

Agenda

Audit Scotland Board

Tuesday 28 January 2025

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 report – verbal update	For information
8. Chief Operating Officer report – verbal update	For information
9. Review of draft minutes: • Board meeting: 26 November 2024	For approval
10. Review of action tracker	For assurance

Strategic items

11. Strategic Improvement Programme: update	For assurance

Items to be taken in private

12. Audit Modernisation Project: update [Item to be taken in private to support the effective conduct of business, intended for future publication]	For assurance
13. 2025-26 SCPA budget proposal – SCPA report (verbal update) [Item to be taken in private to support the effective conduct of business, intended for future publication]	For discussion

Conclusion

14. Any other business

For discussion

15. Review of meeting

For discussion

16. Date of next meeting: 1 April 2025

For information

Minutes

Audit Scotland Board

Tuesday 24 November 2024, 10.00-13.00
Audit Scotland, 102 West Port

Present:

Colin Crosby (Chair)
Stephen Boyle
Jackie Mann
Jo Armstrong

Apologies:

No apologies

In attendance:

Vicki Bibby, Chief Operating Officer (*Item 19*)
Alison Cumming, Executive Director of Performance Audit & Best Value
John Cornett, Executive Director of Audit Services
Helena Gray, Controller of Audit
Kenny Oliver, Executive Director of Innovation & Quality (*Item 17, 18*)
Gemma Diamond, Director of Innovation and Transformation (*Items 11, 18*)
Rachel Browne, Audit Director (*Item 11*)
Rebecca Seidel, Senior Manager (*Item 11*)
Graeme Forrester, Head of Performance & Corporate Governance (*Item 12*)
Ian Metcalfe, Corporate Performance Officer (*Item 12*)
Stuart Dennis, Corporate Finance Manager (*Items 13, 14*)
Owen Smith, Director of Audit Quality and Appointments (*Items 15, 16*)
Jennifer Doolan, Senior Auditor (*Items 15, 16*)
John Gilchrist, Manager, (*Items 15, 16*)
Morag Campsie, Head of Digital Audit (*Item 18*)
Bobby Alikhani, Project Manager (*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, Alison Cumming, John Cornett, Helena Gray, Kenny Oliver 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 items 14 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 meetings with Stephen Boyle, Auditor General for Scotland and Accountable Officer and Vicki Bibby, Chief Operating Officer and confirmed that there are still more meetings to do in terms of the induction programme including meeting with the Chair of the Accounts Commission.

The Chair reported on his attendance at the Annual Audit Planning Conference, highlighting that it offered valuable insights into upcoming developments for next year.

In relation to Parliamentary engagement, the Chair advised that he attended the Scottish Commission for Public Audit (SCPA) informal budget session as incoming Chair. The Chair also attended the Institute of Chartered Accountants of Scotland (ICAS) round table as well as the Parliamentary dinner awards.

The Chair has met with internal auditors from Wbg to provide comments in relation to the Internal Audit on corporate governance.

The Chair has participated in the Audit Modernisation Project for Gate Review 2.

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

Following discussion, the Board welcomed the update.

Action: Explore the potential of providing written summaries of verbal updates to be included with the Board papers for distribution prior to the Board meeting.

6. Accountable Officer's report – verbal update

Stephen Boyle congratulated the Chair in his new role and looked forward to the opportunity to working with him in his term in office.

Stephen invited members to note recent publications that have taken place including the section 22 report on the Scottish Government Consolidated Accounts, Drugs and Alcohol Services in Scotland, Scottish Government's progress on public services reform and on fiscal sustainability challenges within the Scottish public sector. There will be a number of parliamentary evidence sessions with the Public Audit Committee in relation to some of these reports.

Stephen attended the Scottish Parliament's 25th anniversary event. He has also had engagement with the Cabinet Secretary for finance and local government on Scotland's fiscal position and also with one of the MSPs on how enterprise bodies in Scotland are operating.

Internally, Stephen invited Board members to note the successful Annual Audit Planning Conference event.

In terms of upcoming engagements, Stephen has joined the Financial Reporting Council Stakeholder Engagement Group with the first meeting taking place week commencing 2 December.

Following discussion, the Board welcomed the update.

7. Chief Operating Officer – verbal update

Vicki Bibby advised that she has met with Colin Crosby in his new capacity as Board Chair and continues to have regular meetings with Jo Armstrong, Chair of the Accounts Commission and the PCS Chair.

Vicki highlighted some key internal activities, including the recruitment of two new Audit Directors and the appointment of an interim Director of Audit Quality and Appointments (AQA). Vicki also confirmed the successful completion of the refurbishments for both the Glasgow and Edinburgh offices refurbishment and expressed her thanks to the team involved for their hard work.

In terms of parliamentary engagement, there continues to be regular meetings with the SCPA Clerks with Vicki advising that the formal budget session is due to take place shortly.

Regarding external engagement, Vicki has been actively meeting with firms to monitor the progress of their audits. Additionally, Vicki participated in a joint meeting in Belfast with Chief Operating Officers from other audit agencies, fostering collaboration and knowledge sharing.

Vicki confirmed that the Boardroom apprentice has been approved and will hopefully be able to attend the next Board meeting in January 2025.

Looking ahead, Vicki confirmed that there will be internal engagement on the budget and the audit fees letter. Vicki will also be doing a keynote session in January on equality.

Following discussion, the Board welcomed the update.

8. Accounts Commission Chair's report

Jo Armstrong advised that she has spoken at a couple of conferences, and this has triggered further work with councils on the principles of financial sustainability and transformation.

Subsequent to the meeting, Jo will provide a written update to Board members for their information.

Following discussion, the Board welcomed the update.

9. Review of minutes

RemCo meeting: 7 May 2024

The Board noted the minutes of the RemCo meeting of 7 May 2024, copies of which had been previously circulated.

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

Audit Committee meeting: 7 May 2024

The Board noted the minutes of the Audit Committee meeting of 7 May 2024, copies of which had been previously circulated.

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

Extraordinary RemCo meeting: 15 August 2024

The Board noted the minutes of the Extraordinary RemCo meeting of 15 August 2024, copies of which had been previously circulated.

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

Audit Committee meeting: 3 September 2024

The Board noted the minutes of the Audit Committee of 3 September 2024, copies of which had been previously circulated.

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

Board meeting: 24 September 2024

The Board noted the minutes of the Board meeting of 24 September 2024, copies of which had been previously circulated.

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

10. Review of action tracker

The Board noted and approved the updated action tracker.

11. 2023-24 Climate Change Annual Report

Gemma Diamond, Rachel Browne and Rebecca Seidel joined the meeting.

Rachel Browne provided an overview on the 2023-24 Climate Change Annual Report, copies of which had been previously circulated.

The Board was invited to:

- Approve the Climate Change Annual Report 2023/24, for publication on our external website on 29 November 2024.

During discussion, the Board thanked the team for a very good and comprehensive report. Members observed that while we have successfully achieved our 2030 target, we are actively considering a new target beyond that date. However, in collaboration with the Green Futures Strategic Group, we must first assess the full impact of current emissions trends over the next 12 months to make that rounded assessment.

Further discussion was on current activity and behaviours and how we map this out to get a clearer understanding of what our operating model looks like and to integrate this into our decision-making process. This will also hopefully reduce our reliance on offsetting.

Following discussion, the Board approved the Climate Change Annual Report for publication on 29 November 2024.

Gemma Diamond, Rachel Browne and Rebecca Seidel left the meeting.

12. Quarter 2 2024-25 Corporate performance report

Graeme Forrester and Ian Metcalfe joined the meeting.

Graeme Forrester provided an update on the Quarter 2 Corporate performance report strategy, copies of which had been circulated previously.

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, members addressed the issue of productivity and acknowledged that efforts are underway to capture the right data to support informed decisions on resourcing. The Board agreed that it would be beneficial to have a focused discussion on this topic once the work is complete, suggesting that it take place during a RemCo meeting.

Further discussion was around capacity and the vacancy factor and how this is an area that we are closely monitoring.

Members acknowledged that a review is currently in progress to assess our performance reporting framework. This aims to identify and address existing challenges while streamlining our current processes.

Following discussion, the Board reviewed the Quarter 1 Corporate performance report.

Graeme Forrester and Ian Metcalfe left the meeting.

13. Quarter 2 2024-25 Financial performance report

Stuart Dennis joined the meeting.

Stuart Dennis provided an update on the Quarter 2 Financial performance report, copies of which had been circulated previously.

The Board was invited to:

- Note the financial results for the six months to 30 September 2024.

Following discussion, the Board noted the Quarter 2 Financial performance report.

Items taken in private

14. 2025-26 SCPA budget proposal

Stuart provided an update on the 2025-26 SCPA budget proposal, copies of which had been circulated previously.

The Board was invited to:

- Discuss, review and provide comment on the draft 2025/26 Budget Proposal.
- Discuss and agree the funding of the increase in employer national insurance contributions.
- Note the proposed 2024/25 audit fee increase by sector.
- Discuss the implications of a partial or flat cash settlement and/ or options for savings should the SCPA not support the proposal.
- Agree the budget proposal is submitted to the SCPA for scrutiny at its meeting on 18 December 2024.

During discussion, members acknowledged that the budget proposal has been updated to incorporate options for addressing the implications of the UK Government's recent employer national insurance budget announcement. They also noted that other audit agencies are considering similar strategies to those we are proposing.

Further discussions centred on our course of action in the event that we do not receive approval for the necessary funding. Absorbing the projected £520k could significantly affect our ability to deliver services. The Board concluded that, should this situation arise, an additional Board meeting would be necessary to address the issue.

Following discussion, the Board agreed the budget proposal is submitted to the SCPA for scrutiny at its meeting on 18 December 2024.

Stuart Dennis left the meeting.

15. Audit Quality Framework

Owen Smith, Jennifer Doolan and John Gilchrist joined the meeting.

Owen Smith provided an overview of the Audit Quality Framework, copies of which had been circulated previously.

The Board was invited to:

- Comment on the draft AQF at Appendix A.
- Consider the revised Audit Quality Indicators (AQIs) and explanations for changes at Appendix B.
- Note that under the Partnership Working Framework, the AQF requires to be jointly approved by the Auditor General for Scotland, the Accounts Commission and Audit Scotland's Board.
- Subject to consideration of any substantive points made by the Board, approve this draft AQF.

During discussion, members acknowledged the work that has been made and noted that further discussions will take place on how to enhance the report's accessibility for stakeholders.

Following discussion, the Board approved the draft Audit Quality Framework.

16. Audit Quality Interim Report

Owen provided an overview of the Audit Quality Interim Report, copies of which had been circulated previously.

The Board was invited to:

- Note the contents of the interim report presented at Appendix A, and that a further report on 23/24 audit work will be brought to the Board in June 2025.

Following discussion, the Board was content to note the interim report.

Owen Smith, Jennifer Doolan and John Gilchrist left the meeting.

17. Quality Update

Kenny Oliver introduced the Quality Update report, copies of which had been circulated previously.

The Board was invited to:

- Note the information provided in this paper and to ask any questions of clarification.

Following discussion, the Board noted the information in the paper.

18. Audit Modernisation Project: update

Gemma Diamond, Morag Campsie and Bobby Alikhani joined the meeting.

Kenny Further provided an update on the Audit Modernisation Project, copies of which had been circulated previously.

The Board was invited to:

- Note the information provided in this paper and to ask any questions of clarification.

During discussion, the Board noted that the project is progressing well and that the Gate Review 2 is underway.

Further discussion was on the Memorandum of Understanding with the Board requesting that this is formally shared with members at a future meeting to provide a comprehensive overview.

Following discussion, the Board noted the information provided in the paper.

Gemma Diamond, Morag Campsie and Bobby Alikhani left the meeting.

19. Partnership Working Framework Annual Effectiveness Review

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:

- Note the agreement to undertake an annual effectiveness review of the PWF; and
- Discuss and agree the Board position in relation to the questions set out in paragraph 7.

During discussion, members acknowledged that this is a positive framework which supports good quality discussions and helps to build strong working relationships.

Further discussion focused on acknowledging the external circumstances beyond our control in which we are operating and incorporating this perspective into the next iteration of the paper.

Following discussion, the Board noted and agreed the Boards position, subject to minor amendments.

Action: Vicki to provide a summary to be shared with the Audit Scotland Board, Auditor General for Scotland and the Accounts Commission by correspondence in the New Year.

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

The members noted the next meeting of the Audit Scotland Board is scheduled for 28 January 2025.

2025 Board action tracker



Meeting date	Item title	Action description	Due date	Responsible	Assigned to	Complete/ongoing	Progress notes
21-Nov-24	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		Ongoing	21/12/23: Keep on radar for the new Chair's meeting in Nov 2024. 16/01: Options/ discussion paper being developed following discussion with Board Chair. For circulation Feb 2025.
27-Mar-24	Q3 Corporate performance report	Martin to quantify the cost of delayed audits and inform the Board.	Feb-25	Martin Walker		Ongoing	09/05/24: Ongoing 04/09: Ongoing 15/11: progress delayed due to capacity challenges. Due to be progressed during December. 16/01: Work now under way with revised target date of Feb 2025.
24-Sep-24	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		Complete	15/11: this will be an ongoing process with checks made on reports pre Executive Team and the Board 16/01: Propose to close this action as ongoing process and feedback will be sought after Board & committee meetings
26-Nov-24	Verbal update reports	Explore the potential of providing written summaries of verbal updates to be included with the Board papers for distribution prior to the Board meeting.	Feb-25	Martin Walker		Ongoing	16/01: options being assessed and informed by recent discussion with Chair.
26-Nov-24	Partnership Working Framework	Provide a summary to be shared with the Audit Scotland Board, Auditor General for Scotland and the Accounts Commission by correspondence in the New Year.	Jan-25	Vicki Bibby		Complete	16/01: Summary shared on 20 Dec 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 19 November 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.

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: • 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: • 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

4. At its November 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. An update was provided at the November 2024 meeting that the **R&MI project** had encountered difficulties with the procurement process. The SIP board met a further three times before Christmas to consider verbal updates on the R&MI project from the SRO and project manager. The first tender was cancelled in December (due to no suitable bids being received) and the project was reported as RED based on this outcome. The SIP Board then endorsed a new second tender launch. The recommendation for a second full tender (a 30-day one) came from SG procurement alongside external legal advisors who were also consulted. The new second tender is now published (publication date is 13th January; closing date is 13th February). The overall project delivery timeline is extended and Go-Live is now 1st August 2025 (instead of 1st June 2025). With these remediation actions, the project team are reporting that the status is now converted from RED back to GREEN.
6. The SIP Board noted the additional management action being taken within the AMP and EPAD project teams is as follows:
 - **AMP:** The team supporting the induction of the new project manager, and development of the Outline Business Case.
 - **EPAD:** The team were experiencing some difficulties with the supplier but this was being managed by the project team.
7. For the Insights project the SIP Board was asked to discuss ongoing resource and capacity challenges to deliver the following planned milestone:
 - Deliver annual roundtable of third sector representatives (due by Dec 2024).
8. The SIP Board agreed these actions should be built into ongoing activities, with feedback from third sector sought as part of Public Audit in Scotland evaluation, and PABV to take forward activity to gather feedback from third sector on work programme.

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)	- Capacity issues in team impacting on timely delivery of upcoming milestones. - Budget currently under spent by 35%. - Six project risks reporting amber including one new risk around NAO capacity. - Additional management action required being taken within project team and no additional action requested from SIP board.
Insights	Amber	June 2022 to August 2025	- Progressing but with some slippage to planned milestones. - One project risk is amber. - SIP Board is asked to consider proposals for the planned wider evaluation of impact against Public Audit in Scotland outcomes.
Resource and management information	Green* *As reported by project team in Jan 25	Dec 2023 to August 2025	Second tender now published and new delivery timeline updated to reflect this – new Go-Live date is 1st August 2025.
Employee performance appraisal and development	Green	Nov 23 - Mar 25	Some slippage to planned milestones but project plan has been updated to account for this and no further management action is required.

Project budgets

9. 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 are being refined and baselined as part of development of the Outline Business Case. There has been a £23k increase to the total budget since September 2024, due to reprofiling timing of planned spend on external specialists, and reprofiling internal costs relating to finance team and behavioural change workstream.
- R&MI:** The estimated costs for the R&MI project include the new system costs for 2024-25 only (estimated at £92k) and these are being covered within existing budgets. It is expected that the future costs in 2025-26 onwards, estimated at £192k per annum, will be funded from efficiencies.

- **EPAD:** We paid the £17k external costs for consultancy support with MHR in full up front in August 2024, due to the way MHR approaches their billing. However, we are unlikely to use all the hours purchased for the EPAD modules. We are closely monitoring the budget and liaising across projects to ensure it can be reallocated to other iTrent development projects, including the expenses module as part of R&MI, and the move to a 35-hour working week.

Table 3: Estimated total project costs as at November 2024

Project	Estimated costs (£)	Estimated internal costs (£)	Estimated external costs (£)
MP	721,050	540,175	180,875
Insights	108,053	78,053	30,000
R&MI	179,000	17,000	162,000
EPAD	42,076	25,076	17,000
Total	1,008,103	635,228	372,875

- 10.** 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 October 2024)

Project	Phased budget to 31 October 2024 (£)	Actual spend to 31 October 2024 (£)	Variance	2025/26 phasing (£)
AMP	344,902	223,646	-35%	Not yet budgeted or baselined
Insights	58,040	52,431	-10%	25,007
R&MI	Not provided	45,000	Not provided	8,000
EPAD	34,701	34,405	-1%	N/A
Total	437,643	355,482	-19%	33,007

Project performance monitoring

- 11.** 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	On target with some slippage
	Budget: Project delivered on budget	Expenditure within +/- 5% of budget	-34% (budget not yet baselined)
	Scope: Project objectives delivered	Progress against project objectives	On target
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.	-10%
EPAD	Schedule: Project delivered on time	Milestone delivery against agreed deadlines.	All milestones on track.
	Budget: Project delivered on budget	Expenditure within +/-5% of budget.	-1%

- 12.** 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 6: Project risk summary (as reported in November 2024)

Project	Summary of risk	Net score	Controls, mitigation and further planned actions
AMP	IF the project cannot secure approval for additional budget through the SCPA, and approval of the business case and a successful Gate 2 outcome THEN delivery of the new contract, audit approach, contract award and service maybe delayed RESULTING IN the need to extend the current vendor contract again, possible legal challenge and none of the strategic business objectives as	15	OBC covers an analysis of benefits and costs. Scenario planning and assessment of potential benefits and risks undertaken as part of options appraisal to inform ongoing engagement sessions with the SCPA. Budget discussions with SIPB/ET and AS Board.

Project	Summary of risk	Net score	Controls, mitigation and further planned actions
	outlined in the business case being met.		Implementation of Gateway review recommendations and planned Gateway 2 assurance review.
AMP	IF there are departures of key staff during the lifetime of the project, or there is limited capacity of key staff due to absence or commitment to other projects. THEN there is a risk to the project of a lack of continuity in skills and knowledge, plus a reduction in available capacity. RESULTING IN delays in delivery and a lack of consistent focus across the project.	12	Develop forward looking resource profile and undertake monthly project reviews that include continuity planning. Monitoring plans and escalation routes for requests and needs in place. Rephasing and reprioritisation of work as appropriate. Handover and shadowing plans in place. Project Manager now in place. But there were also unforeseen staff absences during this last period in addition to holidays.
AMP	IF the project cannot acquire external specialised support in certain areas (e.g. legal, procurement, architecture) due to other competing priorities. THEN the project's ability to meet key milestones will be at risk RESULTING IN lead to delays and reduced quality of certain workstreams and deliverables.	12	Resource profile and budget monitoring includes specialist roles. Regular meetings with, and updates provided to Scottish Government central government shared services. Regular engagement with finance team to review available framework days. Contingency built into budget for acquiring alternative specialist advice.
AMP	IF appropriate Audit colleagues are not available to work on any aspect of the project (from requirements, through to Test and go-live support) within the required / planned timescales. THEN the support for Audit Refresh and other workstreams on the project within the required / planned timescales will be impacted RESULTING IN delays to the project delivery, ongoing delivery and benefits realisation.	12	Resource profile and undertake monthly project reviews. Resourcing needs part of agenda items for I&Q management team meetings as required. SRO and Strategic lead sighted on requests and needs and to provide escalations as required. Expert group coordination log to manage workload of group members.

Project	Summary of risk	Net score	Controls, mitigation and further planned actions
AMP	IF NAO does not have capacity to support us in transformation and implementation THEN the project will encounter delays RESULTING IN delays to delivery and potential failure.	12	Regular meetings between Strategic Lead and equivalent at NAO. Regular meetings of the respective COOs. Work plan to be developed now that option has been approved.
Insights	Failure of capacity 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.	12	Clear project plan in place with required resources identified for each milestone. Ongoing engagement across business groups to secure resources required to deliver objectives. Further engagement required to ensure adequate capacity to resource agreed stakeholder engagement milestones (third sector engagement) and to deliver wider evaluation against PAIS outcomes.

Review of SIP composition

13. The SIP Board considered the composition of the SIP. It agreed that the new project on the Future Public Audit Model met the SIP criteria and should be added to the SIP. The SIP board will consider the Project Initiation Document for the project at its March 2025 meeting.
14. It also noted that the Insights team are likely to suggest removing the project from the SIP at the March meeting subject to providing adequate assurance on the Public Audit in Scotland evaluation progress.

Conclusion

15. Two SIP projects are reporting amber and two are reporting green. The management action required is being taken within the project teams and the SIP Board.

Agenda

Audit Scotland Board

Tuesday 1 April 2025

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 report – verbal update	For information
8. Chief Operating Officer report – verbal update	For information
9. Review of draft minutes:	
• Board meeting: 28 January 2025	For approval
• Audit Committee: 11 November 2024	For information
• RemCo: 11 November 2024	For information
10. Review of action tracker	For assurance

Business planning, performance and governance

11. 2024-25 Quarter 3 Corporate performance report	For assurance
12. 2024-25 Quarter 3 Financial performance report	For assurance
[Considered by the Audit Committee at its meeting on 4 March 2025]	

Strategic items

13. 2025-28 Operational planning: progress update	For approval
14. Strategic Improvement Programme: update	For assurance

- Project overview
- Resource and management information: verbal update
- Future of public audit model: verbal update
- Audit modernisation project

15. 2023-25 Diversity, equality and inclusion strategy and mainstreaming equalities progress report

For approval

16. Statutory reporting fees

For approval

Other

17. Board/committee meeting locations and engagement

For discussion

Items to be taken in private

18. Audit Scotland annual report and accounts

For approval

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

Items taken by correspondence

19. R&MI project open tender recommendations

For approval

[Private paper to support the conduct of business and commercial sensitivity. Approved by correspondence]

20. Occupational Health contract award recommendation

For approval

[Private paper to support the conduct of business and commercial sensitivity. Approved by correspondence]

Conclusion

21. Any other business

For discussion

22. Review of meeting

For discussion

23. Date of next meeting: 20 May 2025

For information

Minutes

Audit Scotland Board

Tuesday 28 January 2025, 10.00-13.00
Audit Scotland, 102 West Port



Present:

Colin Crosby (Chair)
Stephen Boyle
Jackie Mann
Jo Armstrong
Patrick Bartlett
Catherine Maclean

Apologies:

No apologies

In attendance:

Vicki Bibby, Chief Operating Officer (*Item 13*)
Alison Cumming, Executive Director of Performance Audit & Best Value
John Cornett, Executive Director of Audit Services
Helena Gray, Controller of Audit
Kenny Oliver, Executive Director of Innovation & Quality (*Item 12*)
Martin Walker, Director of Corporate Support
Gemma Diamond, Director of Innovation and Transformation (*Items 11, 12*)
Morag Campsie, Head of Digital Audit (*Item 12*)
Bobby Alikhani, Project Manager (*Item 12*)
Graeme Forrester, Head of Performance & Corporate Governance
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, Alison Cumming, John Cornett, Helena Gray, Kenny Oliver, Martin Walker and Graeme Forrester joined the meeting.

The Chair welcomed attendees to the meeting.

A particular welcome was address to Patrick Barlett, new Board member and Chair of the Audit Committee and Catherine Maclean, new Boardroom Apprentice, to 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 12 and 13 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 meetings with Jo Armstrong, Chair of the Accounts Commission and John Cornett, Executive Director of Audit Services. Additionally, the Chair has participated in several induction meetings.

The Chair has participated in a Chair Engagement Programme aimed at enhancing the impact of Audit Scotland.

In relation to Parliamentary engagement, the Chair reported successful engagement with the Scottish Commission for Public Audit (SCPA) regarding the Audit Scotland budget.

Regarding forthcoming activities, the Chair informed members of an upcoming meeting with Alison Cumming, Executive Director of Performance Audit and Best Value, to discuss performance reporting. Additionally, the Chair will attend a Cyber Executive Education Programme and has been invited to speak at the Leadership Group session on 24 February 2025.

Following discussion, the Board welcomed the update.

6. Accountable Officer's report – verbal update

Stephen Boyle advised of regular meetings with the Chair of the Audit Scotland Board and meetings with Jo Armstrong, the Chair of the Accounts Commission. Stephen also had the opportunity to meet with both Patrick Bartlett and Catherine Maclean to welcome them both to Audit Scotland's Board.

As an Executive Team member, Stephen is involved in the reverse mentoring programme.

Stephen announced the commencement of the cold review program, which evaluates the effectiveness and compliance of both financial and performance audits. Further details will be presented at a future Board meeting

Stephen informed members about a series of recent publications, including reports on colleges, Alcohol and Drugs services in Scotland, and a Section 22 report for the Scottish Government. Additionally, there have been evidence sessions on our reports on NHS Overview, Fiscal Sustainability, and Public Service Reform reports, as well as statutory reports on the Water Industry Commission for Scotland and Ferguson Marine Port Glasgow. All reports have been reviewed by the Public Audit Committee. In our effort to engage with relevant Parliament committees, Stephen and colleagues also provided evidence at the Finance and Public Administration Committee.

Externally, Stephen met with Chief Executives of Crown Estates Scotland as well as Professor Angela O'Hagan, the new Chair of the Scottish Human Rights Commission and David Hamilton, the Scottish Information Commissioner.

Stephen attended an event at the Scottish Police Headquarters to mark the retiral of the Chair of the Scottish Police Authority.

Stephen advised that he has recently joined the Financial Reporting Council Stakeholder Insight Group.

In terms of upcoming engagements, Stephen and Vicki Bibby, Chief Operating Officer, will be meeting with other UK and Ireland Audit Generals and Chief Operating Officers in March. Stephen highlighted some upcoming publications on sustainable transport, various statutory reports including colleges, a joint paper with the Accounts Commission on additional support for learning arrangements in Scotland.

Following discussion, the Board welcomed the update.

7. Accounts Commission Chair's report

Jo Armstrong advised that due to budget challenges the Accounts Commission have agreed to hold virtual meetings in January and February and to explore ways to reduce travel and accommodation costs.

Jo highlighted that there has been extensive media on local government budgets and that Audit Scotland's Performance Audit and Best Value team have been supporting this process very well.

Externally, Jo will be attending the Local Government committee as well as meetings scheduled with the Improvement Service, COSLA and the Directors of Finance.

Following discussion, the Board welcomed the update.

8. Chief Operating Officer – verbal update

Vicki Bibby advised that she had attended Account Commission meetings to provide updates on performance reports. Vicki has also had regular meetings with the Unions.

Vicki highlighted some key internal activities, including starting two recruitment campaigns for the Head of Finance and Director of Corporate Services. Vicki is also involved in the reverse mentoring programme. Vicki, alongside Miriam Craven, Chief Operating Officer from Social Security Scotland, ran a keynote session on the topic 'empowering every voice', in January 2025. Vicki also confirmed the successful completion of the refurbishments for both the Glasgow and Edinburgh offices refurbishment

Parliamentary engagement has mainly involved the budget over recent months.

Regarding external engagement, Vicki continues to have regular engagement with the Chief Operating Officers from other public audit bodies. Vicki has been actively meeting with firms to monitor progress of their audits. Also, Vicki was involved in the induction programme for the new Boardroom Apprentice.

Looking ahead, Vicki confirmed that meetings with the firms would continue. Vicki will also be meeting with the Edinburgh Futures Scottish Prevention Hub focussing on scrutiny and engagement. In addition, Vicki will be attending the next Scottish Leaders Forum

Following discussion, the Board welcomed the update.

9. Review of minutes

Board meeting: 26 November 2024

The Board noted the minutes of the Board meeting of 26 November 2024, copies of which had been previously circulated.

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

10. Review of action tracker

The Board noted and approved the updated action tracker and requested that the Board is kept updated on the progress of the outstanding actions by correspondence.

11. Strategic Improvement Programme update

Gemma Diamond joined the meeting.

Gemma Diamond provided an update on the Strategic Improvement Programme (SIP), copies of which had been previously circulated.

The Board was invited to:

- The progress with SIP projects summarised in this paper.
- The latest budget and performance monitoring data provided by SIP projects.

During discussion, the Board noted that the status of the Resource and Management Information project had shifted from Red to Green and requested further clarification for this rapid change. The Board concluded that it would be helpful to include an explanation with each status change in future reports for better context. Members were content to note that the original tender specification has been slightly amended, resulting in increased supplier interest. Additionally, it was noted that if the tender process remains unsuccessful, the contingency plan allows for direct negotiations with a supplier.

