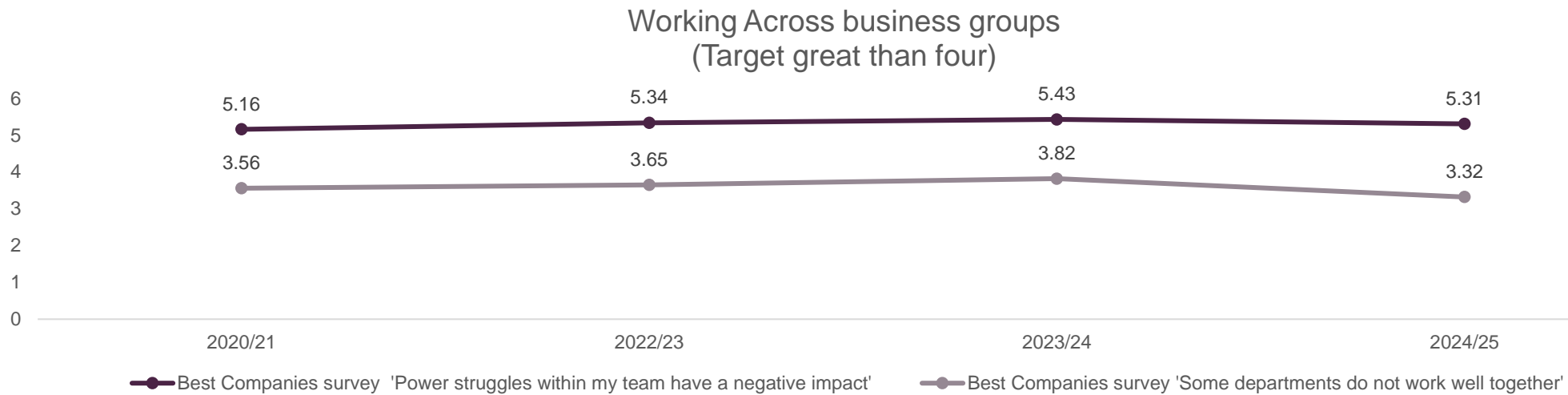
OVERVIEW **Amber**

- Results from the Best Companies survey held in November 2023 highlighted that the two questions about colleagues working across business groups showed consistent scores for the last four years.

Risk register

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

A5 – Failure of capacity – establishment, deployment, skills



Innovation & Learning

Objective

Innovation driving audit transformation

KPQ

Target per KPI

Target

Prior year performance

OVERVIEW **Amber**

Performance

In Q1:

Audit Modernisation Project.

- A Gate 1 assurance review on the Audit Modernisation Project has been undertaken. This was an early assessment to inform the Strategic Outline Case (SOC), procurement activities and preparation of the Outline Business Case (OBC). The assessment and report shared with SRO and finalised report and IAAP will be presented to the AAB/AMPB and SIPB in Q2. Status was assessed as amber, and an action plan has been agreed
- The Audit Modernisation project is progressing well but is currently reporting as amber. This is largely to do with capacity constraints. Recruitment for new fixed term PM started in June.
- Focus group sessions with ASG and PABV staff were completed in Q1 with high level findings presented to the AAB/AMPB and SIPB in May. Findings are being collated and will help inform requirements gathering for software and audit approach development plans. Findings from the Quality Improvement Action Plan and RCA exercises are also helping to inform this. Focus group sessions with BSS and comms are planned for June/July. Process mapping for ASG and PABV approaches underway and will continue in Q2.
- Market analysis well underway and discussions held with NAO, Audit Wales and our lawyers. PIN and RFI returns received from 5 suppliers. This information is supplementing the desktop analysis.

Other

- Centralised NHS performance analysis, sample size calculator, budget dashboard – all well received internally and externally with work starting on other dashboards
- Top tips bulletin issued in Q1 to remind auditors of some inhouse and off the shelf tools that would be useful during final accounts.
- Scottish Budget dashboard received positive feedback from teams and SPICe, SFC and Scottish Government. Work has commenced on new dashboards to support the LGO and NHSO teams.
- Continued engagement with UK PAF bodies around the development of training to improve IT audit skills and knowledge

Objective

Innovation driving audit transformation

KPQ

Target per KPI

Target

Prior year performance



OVERVIEW Amber

Performance

In Q1 examples of:

- Use of new products/analysis - New internal tool in the sample size calculator that has been developed and being trialled for some 23/24 audits
- We received three suggestions to our ideas board.

Colleague Feedback - No surveys were issued during this period. However, we received positive feedback from the focus group sessions about Asc and how it offers a more robust approach and huge potential. There were comments about the fact it takes a while to learn and get to grips with. There were also positive comments about the budget dashboard and DataClipper

Risk register

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

A10 - Failure to deliver the objectives of audit modernisation ● ⇒

| Issues / Actions | Actions to improve performance | Who | Timescales | Comment / update |
|--|---|--|------------|---|
| Capacity constraints within I&Q and within the wider organisation has caused some slippage on AMP project. | We will have resources in place in Q1 24/25 to better support the project and deliver key milestones in Q1 and Q2. We will continue to monitor progress and escalate any issues as required, through the project board. | Head of Digital Audit/ project lead | Q1 24/25 | Update Q1- Secondment resources integrated into I&Q. Collaboration with ASG to ensure that urgent ASG work could also be supported. Job evaluation for the PM role evaluated and recruitment started in June. This took slightly longer than anticipated so there will be a gap between project managers. This has been managed by putting robust handover procedures and notes in place. |

Objective

Innovation & Learning - Insights

KPQ

Application of **insights** to decision making, audit delivery and organisational change

Target

TBC



OVERVIEW Green

During Q1 we continued to make progress with the **Insights** project, delivering our second impact evaluation report to Scottish Parliament's Public Audit Committee and our third impact monitoring and evaluation report internally. This highlighted a range of learning and opportunities to develop and improve, which will be taken forward into our next operational planning process, including:

- Improving our annual audit approach to clarify action plans in annual audit reports and enhance the consistency and quality of our recommendations.
- Working collaboratively across Audit Scotland to deliver the impact framework, including promoting our recommendations, following up on recommendations and integrating data collection and analysis across teams.
- Reviewing our approach to wider scope audit dimensions to better align it with our shared outcomes for public audit.
- Improving support to audit teams to identify and share good practice through our audit work.
- Improving the promotion of and response rate to our stakeholder feedback surveys.
- Considering what reasonable and achievable recommendations look like around financial sustainability to help support improvement in this area.
- Exploring longer-term themes of impact and making connections across periods of impact.

We undertook two internal insights events with an average attendance of 71 people. We also held an external event which 155 people attended.

We continue to gather feedback from stakeholders, including a public opinion survey, MSP survey, Audit Quality Surveys, and new surveys for performance audit as part of the Insights project. This information was reported to the Board, and included in the impact reporting. The impact report is available on our [website](#), and the next report will be considered by the Board in January.

| Issues / Actions | Actions to improve performance | Who | Timescales | Comment / update |
|--|--------------------------------|-----|------------|--|
| Data now collected for all KPIs. We will monitor data over next two quarters to develop targets and ranges to enable full assessment of performance. | | | | Review and update by Q2 report 2024/25 |

Q1 Financial performance report

Corporate Finance Manager



Item 17

Meeting date: 24 September 2024

Purpose

1. This report presents the financial results for the three months to 30 June 2024.

Recommendation

2. The Board is invited to:
 - Note the financial results for the three months to 30 June 2024.
 - Discuss and note the main financial risks in paragraphs 24 and 25.

Background

3. A Financial Performance Executive Summary is provided in the appendix to support this report.
4. This report was discussed by Audit Committee on 3 September 2024 and has been reviewed by Leadership Group.

Summary position

| Financial Position as at end of June 2024 | | | | | | |
|---|----------------------|----------------------|------------------------|-----------------------|---------------------|------------------------|
| | Actual YTD £'000s | Budget YTD £'000s | Variance YTD £'000s | FY Forecast £'000s | FY Budget £'000s | Variance YTD £'000s |
| Income | (6,899) | (6,277) | 622 | (24,504) | (24,504) | 0 |
| Pay | 5,976 | 6,115 | 139 | 24,540 | 24,540 | 0 |
| Non-pay | 3,473 | 3,158 | (315) | 13,043 | 13,043 | 0 |
| Capital Expenditure | 11 | 0 | (11) | 150 | 150 | 0 |
| Funded by Scottish Consolidated Fund | 2,561 | 2,995 | 434 | 13,229 | 13,229 | 0 |

5. At the end of June 2024 Audit Scotland's total expenditure funded by the Scottish Consolidated Fund is £2,561k which is £434k (14.5%) less than budget.
6. Net operating expenditure of £2,325k is £445k (14.9%) less than budget.
7. Total capital expenditure year to date of £11k relates to the minor building work project in the Glasgow office.
8. Following the end of the first quarter of the 2024/25 financial year a forecast is being prepared to establish a possible final outturn for the year based on a number of scenarios.

At the end of the first quarter the current assumption is that we will be within our allocated budget despite a number of financial pressures.

9. Variance analysis is provided in the main body of this report.

Income

10. Income recognition year to date of £6,899k is £622k (9.9%) more than budget.

11. In-house audit income £226k less than budget broken down as follows:

- Unbudgeted prior audit year income of £22k recognised for the completion of 2022/23 audits in the local government sector.
- 2023/24 audit fee income in local government (£31k) and health (£1k) more than budget with central government (£158k), EAFA (£56k) and further education (£66k) less than budget.
- Non-chargeable audit work is ahead of plan with the overall position for 2023/24 in-house audit work being on plan.

12. Income recognition for the firms is £836k (4.4%) more than budget due to:

- Unbudgeted prior year audit income of £718k recognised for completion of 2022/23 audits in local government (£661k), central government (£2k) and further education (£55k).
- Fee income recognition for 2023/24 audits is more than budget in health (£156k), water (£66k), central government (£77k) and further education (£44k) with local government (£225k) less than budget.
- Non-chargeable audit work is behind plan with the overall position for the firms' 2023/24 audit work on plan.

13. The balancing favourable variance of £12k is mainly due to bank interest on deposit balances being more than budget. This is due to the deposit account interest rates being higher than prior years.

Pay expenditure

14. Expenditure on pay, pensions and agency costs of £5,976k is £139k (2.3%) less than budget.

15. The year-to-date underspend of £237k on staff pay is mainly due to:

- A favourable volume variance of £184k with the average vacancy level for the year to date being 10.6 whole time equivalents (3.1%) less than funded establishment.
- The favourable price variance of £53k relates to staff turnover and higher trainee numbers.

16. Unbudgeted agency and secondment expenditure year to date of £98k is providing additional expert support on the audit modernisation and resourcing projects. There has

also been a requirement for additional audit support within Audit Services. The variance will be funded by budget savings, additional fee income and an allocation from management contingency.

Non-pay expenditure

17. Non-pay expenditure includes the payments to firms under the audit appointments contract and other operating expenditure. Year to date expenditure of £3,473k is £315k (10.0%) more than budget.
18. The main variances appear in Firms payments, professional services, IT and property.
19. **Firms payments** £188k (8.7%) more than budget due to additional work undertaken to complete prior year audit work. Additional prior year fee income covers the additional costs with the firms identifying a significant number of adjustments, discrepancies in the application of accounting standards and delays in the availability of working papers. The position in respect of 2023/24 audit work highlights a small overspend (£51k) which is being offset by the recognition of more fee income than planned.
20. **Professional services** £26k (18.2%) more than budget mainly due to expenditure relating to the estates management and audit modernisation projects. Estates management costs are the payments made to Space Solutions to manage the Edinburgh and Glasgow projects on our behalf. This expenditure will be met from savings in the second half of the financial year when we start to make savings on our property costs and budget adjustments will be made to cover these costs. Audit modernisation costs relate to a Gateway review of the project and these costs will be met from other budget savings within the Innovation & Quality budget allocation.
21. **IT** expenditure £54k (37.2%) more than budget due to upfront one-off payments for hardware and software. Available budgets will be re-phased in the next quarter to cover this overspend.
22. **Property** expenditure £26k (8.4%) more than budget due to application of notional interest charge for Edinburgh and Glasgow offices under IFRS 16 Leases. Future savings on completion of office re-configurations will be used to fund this variance.

Contingency and future financial risks

23. The 2024/25 budget includes a contingency allocation of £500k to meet any unexpected financial pressures that may arise in the year. An allocation of £80k has been made to fund a project manager for the audit modernisation project. Allocations are the responsibility of the Executive Team (ET), and any further allocations will require ET approval.
24. The financial risks that have the potential to impact on our ability to deliver a balanced budget include:
 - April 2024 pay award settlement (budget 4%).
 - Work in progress position for 2024/25 audit work at 31 March 2025.
 - Additional audit work and fees.
 - Impact of audit modernisation and resourcing system projects.

- 2024/25 audit fees and potential impact on cash flow.
 - Planned reduction in IAS 19 holiday pay accrual.
- 25.** There continues to be many outside influences that will impact on longer-term financial scenario planning and future budget proposals. Factors being considered include:
- Future pay award settlements.
 - SCF funding pressures.
 - Fees and funding strategy.
 - Audit delivery, recovery and resourcing.
 - Audit modernisation.
 - Resource system.
 - Public sector audit model and impact on future procurement.

Capital expenditure

- 26.** The approved capital programme for 2024/25 originally planned for further investment in IT hardware and software.
- 27.** Due to slippage on the Glasgow office project the IT capital investment in 2024/25 was brought forward into financial year 2023/24 with the capital budget for 2024/25 now being used to fund the Glasgow project.
- 28.** Total year to date capital expenditure of £11k relates to the commencement of the minor building work in the Glasgow office.
- 29.** The timetable for project completion is 30 August with some additional building compliance work identified. It is therefore anticipated that a future budget virement will need to take place to meet this additional cost. When the actual additional costs have been verified the budget adjustment will be requested.

Virement

- 30.** There were no instances of budget virement in excess of £20k in the three months to 30 June 2024.

Financial Position

Fee income – recognition of income on completion of outstanding 22/23 audits for both firms and in-house work. Firms additional income £718k and in-house £22k. For 23/24 audits, in-house work behind plan on central government, FE and EAFA though the overall position remains on target. Firms slightly ahead of plan on all sectors except for local government.

Other income – bank interest £12k better than budget.

Pay – budgets include a pay award settlement of 4% and the actual ytd position includes an accrual to account for the impact of the outstanding pay award. The pay variance of £237k is due to the average whole time equivalent position being 10.6 being below funded establishment and there is also a price variance (£53k) which is due to staff turnover. This is reduced by agency expenditure of £98k.

Non-pay - overspends in firms' payments, professional services and IT costs. Firms overspend offset by additional fee income and overspends in professional services and IT to be met by future savings.

Capital – £11k expenditure as Glasgow minor building works project.

Forecast - assumes on budget with first forecast to be prepared following closure of June management accounts.

| Financial Position as at end of June 2024 | | | | | | |
|---|------------|------------|--------------|-------------|-----------|--------------|
| | Actual YTD | Budget YTD | Variance YTD | FY Forecast | FY Budget | Variance YTD |
| | £'000s | £'000s | £'000s | £'000s | £'000s | £'000s |
| Income | (6,899) | (6,277) | 622 | (24,504) | (24,504) | 0 |
| Pay | 5,976 | 6,115 | 139 | 24,540 | 24,540 | 0 |
| Non-pay | 3,473 | 3,158 | (315) | 13,043 | 13,043 | 0 |
| Capital Expenditure | 11 | 0 | (11) | 150 | 150 | 0 |
| Funded by Scottish Consolidated Fund | 2,561 | 2,995 | 434 | 13,229 | 13,229 | 0 |

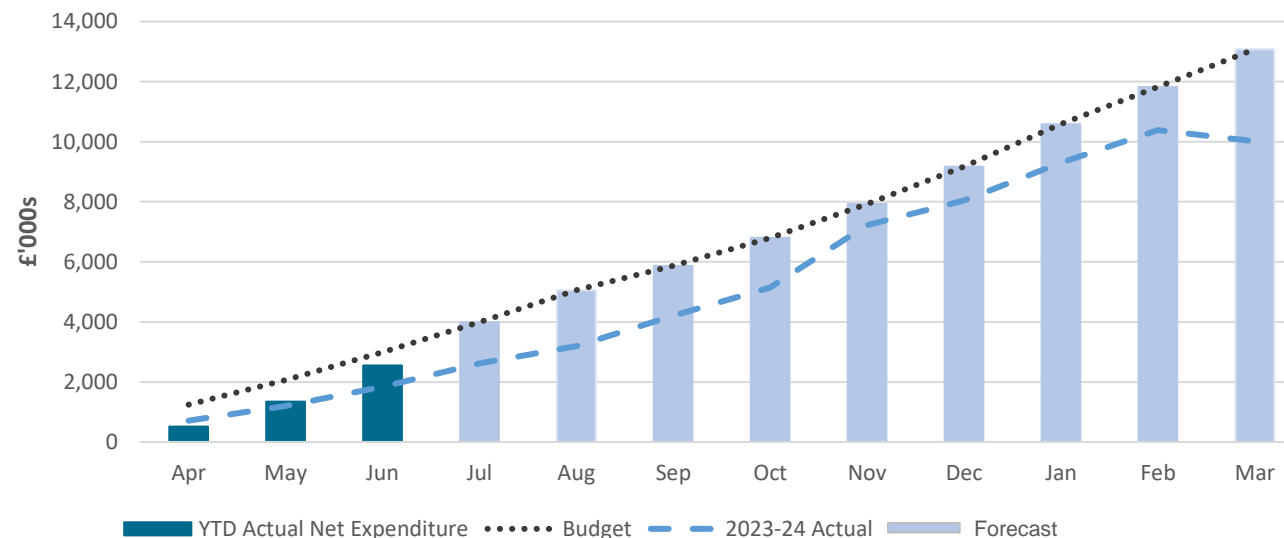
Management Contingency £'000s

| | |
|-------------------------------------|------------|
| Total Funding | 500 |
| Audit Modernisation Project Manager | 80 |
| Balance | 420 |

Financial Risks

- Closing work in progress position for 2024/25 audit work at 31 March 2025.
- 2024 pay settlement.
- Firms additional audit work and fees.
- Outstanding 2022/23 audits.
- Impact of audit modernisation and resourcing system projects.
- Procurement demand and lead times.
- Planned reduction in holiday pay accrual.

Net expenditure position by month 2024-25



Summary Balance Sheet £'000s

| | 31/03/2024 | 30/06/2024 |
|--------------------------------|----------------|--------------|
| Total Non Current Assets | 6,291 | 6,119 |
| Total Current Assets | 6,092 | 12,184 |
| Total Current Liabilities | (7,375) | (11,486) |
| Total Non Current Liabilities | (7,746) | (7,396) |
| Assets Less Liabilities | (2,738) | (579) |
| Taxpayers Equity | 2,738 | 579 |

Non-current assets – decrease in right-of-use assets due to depreciation higher than car lease additions and year-to-date depreciation of tangible and non-tangible assets higher than investment.

Current assets – increase in debtors following June invoicing and increase in WIP as progress is made on 23/24 audit work.

Current liabilities – increase in WIP deferred income and outstanding payroll payments due to HMRC and LPF.

Non-current liabilities – adjustments reflect movement in obligations under leases.

Summary Cash Flow £'000s

| | |
|--|---------|
| Net cash outflow from operating activities | (3,926) |
| Cashflows from investing activities | 11 |
| Drawdown from Consolidated Funds | 5,500 |
| Obligations under leases | (58) |
| Net increase in cash/cash equivalents | 1,527 |

Net Cash requirement

- Draw down from Scottish Consolidated Fund of £5.5 million.
- Net increase in cash / cash equivalents of £1.527 million from 31 March.
- Second instalment of 23/24 audit fee invoices issued in June 24 with outstanding debt of £3.917 million on 30 June.

Capital Expenditure £'000s

| | |
|-----------------------------|------------|
| Total Funding | 150 |
| Glasgow minor building work | 11 |

Balance

- Glasgow minor building works project commenced in June and the £11k represents the valuation payment for the work completed to date.

YTD financial position for each business group

The current financial position for each business group is detailed here.