Further discussion was on the Future Public Audit Model (FPAM) and the rationale for its inclusion in the SIP. Members noted that the project meets the required SIP criteria and has significant interdependencies with the Audit Modernisation project (AMP) and Resource and Management Information system (R&MI). Members acknowledged that successful delivery of FPAM is highly dependent on the timely completion of the AMP and the R&MI projects, emphasising that any delays on these two projects would be problematic and that a timeline for FPAM would be helpful at the next meeting.

Following discussion, the Board was content to note the progress made with the SIP projects.

Action: Gemma will provide a FPAM timeline at the next Board meeting on 1 April 2025.

Items taken in private

12. Audit Modernisation Project: update

Morag Campsie and Bobby Alikhani joined the meeting.

Kenny Oliver and Gemma Diamond provided an update on the Audit Modernisation Project, copies of which had been circulated previously.

The Board was invited to:

- Note the recommendations from the Gate 2 Independent Assurance Review.

- Review and approve the Outline Business Case (OBC), focusing on paragraphs 76-80, 163-165, 221 and 234-258.

During discussion, the Board inquired about the organisational aspects of the project, specifically whether we have the necessary capabilities, skills and behavioural readiness for this transformational change. Members were content to note that numerous activities are underway to ensure the organisational readiness. Additionally, measures will be in place to assess success and gauge how people are feeling.

Further discussion focussed on the project timeline and if there are potential ways to accelerate it. Members noted that the timeframe also depends on several external factors including the readiness and capacity of the National Audit Office (NAO). However, we need to keep challenging ourselves on the timeline and it would be useful to develop a critical path analysis with key points that details what we need to achieve and when.

Members also agreed that it would be beneficial to provide a potential solution when discussing risks. Additionally, the Board emphasised the importance of everyone understanding the benefits the project will bring to the organisation, as this will help manage the Board's expectations.

The Board discussed the timing and approach for external communication of the AMP and agreed on the importance of being open and transparent. They emphasised that we should confidently communicate our plans to use this system, ensuring stakeholders understand our commitment to modernising our audit processes. This approach will help build trust and demonstrate our proactive stance in embracing new technologies.

There was further discussion on data analytics with members noting that the Apex system cannot perform this function. The Board noted that, as Apex is part of the Microsoft suite, there is the potential that it can be integrated into our in-house data analytics platform. However, it is important to note that as end users (ASG and PABV) we understand the benefits that AMP will bring and ensure that we are using the most advanced or best data analytics available for the project. Members agreed that if there are other systems available, we should evaluate them before deciding on customisation.

Following discussion, the Board noted the recommendations from the Gate 2 Independent Assurance Review and approved the Outline Business Case.

Action: Gemma to ensure that we continue to report risks to the Board but identify mitigating actions against these for the next Board update.

Action: Gemma to review the length of time between the OBC and FBC, clearly reporting any slippage and its implications, and ensure continuous delivery without waiting for FBC completion and approval.

Action: Gemma to produce a separate plan on activity around automation and AI and how this links into the APEX programme.

Action: Gemma to provide more detail on benefits realisation and how we are communicating this to staff across the organisation (see paragraph five above).

Gemma Diamond, Morag Campsie and Bobby Alikhani left the meeting.

13. 2025-26 SCPA budget proposal

Vicki Bibby provided a verbal update highlighting some of the significant areas of the SCPA response.

The Board thanked the team for all their hard work in preparing the 2025-26 budget proposal, with a special thanks to Martin Walker and Stuart Dennis, as this is their final budget.

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

The members noted the next meeting of the Audit Scotland Board is scheduled for 1 April 2025.

Minutes

Audit Committee



Monday 11 November 2024, 10.00 am
Audit Scotland, 102 West Port, Edinburgh

Present:

Jackie Mann (Chair)
Jo Armstrong

Apologies:

Jillian So, Alexander Sloan
Graham Gillespie, Wbg

In attendance:

Colin Crosby, 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
Stuart Dennis, Corporate Finance Manager
Owen Smith, Director of Audit Quality and Appointments
John Gilchrist, Manager
Jennifer Doolan, Senior Auditor
David Jeffcoat, Alexander & Sloan
Stephen Pringle, Wbg

Niki Ross, Forum Support Coordinator (Minutes)

1. Private meeting with Internal Auditors (Wbg) and External Auditors (Alexander Sloan)

A private meeting was held with the Audit Committee members, internal auditors, Wbg 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 Audit Committee noted that the position of Chair of the Audit Committee is currently vacant. It was proposed and agreed that Jackie Mann would chair the Audit Committee meeting on 11 November 2024.

Members took the opportunity to thank Colin Crosby for chairing the Audit Committee for four years and congratulated him on his new role as Board Chair.

3. Declarations of interests

There were no declarations of interest.

4. Minutes of the last meeting: 3 September 2024

The Audit Committee members reviewed and agreed the minutes of the 3 September 2024 meeting, copies of which had been previously circulated.

5. Review of action tracker

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

Members noted that two actions, relating to items 1 and 7 from the meeting of 3 September 2024, would be added to the tracker for completeness.

6. Internal audit: Staff wellbeing

Stephen Pringle introduced the internal audit report on Staff wellbeing, copies of which had been previously circulated.

During discussion, members noted the strong level of assurance surrounding the controls in place to effectively promote staff wellbeing and foster a positive working environment.

Further discussion focused on the performance data regarding stress levels and sickness absence, with members recognising that improvements are still needed in these areas.

Following discussion, the Audit Committee welcomed the strong level of assurance and noted the report on Staff wellbeing.

7. Internal audit: Audit modernisation project

Stephen Pringle introduced the internal audit report on the Audit modernisation project, copies of which had been previously circulated.

During discussion, members noted the strong level of assurance surrounding the suitability of the methodology for the project and the confirmation given that there are appropriate governance arrangements in place to deliver the project.

Following discussion, the Audit Committee welcomed the strong level of assurance and noted the report on the Audit modernisation project.

8. Internal Audit progress report

Stephen Pringle provided an update on the summary of audit work undertaken in 2024-25, copies of which had been previously circulated.

The Audit Committee noted that four audits have been completed: three received strong assurance, while one received substantial assurance. The performance management audit is currently in progress, and the Corporate Governance audit is scheduled to begin on 11 November 2024.

9. Internal Audit recommendations progress report

Graeme Forrester provided an update on the Internal Audit recommendations progress report, copies of which had been previously circulated.

The Audit Committee was invited to:

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

During discussion, the Audit Committee considered the delays in implementing the outstanding audit recommendations, particularly regarding the Cyber Incident Response Plan. Members acknowledged the challenges in recruiting people with specialist skills and that alternative recruitment approaches would be considered. While acknowledging that we have strong measures in place to both protect against and respond to potential attacks, members also welcomed the significant ongoing work to enhance our capabilities.

Following discussion, the Audit Committee noted the progress on the implementation of outstanding audit recommendations.

10. External auditor's independence and objectivity, effectiveness and value for money

Graeme Forrester introduced the External Auditor's independence, objectivity, effectiveness and value for money report, copies of which had been previously circulated.

The Audit Committee was invited to:

- Review the external auditor's independence and objectivity.
- Appraise the effectiveness and value for money of the external audit service.

During discussion, members welcomed the report and agreed that it provides appropriate assurance and doesn't raise any issues.

Further discussion was focussed on the practice of sharing this report with the SCPA as part of the reporting process. Members noted that the prevailing assumption is that the report would be shared only in exceptional circumstances, should any issues arise, rather than as part of a routine protocol.

Following discussion, the Audit Committee noted the External Auditor's independence, objectivity, effectiveness and value for money.

11. Q2 Financial performance report

Stuart Dennis provided an overview of 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 2024.

During discussion, the Audit Committee recognised that we are currently in a strong financial position and expect to maintain this status by the end of the financial year. Members acknowledged that, as always, potential risks are related to the work in progress position at the end of March however, this will be monitored closely.

Following discussion, the Audit Committee noted the Q2 Financial performance report.

12. Review of risk register

Graeme Forrester introduced the updated risk register, copies of which had been previously circulated.

The Audit Committee was asked to:

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

During discussion, the Audit Committee highlighted that the report refers to Audit Scotland's capacity and suggested that this could be further developed to distinguish between the capacity of the firms and that of Audit Scotland.

Further discussion focused on debt management, specifically addressing the challenges and concerns related to delays in recovering our fee income and the strategies we are employing to manage this situation.

Following discussion, the Audit Committee noted the review of the risk register.

Action: Graeme to consider revisions to the report to distinguish between the capacities of Audit Scotland and the firms.

13. 2024-25 Q2 Data incidents/loss report

Graeme Forrester introduced the Q2 Data incidents/loss report, of which had been previously circulated.

The Audit Committee was invited to:

- Note the report.

During discussion, the Audit Committee considered the overall purpose of the ID cards and how our protocols compare to those of other organisations, particularly in relation to security risks. Members recognised that further work is needed in this area to balance accessibility so that everyone is wearing one whilst mitigating the risks with potential loss.

Following discussion, the Audit Committee noted the Q2 Data incidents/loss report.

14. Annual review of Audit Committee effectiveness

Graeme Forrester introduced the Annual review of Audit Committee effectiveness, 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.

During discussion, members noted that the new Chair of the Audit Committee will be appointed before the self-evaluation process begins, providing an opportunity for the new Chair to contribute to the process.

Following discussion, the Audit Committee approved the process and timeline.

15. Annual report on procurement and contract management

Stuart Dennis provided a report proposing content for an annual report on procurement and contract management, copies of which had been circulated previously.

The Audit Committee was invited to:

- Consider the proposed content for an annual report on procurement.
- Agree proposed content.
- Note that the report will be presented to the Board at its meeting on 28 January 2024.

During discussion, the Audit Committee considered the core headings and noted that not all of them may apply to Audit Scotland as they are written to cover the whole of the public sector.

Following discussion, the Audit Committee approved the Annual report on procurement and contract management and noted that the report will be presented to Board on 28 January 2025.

16. Audit Committee Terms of Reference

Graeme Forrester introduced the Audit Committee's Terms of reference, copies of which had been previously circulated.

The Audit Committee was invited to:

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

During discussion, members noted that although there will be a new Chair of the Audit Committee it was appropriate to submit the terms of reference for its regular annual review as would be expected.

Further discussion focused on the risk deep dives, emphasising the need to strike a balance between scheduling them in advance and remaining flexible enough to hold additional sessions when new risks arise.

Following discussion, the Audit Committee approved the Terms of reference.

17. 2024 Audit Quality Interim Report

Owen Smith, John Gilchrist and Jennifer Doolan joined the meeting.

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

The Audit Committee was invited to note:

- The numbers of audits delivered on time is on track to return to pre-pandemic levels within two to three years. Auditors have done well to increase the proportion of audits delivered or expected to be delivered by target dates in the past year, from 46% for 2022/23 audits to 57% for 2023/24 audits.
- The audits from 2022/23 that are outstanding are preventing 2023/24 audits being completed. This is creating resourcing challenges for audited bodies and auditors.
- For the most part, auditors prepared high quality Annual Audit Plans (AAPs) that comply with the Code of Audit Practice 2021 in all sectors. However, AAPs for local government pension funds and non-council organisations remain inconsistent in describing their planned work on Best Value.
- Scotland's public audit model is more robust than the English market, and Scotland has not experienced the major problems in audit delivery and procurement seen in the local government and health sectors there. However, some similar pressures are being felt here. This needs to be understood and monitored when managing public audit in Scotland.

During discussion, members welcomed the report and acknowledged that while we have sufficient evidence of a robust public audit regime there will be some tough judgements and challenges over the course of the rest of the appointment round in a difficult and evolving climate.

Further discussion centred on the issue of audits not being delivered on time and the underlying reasons for these delays. Members noted that we have established mechanisms in place to maintain focus on ensuring the timely completion of the audits.

Following discussion, the Audit Committee noted the interim report on audit quality.

18. Audit Quality Framework

Owen Smith introduced the Audit Quality Framework (AQF), copies of which had been previously circulated.

The Audit Committee was invited to:

- Comment on the draft AQF at Appendix A.
- Consider the revised Audit Quality Indicators (AQIs) and explanations for changes at Appendix B.
- Recommend approval of the AQF to the Board.

During discussion, the Audit Committee welcomed the revised AQIs, acknowledging that they will offer valuable performance information to demonstrate the quality of audits and pinpoint areas for improvement. This, in turn, will enhance our confidence in navigating a challenging external environment.

Further discussion focused on the specifics of the data, with members raising several queries for which they sought additional clarity and understanding.

Following discussion, the Audit Committee recommended to the Board approval of the Audit Quality Framework, subject to minor amendments.

Owen Smith, John Gilchrist and Jennifer Doolan left the meeting.

19. Any other business

There were no other items of business.

20. 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.

21. Date of next meeting

The next meeting of the Audit Committee is scheduled for 4 March 2025.

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

2025 Board action tracker



Meeting date	Item title	Action description	Due date	Responsible	Assigned to	Complete/ ongoing	Progress notes
21-Nov-24	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	Martin Walker	Complete	21/12/23: Keep on radar for the new Chair's meeting in Nov 2024. 16/01: Options/ discussion paper being developed following discussion with Board Chair. For circulation Feb 2025. 13/03: Report on the agenda for the Board meeting on 01/04/25.
27-Mar-24	Q3 Corporate performance report	Martin to quantify the cost of delayed audits and inform the Board.	Feb-25	Martin Walker	Martin Walker	Complete	09/05/24: Ongoing 04/09: Ongoing 15/11: progress delayed due to capacity challenges. Due to be progressed during December. 16/01: Work now under way with revised target date of Feb 2025. 13/03: Report on the Executive Team agenda for 24/03/25 and circulation to the Board thereafter.
28-Jan-25	Strategic Improvement Programme	Provide an outline of the FPAM timeline at the next Board meeting 1 April 2025.	Apr-25	Gemma Diamond	Gemma Diamond	Complete	13/03: Timeline going as part of SIP overview.
28-Jan-25	AMP update	Ensure that we continue to report risks to the Board but identify mitigating actions against these for the next Board update.	Mar-25	Gemma Diamond	Gemma Diamond	Complete	13/03: Covered in SIP Update to Board on 1 April.
28-Jan-25	AMP update	Review the length of time between the OBC and FBC, clearly reporting any slippage and its implications, and ensure continuous delivery without waiting for FBC completion and approval.	Mar-25	Gemma Diamond	Gemma Diamond	Complete	13/03: Covered in SIP Update to Board on 1 April.
28-Jan-25	AMP update	Produce a separate plan on activity around automation and AI and how this links into the APEX programme.	Mar-25	Gemma Diamond	Gemma Diamond	Ongoing	13/03: Discussing with corporate governance the best way to provide this session
28-Jan-25	AMP update	Provide more detail on benefits realisation and how we are communicating this to staff across the organisation	Mar-25	Gemma Diamond	Gemma Diamond	Complete	13/03: Covered in SIP Update to Board on 1 April.

Q3 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 three (Q3) 2024/25.

Recommendations

1. 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

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 1 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 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	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 →				
Not progressing/ significant additional management action required		Progressing and additional management action planned		On target/ no need for additional management action	
				Measures under development	

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

- Annual audit delivery deadlines for quarter three focus on central government audits due by 31 October and further education audits due by 31 December 2024, with eleven performance and statutory audits reports being produced in the quarter, and work continuing on completing outstanding 2022/23 audits.

Financial audit delivery

- The delivery of audit continues to improve - the proportion of financial audits delivered increased to 87% this year compared to 78% in quarter 3 last year. Audits delivered by target date increased to 55% this year compared to 46% last year.
- By the end of Q3 we delivered 218 (87%) of the 252 audits planned. These were:
 - 23 of 23 NHS accounts (June due date).
 - 22 of 22 Central Government (August due date).
 - 98 of 124 Local Government audits (September due date).
 - 62 of 63 Central Government (October due date).
 - 13 of 20 Further Education. (December due date).
 - By audit provider - ASG delivered 148 of 156, and the Firms 70 of 96.
- As at time of writing, two of the 2022/23 financial audits remain outstanding.
 - One local government joint board (1 Firm).
 - One further education audits (1 Firm).
- Executive Team now considers a delivery update report on a monthly basis.
- 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 11 performance audits and two Audit Scotland corporate reports in Q3. Links to these reports are included below:

Accounts Commission:

- [Local Government Overview: Transformation in councils](#)
- [Blog: The Accounts Commission's role in supporting reform](#)
- [Controller of Audit: City of Edinburgh Council](#)
- [Controller of Audit: Scottish Borders Council](#)

Auditor General for Scotland:

- [Section 22: Scottish Government consolidated accounts](#)
- [Performance Audit: The Scottish Government's approach to fiscal sustainability and reform](#)
- [Performance Audit: NHS in Scotland 2024](#)
- [Section 22: Water Industry Commission for Scotland](#)
- [Section 22: Ferguson Marine Port \(Glasgow\) Ltd](#)

Joint reports:

- [Performance Audit: Alcohol and drug services, Accounts Commission and Auditor General](#)
- [Audit Scotland and The Royal Society of Edinburgh joint report on public service reform](#)

Audit Scotland:

- [Annual diversity report 2023/24](#)
- [Climate change annual report](#)

Resources and capacity

12. Audit Scotland's net operational expenditure was 5.3% 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 less than funded budget. Additional information is contained on slide 16 of the appendix.
13. The number of FTE at end of December 2024 was 343.75, against an establishment level 366.07 FTE. This equates to 93.9% of establishment. The breakdown by business group is included in Appendix 1 (slide 18).
14. Staff turnover year to date for all leavers was 6.44%. Turnover is projected to be 9.6% compared to 9.33% in 2023/24.
15. The Q3 sickness absence rate was 1.25 days – down from 1.74 in the quarter 3 of 2023/24. This remains below the average benchmarking figures for UK workplaces.

16. The Executive Team has constituted a Recruitment Board to be responsible for the strategic oversight and management of vacancies based on the agreed vacancy rate for 2025/26.

Innovation & Learning

17. Exam results year-to-date show a 94% pass rate which is above the target of 85% and is higher than last year's average of 92%.
18. The percentage of mandatory training completed increased to 91%, slightly higher than in Q2 (90%) but remaining below the target of 95%.

Developments in Audit delivery

19. 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	11	7	41
Total audits in sector	11	49	24	12	96
Total audits delivered to date	11	28	24	7	70
Percentage of audits met or expected to meet target sign-off date in 2023/24	82%	29%	46%	92%	50%
Percentage of audits meeting target sign off date in 2022/23	64%	27%	50%	54%	42%
Delivery on time 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	6	97
Total audits in sector	12	75	61	8	156
Total audits delivered to date	12	70	61	6	149
Percentage of audits met or expected to meet target sign-off date in 2023/24	100%	51%	66%	75%	62%
Percentage of audits meeting target sign off date in 2022/23	83%	32%	57%	88%	48%
Delivery on time performance against prior year	↑	↑	↑	↓	↑

20. It should be noted in the tables above that both downward arrows relate to minor decreases in delivery performance in relatively small sectors.

Ongoing Performance Management Framework Development

21. The Executive Team, at its meeting on 3 February 2025 received a verbal update on ongoing developments to the Performance Management Framework. A project plan has developed and presented to the Executive Team on 17 March 2025, setting out timescales for work as well as themes and objectives of the project.

Q3 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			Resources			Innovation & 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	→	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		
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		

Summary | Highlights, challenges and actions

Highlights

Delivery

- Delivery of audit continues to improve - the proportion of financial audits delivered by 31 December 2024 was 87% compared to 78% in the same period last year
- Audits delivered on time is 55% this year compared to 46% last year.
- Eleven Performance Audit, statutory, or other reports delivered in Q3.

Resources

- Proportion of time spent on Audit is 4% higher for ASG and 3% higher for PABV than previous year.
- At the end of December 2024 Audit Scotland's net operating expenditure was £8,194k, which was £499k (5.3%) less than budget.
- Staff turnover YTD for all leavers was 6.44% -total turnover is forecast to be 9.62%, up from 9.33% in 2023/24.
- Absence for Q3 was 1.25 days (reduced from 1.74 days in Q3 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 Q3 2024/25 the average across business groups has reduced to 12%.
- The Executive Team has agreed to constitute a Recruitment Board to be responsible for the strategic oversight and management of vacancies based on the agreed vacancy rate for 2025/26.

Challenges

Delivery

- There are two outstanding 2022/23 audits (both Firms).

Resources

- Overspends in audit days - though the financial position is a projected underspend.
- The number of FTE at the end of December 2024 was 343.75 (establishment level 366.07 FTE.) This equates to 93.9% of establishment.

Actions

Delivery

- Delivery, including 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. The Executive Team also now receive a monthly Audit Delivery Update report.

Resources

- Recruitment to vacant posts is considered by the Recruitment Board.

Delivery

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

Financial Accounts:

All 252 Accounts were due by the 31 December 2024- 23 NHS, 22 Central Government (Aug), 63 Central Government (Sept), 124 Local Government and 20 Further Education:

We have delivered 218 accounts (87%) compared to 199 (78%) last year
ASG has delivered 148 (95%) of the 156 accounts due, of which 62 percent were on time

Firms have delivered 70 (73%) of the 96 accounts due, of which 43 percent were on time

For the Auditor General for Scotland Year to date:

Accounts

- 120 of 128 (94%) of the NHS, CG and FE accounts due have been delivered year to date
- 86 (67%) on time - ASG 58 (63%) on time; Firms 28 (60%) on time.

For the Accounts Commission Year to date :

Accounts

- 98 of 124 (79%) of the Local Government accounts due have been delivered year to date, of which 52 (42%) were delivered on time: ASG 38 (51%) on time; Firms 14 (29%) on time.

Performance and statutory audits

Eleven Performance Audit products and two Audit Scotland corporate reports were delivered in Q3.

Accounts Commission:

[Local Government Overview: Transformation in councils](#)

[Blog: The Accounts Commission's role in supporting reform](#)

[Controller of Audit: City of Edinburgh Council](#)

[Controller of Audit : Scottish Borders Council](#)

Auditor General for Scotland:

[Section 22: Scottish Government consolidated accounts](#)

[Performance Audit: The Scottish Government's approach to fiscal sustainability and reform](#)

[Performance Audit: NHS in Scotland 2024](#)

[Section 22: Water Industry Commission for Scotland](#)

[Section 22: Ferguson Marine Port \(Glasgow\) Ltd](#)

Joint reports

[Performance Audit: Alcohol and drug services Accounts Commission and Auditor General](#)

[Audit Scotland and The Royal Society of Edinburgh joint report on public service reform](#)

Audit Scotland

[Annual diversity report 2023/24](#)

[Climate change annual report](#)

Objective

Audits delivered on time and on budget

KPQ

Are audits delivered on **time**?

Target

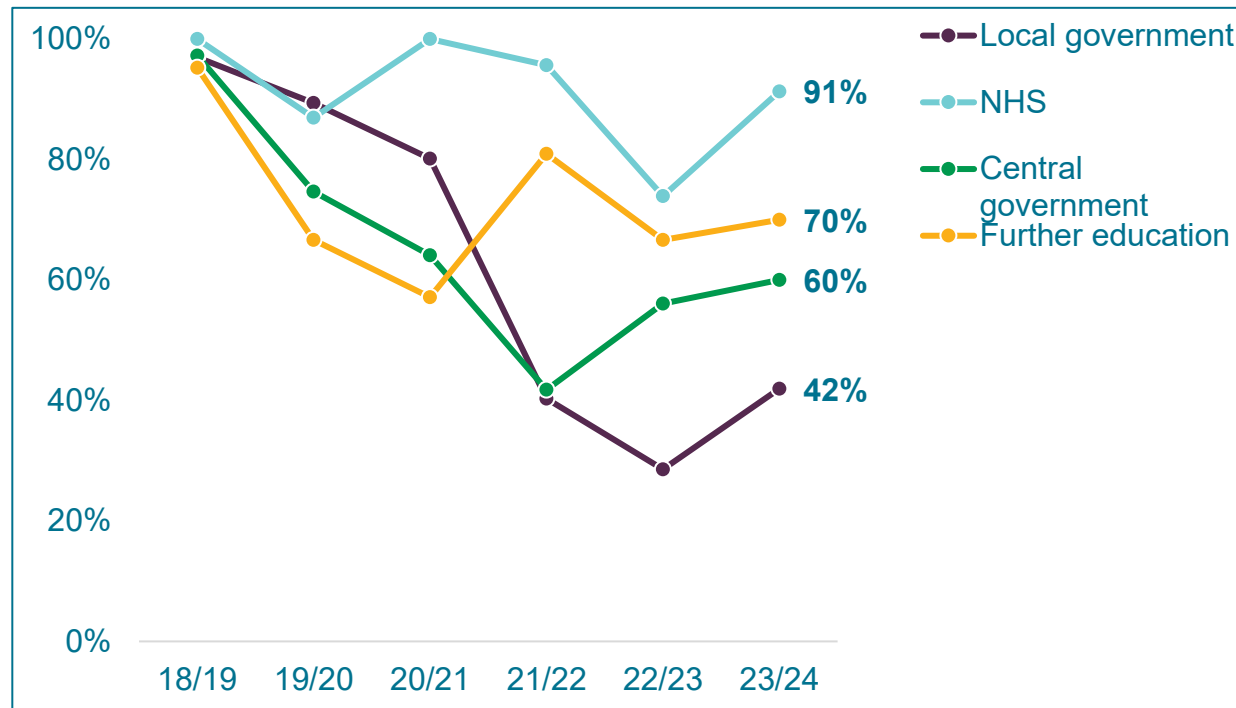
95% of audits delivered on time



OVERVIEW **Amber**

Auditors have continued to improve the proportion of audits delivered. We have delivered 218 (87%) compared to 199 (78%) last year. Delivery of Audit was 55% on time compared to 46% last year. The charts on this slide include data for both ASG and the Firms.

Audits completed on time: percentage for each sector



Objective

Audits delivered on time and on budget

KPQ

Are audits delivered on **time**?

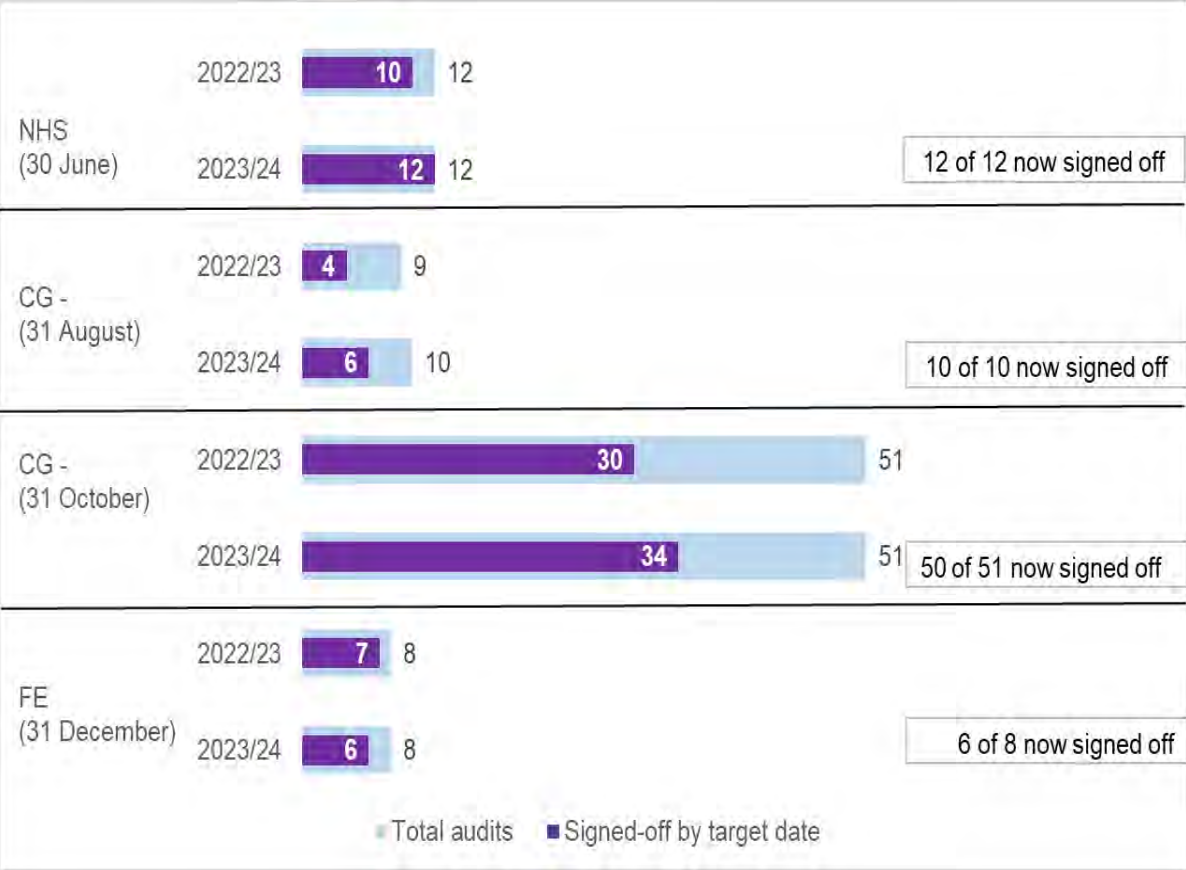
Target

95% of audits delivered on time



OVERVIEW **Amber** Audit Service Group financial audit progress - as at 31 December 2024 (with time of writing updates)

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

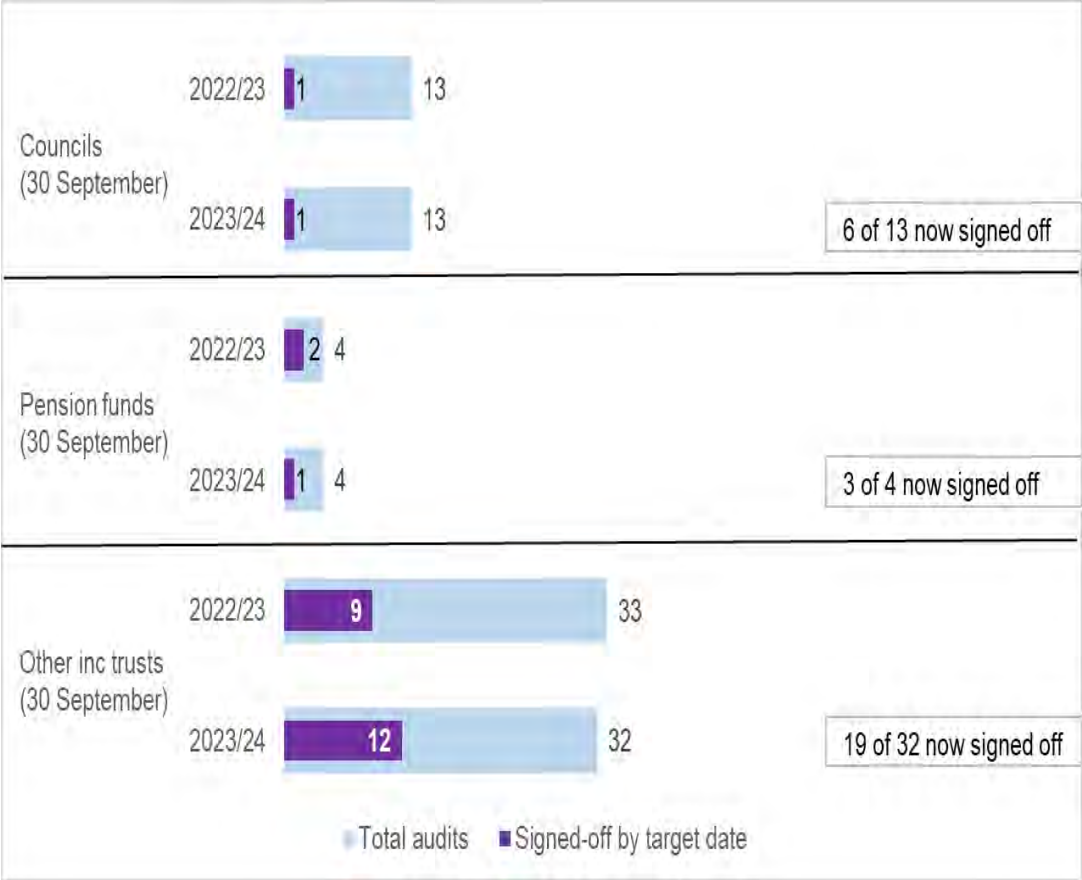


OVERVIEW **Amber** Firms financial audit progress - as at 31 December 2024 (with time of writing updates)

Audit Sectors



Local Government



Objective

Audits delivered on time and on budget

KPQ

Are audits delivered on **budget**?

Target

+/-5% of budget



OVERVIEW **Amber**

Audit Services Group

For 2023/24, the initial ASG 'audit days' budget for 2023/24 audits was 23,177 days – 12.5% less than 2022/23 actuals. As at 31 December 2024, 25,734 days have been spent on 2023/24 audits (11% above budget). By the time the remainder of 2023/24 audit work has concluded, we are likely to exceed the actual spend on 2022/23 audits. There have been overspends in all sectors, except for EAFA.

The ASG overspend is in days and the financial position is a projected underspend.

The ASG Resource Leads Group monitor this position throughout the year. Factors influencing the budget include quality of working papers from clients, delays with clients, additional non-current assets work that was not budgeted for due to the audit approach guidance arriving later in the year, and management of ongoing staffing, for example, developing new staff who are an investment for the future.

It is of note that audit day overspends coincide with reduced non-audit time (though not L&D), combined with the appointment of additional staff to help with the recovery of audit delivery. Flexi balances and annual leave balances in ASG have reduced throughout the year.

ASG is currently finalising audit budgets for 2024/25 audits and will take the factors above into account as part of this exercise, alongside additional factors like the reduced working week and changes to audit approach (including the impact of the revised ISA600, and IFRS16 in councils).

ASG is planning a number of actions to increase discipline around audit budgets in 2024/25, alongside effective and efficient audit approach support from I&Q. Improved monitoring capabilities will also be provided by the R&MI Project.

Performance Audit and Best Value:

PABV is reporting 12% above budget for 'audit days' - this is outwith the target level and is higher than the 3% reported in Q1.

The cost overrun is spread over a few portfolio areas with approximately half in the Local Services portfolio due to the costs associated with completing Best Value work for the Commission.

A Best Value 'stocktake' is underway to ensure it is being delivered efficiently and meeting the needs of key stakeholders.

Audit impact arrangements are still relatively new, and this has contributed to the current position particularly for the Social Care portfolio where the Alcohol and Drug Services report had increased engagement, impacting on the time required by the audit team.

A similar position was also experienced in other portfolios where there has been increased engagement with Parliamentary committees.

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**

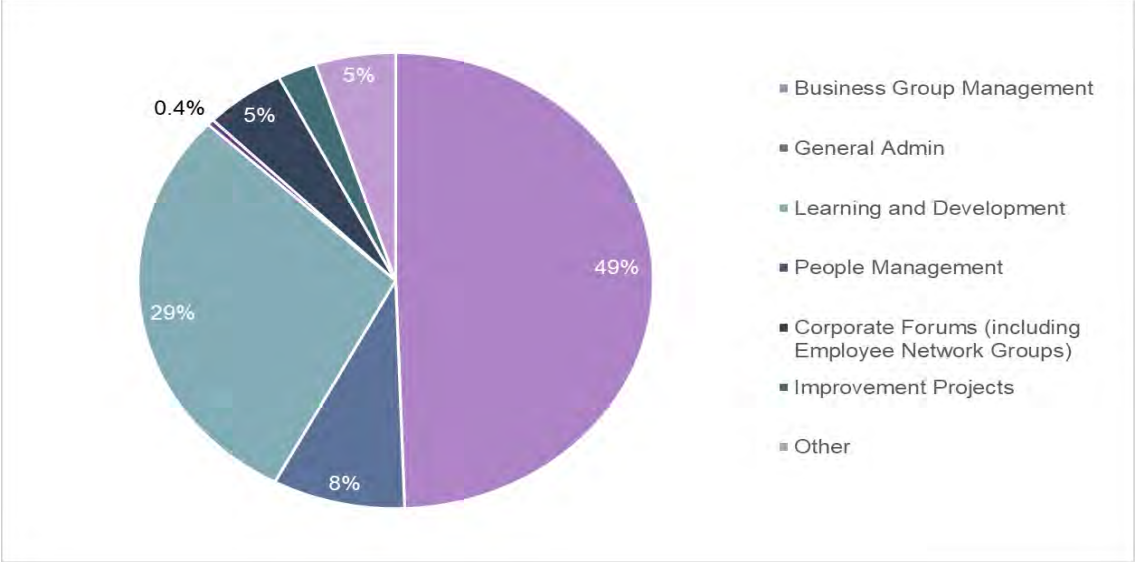
Colleagues are audit focused.

The combined time spent on audit for ASG and PABV is 74 percent, which is above the target of 70%. (Available time does not include leave.)

Colleagues who do not work on audit and those on maternity leave are not included in data for each business group - the percentage of colleagues delivering audit in ASG is 96%, and PABV is 90%.

Actions: Review of time coding against Audit time and Non-Audit time is ongoing to ensure there is consistency in how time is recorded and to support implementation of the Resourcing and Management Information system.

Percentage 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.

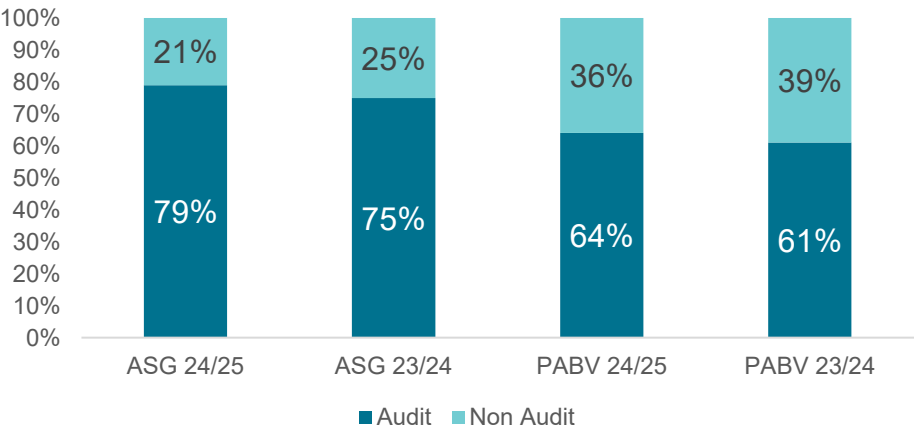
Risk register

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

A5 – Failure of audit quality  

A3 – Failure to deliver audits to deadlines  

Year to date percentage of available time spent on Audit



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 Q3

Audit Quality Framework (AQA)

- Audit Scotland’s Board approved a revised [Audit Quality Framework \(AQF\)](#) at its meeting on 24 November 2024.
- The AQF aims to provide assurance about the quality of audit to the Auditor General and Accounts Commission, and to support improvements in audit quality. AQA will report under the revised AQF in its Quality of Public Audit in Scotland annual report in June 2025
- We continued reviewing and updating Audit Scotland’s Audit Quality Manual. We provided an update to QEC members in October and completed our consultation with Quality Leads in each business group. The manual was made available to all staff on 3 February 2025.
- To support ASG quality – we issued a Quality Bulletin to all ASG staff and BV leads in October to share emerging themes from our focused review of best value thematic audit work. We completed our programme of hot file reviews and check-ins of annual audits in Q3, with good progress reported on following up prior year quality findings. We started our cold file review programme in Q3 and completed 2 out of 6 reviews. The programme will conclude in Q4.
- To support PABV quality – we completed our hot review programme, findings will be reported to PABVLT in Q4. We started our programme of two performance audit cold file reviews in Q3, which are due for completion in Q4. We also started our external peer review exercise with the Public Audit Forum. Input to the Audit Quality Manual has ensured PABV aspects are considered throughout.
- To support our external engagement - I&Q hosted the Public Service Audit Quality Group (consisting of Quality Leads across the UK and Ireland audit agencies) meeting in October which was well attended and useful to gather emerging quality issues in the profession.

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 ● ↓

OVERVIEW

Green

- In Q3 we continue to get our messages out effectively through a variety of means.
- The financial and operational pressure on public services is increasing and the reporting by the Accounts Commission and Auditor General reflects those pressures and the need for reform.
- These strong messages continue to make for influential news stories and increased media coverage for our flagship reports.
- This was particularly notable in relation to the NHS Overview, the performance audit on the Scottish Government’s approach to fiscal sustainability and reform, and the Local Government Overview.

Media / broadcast:

- Top AGS reports: NHS in Scotland 2024; The Scottish Government's approach to fiscal sustainability and reform; Section 22 Report on Ferguson Marine Port (Glasgow) Ltd
- Top Accounts Commission reports: Alcohol and drug services; Transformation in councils; City of Edinburgh Council

Social media engagements:

- Auditor General posts = 27,216
- Accounts Commission posts = 6,420
- Audit Scotland posts = 17,762

Parliament committee attendance:

- We attended **eight** parliament committees including the Public Audit Committee and Economy and Fair Work Committee.

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	Q3	Q3
	24/25	23/24
Consultation responses	0	2
Committee attendance	8	9
Downloads	455,420	508,243
Media mentions	402	176
Social media engagement	51,398	106,725

Objective

We communicate with stakeholders

KPQ

How are we responding to enquiries from the public

Target

Communication - Better than 95% on time

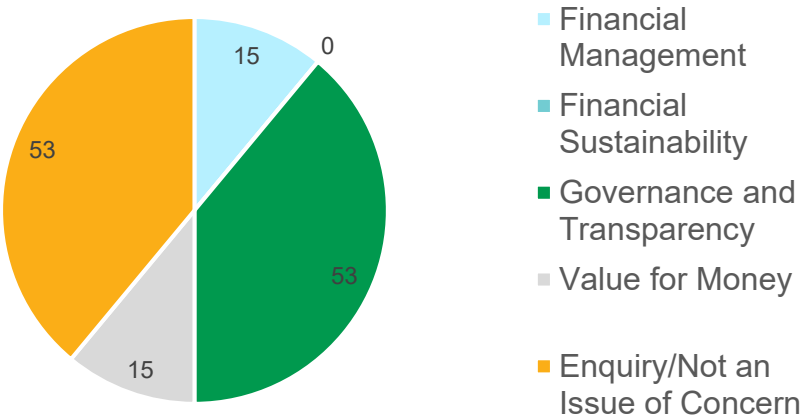


OVERVIEW

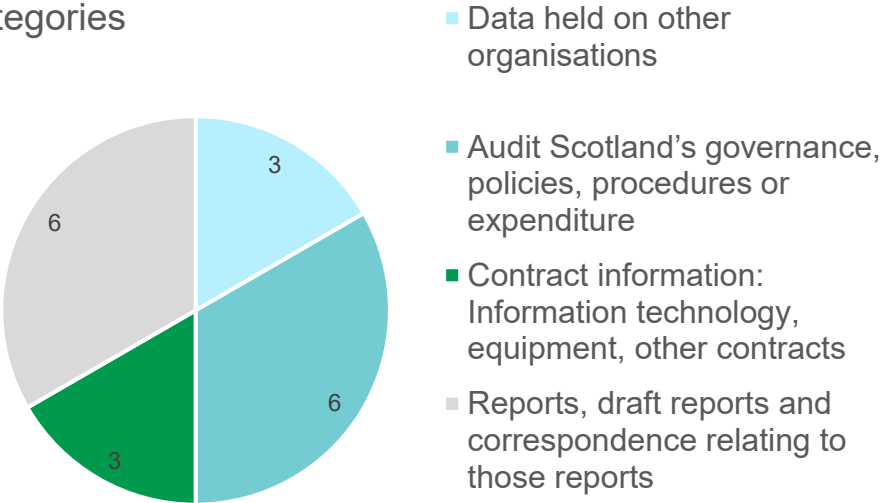
In the year to date we have responded to:

	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**



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. The DEI Strategy and Mainstreaming Report will be presented to the Board on 1 April 2025.

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.

The percentage of applicants from a minority ethnic background has increased - 14% in 2019/20, to 25% in 2022/23, to 43% in 2024/25. During the same period, the percentage of minority ethnic employees has stayed relatively constant at around 7%, compared to approximately 5.8% of Scotland's working age population.

In 2022/23, 7.1% of all applicants to Audit Scotland disclosed disability. This fell to 5.7% in 2023/24. This is compared to 20.7% of the Scottish working age population. Colleague disclosure rates for disability are low. In 2022/23, 6.2% of colleagues declared that they had a disability; 57.6% did not disclose whether they have a disability. Our draft Diversity, Equality and Inclusion (DEI) strategy will be looking at ways to address this.

In March 2024, our mean gender pay gap was 3.8%. This has reduced from 6.2% in March 2023, 7.4% in March 2022 and 9.9% in March 2021.

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.

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 **December 2024** the revenue position was £499k less than budget and the full year forecast is an underspend of £209k.

A review of the forecast has been undertaken in consultation with ET and budget holders.

Net operating expenditure of £8,194k is £499k (5.3%) 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 less than funded budget.

Fee income – in-house chargeable audit work in total is £38k less than budget. This adverse variance is due to 22/23 (£152k) and 23/24 (£15k) audit work being more than budget, and 24/25 audit work (£205k) being less than budget. Firms' chargeable audit work in total is £382k more than budget. This favourable variance is due to 22/23 (£1,170k) being more than budget, with 23/24 (£552k) and 24/25 (£236k) audit work being less than budget.

Other income – central charges £102k less than budget, bank interest/miscellaneous income £33k more than budget.

Pay – The staff pay variance is £566k which is due to the average whole time equivalent position being below funded establishment and a price variance due to pay and national Insurance being less than budget. This saving is being reduced by agency expenditure being £203k more than budget.

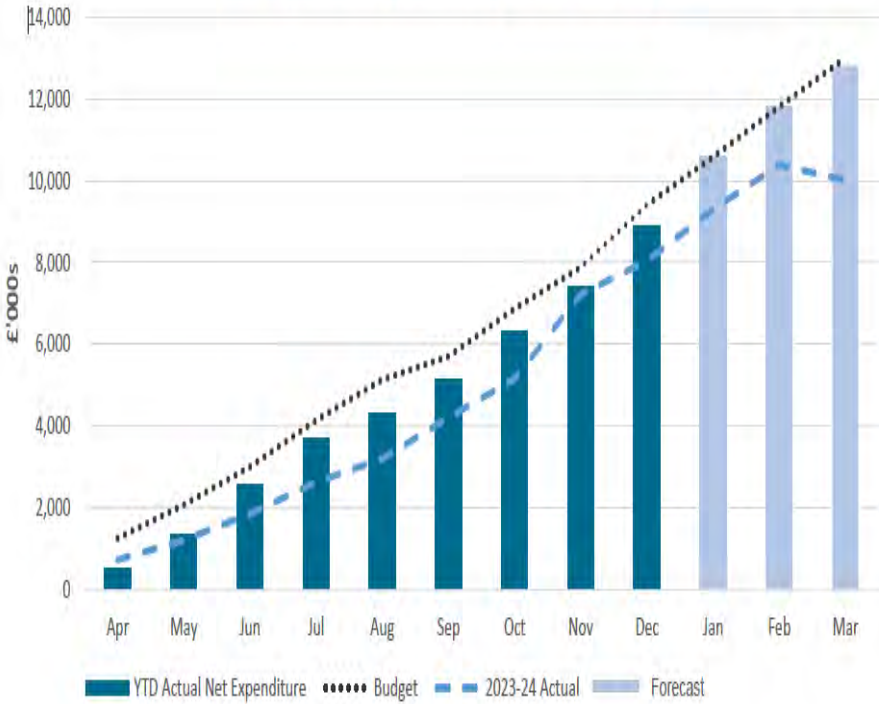
Non-pay - overspends in property, professional services, IT and occupational health costs. The forecast overspend is mainly attributable to firms' payments which will be met from additional fee income while the other forecast overspends will be covered from future savings and budget phasing.

Capital – £273k expenditure on Glasgow minor building works project.

Forecast - based on discussions with budget managers and assumptions discussed at ET on 14/1/25.

Cash flow - bank balance £1,327k, outstanding debt £947k with £253k overdue by 3 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  

A14 – Failure to deliver in accordance with the 2025-26 financial and operational plans  New

M8 – Failure of cashflow to support organisational activities  

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 December 2024 was 343.75 (establishment level 366.07 FTE.)
- This equates to **93.9%** of establishment.
- At the end of December 2024, the business group establishments were as follows:
 - Audit Services = 93.93% of establishment.
 - Performance Audit and Best Value = 92.4% of establishment
 - Corporate services = 95.65% of establishment
 - Innovation and Quality = 91.24% of establishment.
 - Audit Quality and Appointments = 100% of establishment
 - Accounts Commission Support = 100% of establishment.

Actions:

- In January 2025 a new approach to responding to newly-created vacancies from departures and retirements was introduced.
- The Executive Team agreed to constitute a Recruitment Board to be responsible for the strategic oversight and management of vacancies.

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 Q3 is 6.1%, compared to 6.8% in Q2.
- 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, to meet deadlines and to quality of audit .

Risk register

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

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



A13 – Failure of capacity to deliver the transformational change programme

● New

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 £566k (2%) on staff pay is mainly due to:

- A favourable volume variance of £411k with the average vacancy level for the year to date being less than funded establishment.
- The favourable price variance of £155k relates to actual staff mix compared to budget with higher trainee numbers being a factor. Salary sacrifice schemes (childcare, pension) has also led to employer national insurance savings.

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  
- M8 – Failure of cashflow to support organisational activities.  

Objective

Our people: Right skills and capacity to deliver

KPQ

Capacity to deliver - Wellbeing

Target

Per KPI

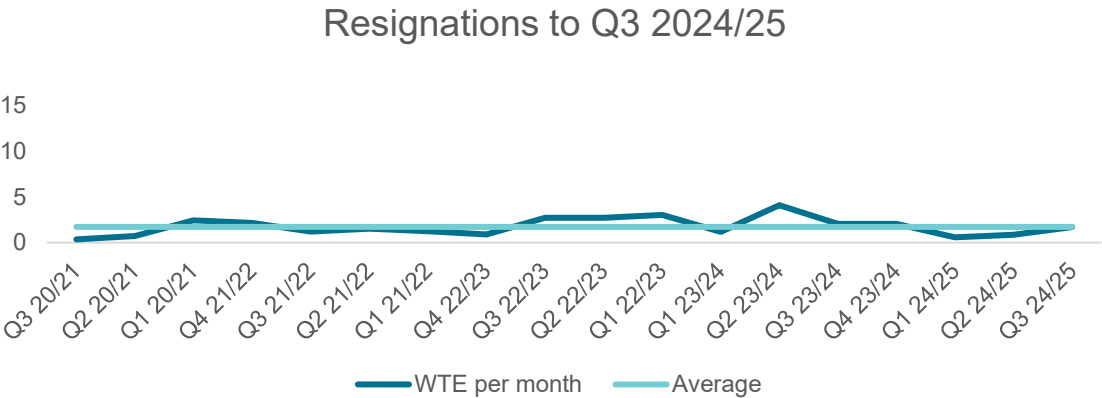


OVERVIEW Green

Year-to-date **staff turnover** was 6.44%, and is forecast to be 9.62% for 2024/25. This compares to 9.33 in 2023/24. The median figure for the UK is 10.3

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.



OVERVIEW Amber

Sickness absence in Q3 was 1.25 days compared to 1.74 in Q3 2023/24. The 2024/25 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	1.29		5.52
PABV	0.93	0.34	0.63		1.9
I&Q	1.07	0.57	2.35		3.99
CSG	2.20	2.5	1.52		6.22
AS average	1.97	1.50	1.25		4.72

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 Q3 2024/25 the average across business groups is 12%.

There was an issue with the time recording system carrying over data from 2024 into 2025, and though a fix has been implemented, this may affect data quality for Q3. Flexitime reporting will be monitored and further updated in the Q4 report.

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

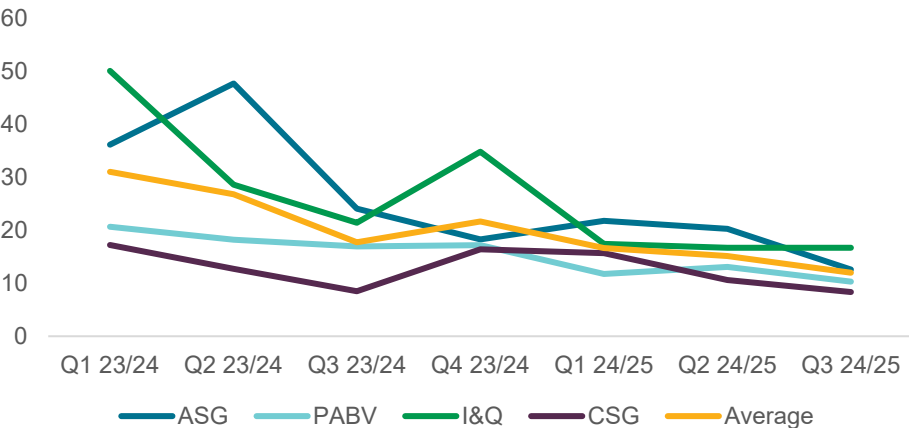
Risk register

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

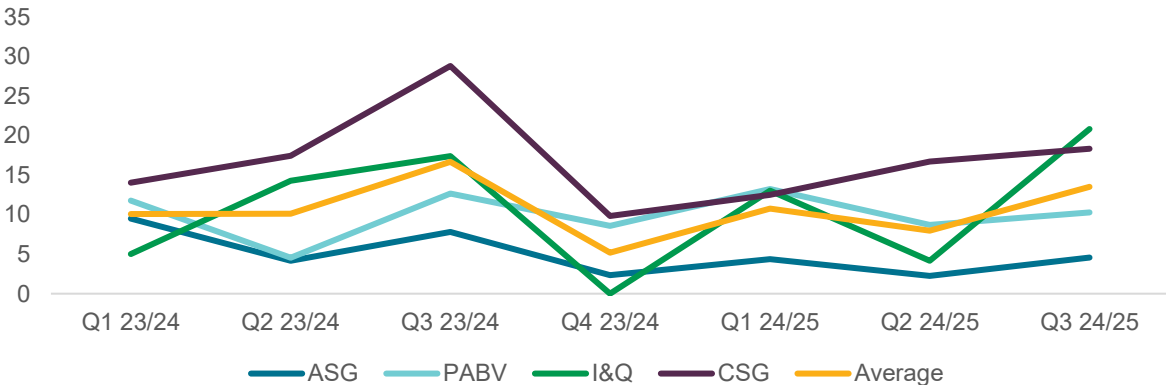
A4 - Failure of capacity –establishment, deployment, skills ● ↓

A13 – Failure of capacity to deliver the transformational change programme ● New

% of colleagues with greater than 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



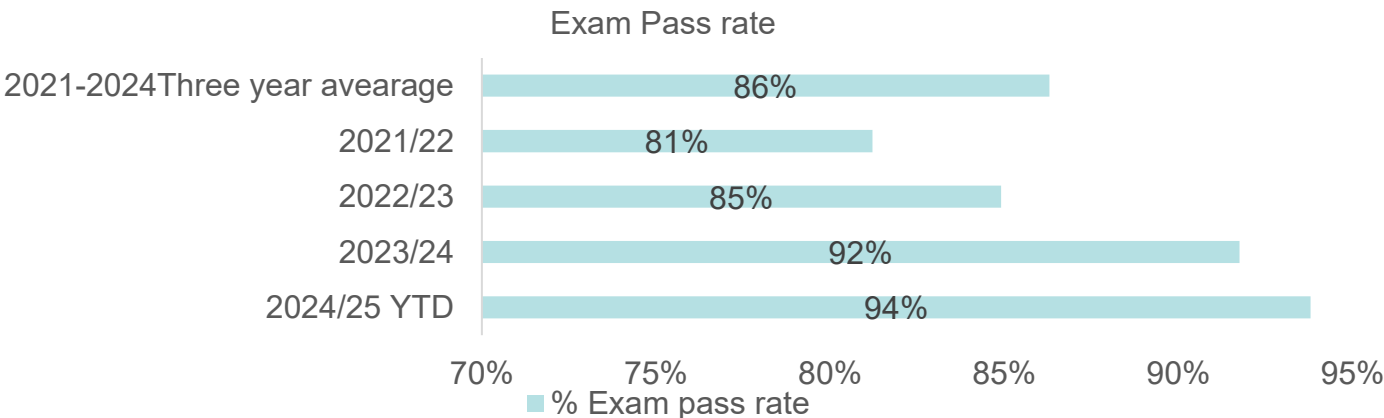
OVERVIEW **Amber**

Learning & Development:

The YTD (31 December 2024) pass rate is 94 percent, exceeding the target of 85%, and also exceeding the three-year average for 2021-2024 which was 86%. There have been 129 exams sat and 121 passes.

In Q3 :

- Ten sessions were added to the Learning Management System (LMS).
- ASG Quarterly Update training session delivered in December 2024 to all ASG staff on key developments that impact on 2024/25 audit work / year.
- Executive Team approved an Annual Financial Audit Update Event to be held on 27 March 2025. This will predominantly be for ASG staff, but others in the organisation who are involved in the delivery of the annual audits will also be able to attend. Work has started on developing the Programme for the event and topics that will be covered, including those where external speakers / experts will contribute. Event to be held at the University of Strathclyde Innovation and Technology Centre.



Mandatory training	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	91%

- Percentage of **mandatory training completed** is 91%, below the target of 95%, but is slightly above the 90% in Q2.

Innovation & Learning

Objective

Innovation driving audit transformation

KPQ

Target per KPI

Target

Prior year performance



OVERVIEW **Amber**

Performance

In Q3

The Audit Modernisation Project (AMP) is progressing well, although still reporting as amber. The Board considered the most recent update report and approved the Outline Business Case at its meeting on 28 January 2025. The Board will consider a further update at its meeting on 1 April 2025.