- **Overall** - at the end of June the revenue position was £445k less than budget.
- **Audit Services Group** - 22/23 audits complete with some residual income recognised this financial year (£22k). Chargeable 23/24 audit work slightly behind plan with fee income of £3,071k recognised for 23/24 audit work compared to budget of £3,319k. Non-chargeable audit work is ahead of plan with the overall position being on budget. Pay less than budget due to average w.t.e. 0.6 below funded establishment and a small price variance due to staff turnover. The overall overspend in Pay occurs due to unbudgeted agency costs. Non-pay less than budget mainly due to reduced lease car expenditure.
- **Performance Audit and Best Value** - pay costs less than budget with average w.t.e. 2.3 below funded establishment. Vacant posts being filled. Non-pay costs less than budget due to reduced expenditure on professional services. This variance will reduce as payments are due for work on a S102 report.
- **Innovation and Quality** - pay costs less than budget due to average w.t.e. being 3.1 below funded establishment. This is being reduced by agency costs for project management support on audit modernisation project. Non-pay costs more than budget due to the costs of the gateway review for the audit modernisation project.
- **Audit Quality and Appointments** - overspend in pay costs due to additional temporary support from ASG.
- **Corporate Services Group and Corporate Costs** - pay less than budget due to w.t.e. being 4.1 below funded establishment. Non-pay more than budget with the most significant variances in professional services and IT costs. This will be resolved by the end of the next quarter.
- **Approved Auditors** – completion of 22/23 audit work in 24/25 financial year leading to fee income recognition being more than budget (£718k). Firms' expenditure £188k more than budget due to completion of additional 22/23 audit work. 23/24 audit work on plan.
- **Accounts Commission and Support** - pay expenditure less than budget due to vacant Secretary post. Non-pay requires some budget adjustments following agreement to return some of the change programme budget allocation.
- **Board, AGS and Exec Team** – minor overspend on non-pay costs.

| Business Group | Cost type | Actual YTD | Budget YTD | Variance YTD | FY Forecast | FY Budget | Variance YTD |
|---|--------------|--------------|--------------|--------------|---------------|---------------|--------------|
| | | £'000s | £'000s | £'000s | £'000s | £'000s | £'000s |
| Audit Services Group | Income | (3,093) | (3,319) | (226) | (12,558) | (12,558) | 0 |
| | Pay | 2,880 | 2,857 | (23) | 11,428 | 11,428 | 0 |
| | Non-pay | 93 | 99 | 6 | 487 | 487 | 0 |
| | Total | (120) | (363) | (242) | (643) | (643) | 0 |
| Performance Audit and Best Value | Income | 0 | 0 | 0 | 0 | 0 | 0 |
| | Pay | 1,288 | 1,325 | 36 | 5,299 | 5,299 | 0 |
| | Non-pay | 39 | 93 | 54 | 386 | 386 | 0 |
| | Total | 1,327 | 1,418 | 90 | 5,685 | 5,685 | 0 |
| Innovation and Quality | Income | 0 | 0 | 0 | 0 | 0 | 0 |
| | Pay | 501 | 517 | 16 | 2,066 | 2,066 | 0 |
| | Non-pay | 125 | 110 | (15) | 608 | 608 | 0 |
| | Total | 626 | 627 | 1 | 2,674 | 2,674 | 0 |
| Audit Quality and Appointments | Income | 0 | 0 | 0 | 0 | 0 | 0 |
| | Pay | 116 | 97 | (19) | 387 | 387 | 0 |
| | Non-pay | 4 | 2 | (1) | 141 | 141 | 0 |
| | Total | 119 | 99 | (20) | 528 | 528 | 0 |
| Corporate Services Group and Corporate costs | Income | (949) | (938) | 11 | (3,749) | (3,749) | 0 |
| | Pay | 838 | 939 | 100 | 3,835 | 3,835 | 0 |
| | Non-pay | 854 | 669 | (185) | 3,526 | 3,526 | 0 |
| | Total | 743 | 670 | (73) | 3,611 | 3,611 | 0 |
| Approved Auditors | Income | (2,857) | (2,021) | 836 | (8,197) | (8,197) | 0 |
| | Pay | 0 | 0 | 0 | 0 | 0 | 0 |
| | Non-pay | 2,345 | 2,157 | (188) | 7,737 | 7,737 | 0 |
| | Total | (512) | 135 | 648 | (460) | (460) | 0 |
| Accounts Commission and Support | Income | 0 | 0 | 0 | 0 | 0 | 0 |
| | Pay | 103 | 131 | 28 | 525 | 525 | 0 |
| | Non-pay | 9 | 24 | 15 | 102 | 102 | 0 |
| | Total | 113 | 155 | 43 | 627 | 627 | 0 |
| Board, AGS and Exec Team | Income | 0 | 0 | 0 | 0 | 0 | 0 |
| | Pay | 250 | 250 | (0) | 1,000 | 1,000 | 0 |
| | Non-pay | 5 | 4 | (1) | 57 | 57 | 0 |
| | Total | 255 | 254 | (1) | 1,056 | 1,056 | 0 |
| Funded by Scottish Consolidated Fund | | 2,550 | 2,995 | 445 | 13,079 | 13,079 | 0 |

2025 Proposed Board and Committee meeting schedule

Chief Operating Officer

Item 18
Meeting date: 24 September 2024

Purpose

1. This report details the proposed meeting schedule for the Audit Scotland Board and Committees in 2025.

Recommendation

2. The Board is invited to:
 - Approve the proposed meeting dates for 2025, subject to the new Board Chair availability once in post.
 - Approve the option of holding a meeting in the Glasgow office annually.

Background

3. The Board typically agrees its schedule of meeting dates for the year to come in September of each year. In 2024 six Board meetings were scheduled, with additional extraordinary when required.
4. We have reviewed the content, timing and profile of Board and Committee work from previous years to inform the schedule for the year to come. In doing so we have also considered key dates and actions, for example the timing of meetings to take account of:
 - The budget submission.
 - The annual assurances process.
 - The annual report and accounts.
 - Review dates for strategies, plans, policies and procedures.
 - Performance reporting.
 - Meetings of Parliamentary committees and the Accounts Commission.
5. The proposed schedule of meeting dates is attached at Appendix 1 and a schedule of indicative Board items is attached at Appendix 2.
6. Currently all meetings are scheduled to be held in West Port. However, there is an option to hold a meeting in the Glasgow office to allow the opportunity for members to meet colleagues if members would welcome this.
7. The Standing Orders provide for any additional meetings to be called should they be required.

Proposed meeting schedule 2025

| Audit Committee* | Human Resources and Remuneration Committee* | Board+ |
|-------------------------|--|-----------------------|
| | | 28 January 2025 |
| 4 March 2025 | 4 March 2025 | |
| | | 1 April 2025 |
| 6 May 2025 | 6 May 2025 | 20 May 2025 |
| 3 June 2025 (AR&Accs) | | 3 June 2025 (AR&Accs) |
| 2 September 2025 | | 23 September 2025 |
| 11 November 2025 | 11 November 2025 | 25 November 2025 |

+ Board meetings will be held in West Port as default and will be open to the public, with the option to hold any in Glasgow.

* Committee meetings will be held in West Port as default, with the option to hold any in Glasgow.

Indicative Work Programme 2025 – Audit Scotland Board

| 28 January 2025 | 1 April 2025 | 20 May 2025 | 3 June 2025 | 23 September 2025 | 25 November 2025 |
|--|--|---|--|---|--|
| <p>Agenda items include:</p> <ul style="list-style-type: none"> • Standing items • SCPA report on budget submission • SIP update • 6 monthly Impact report | <p>Agenda items include:</p> <ul style="list-style-type: none"> • Standing items • SIP update • Q3 performance reporting • Annual report and accounts timeline and outline plan • International Strategy 6 monthly update • Operational Planning | <p>Agenda items include:</p> <ul style="list-style-type: none"> • Standing items • Draft Annual report and accounts • Review of information, governance and security policies • Stakeholder Engagement Surveys • Best Companies • Draft Quality & Public Audit in Scotland Annual Report • Draft Transparency Report | <p>Agenda items include:</p> <ul style="list-style-type: none"> • Standing items • Q4 performance reporting • Annual report and accounts • Annual reporting • Governance and assurance reporting • 6 monthly Impact report • Biodiversity Annual report | <p>Agenda items include:</p> <ul style="list-style-type: none"> • Standing items • SIP update • Q1 performance reporting • Audit Scotland’s draft budget submission • 2026 meeting schedule • Review of policies • Review Scheme of delegation/Financial regulations and Standing orders | <p>Agenda items include:</p> <ul style="list-style-type: none"> • Standing items • Q2 performance reporting • Audit Scotland’s budget submission • Board development/self-evaluation. • Audit Quality Interim report • International Strategy 6 monthly update |

Agenda

Audit Scotland Board

Tuesday 26 November 2024

Audit Scotland, 102 West Port, Edinburgh



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

Standing items

- | | |
|---|-----------------|
| 5. Chair's report – verbal update | For information |
| 6. Accountable Officer's report – verbal update | For information |
| 7. Chief Operating Officer report – verbal update | For information |
| 8. Accounts Commission Chair report – verbal update | For information |
| 9. Review of draft minutes: | |
| • Remuneration and Human Resources meeting: 7 May 2024 | For information |
| • Audit Committee meeting: 7 May 2024 | For information |
| • Remuneration and Human Resources Extraordinary meeting: 15 August 2024 | For Information |
| • Audit Committee meeting: 3 September 2024 | For information |
| • Board meeting: 24 September 2024 | For approval |
| 10. Review of action tracker | For assurance |

Business planning, performance and governance

- | | |
|---|---------------|
| 11. 2023-24 Climate change annual report | For assurance |
| 12. Quarter 2: Corporate performance report | For assurance |
| 13. Quarter 2: Financial performance report | For assurance |

Items to be taken in private

- | | |
|----------------------------------|--------------|
| 14. 2025-26 SCPA budget proposal | For approval |
|----------------------------------|--------------|

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

15. Audit Quality Framework

For information

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

16. Audit Quality Interim report

For assurance

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

17. Quality update

For assurance

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

18. Audit modernisation project: update

For assurance

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

19. Partnership working framework annual effectiveness review

For information

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

Conclusion

20. Any other business

For discussion

21. Review of meeting

For discussion

22. Date of next meeting: 28 January 2025

For information

Minutes

Audit Committee



Tuesday 7 May 2024, 10.00am

Audit Scotland, 102 West Port, Edinburgh / MS Teams

Present:

Colin Crosby (Chair)
Jackie Mann
Jo Armstrong

Apologies:

Stephen Pringle, Wylie & Bisset

In attendance:

Alan Alexander, Chair, Audit Scotland Board
Stephen Boyle, Accountable Officer and Auditor General for Scotland
Vicki Bibby, Chief Operating Officer
Kenny Oliver, Executive Director Innovation & Quality
John Cornett, Executive Director of Audit Services
Paul O'Brien, Director of Quality & Support
Martin Walker, Director of Corporate Support
Stuart Dennis, Corporate Finance Manager
Gemma Diamond, Director of Innovation & Transformation
Michelle Borland, Head of Organisational Improvement
Owen Smith, Senior Manager Audit Quality & Appointments
John Gilchrist, Manager Audit Quality & Appointments
Ian Metcalfe, Corporate Performance Officer
Jillian So, Alexander Sloan
David Jeffcoat, Alexander & Sloan
Graham Gillespie, Wylie & Bisset
Niki Ross, Forum Support Coordinator (Minutes)

1. Private meeting with Wylie & Bisset LLP

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

2. Welcome and apologies

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

3. Declarations of interests

Jo Armstrong advised of her connection with the Boards for Water Industry Commission for Scotland (WICS) and Glasgow City Buildings.

4. Minutes of the last meeting: 19 March 2024

Audit Committee members reviewed and agreed the minutes of the 19 March 2024 meeting, copies of which had been circulated previously.

Audit Committee approved the minutes of the previous meeting.

5. Review of action tracker

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

Audit Committee noted the tracker for completeness.

6. Internal audit report: 2023-24 Strategic Planning

Gemma Diamond and Michelle Borland joined the meeting.

Graham Gillespie, Wylie & Bisset, introduced the Strategic Planning 2023-24 internal audit report, copies of which had been circulated previously.

Graham advised that that a strong level of assurance was provided with a lot of good practice areas highlighted in the report. There was one recommendation with a low-risk rating and two observations which are around the timing of our strategic planning process. Audit Committee agreed that with the ongoing development of the planning process this will have a positive impact in addressing the issues raised.

Audit Committee noted the internal audit report on Strategic Planning.

7. Internal audit report: 2023-24 Follow up Review

Graham Gillespie, Wylie & Bisset, introduced the Follow up Review internal audit report, copies of which had been circulated previously.

Graham advised that a strong level of assurance was provided on Audit Scotland's implementation of outstanding recommendations, with 15 of the 18 recommendations being fully implemented.

During discussion members agreed that it would be useful to see the detailed cashflow forecast to have a clearer understanding of the monitoring and movement of cash.

Audit Committee noted the report and the value of the 2023-24 Follow up review.

Action: Stuart Dennis to share most recent cashflow report with members.

Gemma Diamond and Michelle Borland left the meeting.

8. Internal audit report: 2024-25 Internal audit plan

Graham Gillespie, Wylie & Bisset, introduced the internal audit plan for 2024-25, copies of which had been circulated previously.

The committee noted that the plan is a three-year rolling plan and that we are now in year three. The only change to the plan is around substituting the procurement review for a review of the Audit Modernisation Project.

Audit Committee discussed stakeholder engagement and if we are using all the appropriate methods for communication to a wide range of stakeholders who have a legitimate interest in what Audit Scotland does and how it does it.

Audit Committee approved the 2024-25 Internal Audit Plan.

9. Audit quality update

Kenny Oliver, John Cornett, Paul O'Brien, Owen Smith and John Gilchrist joined the meeting.

Kenny Oliver introduced the audit quality update, copies of which had been circulated previously.

Audit Committee was invited to:

- Note the paper and ask any questions of clarification.

Audit Committee welcomed the progress made in audit quality with all improvement actions relevant to the Audit Services Group now complete and good progress is continuing in the actions planned within Performance Audit.

Members discussed the different audit approaches between public and private sector in relation to asset valuations and noted the ongoing discussions in relation to that.

Following discussion, Audit Committee noted the audit quality update.

10. 2023-24 Transparency Report

Paul O'Brien introduced the Transparency Report, copies of which had been circulated previously.

Audit Committee was invited to:

- Comment on the draft Transparency Report.
- Approve the report's submission to the Board on 7 June.

Audit Committee welcomed the report noting it is honest, clear and informative.

During discussion, members noted that work is taking place in our strategic planning process to ensure we continue to provide progress on audit quality and delivery whilst facing competing demands amidst resourcing pressures. Members recognised that there is an element of investing for the future and that the impact of some improvements will not be immediate.

Further discussion took place on the funding we have retained to support the recruitment of temporary staff and the potential opportunities and challenges we face in ensuring that we use this funding in the best way possible to make the difference that is needed.

Following discussion, Audit Committee approved the report's submission, subject to minor amendments, to the Board on 7 June 2024.

11. 2023-24 Draft quality of public audit in Scotland

Owen Smith introduced the draft quality of public audit in Scotland (QPAS) and the draft supplementary report 2024, copies of which had been circulated previously.

Audit Committee was asked to:

- Note the report and its findings.
- Comment on the draft reports.
- Note that there is an ICAEW review of an ASG NHS audit still to be finalised.

During discussion, Audit Committee noted that some appointed firms can be outside the scope of the transparency reporting requirements therefore have no obligation to prepare a Transparency Report. Audit Committee agreed that we should maintain awareness of this for the next procurement round and how this could affect the positioning of future QPAS reports.

Audit Committee discussed the results for local government audits that were not completed on time and the various reasons surrounding this. Members agreed that it would be useful to see a year-on-year set of results to provide more context and understanding. Following discussion, Audit Committee noted the QPAS report and its findings, subject to minor amendments.

Action: Owen/John to prepare a 'tracked change' version of the QPAS report, reflecting Audit Committee's discussion, which will be submitted to the Board meeting on 7 June 2024.

Kenny Oliver, John Cornett, Paul O'Brien, Owen Smith left the meeting.

12. Financial position – verbal update

Stuart Dennis provided a verbal update on the financial position highlighting that we have a £2m underspend with the actual operating position being £120k underspend.

Audit Committee noted that the Q4 report will go to both Audit Committee and Board on 7 June 2024.

13. Review of risk register

Martin Walker introduced the updated corporate risk register, copies of which had been circulated previously.

Audit Committee was invited to:

- Consider the updated risk register.
- Determine whether additional management action is required.

Following discussion, Audit Committee welcomed the update and noted the review of the risk register.

14. 2023-24 Annual report on data incidents/loss

Ian Metcalfe joined the meeting.

Martin Walker introduced the 2023-24 annual report on data incidents/loss, copies of which had been circulated previously.

Audit Committee was invited to:

- Note the report.

Following discussion, Audit Committee noted the annual report on data incidents/loss.

15. 2023-24 Annual report on bribery and fraud

Martin Walker introduced the 2023-24 annual report on bribery and fraud, copies of which had been circulated previously.

Audit Committee was invited to:

- Note the report.

Following discussion, Audit Committee noted the annual report on bribery and fraud.

16. 2023-24 Annual report on hospitality and gifts

Martin Walker introduced the 2023-24 annual report on hospitality and gifts, copies of which had been circulated previously.

Audit Committee was invited to:

- Note the report.

Following discussion members noted the annual report on hospitality and gifts.

17. 2023-24 Annual report on whistleblowing (internal)

Martin Walker introduced the 2023-24 annual report on whistleblowing, copies of which had been circulated previously.

Audit Committee was invited to:

- Note the report.

Following discussion, Audit Committee noted the annual report on whistleblowing.

Ian Metcalfe left the meeting.

18. Annual review of performance management arrangements

Martin Walker introduced the annual review of performance management arrangements, copies of which had been circulated previously.

Audit Committee was invited to:

- Note the performance management arrangements in place.
- Note the ongoing and planned performance management developments in 2024/25.

Following discussion, Audit Committee noted the annual review of performance management arrangements.

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

John Gilchrist provided an update on the policy on the provision of Non-Audit Services by Audit Scotland's external auditor, copies of which had been circulated previously.

Audit Committee was invited to:

- Comment on the draft policy.
- Recommend it to the Board for approval.

Following discussion, Audit Committee noted the report and agreed it be recommended to Board for approval on 21 May 2024.

John Gilchrist left the meeting.

20. Annual review of counter fraud policy

Martin Walker introduced the annual review of the counter fraud policy, copies of which had been circulated previously.

Audit Committee was invited to:

- Note the review.
- Agree proposed amendments to the policy.
- Agree, subject to any required amendments the policy is submitted to the Board meeting of 21 May 2024.

Following discussion, Audit Committee noted the report and agreed it be recommended to the Board meeting of 21 May 2024.

21. Annual review – Audit Committee self-evaluation

Martin Walker introduced the annual review of the Audit Committee self-evaluation, copies of which had been circulated previously.

Audit Committee was invited to:

- Note the self-evaluation findings and the positive assurance on the effectiveness of the Audit Committee.
- Agree that the assessment informs the Chair's annual report to the Board.
- Discuss the issues arising/ potential development areas from the evaluation and agree the next steps.

During discussion Audit Committee welcomed the suggestion of a periodic engagement between the Chair and their counterparts in other UK audit agencies.

Following discussion, Audit Committee noted the annual review of the Audit Committee self-evaluation.

22. Any other business

There were no other items of business.

23. Review of meeting

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

24. Date of next meeting

The next meeting of the Audit Committee is scheduled for 7 June 2024.

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

Minutes

Audit Committee



Tuesday 3 September 2024, 10.00 am
Audit Scotland, 102 West Port, Edinburgh

Present:

Colin Crosby (Chair)
Jackie Mann
Jo Armstrong (joined at item 11)

Apologies:

In attendance:

Alan Alexander, Chair, Audit Scotland Board
Stephen Boyle, Accountable Officer and Auditor General for Scotland
Vicki Bibby, Chief Operating Officer
Martin Walker, Director of Corporate Support
Graeme Forrester, Head of Performance and Corporate Governance
Wojciech Kuzma, Finance Business Partner
Ethan Bayne, Cloud and Security Manager
Nicola Paton, Digital Project Manager
Fiona Mitchell-Knight, Audit Director
Jillian So, Alexander Sloan
David Jeffcoat, Alexander & Sloan
Graham Gillespie, Wbg
Stephen Pringle, Wbg

Niki Ross, Forum Support Coordinator (Minutes)

1. Private meeting with Wylie & Bisset LLP

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

The Audit Committee noted that a detailed response had been submitted to the SCPA's inquiry regarding various areas of expenditure on 21 August 2024 and that no further request for information had been received.

Action: Martin to share the written response to Board and Audit Committee members and external auditors, Alexander Sloan.

2. Welcome and apologies

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

The Chair welcomed Graeme Forrester, Head of Performance and Corporate Governance, to his first meeting of the Audit Committee.

3. Declarations of interests

There were no declarations of interest.

4. Minutes of the last meeting: 7 June 2024

The Audit Committee members reviewed and agreed the minutes of the 7 June 2024 meeting, copies of which had been circulated previously.

5. Minutes of the extraordinary meeting: 18 June 2024

The Audit Committee members reviewed and agreed the minutes of the 18 June 2024 meeting, copies of which had been circulated previously.

6. Review of action tracker

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

The Audit Committee noted the tracker for completeness.

7. 2023-24 Internal Audit report: Stakeholder engagement

Graham Gillespie, Wylie & Bisset, introduced the internal audit report on stakeholder engagement, copies of which had been circulated previously.