Key messages over last quarter include:

- Project Manager started in late October 2024.
- Draft Outline Business Case (OBC) discussed at November / December AMPB and SIPB and approved by the Board on 28 January 2025.
- Discussions to better define potential efficiencies and benefits held with project team and wider Audit Scotland stakeholders over November and December. This activity will strengthen the Economic case of the OBC and assist with the development and finalisation of the benefits realisation strategy as part of the Full Business Case later in 2025.
- Legal and procurement expertise being utilised to draft an MoU with the NAO, and to determine procurement routes. Engagement with NAO continues, which includes arranging 'deep dive' at the end of January 2025. Delivery plans also being reviewed and revised.
- Assurance activity included an internal audit review which provided strong assurance on the project. An independent gateway review 2 in December 2024 provided a delivery confidence assessment of amber. There were eight recommendations made by the review, with none of these being classified as critical, and seven as essential (four recommendations to be completed in January 2025 for the OBC).
- Engagement activities – project team has attended all superteam meetings, ASG leadership summit, and PABV senior managers meeting in November and December. Engagement and communications plan is currently being refined.

Objective

Innovation & Learning - Insights

KPQ

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

Target

TBC



OVERVIEW **Green**

During Q3 we made good progress with the following projects:

Insights: We delivered interim impact monitoring and evaluation report to Leadership Group and Accounts Commission. Significant positive feedback on the report with constructive discussion on implications for improvement activity and future audit work. Agreed the PAIS evaluation strategy and project plan with the SIP Board and prepared the invitation to quote for external research consultancy support for first PAIS evaluation.

Employee performance appraisal and development: The implementation plan was agreed by steering group. Soft launch of new approach to colleagues in December 2024, with full launch in January 2025. Risks include ongoing issues with supplier on new functionality to support L&D approach and gaps in L&D package available to support colleagues due to resource constraints in Nov and Dec.

Operational planning: Resource constraints delayed work on the strategic workforce plan and now significant pressure to deliver this by 17 March ET / 1 April AS Board alongside other projects (business plan / DEI strategy). The team has developed a timeline of activities planned to complete the work within the timescales and staff members are prioritising this work according to those timelines.

Change management: We developed inclusive and compelling vision for AMP using a 'destination postcard' concept. Agreed new SIP project change management framework with SIP Board.

Q3 Financial performance report

Corporate Finance Manager



Item 12

Meeting date: 1 April 2025

Purpose

1. This report presents the financial results for the nine months to 31 December 2024.

Recommendation

2. The Board is invited to:
 - Note the financial results for the nine months to 31 December 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 4 March 2025 and has been reviewed by Leadership Group.

Summary position

Financial Position as at end of December 2024						
	Actual YTD £'000s	Budget YTD £'000s	Variance YTD £'000s	FY Forecast £'000s	FY Budget £'000s	Variance YTD £'000s
Income	(19,284)	(19,009)	275	(25,558)	(24,504)	1,054
Pay	18,062	18,424	362	24,220	24,650	430
Non-pay	10,136	9,997	(139)	14,135	12,860	(1,275)
Capital Expenditure	273	150	(123)	300	300	0
Funded by Scottish Consolidated Fund	9,187	9,563	376	13,097	13,306	209

5. At the end of December 2024 Audit Scotland's total expenditure funded by the Scottish Consolidated Fund is £9,187k which is £376k (3.9%) less than budget.
6. Net operating expenditure of £8,914k is £499k (5.3%) less than budget.
7. Total capital expenditure year to date of £273k relates to the full completion costs of the minor building work project in the Glasgow office.
8. A review of the forecast has been undertaken in consultation with ET and budget holders. The forecast is based on various assumptions that have been discussed at ET meetings held on 17 December 2024 and 14 January 2025. The forecast does not include the IAS 19 pension adjustment which based on actuary reports in April 2024 is likely to be in the region of £1 million less than employer contributions.

9. Year to date variance analysis is provided in the main body of this report.

Income

10. Income recognition year to date of £19,284k is £275k (1.4%) more than budget.

11. In-house audit income £38k (0.4%) 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.
- Chargeable 2023/24 audit fee income is £15k more than budget. Local government (£43k) is less than budget with central government (£31k), further education (£24k) and EAFA (£3k) more than budget.
- Chargeable audit fee income for the start of 2024/25 audit work is £205k behind plan. Local government (£219k) and health (£52k) sectors are less than budget and central government (£66k) is more than budget.
- Non-chargeable audit work is ahead of plan for 2023/24 in-house audit work (£120k) and ahead of plan for the commencement of 2024/25 audit work (£85k).

12. Income recognition for the firms is £382k (5.7%) more than budget due to:

- Unbudgeted prior year audit income of £1,170k recognised for completion of 2022/23 audits in local government (£1,067k), central government (£2k) and further education (£101k).
- Fee income recognition for 2023/24 audits is less than budget in local government (£874k) and central government (£7k) with health (£196k), further education (£105k) and water (£28k) more than budget.
- No income recognised for 2024/25 audit work based on returns provided by firms leads to an adverse variance (£236k).
- Non-chargeable audit work slightly ahead of plan (£22k) for 2023/24 audit work and slightly behind plan (£21k) for 2024/25 audit work.

13. Central charges income is £102k less than budget and reflects the recovery of pooled costs and the local government allocation of PABV costs. This is based on the 2025/26 budget process and setting the fee for 2024/25 audit work. Based on the agreed expected fee uplift of 1.9% this leads to a forecast variance in central charges of £256k less than budget for 2024/25.

14. The balancing favourable variance of £33k 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

15. Expenditure on pay, pensions and agency costs of £18,062k is £362k (2.0%) less than budget.

16. The year-to-date underspend of £566k on staff pay is mainly due to:

- A favourable volume variance of £411k with the average vacancy level for the year to date being 8.0 whole time equivalents (2.8%) less than funded establishment.
- The favourable price variance of £155k relates to actual staff mix compared to budget with higher trainee numbers being a factor. Salary sacrifice schemes (childcare, pension) has also led to employer national insurance savings.

17. Unbudgeted agency and secondment expenditure year to date of £204k 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

18. Non-pay expenditure includes the payments to firms under the audit appointments contract and other operating expenditure. Year to date expenditure of £10,136k is £139k (1.4%) more than budget.

19. The main variances appear in Firms payments, professional services, IT, property and travel & subsistence.

20. Firms' payments £94k (1.4%) less than budget. Based on the audit firms returns at the end of December the position in respect of 2023/24 audit work highlights an underspend (£555k) which is being offset by the recognition of less fee income than planned. Additional costs (£689k) 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. There have been no returns from the firms for the commencement of 2024/25 audit work which leads to a budget underspend (£228k).

21. Professional services £108k (32.5%) more than budget mainly due to expenditure required to support audit delivery, estates management and audit modernisation projects.

22. To support audit delivery there will be occasions where additional external expert advice will be required. For 23/24 audit work this has been required in respect of pensions and property valuations. This expenditure is met from additional fee income and identified savings in other budget headings.

23. The estates management costs are the payments made to Space Solutions, Andrew Reilly Associates and Brodies solicitors to support the delivery of the Edinburgh and Glasgow projects. As forecast the completion of the projects in November will now lead to savings on our property costs and future budget adjustments will be made in Q4 to cover these costs.

24. 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.

25. IT expenditure £114k (23.3%) 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.

- 26. Property** expenditure £69k (6.0%) more than budget due to application of notional interest charge for Edinburgh and Glasgow offices under IFRS 16 Leases. With the office re-configuration complete the future savings in service charges, rates, cleaning and electricity will fund this variance by the end of the financial year.
- 27. Travel & subsistence** expenditure £57k (18.2%) less than budget mainly due to savings generated on the car lease scheme. The number of eligible drivers has been decreasing at a faster pace than planned due to promotions, leavers and some opting for the cash for car alternative.

Contingency and future financial risks

- 28.** 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, £150k to meet the additional capital costs of the Glasgow office project and £147k to fund the minor building adjustments in the Edinburgh office.
- 29.** The current unallocated balance is £123k. Allocations are the responsibility of ET and any further allocations will require a robust business case seeking ET approval.
- 30.** 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 (recruitment board and delivery of 5% vacancy factor in 2025/26).
 - 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.
- 31.** 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 Scottish Government budget and SCF funding pressures.
 - Fees and funding strategy.
 - Audit delivery, recovery and resourcing (impact of reduction in working week from 36.25 hours to 35 hours).
 - Future pay award settlements from April 2026.
 - Audit modernisation.
 - Resourcing and management information system.

- Public sector audit model and impact on future procurement.

Capital expenditure

32. The approved capital programme for 2024/25 originally planned for further investment in IT hardware and software.
33. 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.
34. Total year to date capital expenditure of £273k relates to the minor building work in the Glasgow office.
35. The project completed in mid-November with some additional building compliance work identified. A budget virement will take place for £150k as part of the Spring Budget Revision (SBR) process to meet the additional costs. Any remaining balance will be used to purchase essential IT hardware.

Virement

36. There were no instances of budget virement in excess of £20k in the nine months to 31 December 2024.
37. 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 – in-house chargeable audit work in total is £38k less than budget. This adverse variance is achieved by 22/23 (£152k) and 23/24 (£15k) audit work being more than budget and 24/25 audit work (£205k) being less than budget. **Firms** chargeable audit work in total is £382k more than budget. This favourable variance is due to 22/23 (£1,170k) being more than budget with 23/24 (£552k) and 24/25 (£236k) audit work being less than budget.

Other income – central charges £102k less than budget, bank interest/miscellaneous income £33k more than budget.

Pay – The staff pay variance is £566k which is due to the average whole time equivalent position being 8.0 w.t.e below funded establishment and a price variance due to pay and ni being less than budget. This saving is being reduced by agency expenditure being £204k more than budget.

Non-pay – overspends in property, professional services, IT and occupational health costs. The forecast overspend is mainly attributable to firms' payments which will be met from additional fee income while the other forecast overspends will be covered from future savings and budget phasing.

Capital – £273k expenditure on Glasgow minor building works project.

Forecast - based on discussions with budget managers and assumptions discussed at ET on 14/1/25.

Cash flow - bank balance £1,327k, outstanding debt £947k with £253k overdue by 3 months or more.

Management Contingency £'000s

Total Funding	500
Audit Modernisation Project Manager	80
Spring Budget Revision revenue to capital	150
West Port minor building works	147
Balance	123

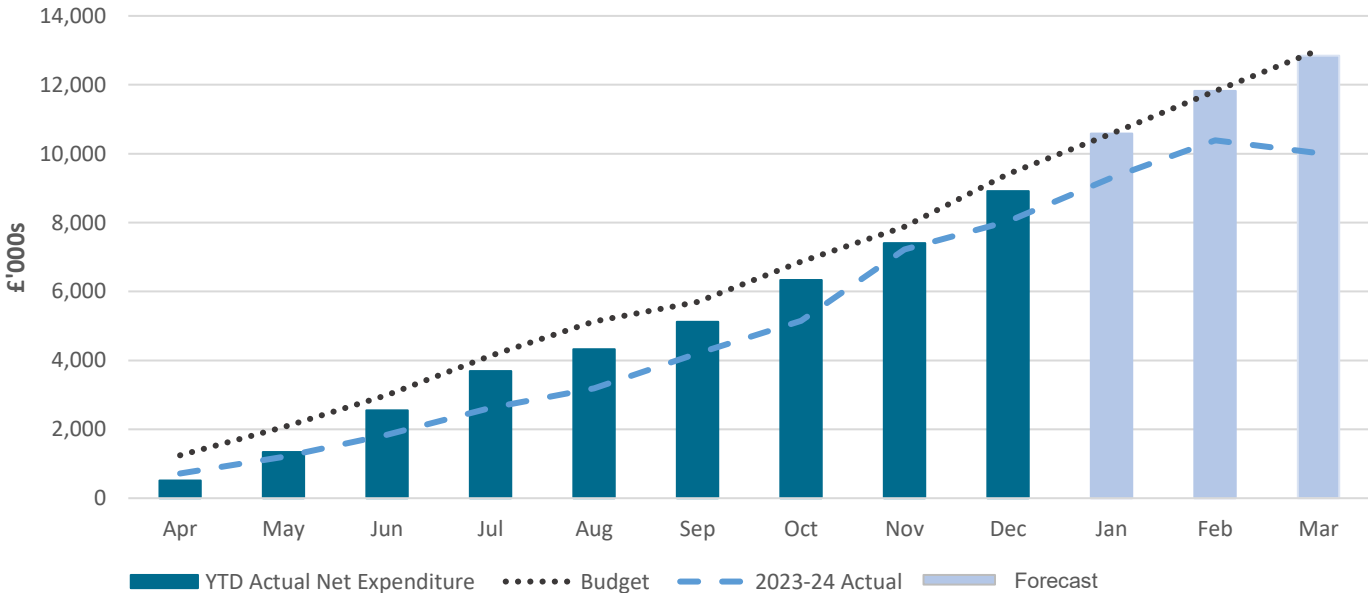
Financial Risks

- 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 December 2024

	Actual YTD £'000s	Budget YTD £'000s	Variance YTD £'000s	FY Forecast £'000s	FY Budget £'000s	Variance YTD £'000s
Income	(19,284)	(19,009)	275	(25,558)	(24,504)	1,054
Pay	18,062	18,424	362	24,220	24,650	430
Non-pay	10,136	9,997	(139)	14,135	12,860	(1,275)
Capital Expenditure	273	150	(123)	300	300	0
Funded by Scottish Consolidated Fund	9,187	9,563	376	13,097	13,306	209

Net expenditure position by month 2024-25



Summary Balance Sheet £'000s		
	31/03/2024	31/12/2024
Total Non Current Assets	6,291	5,956
Total Current Assets	6,092	5,255
Total Current Liabilities	(7,375)	(4,890)
Total Non Current Liabilities	(7,746)	(7,252)
Assets Less Liabilities	(2,738)	(931)
Taxpayers Equity	2,738	931

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 – decrease in cash balance and reduction in debtors from 31 March.

Current liabilities – reduction in balances on WIP income and expenditure accrual and balance due from SCF which is reduced by increases to outstanding payroll payments due to HMRC and LPF.

Non-current liabilities – adjustments reflect movement in obligations under leases and dilapidations payment.

Summary Cash Flow £'000s	
Net cash outflow from operating activities	(11,332)
Cashflows from investing activities	273
Drawdown from Consolidated Funds	10,000
Obligations under leases	(132)
Net (decrease) in cash/cash equivalents	(1,191)
Net Cash requirement	11,191

- Draw down from Scottish Consolidated Fund of £10.0 million.
- Net decrease in cash / cash equivalents of £1.191 million from 31 March.
- Final instalment of 23/24 audit fee invoices issued in September 24 with outstanding debt of £0.947 million on 31 December.

Capital Expenditure £'000s	
Total Funding	300
Glasgow minor building work	273
Balance	27

- Glasgow minor building works project commenced in June and the £273k represents the valuation payment for the completed work. Capital retention held as per terms of the contract and currently in discussions with the landlord regarding the unplanned electrical compliance work required.
- SBR 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.

Appendix | Financial Performance by Business Group – December 2024

YTD financial position for each business group

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

- **Overall** - at the end of December the revenue position was £499k less than budget and the full year forecast is an underspend of £209k. The updated forecast is based on assumptions and discussions with budget managers. This will be closely monitored monthly with budget managers.
- **Audit Services Group** - 22/23 audits complete with some residual income recognised this financial year (£152k). Chargeable 23/24 audit work slightly more than budget with fee income of £8,784k recognised compared to budget of £8,769k. Non-chargeable audit work is £205k ahead of plan. Chargeable income recognised for 24/25 audit work £205k less than budget. Pay more than budget due to unbudgeted agency costs of £174k being partially met from staff pay savings of £101k. Non-pay less than budget due to reduced expenditure ytd on professional trainee programme and car leases.
- **Performance Audit and Best Value** - pay costs less than budget with average w.t.e. 2.8 below funded establishment. Non-pay costs less than budget due to reduced expenditure on travel & subsistence. Forecast overspend on non-pay due to payment to a firm for significant unplanned work on a S102 report.
- **Innovation and Quality** - pay costs less than budget due to average w.t.e. being 1.2 below funded establishment. This is being reduced by the agency costs for project management support. Non-pay costs on budget with the overspend on professional fees meeting the costs of the gateway review for the audit modernisation project and i-Trent system support costs for 3D development. This is offset by reduced car lease and corporate training expenditure.
- **Audit Quality and Appointments** - overspend in pay costs due to additional temporary support from ASG and outstanding holiday balance payment for a leaver.
- **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 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 following during the final quarter of the financial year (service charge, rates, cleaning). Income position reflects central charge adjustment for 24/25 audits.
- **Approved Auditors** – completion of 22/23 audit work in 24/25 financial year leading to fee income recognition being more than budget (£1,170k) and behind plan for 23/24 (£552k) and 24/25 (£236k) audit work. Firms' expenditure £689k more than budget due to completion of additional 22/23 audit work in 24/25 financial year. Expenditure for the 23/24 (£555k) and 24/25 (£228k) audit year work is less than budget.
- **Accounts Commission and Support** - pay expenditure less than budget due to vacant Secretary post June to August.
- **Board, AGS and Exec Team** – minor pay underspend offset by minor non-pay overspend.

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	(9,404)	(9,442)	(38)	(12,289)	(12,558)	(268)
	Pay	8,644	8,571	(73)	11,537	11,608	71
	Non-pay	403	479	76	629	634	4
	Total	(357)	(392)	(35)	(123)	(316)	(193)
Performance Audit and Best Value	Income	0	0	0	0	0	0
	Pay	3,807	3,934	127	5,072	5,220	148
	Non-pay	169	188	19	449	386	(63)
	Total	3,976	4,122	146	5,521	5,606	85
Innovation and Quality	Income	0	0	0	0	0	0
	Pay	1,561	1,649	88	2,154	2,225	71
	Non-pay	301	301	(0)	476	461	(15)
	Total	1,863	1,950	87	2,630	2,686	56
Audit Quality and Appointments	Income	0	0	0	0	0	0
	Pay	307	290	(17)	391	387	(4)
	Non-pay	6	9	3	150	141	(9)
	Total	312	299	(13)	541	528	(13)
Corporate Services Group and Corporate costs	Income	(2,743)	(2,812)	(69)	(3,527)	(3,749)	(222)
	Pay	2,618	2,816	198	3,547	3,655	108
	Non-pay	2,682	2,361	(321)	3,480	3,407	(73)
	Total	2,556	2,365	(192)	3,499	3,312	(187)
Approved Auditors	Income	(7,137)	(6,755)	382	(9,741)	(8,197)	1,545
	Pay	0	0	0	0	0	0
	Non-pay	6,534	6,627	94	8,880	7,737	(1,144)
	Total	(604)	(128)	476	(861)	(460)	401
Accounts Commission and Support	Income	0	0	0	0	0	0
	Pay	379	414	35	522	555	33
	Non-pay	23	18	(4)	36	38	2
	Total	402	432	31	558	593	35
Board, AGS and Exec Team	Income	0	0	0	0	0	0
	Pay	745	750	4	997	1,000	3
	Non-pay	20	15	(5)	35	57	22
	Total	765	764	(1)	1,032	1,056	25
Funded by Scottish Consolidated Fund		8,914	9,413	499	12,797	13,006	209

Operational planning 2025-2028: Progress update



Director of Innovation & Transformation,
Head of Organisational Improvement, Head
of Human Resources and Corporate
Finance Manager

Item 13

Meeting date: 1 April 2025

Purpose

1. This report updates the Audit Scotland Board on progress with operational planning for the period 2025 to 2028, the final three years of the Audit Scotland Corporate Plan 2023-2028. It aims to provide the Board with assurance about the operational planning process that underpins our corporate strategy.

Recommendation

2. The Audit Scotland Board is invited to:
 - Note the operational priorities agreed for the business plan, set out in Exhibit 1.
 - Note the progress developing the strategic workforce plan, noting that the strategic workforce plan 2025 to 2028 will be shared with the Remuneration and Human Resources Committee at its May meeting for assurance.
 - Approve the operational budget for 2025-26.
 - Note the planned approach to scenario planning to be taken forward this year.

Background

3. The Audit Scotland Corporate Plan 2023-2028 sets out our strategic priorities and aspirations for delivering on our shared vision, mission and outcomes for public audit.
4. Our operational planning process takes a collaborative and integrated approach to business, workforce and financial planning aligned to our corporate plan. It helps us work better together as one organisation, with clarity around all the work we have planned, agreed and shared priorities, and openness and transparency about how we deploy our resources to deliver those.

Considerations

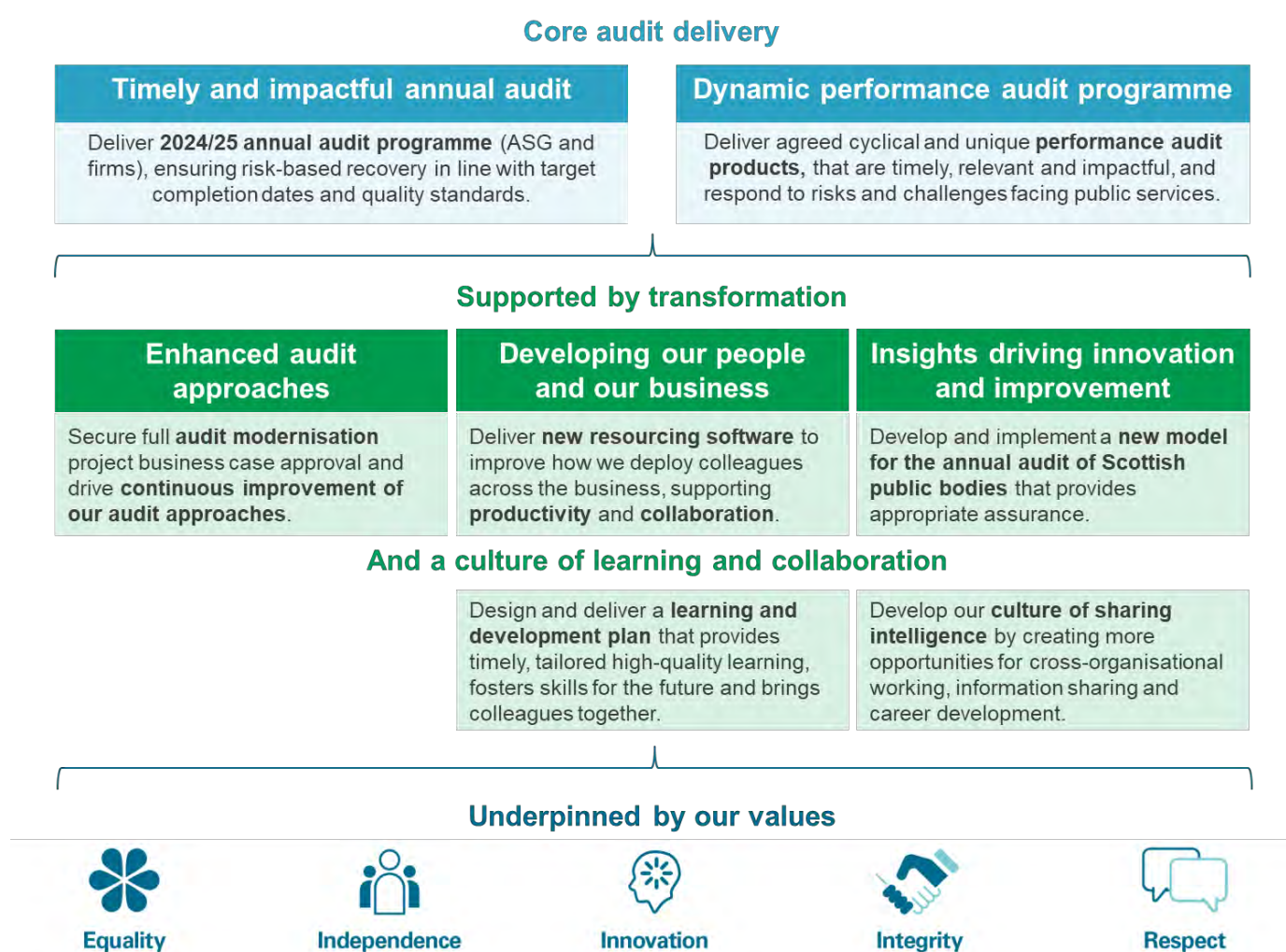
Business Plan 2025-2028

5. Through the operational planning process, business groups identified key activities and delivery objectives aligned to the strategic objectives in our corporate plan. Leadership Group then identified the shared operational priorities set out in Exhibit 1. We will use these operational priorities to drive our decision-making around resource allocation. They are the areas where we will focus our resources and energy first.

6. We will pace and time our activities to strike the right balance between resourcing audit delivery across Audit Services Group and Performance Audit and Best Value, resourcing our aspirations for transformational change and protecting colleague wellbeing. Through our Strategic Improvement Programme, we will ensure our transformational change projects receive the capacity, scrutiny and direction they need to support audit delivery, our corporate plan strategic priorities and the outcomes in Public Audit in Scotland.
7. We will monitor progress against the delivery objectives in our business plan and report a high-level summary of progress to the Board as part of our corporate performance reporting.

Exhibit 1

Operational priorities 2025-26



Operational budget 2025-2028

8. Through the operational planning process and the budget setting process we have identified the budget required to deliver our operational priorities.
9. Preparation of Audit Scotland's 2025/26 Scottish Commission for Public Audit (SCPA) [budget proposal](#) commenced in the summer of 2024 with the SCPA taking evidence on our financial plans at a session held on 18 December 2024. The SCPA [report](#) supported the

budget proposal in principle and it was incorporated within the Scotland Budget Bill 2025/26. The Scottish Budget was approved by the Scottish Parliament at its meeting on 25 February 2025. The proposed operational budget for 2025/26, included at exhibit two below, is based on the overall Scottish Consolidated Fund (SCF) requirement remaining the same (£14,623k for 2025/26).

10. The budget proposal was developed in the context of several interconnected risks, which included:
- The challenging financial environment and impact on public sector budgets.
 - The increase in vacancy factor will be a challenge. The financial impact of the average turnover for the current financial year up to February 2025 has been 3.8% with some months having a 2% variance. This is a risk that needs to be managed carefully to meet our commitment to staff wellbeing while maintaining our service delivery targets.
 - Absorbing the impact of the reduction to a 35-hour working week, while also managing a higher vacancy factor, audit delivery challenges and maintaining staff wellbeing.
 - Cashflow challenges if audits do not progress to schedule and there is a material delay in the payment of audit fees.
 - The structure of the public sector in Scotland (including any increase/decrease in the number of audited bodies and their chargeable/non-chargeable status).
11. The approved 2025/26 budget settlement provides assurance that through robust financial management and controls we can meet our breakeven obligation this financial year.

Exhibit 2

Operational budget 2025-26

	Adjusted Budget	Operational Budget	Projection	Projection
	2024/25	2025/26	2026/27	2027/28
	£k	£k	£k	£k
Expenditure				
People costs	24,588	25,859	26,376	26,904
Other operating costs	13,035	12,729	13,367	13,132
Total operating expenditure	37,623	38,588	39,743	40,036
Total income	(24,544)	(24,860)	(25,510)	(26,021)
Core Revenue requirement	13,079	13,728	14,233	14,015
Audit Modernisation Project	-	672	1,120	424
IFRS non-cash adjustment	77	223	224	214
SCF Revenue requirement	13,156	14,623	15,577	14,653
Capital	150	200	150	150
IFRS 16 non-cash capital adjustment	283	160	250	250
Total SCF Requirement	13,589	14,983	15,977	15,053

Strategic workforce plan 2025-2028

12. Through the operational planning process, business groups identified the resources, skills and experience required to deliver their objectives. At this stage, most business groups are forecasting a stable position, recognising the following:
- We have been through a period of growth since 2021, with an 18 per cent (292.35 to 343.76 full time equivalents) increase in our establishment from March 2021 to December 2024, and that growth cannot be sustained.
 - Planned business transformation and wider changes in the external environment will impact on the stability of our workforce and we have agreed an approach to scenario planning to ensure we monitor and respond to these changes in an agile way.
13. Internal consultation on the workforce plan identified the following themes, which we have incorporated into the final plan:
- **Transformation** - Impact of business transformation projects on our workforce plan.
 - **Skills and development** – Balancing a generalist versus specialist approach, ensuring data literacy, adopting a learning culture and defining career pathways across Audit Scotland.
 - **Efficiency** – Responding to the review of Corporate Services and removing duplication between audit delivery business groups / corporate leadership roles, Corporate Services and Innovation & Quality. Agree the right shape and size of business groups to be fit for the future. Consider opportunities to work across UK public audit agencies to share resources and deliver public audit more efficiently.
 - **Artificial intelligence** - Establish the emerging consensus on how the audit profession will evolve, including defining an AI skilled auditor and planning for the impact this will have on our future workforce needs.

Scenario planning

14. We have agreed a holistic approach to using scenarios to inform our business, financial and workforce plans and ensure we are more agile in responding to change in our internal and external operating environment. This focuses on planning activity, rather than producing plans, and emphasises active conversations and collaboration.
15. The business plan, budgets and workforce plan for 2025 to 2028 will form the base plan. We will then agree scenarios that we can build onto the base position, including scenarios associated with the Future Public Audit Model and Audit Modernisation. We will refresh the base plans annually using relevant scenarios and add more scenarios as they emerge and are agreed.
16. This approach will allow us to undertake holistic planning that reflects the close relationship between our delivery objectives, workforce and our finances. It also reflects the need for more active decision-making and the complex environment we work in.

- 17.** We will actively involve Executive Team and Leadership Group in this process and update the Board at least annually on key changes to our business plan, workforce plan and financial plan.

Conclusion

- 18.** We have made good progress with our 2025-2028 operational planning process. However, we recognise that we need to continue to develop our approach, particularly making the links between scenarios, financial planning and workforce planning. This paper aims to provide the Board with assurance that robust business, financial and workforce planning underpins our corporate strategy but also ask the Board to recognise that we will continue to develop and increase the sophistication of this planning to deliver on the future needs for Audit Scotland.

Strategic Improvement Programme: Update

Director of Innovation and Transformation
and Head of Organisational Improvement

Purpose

1. This report updates the Audit Scotland Board on progress with the Strategic Improvement Programme (SIP), following the SIP Board meeting on 4 March 2025.

Recommendations

2. The Board is invited to note:
 - The status of SIP projects.
 - Plans for applying portfolio and programme (PPM) principles and approaches to the SIP and the portfolio level timelines, budget and risk data available as part of this approach.

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 current composition of the SIP is set out in Appendix one.

Considerations

Status of SIP projects

4. At its March 2025 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 of each project is summarised in Table 1.
5. The status of the Future Public Audit Model (FPAM) project is not included in Table 1 because the project initiation document was only signed off by the SIP Board at the March meeting. The project will be the subject of a Board strategic session on 1 April, and it will be included in programme overview reporting from May 2025.

Table 1: Status of SIP projects

Project	Status	Notes
Audit modernisation (AMP)	Amber	- Progressing with Outline Business Case and 25/26 budgets being approved and multi-year project funding supported by the SCPA. - Budget currently under spent by 46% with a baseline project budget being developed for 2025/26. - Six project risks reporting amber including three new risks. - SIP Board approved baselined plan for delivery of the Full Business Case and supporting project management approach.
Insights	Green	- All project milestones are on track and budget currently under spent by 14%. - All risks reporting green.
Resource and management information (R&MI)	Green	- Progressing based on the delivery timeline to August 2025. - Project plan in place to support 'go live' date of 1 August 2025, following a second Open Tender Procurement exercise required to formally appoint a supplier.
Employee performance appraisal and development (EPAD)	Green	- All project milestones are on track and budget variance is within 10%. - All risks reporting green.

6. The SIP Board agreed to remove the Insights and EPAD projects from the SIP based on the status and outstanding milestones involved with these projects. The SIP Board will receive project closedown reports for these projects in May (EPAD) and September (Insights), which will include an overall assessment of how well the projects delivered on their objectives and lessons learned to be shared with other projects.

Adopting portfolio and programme management (PPM)

7. At its March meeting the SIP Board agreed to adopt PPM principles and approaches to support it to manage change and delivery through the SIP. It agreed to take a proportionate approach to improvement, to support scrutiny at the portfolio level but not to increase bureaucracy, with the following priorities for development:
- Financial management** – Developing standards for investment management, improving consistency around business cases and improving our approach to monitoring and controlling costs at a portfolio level.
 - Risk management** – Identifying and quantifying portfolio risks and developing and funding response plans. Ensuring a common and centrally managed process for risk management across the portfolio.

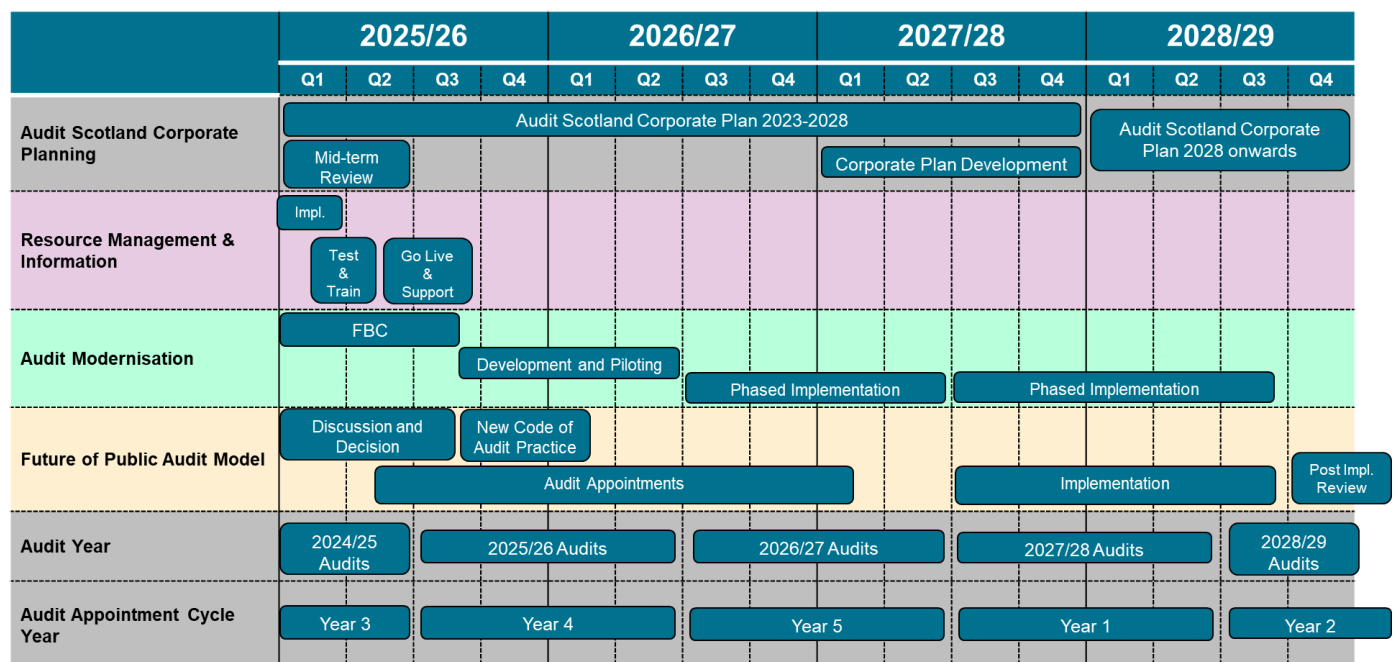
- **Change** – Considering the overall amount of change planned at portfolio level, the impact of that on staff, and improving our approaches to planning for behavioural and cultural change. Using the mid-term review of the corporate plan to clarify strategic priorities and associated measurement so we can more clearly link (and prioritise) change initiatives and benefits to strategic objectives.

Timeline for change

8. Figure 1 provides an overall timeline for the remaining projects on the SIP. This includes the Audit Scotland corporate planning cycle, audit years and the audit appointment cycle. We will use this timeline to support risk mitigation activities noted in Table 3, including:

- Planning for the resource and capacity required at key stages to keep project delivery and implementation on track, ensuring we recognise interdependencies and pressure points across the portfolio (not just for individual projects).
- Supporting projects to plan for change in a way that considers interdependencies across projects and the overall impact of change on colleagues.

Figure 1: Timeline for SIP projects



SIP budget overview

9. Table 2 summarises the estimated total costs for the strategic improvement portfolio from 2023/24 to 2025/26. The Board should note the following on estimated costs:

- AMP costs for 2025/26 are not included. Engagement with Finance is underway to agree budget monitoring processes, roles and responsibilities and to establish a baseline for 2025/26 spend.
- Recurring system costs for R&MI from 2025/26 onwards are not included as supplier negotiations are still in the contractual standstill period.
- FPAM costs have not yet been baselined and added to the SIP budget.

Table 2: Estimated total portfolio costs 2023/24 to 2025/26

Total estimated costs (£)	Estimated internal costs (£)	Estimated external costs (£)
924,953	643,228	281,725

10. Table 3 sets out the portfolio level phased budget and spend to date. Overall, the portfolio is under spent by 36%. The main reason for this is lower than expected spend on the audit modernisation project. Internally this is due to the extended project team also focusing on 'business-as-usual' improvements. Legal and procurement spend is also less than expected due to delays setting up meetings with the NAO and its legal team to discuss contractual arrangements (MoU), which are now underway.

Table 3: Planned phasing and spend versus budget (to date as of 31 January - 21 February 2025)

Phased budget to 31 Jan – 21 Feb 2025 (£)	Actual spend to 31 Jan – Feb 2025 (£)	Variance
770,242	491,527	-36%

SIP risk overview

11. Overall, there are eight risks reporting at amber across the portfolio. Table 4 summarises the risks we are managing at the portfolio level.

Table 4: SIP risk overview

Summary of risk	Net score	Mitigation – Controls in place and further planned actions
Capacity to deliver change projects IF Audit Scotland does not have sufficient capacity for change initiatives, including within change project teams, organisational support teams, audit delivery teams and external input required THEN the feasibility of successfully delivering projects and realising benefits will be significantly at risk RESULTING IN Audit Scotland needing to delay or consider alternative options for delivering required change and improvements.	12	Controls in place - Each SIP project has identified a Senior Responsible Officer (SRO), project lead and project team. Further planned actions - Create resource profile by project, business group and category of resource required (May 2025). - Develop forward looking resource profile at portfolio level and undertake regular review with SIP Board (May 2025). - Make resourcing and capacity a core requirement for project update reporting at SIP meetings (May 2025).
Availability of management information	12	Controls in place None.

Summary of risk	Net score	Mitigation – Controls in place and further planned actions
IF Audit Scotland does not have the available management information to baseline, measure and demonstrate improvements resulting from the implementation of SIP projects THEN projects will be unable to realise proposed benefits and achievement of Audit Scotland's strategic priorities. RESULTING IN a negative reputational impact for Audit Scotland.		Further planned actions • Use Corporate Plan mid-term refresh to clarify measurement for strategic priorities (September 2025). • Use AMP benefit profiles and realisation strategy to develop model for other SIP projects to follow (November 2025).
Project planning IF change project stakeholders seek earlier completion of project milestones than are currently proposed THEN project timescales would have to be condensed, with assumptions made to deliver at the pace expected RESULTING IN risks to project quality and increasing likelihood of issues arising within the implementation period that have additional time, resource and cost implications.	12	Controls in place • All SIP projects have realistic project plans in place that are signed off by SIP Board and monitored within project governance structures. • Key stakeholder regularly updated on project progress. Further planned actions • SIP Board to actively scrutinise slippage against project milestones at each meeting (May 2025).
Change readiness IF Audit Scotland has not identified and planned for changes required to colleague behaviours and ways of working to support change initiatives THEN there is a risk that project implementation is less successful as colleagues are resistant to changes RESULTING IN delays to project delivery and benefits realisation.	8	Controls in place • Change management framework developed, agreed and communicated to SIP projects. • Capacity building sessions on change delivered to SIP project teams. Further planned actions • Ensure each SIP project has a clear change management plan, alongside or embedded within its communications and engagement plan (May 2025). • Active approach to identifying behaviour / cultural change required within all project teams (September 2025).
Portfolio management discipline IF Audit Scotland are unable to implement a portfolio management discipline for co-ordinating delivery across all Audit	9	Controls in place • SIP board managing the interaction between SIP projects.

Summary of risk	Net score	Mitigation – Controls in place and further planned actions
Scotland's change initiatives and other improvement activities THEN there will be a lack of alignment across initiatives, resource conflicts/inefficiencies, missed dependencies, shifting priorities and low levels of collaboration. RESULTING IN delays to ongoing delivery and benefits realisation across all change initiatives, failure to successfully implement change projects, improve services and introduce operational efficiencies and improvements		• Priorities agreed with SIP Board for applying PPM principles and timescales associated with key actions. Further planned actions • Develop portfolio level reporting on priority areas, including financial and risk management (May 2025).

Conclusion

- 12.** One SIP project is reporting amber and three are reporting green. The management action required is being taken within the project teams and the SIP Board. The SIP Board has agreed to adopt PPM principles and approaches to manage the SIP as a portfolio, taking a proportionate approach, and is prioritising improvements around financial, risk and change management.

Appendix one - Current SIP projects with agreed goals

Project	Goal
Audit modernisation (AMP)	Transformed audit approaches that are: • 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: • 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.
Future public audit model (FPAM)	The Future Public Audit Model project will support the AGS, AC and AS in fulfilling their joint role as the leader of the public audit system in Scotland. The goal is to enable AS to secure public audit on behalf of the AGS and AC from 2027/28 so that public money is spent well and meets the needs of Scotland's people by: • Developing, communicating and implementing a new model for the annual audit of Scottish public bodies that provides appropriate assurances • Securing the supply of resources required by the AGS and the AC to carry out their functions related to the annual audit.

Audit Scotland Audit Modernisation Project

Director of Innovation and Transformation

Item 14
Meeting date: 01 April 2025

Purpose

1. This report updates the Audit Scotland Board on the next steps for the Audit Modernisation Project (AMP).

Recommendations

2. The Audit Scotland Board is invited to:
 - Note the activity underway to complete the Full Business Case (FBC).
 - Note the current underspend against budget and that this largely relates internal staff costs (paragraph 8).
 - Note the acceleration of the Memorandum of Understanding (MoU) with the National Audit Office (NAO) as set out in paragraph 12.

Background

3. The Audit Scotland Board approved the [final version of the OBC](#) at its meeting on 28 January 2025. At the meeting, Board members emphasised the need to avoid customisation of any new software, unless necessary, and adoption of NAO audit approaches and processes as a key principle. It also requested the project to review the length of time between the Outline Business Case (OBC) and the Final Business Case (FBC).
4. Members of the AMP team visited the National Audit Office (NAO) on 29 and 30 January to gain a deeper understanding of the Apex system's features, capabilities and how it has been developed and introduced across the organisation.
5. Following HM Treasury five-case approach to business cases, the next step for the AMP is to develop the FBC. The guidance states that the purpose of a FBC is to set out the commercial and contractual arrangements for the preferred option, confirm that this is still affordable and put in place the detailed management arrangements for successful delivery, monitoring and evaluation.
6. Much of the work involved in producing the FBC focuses upon revisiting and updating the conclusions of the OBC and documenting the outcomes of the procurement.

Financial Implications

7. The financial case for AMP was also approved by the Audit Scotland Board as part of the OBC in January 2025. The SCPA confirmed its support for the Audit Scotland budget in February 2025, which includes funding for AMP. The MoU with NAO also includes a financial payment for use of NAO intellectual property which was included in the OBC financial case. An updated financial case will be included as part of the FBC for approval by the Audit Scotland Board before any financial obligations are committed to.

8. As at 28 February 2025, the project had spent £316,864, the majority of these costs are internal staff costs. This is currently 49% under the estimated budget for the year, due to focus of the extended project team also being on delivering 'business-as-usual' improvements.

Project budget

	Total project budget	Phased budget to 28 Feb 25	Spend to 28 Feb 25	Variance %
Internal	£540,175	£487,648	£235,639	-48
External	£186,725	£164,675	£81,225	-49
Total	£726,450	£652,323	£316,864	-49

9. The 2024/25 budget had not been baselined. Engagement with Finance is underway to agree budget monitoring processes, roles and responsibilities and to establish a baseline for 2025/26 spend. Monitoring and reporting for 2025/26 spend will clearly report on progress against the £672k budget allocated by the SCPA
10. Internal underspends are due to the focus of the extended project team being on delivering 'business-as-usual' improvements for the 2024/25 audit year and for performance audit. Within the external budget, legal and procurement spend is currently the largest underspend. This is mainly due to delays in setting up meetings with the NAO and its legal team to discuss contractual arrangements (MoU), which are now underway. We are also engaging with external business analysts, with costs incurred in Q4.
11. There are no costs that are not staff related that would result in a cash underspend in 2024/25 that will have a 2025/26 budget impact

Considerations

12. The proposed approach to delivering the FBC takes into consideration that there are several interdependent activities. We are carefully managing the timescales so as not to risk the standard of the Full Business Case output, and increase the likelihood of issues arising within the implementation period that have additional time, resource and cost implications and a system that does not meet user requirements.
13. The key activities to consider for the AMP as it progresses with its supporting FBC, are as follows:
- NAO collaboration.
 - Audit approaches and software requirements.
 - Implementation planning.

NAO Collaboration

14. We are working with our legal advisors, the National Audit Office, and its legal advisors to agree a Memorandum of Understanding (MoU) for the licensed use of the Apex system. The

MoU will allow for significant sharing of materials relating to Apex and the content library. A Non-Disclosure Agreement is being put in place to act as an interim measure to allow some sharing.

15. The project team require timely access to NAO materials to assess the scale of changes required to the audit approach and how best we utilise the Apex system, and this access is dependent on the MoU. We are managing the risk to timescales through clear communication channels with the NAO. We are also seeking to agree the MoU as soon as possible, and well ahead of the FBC. We are managing resource internally to ensure that we prioritise time across the team on activities relating to the content library and Apex.

Audit Approaches and software requirements

16. AMP has already mapped its current and proposed audit processes, with further refinement currently underway following a business analysis exercise. The finalisation of the proposed Audit Scotland audit approaches and processes will inform Audit Scotland's business needs and software requirements. The details of the requirements will be used to inform the contractual requirement. We are engaging closely with our legal advisers and Scottish Government procurement to take forward procurement activity for a third-party software provider.

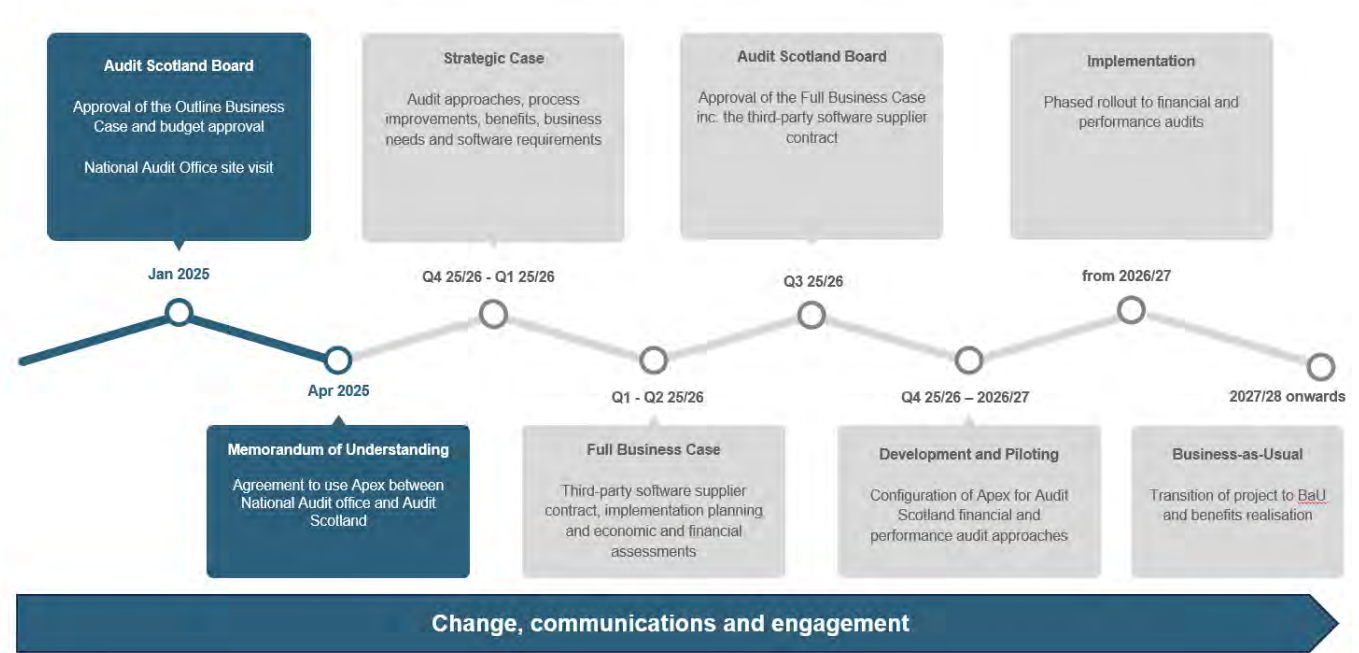
Implementation Planning

17. The FBC will also set out the plan for developing, piloting and rolling out across Audit Scotland, the revised financial and performance audit approaches, processes and software as part of the Management Case. The development of the implementation plan will be dependent on having agreed audit approaches and processes, the statement of requirements agreed with the third-party software supplier, the resource implications as well as taking into consideration the financial audit appointment cycle and other business-as-usual or change activity.

AMP Roadmap

18. The below visual sets out the timeframe for undertaking the above activities, recognising the interdependencies and delivering an FBC in as realistic timescale, and at an appropriate pace. This roadmap focuses on the FBC timeline and more detailed proposals and timelines for the audit approach, software development and implementation will be brought to a subsequent meetings of the AMP Board for agreement in the first instance.

AMP Roadmap



Project Risks and Issues

19. The project is managing a number of risks which have implications on the delivering of the FBC and subsequent implementation. These relate to:

- Communications expertise and resource.
- Project team resource requirements.
- Demonstration of measurable improvements.
- Project timescale expectations.
- NAO engagement.
- Audit colleague engagement through expert user groups.

20. The core project team and project leadership are taking forward mitigating activities, against these risks and issues as shown in Appendix A.

Conclusion

21. The Full Business Case represents an opportunity for Audit Scotland to set out the commercial and contractual arrangements for the preferred option, confirm that this is still affordable and put in place the detailed management arrangements for successful delivery, monitoring and evaluation. The project team are taking forward the activities involved in setting out this business case. The FBC roadmap attempts to set out, at a high level, how this will be delivered. The mitigating actions, being taken forward by the project team and leadership to address the key risks and issues escalated are of priority during March 2025.

Appendix A – Project Risks and Issues

Risks	Current score	Summary of controls, mitigation and planned actions
IF appropriate communications expertise and resource is not available to support the project to develop and deliver change, communications and engagement activities THEN colleagues and stakeholders will have limited support for, and understanding of, revised audit approaches and new software / tools. RESULTING IN delays to project delivery, additional cost and reduced benefits.	12	With support from the Head of Communications, the project's change, communications & engagement strategy has been progressed which identifies the change management principles to be applied, an analysis of stakeholders, key messages, supporting communications material, plan for delivery and how success will be measured. Dedicated communication resources to support the development of material was provided for the financial audit update session in March 25. Discussions now starting on next key priorities.
IF Audit Scotland are unable to source a dedicated and experienced project team to deliver the full business case and the implementation of the revised audit approach (for PABV/ASG) and the chosen administration platform THEN the AM project's ability to meet key milestones will be at risk and/or quality of deliverables may be compromised RESULTING IN delays to the AM project delivery, ongoing delivery and benefits realisation and the need to revisits the options in the Business Case.	12	Resource requirements are to be identified as part of the project's procurement, finance and resource strategy for delivering the FBC. Following the NAO site visit, additional information from NAO to understand the size of the potential changes in audit approach will help inform the PABV and ASG subject matter resource requirements. Updated resource requirements will be considered by the AMP Board in April 2025 The finance expertise required to input into the FBC and the project will be agreed with, Finance before the end of March 2025. Resourcing requirements and prioritisation of AMP activity against business-as-usual is being actively monitored by I&QMT and other relevant boards.
IF Audit Scotland does not have the available management information to baseline, measure and demonstrate measurable improvements resulting from the implementation of the project THEN the project will be unable to realise it's proposed benefits and achievement of Audit Scotland's corporate objectives	12	The development of benefit profiles and a realisation strategy will be developed as part of the FBC during quarter 1 of 2025/26. This will seek to identify realistic and attributable measurable improvements, based on available management information, or where new data sources will have to be introduced

RESULTING IN a negative reputational impact for Audit Scotland		
IF key AMP stakeholders seek earlier completion of the Full Business Case than is currently proposed THEN the project timescales would have to be condensed with a number of concurrent activities that have significant interdependencies, and the project will have to make a number of assumptions with regards to audit approaches and software requirements to deliver the Full Business Case RESULTING IN a Full Business Case that would not meet quality standards and increase the likelihood of issues arising within the implementation period that have additional time, resource and cost implications and a system that does not user requirements	12	The FBC delivery approach identifies a realistic timeframe for each section of the business case and the supporting activities. This approach has been agreed by the AMP Board and the SIP Board in March 2025 and will be reviewed at each meeting of those boards as the project reports its monthly progress.
IF the NAO does not have capacity to share key documentation on their revised audit approaches or provides timely access to their product owners THEN Audit Scotland will be unable to assess the scale of changes required to align its audit approach to NAO and utilisation of the Apex system RESULTING IN delays to delivery of the Full Business Case and misaligned audit approach and software	12	Direct engagement with NAO Director for Change and Audit Transformation and the Apex Contract Manager aims to establishing a regular communication channel by April 2025 between the project teams to identify upcoming requests A secure collaboration space between the NAO and Audit Scotland for document sharing was also established in February 2025
IF appropriate Audit colleagues are not available to work on any aspect of the AM project (from requirements, through to Test and go-live support) within the required / planned timescales THEN the support for Audit Refresh and other workstreams on the project within the required / planned timescales will be impacted	12	Formal Terms of Reference for the Audit Expert User Groups are to be developed for AMP Board approval in May 2025. This will also identify an expected time commitment.

RESULTING IN delays to the AM project delivery, ongoing delivery and benefits realisation	

Diversity, equality and inclusion strategy and mainstreaming equalities progress report 2023-2025

Director of Innovation and Transformation
and Head of Organisational Improvement

Purpose

1. This report introduces two final draft reports for Audit Scotland Board approval of:
 - The diversity, equality and inclusion (DEI) strategy 2025-2029.
 - A progress report on mainstreaming equality for 2023-2025.

Recommendations

2. The Audit Scotland Board is invited to:
 - **Approve** the DEI strategy for 2025-2029 (Appendix one).
 - **Approve** the mainstreaming equality report 2023-2025 (Appendix two).

Background

3. Audit Scotland and the Accounts Commission are both named bodies under the Public Sector Equality Duty (PSED). In March 2024, the 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. The purpose of this was to recognise the relationship between the external and internal elements of our DEI work. The Audit Scotland Board will have an interest in both the DEI aspects of our audit work and how we are developing a more diverse and inclusive organisation.
4. At its September 2024 meeting the Board provided feedback on the emerging DEI strategy as part of the consultation phase of the strategy development process, which covered:
 - The context and rationale for the strategy.
 - Draft equality outcomes.
 - Delivering the PSED.
5. A summary of the consultation and its outcomes is in an appendix to the draft strategy.
6. Under the PSED we are required to report progress against our equality outcomes and on mainstreaming equality at least every two years. We published our [last progress report in 2023](#).

Considerations

Diversity, equality and inclusion strategy 2025-2029

7. The final draft DEI strategy is included as Appendix one. The strategy includes a vision for DEI in public audit and four aspects of how we will deliver on that vision:
 - Setting equality outcomes.
 - Mainstreaming equality.
 - Improving employee information.
 - Impact assessing our work.
8. The strategy is underpinned by a delivery plan, including responsibilities and timeframes for the actions set out under each of the above four aspects. We intend to report on performance against the strategy through our quarterly and annual performance reporting, and to publish an external progress report against the strategy in April 2027 and April 2029 in line with our statutory obligations.

Mainstreaming equality 2023-2025

9. Our mainstreaming equality report 2023 – 2025 is included as Appendix two.
10. The report highlights significant work and progress against each of our three equality outcomes, including key achievements since our 2023 report, examples of good practice and opportunities for improvement to be taken forward through our new DEI strategy.
11. The report is presented as a document, however, it is intended that the content of the report will be published only in a web format, in line with the approach we took to our 2023 report.

Communications plans

12. Following Board approval of the DEI strategy and mainstreaming equality report, we will work with the communications team to:
 - Develop a foreword for the new strategy from the Audit Scotland Board Chair, the Auditor General and the Accounts Commission Chair.
 - Agree quotes for the mainstreaming equality report with the Audit Scotland Board Chair, the Auditor General and the Accounts Commission.
 - Proofread the strategy for our house style and tone of voice and develop supporting graphics and visuals.
 - Develop video case studies to promote examples within the mainstreaming report, covering the Tackling digital exclusion report and the work of our Managing Menopause employee network group.
13. We plan to publish the report on our website on Tuesday 29 April 2025. Our internal and external communications plans include the following:
 - **Internal communications**

- Highlight in Connected/Executive Team update, signpost on SharePoint.
- Share video content and case studies on Viva Engage.
- Liaise with Audit Scotland Executive Team to develop a bespoke launch communication, emphasising the strategic importance of this work, with clear links with our corporate plan, our values and Public audit in Scotland.
- **External communications**
 - Promote the strategy and mainstreaming report webpages and case studies across social media, using supporting quotes from foreword from Board, AGS and Accounts Commission. Produce bespoke social media content.
 - On X focus on high level, corporate messaging.
 - Use mainstreaming report case studies/video on our external careers and recruitment pages.
 - Repurpose content throughout the year to promote Audit Scotland and the Accounts Commission on relevant national days. For example, World Menopause Day in October.
 - Use mainstreaming report case studies on LinkedIn, enabling cross sharing across networks.
 - Proactively share web-based content with our external equalities group to share and cross promote the strategy and mainstreaming report.

Conclusion

- 14.** The DEI strategy project team and the mainstreaming report working group have finalised the reports included in this paper, drawing on extensive consultation with Audit Scotland colleagues and a range of wider stakeholders. The Audit Scotland Board is invited to sign off on these reports in advance of planned publication on 29 April 2025.

Diversity, equality and inclusion strategy 2025-2029



ACCOUNTS COMMISSION 

 AUDIT SCOTLAND

Prepared by Audit Scotland
April 2025

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Accessibility

You can find out more and read this report using assistive technology on our website www.audit.scot/accessibility.