Graham advised that the review provided a strong level of assurance surrounding the effectiveness of the methods used to communicate with key stakeholders. Two low grade recommendations for improvement were made and five areas of good practice points were highlighted.

The members discussed the value of receiving an annual summary report that highlights our performance against the objectives and activities we planned to undertake whilst also considering the effectiveness of other reporting methods currently in use.

Following discussion, the Audit Committee welcomed the strong level of assurance and noted the 2023-24 stakeholder engagement report.

Action: Martin to consider the feasibility of producing an annual summary report that outlines our activities in relation to our commitments.

8. 2023-24 Internal Audit report: Business continuity planning

Graham Gillespie, Wylie & Bisset, introduced the internal audit report on business continuity planning, copies of which had been circulated previously.

Graham highlighted the substantial level of assurance surrounding the arrangements in place for business continuity and the five recommendations made.

The members discussed the context of Business Impact Assessments (BIA) in terms of how Audit Scotland has not conducted a BIA since 2018 and requested that Wbg strengthen the narrative to better reflect how the business was addressing the impacts of the pandemic during this period.

Following discussion, the Audit Committee welcomed the substantial level of assurance and noted the 2023-24 business continuity planning report, subject to minor amendments.

9. Internal Audit progress report

Graham Gillespie, Wylie & Bisset, provided an update on the summary of audit work undertaken in 2024-25, copies of which had been circulated previously.

Following discussion, the Audit Committee noted internal audit progress report.

10. Internal Audit recommendations progress report

Martin Walker provided an update on the Internal Audit recommendations progress report, copies of which had been circulated previously.

The Audit Committee was invited to:

- Note the progress on the implementation of outstanding audit recommendations.

During discussion, the Audit Committee noted that overall, we are making good progress on the recommendations, although there has been slight slippage in a couple of the implementation dates.

Following discussion, the Audit Committee noted the progress on the implementation of outstanding audit recommendations.

11. Audit Scotland BV Self-Assessment

Fiona Mitchell-Knight joined the meeting.

Fiona Mitchell-Knight introduced the Audit Scotland BV Self-Assessment report, copies of which had been circulated previously.

The Audit Committee was invited to:

- Discuss this report and note the findings in the report, and the planned improvement actions which are now ongoing in response to the self-assessment.

During discussion, members welcomed the report and agreed that this is a very valuable and robust exercise. The members noted that Audit Scotland's identified areas for improvement align closely with those organisations we report on, as these challenges, such as longer-term planning, are inherently difficult to address.

The members commented that the report would benefit from greater detail in some areas to strengthen its depth, for example reinforcing the Board's role in relation to governance and accountability. This is currently included in the supporting working papers only.

Further discussion was on the value of undertaking the self-assessment with members agreeing that this should be viewed as a similar status to an internal audit report and follow the same process as our other internal reports including communicating the report to the wider audience. Additionally, there was also a discussion regarding the potential for independent review of the BV thematic areas covered by the report, to provide additional assurance, in the future if considered necessary.

Following discussion, the Audit Committee noted the findings in the report and the planned improvement actions, subject to amendments.

Action: Fiona to schedule an interim update report to Audit Committee as appropriate.

Action: Fiona to consider options for how we can share the report to a wider audience.

Fiona Mitchell-Knight left the meeting.

12. Q1 Financial performance report

Wojciech Kuzma joined the meeting.

Wojciech Kuzma provided an overview of the Q1 financial performance report, copies of which had been circulated previously.

The Audit Committee was invited to:

- Note the financial results for the three months to 30 June 2024.
- Discuss and note the main financial risks in paragraphs 24 and 25.

During the discussion, the Audit Committee reviewed the financial summary as of June 2024, considering the assumption that we will remain within our allocated budget and the possibility of an underspend. Additionally, members noted the need for transparency regarding our spending from the contingency fund.

Following discussion, the Audit Committee were content to note the Q1 financial performance report.

Wojciech Kuzma joined the meeting.

13. Review of risk register

Martin Walker introduced the updated risk register, copies of which had been circulated previously.

The Audit Committee was asked to:

- Consider the updated risk register.
- Determine whether additional management action is required.

During discussion, the Audit Committee noted that there was no material change to the risk profile than what was previously reported to Audit Committee on 7 June 2024, highlighting the biggest risk continues to be digital.

During discussion, members acknowledged the scale of public pressure cuts and the need to be clear on our scenario planning to meet these challenges, and the risk associated with them as well as being able to evidence our approach to the SCPA.

Following discussion, the Audit Committee were content to note the updated risk register report.

14. Digital security update

Ethan Bayne and Nicola Paton joined the meeting

Ethan Bayne and Nicola Paton both introduced the digital security update, copies of which had been circulated previously.

The Audit Committee was invited to:

- Note the digital security risk profile.
- Note the ongoing and planned actions to mitigate digital risks.
- Note the new graphical summary of threats in Appendix 1.
- Note the summaries of Threats and risks and Actions and Improvements are provided in this document and available in greater detail via links at paragraphs 10 and 22.

During discussion members noted the ongoing actions to mitigate digital risks, particularly in relation to cyberattacks involving the use of personal email addresses in the workplace and importance of continuing to build on and reinforce the knowledge and resilience in this area.

Following discussion, the Audit Committee were content to note the digital security update.

15. Q1 Data incidents/loss report

Martin introduced the Q1 report on data incidents/loss, copies of which had been circulated previously.

The Audit Committee was invited to:

- Note the report.

Following discussion, the Audit Committee were content to note the Q1 report on data incidents/loss.

Ethan Bayne and Nicola Paton left the meeting.

16. 2023-24 Annual review of corporate governance policies

Martin provided an overview on the annual review of corporate governance policies, copies of which had been circulated previously, highlighting the main changes in each policy.

The Audit Committee was invited to:

- Note the annual review of the corporate governance documents.
- Recommend the suite of corporate governance documents to the Board for its meeting on 24 September 2024.

Standing orders

Following discussion, the Audit Committee recommended the revised document for approval by the Board.

Scheme of delegation

Following discussion, the Audit Committee recommended the revised document for approval by the Board.

Financial regulations

Following discussion, the Audit Committee recommended the revised document for approval by the Board.

Members code of conduct

Following discussion, the Audit Committee recommended the revised document for approval by the Board.

Staff code of conduct

Following discussion, the Audit Committee recommended the revised document for approval by the Board.

Stephen Pringle, Graeme Gillespie, Jillian So and David Jeffcoat left the meeting.

17. Private item: Internal audit procurement

Martin provided an overview of internal audit procurement report, copies of which had been circulated previously.

The Audit Committee was invited to:

- Consider the options available and the risk benefit assessment (paragraphs 12- 13 below).
- Approve the recommendation to extend the internal audit services contract for a further year – as provided for under the current agreement (option 2).

During discussion, members noted that there have been no issues of concern in relation to the work of Wbg. However, members acknowledged that there could be more challenge and engagement from them to support the work of the Audit Committee meetings.

Following discussion, the Audit Committee approved the recommendation to extend the internal audit services contract for a further year – as provided for under the current agreement.

Action: Martin to address the importance of increased participation from external auditors during Audit Committee meetings.

18. Any other business

There were no other items of business.

19. Review of meeting

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

20. Date of next meeting

The next meeting of the Audit Committee is scheduled for 11 November 2024.

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

Minutes

Audit Scotland Board



Tuesday 24 September 2024, 10.00-13.00
Audit Scotland, 102 West Port

Present:

Alan Alexander (Chair)
Colin Crosby
Stephen Boyle
Jackie Mann
Jo Armstrong (joined from item 11)

Apologies:

In attendance:

Vicki Bibby, Chief Operating Officer (*Item 18*)
Alison Cumming, Executive Director of Performance Audit & Best Value
Helena Gray, Controller of Audit
Kenny Oliver, Executive Director of Innovation & Quality (*Item 20*)
Gemma Diamond, Director of Innovation and Transformation (*Items 11, 12, 20*)
Michelle Borland, Head of Organisational Improvement (*Items 11, 12*)
Martin Walker, Director of Corporate Support (*Items 13, 14, 15, 16*)
Stuart Dennis, Corporate Finance Manager, (*Items 17, 19*)
Wojciech Kuzma, Finance Business Partner (*Item 17, 19*)
Morag Campsie, Head of Digital Audit (*Item 20*)
Graeme Forrester, Head of Performance & Corporate Governance (Observer)
Niki Ross, Forum Support Coordinator (Minutes)

1. Private meeting of Board members

The Board met privately and emphasised the importance of routinely reviewing reports to ensure they maintain an appropriate level of detail.

Action: Martin to explore ways to ensure that reports contain the essential information for Board members while avoiding unnecessary detail.

2. Welcome and apologies

Vicki Bibby, Alison Cumming, Helena Gray, Kenny Oliver, Martin Walker and Graeme Forrester joined the meeting.

The Chair welcomed attendees to the meeting. A warm welcome was addressed to both Alison Cumming and Graeme Forrester, as this was their first Board meeting.

3. Declarations of interest

There were no declarations of interest noted.

4. Items to be taken in private

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

5. Chair's report – verbal update

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

In addition, the Chair advised of his attendance at the Audit Committee on 3 September, the Extraordinary Remco meeting on 16 August to discuss the Audit Scotland Pay Award and the PABV keynote session on People and place.

In relation to Parliamentary engagement, the Chair invited members to note the SCPA session on our Annual Report and Accounts and the informal SCPA session on the Audit Modernisation Project.

The Chair advised that he has completed the Non-Executive Directors annual appraisals and submitted documentation to the Parliament.

In terms of forthcoming activities, the Chair advised members of the informal budget discussion with the SCPA.

Following discussion, the Board welcomed the update.

6. Accountable Officer's report – verbal update

Stephen Boyle acknowledged that this was the Chair's final meeting and expressed his deep appreciation for the time spent working together over the past few years. He thanked the Chair for his invaluable support, guidance, and wisdom.

Stephen Boyle invited the Board to note his regular engagement with the Chair and the Chair of the Accounts Commission.

Stephen highlighted that the completion of Audit Scotland's annual report and accounts marks a significant milestone, especially considering the challenges posed by the availability of pension information from the provider. He also acknowledged the scrutiny sessions held with the SCPA regarding our annual accounts and the audit modernisation project.

Stephen led a keynote session featuring two public sector leaders, Sarah Davidson, Chief Executive of Carnegie UK, and Craig Naylor, Chief Inspector of Constabulary in Scotland, as they discussed the challenges and opportunities facing the Scottish public sector.

In addition, Stephen chaired and published a mid-term blog that reflects on the challenges and opportunities ahead, emphasising the level of leadership and high-quality governance required to transition to a model that effectively serves the people of Scotland.

In relation to external engagement, Stephen had an interview with the Times newspaper, broader engagement with a range of public sector leaders and some of the firms that we

contract with. Stephen noted his introductory meetings with the new Chief Executive of chartered accountants of England and Wales

In relation to Parliamentary engagement, Stephen noted we are working to deliver the joint work programme, catching up with some of the delays encountered as a consequence of the 'purdah' period running up to the UK General Election, namely, publishing reports on Public Service Reform and Fiscal Sustainability, Scottish Government Section 22 reports and reports on NHS in Scotland and Drugs and Alcohol Services.

Following discussion, the Board welcomed the update.

7. Chief Operating Officer – verbal update

Vicki Bibby extended her heartfelt gratitude to the Chair for his support, wisdom and constructive challenges. She reflected on how much she has enjoyed working with him and emphasised the knowledge that she has gained will have a lasting impact on her.

Vicki highlighted the key internal activities include pay award negotiations, operational budgeting, and key projects such as audit modernisation and resource management. Additionally, she mentioned significant recruitment campaigns and a celebration on the achievements of newly qualified trainees.

In terms of parliamentary engagement, there have been discussions on budget, audit modernisation, and our accounts. Vicki noted her regular catchups with the Clerks and reported that she meets regularly with Chief Operating Officers of other audit agencies.

In terms of external engagement, Vicki has met with some of the firms on audit delivery. Executive Team also met with all the Partners from firms to reflect on how things have been post year 1 and into year 2 and looking ahead for the audit market. Vicki continues to engage with the Accounts Commission.

Vicki is a member of the Scottish Leaders Forum Strategic Steering Group and attends meetings regularly.

Vicki has confirmed that the application for the Boardroom Apprentice Scheme has been submitted and will inform the Board of the outcome in due course.

Looking ahead, Vicki is attending the CIPFA conference.

Following discussion, the Board welcomed the update.

8. Accounts Commission Chair's report – written update

The Board noted the update on recent and forthcoming engagements and Commission work.

9. Review of minutes

Audit Committee meeting: 7 June 2024

The Board noted the minutes of the Audit Committee meeting of 7 June 2024, copies of which had been previously circulated. The Board noted they were an accurate record of the meeting.

Board meeting: 7 June 2024

The Board noted the minutes of the Board meeting of 7 June 2024, copies of which had been previously circulated. The Board noted they were an accurate record of the meeting.

Extraordinary Audit Committee meeting: 18 June 2024

The Board noted the minutes of the Audit Committee meeting of 18 June 2024, copies of which had been previously circulated. The Board noted they were an accurate record of the meeting.

Extraordinary Board meeting: 18 June 2024

The Board noted the minutes of the Board meeting of 18 June 2024, copies of which had been previously circulated. The Board noted they were an accurate record of the meeting.

Extraordinary Board meeting: 3 September 2024

The Board noted the minutes of the Board meeting of 3 September 2024, copies of which had been previously circulated. The Board noted they were an accurate record of the meeting.

10. Review of action tracker

The Board noted and approved the updated action tracker.

11. Strategic Improvement Programme Board update

Gemma Diamond and Michelle Borland joined the meeting.

Gemma Diamond provided an update on the progress of the Strategic Improvement Programme (SIP), copies of which had been previously circulated.

The Board was invited to note:

- The progress with SIP projects summarised in this paper.
- The latest budget and performance monitoring data provided by SIP projects.
- That a further review of SIP composition will happen in November 2024 following progress with the 2025/26 to 2027/28 operational planning process.

The Board noted the continued reference to slippage in the report and agreed that greater clarity is needed regarding the definition of the RAG status for project risks and that this should be incorporated within future update reports. In particular, consideration should be

given by the SIP Board to the cumulative impact of Amber risks to ensure that this does not create a Red risk.

Further discussion focussed on the R&MI project, highlighting that the cost and resources associated with our audits are quite intensive and that this project is seen as a spend to save investment aimed at generating future efficiencies and savings.

The Board explored the feasibility of creating a succession plan for each individual SIP project to effectively manage potential risks associated with staff turnover.

Following discussion, the Board was assured of the progress made, subject to minor amendments mainly around language, and noted a further review of SIP composition will happen in November 2024.

12. Diversity, Equality and Inclusion Strategy

Gemma presented the emerging diversity, equality and inclusion strategy, copies of which had been circulated previously.

The Board was invited to:

- Respond to the consultation on the emerging DEI strategy included in [Appendix one](#). The emerging strategy and consultation questions are summarised in Table 1 below (page two).
- Note the plans for wider consultation on the strategy with colleagues internally and external stakeholders.

The Board agreed that we have the right outcomes in place and noted that a range of metrics are being developed for each outcome to monitor progress within the strategy.

During discussion, members discussed the issue of inequality and noted that the strategy is data driven in terms of developing the appropriate outcomes. They also noted that auditors will be guided to look at data in their audit area to identify areas of inequality to inform their audit approach.

Following discussion, the Board was content note the plans for wider consultation, subject to minor amendments.

Gemma Diamond and Michelle Borland left the meeting.

13. Annual Review of Corporate Governance documents

Martin Walker provided an overview on the annual review of corporate governance policies, copies of which had been circulated previously.

The Board was invited to:

- Note the annual review of the corporate governance documents.
- Note they were reviewed by the Audit Committee at its meeting on 3 September 2024.
- Note the Audit Committee determined to recommend the revised documents.

- Approve the suite of corporate governance documents.

Following discussion, the Board approved the corporate governance policies.

14. Review Staff Handbook policies: Whistleblowing policy

Martin provided an overview of the Whistleblowing policy, copies of which had been circulated previously.

The Board was invited to:

- Consider the changes proposed to the policy at appendix one.
- Approve the changes to the policy at appendix one.

During the discussion, members highlighted that the whistleblowing policy is just one of several avenues available for staff to voice their concerns, and that all these channels are reviewed regularly. They emphasised the importance of our processes in identifying potential issues early on, allowing us the opportunity to address them promptly.

Following discussion, the Board approved the changes to the Whistleblowing policy.

15. Annual review of records management policies

Martin provided an overview of the records management policy, copies of which had been circulated previously.

The Board was invited to:

- Approve the updated records management policy.

Following discussion, the Board approved the updated records management policy.

16. Quarter 1: Corporate performance report

Martin introduced the Q1 corporate performance report, copies of which had been circulated previously.

The Board was invited to:

- Review the performance in Q1 as set out below and in appendix 1.
- Consider the issues affecting performance, the actions identified and whether any additional management action is required.

During the discussion, members recognised that certain areas are facing challenges and noted that proactive measures have been implemented to closely monitor and address these aspects.

Following discussion, the Board noted the Q1 corporate performance report.

17. Quarter 1: Financial performance reporting

Stuart Dennis and Wojciech Kuzma joined the meeting.

Stuart Dennis introduced the Q1 financial performance report, copies of which had been circulated previously.

The Board was invited to:

- Note the financial results for the three months to 30 June 2024.
- Discuss and note the main financial risks in paragraphs 24 and 25.

During discussion, the Board were content with Stuart's explanation regarding the questions raised by the Audit Committee on 3 September 2024 concerning budget forecasting and management contingency.

Following discussion, the Board noted the Q1 financial performance report.

18. 2025 Proposed Board and Committee meeting schedule

Vicki Bibby provided an overview of the proposed meeting schedule for the Audit Scotland Board and Committees in 2025, copies of which had been circulated previously.

The Board was invited to:

- Approve the proposed meeting dates for 2025, subject to the new Board Chair availability once in post.
- Approve the option of holding a meeting in the Glasgow office annually.

Following discussion, the Board approved the proposed Board and Committee meeting schedule for 2025, subject to the new Board Chair availability once in post.

Items taken in private

19. 2025-26 Draft Budget submission

Stuart Dennis provided an overview on the initial draft revenue and capital expenditure budget proposal for 2025-26, copies of which had been previously circulated.

The Board was invited to:

- To discuss and note the current position in respect of the 2025/26 Draft Budget Proposal.
- Confirm the Board is content with the budget assumptions set out in the paper.
- Invite observations on the development of a Recruitment Board to scrutinise all vacancies and the need for backfill.
- Note the ongoing budget development work.
- Note that a final budget report will be considered by the Board at its November meeting.

- The Board noted that the draft report had been considered by the Audit Committee at its meeting on 7 May 2024.

During discussion, members spoke about the need to increase the 2024-25 budget by 3.7% to sustain current delivery levels and the impact this will have on our direct costs and the fees we pay to appointed auditors.

Further discussion was on the challenges and resistance we have encountered from audited bodies regarding fee increases and, in terms of transformational change, if we need to do something different in our approach to audit delivery to keep fee increases to a minimum.

The Board recognised that while we haven't requested extra funding from the SCPA for a new system in over ten years, careful consideration must be given on requesting support for the Audit Modernisation Project

Further discussion was on the three funding options outlined in the paper with members recognising the strengths in each, but agreed that option two was the best option moving forward.

Following discussion, the Board noted the draft budget submission and agreed that further refinement to the paper can be done by correspondence.

Stuart Dennis and Wojciech Kuzma left the meeting.

20. Audit Modernisation Project update

Gemma Diamond and Morag Campsie joined the meeting.

Kenny Oliver provided an update on the Audit Modernisation Project (AMP), copies of which had been previously circulated.

The Board was invited to:

- Note the SIP Board approval of the recommended option to enter into a relationship with National Audit Office (NAO) to use the Apex system to replace Pentana (paragraphs 6 and 15 and 16) and to approve progression to next phase of the project to incorporate this option into an Outline Business Case.
- Note that the Strategic Outline Case (SOC) was approved by the Strategic Improvement Programme (SIP) Board on 6 August 2024 ([paragraph 4 and 28](#)).

During discussion, the Board agreed that the NAO option is the strongest choice and noted that due diligence had taken place and that we have the necessary safeguards in place.

Further discussion was on the potential resistance to change from staff across the organisation and how we approach this. The Board noted that organisational improvement activity has been built into this project encompassing cultural change and behaviours.

Further discussion was on the potential risks and costs associated with the different options. Members noted that an options analysis identified considerable variances in terms of supplier costs and their ability to meet our requirements. The next stage is to determine precise costs with the agreed option.

Following discussion, the Board noted the project update and was assured by the progress made to date.

Gemma Diamond and Morag Campsie left the meeting.

21. Any other business

There was no other business for discussion.

22. Review of meeting

The Chair invited members to comment on the papers and the conduct of the meeting.

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

The Chair thanked everyone for their contributions.

23. Date of next meeting: 26 November 2024

The members noted the next meeting of the Audit Scotland Board is scheduled for 26 November 2024.