Welcome

Foreword

To be added – joint foreword from Auditor General, Accounts Commission Chair and Audit Scotland Board Chair.

Who we are



Auditor General for Scotland

responsibilities under the Scotland Act 1998 and the Public Finance and Accountability (Scotland) Act 2000



Accounts Commission for Scotland

responsibilities under the Local Government (Scotland) Act 1973



Audit Scotland

established under the Public Finance and Accountability (Scotland) Act 2000 to support close working between the Auditor General and Accounts Commission

Introduction

What we mean by diversity, equality and inclusion

1. Diversity, equality and inclusion (DEI) can be defined as follows:

- **Diversity** refers to who is represented. It can be thought about in terms of people with a wide range of backgrounds and characteristics. For example, those [protected](#) under the Equality Act 2010, as well as wider characteristics such as social backgrounds, neurodiversity and caring responsibilities.
- **Equality** is about how we treat people and is defined by treating people the same. We should also think about **equity**, which is about treating people fairly, considering their unique circumstances, and adjusting treatment accordingly so that the result is equal.
- **Inclusion** refers to how people experience the social and physical environment. It is about the degree to which people feel heard, valued and able to make meaningful contributions.

2. McKinsey has produced a [helpful explainer](#) on the meaning of these terms. They explain that the terms are often grouped together because they are interconnected, and that it is when combined that their true impact emerges.

Why have a diversity, equality and inclusion strategy?

It's the right thing to do

3. People are at the heart of our work and of the public services we audit:

- **Colleagues** – We want all colleagues to be seen and heard and to feel safe and included. To have equal opportunity to develop, progress, and be recognised at work.
- **People in Scotland** – We want to help ensure citizens have access to the services they need regardless of their background, characteristics or attributes.

4. This is becoming increasingly critical because of deepening gaps in inequalities for some groups of society, a rising cost of living, and increasing pressures on public services.

5. The Equality and Human Rights Commission's '[Is Scotland Fairer?](#)' report in 2023 highlighted trends that indicate progress in some areas but persisting or worsening inequalities in others. For example:

- Most ethnic minority groups experience a lower quantity and quality of work and worse living standards than White British people, despite outperforming White Scottish pupils at school leaving age.
- While an increased proportion of disabled people are employed, they are likely to earn less and experience worse living standards than non-disabled people.
- The numbers of recorded hate crimes aggravated by transgender identity, sexual orientation and disability have all increased.
- People living in the most deprived areas continue to have a lower healthy life expectancy and poorer mental health.
- On the other hand, people aged 16-19 are more likely to be in education, employment or training than previously, ethnic minority representation in the Scottish Parliament has improved, and the proportion of women on public boards has risen to at least 50%.

It will help us in our work

6. A more diverse and inclusive workforce leads to **better outcomes for staff, clients and the public.**

7. [Research shows](#) an effective diversity, equality and inclusion strategy has a positive impact on an organisation's productivity, recruitment and retention, engagement, reputation and results.

8. When people feel like they belong, they are happier in their work and provide mutual support to their colleagues. A diversity, equality and inclusion strategy helps us to deliver [fair work](#) – work that offers effective voice, opportunity, security, fulfilment and respect.

9. A diverse workforce helps us improve our scrutiny and critical thinking by bringing a range of perspectives and approaches. These perspectives enhance our understanding of the needs of people using public services.

10. It will also help us **deliver our strategy for public audit** – live our values, deliver priorities and achieve outcomes.

It's the law

11. The **Equality Act 2010** sets out personal characteristics that are protected by law and behaviour that is unlawful. It aims to support a fairer society, improved public services and more effective businesses. It includes three aims or 'needs' of the general [Public Sector Equality Duty](#), to which we must have due regard:

- **eliminate discrimination, harassment, victimisation** and any other conduct that is prohibited by or under the Act.
- **advance equality of opportunity** between people who share protected characteristics and people who don't.
- **foster good relations** between people who share protected characteristics and people who don't.

12. Under the additional requirements of the Public Sector Equality Duty that apply specifically to Scotland, we must consider how we can positively contribute to a more equal society, by advancing equality and good relations through every aspect of our day-to-day work. This means:

- taking effective action on equality
- making the right decisions, first time around
- developing better policies and practices, based on evidence
- being more transparent, accessible and accountable
- delivering improved outcomes for all.

13. In addition, while we are not a listed body for the purposes of the [Fairer Scotland Duty](#), we strive to meet the requirements of that Duty.

Strategic context

Public audit in Scotland

14. [Public Audit in Scotland](#) sets out a shared vision, mission and outcomes for public audit. This is informed by the [Accounts Commission's strategy](#) and supported by [Audit Scotland's Corporate Plan](#), as shown in Figure 1.



Public audit outcomes

15. 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.

16. Our vision for public audit in Scotland is that public money is well spent to meet the needs of Scotland's people. Our mission is to provide clear, independent and objective assurance on how effectively public money is being managed and spent.

17. Two of our outcomes for public audit have equalities dimensions:

- **Public services in Scotland work better together to target resources more effectively** – Tackling inequalities requires a whole systems approach and better collaboration. Public audit can play a role in challenging and influencing spending decisions and by sharing good practice and making recommendations.
- **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 policy areas where we know there are persistent inequalities.

Accounts Commission strategy 2021-2026

18. The Accounts Commission's 2021-2026 strategy sets out that the Commission will use its statutory powers to shine a spotlight on and support improvement around inequalities.

19. It notes the contribution local government makes to tackling poverty and lessening the impacts of inequalities on different communities and commits to reporting on service performance in relation to those impacts.

Audit Scotland Corporate Plan 2023-2028

20. Audit Scotland's corporate plan strategic priorities make specific commitments about equalities and human rights:

- **Dynamic performance audit programme** – Strengthening our focus on how well public bodies are working together to address inequalities.
- **Enhanced audit approaches** – Developing methodology for mainstreaming equality and human rights into audit reporting.
- **Developing our people and our business** – Leading by example with our organisational response to tackling inequalities.

21. This is underpinned by how we want to work, and our values of equality, integrity and 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.

Our journey so far

22. From 2021 to 2025 our focus was on the following equality outcomes:

- 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

23. Key progress highlights include:

- More than 70% of performance audit products reference social and economic factors and protected characteristics. References in recommendations has increased each year from 8% 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 7.1% 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.

24. We identified the following key areas for improvement to be taken forward through this strategy:

- **Equalities and human rights in the annual audit** – Developing clear guidance for appointed auditors to maximise the time they spend on equality and fairness during the appointment round and improving our monitoring of this coverage to identify good practice and learning to inform future planning.
- **Employee information** – Encouraging more colleagues to disclose information about their protected characteristics to help inform our planning and understanding our progress with diversity, equality and inclusion initiatives.
- **Employee network groups** – Building our culture of inclusion by promoting our staff diversity network groups and supporting them to increase their membership, and ensuring they are empowered to deliver awareness raising activities and to support people who share protected characteristics.

Our vision

We are **diversity, equality and inclusion leaders** in the Scottish public sector, with a **workforce that is representative** of Scotland's people, and with a **positive culture of inclusion**, delivering **audit work that tackles inequalities and supports human rights**.

Delivering our vision

Diagram to be refined at design stage.

Setting equality outcomes

Setting targeted, evidence-based outcomes that aim to deliver practical improvements for people.

Mainstreaming equality

Taking specific actions to make diversity, equality and inclusion part of every aspect of our day-to-day business.

Improving employee information

Fostering a culture of sharing information about our characteristics to inform our activities and decision-making.

Impact assessing our work

Using impact assessments as a continuous improvement tool to make our policies and practices fairer.

Equality outcomes

What is an equality outcome?

25. Equality outcomes are specific, measurable goals that can help us focus our activity to:

- make positive changes for people, communities or society.
- bring practical improvements in the life chances of people who experience discrimination and disadvantage.

26. Equality outcomes should aim to further one or more of the three needs in the Public Sector Equality Duty (see page 6). They 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.

Our equality outcomes

27. This section sets out our agreed equality outcomes for 2025-2029. For each outcome we have set out our rationale and evidence base, actions we will take to achieve the outcome, and what success looks like.

Equality outcome 1: Disability

All colleagues have increased awareness about different disabilities and how to support disabled people in their roles, with more disabled people securing employment within Audit Scotland and feeling supported to progress within the organisation.

What are the issues we are trying to address?

- In 2022/23, 7.1% of all applicants to Audit Scotland disclosed that they were disabled. This fell to 5.7% in 2023/24. This is compared to 20.7% of the Scottish working age population.
- Colleague disclosure rates for disability are low. In 2022/23, 6.2% of colleagues declared that they had a disability; 57.6% did not disclose whether they had a disability.
- Some disabled colleagues say they don't feel comfortable discussing their disability or any adjustments they need, or that there are barriers to progression due to their disability, or both.

What actions will we take to address this?

- Work with disabled colleagues to develop training on disability awareness and the policies and guidance in place to support colleagues with disabilities, including neurodiversity awareness, adjustments and other support.
- Implement an employee passport scheme, providing guidance and training for all colleagues and line managers, supporting them in agreeing formal adjustments for disabled colleagues and those with fluctuating or long-term health conditions.
- Use our reverse mentoring scheme to pair disabled colleagues in more junior positions with senior employees, to build confidence and understanding, and help remove barriers to progression.
- In partnership with disabled colleagues and external organisations, adapt our recruitment processes to improve the support and advice available to disabled candidates (internal and external).

What will success look like?

- All colleagues have received training in disability awareness, and understand the challenges faced by and support available to disabled colleagues.
- Disabled colleagues feel more supported by their colleagues and the organisation, and more comfortable in declaring their disability.
- There are more people with disabilities occupying senior roles within the organisation.

- Audit Scotland attracts an increased proportion of job applicants with a disability, including for senior roles.

Equality outcome 2: Ethnicity

An increased proportion of minority ethnic applicants secure employment with Audit Scotland, and ethnic minority colleagues feel included and able to progress within the organisation.

What are the issues we are trying to address?

- In 2023/24 42.9% of all applicants were from a minority ethnic background. This was an increase from 2022/23 where 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 around 7%, compared to approximately 5.8% of Scotland's working age population (according to the latest official Scottish Government statistics available at the time of producing this strategy).
- While we are attracting an increasing number of applications from minority ethnic people, the proportion of minority ethnic colleagues has remained relatively static. Evidence suggests that people from minority ethnic backgrounds are less likely to be successful through our recruitment process.
- People from minority ethnic backgrounds are under-represented in bands four and Executive Team within Audit Scotland.

What actions will we take to address this?

- Adapt recruitment training to reflect learning from specialist guidance, including ensuring it addresses the topic of unconscious bias. All recruitment decisions should be made on merit.
- With advice from external organisations, improve the support and advice we offer people from ethnic minorities when applying for a job with Audit Scotland and in progressing to more senior levels within the organisation.
- With support from ethnic minority colleagues, increase the cultural awareness of all colleagues, including of the challenges faced by ethnic minorities in the workplace, and identify ways to enhance inclusion.
- Use our reverse mentoring scheme to pair minority ethnic colleagues in more junior positions with senior employees, to

improve cultural awareness and understanding of the barriers to progression.

What will success look like?

- More people from minority ethnic backgrounds are successful in being appointed for jobs at Audit Scotland.
- Ethnic minorities are better represented at senior levels within our organisation.
- All colleagues are more culturally aware, understanding the challenges faced by those from ethnic minorities, and can support efforts to enhance inclusion.

Equality outcome 3: Women

Women are supported to continue and advance their careers in Audit Scotland, at all stages of life, and women occupy an increased proportion of senior roles in the organisation.

What are the issues we are trying to address?

- Our [reporting as at 31 March 2024](#) showed:
 - o Women made up the majority of Audit Scotland's workforce at 55%, compared to about 51% of the Scottish working age population.
 - o Women had higher levels of representation in every pay band except for band four and Executive Team, where male representation was higher.
- There is a risk that women are less likely to be successful through our recruitment process for more senior posts.

What actions will we take to address this?

- Introduce and promote 'women in leadership' training to band 2 and band 3 colleagues.
- Advertise senior opportunities on women focused recruitment boards, such as *STEM Women*.
- Promote our flexible working practices, the statutory right to make a flexible working request from day one, and menopause support, in our recruitment activity and internally to all colleagues.
- Promote the support available for returning from maternity leave, including colleagues at all bands available to mentor or 'buddy' those returning from a period of leave.

What will success look like?

- Women are better represented at senior levels within our organisation.
- Women at all levels are given the support they need to progress in their career irrespective of personal circumstances.
- All colleagues and line managers are aware of flexible working options and policies and understand how to ensure arrangements are in place that enable an appropriate work-life balance.

Equality outcome 4: Audit

Our scrutiny of spending decisions considers impacts on people who use public services from an equalities and human rights perspective. In doing so, our reporting and recommendations support public bodies to tackle inequalities in Scotland and are more person-centred and relevant to protected and minority groups.

What are the issues we are trying to address?

- We do not always mention specific protected characteristics in our audit reports; some are not mentioned at all.
- Between 2021/22 and 2023/24, 33 outputs (40%) by our Performance Audit and Best Value team referenced protected characteristics. Of those, 91% mentioned age being a factor, 67% sex and/or disability, 27% race/ ethnicity and 6% sexual orientation.
- Inequalities due to gender reassignment, marriage/civil partnership, pregnancy/maternity and religion/ beliefs were not mentioned in any output.
- There is a risk 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, including people facing socio-economic disadvantage. We are not including the voices of people who use public services consistently in audit work.

What actions will we take to address this?

- Redevelop our equalities scoping note to prompt colleagues to:
 - o consider all protected characteristics as part of equality considerations at key stages of the audit, recognising not all characteristics will be relevant or applicable

- o consider the impact of spending and budget decisions on equalities and human rights, including from a socio-economic perspective
- o identify existing relevant lived experience evidence and where gaps may be.
- Embed lived experience and public participation in our performance audit reporting with:
 - o prompts and guidance for colleagues woven through our Audit Management Framework
 - o ongoing internal communications and learning and development to empower colleagues to draw upon existing, or where necessary commission new, engagement work.
- Identify relevant equality issues across our performance audit work programme, taking a risk-based approach and aiming to include a wider range of protected characteristics in our reporting.

What will success look like?

- More of our reports consider the impact of spending decisions by public bodies on equalities and human rights, including in relation to protected characteristics, socio-economic backgrounds and intersectionality.
- More of our reports reflect evidence from those with lived experience, such as people who use public services.
- More of our reports contain recommendations to support public bodies to tackle inequalities.
- External stakeholders and people with lived experience consider our coverage of equalities and human rights to be effective, and that our recommendations have impact.

Mainstreaming equality and human rights

What is equality mainstreaming?

28. Mainstreaming equality is about making the Public Sector Equality Duty part of every aspect of our day-to-day business. This includes:

- Our functions – To deliver public audit
- Our policies and practices – How we deliver our work
- Our corporate systems – Both digital and human systems
- Our planning – Strategic and operational planning
- Our reporting – Our delivery and performance.

Our areas of focus for mainstreaming

29. This section sets out our areas of focus for mainstreaming. For each area of focus we have set out our rationale, actions we will take, and what success looks like.

Audit approach and delivery

Why are we focusing on this?

- Auditor guidance should reflect legislation and other relevant developments.
- Our style guide includes guidance on using people first language. The social model of language is used within public sector in Scotland. Better guidance is needed as to when each is most appropriate.
- 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. However, there is currently limited guidance and support for appointed auditors to ensure consistent coverage of equalities within Annual Audit Reports.

What actions will we take to improve?

- Review and update guidance in the Audit Management Framework to ensure it helps further the needs of the Public Sector Equality Duty and Fairer Scotland Duty, is up to date and relevant.
- Develop language guidance so that language is sensitive and appropriate towards those with protected characteristics.
- Develop new equalities guidance for appointed auditors, with a focus on further the needs of the Public Sector Equality Duty and Fairer Scotland Duty, to support the annual planning guidance for 2025/26 audits and beyond.
- 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 Best Value equality and fairness duty, identifying and reporting on good practice and making recommendations for improvement where appropriate.

What will success look like?

- Quality reviews show audit teams effectively reflecting guidance on equality and human rights in scoping documents and reports.
- More of our Annual Audit Reports identify good practice and make recommendations about equality and human rights.

Accessibility of audit outputs

Why are we focusing on this?

- It is essential our reports and communications are accessible, and our messages reach the widest possible audience, including relevant target audiences.
- Technology, behaviour and societal expectations are continually evolving so we must ensure we are using the most appropriate methods and keeping up to date.

What actions will we take to improve?

- Make use of innovative approaches to publishing and disseminating outputs and key messages to maximise accessibility and target key audiences.

What will success look like?

- Our reports are available in alternative formats wherever possible, tailored to the main target audiences. Consideration of appropriate formats is made at the earliest possible stage of an audit.

- Alternative formats are downloaded or accessed by increasing numbers of people, demonstrating greater awareness among target audiences of the variety of formats available.

Human rights and child rights

Why are we focusing on this?

- A new human rights bill for Scotland is due to be introduced in the next parliamentary session (delayed from initial timescales). We will have duties as a listed authority and a scrutiny body.
- The United Nations Convention on the Rights of the Child (Incorporation) (Scotland) Act 2024 (UNCRC) came into force in July 2024. We are not a listed authority but have a role in commenting on how public bodies are implementing it.

What actions will we take to improve?

- Increase our knowledge and awareness of human rights and the implications of the UNCRC.
- Build on knowledge and experience gained through testing human rights-based approaches in some performance audits.

What will success look like?

- There is increased awareness and understanding of human rights and child rights among staff.
- There is increasing coverage of human rights and child rights in our performance audits.

Learning and development

Why are we focusing on this?

- Our annual wellbeing survey results indicate stress levels have been rising. Absence data supports this.
- During 2023/24 there were 129 attendances at instructor-led DEI training opportunities and 262 attendances at e-learning opportunities with a DEI focus.
- 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.
- We want to broaden the range of DEI learning and development opportunities and increase engagement with these.

What actions will we take to improve?

- Develop and communicate inclusive and accessible learning pathways that:
 - o Improve colleague awareness and knowledge on equality and human rights
 - o Support managers and colleagues to tackle bullying and harassment in the workplace
 - o Promote a culture of inclusion
 - o Support inclusive leadership.

What will success look like?

- More colleagues take up opportunities for training in areas that are related to equality and human rights.
- Staff survey results show a reduction in the number of colleagues reporting bullying and harassment.

Widening access to careers at Audit Scotland

Why are we focusing on this?

- Only 7.2% of our workforce is aged 16-24, compared to 17% of Scotland's working-age population.
- In recruitment, 34.6% of applicants for vacancies in 2023/24 were aged 16-24 (down from 42.4% in 2020/21).
- We are keen to have a diverse workforce, which includes attracting and retaining younger colleagues.
- Apprenticeships can offer hands-on training for specific roles which can help ensure that individuals from underrepresented groups receive the support they need to thrive in the workplace.

What actions will we take to improve?

- Widen access to careers in public audit for younger people by integrating a variety of apprenticeship models into our future workforce planning arrangements.

What will success look like?

- A wider range of entry routes is available for roles across all departments of Audit Scotland.
- We receive more applications from young people, and there is an increased proportion of employees in younger age groups.

Fostering a culture of inclusion in Audit Scotland

Why are we focusing on this?

- Staff network groups give staff a voice to influence organisational policy and provide a safe space for people who share protected characteristics.
- Supportive environments and feedback loops for staff network groups have a positive impact on employee engagement and retention.

What actions will we take to improve?

- Support and empower our staff diversity network groups by:
 - o Encouraging leadership group members to sponsor and be active within the diversity network groups.
 - o Encouraging a larger percentage of the Audit Scotland population to be involved with the diversity network groups as an ally or as active members.
 - o Supporting our diversity network groups to share good practice outside Audit Scotland and be involved in external groups.
 - o Retaining and improving accreditations for our diversity network groups.

What will success look like?

- Feedback from staff network groups indicates increased satisfaction with their involvement in and sense of influence over organisational policy development and decision-making.

Improving our employee information

Why we collect information

30. Under the Public Sector Equality Duty, we must 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 Duty.

31. We collect information about people who work at Audit Scotland through our human resources system. This information plays a critical role in helping us understand where we are making progress against the Public Sector Equality Duty, informing planned activity and making better decisions around diversity, equality and inclusion. We have used this information to inform this strategy.

How we want to improve our information

32. As part of the strategy, we want to improve the quality of our employee information so that we have the best possible information to inform our activities and our decision-making. This includes increasing our focus on:

- **Intersectionality:** Improving our understanding of the overlapping inequalities experienced by individuals with multiple protected characteristics and/or socio-economic disadvantage, helping us to design targeted approaches for specific groups.

Intersectionality means recognising that people's identities and social positions are shaped by multiple factors including age, sex, disability, race, religion or belief, sexual orientation and socio-economic background.

- **Benchmarking:** Allowing us to identify realistic targets for representation in our workforce, identify areas for improvement and learn from good practice in the wider public sector.

What actions we will take

- Gather and review data annually on the composition, recruitment, development and retention of our employees, exploring intersectionality in our data, and agree actions to help us better meet the needs of the Public Sector Equality Duty, reporting:
 - annually through our annual diversity report and gender pay gap report
 - every four years through our equal pay report.
- Promote the value and benefits of improved information on the composition of our workforce, with our leadership group actively encouraging all staff to provide information and highlighting examples of how it is used.

Assessing the impact of our work

Why we assess our impact

33. 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 Duty. We should also take account of the results of impact assessments and publish our assessments.

34. Assessing the impact of our policies and practices against the needs of the Public Sector Equality Duty is an important continuous improvement tool. Equality Impact Assessments (EIAs) can help us identify:

- where policies can have a positive impact on people who share protected characteristics and how we might **enhance the positive impact**.
- where policies might have a negative impact on people who share protected characteristics and how we might **mitigate the negative impact** to ensure the policy or practice is fairer.

How we want to improve our impact assessment approach

35. As part of this strategy, we want to improve our approach to impact assessment to ensure:

- These are more open, transparent and evidence based. We do not consistently publish our EIAs.
- We more routinely monitor delivery against impact assessment action plans and implement agreed improvements. 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.
- Our activity is more directly linked to the Public Sector Equality Duty. It is not always clear through our existing EIA approach and process how the actions we set out help fulfil the Duty.

What actions we will take

- Develop a register of Equality Impact Assessments (EIAs) and a mechanism for monitoring publication, EIA action delivery and EIA refreshes.
- Review how well we are fulfilling the duty to integrate the Public Sector Equality Duty into our impact assessment approach, consider evidence and take account of the results.

Monitoring delivery and performance against this strategy

36. This strategy includes 30 actions that we will aim to deliver during the strategy period. We have a delivery plan that underpins this strategy, which prioritises the actions and includes responsibilities and timeframes. Audit Scotland's Equality and Human Rights Strategy Group will review progress against the delivery plan annually as part of our operational planning process.

37. Table one sets out our performance measurement framework for this strategy, including performance measures, the direction we want them to go in and the frequency of data collection. We will report performance against the strategy through Audit Scotland's quarterly and annual performance reporting. We will also publish an external progress report against the strategy in April 2027 and April 2029.

Table one: Performance measurement framework

Ref	Performance measure	Direction	Frequency
01	Number of colleagues attending disability awareness training	Majority	Annually
02	Feedback from colleagues: - on the support they receive and their opportunities for progression (disabled colleagues and women) - on their levels of cultural awareness and their understanding about challenges faced by disabled colleagues and ethnic minority colleagues / how well supported they are to take action to support inclusion (all colleagues) - on their levels of awareness about human rights and child rights (all colleagues)	Improved	Annually
03	Proportion of applicants to Audit Scotland: Disability / Young people	Increase	Annually

04	Percentage of colleagues disclosing whether they have a disability	Increase	Annually
05	Proportion of employees at Audit Scotland: Race / Young people	Increase	Annually
06	Proportion of people in more senior roles: Disability / Race / Women	Increase	Annually
07	Feedback from our Equality and Human Rights Advisory Group, other stakeholders and people with lived experience on the effectiveness of our coverage and impact of our recommendations.	Positive	Annually
08	Proportion of performance audit reports that: - consider the impact of spending decisions by public bodies on equalities and human rights - include recommendations which support public bodies to tackle inequalities - reflect lived experience - cover human rights and child rights	Increase	Annually
09	Number of quality reviews reporting effective application of guidance on equality and human rights in scoping documents and reports.	Increase	Annually
10	Number of Annual Audit Reports identifying good practice / making recommendations about equality and human rights	Increase	Annually
11	Downloads of alternative formats of our audit products	Increase	Six-monthly
12	Awareness of our audit products among target audiences	Increase	Six-monthly
13	Number of attendees and attendances at training opportunities related to equality and human rights	Increase	Six-monthly
14	Number of colleagues reporting bullying and harassment	Reduce	Annually
15	Number of entry routes available for roles across all departments of Audit Scotland	Increase	Annual
16	Feedback from staff network groups on their levels of influence and engagement with organisational policy development and decision-making	Positive	Annual

Appendix 1

Risks and opportunities

Risks of not having a DEI strategy

- Not being able to recruit or retain staff if not sufficiently inclusive or seen as an attractive employer.
- A lack of diversity in our workforce leading to a lack of understanding of societal culture and the needs of stakeholders, public services, and citizens. This could make us look out of touch, irrelevant, and have less impact.
- Staff not feeling able to be themselves at work or to share information about their background or cultural (REACH survey results).
- Commenting on protected characteristics in our work that are not represented in our workforce.
- Not being equipped to effectively audit risks in relation to current equality and human rights duties and legislation if sufficient L&D not in place.
- If we target outcomes and actions at specific characteristics, there is a risk of criticism if we don't deliver.
- If we are bolder in our audit approach about focusing on tackling inequalities, there is a risk of backlash from audited bodies.

Opportunities for having a DEI strategy

- To be an employer of choice because of our approach and reputation.
- To create a culture of openness and understanding about people's difference that encourages sharing of experiences which will be of value to other staff.
- Ensure public audit takes a lead role in strengthening and influencing work to tackle inequalities across the public sector 'ecosystem'.
- Increase our impact and improve outcomes for people in Scotland, particularly the most vulnerable and those facing inequalities
- Increase innovation and improve how we work with a more diverse workforce to try new approaches, learn, share ideas and think differently.

Appendix 2

Consultation on the draft strategy

We consulted widely on the draft strategy, including with:

- **Senior leadership** - The Accounts Commission, the Audit Scotland Board, Audit Scotland's Executive Team and our Equality and Human Rights Strategic Group.
- **Our diversity network groups** – Our Disability Confident Working Group and our Race, Ethnicity and Cultural Heritage network group.
- **All Audit Scotland colleagues** – We delivered a staff survey and consultation workshops. There were 26 responses to the survey and a similar number attended the workshops.
- **External stakeholders** - Including our strategic partners Business in the Community, our Equalities and Human Rights Advisory Group, the Scottish Human Rights Commission and the Equality and Human Rights Commission.

The consultation sought feedback on the **context and rationale** for the strategy, our **draft equality outcomes**, and our approach to delivering the Public Sector Equality Duty (**mainstreaming**).

We received a lot of positive feedback on the draft strategy, and we also heard suggestions and discussion on issues such as:

- The need for a vision for diversity, equality and inclusion in Audit Scotland, a strong evidence base, and more clarity about our dual internal and external focus
- Setting targets and measures of progress, distinguishing between outcomes and activities, and ensuring a targeted approach to addressing inequalities in our audit work
- An onus on non-disabled people to remove barriers, analysis of data trends in recruitment and retention, and broader application of an employee passport scheme
- Support for staff in terms of career development and advocacy, guidance for covering equalities in audit work, and concerns about security and rights in relation to providing diversity information.

Much of this feedback is reflected in this final version of the strategy.

Appendix 3

Further reading

Research

[The business case for diversity, equity and inclusion](#) – Forbes, 2023

[Business case for inclusion and diversity: A quick guide](#) – Inclusive Employers

[Diversity wins: How inclusion matters](#) – McKinsey & Company, 2020

Other references

[Equality, diversity and inclusion in the workplace](#) – Chartered Institute of Personnel and Development, 2024

[Equality and human rights monitor 2023: Is Scotland fairer?](#) – Equality and Human Rights Commission, 2023

[The Public Sector Equality Duty \(PSED\)](#) – Equality and Human Rights Commission, 2022

[The ethics of diversity](#) – Institute of Business Ethics, 2020

[What is diversity, equity, and inclusion?](#) – McKinsey & Company, 2022

Diversity, equality and inclusion strategy 2025-2029



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Mainstreaming equality

Progress report 2023-2025



ACCOUNTS COMMISSION 

 AUDIT SCOTLAND

Prepared by Audit Scotland
April 2025

Contents

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Accessibility

You can find out more and read this report using assistive technology on our website www.audit.scot/accessibility.

Welcome

Commented [MB1]: To include short quotes from Stephen, Jo and Colin.

Jo to mention: Accounts Commission strategy for 2021-26 has a priority to focus on the impact of inequalities.

1. Welcome to our mainstreaming equality progress report for 2023 to 2025. This report summarises progress delivering our equality outcomes:

- **Outcome 1:** Our work supports the public sector to address inequalities including protected characteristics and socio-economic disadvantage, and to protect human rights.
- **Outcome 2:** We will increase the diversity of people into Audit Scotland.
- **Outcome 3:** We will broaden our culture of diversity and inclusion.