Board action tracker 2024



| Meeting date | Agenda item no | Item title | Action description | Due date | Responsible | Assigned to | Complete/ongoing | Progress notes |
|--------------|----------------|-----------------------------------|--|----------|---------------|-------------|------------------|---|
| 21/11/2024 | 12 | Board and committee meetings 2024 | The Board agreed to review further options to visit other Audit Scotland office locations in 2024-25 | Nov-24 | Martin Walker | Nic Bryson | | 21/12/23: Keep on radar for the new Chair's meeting in Nov 2024. |
| 27/03/2024 | 12 | Q3 Corporate performance report | Martin to quantify the cost of delayed audits and inform the Board. | Dec-24 | Martin Walker | | Ongoing | 09/05/24: Ongoing 04/09: Ongoing 15/11: progress delayed due to capacity challenges. Due to be progressed during December. |
| 24/09/2024 | 1 | Private meeting of Board members | Martin to explore ways to ensure that reports contain the essential information for Board members while avoiding unnecessary detail. | | Martin Walker | | Ongoing | 15/11: this will be an ongoing process with checks made on reports pre Executive Team and the Board |

Climate Change Annual Report 2023/24

Audit Director and Chair of Green Future Strategic Group and Director of Innovation and Transformation and climate change strategic lead

Item 11

Meeting date: 26 November 2024

Purpose

1. The draft Climate Change Annual Report provides an update on our organisational environmental performance to the end of 2023/24. It also provides an update on how we are developing our approach to auditing climate change.

Recommendations

2. The Board is invited to:
 - Approve the Climate Change Annual Report 2023/24, for publication on our external website on 29 November 2024.

Background

3. As a public sector organisation, Audit Scotland has a statutory duty to report each year on our progress in reducing greenhouse gas emissions as well as reporting on our wider environmental performance where applicable (for example, the actions we are taking to adapt to climate change).
4. We published our [Environment, Sustainability and Biodiversity Plan 2021-2025](#) in May 2021. This set out our approach to sustainability issues and our emissions reduction aspirations, including our ambition to reach net zero emissions by 2030. We report annually on progress against the plan. In previous years this report was titled the Environment, Sustainability and Biodiversity Annual Report, but we have simplified it to reflect the emphasis on climate change in public sector statutory reporting duties.
5. During 2023, we established new governance and risk management arrangements to better support consideration of climate change and environmental sustainability across the organisation. The Green Future Strategic Group is leading on the implementation of our Green Future Strategy, which includes measures designed to support improvement in this important area. This includes activity to help embed climate change considerations into every level of decision-making, building them into our business planning and continuing to develop our audit approach.

Financial Implications

6. There are no direct financial implications relating to the progress reported in the annual report. However, action taken to improve our environmental performance and how we respond to climate change may have financial – as well as carbon – implications. For example, decisions that impact on our energy use and business travel; building climate considerations into procurement decisions; and the provision of external training to staff to

ensure they have the skills to audit climate change. Exact costs would be identified and approved as part of the decision-making process.

Considerations

- During 2024, we responded to a Ministerial request to all public bodies to conduct an internal review of our climate change reporting arrangements. We concluded that Audit Scotland continues to comply with our statutory requirements under the Climate Change (Scotland) Act 2009 and the Climate Change (Duties of Public Bodies: Reporting Requirements) (Scotland) Amendment Order 2020.
- Although we have already met our carbon emission reduction target for 2030, emissions from both energy use and business travel increased between 2022/23 and 2023/24. We recognise that further increases in these areas could mean that we will fail to meet our targets in future years. We are monitoring the data closely to understand what impact current trends in business travel and changes to our office spaces may have on our ability to meet our targets in future years.
- Following a review of our emissions reduction target we have decided to maintain our current target in the short-term while we gain a better understanding of trends in business travel and energy use. We remain committed to our ambition of reaching net zero by 2030 and want to ensure that any changes to our current target, and targets beyond 2030, are stretching yet realistic. We plan to report on progress with reviewing our targets in next year's climate change annual report, including our approach to carbon offsetting.
- One of the actions in our Green Future Strategy that we are prioritising in 2024/25 is to undertake a self-assessment against the Sustainable Scotland Network's Leaders' Climate Emergency Checklist. This will allow us to identify improvement actions with the aim of reaching 'exemplary' status by the end of 2028.

Conclusion

7. The Board is invited to approve the Climate Change Annual Report 2023/24, for publication on the Audit Scotland website on 29 November 2024.

Climate change

Annual report 2023/24



Prepared by Audit Scotland
Draft for Board, November 2024

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Background

Purpose

1. The purpose of this document is to provide an update on the progress we are making towards our organisational environmental targets. It also provides an update on how we are developing our approach to auditing climate change.
2. Part 1 looks at our environmental performance as an organisation. Part 2 looks at what we are doing to develop our approach to auditing climate change.

Our ambition

3. Audit Scotland has a unique position within the public sector in Scotland, from which we aim to influence and support positive changes in how Scotland is responding to the climate emergency. This includes aiming to lead by example with our organisational response.
4. We aim to manage our own operations in a way that minimises our negative environmental impact and enhances our positive impact, wherever possible.
5. Our first [Climate change plan \(2015-2020\)](#) set a target to reduce our emissions from the baseline level of 533 tonnes of carbon dioxide equivalent (tCO₂e) to less than 292 tCO₂e by 2020. We went further than our target and recorded 215 tCO₂e in 2019/20.
6. A review of the initial plan was put on hold in 2020 due to the Covid-19 pandemic and we published our new [Environment, Sustainability and Biodiversity Plan 2021-2025](#) in September 2021. The plan sets out our approach to sustainability issues and continues to reflect our emissions reduction aspirations as well as introducing a focus on reaching net zero by 2030. It includes interim targets against the baseline year 2008/09.

Governance

7. Climate change issues are integrated into what we do and how we work through our corporate publications including our [Annual report and accounts](#), [Public audit in Scotland 2023-28](#), and [Corporate Plan 2023-28](#).
8. We have governance and risk management arrangements for climate change and wider environmental sustainability to ensure that these issues are taken into account at every level of decision-making.
9. The roles and responsibilities of the groups involved in leading, managing and holding us to account for our environmental and sustainability performance are set out in Appendix 1 (page 17).

1. Our environmental performance

Key messages

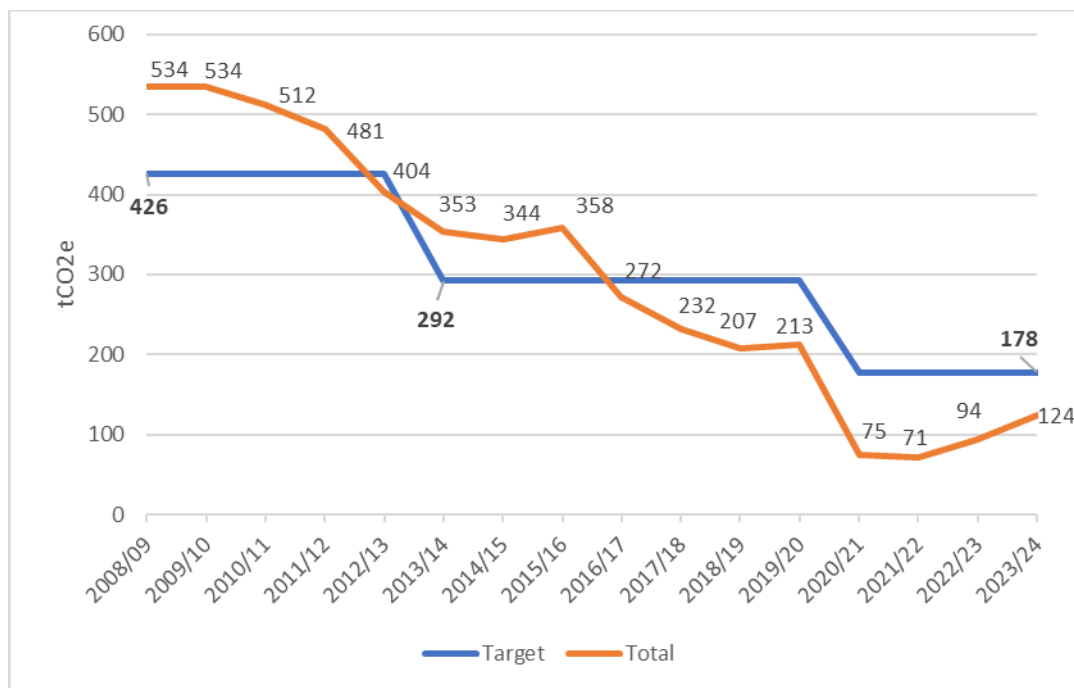
- **In 2023/24, we exceeded our overall 2030 emissions reduction target, as set out in our Environment, Sustainability and Biodiversity Plan 2021-2025.** We have maintained reduced levels of business travel through continued hybrid working following the pandemic and therefore the resulting emissions remain significantly lower than pre-pandemic levels. Business travel emissions have increased compared to last year, indicating a return to more typical patterns of working, but remain 50 per cent less than our target for travel emissions by 2030.
 - **Emissions from gas and electricity usage in Audit Scotland's offices increased in 2023/24.** This was expected, as a result of increasing the size of our office space in Glasgow to accommodate growing staff numbers. We anticipate a further increase in energy use as we fully occupy the space. The extent to which this will be balanced by a recent decrease in the size of our Edinburgh office is not yet known.
 - **Carbon emissions generated from the energy used by staff when they work from home decreased slightly in 2023/24.** This reflects an increase in colleagues working in our offices compared to the previous year. Emissions from working from home are not currently included in our targets, but we do estimate and report them. We do not routinely quantify emissions arising from staff commuting to and from work; however, we estimate that average annual emissions have decreased by about 65 per cent compared to estimated pre-pandemic levels.
 - **During 2023/24, Audit Scotland reviewed its emissions reduction target.** We want to minimise any future reliance on carbon offsetting to meet our net zero ambitions but have decided to maintain our current emissions reduction target in the short term. Analysing 2024/25 data will help us to gain a better understanding of trends in business travel and to assess the impact of changes to our office spaces on our energy use, to ensure future targets are stretching yet realistic. We will report on the outcome of this in next year's climate change annual report.
-

Overall emissions in 2023/24

Overall carbon emissions against targets

10. Performance against our targets to reduce total carbon emissions to date is shown in [Exhibit 1](#).

Exhibit 1 Carbon reduction since 2008 against targets



Note: In 2023 we corrected some previously reported figures following a review of our emissions data and included the updated figures in our 2022/23 annual report. The graph does not include working from home emissions, as they are not included in our current targets.

Source: Audit Scotland

11. In 2023/24, the total for the emissions that are included in our carbon reduction target was 124 tCO₂e. This is 54 tCO₂e (30 per cent) lower than our target to achieve no more than 178 tCO₂e by 2024/25. It is 9 tCO₂e (7 per cent) lower than our current 2030 emissions reduction target to emit no more than 133 tCO₂e ([Exhibit 2, page 6](#)).

12. This achievement is due largely to business travel not returning to pre-pandemic levels, as hybrid working arrangements continue, although business travel has increased slightly compared to 2022/23.

Exhibit 2**Carbon footprint in 2023/24 compared to route map emissions reduction targets**

| Carbon emissions included in our carbon reduction targets | Actual 2023/24 tCO ₂ e | Target 2024/25 tCO ₂ e | Target 2029/30 tCO ₂ e |
|---|-----------------------------------|-----------------------------------|-----------------------------------|
| Energy | 88 | 79 | 65 |
| Business travel | 31 | 92 | 63 |
| Waste and recycling ¹ | 4 | 6 | 4 |
| Water | 1 | 1 | 1 |
| Total² | 124 | 178 | 133 |
| Working from home (not included in carbon reduction targets) ³ | 99 | - | - |

Note 1: We did not report on waste and recycling emissions between 2020/21 and 2022/23 as the majority of colleagues were working from home. In 2019/20, emissions were 7 tCO₂e.

Note 2: A breakdown of the sources of the emissions in this exhibit can be found in [Appendix 2, page 19](#).

Note 3: For transparency, we are including our working from home emissions in this report although they are not included in our current targets as set out in our [Environment, Sustainability and Biodiversity Plan 2021-25](#).

Source: Audit Scotland

Change in emissions between 2022/23 and 2023/24

13. Although our long-term targets have been surpassed, emissions included in the scope of our targets increased by 30 tCO₂e (32 per cent) between 2022/23 and 2023/24, as shown in [Exhibit 3 \(page 7\)](#).

14. This increase is due to a rise in emissions from both energy use and business travel. We recognise that further increases in these areas could mean that we will fail to meet our targets in future years. We are monitoring the data closely to understand what impact current trends in business travel and changes to our office spaces may have on our ability to meet our targets in future years.

Exhibit 3

Carbon footprint in 2023/24 compared to last year



Note: We did not report on waste and recycling emissions between 2020/21 and 2022/23 as the majority of colleagues were working from home. In 2019/20, emissions were 7 tCO2e.

Source: Audit Scotland

Energy carbon emissions

| | |
|----------------------------|---|
| Target | Reduce emissions from electricity and gas used in offices to no more than 79 tCO2e by 2024/25. |
| Performance to date | Our emissions from electricity and gas used in offices in 2023/24 were 88 tCO2e. |
| Summary | The increase in the size of our Glasgow office means that the carbon emissions from the electricity and gas used in our offices have increased by 18 tCO2e compared to 2022/23. |

15. Compared to 2022/23, emissions from electricity use have increased by 4 tCO2e and emissions from gas use by 14 tCO2e. This has been driven mainly by an increase in the size of our Glasgow office.

16. Development of the new office space has only recently been finalised, so the impact on our energy use may increase further as we fully occupy the space. However, we also anticipate a reduction in our energy use following the recent decrease in the size of our Edinburgh office. The overall impact of these reconfigurations to our office spaces on our ability to meet our targets for future years is currently unclear.

17. While we have already made a number of changes to reduce energy consumption in our offices, there is still more that we can do in this area. Our new thematic working group for energy use is currently exploring options for changing the lighting in our offices to LED bulbs, which would decrease energy consumption.

Emissions from electricity and gas used when staff work from home

18. Audit Scotland's targets do not currently include carbon emissions generated as a result of the gas and electricity used by staff when they work from home. However, we do estimate and report them.

19. Working from home emissions decreased to 99 tCO₂e in 2023/24, compared to 102 tCO₂e in 2022/23. This reflects an increase in colleagues working in our offices in 2023/24 compared to the previous year.

20. Although we report our working from home emissions, we do not routinely quantify the emissions generated by staff commuting to and from work. The thematic working group surveyed a sample of staff and found that estimated average annual emissions from current commuting patterns had decreased by about 65 per cent compared to estimated pre-pandemic levels. We are exploring possible methodologies to help us understand the net carbon impact of working from home when both staff commuting and home energy emissions are taken into account.

Business travel carbon emissions

| | |
|----------------------------|---|
| Target | Reduce annual business travel carbon emissions to no more than 92 tCO ₂ e by 2024/25. |
| Performance to date | Our carbon emissions from business travel in 2023/24 were 31 tCO ₂ e, well below our target for 2024/25. |
| Summary | Compared to 2022/23 we increased our carbon emissions by 8 tCO ₂ e. However, we are 74 per cent below our 2019/20 pre-pandemic levels. |

21. While our business travel emissions have increased from 23 to 31 tCO₂e compared to the previous year, we are still 74 per cent below our pre-pandemic levels of 118 tCO₂e.

22. Audit Scotland staff travelled 321,341 business kilometres in 2023/24 compared to 325,254 the previous year. Kilometres are measured across all transport modes, including car, rail and air. Although we travelled fewer business kilometres, the increase in emissions is due to more flights being taken in 2023/24. This reflects a return to more typical patterns of working following the pandemic. However, business travel is still considerably less than pre-pandemic levels, when we travelled approximately one million kilometres a year.

23. The overall reduction in business travel is due, to a large extent, to the shift to online meetings which has reduced the need to travel. Audit Scotland has invested in technology to support this, including enhanced hybrid meeting facilities. Colleagues are increasingly travelling to audit sites, but this remains significantly lower than pre-pandemic levels. The biggest reductions since 2019 have been in car travel and flights. Colleagues are giving careful consideration to whether business travel is necessary and for choosing the least carbon-intensive option when it is.

24. A new thematic working group has been established with the aim of minimising the environmental impact of our business travel, for example organising activities to encourage staff to choose more sustainable transport options. The group is currently exploring ways of calculating the emissions impact from general commuting to our office sites.

25. Based on current trends in business travel, we have demonstrated that we are able to meet our 2030 target of less than 63 tCO₂e per annum. Business travel is likely to fluctuate depending on need. The thematic working group will monitor trends in business travel closely, recognising that any significant increase would have implications for our ability to meet our targets in future.

Waste, recycling and water carbon emissions

| | |
|----------------------------|--|
| Target | Reduce waste and recycling carbon emissions to no more than 6 tCO ₂ e by 2024/25. (There is no carbon reduction target for water, which has remained consistent at 1 tCO ₂ e for several years.) |
| Performance to date | Our waste and recycling carbon emissions in 2023/24 were 4 tCO ₂ e. |
| Summary | We did not report on waste and recycling emissions between 2020/21 and 2022/23 as the majority of colleagues were working from home. Emissions in 2023/24 are lower than in 2019/20 (7 tCO ₂ e) and below our target for 2024/25. |

26. As a result of hybrid working, we have not returned to pre-pandemic levels of office waste and recycling emissions (7 tCO₂e in 2019/20).

27. We have established a thematic group to lead on activity related to waste and procurement. The group has worked with colleagues to implement several initiatives to minimise waste as much as possible. This includes reducing our stationery supplies and using glass milk bottles that are collected and reused. Based on this activity, we are confident we can meet our target of 4 tCO₂e by 2030.

Procurement carbon emissions

28. We focus on embedding sustainability into our procurement activity and we include sustainability clauses in our standard procurement terms and conditions.

29. To date we have not included supply chain emissions in our calculations. The thematic working group for waste and procurement will consider our approach to this as part of continued work to review our current emissions reduction target.

Biodiversity and responding to the nature emergency

30. The Nature Conservation (Scotland) Act 2004 places a statutory duty on all public sector bodies in Scotland to further the conservation of biodiversity. The Wildlife and Natural Environment (Scotland) Act 2011 introduced a requirement

for all public bodies to report publicly on their compliance with the biodiversity duty. Biodiversity duty reports are required every three years. Our most recent [biodiversity duty report](#) was published in December 2023.

31. Audit Scotland does not own or manage land and we therefore have limited opportunity to carry out activities which encourage biodiversity. However, we can support biodiversity through:

- reducing our carbon footprint
- reducing what we buy and the resources we use
- reducing the amount of pollution we put into the environment
- minimising waste and following the waste hierarchy
- highlighting biodiversity, where relevant, through our audit work.

32. We have a thematic working group focused on supporting biodiversity, which led activity during 2023/24 including:

- Mainstreaming biodiversity: piloting the new [Nature's Workforce](#) toolkit, developed by nature charities (WWF, RSPB and the National Trust).
- Public engagement and workforce development: organising workforce events to raise staff awareness of biodiversity, for example with the sustainable development team at the Scottish Parliament. Further events are planned for 2024/25.

Building climate resilience

33. In addition to reducing our emissions, Audit Scotland has also made a commitment in its [Corporate Plan 2023-28](#) to make progress towards becoming climate resilient. This means thinking about how we will adapt and respond as an organisation in the face of ever-increasing climate change impacts and the disruption they bring, including floods, storms, heatwaves, droughts and wildfires.

34. Paramount to all of this is staff wellbeing and we have included specific climate change considerations into our draft Health, Safety and Wellbeing Strategy. We know that the impacts of climate change will be felt unequally by different groups. Those with particular health conditions, for example, may require additional support. To ensure that these issues are taken into account, climate-specific considerations are also now being included in our draft Diversity, Equalities and Inclusion Strategy. Further work will be done to consider specific actions that might be put in place to support the climate resilience elements of these strategies and we will report on this in our climate change annual report next year.

35. Risks to our operations as a result of extreme weather events are managed through our business continuity processes. These will continue to be reviewed and updated to ensure that the organisation is able to plan for, respond to and recover from climate impacts when they arise.

36. A climate resilience thematic working group has been established to support our work in this area. The group will focus on mainstreaming climate resilience into our broader corporate activities. It has also been reviewing the development of specific climate resilience indicators, which will be confirmed in our climate change annual report next year.

Validation of figures

37. Audit Scotland has introduced an internal peer review process, which means that all data is peer reviewed and quantified by at least two people.

Looking ahead: leading our drive to net zero and climate resilience

Governance arrangements

38. The new climate change governance structure introduced in 2023 is now embedded in the organisation and the Green Future Strategic Group is a key corporate decision-making forum (see [Appendix 1, page 17](#)). The thematic working groups have been focused on establishing their remits, ensuring appropriate membership, and developing initial action plans.

39. The Green Future Strategic Group and thematic groups are continually reviewing how we are responding as an organisation to the climate emergency and identifying opportunities for further improvement in our environmental performance, climate resilience and our approach to auditing climate change. Examples of activity progressed by the strategic group and thematic working groups during 2023/24 are included throughout this report. We will report on progress against the thematic groups' action plans in more detail in next year's climate change annual report.

Target review and shaping future plans

40. During 2023/24, Audit Scotland reviewed its targets to make sure that the scope of the emissions included, and the data underpinning them, is still appropriate. The outcome of the review was a decision by the Green Future Strategic Group to maintain our current emissions reduction targets in the short term. We remain committed to our ambition of reaching net zero by 2030.

41. Once available, we will analyse 2024/25 data to gain a better understanding of trends in business travel and to assess the impact of changes to our office spaces on our energy use. This information will help to ensure that any changes to our current target, and targets beyond 2030, are stretching yet realistic. We will report on progress with reviewing our targets in next year's climate change annual report.

42. We are also exploring ways to improve the data underpinning our emissions reduction targets. This includes building on work to estimate emissions from commuting patterns and aligning this with data on working from home emissions and energy use in our offices.

43. We do not currently offset our emissions but offsetting is integral to meeting our aim to be net zero by 2030. This target includes reducing our emissions by 75 per cent against a 2008 baseline and then offsetting the remaining 25 per cent. We would aim to do this by utilising schemes that remove carbon from the atmosphere, such as correctly planned tree planting. As part of our target review, we agreed to aim to reduce our future reliance on carbon offsetting as much as possible by maximising and prioritising emissions reduction and exceeding our current targets if feasible. We also agreed to ensure that we will only utilise carbon offsetting schemes that are in line with Scottish Government guidance and which meet specific ethical and environmental criteria. We will publish details of our offsetting criteria in our climate change annual report next year.

2. Auditing climate change

Key messages

- We published four outputs specifically on climate change during 2023/24. We have started to integrate climate considerations into our wider performance audit and Best Value work.
- As part of the 2022/23 annual audit all appointed auditors were asked to gather information on the arrangements for responding to climate change in public bodies. Auditors reported their findings in their 2022/23 annual audit reports.
- Climate change will continue to feature in our performance audit work programme for the foreseeable future. It will increasingly become part of the annual audit of financial statements as public bodies are required to enhance their financial reporting disclosures on climate change.
- We use opportunities to speak at conferences, contribute to workshops and meet with external organisations to raise awareness of our audit findings and share learning.

Our audit role

44. In December 2022, we published [Auditing climate change: Our strategy](#), which sets out our approach to auditing climate change. It outlines the role of public audit in this area and our aim to hold public bodies to account and help drive change and improvement in how public bodies are contributing to the Scottish Government's ambitions around climate change mitigation and adaptation.

45. We focus our attention on the areas where we can uniquely add the greatest value. Our approach focuses on:

- raising awareness of the importance and relevance of the public sector's contribution to national climate change goals
- holding audited bodies to account for their actions and spending on climate change
- holding audited bodies to account for climate-related disclosures in their annual accounts
- identifying and sharing learning, including good practice and areas for improvement.

Our audit work

46. During 2023/24, Audit Scotland published the following outputs focused on climate change:

- [How the Scottish Government is set up to deliver climate change goals](#) (April 2023): This report on behalf of the Auditor General focuses on how effective the Scottish Government's climate change governance and risk management arrangements are in supporting it to drive the delivery of Scotland's national net zero targets and climate change adaptation outcomes. The Scottish Government has made good progress against the recommendations in the report, leading to more transparent governance arrangements and more active monitoring and management of risks.
- [Approaches to achieving net zero across the UK](#) (September 2023): This report is a joint piece of work between the public audit offices of the four UK nations – Audit Scotland, Audit Wales, National Audit Office and Northern Ireland Audit Office. It sets out the UK and devolved governments' legislation, policies, strategies, and governance and monitoring arrangements, relevant to achieving net zero.
- [Tough decisions ahead on climate change](#) (October 2023): A blog by the Auditor General highlighting the important role of public audit in examining the public sector's response to climate change.
- [Decarbonising heat in homes](#) (February 2024): This report on behalf of the Auditor General examines progress towards the Scottish Government's ambition to reduce emissions from heating homes by switching away from polluting heating systems, such as fossil fuel boilers, to clean heating systems by 2045. The Scottish Government accepted all the recommendations in the report and we are monitoring progress in implementing them.

47. We plan to publish a performance audit report on sustainable transport in early 2025. This will look at what the Scottish Government and councils are doing to reduce car journeys and encourage the increased use of public transport and active travel options, to help bring down transport emissions (in line with the Scottish Government's target to reduce car kilometres by 20 per cent by 2030).

48. We are also undertaking a performance audit examining how well public bodies are working with each other and with communities to build resilience to flooding. That includes activity to avoid flooding where possible, but also supporting communities to prepare for, respond to and recover from flooding events. We plan to publish this report in summer 2025.

49. We will continue to undertake performance audits that focus specifically on climate change policies, targets and objectives. We are also working to integrate climate considerations into our wider work. For example:

- A recent performance audit on [Investing in Scotland's infrastructure](#), and our reporting on the NHS and college sector, considered the challenges in meeting net zero commitments within existing capital budgets.
- Thematic Best Value work in councils and annual financial audits have considered the extent to which climate change features in strategic decision-making and financial disclosures.

50. In anticipation of future accounting and auditing requirements relating to climate change, as part of the 2022/23 annual audit all appointed auditors were asked to gather information on the arrangements for responding to climate change in public bodies. This included considering what targets, strategies and monitoring arrangements were in place, and the extent to which bodies were considering the impact of climate change on their financial statements. Auditors reported their findings in their 2022/23 annual audit reports, which were published during 2023/24.

51. We monitor the impact of our audit work, which helps to inform proposals for future work. We also use opportunities to speak at conferences, contribute to workshops and meet with external organisations to raise awareness of our audit findings and share learning.

Looking ahead: developing our audit approach

52. We continue to refine our audit methodology and approach in response to our learning and external developments, such as new legislation or standards. We have established a thematic working group to coordinate activity across Audit Scotland with the aim of ensuring:

- we focus our audit work on climate change on the areas where we can uniquely add the greatest value.
- we are aware of developments in auditing standards and ensure that auditors comply with any future statutory obligations.
- our auditors have the knowledge and skills required to undertake work on climate change.

53. Climate change considerations will increasingly become part of the annual audit of financial statements, as public bodies are required to enhance their financial reporting disclosures on climate change. Our Innovation and Quality team have prepared materials to support auditors in considering climate-related financial disclosures, for example:

- The information gathered by auditors as part of the 2022/23 audit (see [paragraph 50](#)) has been shared with auditors to assist with both the planning of the 2024/25 audits and auditing climate change disclosures within the 2024/25 annual accounts of public bodies.
- We have published a Good Practice Note that shares the findings from a review of climate change-related disclosures within the 2022/23 and 2023/24 annual accounts of a sample of Scottish public bodies. It is

intended to act as a catalyst for public bodies to assess and enhance future climate-related disclosures.

54. Learning from others and sharing learning is integral to the development of our audit approach. We continue to liaise with audit firms to benefit from their experience of auditing climate change in the private sector. We have rolled out climate change training for auditors and will continue to develop additional training in response to future developments.

Appendix 1

Environmental and sustainability governance arrangements

Audit Scotland Board

Membership: The Auditor General for Scotland, the Chair of the Accounts Commission and three members appointed by the Scottish Commission for Public Audit.

Role: The board is responsible for the exercise of all functions of Audit Scotland. It exercises its powers and authorities through a Scheme of Delegation, which it determines and approves. Under the Scheme of Delegation, the board formally approves Audit Scotland's Environment, Sustainability and Biodiversity Plan. It receives annual updates on performance against the plan's targets and objectives, thereby holding Audit Scotland to account for their performance.

Executive Team

Membership: The Auditor General for Scotland; Audit Scotland's Chief Operating Officer; the Controller of Audit; Executive Directors of Audit Services, Performance Audit and Best Value, and Innovation and Quality.

Role: Executive Team is responsible for embedding environmental considerations into decision-making, approving policies that include environmental dimensions, and scrutinising performance against environmental targets.

Green Future Strategic Group

Membership: Representatives from across all business groups.

Role: The Green Future Strategic Group has an important leadership role and is empowered to make strategic decisions that will influence our response to climate change and wider environmental issues. It coordinates and oversees relevant activity across the organisation and scrutinises Audit Scotland's performance. It leads delivery of our Green Future Strategy.

Green Future Thematic Groups

Membership: Representatives from across all business groups.

Role: Sitting beneath the Green Future Strategic Group are six thematic working groups, each focusing on a key area of activity to help reduce Audit Scotland's environmental impact and develop our auditing approach (energy use, travel, procurement and waste, biodiversity, climate resilience and our audit approach). These groups report into the Green Future Strategic Group and provide information to help support decision-making and identify risks.

Business groups (Audit Services, Performance Audit and Best Value, Innovation and Quality, and Corporate Services)

Role: Audit Scotland's business groups are pivotal in ensuring that Audit Scotland meets its climate change obligations and continuously improves its environmental performance. It is through the actions of all staff that we can make the greatest difference.

Appendix 2

Sources of Audit Scotland's carbon emissions 2023/24

| Category | CO2 emissions (tCO2e) |
|------------------------------|--|
| Energy use | |
| Natural gas | 35 |
| Grid electricity | 53 |
| Working from home | 99 (not included in targets) |
| Travel | |
| Rail | 7.0 |
| Car travel | 12.13 |
| Flights - domestic | 7.67 |
| Flights – short haul | 3.45 |
| Taxi | 0.25 |
| Bus | 0.07 |
| Waste and recycling | |
| Refuse to landfill | 1 |
| Recycling | 3 |
| Water | |
| Water – treatment and supply | 1 |
| Total | 124 (223 including working from home emissions) |

Climate change

Annual report 2023/24



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Q2 2024/25 Corporate Performance Report

Director of Corporate Support & Head of Performance and Corporate Governance

Purpose

This report provides the Board with a review of organisational performance as at quarter two (Q2) 2024/25.

Recommendations

1. The Board is invited to:
 - Review the performance in Q2 as set out below and in appendix 1.
 - Consider the issues affecting performance, the actions identified and whether any additional management action is required.

Background

2. The Performance framework and the quarterly report is aligned to the [Audit Scotland Corporate Plan 2023-2028](#) published in June 2023.
3. The sections in the slide deck attached as appendix one are:

| Section | Strategic Priorities |
|-------------------------|---|
| Summary | |
| Delivery | Timely and impactful annual audit Dynamic performance audit programme Enhanced audit approaches |
| Resources | Developing our people and our business |
| Innovation and learning | Insights driving innovation |

Performance overview

4. The infographic below provides a summary of performance as at Q2.

Audit Scotland Corporate Plan 2023-28: Strategic Priorities

Timely & impactful annual audit
Dynamic performance audit programme
Enhanced audit approaches

Developing our people and our business

Insights driving innovation and improvement

| Delivery | | Resources | | Innovation and learning | |
|--|---------|---|---------|--|---------|
| Objective | Status | Objective | Status | Objective | Status |
| Audits delivered on time | Amber → | Our finances: Spend against budget | Green → | Innovation driving audit transformation | Amber → |
| Audits delivered on budget | Amber → | Our people: capacity to delivery - Establishment | Amber → | Application of insights to decision-making, audit delivery & organisational change | Green → |
| Audits delivered on time and on budget - Audit focus | Amber → | Our people: capacity to delivery - Cost | Green → | | |
| Audit quality assurance results | Green → | Our people: capacity to delivery - Wellbeing | Amber → | | |
| Impact through our work | Green → | Our people: capacity to delivery - Working across business groups | Green → | | |
| Progress towards net zero and climate resilience targets | Green → | Our people: right skills - Learning & Development | Amber → | | |
| Progress against our equality outcomes | Green → | | | | |

Notes:

- That not all objectives are reported quarterly.
- Upward arrow indicates improving performance.
- Horizontal arrow = maintaining performance.
- Downward arrow = declining performance.
- Net zero will be reported in Q3

| | | | |
|--|--|---|----------------------------|
| Not progressing/ significant additional management action required | Progressing and additional management action planned | On target/ no need for additional management action | Measures under development |
|--|--|---|----------------------------|

Financial audit delivery

5. Quarter two focussed on the delivery of central government audits due by 31 August and local government audits due by 30 September 2024, as well as a range of Performance and Best Value (PABV) reports.
6. There are two further audit deadline dates – the central government audits which are due by 31 October 2024, and the further education audits which are due by 31 December 2024. Delivery of these will be reported in Q3.
7. Delivery of audit continues to improve - the proportion of audits delivered or expected to be delivered by target dates will increase to 58% this year compared to 46% last year.
8. In the year to date, for the audits due by 30 September 2024, we have delivered:
 - 23 of 23 NHS accounts
 - 17 of 22 Central Government
 - 53 of 124 Local Government audits
 - By audit provider - ASG has delivered 57 of 97, and the Firms 36 of 72.
9. As at time of writing, eight of the 2022/23 financial audits remain outstanding.
 - Four are local government audits (4 Firms)
 - Two are local government charitable trusts (2 Firms)
 - Two are Further Education College audits (2 Firms)
10. A verbal update on the most up to date position will be provided at the meeting.

Performance audit/ statutory reports/ other reports delivery

11. We delivered nine performance audits and four Audit Scotland corporate reports in Q2, links to those reports are included below:

Accounts Commission:

- [Blog: Delivering for the future - why leadership matters](#)
- [Blog: The role of chief financial officers in LG](#)
- [Blog: Importance of the LGBF \(LGO24\)](#)
- [CoA: Clackmannanshire Council](#)
- [s102: Renfrewshire Council: Dargavel update](#)
- [Benchmarking and good public performance reporting matter | Audit Scotland](#)

Auditor General for Scotland:

- [Blog: Shrewd approach needed for public sector success](#)
- [Briefing: Scotland's colleges 2024](#)

Joint reports:

- [PA: Tackling digital exclusion](#)

Audit Scotland:

- [National Fraud Initiative in Scotland](#)
- [Gender pay gap and Equal pay report](#)
- [Impact Monitoring and evaluation](#)
- [Communications and engagement strategy 2024-28](#)

Resources and capacity

12. The number of FTE at end of September 2024 was 341.06, against an establishment level 366.07 FTE. This equates to 93.2% of establishment. The breakdown by business group is included in Appendix 1. Recruitment and selection campaigns are under way to fill vacancies across the business groups.

13. Staff turnover year to date for all leavers was 3.92%, compared to 4.07% in 2023/24.

14. Audit Scotland's net operational expenditure was 10.1% less than budget. This is mainly due to the receipt of unbudgeted prior year fee income and to savings in pay expenditure, with staff turnover being more than planned and the average whole-time equivalent being 5.6 less than the funded budget. Additional information is contained on slide 16 of the appendix.

15. The Q2 sickness absence rate was 1.5 days – down from 1.97 in the preceding quarter and compared to 1.56 in Q2 of 2023/24. This remains below the average benchmarking figures for UK workplaces.

Innovation & Learning

- 16.** Due to the timing of exams, we are changing the reporting of exam results. ICAS exams are principally taken in reporting periods for Quarters 1 and 3 and the number of exams taken in Quarters 2 and 4 are usually very low. The numbers of ACCA exams taken are small, and there is greater flexibility when these exams are taken. Exam results have therefore been presented on a year-to-date basis. Further detail is included on slide 22 of the appendix.
- 17.** The percentage of mandatory training completed remains at 90%, the same as in Q1.

Developments in Audit delivery

- 18.** In Q2 Delivery of audit continues to improve, the proportion of financial audits delivered or expected to be delivered by target dates will increase to 58% this year compared to 46% last year.
- 19.** There were 27 audits with completion dates of 30 October 2024 completed within the Q2 period. These will be included within the delivery data reported in Q3.
- 20.** The tables below show anticipated delivery for all sectors for both ASG and Firms for the 2023/24 audits.

| Firms | | | | | |
|--|-----|-----|-----|-----|-------|
| Expected delivery by Sector | NHS | LG | CG | FE | Total |
| Number of audits met or expected to meet target date | 9 | 14 | 14 | 11 | 63 |
| Total audits in sector | 11 | 49 | 24 | 12 | 96 |
| Percentage of audits met or expected to meet target sign-off date in 2023/24 | 82% | 29% | 58% | 92% | 50% |
| Percentage of audits meeting target sign off date in 2022/23 | 64% | 27% | 50% | 54% | 42% |
| Performance against prior year | ↑ | ↑ | ↑ | ↑ | ↑ |

| ASG | | | | | |
|--|------|-----|-----|-----|-------|
| Expected delivery by Sector | NHS | LG | CG | FE | Total |
| Number of audits met or expected to meet target date | 12 | 38 | 40 | 7 | 97 |
| Total audits in sector | 12 | 75 | 61 | 8 | 156 |
| Percentage of audits met or expected to meet target sign-off date in 2023/24 | 100% | 51% | 66% | 88% | 62% |
| Percentage of audits meeting target sign off date in 2022/23 | 83% | 32% | 57% | 88% | 48% |
| Performance against prior year | ↑ | ↑ | ↑ | → | ↑ |

Q2 2024/25 Corporate Performance Report

Appendix 1

Summary | Key Measures

Audit Scotland Corporate Plan 2023-28: Strategic Priorities

Timely & impactful annual audit
Dynamic performance audit programme
Enhanced audit approaches

Developing our people and our business

Insights driving innovation and improvement

Delivery

| Objective | Status | |
|--|--------|---|
| Audits delivered on time | Amber | → |
| Audits delivered on budget | Amber | → |
| Audits delivered on time and on budget - Audit focus | Amber | → |
| Audit quality assurance results | Green | → |
| Impact through our work | Green | → |
| Progress towards net zero and climate resilience targets | Green | → |
| Progress against our equality outcomes | Green | → |

Resources

| Objective | Status | |
|---|--------|---|
| Our finances: Spend against budget | Green | → |
| Our people: capacity to delivery - Establishment | Amber | → |
| Our people: capacity to delivery - Cost | Green | → |
| Our people: capacity to delivery - Wellbeing | Amber | → |
| Our people: capacity to delivery - Working across business groups | Green | → |
| Our people: right skills - Learning & Development | Amber | → |

Innovation and learning

| Objective | Status | |
|--|--------|---|
| Innovation driving audit transformation | Amber | → |
| Application of insights to decision-making, audit delivery & organisational change | Green | → |

Notes:

- That not all objectives are reported quarterly.
- Upward arrow indicates improving performance.
- Horizontal arrow = maintaining performance.
- Downward arrow = declining performance.
- Net zero will be reported in Q3

Not progressing/ significant additional management action required

Progressing and additional management action planned

On target/ no need for additional management action

Measures under development

Summary | Highlights, challenges and actions

Highlights

Delivery

- Delivery of audit continues to improve - the proportion of financial audits delivered or expected to be delivered by target dates will increase to 58% this year compared to 46% last year.
- 27 other audits were completed in Q2 ahead of completion date of 30 October. These will be reported on in Q3.
- Nine Performance Audits delivered – this included those delayed from Q1 due to the General election.

Resources

- At the end of September 2024 Audit Scotland's total expenditure funded by the Scottish Consolidated Fund is £5,296k which is £551k (9.4%) less than budget.
- Net operating expenditure of £5,110k is £577k (10.1%) less than budget.
- At the end of the second quarter the full year forecast is £161k less than budget.
- Staff turnover YTD for all leavers was 3.92% (reduced from 4.07% Q2 last year)
- Absence levels for Q2 was 1.5 days (reduced from 1.97 days in Q1, and from 1.56 days in Q2 last year)
- The percentage of colleagues with greater than 14.5 hours flexi continues to trend downwards. In Q1 2023/24 the average across the business groups was 31% - by Q2 2024/25 the average across business groups has reduced to 15%.

Challenges

Delivery

- There remain eight outstanding 2022/23 audits (all Firms)

Resources

- The number of FTE at the end of September 2024 was 341.06 (establishment level 366.07 FTE.)
- This equates to 93.2% - which is under the 95% target.

Actions

Delivery

- Delivery of the outstanding 2022/23 financial audits - this is monitored on an ongoing basis by AQA and through meetings with the Firms. Delivery is reported to the Executive Team, Audit Committee and the Board through the quarterly performance reports and the risk register updates.

Resources

- We continue to recruit to fill vacant posts
- A review of the financial forecast is being undertaken in consultation with budget holders following the closure of quarter 2.

Delivery

Objective

Audits delivered on time and on budget

KPQ

Are audits delivered on **time**?

Target

95% of audits delivered on time



OVERVIEW **Amber**

Auditors have continued to improve the proportion of audits delivered or expected to be delivered by target dates from 46% for 2022/23 audits to 58% for 2023/24 audits. If auditors deliver audits as currently expected, they should be on track to bring audit delivery back to pre-pandemic levels by the end of this audit appointment period as planned. Outstanding audits from 2022/23 prevent 2023/24 audits from being completed and create resourcing challenges to both audited bodies and auditors.