2. It supports our public sector equality duty to report progress on mainstreaming the equality duty at least every two years. We highlight our achievements since our [last progress report in 2023](#) and identify where we can continue to improve. These will be taken forward through our new diversity, equality and inclusion strategy for 2025 to 2029.

Outcome 1

Our work supports the public sector to address inequalities including protected characteristics and socio-economic disadvantage, and to protect human rights.

Our Reporting

Our commitments:

- Findings and recommendations in our audit work will highlight where progress is being made and where improvement is needed to address inequalities and human rights issues.
- We will publish a range of outputs which reflect and respond to changes in the inequalities and human rights policy environment. This will support public bodies to address inequalities and human rights issues.

Equalities in our annual audit cycle

Since 2023 [Best Value thematic work](#) has been integrated within the [annual audits](#) of all councils in Scotland. During the 2022/23 audit year, the Accounts Commission selected leadership as the Best Value thematic area of focus. The [Commission set out its expectations](#) that inequalities are reflected in the high-level goals of the council. Auditors found that all councils have an agreed plan aimed at tackling poverty and inequalities and recommended that equality impact assessments (EIAs) are completed early and published.

The Accounts Commission's [local government budget briefing 2024/25](#) noted the importance of councils considering the equality impacts their budget choices will have on different groups and communities. It found that 28 councils carried out EIAs as part of their budget setting process. Where councils did not carry out EIAs, this was because proposals did not change existing policies or because they plan to carry out EIAs on proposed savings passed.

More broadly, auditors are expected to consider equalities in all applicable audited bodies and report on it at least once during the five-year appointment round. We are two years into the current appointment round and most audits are still to report on equalities.

Our [East Ayrshire Council 2022/23 Annual Audit Report](#) highlighted the council's action plan for tackling poverty and inequality as well as good practice, building on the recommendation of the Accounts Commission.

Findings and recommendations

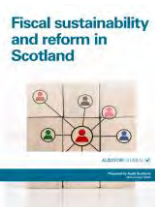
Our findings in performance audits have highlighted examples of inequalities and barriers to public services experienced by people facing [mental ill-health](#), [digital exclusion](#) and [substance misuse](#).

In our 2023/24 and 2024/25 performance and Best Value reports 53 per cent of our outputs with recommendations have included reference to socio-economic inequalities or protected characteristics. Across all our outputs 59 per cent referred to socio-economic factors, 26 per cent human rights, and 26 per cent referenced protected [characteristics](#).

Recommendations focused on strengthening the data, learning and participation from those with lived experience and improvements in equality impact assessments.

Our [Fiscal Sustainability and reform in Scotland](#) report recommended the Scottish Government should 'build equalities and human rights into its decisions about public service reform to understand how financial decisions will affect different groups in society and minimise the negative impacts on people's lives'.

Commented [MB2]: Design point: To develop graphic to illustrate these numbers.



Case studies

Adult mental health	Additional support for learning

Commented [NC3]: Use a drop down for the case studies table

Formatted Table

	This report covered inequalities in accessing mental health services. Access is disproportionately more difficult for some people. It highlights that inequalities in society and social factors leading to poor mental health must be addressed. Examples of good practice and human-rights based approach to care are included in the report.		The report acknowledges a strong correlation between deprivation and additional support needs. A lack of available data means the extent of equalities issues is unknown and pupils with a disability under the Equalities Act 2010 are not always recorded in the ASL data.

Communication

Our commitment:

- Our published outputs will meet the different communication needs of the audience.

We have expanded our range of publications, including blogs and briefings, tailoring them to meet the different communications needs of our audiences. During 2023/24 and 2024/25 96 per cent of applicable publications had an alternative output alongside the standard PDF style report, of these:

- 85 per cent were accompanied by a captioned video
- 46 per cent had an easy read summary
- 23 per cent with an animation
- 27 per cent with a webpage with key information.

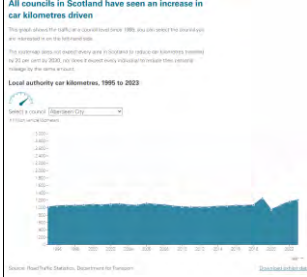
We meet accessibility requirements, including ensuring that all outputs can be read using assistive technology, and where possible provide sufficient colour contrast. We upgraded our [website](#) in March 2024 to enhance our compliance with accessibility standards for web content.

Commented [NC4]: Provisional to be updated end of March for end of period of reporting.

Commented [NC5R4]: All figures now updated

Examples of alternative outputs

Commented [HA6]: Drop down with linked graphics or embedded examples of accessible outputs

 Printable flyer	 Adult Mental Health- lived experience Lived experience video	 Interactive exhibits

External influence and engagement

Our commitment:

- We will work with scrutiny bodies and external stakeholders to maximise our collective impact.

We have regular engagement with external stakeholders to share learning and coordinate our work effectively. This includes:

- Regular meetings with the Equalities and Human Rights Commission, the Scottish Government equalities mainstreaming unit, Child Regulations and Improvement Action Group and the Scottish Government's equality and human rights budget advisory group.
- Membership of the Scottish Government's human rights executive board and core implementation group for proposed human rights bill, and subsequently members of the new capacity building working group.
- Part of the duty bearers panel involved in the consultation with the [National Collaborative](#) on their recent work developing a charter of rights for people affected by substance use.
- Using our knowledge and insight to influence practice by [responding to consultations](#), including the response to call for views [National Care Service Bill](#), the [Human Rights Bill for Scotland](#), and the Scottish Government's Equality and Human Rights Mainstreaming strategy.

Equalities and Human Rights Advisory Group (EHRAG)

We have regular meetings with our [EHRAG](#) who provide our audit teams with expert external insights on protected characteristics and human

rights. In 2023 and 2024 we had seven meetings and brought 21 items to the group for discussion.

Sustainable Transport Audit engagement with the EHRAG

The audit scope considered feedback from the group which highlighted work such as the accessible travel framework, along with the need for equality impact assessments and the importance of consultation with specific individuals such as care workers and disability groups.

Lived experience and public participation

Our commitment:

- We will work in a participative and inclusive way, exploring new ways of capturing the citizen voice, empowering our staff and external organisations to work together to plan and deliver our equality outcome.

We established a community of interest group for **lived experience and public participation** who have supported developing guidance for colleagues. Once launched the guidance and community of interest will provide ongoing support to colleagues on engagement work.

We have piloted a **human-rights based approach** in a digital exclusion performance audit, which included establishing a lived experience reference group.

We set up a **Youth Advisory Group** which runs for two years from October 2023.

Taking a Human Rights based approach Audit methodology: lived experience work and human rights-based approach This audit used the PANEL principles to take a human rights based approach to digital exclusion. The PANEL principles include: • Participation: Involve groups and individuals with lived experience of digital exclusion throughout the audit. • Accountability: Ensure that the scope of the audit and findings considers how people's rights are affected by digital exclusion and use these findings to inform interview with public bodies. • Non-discrimination: Ensure that people most affected by digital exclusion are participants in the feedback. • Empowerment: Ensure people participating in the audit are supported to do so at all stages, are provided with information on the audit and the use of audit findings, and are empowered to know and understand what their rights are. • Legality: Ensure that the scope and focus of the feedback effectively takes account of legal rights and frameworks. audit work. This allowed people with experience of digital exclusion to participate in and inform the audit. People with lived experience formed a reference group, providing insight and feedback, helping to improve the accessibility of the findings. Various alternative outputs were used alongside	Youth Advisory Group Alcohol and drug services  We are engaging with our Youth Advisory Group (YAG) on a wide range of audit work to help us think about how we consider the views of children and young people's and how best to get our messages out to them. For our Alcohol and Drug Services audit the team worked with the YAG from early scoping through to post-publication. The audit team used feedback from the young people to help inform some fieldwork questions, with evidence

the main report to ensure it was as accessible as possible. We will reflect and take learning to inform future work.	gathered leading to recommendations. The young people also produced a youth-led promo video about their contribution to the audit.

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Outcome 2

We will increase the diversity of people into Audit Scotland and their progression through every level of our organisation.

Our people strategy 2023-2028

We launched our first [people strategy](#) in November 2023 with diversity, equality and inclusion (DEI) as a key pillar. We believe that a diverse workforce is more productive and innovative and will enrich our service delivery. Our equality outcomes 2021-25 were the key driver for this element of our people strategy.

Recruitment and selection

We committed to:

- advancing our recruitment, attraction and selection strategies by enhancing our approach to data collection and reviewing data to deepen our understanding of the challenges, opportunities and needs of different groups.
- taking positive action to increase interest from minority and underrepresented groups.

We have worked with **brand ambassadors in universities across the UK** to encourage more applications from underrepresented groups.

We have **application mentorship** so that applicants belonging to an under-represented or marginalised group can proceed with confidence that Audit Scotland encourages visibility, diversity and inclusion across the organisation.

We have seen an **increase in applicant numbers from those disclosing they are from an ethnic background**, from 25% in 2022/23 to 43% in 2023/24. 13% of all offers in 2023/24 made were to those from ethnic minorities, an increase from 7% of all offers made in 2022/23.

Candidates who identified as Lesbian, Gay, Bisexual or Other (LGBO) made up 10% of the applicant population in 2023/24. This is a positive increase from 2022/23 where 8% of the applicant population identified as LGBO.

Employee information

The foundation of our work to deliver on our outcomes has been a focus on improving our employee information – ensuring an accurate record, analysing it and using the insight to inform our future work in this area.

We have:

- conducted research on how to improve our data collation to widen our understanding of the needs of our workforce. We worked with **an external equality partner to get advice and benchmarking information to examine our progress.**
- worked with our employee network groups team to **encourage colleagues to update their sensitive information** in our HR self-service system.
- We added **a new category for capturing absences related to menopause symptoms and launched new data collection for carer and socio-economic status.** We will start reporting on this in our annual diversity report for 2024/25.

Career pathways

We committed to:

- helping to raise awareness of career pathways and explore opportunities to widen their scope.
- strengthening support for the progression of under-represented groups into more senior roles.

We developed a new opportunities board to advertise internal, short-term development opportunities openly and transparently. This supports all colleagues to broaden their skills, experience and knowledge.

We broadened our modern apprenticeship programmes with a wider apprenticeship programme for those joining our business support services team. Colleagues will now gain experience in a variety of corporate services teams during their training. We have also taken on new apprentices in our Accounts Commission Support and data analytics teams.

We launched a **reverse mentoring scheme for our colleagues in trainee and entry level roles** to mentor a member of Executive Team.

In 2023/24 there were 37 permanent promotions made, 57% were women and 43% were men. Of those staff who were promoted and disclosed their ethnicity, 92% were white and 8% belonged to a minority ethnic group, which is higher than the representation within the Scottish working population.

We promote opportunities for flexible working at Audit Scotland to ensure staff can manage their own pursuits and personal lives around their work commitments. Our hybrid working policy promotes flexibility with no mandated number of in office days expected.

Our people



Commented [MB8]: Design point:

Placeholder graphic to be updated with data from annual diversity reports (Appendix A and B - employee profile and recruitment / selection).

Trend data to be included over four year outcome period (2021, 2022, 2023, 2024) plus position against benchmarks.

Links to reports:
[AS annual diversity report 2023/24](#)
[Annual diversity report 2022/23](#)

Outcome 3

We will broaden our culture of diversity and inclusion, so all employees feel valued, engaged and contribute.

Our values

3. As part of developing our new [corporate plan 2023-2028](#) we agreed new organisational values. 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.



During 2023/24, we focused on what our values mean in practice. Our Leadership Group delivered workshops for colleagues to discuss how our values translate to attitudes and behaviours, considering what they look like when we are doing them well and when we aren't getting it right.

More than 240 colleagues participated in these workshops, nearly 70 per cent of our workforce. From this we have developed and agreed a values charter to support us to further embed the values into our everyday work. We have refreshed our approach to employee performance appraisal and development to embed our values into approaches to objective-setting, development planning, feedback and recognition.

Staff diversity network groups

We committed to:

- analysing feedback from our employees and listening to members of our diversity groups to strengthen and deepen our understanding of the challenges, opportunities and needs of the different groups of people that make up our workforce.

- using this information to strengthen the minority networks across Audit Scotland.

Audit Scotland colleagues have increased and strengthened our network of employee diversity groups, representing a range of protected characteristics. We have six groups with over 80 members (about a quarter of our workforce):

- Carers Support Group
- Disability Confident Working Group
- LGBTQ+ Group
- Managing Menopause Group
- Race, Ethnicity and Cultural Heritage Group (REACH)
- Neurodiversity Group

The groups regularly deliver sessions to new colleagues as part of our induction programme to promote their work and explain the impact and benefits of being a member. During 2023/24 there were 92 attendances at these sessions and during 2024/25 there were 147 attendances.

We regularly consult with network groups on equality impact assessments, informing internal policy development and procurement of new suppliers.

We have developed a terms of reference template to support network groups to have a clear purpose, objectives and priorities. The groups are invited to attend our new Equality and Human Right Strategic Group to raise awareness of their plans and seek support where required for their activities.

Key highlights from our **network groups** during 2023/24 and 2024/25 include:

- **Carers Support Group** – Grew membership and developed a proposal to provide five days of paid leave for all carers, above the statutory requirement for carers leave, which was approved by our Executive Team.
- **Disability Confident Working Group** – Consulted with disabled staff and shared views on recording a disability, recruitment and progression, management support and adjustments and hybrid working to inform policy and planning. Supported the development of our employee passport approach.
- **LGBTQ+ -** Grew membership and delivered a bake sale to raise awareness of the group and to raise money for LGBT Youth Scotland.

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- **Managing Menopause** – Consulted with staff on the work of the group and interest in manager training sessions. Published a menopause policy and achieved the Menopause Friendly Accreditation. This independently assessed award recognises the hard work, high standards and proven practices that we have put in place to embrace menopause in the workplace.
- **REACH** – Consulted with staff and found we can do more on communication and specific training, especially for line managers, on microaggressions, allyship and unconscious bias. Worked with the communications team to advise on the race riots in the UK and issue statements to all staff about the race riots and the war in Gaza.
- **Neurodiversity Group** – Rolled out neurodiversity awareness training across the organisation and supported the development of our employee passport approach. Participated in our “Empowering every voice: The path to diversity, equality and inclusion in the workplace” keynote.

Learning and development

We committed to providing training and development to employees across the organisation, strengthening understanding of the experiences and challenges faced by minority groups and improving their working experience.

We provided:

- **mandatory and optional DEI e-learning opportunities.** Mandatory training included inclusion essentials and sexual harassment for all colleagues and managing diversity for managers. Optional training included new content on unconscious bias, allyship, microaggressions in the workplace and menopause at work. In 2023/24 there were 218 DEI e-learning completions, and this increased to 676 completions in 2024/25. The increase was mainly due to the mandatory sexual harassment training for all colleagues.
- **instructor-led learning events with a DEI focus**, including inclusive leadership, neurodiversity awareness, making reasonable adjustments, bystander intervention and allyship. During 2023/24 there were 105 attendances at DEI instructor-led training, and this increased to 235 attendances in 2024/25. The increase was mainly due to rolling out neurodiversity awareness training.

Looking ahead

While this report shows significant progress against our outcomes over the past two years, we recognise we have more to do in the following areas:

- **Equalities and human rights in the annual audit** – Developing clear guidance for appointed auditors to maximise the time they spend on equality and fairness during the appointment round and improving our monitoring of this coverage to identify good practice and learning to inform future planning.
- **Employee information** – Encouraging more colleagues to disclose information about their protected characteristics to help inform our planning and understanding our progress with diversity, equality and inclusion initiatives.
- **Employee network groups** – Building our culture of inclusion by promoting our staff diversity network groups and supporting them to increase their membership, and ensuring they are empowered to deliver awareness raising activities and to support people who share protected characteristics.

Our new diversity, equality and inclusion strategy sets out our new equality outcomes for 2025 to 2029 as well as our planned work around mainstreaming equality and human rights, improving employee information and impact assessment. We will take forward these areas for improvement through our new strategy.

Mainstreaming equality

Progress report 2023-2025



Audit Scotland, 4th Floor, 102 West Port, Edinburgh EH3 9DN
Phone: 0131 625 1500 [Email: info@audit.scot](mailto:info@audit.scot)
www.audit.scot

AS.5.0

Purpose

1. This paper notifies the Board of a proposed change to the application of Audit Scotland's [funding and fee strategy](#). It proposes a principles-based approach to recovering Audit Services Group (ASG)'s additional costs when the Auditor General for Scotland or Controller of Audit decide that a statutory report is to be produced. It sets out principles for charging audited bodies a statutory reporting fee for this additional audit work and summarises how the fee will be determined. This approach is not a change to the funding and fee strategy.

Recommendations

2. The Board is invited to:
 - Approve the principles-based approach to recovering ASG's costs by charging audited bodies a statutory reporting fee – [paragraphs 9-12](#) and [Table 1](#).
 - Note how statutory reporting fees will be determined and the process for when a statutory reporting fee is not, or cannot, be charged – [paragraphs 13-16](#).

Background

3. Under the Public Finance and Accountability (Scotland) Act, Audit Scotland may impose reasonable charges (audit fees) in respect of the exercise of its functions. A key principle established by the Audit Scotland Board, and outlined in the funding and fee strategy, is that audit fees should recover the full cost of audit work.
4. Audit Scotland sets an expected fee annually for each audited body and advises them, via their fee letter and the funding and fee strategy, that auditors may charge an additional fee if they need to carry out additional audit work. The preparation of a statutory report is considered additional audit work as it is generally not known whether this will be required when the expected fee is calculated.
5. Audit Scotland recently developed new guidance for auditors on producing statutory reports. During the preparation of the guidance, it was identified that ASG does not charge audited bodies any additional fees for statutory reporting work.
6. ASG's involvement in statutory reporting has previously not been significant and it has therefore been able to absorb the costs without charging additional fees. However, under the new guidance, ASG will be responsible for leading the production of more statutory reports and therefore its costs will increase. It will not be possible for ASG to continue to absorb statutory reporting costs into its budget.
7. A principles-based approach to charging audited bodies a statutory reporting fee has been developed to recover ASG's costs. This approach is permitted under the funding and fee strategy and is consistent with the approach adopted by the appointed firms.

Although it is not a change to the strategy, it is a change of practice for Audit Scotland, and it may lead to queries from audited bodies. Board approval is therefore sought to implement the principles-based approach.

8. The remainder of the new statutory reporting guidance is of an operational nature and does not require the Board's approval.

Principles for charging audit bodies a fee for statutory reporting

9. In accordance with the principle of recovering the full cost of audit work, audited bodies, where appropriate, should be charged a fee when additional audit work is required to prepare a statutory report.
10. Statutory reports vary extensively in terms of their rationale and content, hence the need for a principles-based approach for charging audited bodies – see [Table 1](#) for the principles.
11. Each statutory report, including any follow-up report, should be considered on a case-by-case to determine whether it is appropriate to recover our costs by charging a statutory reporting fee.
12. The decision whether to charge the audited body a fee will be made by the Auditor General or Controller of Audit as early as possible following discussion with the audit team.

Table 1 1

Principles for charging audited bodies a statutory reporting fee

Circumstances in which it may be appropriate to recover the cost by charging the audited body: • To report a significant failure. • To report an issue of public concern or interest. • To report limited progress since a previous statutory report.
Circumstances in which we may not charge the audited body: • When a statutory report is determined to be the most appropriate way to report an issue quickly (ie, rather than using a performance audit report). • To report good progress since a previous statutory report.

Determining the statutory reporting fee

13. Auditors are required to consider the extent to which evidence for the statutory report can be drawn from the annual audit. In some cases, additional audit work will be required for the Auditor General or Controller of Audit to report fully to the Scottish Parliament or Accounts Commission.

14. If additional audit work is required, auditors must consider who is best placed to do this and how long it will take. This is a vital step in determining any statutory reporting fee charged to the audited body.

Where a statutory reporting fee is not charged

15. Where it is decided to not charge the audited body a fee, ASG's costs will continue to be absorbed into its budget.
16. For non-chargeable audits (ie, certain central government bodies that we cannot charge), auditors are required to agree a notional fee for the annual audit. It is proposed that this approach also applies to statutory reporting.

Communicating the statutory reporting fee to audited bodies

17. As charging audited bodies a fee for statutory reporting does not constitute a change to the funding and fee strategy, it is not necessary to formally consult audited bodies. It is important, however, that the change of practice is clearly communicated.
18. In January 2025, all audited bodies were advised of the general fee arrangements via their 2024/25 fee letters. The fee letter is explicit that the expected audit fee does not provide for the costs of preparing a statutory report and that this may attract an additional, separate statutory reporting fee.
19. To support transparency, from 2024/25 any fees related to statutory reporting must be separately agreed with the audited body, using the agreed pricing model already in place for additional audit work, rather than being accommodated via an increase to the agreed annual audit fee. This change was conveyed to auditors in the 2024/25 planning guidance.

Conclusion

20. This paper sets out proposals for a principles-based approach to recovering ASG's statutory reporting costs. The Board is invited to consider the recommendations outlined at paragraph 2.

Board/ committee meeting locations and engagement

Director of Corporate Support

Item 17
Meeting date: 1 April 2025

Purpose

1. This report sets out some options and points for discussion about the location of Board meetings.

Recommendations

2. The Board is invited to:
 - Discuss the options and considerations in relation to the location of Board/ Committee meetings and wider Board engagement
 - Agree next steps as set out in paragraph 31.

Background

3. Meetings of the Board, the Audit Committee and the Remuneration and Human Resources Committee (RemCo) have been typically held in Edinburgh. Prior to the pandemic some meetings of the Audit Committee, and on occasion the Board, had been held in Glasgow.
4. Board members have requested that consideration be given to options for the Board and its committees to meet in other locations.

Financial Implications

5. The financial implications of options are set out below.
6. It should be noted that meetings held in Edinburgh already incur time, travel and accommodation costs for some Board members and attendees. These will offset some of the additional costs identified below.

Considerations

Purpose and objectives

7. The purpose/ objectives of meeting at venues other than Westport can be summarised as:
 - Demonstrating that Audit Scotland is a national organisation and not solely 'Edinburgh centric'.
 - Providing the opportunity for Board members to meet/ engage with colleagues based in other locations.
 - Providing the opportunity for Board members to engage with other external stakeholders.

Logistics and practicalities

8. In developing the options set out below consideration has been made/ needs to be given in relation to:
- The availability and suitability of office accommodation (inc availability and suitability of audio-visual technology to provide for hybrid meetings/ virtual attendance).
 - The base and home locations of Board members and officers.
 - Travel time and costs and accommodation/ subsistence for Board members and officers and the opportunity cost of travel time.
 - Alignment with corporate objectives/ strategies (for example balancing engagement opportunities with our [Environment, Sustainability and Biodiversity Plan 2021-2025](#) and the Green Future Strategy.
 - Ensuring the arrangements provide value for money.
9. The home locations of Board members and regular attendees are:

Board members

- Aberdeen (2)
- East Lothian
- Glasgow
- Edinburgh
- North Lanarkshire

Regular attendees

- Edinburgh
- Scottish Borders
- West Dumbartonshire
- East Lothian
- Berwickshire
- Glasgow
- Fife (3)

10. Where meetings are taking place outwith the central belt it is anticipated that a greater number of participants may access the meeting remotely in the interest of reducing costs and carbon footprint.
11. The scheduled Board and committee meetings for 2025 are attached as appendix 1. When deciding dates, it is recommended that the May and June meetings remain in Edinburgh due to the number of reports being considered and the number of attendees required to support these.

Audit Scotland offices

Edinburgh

12. The Edinburgh Office at 102 West Port is the usual location for meetings. It has full audio visual (AV) capability and incurs no additional costs.

Glasgow

13. The Glasgow Office at Nelson Mandela Place has appropriate meeting spaces and AV capabilities suitable for Board/ Committee meetings and incurs no additional cost beyond

travel time and cost for some participants based in the East of the central belt. This is in part offset by participants based in the West.

Inverness

- 14.** The Inverness Office is located at The Green House, Beech Wood Business Park, Inverness, IV2 3BL. The Audit Scotland office space does not include an appropriate meeting room. However, the Boardroom at this office is available to hire. It accommodates 12 people, has a 64inch presentation screen, flip chart, and is enabled for teams calls. With our 'tenant discount' a full day hire costs £150. A reasonable amount of advance notice would be required to ensure availability and make the booking.
- 15.** Travel and subsistence costs for meetings held in Inverness for those travelling from the central belt (per person) would be in the order of:
 - £100-120 by rail/ £70 – 80 by car.
 - £115 subsistence (if overnight accommodation, meal and breakfast required).
- 16.** Travel and subsistence costs for meeting held in Inverness for those travelling from Aberdeen (per person) would be in the order of:
 - £60 by rail/ £50 by car.
 - £115 subsistence (if overnight accommodation, meal and breakfast required).
- 17.** Where practical, shared car transport would reduce the overall costs.

Aberdeen

- 18.** A small number of colleagues have a base in a room we rent from Aberdeenshire Council. The office is located at Woodhill House Annexe, Westburn Road, Aberdeen AB16 5GB.
- 19.** The rented space does not have meeting room accommodation or AV equipment. We may be able to hire an AV enabled meeting space in the building or the adjacent building.
- 20.** Travel and subsistence costs for meeting held in Aberdeen for those travelling from the central belt (per person) would be in the order of:
 - £100 by rail/ £40 – 70 by car.
 - £125 subsistence (if overnight accommodation, meal and breakfast required).

Other options/ meeting locations

- 21.** Board member engagement need not be restricted to 'meeting days'. For example, we could arrange for an opportunity for members (perhaps primarily those based in Aberdeen) to meet colleagues based at the Inverness and/ or Aberdeen offices.
- 22.** Board members also have the option to meet and engage with colleagues through other means. This could include attendance at:

- Scheduled corporate forum meetings (for example the Chair's recent attendance at Leadership Group and the Audit Committee Chair's attendance as an observer at meetings of the Quality and Ethics Committee).
 - Annual events (for example the Financial Audit update event).
 - Business group meetings (for example all PABV/CSG meetings and ASG 'superteam' meetings).
 - The annual audit planning conference (which was attended by the Chair, the Auditor General and the Chair of the Accounts Commission in October 2024).
- 23.** The Board/ its committees also have the option to meet in other locations/ premises. Many places will have suitable meeting spaces. The costs will vary depending on location, quality and the facilities on offer.
- 24.** The Accounts Commission recently considered this for its meetings and the Commission Support Team explored a number of options. The report is available [here](#).

Wider engagement

- 25.** Board members have indicated an interest in considering engagement with other stakeholders. This could take place to coincide with scheduled meeting dates (including meeting in locations other than Edinburgh) or outside the meeting cycle.
- 26.** Such engagement would take place within the context of:
- the [Communications and Engagement Strategy 2024-28](#).
 - The Accounts Commission [strategy](#) and [approach](#) to engagement.
- 27.** When considering such engagement opportunities it will be important to be clear on:
- The purpose of such engagement and value added for all parties.
 - Recognition and respect of the respective roles of the Auditor General, the Chair of the Accounts Commission and members of the Board – to ensure that engagement helps support clarity and does not cause confusion.
- 28.** Potential external stakeholders include:
- The Public sector – leaders in other public sector organisations.
 - The audit profession.
 - The private sector.
 - The third sector.
- 29.** The Board will consider the annual report on stakeholder engagement (and the results of the most recent MSP survey) at its meeting on 6 May 2025. It is recommended that options for wider Board engagement is considered at that point.

Conclusion and next steps

- 30.** There are a range of options and opportunities for the Board and its committees to engage more widely within and outwith the organisation.
- 31.** Subject to the Board's discussion and decisions the next steps would be:
- Corporate Support to review diaries and identify the most suitable locations for at least two Board/Committee meeting dates in 2025 (Glasgow & Inverness).
 - Identification of dates for Board member attendance at other scheduled meetings (events/ business group meetings etc).
 - Further discussion on wider engagement at the Board meeting on 6 May informed by the Annual Report on Stakeholder engagement.