Financial Accounts:

Accounts due YTD include 23 NHS, 22 Central Government and 124 Local Government:

- YTD we delivered 23 of 23 NHS accounts, 17 of 22 Central Government and 53 of 124 Local Government audits (ASG 57 of 97, Firms 36 of 72).
- In addition, during Q2 we delivered 28 (ASG 23, Firms, 5) Central Government audits that were not due until 31/10/2024. These will feature in Q3 reporting. At the equivalent time last year, 20 Central Government audits had been delivered (ASG 16, Firms 4).

There remain eight outstanding 2022/23 audits (Firms 8). This includes two FE, four LG, and two LG charitable trusts.

Financial Annual Audit Plans:

For the 2023/24 Annual Audit plans which were due by 30 June 2024:

- 210 (95%) of the 222 Annual Audit plans (AAPs) are now delivered. ASG are at 99% of expected delivery; Firms are at 80%
- 148 (67%) of the AAPs were on time (compared to 65% last year). ASG 76% and Firms 52% for 2024/24, compared to ASG 72% and Firms 58% in the previous year.

Performance Audit

Nine Performance and Best Value reports were published to schedule in Q2. This include the reports rescheduled from Q1 due to the General election.

- 6 for the Accounts Commission
- 2 for the AGS
- 1 Joint report

We also published four Audit Scotland reports.

Details of all published reports are included on slide six.

Objective

Audits delivered on time and on budget

KPQ

Are audits delivered on **time**?

Target

95% of audits delivered on time



OVERVIEW **Amber**

Financial audit

The deadlines for the 2023/24 Financial Accounts due in Q2 were:

- NHS accounts 30 June 2024, CG agencies 31 August, Local Government 30 September 2024

For the Auditor General for Scotland in Q2:

Annual Audit Plans

- 118 of 123 (96%) of the annual audit plans have been delivered year to date
- 92 (75%) on time - ASG 61 (80%) on time; Firms 31 (66%) on time.

Accounts

- 40 of 45 (89%) of the NHS and CG accounts due have been delivered year to date
- 31 (69%) on time - ASG 18 (82%) on time; Firms 13 (62%) on time.

For the Accounts Commission in Q2

Annual Audit Plans

- 92 of 99 (93%) of the Local Government Annual Audit plans have been delivered year to date
- 56 (56%) were on time. ASG 41(71%) on time, Firms 15 (37%) on time.

Accounts

- 52 of 124 (42%) of the Local Government accounts due have been delivered year to date
- 52 (42%) on time ASG 38 (51%) on time; Firms 14 (29%) on time.

Performance Audit

Nine Performance Audit products and four Audit Scotland Corporate reports were delivered in Q2. This include the reports rescheduled from Q1 due to the General election.

Accounts Commission:

- [Blog: Delivering for the future - why leadership matters](#)
- [Blog: The role of chief financial officers in LG](#)
- [Blog: Importance of the LGBF \(LGO24\)](#)
- [CoA: Clackmannanshire Council](#)
- [s102: Renfrewshire Council: Dargavel update](#)
- [Benchmarking and good public performance reporting matter | Audit Scotland](#)

Auditor General for Scotland:

- [Blog: Shrewd approach needed for public sector success](#)
- [Briefing: Scotland's colleges 2024](#)

Joint reports

- [PA: Tackling digital exclusion](#)

Audit Scotland

- [National Fraud Initiative in Scotland](#)
- [Gender pay gap and Equal pay report](#)
- [Impact Monitoring and evaluation](#)
- [Communications and engagement strategy 2024-28](#)

Objective

Audits delivered on time and on budget

KPQ

Are audits delivered on **time**?

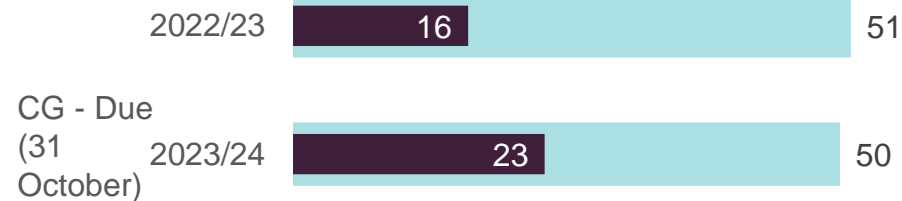
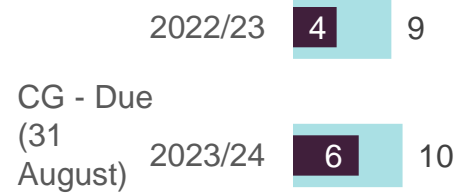
Target

95% of audits delivered on time

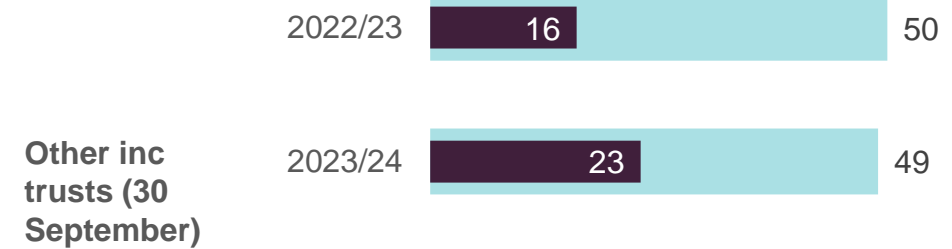
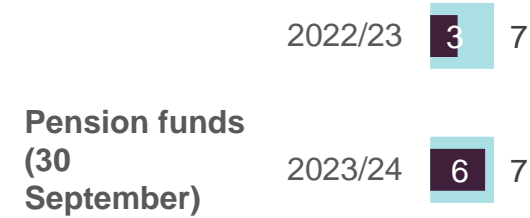
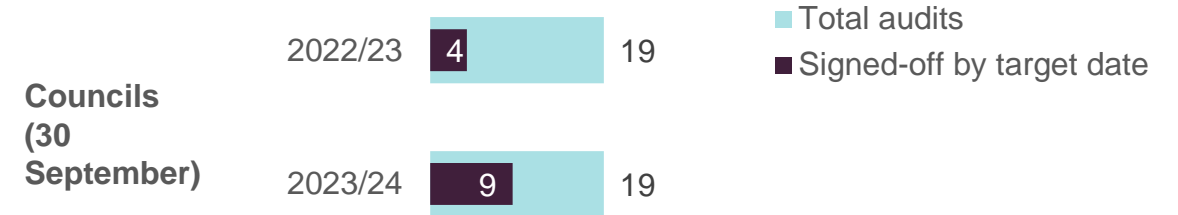


OVERVIEW **Amber** Audit Service Group Financial audit Progress as at 30 September 2024

Audit Sectors



Local Government



Objective

Audits delivered on time and on budget

KPQ

Are audits delivered on **time**?

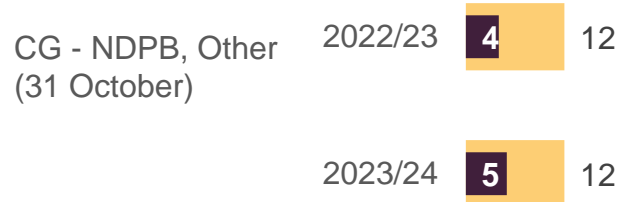
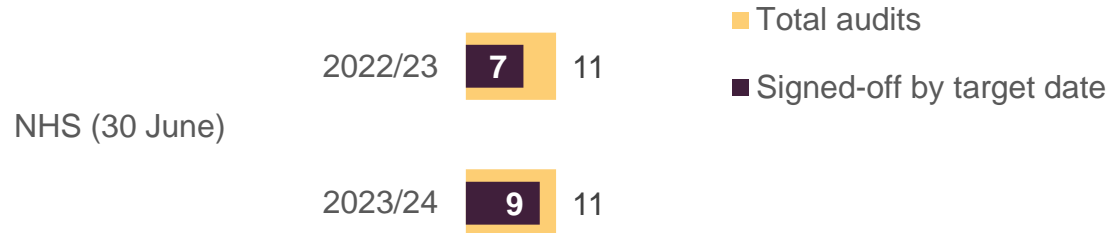
Target

95% of audits delivered on time

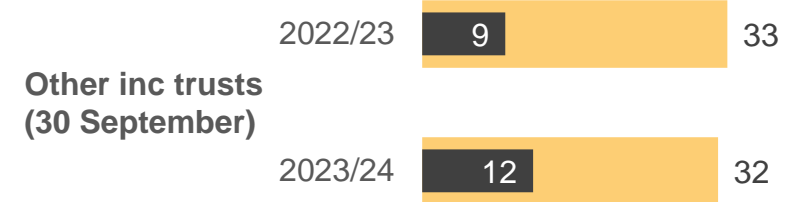
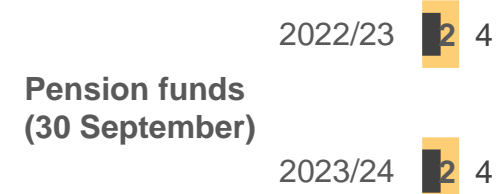
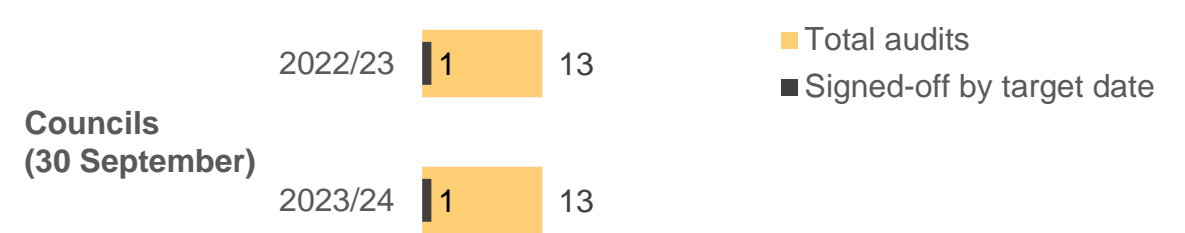


OVERVIEW **Amber** Firms Financial audit Progress as at 30 September 2024

Audit Sectors



Local Government



Objective

Audits delivered on time and on budget

KPQ

Are audits delivered on **budget**?

Target

+/-5% of budget

OVERVIEW **Amber**

For 2023/24, the initial ASG budget for 2023/24 audits was 23,177 days compared to the 23,621 budget for 2022/23. The 2023/24 budget is 12.5% less than 2022/23 actuals. As at 30 September 2024, at this point in the audit cycle, 21,043 days have been spent on 2023/24 audits (90.8% of budget). There have been overspends in several sectors, including NHS, Central Government – Agency, Central Government – Non Departmental Public Bodies, and LG Pension Funds, and current underspends in others. However, at this stage, it looks likely we will overspend to a small degree against our 2023/24 budget overall.



The Resource Leads Group continue to monitor the position against budget and is actively managing drivers for the projected overspend. These drivers include the varying quality of working papers from audited bodies, delays with audited bodies, additional non-current assets work that was confirmed after initial budgets had been set, and, on some occasions, ongoing management of staffing issues where we are working with HR. We are assessing reasons for overspends with a view to raising additional fees to be billed to the audited body where appropriate.

Overall, a small projected overspend against budgeted days should be seen in the context of strong performance seen overall this year in ASG, which includes improved audit delivery sign-offs, improved productivity and an overall reducing flexitime balance.

PABV is reporting 3% above budget, this is within target level and is better than the 5% reported in Q1. This will continue to be closely monitored throughout Q3.

Risk register

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

- A6 – Failure of efficiency and ability to demonstrate value for money 
- A9 - Failure of timely & efficient access to performance & business management information 

Objective

Audits delivered on time and on budget

KPQ

Are colleagues **audit focused**?

Target

70% of available time on audit



OVERVIEW **Green**

Colleagues are audit focused.

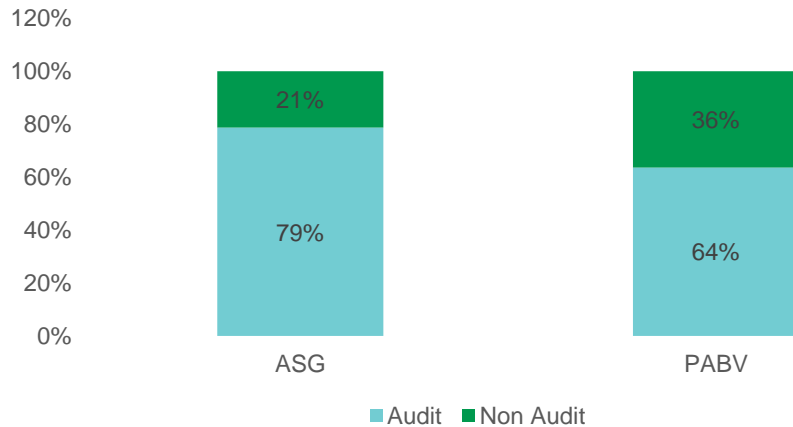
The combined time spent on audit for ASG and PABV is 74 percent, which is above target. (Available time does not include leave.)

The percentage of colleagues delivering audit in ASG and PABV.

- ASG 96%
- PABV 90%

(This excludes colleagues who do not work on audit and those on Maternity leave)

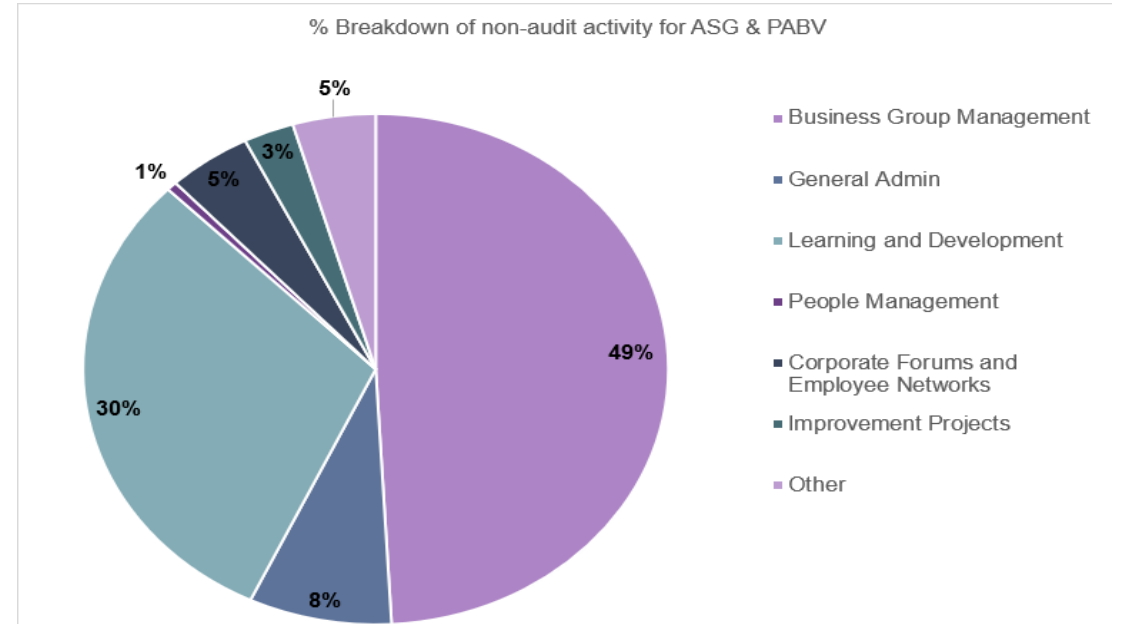
Year to date percentage of available time spent on Audit



In comparison, in Q2 2023/24:

ASG – 76% Audit time and 24% Non-Audit time

PABV – 62% Audit time and 38% Non-Audit time



Non audit time includes time codes for: Learning & development, improvement projects, business group management, meetings, travel and 'other' (including general administration)

Risk

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

Risk register

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

A5 – Failure of audit quality ● ⇨

A3 – Failure to deliver audits to deadlines ● ⇨

Objective

Audit quality assurance results

KPQ

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

Target

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



OVERVIEW **Green**

During Q2

The following I&Q activities were progressed in Q2 (NB: No cold reviews were completed in Q2 against the target above):

- **Audit Scotland Audit Quality Manual:** Drafting under way - the manual will provide a clear definition of high-quality public audit and set out our system of quality management.
- **ISQM 1 compliance:** Update provided to Executive Team providing assurance that ICAEW consider our compliance with ISQM1 is appropriate.
- **Best Value focused review:** Quality reviews of BV thematic work completed across six council. A Quality Bulletin to inform future BV for staff will be issued early in Q3.
- **Hot file reviews:** We continue our programme of hot file reviews of annual audits, and they will be finalised in Q3 to coincide with the completion of audit work.
- **Root cause analysis:** To support PABV quality - I&Q facilitated RCA discussions with audit teams that were included in this year's cold review exercise, with findings discussed with PABVLT. Root causes, along with actions from the cold reviews, were added to the refreshed Quality Improvement Action Plan (QIAP).
- **QIAP:** The two planned quality improvements for financial audits are either complete or on target for the 2024/25 audits. Performance audit improvement actions are still on track for completion by final target date of March 2025.
- **AQA activity:** AQA completed a sample review of Annual Audit Plans (AAPs). AAPs comply with the Code of Audit Practice 2021 in all sectors except for those noted below.
 - Annual Audit Plans of local government pension funds remain inconsistent in describing their planned work on Best Value.
 - Annual Audit Plans of bodies that were not councils did not in all cases describe their planned work on Best Value.
- Feedback has been provided to auditors, and the planning guidance has been updated.

Risk

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

Risk register

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

A5 – Failure of audit quality ● ⇨

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

Objective

We engage with stakeholders

KPQ

How are we **engaging** with stakeholders

Target

Engagement - time series comparison



OVERVIEW **Green**

We continue to get our messages out effectively through a variety of means. Some Q2 reports were rescheduled due to the General Election on 4 July where we followed civil service guidance and did not publish any reports that could be used to influence voting intentions.

In Q2

Media / broadcast:

- Top AGS reports: Briefing: Scotland's colleges 2024, Blog: AGS four years into his term , PA: Tackling digital exclusion
- Top Accounts Commission reports: CoA: Clackmannanshire Council , PA: IJB finance and performance 2024 PA: Tackling digital exclusion Briefing: Councils' budgets 2024/25

Social media engagements:

- Auditor General posts = 1,845
- Accounts Commission posts = 10,508
- Audit Scotland posts = 17,485

Parliament committee attendance:

- We attended **nine** parliament committees including the Public Audit committee, Health, Social Care and Sport Committee, Education, Children and Young People Committee, Finance and Public Administration committee, Public Audit Committee and Local Government, Housing and Planning committee

Consultations:

In Q2 we responded to **five** consultations including HSCS Committee pre-budget scrutiny, Education Bill, National Care Service (Scotland) Bill, regional strategic bodies within Glasgow and Lanarkshire College Regions, and Post-school education and skills reform

Risk

The risk is to Audit Scotland's reputation if we do not engage with key stakeholders.

Risk register

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

A12 - Failure of market capacity/ appetite for public audit work from the private sector (future appointments) ● ⇨

M1– Failure to maximise the value, impact and influence of public audit ● ⇨

| Measure | Q2 24/25 | Q2 23/24 |
|-------------------------|-------------|-------------|
| Consultation responses | 5 | 7 |
| Committee attendance | 9 | 6 |
| Downloads | 462,169 | 360,179 |
| Media mentions | 206 | 172 |
| Social media engagement | 17,485 | 21,372 |

Objective

We communicate with stakeholders

KPQ

How are we responding to enquiries from the public

Target

Communication - Better than 95% on time

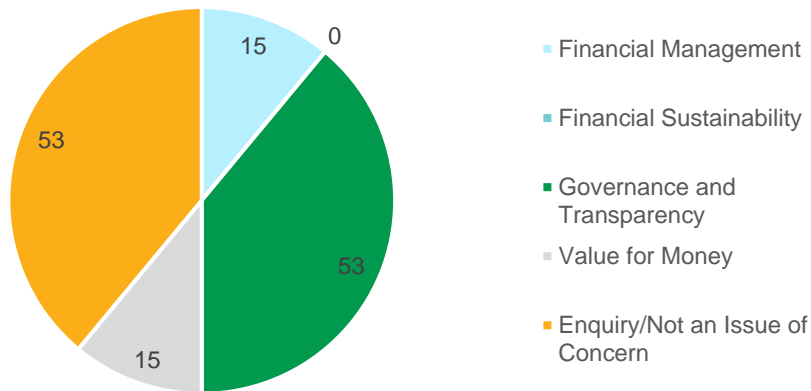


OVERVIEW

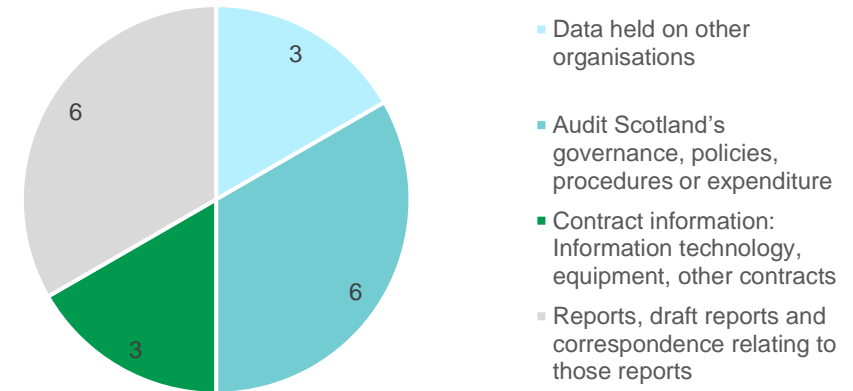
Year to date we responded to:

| | 24/25 total | 23/24 total | 24/25 % on time | 23/24 % on time |
|----------------|-------------|-------------|-----------------|-----------------|
| Complaints | 3 | 4 | 100 | 75 |
| FOI | 18 | 45 | 99 | 98 |
| DSAR | 2 | 3 | 100 | 100 |
| Correspondence | 136 | 248 | 100 | 98 |

Correspondence categories



FOI Categories



Objective

Progress against our **equality outcomes**.

KPQ

Are we progressing towards **our equality outcomes**

Target

TBC



OVERVIEW **Green**

In 2023/24 we undertook a review of progress review against 2021-2025 equality outcomes, three years into new outcomes cycle.

We are using this review to inform our new DEI strategy and next set of equality outcomes for 2025 to 2029. The key findings of the review are set out below.

We have delivered significant activity that contributes towards our equality outcomes:

- More than 70% of our performance audit products reference social and economic factors and protected characteristics and references in recommendations has increased each year from 8% of products in 2021/22 to 26% in 2023/24. We have expanded our range of publications and tailored them to meet the different communications needs of our audiences.
- We undertake significant external engagement on equality and human rights policy and are developing our approaches to integrating service user involvement and human rights into our audit methodology.
- We have seen an increase in applicant numbers amongst ethnic minorities (13.8% in 2019/20 to 24.6% in 2022/23) and disabled people (3.4% in 2019/20 to 7.10% in 2022/23).
- Our gender pay gap has decreased from circa 10% in 2020/21 to just over 4% in 2023/24.
- We have six active diversity network groups led by colleagues. These groups regularly seek feedback from colleagues who share protected characteristics, support each other and support our organisation to understand their needs and design and deliver policies that take these into account.

We now have data against all the new KPIs. We will monitor data over next few quarters to develop targets and ranges to allow us to assess progress.

Resources

Objective

Our finances: Spend against budget

KPQ

Spend against budget - Organisation

Target

Break even

OVERVIEW Green

The target for Audit Scotland is to break even as required by the Public Finance and Accountability (Scotland) Act 2000.

At the end of **September 2024** Audit Scotland's total expenditure funded by the Scottish Consolidated Fund is £5,296k which is £551k (9.4%) less than budget.

Net operating expenditure of £5,110k is £577k (10.1%) less than budget. This is mainly due to the receipt of unbudgeted prior year fee income and savings in pay expenditure with staff turnover being more than planned and the average WTE being 5.6 less than funded budget.

At the end of the second quarter the full year forecast is £161k less than budget. A review of the forecast will be undertaken in consultation with budget holders following the closure of quarter 2.

Fee income – recognition of income on completion of outstanding 22/23 audits for both firms and in-house work. Firms additional income £1,076k and in-house £152k. For 23/24 audits, in-house work slightly behind plan in each sector. Firms slightly ahead of plan on all sectors except for local government and FE.

Other income – bank interest £20k better than budget.

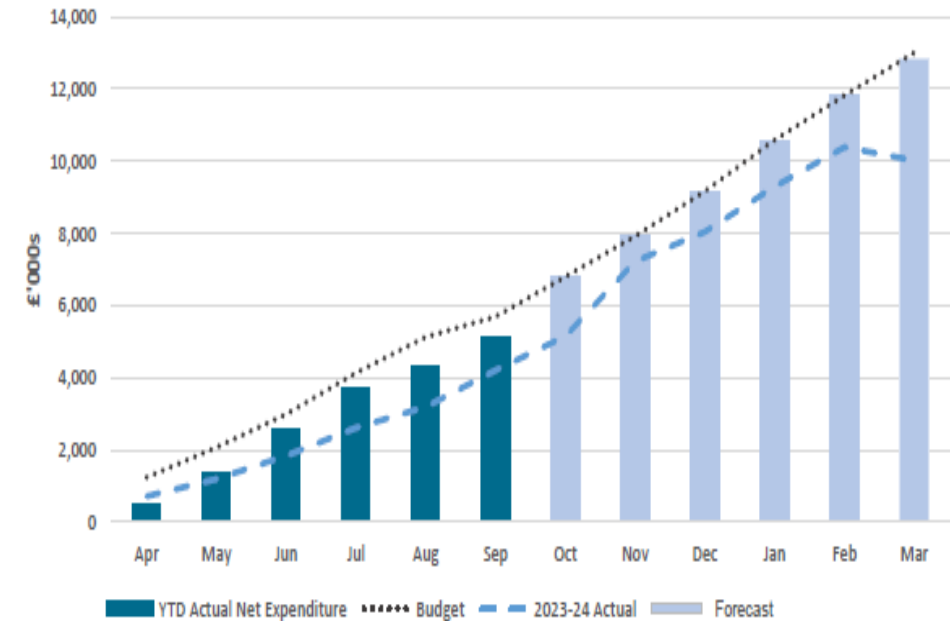
Pay – budgets include a pay award settlement of 4%. The actual YTD position includes a backdated pay award settlement of 4.2% paid in September. The pay variance of £228k is due to the average whole time equivalent position being 5.6 w.t.e below funded establishment and a price variance due to pay and NI being less than budget. This savings is being reduced by agency expenditure of £197k

Non-pay – overspends in property, professional services, IT and occupational health costs. These overspends will be met by future savings with the forecast overspend attributable to firms' payment which will be met from additional fee income.

Capital – £176k expenditure on Glasgow minor building works project.

Forecast – bank balance £2,692k, outstanding debt £6,408k with £383k overdue by 2 months or more.

Net expenditure position by month 2024-25



Objective

Our finances: Spend against budget

KPQ

Spend against budget - Organisation

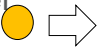
Target

Break even

The current financial risks are:

- Closing work in progress position for 2024/25 audit work at 31 March 2025.
- Impact of 2025/26 budget settlement on 2024/25 budget.
- Firms additional audit work and fees.
- Payment of audit fee invoices and impact on cash flow.
- Impact of audit modernisation and resourcing system projects.
- Procurement demand and lead times.
- Planned reduction in holiday pay accrual.
- Public sector financial constraints

Risk register

The performance affects the following risk in the corporate risk register
A6 - Failure of efficiency and ability to demonstrate value for money 

Objective

Our people: Right skills and capacity to deliver

KPQ

Capacity to deliver - people establishment

Target

+/-5% of establishment



OVERVIEW **Amber**

Current staffing level vs **establishment**

- The number of FTE at the end of September 2024 was 341.06 (establishment level 366.07 FTE.)
- This equates to **93.2%** - which is under the 95% target.

At the end of September 2024, the business group establishments were as follows:

- Audit Services = 93.3% of establishment.
- Performance Audit and Best Value = 90.86% of establishment
- Corporate services = 95.02% of establishment
- Innovation and Quality = 91.24% of establishment.
- Audit Quality and Appointments = 100% of establishment
- Accounts Commission Support = 100% of establishment.

Actions include:

- Recruitment campaigns
- Focus on resourcing flexibilities within current budget envelope
- Coordination between ASG and I&Q to understand the workload and resourcing impact of changes in audit requirements and expectations.
- Closer coordination implemented between ASG and PABV in relation to the resourcing and delivery of Best Value requirements.
- Monitoring and reporting to ET, Board and AC
- Scenario planning and development of a new Target Operating Model



Vacancy Rate %

- The vacancy rate is defined as 'Vacancy Rate (%) = (Number of Vacant Positions / Total Positions) x 100'. This represents the percentage of unfilled positions within Audit Scotland at a given time
- The Vacancy Rate in Q2 is 6.8%, compared to 6.1% in Q1 2024/25.
- We will monitor this quarterly and will benchmark against previous quarter going forward.

Risk

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

Risk register

The performance affects the following risk in the corporate risk register.
A4 - Failure of capacity –establishment, deployment, skills.  

Objective

Our people: Right skills and capacity to deliver

KPQ

People spend against budget.

Target

+/- %5 of budget



OVERVIEW **Green**

The year-to-date underspend of £425k on staff pay is mainly due to:

- A favourable volume variance of £193k with the average vacancy level for the year to date being 5.6 whole time equivalents (1.6%) less than funded establishment.
- The favourable price variance of £232k relates to staff turnover, higher trainee numbers and employer national insurance savings on salary sacrifice schemes.

Unbudgeted agency and secondment expenditure year to date of £197k is providing additional expert support on the audit modernisation and resourcing projects.

There has also been a requirement for additional audit support within Audit Services. The variance will be funded by budget savings, additional fee income and an allocation from management contingency.

Risk register

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

A4 - Failure of capacity – establishment, deployment, skills



A9 - Failure of timely & efficient access to performance & business management information



Objective

Our people: Right skills and capacity to deliver

KPQ

Capacity to deliver - **Wellbeing**

Target

Per KPI



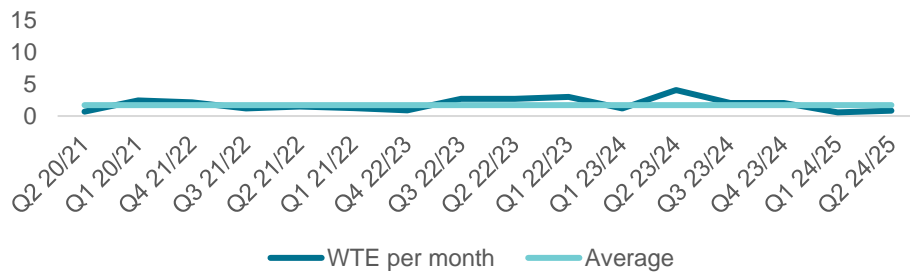
OVERVIEW **Green**

Year-to-date **staff turnover** was 3.92%, compared to 4.07 at Q2 in 2023/24. The median figure for the UK is 10.3

- Projections based upon figures from 2023/24 show we are likely to have lower turnover than in 2024/25.
- Audit Scotland's total turnover over the past five years has been lower than the median turnover for the UK labour market, which is currently at 14.4%
- Audit Scotland's resignation (voluntary) turnover over the past five years has been lower than the current median voluntary turnover for the UK labour market, which is 11.7%

The graph shows the variation for leavers above and below the average for the period 2020-21 to date. The variation is in most cases less than two percent above or below the average.

All leavers to Q2 2024/25



OVERVIEW **Amber**

Sickness absence YTD was 1.5 days compared to 1.56 in Q2 2023/24. A breakdown by business group is shown in the table

Average Sickness days by Business group

| | Q1 | Q2 | Q3 | Q4 | YTD |
|------------|------|------|----|----|------|
| ASG | 2.47 | 1.76 | | | 4.23 |
| PABV | 0.93 | 0.34 | | | 1.27 |
| I&Q | 1.07 | 0.57 | | | 1.64 |
| CSG | 2.20 | 2.5 | | | 4.7 |
| AS average | 1.97 | 1.50 | | | 3.47 |

Objective

Our people: Right skills and capacity to deliver

KPQ

Capacity to deliver - **Wellbeing**

Target

Per KPI



OVERVIEW **Amber**

Flexi Balances

The percentage of colleagues with greater than +14.5 hours flexi continues to trend downwards. In Q1 2023/24 the average across the Business groups was 31% - at Q2 2024/25 the average across business groups is 15%.

Flexi reports are re-run at the end of each quarter to provide a timely assessment of staff balances.

No member of staff, at any grade, is reported to have worked in excess of 48 hours in a week.

Risk

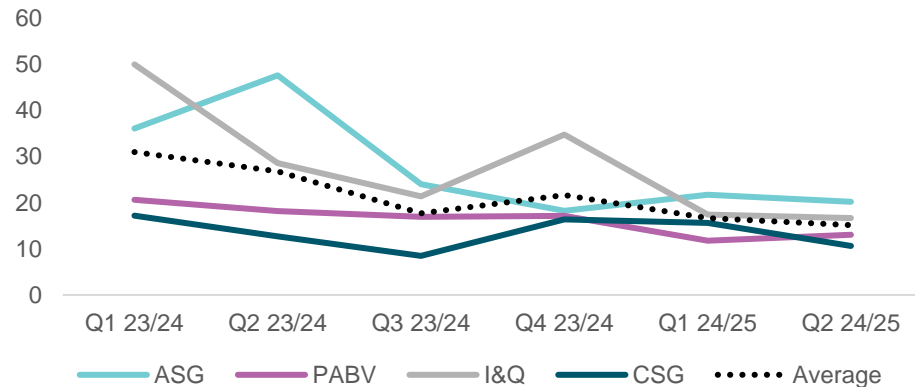
Wellbeing of colleagues is key to capacity to deliver

Risk register

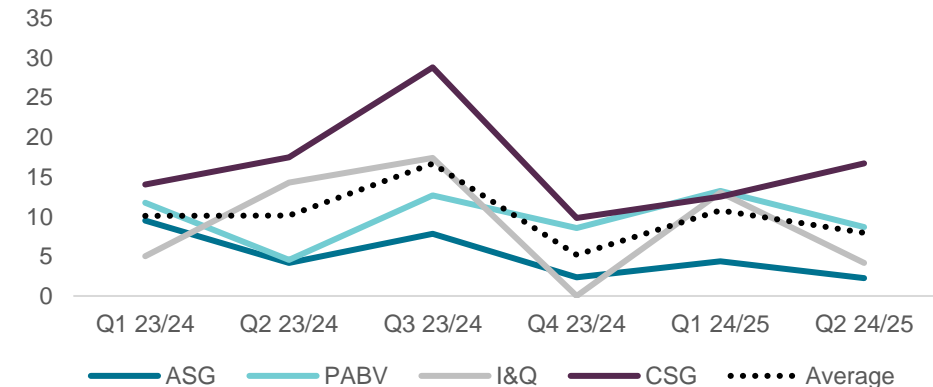
The performance affects the following risk in the corporate risk register.

A4 - Failure of capacity –establishment, deployment, skills ● ⇨

% of colleagues with a flexi balance in excess of +14.5 hours flexi



% of colleagues with a flexi balance in excess of -7.25 hours



Objective

Our people: right skills - Learning & Development

KPQ

Learning (L&D)

Target

Target per KPI

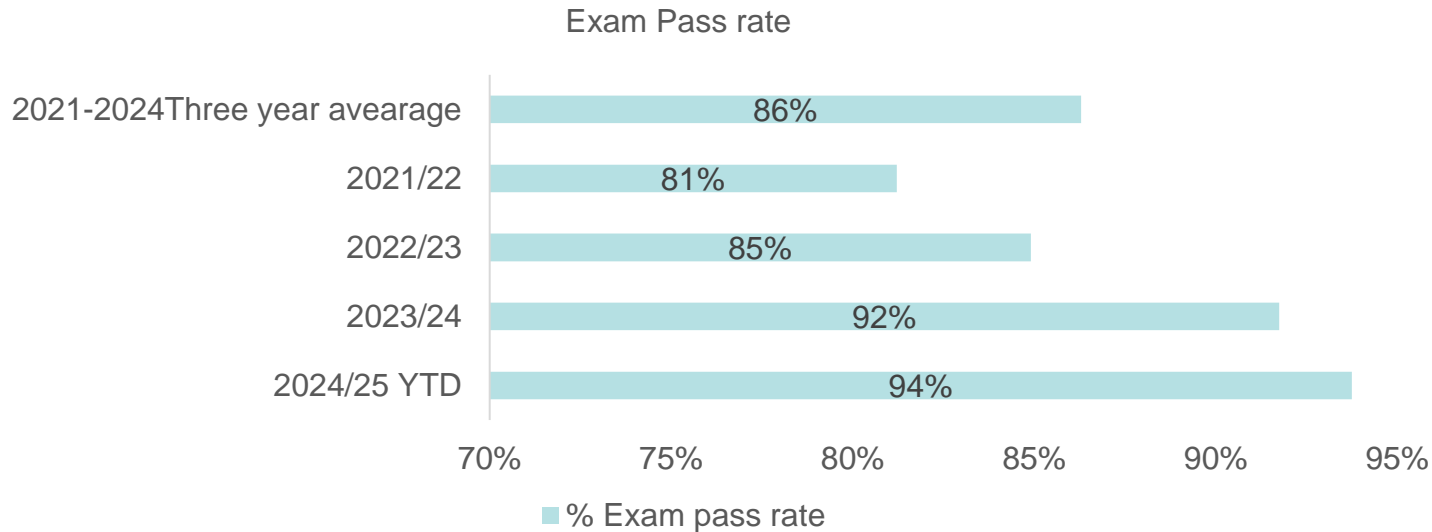


OVERVIEW Amber

L&D:

ICAS exams are principally taken in the reporting periods for Quarters 1 and 3. The numbers of ICAS exams taken in Quarters 2 and 4 are usually very low. Numbers of ACCA exams taken are small, and there is greater flexibility as to when exams are taken. Percentage exam success is reported here year-to-date (YTD).

For Q2 the YTD pass rate of 94 percent, exceeding the target of 85%, and also exceeding the three-year average for 2021-2024 which was 86%.



| Event | Completed |
|--|------------|
| Data Protection including GDPR | 94% |
| Digital Services Cybersecurity Training (not available on LMS) | 87% |
| Emotional Intelligence (ILT Report) | 88% |
| Hybrid working DSE | 87% |
| Freedom of Information | 96% |
| Protecting Information Part 2 | 92% |
| Protecting Information Part 3 (materials) | 79% |
| Trust and Ethics (materials) | 99% |
| Total Mandatory training | 90% |

- Percentage of **mandatory training completed** is 90%, below the target of 95%, and remains the same as Q1.

Objective

Our people: right skills - Learning & Development

KPQ

Learning (L&D)

Target

Target per KPI



OVERVIEW **Amber**


Key messages

The 2024/25 L&D Plan was launched on 8 August.

- We are working with colleagues, including Professional Trainees, to develop materials to deliver the L&D Plan.
- Online Learning materials were developed to support auditors when auditing pensions and HB certification.
- The number of training events and attendees reduced in Q2 compared to Q1 (132 events/977 attendees) recognising the impact of audit activity and holidays during this period.
- Notable events included Police Scotland event which had good attendance plus colleagues accessing the slides after the event.
- The neurodiversity group has delivered awareness sessions across a number of business groups.
- Several Housing Benefit Sessions were held for external and internal participants.
- We worked with PABV colleagues to finalise the development of two new training courses - Introduction to Financial Information and the Scottish Budget. Pilots will take place in Q3.

Risk register

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

A4 – Failure of capacity – establishment, deployment, skills  

Innovation & Learning

Objective

Innovation driving audit transformation

KPQ

Target per KPI

Target

Prior year performance



OVERVIEW **Amber**

Performance

In Q2

The Audit Modernisation Project is progressing well, although still reporting as amber due to resourcing constraints:

- The Strategic Improvement Programme Board (SIPB) approved the Strategic Outline Case in August.
- Following a comprehensive Options Appraisal exercise, the SIPB and Audit Scotland Board agreed the preferred procurement route.
- Process mapping workshops for PABV and ASG audit work (setting out the 'as is' process) completed. We have started the 'to be' mapping alongside software requirements to support new audit approaches. Software requirements discussions will take place with staff in October.
- Workplans for project/IQ workstreams developed at a high level. Longer term plans for audit approaches, and behavioural change are under development now that decision on procurement route has been taken.
- L&D plans now include essential audit skills (e.g. documentation and reviewer training).
- Project resources in Q2: 3 staff seconded from ASG (2) and PABV (1) in Q1 progressed audit approach and software appraisal work, and recruitment for a new Project Manager was completed, who will start in Q3. Project management tasks have been split between the project team during the interim period.

Other highlights include:

- Web-based APT developed jointly between professional support and digital audit teams. This was demo'd to the Audit Approach Board (AAB) in August and is in the final stages of testing for roll out in 24/25. Feedback has been positive so far.
- Asc delivered in line with data requests for finals. Asc lite and sampling calculator tested and ready for 24/25.
- Local Government and NHS dashboards developed to support the overview teams and other audit teams more widely.
- Memorandum of Understanding developed with the Scottish Fiscal Commission to enable the sharing of data and code that underpins the Scottish Budget dashboard.
- Our first Modern Apprentice in Data analytics started in September 2024.

Objective

Innovation & Learning - Insights

KPQ

Application of **insights** to decision making, audit delivery and organisational change

Target

TBC



OVERVIEW **Green**

During Q2 we continued to make progress with

- **Insights:** We published the latest impact monitoring and evaluation report on the Audit Scotland website, supported by additional information about our impact approach and communications to audited bodies to signpost to this information. We also worked with Leadership Group colleagues to review and refresh our approach to discussing audit risks and themes and using it for decision-making.
- **Employee engagement:** We have reviewed progress with one organisation working activity, alongside engagement survey findings to consult with Leadership Group on planned activity in next business plan.
- **Diversity, Equality and Inclusion strategy:** Where we finalised draft outcomes and wider strategy content and consulted with business group equality leads, ET and Audit Scotland Board.
- **Employee Performance and Development (EPAD):** We have completed testing phase of new approach to employee performance appraisal, process and guidance. Started engagement with supplier on technical solution.
- **Operational planning:** Where we completed first phase of the operational planning process with first meeting of new operational planning forum and Leadership Group session on priorities and resourcing. These informed the draft of the 2025/26 budget considered by the Board at its meeting in September.

Data now collected for all KPIs. We will monitor data over next two quarters to develop targets and ranges to enable full assessment of performance.

Q2 Financial performance report

Corporate Finance Manager

Item 13

Meeting date: 26 November 2024

Purpose

1. This report presents the financial results for the six months to 30 September 2024.

Recommendation

2. The Board is invited to:
 - Note the financial results for the six months to 30 September 2024.

Background

3. A Financial Performance Executive Summary is provided in the appendix to support this report.
4. This report was discussed by Audit Committee on 11 November 2024 and has been reviewed by Leadership Group.

Summary position

| Financial Position as at end of September 2024 | | | | | | |
|--|----------------------|----------------------|------------------------|-----------------------|---------------------|------------------------|
| | Actual YTD £'000s | Budget YTD £'000s | Variance YTD £'000s | FY Forecast £'000s | FY Budget £'000s | Variance YTD £'000s |
| Income | (14,547) | (14,119) | 427 | (24,989) | (24,504) | 485 |
| Pay | 12,012 | 12,239 | 228 | 24,404 | 24,620 | 216 |
| Non-pay | 7,655 | 7,577 | (79) | 13,430 | 12,890 | (540) |
| Capital Expenditure | 176 | 150 | (26) | 300 | 300 | 0 |
| Funded by Scottish Consolidated Fund | 5,296 | 5,847 | 551 | 13,145 | 13,306 | 161 |

5. At the end of September 2024 Audit Scotland's total expenditure funded by the Scottish Consolidated Fund is £5,296k which is £551k (9.4%) less than budget.
6. Net operating expenditure of £5,110k is £577k (10.1%) less than budget.
7. Total capital expenditure year to date of £176k relates to the minor building work project in the Glasgow office.
8. At the end of the second quarter the full year forecast is £161k less than budget. A review of the forecast will be undertaken in consultation with budget holders following the closure of quarter 2.
9. Variance analysis is provided in the main body of this report.

Income

- 10.** Income recognition year to date of £14,547k is £427k (3.0%) more than budget.
- 11.** In-house audit income £198k (2.9%) less than budget broken down as follows:
- Unbudgeted prior audit year income of £152k recognised for the completion of 2022/23 audits in local government, central government and EAFA.
 - 2023/24 audit fee income in local government (£30k), health (£128k), central government (£151k) and further education (£44k) less than budget. On completion of the EAFA audit the closing position is £3k more than budget.
 - Non-chargeable audit work is ahead of plan (£269k) with the overall position for 2023/24 in-house audit work being slightly behind plan.
- 12.** Income recognition for the firms is £603k (11.1%) more than budget due to:
- Unbudgeted prior year audit income of £1,076k recognised for completion of 2022/23 audits in local government (£974k), central government (£2k) and further education (£100k).
 - Fee income recognition for 2023/24 audits is less than budget in local government (£824k) and further education (£59k) with health (£196k), central government (£186k) and water (£28k) more than budget.
 - Non-chargeable audit work is slightly behind plan (£10k).
- 13.** The balancing favourable variance of £22k is mainly due to bank interest on deposit balances being more than budget. This is due to the deposit account interest rates being higher than prior years.

Pay expenditure

- 14.** Expenditure on pay, pensions and agency costs of £12,012k is £228k (1.9%) less than budget.
- 15.** The year-to-date underspend of £425k on staff pay is mainly due to:
- A favourable volume variance of £193k with the average vacancy level for the year to date being 5.6 whole time equivalents (1.6%) less than funded establishment.
 - The favourable price variance of £232k relates to staff turnover, higher trainee numbers and employer national insurance savings on salary sacrifice schemes.
- 16.** Unbudgeted agency and secondment expenditure year to date of £197k is providing additional expert support on the audit modernisation and resourcing projects. There has also been a requirement for additional audit support within Audit Services. The variance will be funded by budget savings, additional fee income and an allocation from management contingency.

Non-pay expenditure

17. Non-pay expenditure includes the payments to firms under the audit appointments contract and other operating expenditure. Year to date expenditure of £7,655k is £79k (1.0%) more than budget.
18. The main variances appear in Firms payments, professional services, IT and property.
19. **Firms payments** £216k (3.9%) less than budget. Based on the audit firms returns at the end of September the position in respect of 2023/24 audit work highlights an underspend (£525k) which is being offset by the recognition of less fee income than planned. Additional costs (£309k) were paid to the firms to enable them to sign off 2022/23 audit work. This is covered by applying additional fees and was due to a significant number of adjustments, discrepancies in the application of accounting standards and delays in the availability of working papers.
20. **Professional services** £93k (39.9%) more than budget mainly due to expenditure relating to NAO social security work, the estates management and audit modernisation projects. The NAO undertakes audit assurance work on our behalf and the variance is due to timing of expenditure with the budget to cover this cost being phased elsewhere.
21. The estates management costs are the payments made to Space Solutions to manage the Edinburgh and Glasgow projects on our behalf. This expenditure will be met from savings in the second half of the financial year when we start to make savings on our property costs and budget adjustments will be made to cover these costs.
22. Audit modernisation costs relate to a Gateway Review of the project and these costs will be met from other budget savings within the Innovation & Quality budget allocation.
23. **IT expenditure** £100k (31.6%) more than budget due to upfront one-off payments for hardware, software and payment of invoices that require prepayment as they cover 12 months or more. On making these adjustments in the next quarter it is projected that we will be on budget by the end of the financial year.
24. **Property** expenditure £87k (13.8%) more than budget due to application of notional interest charge for Edinburgh and Glasgow offices under IFRS 16 Leases. Future savings on completion of office re-configurations will be used to fund this variance.

Contingency and future financial risks

25. The 2024/25 budget includes a contingency allocation of £500k to meet any unexpected financial pressures that may arise in the year. An allocation of £80k has been made to fund a project manager for the audit modernisation project and £150k is required to meet the additional capital costs of the Glasgow office project.
26. The current unallocated balance is £270k. Allocations are the responsibility of the Executive Team (ET) and any further allocations will require a robust business case to seek ET approval.
27. The **financial risks** that have the potential to impact on our ability to deliver a balanced budget include:
 - Work in progress position for 2024/25 audit work at 31 March 2025.

- Impact of 2025/26 budget settlement on 2024/25 budget.
 - Timely payment of audit fee invoices and impact on cash flow.
 - Impact of audit modernisation and resourcing system projects.
 - Public sector financial constraints.
 - Planned reduction in IAS 19 holiday pay accrual.
- 28.** There continues to be many external factors that will impact on longer-term financial scenario planning and future budget proposals. Factors being considered include:
- The UK and Scottish Government budget announcements in October and December respectively, leading to SCF funding pressures.
 - Fees and funding strategy.
 - Audit delivery, recovery and resourcing.
 - Audit modernisation.
 - Resourcing and management information system.
 - Public sector audit model and impact on future procurement.

Capital expenditure

- 29.** The approved capital programme for 2024/25 originally planned for further investment in IT hardware and software.
- 30.** Due to slippage on the Glasgow office project, the IT capital investment in 2024/25 was brought forward into financial year 2023/24 with the capital budget for 2024/25 now being used to fund the Glasgow project.
- 31.** Total year to date capital expenditure of £176k relates to the minor building work in the Glasgow office.
- 32.** The timetable for project completion is mid-November with some additional building compliance work identified. A budget virement will need to take place for £150k as part of the Spring Budget Revision (SBR) process to meet the additional costs.

Virement

- 33.** There were no instances of budget virement in excess of £20k in the six months to 30 September 2024.
- 34.** There will be a budget virement in quarter 4 from revenue to capital as part of the SBR process to meet the additional capital costs of the Glasgow office project.

Financial Position

Fee income – recognition of income on completion of outstanding 22/23 audits for both firms and in-house work. Firms additional income £1,076k and in-house £152k. For 23/24 audits, in-house work slightly behind plan in each sector. Firms slightly ahead of plan on all sectors except for local government and FE.

Other income – bank interest £20k better than budget.

Pay – budgets include a pay award settlement of 4%. The actual ytd position includes a backdated pay award settlement of 4.2% paid in September. The pay variance of £228k is due to the average whole time equivalent position being 5.6 w.t.e below funded establishment and a price variance due to pay and ni being less than budget. This savings is being reduced by agency expenditure of £197k.

Non-pay - overspends in property, professional services, IT and occupational health costs. These overspends will be met by future savings with the forecast overspend attributable to firms' payment which will be met from additional fee income.

Capital – £176k expenditure on Glasgow minor building works project.

Forecast - based on discussions with budget managers following the closure of quarter 1 and to be reviewed and updated following closure of quarter 2.

Cash flow - bank balance £2,692k, outstanding debt £6,408k with £383k overdue by 2 months or more.

Management Contingency £'000s

| | |
|---|------------|
| Total Funding | 500 |
| Audit Modernisation Project Manager | 80 |
| Spring Budget Revision revenue to capital | 150 |

| | |
|----------------|------------|
| Balance | 270 |
|----------------|------------|

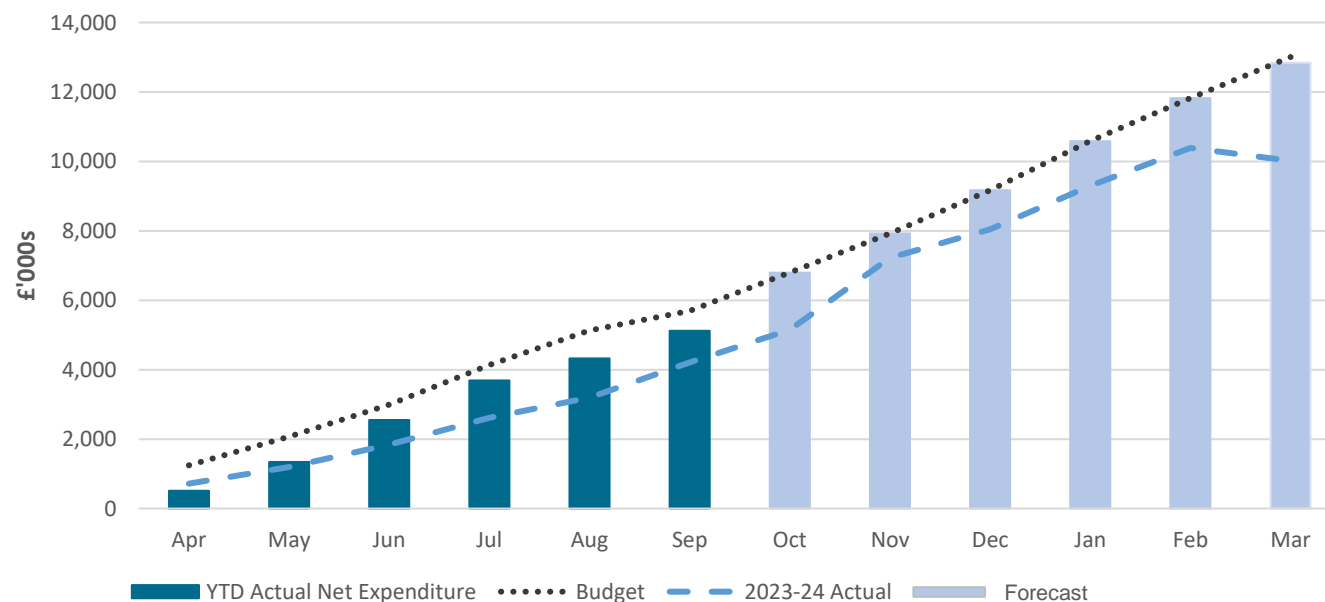
Financial Risks

- Closing work in progress position for 2024/25 audit work at 31 March 2025.
- Impact of 2025/26 budget settlement on 2024/25 budget.
- Firms additional audit work and fees.
- Payment of audit fee invoices and impact on cash flow.
- Impact of audit modernisation and resourcing system projects.
- Procurement demand and lead times.
- Planned reduction in holiday pay accrual.
- Public sector financial constraints.

Financial Position as at end of September 2024

| | Actual YTD £'000s | Budget YTD £'000s | Variance YTD £'000s | FY Forecast £'000s | FY Budget £'000s | Variance YTD £'000s |
|---|----------------------|----------------------|------------------------|-----------------------|---------------------|------------------------|
| Income | (14,547) | (14,119) | 427 | (24,989) | (24,504) | 485 |
| Pay | 12,012 | 12,239 | 228 | 24,404 | 24,620 | 216 |
| Non-pay | 7,655 | 7,577 | (79) | 13,430 | 12,890 | (540) |
| Capital Expenditure | 176 | 150 | (26) | 300 | 300 | 0 |
| Funded by Scottish Consolidated Fund | 5,296 | 5,847 | 551 | 13,145 | 13,306 | 161 |

Net expenditure position by month 2024-25



| Summary Balance Sheet £'000s | | | Summary Cash Flow £'000s | | Capital Expenditure £'000s | |
|--------------------------------|----------------|--------------|--|--------------|-----------------------------|------------|
| | 31/03/2024 | 30/09/2024 | | | | |
| Total Non Current Assets | 6,291 | 6,247 | Net cash outflow from operating activities | (7,595) | Total Funding | 150 |
| Total Current Assets | 6,092 | 12,019 | Cashflows from investing activities | 176 | Glasgow minor building work | 176 |
| Total Current Liabilities | (7,375) | (10,336) | Drawdown from Consolidated Funds | 9,000 | | |
| Total Non Current Liabilities | (7,746) | (7,362) | Obligations under leases | (17) | | |
| Assets Less Liabilities | (2,738) | 568 | Net increase in cash/cash equivalents | 1,564 | | |
| Taxpayers Equity | 2,738 | (568) | Net Cash requirement | 7,436 | Balance | -26 |

Non-current assets – decrease in right-of-use assets due to depreciation higher than car lease additions and year-to-date depreciation of tangible and non-tangible assets higher than investment.

Current assets – increase in debtors following issue of final instalment invoices for 23/24 audit work (excluding FE) in September.

Current liabilities – increase in WIP deferred income and outstanding payroll payments due to HMRC and LPF.

Non-current liabilities – adjustments reflect movement in obligations under leases.

- Draw down from Scottish Consolidated Fund of £9.0 million.
- Net increase in cash / cash equivalents of £1.564 million from 31 March.
- Final instalment of 23/24 audit fee invoices issued in September 24 with outstanding debt of £6.408 million on 30 September.

- Glasgow minor building works project commenced in June and the £176k represents the valuation payment for the work completed to date. Project scheduled for completion mid-October.
- SBR to be requested for transfer of £150k revenue to capital to cover the additional unplanned costs of the project with the remaining balance to be used for essential IT hardware purchases.

YTD financial position for each business group

The current financial position for each business group is detailed here.

- **Overall** - at the end of September the revenue position was £577k less than budget and the full year forecast following closure of quarter 1 is an underspend of £161k. An updated forecast will be undertaken in consultation with budget holders following the closure of quarter 2.
- **Audit Services Group** - 22/23 audits complete with some residual income recognised this financial year (£152k). Chargeable 23/24 audit work behind plan with fee income of £6,478k recognised for 23/24 audit work compared to budget of £6,828k. Non-chargeable audit work is £269k ahead of plan. Pay more than budget due to unbudgeted agency costs of £127k being partially met from staff pay savings of £84k. Non-pay more than budget due to NAO payment for social security work for which the budget will be re-phased.
- **Performance Audit and Best Value** - pay costs less than budget with average w.t.e. 2.9 below funded establishment. Vacant posts being filled. Non-pay costs less than budget due to reduced expenditure on professional services. This variance will reduce as payments are due for work on a S102 report.
- **Innovation and Quality** - pay costs less than budget due to average w.t.e. being 2.0 below funded establishment. This is being reduced by agency costs for project management support on audit modernisation project. Non-pay costs more than budget due to the costs of the gateway review for the audit modernisation project and i-Trent system support costs for 3D development.
- **Audit Quality and Appointments** - overspend in pay costs due to additional temporary support from ASG and outstanding leave payment for a leaver.
- **Corporate Services Group and Corporate Costs** - pay less than budget due to w.t.e. being 3.0 below funded establishment. Non-pay more than budget with the most significant variances in property, professional services, IT and occupational health costs. The non-pay overspend is mainly due to the implementation of the estates strategy with savings to be generated in the second half of the financial year.
- **Approved Auditors** – completion of 22/23 audit work in 24/25 financial year leading to fee income recognition being more than budget (£1,076k) and behind plan for 23/24 audit work (£473k). Firms' expenditure £512k more than budget on completion of additional 22/23 audit work in 24/25 financial year. Expenditure for the 23/24 audit year work is £296k less than budget.
- **Accounts Commission and Support** - pay expenditure less than budget due to vacant Secretary post which has now been filled. Minor overspend on non-pay due to timing of expense claims and will be on budget over the full year.
- **Board, AGS and Exec Team** – pay underspend due to turnover and national insurance savings.

| Business Group | Cost type | Actual YTD £'000s | Budget YTD £'000s | Variance YTD £'000s | FY Forecast £'000s | FY Budget £'000s | Variance YTD £'000s |
|---|--------------|----------------------|----------------------|------------------------|-----------------------|---------------------|------------------------|
| Audit Services Group | Income | (6,630) | (6,828) | (198) | (12,166) | (12,558) | (392) |
| | Pay | 5,757 | 5,714 | (43) | 11,736 | 11,638 | (98) |
| | Non-pay | 224 | 200 | (24) | 493 | 487 | (7) |
| | Total | (648) | (914) | (266) | 63 | (433) | (496) |
| Performance Audit and Best Value | Income | 0 | 0 | 0 | 0 | 0 | 0 |
| | Pay | 2,562 | 2,649 | 88 | 5,190 | 5,299 | 108 |
| | Non-pay | 85 | 147 | 62 | 420 | 386 | (34) |
| | Total | 2,647 | 2,796 | 149 | 5,611 | 5,685 | 74 |
| Innovation and Quality | Income | 0 | 0 | 0 | 0 | 0 | 0 |
| | Pay | 1,018 | 1,033 | 15 | 2,086 | 2,146 | 60 |
| | Non-pay | 235 | 201 | (33) | 645 | 608 | (37) |
| | Total | 1,253 | 1,234 | (18) | 2,731 | 2,754 | 23 |
| Audit Quality and Appointments | Income | 0 | 0 | 0 | 0 | 0 | 0 |
| | Pay | 222 | 194 | (29) | 401 | 387 | (14) |
| | Non-pay | 5 | 6 | 0 | 155 | 141 | (14) |
| | Total | 227 | 199 | (28) | 556 | 528 | (28) |
| Corporate Services Group and Corporate costs | Income | (1,897) | (1,875) | 22 | (3,696) | (3,749) | (53) |
| | Pay | 1,725 | 1,877 | 152 | 3,473 | 3,625 | 152 |
| | Non-pay | 1,746 | 1,452 | (294) | 3,303 | 3,373 | 70 |
| | Total | 1,574 | 1,454 | (120) | 3,079 | 3,248 | 169 |
| Approved Auditors | Income | (6,020) | (5,416) | 603 | (9,127) | (8,197) | 930 |
| | Pay | 0 | 0 | 0 | 0 | 0 | 0 |
| | Non-pay | 5,335 | 5,551 | 216 | 8,323 | 7,737 | (586) |
| | Total | (685) | 135 | 819 | (804) | (460) | 344 |
| Accounts Commission and Support | Income | 0 | 0 | 0 | 0 | 0 | 0 |
| | Pay | 240 | 273 | 33 | 521 | 525 | 4 |
| | Non-pay | 16 | 10 | (5) | 37 | 102 | 65 |
| | Total | 256 | 283 | 28 | 558 | 627 | 69 |
| Board, AGS and Exec Team | Income | 0 | 0 | 0 | 0 | 0 | 0 |
| | Pay | 487 | 500 | 12 | 997 | 1,000 | 3 |
| | Non-pay | 10 | 9 | (0) | 53 | 57 | 3 |
| | Total | 497 | 509 | 12 | 1,050 | 1,056 | 6 |
| Funded by Scottish Consolidated Fund | | 5,120 | 5,697 | 577 | 12,845 | 13,006 | 161 |