Appendix

Board and Committee meetings 2025



Item **XX**

Meeting date: By correspondence

Forum	Meeting Date
Board	28 January
Audit Committee	4 March
Remco	4 March
Board	1 April
Audit Committee	6 May
Remco	6 May
Board	20 May
Audit Committee	3 June
Board	3 June
Audit Committee	2 September
Board	23 September
Audit Committee	11 November
Remco	11 November
Board	25 November

Agenda

Audit Scotland Board

Tuesday 20 May 2025 10.00am

Audit Scotland offices, 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. Chief Operating Officer report – verbal update	For information
9. Review of draft minutes:	
• Board meeting: 1 April 2025	For approval
• Audit Committee: 4 March 2025	For information
• RemCo: 4 March 2025	For information
10. Review of action tracker	For assurance

Business planning, performance and governance

11. Ethics Guidance and Policies update and appendix	For approval
12. Information Security Management Policy and appendix	For approval
13. Diversity and Equality Policy and appendix	For approval

Annual reports

14. 2024/25 Suite of Annual Assurance Reports

• Annual Report on Information Governance and Security	For assurance
• Annual Report on Complaints	For assurance
• Annual Report on Freedom of Information and Environmental Information	For approval

Items to be taken in private

15. Stakeholder Engagement [Item to be taken in private to support the effective conduct of business, intended for future publication]	For assurance
16. 2024/25 Transparency Report and appendix [Item to be taken in private to support the effective conduct of business, intended for future publication]	For assurance
17. Draft Quality of Public Audit in Scotland Annual Report [Item to be taken in private to support the effective conduct of business, intended for future publication]	For assurance
18. Confidential item: Audit Quality and Appointments (AQA): Next Steps [Item to be taken in private to support the effective conduct of business and commercial sensitivity]	For approval

Items taken by correspondence

19. Annual Review of Freedom of Information, Environmental Information and Data Protection Policies [Approved by correspondence]	For approval
20. 2023-24 Annual Procurement Report [Item taken by correspondence in Private to support the conduct of business and commercial sensitivity. Approved by correspondence]	For approval
21. 2024-25 Draft Audit Scotland Annual Report and Accounts [Item taken by correspondence in Private to support the conduct of business and commercial sensitivity. Approved by correspondence]	For Approval

Conclusion

22. Any other business	For discussion
23. Review of meeting	For discussion

24. Date of next meeting: 3 June 2025

For information

Minutes

Audit Scotland Board

Tuesday 1 April 2025, 10.00-13.00
Audit Scotland, 102 West Port



Present:

Colin Crosby (Chair)
Stephen Boyle
Jackie Mann
Jo Armstrong
Patrick Bartlett
Catherine Maclean

Apologies:

No apologies

In attendance:

Vicki Bibby, Chief Operating Officer
Alison Cumming, Executive Director of Performance Audit & Best Value
John Cornett, Executive Director of Audit Services (*Item 14*)
Martin Walker, Director of Corporate Support (*Item 16*)
Graeme Forrester, Head of Performance & Corporate Governance (*item 11*)
Gemma Diamond, Director of Innovation and Transformation (*Items 13,14,15*)
Stuart Dennis, Corporate Finance Manager (*Item 13*)
Susan Burgess, Head of Human Resources (*Item 13,15*)
Morag Campsie, Head of Digital Audit (*Item 14*)
Bobby Alikhani, Project Manager (*Item 14*)
Daniela Yaneva, Project Manager (*Item 14*)
Gill Miller, Senior Manager (*Item 16*)
Simon Ebbett, Head of Communications (*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, Alison Cumming, John Cornett, Martin Walker and Graeme Forrester joined the meeting.

The Chair welcomed attendees to the meeting and extended a special thanks to Martin Walker acknowledging his significant and invaluable contributions to Audit Scotland and the Board, as this is his final Board meeting.

The Chair acknowledged that family circumstances have prevented Michelle Borland, Susan Burgess, and Paul O'Brien from attending the meeting and conveyed the Board's best wishes to them.

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 18 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 routine meetings with Stephen Boyle, Auditor General for Scotland and Accountable Officer and Vicki Bibby, Chief Operating Officer. The Chair confirmed that he had meetings with Alison Cumming, Executive Director of Performance Audit and Best Value, Patrick Bartlett, Chair of the Audit Committee and Susan Burgess, Head of Human Resources as part of the induction programme.

The Chair met with Graeme Forrester, Head of Performance and Corporate Governance, to discuss the performance management framework and had an update meeting with Jo Armstrong, Chair of the Accounts Commission. Additionally, the Chair attended the Leadership Group meeting on 24 February 2025 to address transformational change from the Board's perspective.

The Chair attended: Kenny Oliver's keynote session on 'Shaping our future' which was followed up by a meeting with Professor James Baird; and a cyber security event in Glasgow. He has also undertaken cyber security training.

The Chair was involved in sending a response letter to the Spectator on Audit Scotland's open public tender process.

Regarding forthcoming activities, the Chair is meeting with the Chair of the National Audit Office this week. The Chair will also meet with the Chair of the Scottish Environment Protection Agency. Additionally, there will be an informal budget meeting with the Scottish Commission for Public Audit.

Following discussion, the Board welcomed the update.

6. Accountable Officer's report – verbal update

Stephen Boyle advised of regular meetings with the Chair of the Audit Scotland Board and meetings with Jo Armstrong, the Chair of the Accounts Commission. He will also meet with the Accounts Commission and colleagues to discuss the forward audit work programme leading up to the Scottish Parliament elections.

Stephen updated members on two significant publications: the joint report with the Accounts Commission on additional support for learning in Scotland and the implementation of the GP contract following the Scottish Parliament agreement.

Stephen and colleagues participated in evidence sessions with the Public Audit Committee, including a briefing from the Scottish Government and HMRC on Scottish income tax implementation. Stephen also provided evidence to the Scottish Parliamentary Corporate Body Supported Bodies Landscape Review Committee, which is considering the creation of seven additional commissioners in Scotland.

Externally, Stephen and Jo Armstrong attended the Scottish Government's Public Service Reform summit. Stephen and Vicki Bibby met with all six appointed audit firms. Additionally, Stephen addressed the Scottish Housing Regulator on public audit, proportionality, fiscal sustainability and challenges facing registered landlords in Scotland.

Stephen and Vicki Bibby attended an event in Dublin with the UK and Ireland Auditors General and Chief Operating Officers, focusing on parliamentary engagement. They also both attending the Deloitte State of the State event which focussed on reform and fiscal sustainability.

Stephen informed members that today is the Permanent Secretary of the Scottish Government's last day before assuming the role of HMRC Secretary. He looks forward to meeting the new Permanent Secretary.

Following discussion, the Board welcomed the update.

7. Accounts Commission Chair's report

Jo Armstrong reported a productive strategy session between Audit Scotland and the Accounts Commission, where colleagues discussed plans, priorities, and the future work programme. Additionally, Jo, along with Audit Scotland colleagues, attended a joint meeting with the Cabinet Secretary to discuss the collaborative work of Audit Scotland and the Accounts Commission.

Jo advised there were many publications produced with the key ones being the Financial Bulletin and the Integration Joint Board report. Additionally, numerous Best Value reports have been produced for a variety of Bodies.

Work is also taking place to continue to strengthen connections with major stakeholders such as the Improvement Service and the Convention of Scottish Local Authorities (COSLA).

Jo informed members that the Accounts Commission will play a key role in contributing to and shaping the Future Public Audit Model (FPAM).

Following discussion, the Board welcomed the update.

8. Chief Operating Officer – verbal update

Vicki Bibby thanked the teams involved in organising the two excellent Accounts Commission sessions: the Strategy session and the meeting with the Cabinet Secretary. She also thanked the team for organising the successful technical training event at Strathclyde University.

Vicki advised of regular engagement with the Chair of the Audit Scotland Board. She has also met regularly with the Chair of the Remuneration and Human Resources Committee, the Head of Human Resources and the Public and Commercial Services Union regarding organisational changes.

Vicki confirmed positive discussions with the six audit firms and attended the Deloitte State of the State 2025 event, as well as the Dublin event with UK and Ireland Auditors General and Chief Operating Officers. She continues regular engagement with Chief Operating Officers from other public audit bodies and had a constructive meeting with a consultant reviewing the Ireland office's strategic plan.

Looking ahead, Vicki and Stephen will meet with the Chief Executive and Head of Operations at the Parliament to discuss FPAM. She will also be attending the informal budget meeting with the Chair of the SCPA.

Vicki confirmed the temporary management arrangements for the vacant Director of Corporate Services post: she will oversee Finance and Human Resources, while Helena Gray, Controller of Audit, will manage Governance, Digital, and Business Support. Interviews for this position and the Head of Finance are scheduled.

Following discussion, the Board welcomed the update.

9. Review of minutes

Board meeting: 28 January 2025

The Board noted the minutes of the Board meeting of 28 January 2025, copies of which had been previously circulated.

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

Audit Committee meeting: 11 November 2024

The Board noted the minutes of the Audit Committee meeting of 11 November 2024, copies of which had been previously circulated.

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

Remuneration and Human Resources meeting: 11 November 2024

The Board noted the minutes of the Remuneration and Human Resources meeting of 11 November 2024, copies of which had been previously circulated.

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

10. Review of action tracker

The Board noted and approved the updated action tracker. Members requested that the action regarding the cost of delayed audits remain on the planner as an ongoing item. They noted that once the Resource and Management Information system is implemented, it will be easier to provide the necessary data.

11. 2024-25 Quarter 3 Corporate performance report

Graeme Forrester provided an update on the Quarter 3 Corporate performance report, copies of which had been previously circulated.

The Board was invited to:

- The 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.

The Board thanked the team for a useful and clear report and noted the stable performance position.

During discussion, the Board sought clarification on the number of audits delivered by the Firms in comparison to the number delivered by Audit Scotland. Members noted Audit Scotland's development of a stringent post-pandemic recovery plan, emphasising clear planning, flexibility and short-term resource increases to achieve target delivery. They also noted that the Firms have a clear recovery timeline, which is being closely monitored.

Further discussion focused on the introduction of the 11-month concept in the latest update of the audit quality framework to track improvements over time. Members noted that this is currently being developed as part of the performance management review. Also, as part of the review, members agreed that it would be useful for there to be a PABV focus on how costs are split across AGS and the Accounts Commission.

The Board noted that 80% of our audit delivery is improving whilst recognising the challenges we have with late delivery. Work is in progress to address the issues with the new Resource Management and Information system being fundamental in providing us with clarity over performance and where it sits in terms of delivery, finance and productivity.

The Board discussed in detail the future complexities and challenges of where we may face potential scenarios where public bodies have two different auditors and audit frameworks and how we can identify and address these situations.

Following discussion, the Board was content to note the progress made.

12. 2024-25 Quarter 3 Finance performance report

The Audit Committee reviewed the 2024-25 Quarter 3 Finance performance report during its meeting on 4 March 2025, and found no amendments necessary. The Board was content to note the report.

13. 2025-28 Operational planning: progress update

Gemma Diamond, Susan Burgess and Stuart Dennis joined the meeting.

Gemma Diamond provided an update on progress on Operational planning for the period 2025 to 2028, copies of which had been previously circulated.

The Audit Scotland Board is invited to:

- Note the operational priorities agreed for the business plan, set out in Exhibit 1.
- Note the progress developing the strategic workforce plan, noting that the strategic workforce plan 2025 to 2028 will be shared with the Remuneration and Human Resources Committee at its May meeting for assurance.
- Approve the operational budget for 2025-26.
- Note the planned approach to scenario planning to be taken forward this year.

During discussion, the Board was content to note that the plan captures the key operational priorities and agreed both workforce and financial planning is key to how we deploy our resources to deliver on these priorities. Members noted that delivery of the 2025/26 operational plan holds much more risk and acknowledged Audit Scotland's continued efforts to mitigate budget pressures such as reducing the contingency fund by half, increasing the vacancy factor and establishing a Recruitment Board.

Following discussion, the Board was content to note the operational priorities and the planned approach to scenario planning and approved the operational budget for 2025-26.

Susan Burgess and Stuart Dennis left the meeting.

14. Strategic Improvement Programme update

Morag Campsie, Bobby Alikhani and Daniela Yaneva joined the meeting.

Project Overview

Gemma Diamond provided an update on progress with the Strategic Improvement Programme following the SIP Board meeting on 4 March 2025, copies of which had been previously circulated.

The Board was invited to note:

- The status of SIP projects.
- Plans for applying portfolio and programme (PPM) principles and approaches to the SIP and the portfolio level timelines, budget and risk data available as part of this approach.

Following discussion, the Board was content to note the update on progress with the Strategic Improvement Programme.

Resource and Management Information (R&MI)

John Cornett provided an update on progress on the R&MI project confirming the completion of the open tender procurement and the appointment of Hub Planner to deliver the system. The contract standstill period has ended, and the contract will be awarded this week, with implementation starting in April.

The Board noted the development of a detailed cultural change plan and the setup of a testing environment for staff before the system goes live in August. Members also discussed data migration, noting that detailed discussions will begin once the contract is signed this week.

Future Public Audit Model (FPAM)

Gemma Diamond provided a progress update on FPAM confirming that it is now part of the Strategic Improvement Programme and a project board has been established to take this forward.

Audit Modernisation Project (AMP)

Gemma Diamond provided an update on the next steps for the AMP, copies of which had been previously circulated.

The Audit Scotland Board was invited to:

- Note the activity underway to complete the Full Business Case (FBC).
- Note the current underspend against budget and that this largely relates internal staff costs (paragraph 8).
- Note the acceleration of the Memorandum of Understanding (MoU) with the National Audit Office (NAO) as set out in paragraph 12.

During discussion, the Board noted that the team had a successful visit with the National Audit Office in London to gain a deeper understanding of the Apex system and how it was introduced across the organisation.

Further discussion centred on completing the Full Business Case. Members noted that this cannot be finalised until the MoU is completed. Risks to the timeline are being managed through clear communication channels and strong relationships with the NAO.

Following discussion, the Board was content to note the report.

Morag Campsie, Bobby Alikhani and Daniela Yaneva left the meeting.

15. 2023-25 Diversity, equality and inclusion strategy and mainstreaming equalities progress report

Susan Burgess joined the meeting.

Gemma Diamond provided an update on progress with the Strategic Improvement Programme following the SIP Board meeting on 4 March 2025, copies of which had been previously circulated.

The Board was invited to:

- Approve the DEI strategy for 2025-2029 (Appendix one).
- Approve the mainstreaming equality report 2023-2025 (Appendix two).

During discussion, the Board agreed that as an organisation we have evolved and our performance in all areas are good. We are attracting more people to come and work for Audit Scotland from diverse backgrounds.

Members agreed that we need to clearly define our benchmarking criteria for the Scottish population and ensure we use the right statistics for comparison.

Further discussion focussed on testing our practices concerning exclusion (as well as inclusion) where someone has not been able to work with us due to a disability. Members noted that, while there have been no such instances, it is a valuable concept to consider.

Following discussion, the Board approved both the DEI strategy for 2025-2029 and the mainstreaming equality report 2023-2025.

Gemma Diamond and Susan Burgess left the meeting.

16. Statutory reporting fees

Gill Miller joined the meeting.

Vicki Bibby provided an update on the proposed change to the application of Audit Scotland's funding and fee strategy, copies of which had been previously circulated.

The Board was invited to:

- Approve the principles-based approach to recovering ASG's costs by charging audited bodies a statutory reporting fee.
- Note how statutory reporting fees will be determined and the process for when a statutory reporting fee is not, or cannot, be charged.

During discussion, the Board noted that reports are considered on a case-by-case basis and questioned how to ensure fairness in the process. Members were assured that a robust and detailed process is in place to uphold our principles.

Following discussion, the Board approved the principles-based approach and were content to note how statutory reporting fees will be determined and the process for when a statutory reporting fee is not, or cannot, be charged.

Gill Miller left the meeting.

17. Board/committee meeting locations and engagement

Martin Walker provided an overview of the options provided for location of Board meetings, copies of which had been previously circulated.

The Board was invited to:

- Discuss the options and considerations in relation to the location of Board/ Committee meetings and wider Board engagement
- Agree next steps as set out in paragraph 31.

During discussion, the Board agreed that while Board/committee visibility in all Audit Scotland office locations is important, it is difficult to justify in terms of practicalities and costs. The Board agreed that rather than hold meeting days in Aberdeen or Inverness, other opportunities can be explored.

Following discussion, the Board agreed to hold Board/committee meetings in Glasgow and Edinburgh, with further options to be considered for Inverness and Aberdeen.

Action: Niki/Nic to schedule Board/committee meeting dates for Glasgow.

Items taken in private

18. 2024-25 Annual report and accounts

Simon Ebbett joined the meeting.

Simon Ebbett introduced the proposed themes for the narrative of the 2024-25 Audit Scotland annual report and accounts, copies of which had been circulated previously.

The Board was invited to:

- Provide feedback on the proposed themes in 'Narrative themes' in 12 – 19.
- Note the updated key dates in 'Key dates' at paras 20 – 21.

Following discussion, the Board agreed to the proposed themes and key dates, with minor amendments to the report on language and tone.

Simon Ebbett left the meeting.

Items taken by correspondence

19. R&MI project open tender recommendations

The Board noted the R&MI project open tender recommendation for approval.

20. Occupational Health contract award recommendation

The Board noted the Occupational Health contract award recommendation for approval.

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

The members noted the next meeting of the Audit Scotland Board is scheduled for 20 May 2025.

Minutes

Audit Committee



Tuesday 4 March 2025, 10.00 am
Audit Scotland, 102 West Port, Edinburgh

Present:

Patrick Bartlett (Chair)
Jackie Mann
Jo Armstrong

Apologies:

Graham Gillespie, Wbg

In attendance:

Colin Crosby, Chair, Audit Scotland Board
Stephen Boyle, Accountable Officer and Auditor General for Scotland
Catherine MacLean, Boardroom Apprentice
Vicki Bibby, Chief Operating Officer
Martin Walker, Director of Corporate Support
Graeme Forrester, Head of Performance and Corporate Governance
Stuart Dennis, Corporate Finance Manager
Nicola Paton, Digital Project Manager
David McGurk, Service Delivery Manager
Stephen Pringle, Wbg
Jillian So, Alexander Sloan
David Jeffcoat, Alexander & Sloan
Niki Ross, Forum Support Coordinator (Minutes)

1. Private meeting with Internal Auditors (Wbg) and External Auditors (Alexander Sloan)

A private meeting was held with the Audit Committee members, internal auditors, Wbg 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 formally noted that this was his first Audit Committee meeting and his first meeting in the role as Chair.

3. Declarations of interests

There were no declarations of interest.

4. Minutes of the last meeting: 11 November 2024

The Audit Committee reviewed and agreed the minutes of the 11 November 2024 meeting, copies of which had been previously circulated.

5. Review of action tracker

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

Graeme Forrester provided a further update to the actions. The Audit Committee noted the tracker for completeness.

Action: Vicki Bibby will share the Audit Scotland Best Value Self-assessment report with the Accounts Commission for their information, noting that it is not intended for wider distribution.

6. Internal audit: Internal / external audit cooperation

Stephen Pringle, Wbg, introduced the report on internal and external audit cooperation, copies of which had been previously circulated.

David Jeffcoat, on behalf of Alexander & Sloan, and Stephen advised that joint working is working well with liaison throughout the year as and when needed and raised no concerns.

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

7. Internal audit: Progress report

Stephen Pringle introduced the internal audit progress report, copies of which had been previously circulated.

Following discussion, the Audit Committee noted that the internal audit work was on schedule and that a final update report for 2024/25 will be brought to Audit Committee meeting on 6 May 2025.

8. Internal Audit: Corporate governance

Stephen Pringle provided an update on the internal audit on corporate governance, copies of which had been previously circulated.

Stephen confirmed that following the review, Audit Scotland received a strong level of assurance surrounding the corporate governance arrangements, with one low grade recommendation.

Following discussion, the Audit Committee was content to note the report.

9. Internal Audit: Performance management

Stephen Pringle provided an update on the internal audit of performance management, copies of which had been previously circulated.

Stephen confirmed that following the review, Audit Scotland received a strong level of assurance, with three low grade recommendations.

During discussion, the Audit Committee acknowledged that work is underway to review the performance management framework, which includes providing better real-time data and reviewing indicators.

Following discussion, the Audit Committee was content to note the report.

10. Internal audit: Internal audit recommendations progress report

Graeme Forrester introduced the Internal audit recommendations progress report, copies of which had been previously circulated.

The Audit Committee was invited to:

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

During discussion, the Audit Committee sought clarification on the process for approving changes to implementation dates within Audit Scotland, noting that set implementation dates should only be changed where absolutely necessary. The Committee was advised that a robust process and governance structure is in place, involving the Executive Team, and that the internal auditor's own follow-up report would be presented to the next meeting of the Committee. The Committee requested that future reports make clear which dates have changed since the last Audit Committee reporting, and which 'complete' points have been agreed as complete with internal audit.

Following discussion, the Audit Committee was content to note the report.

11. (a) 2024-25 Year end Statutory Accounts timetable

Stuart Dennis introduced the Year end statutory accounts timetable, copies of which had been previously circulated.

The Audit Committee was invited to:

- Note the timetable for the completion of the Statutory Accounts for the Year ended 31 March 2025.

During discussion, the Audit Committee considered the year-end timetable for the annual accounts and agreed that it would be beneficial to review a comprehensive version of the document, including the Statutory Accounts and the front end of the Audit Scotland Annual Report, at an early stage.

This would allow for input prior to the Audit Committee's approval in June.

Following discussion, the Audit Committee was content to note the report.

(b) 2024-25 Accounting policies, key accounting estimates and judgements

Stuart Dennis introduced the proposed Accounting policies, key accounting estimates and judgements, copies of which had been previously circulated.

The Audit Committee was invited to:

- Note the proposed 2024-25 Accounting policies, key accounting estimates and judgements.

Following discussion, the Audit Committee noted the proposed accounting policies, estimates and judgements. It was noted that the proposed policies, estimates and judgements could change as part of the accounts finalisation process and would be approved as part of the final accounts approval.

12. 2024-25 External audit plan

David Jeffcoat, Alexander Sloan, introduced the 2025/26 External audit plan, copies of which had been previously circulated.

David provided an overview of the plan for the forthcoming audit including details of their planned audit approach, highlighting the key areas identified (risks, estimates and qualitative) within the audit.

The Audit Committee was content to note the 2024-25 External Audit Plan.

13. Q3 Financial performance report

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

Audit Committee was invited to:

- Note the financial results for the nine months to 31 December 2023.

During discussion, the Audit Committee asked for clarification on the reason why our projected progress was ahead of the actual progress. Members noted that some significant audits have taken longer to sign off than originally planned, posing a risk to our year-end budget. For future reporting, members agreed that aligning our financial budgeting with our audit delivery recovery plan would be beneficial, as it would help in understanding variances.

Further discussion focused on fee income from audit firms and its impact on underspends. Members agreed that including overrun fees for firms

and for Audit Scotland in future reports would provide better context and enhance understanding of our budget position.

Following discussion, the Audit Committee was content to note the Q3 Financial performance report.

14. 2023-24 Annual procurement report

Stuart Dennis introduced the 2023-24 Annual procurement report, copies of which had been previously circulated.

The Audit Committee was asked to:

- Note the procurement activity included in the 2023-24 Annual Procurement Report.

During discussion, the Audit Committee reflected on the duty to include community benefits for contracts valued at £4 million or more, noting that this is part of our procurement process, and that the organisation's function as an anchor institution and its requirement to balance costs might benefit from Board discussion.

Following discussion, the Audit Committee was content to note the report, with minor amendments, and approved it for publication on the Audit Scotland website.

15. Review of risk management framework

Graeme Forrester introduced the revised risk management framework, copies of which had been previously circulated.

The Audit Committee was invited to:

- Note the interim update of the RMF.
- Note that a full review of the RMF will be carried out and reported to the Audit Committee for approval.

Following discussion, the Audit Committee was content to note the report and supported the recommendation of doing a full review for Audit Committee approval on 2 September 2025.

16. Review of risk register

Graeme Forrester introduced the updated corporate risk register, copies of which had been previously circulated.

The Audit Committee was invited to:

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

During discussion, the Audit Committee reflected on the 'red' risk relating to 'failures around cyber security' and whether it should be recorded in this

way as the risk of cyber-attacks is an ever-present risk that is out with our control. It was noted that this would be considered further as part of the full RMF review.

The Committee noted some connections across risks A14, M7 and M8, noting that M8, a relatively new risk, recognised the potential impact on Audit Scotland's cashflow of financial pressures in audited bodies. In relation to risk A5 the Committee discussed the importance of audit quality, including in relation to local authority audits.

Following discussion, the Audit Committee was content to note the report.

17. 2025 Risk deep dive schedule

Graeme Forrester introduced the risk deep dive schedule, copies of which had been previously circulated.

The Audit Committee was invited to:

- Note the criteria used in identifying options.
- Consider the proposed deep dive options at paragraph 21.
- Determine subjects for deep dives to take place in 2025/26.

During discussion, the Audit Committee reflected on the proposed deep dive options and agreed for the following four to take place in 2025/26: Managing the impacts on staff from organisational change (RemCo deep dive), Managing our reputation (Board deep dive), Data analytics and AI (Audit Committee deep dive), and Cyber resilience and recovery (Audit Committee deep dive); preferably in this order. It was noted that it may be appropriate to flex/revisit the proposed deep dives schedule depending on circumstances during the year.

Following discussion, the Audit Committee was content to note the report.

18. 2024-25 Q3 Data incidents / loss report

Graeme Forrester introduced Q3 report on data incidents / loss, copies of which had been previously circulated.

The Audit Committee was invited to:

- Note the report.

Following discussion, the Audit Committee was content to note the report.

19. Digital security update

Nicola Paton and David McGurk joined the meeting.

Nicola Paton introduced the Digital security update, copies of which had been previously circulated.

The Audit Committee was invited to:

- Note the digital security risk profile.
- Note the ongoing and planned actions to mitigate digital risks.
- Note the summaries of Threats and risks, and Actions and Improvements that are provided in this document.

During discussion, members reflected on the indirect threat posed by a recent attack on Deloitte LLP, its potential impact on their clients, and the lessons learned from this. Members noted that it may be appropriate to reflect on the Audit Scotland communications management process.

The Audit Committee was pleased to note the progress on staffing, which was expected to soon be at full complement.

Following discussion, the Audit Committee was content to note the report.

Nicola Paton and David McGurk left the meeting.

20. 2025 Annual assurance and statement of control process

Graeme Forrester introduced the Annual assurance and statement of control process for 2025, copies of which had been previously circulated.

The Audit Committee was invited to:

- Note the report.

During discussion, the Audit Committee agreed that it would be beneficial to capture and highlight any issues or concerns that may have arisen during the sign-off process, even if they did not impact the actual sign-off itself.

Following discussion, the Audit Committee was content to note the report.

21. 2025 Annual review of business continuity arrangements

Graeme Forrester introduced the Annual review of business continuity arrangements, copies of which had been previously circulated.

The 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, amendments to contact details, or changes to

business practice).

During discussion, the Audit Committee considered whether disruptions to key suppliers should be included in our Business Continuity arrangements.

Following discussion, the Audit Committee was content to note the report and approve the Policy and Objectives attached at appendix 1.

Action: Graeme to look at the practicalities of including the Secretary to the Accounts Commission as a member of the Incident Management Team.

Action: Graeme to assess the inclusion of supplier disruptions and recovery approaches in our business continuity arrangements.

22. Any other business

The Audit Committee agreed that reports they have already reviewed and remain materially unchanged should be listed for the Board to note and ratify, rather than be presented again for discussion; and that any changes to such reports should be highlighted to the Board.

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 6 May 2025.

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

2025 Board action tracker



Meeting date	Item title	Action description	Due date	Responsible	Assigned to	Complete/ongoing	Progress notes
27-Mar-24	Q3 Corporate performance report	Quantify the cost of delayed audits and inform the Board.		Graeme Forrester		Ongoing	09/05/24: Ongoing 04/09: Ongoing 15/11: progress delayed due to capacity challenges. Due to be progressed during December. 16/01: Work now under way with revised target date of Feb 2025. 13/03: Report on the Executive Team agenda for 24/03/25 and circulation to the Board thereafter. 01/04: At its meeting on 1 April 2025, Board members agreed that this action remains on the action tracker until the new R&MI project, once implemented, can provide the required data.
28-Jan-25	AMP update	Produce a separate plan on activity around automation and AI and how this links into the APEX programme.	Mar-25	Gemma Diamond		Complete	13/03: Discussing with corporate governance the best way to provide this session 29/04: The Audit Committee has agreed a risk deep dive on AI and automation, this is yet to be scheduled.
07-Apr-25	Board and committee meeting locations	Schedule Board/committee meeting dates for Glasgow	May-25	Niki Ross/Nic Bryson		Complete	29 April: The 23 September Board meeting will be held in Glasgow. Forum planning for 2026 will take place over the summer and we will ensure that two meetings will be scheduled for Glasgow.

Updated ethics guidance and policies

Item 11.

Meeting date:
20 May 2025

Director of Quality and Support (Deputy Ethics Partner)

Purpose

1. This paper accompanies updated Audit Scotland guidance and policies on the Ethical Standard arising from the issue of a revised Standard by the Financial Reporting Council (FRC) which came into effect in December 2024.

Recommendations

2. The Board is invited to approve the accompanying updated guidance and policies for Audit Scotland staff on the application of the FRC's Ethical Standard.

Background

3. The FRC's Ethical Standard specifies the ethical requirements of auditors. Audit Scotland adopts the principles in the standard in common with all the national audit agencies in the UK.

4. In order to provide specific interpretation to our public audit work, Audit Scotland's ethics function maintains guidance to explain to staff how the principles of the Standard are applied and, where a policy is explicitly required, sets out that policy. The guidance supplements the Standard, where appropriate, rather than attempt to cover all the requirements. However, the guidance is clear that staff are required to be familiar with all of the Standard's requirements.

5. The current Audit Scotland guidance and policies is based on the Ethical Standard issued in December 2019. As the FRC issued a revised standard with effect from December 2024, it is necessary to update the guidance accordingly.

Considerations

6. The main revisions to the Standard, and any impact on our guidance and policies, are briefly summarised in the following table:

Revisions to FRC Ethical Standard	Proposed revisions to our guidance
Simplification and Clarification:	Our current guidance is detailed and comprehensive, but we have made

Revisions to FRC Ethical Standard	Proposed revisions to our guidance
The revised Standard simplifies and clarifies existing ethical requirements, making them easier to understand and apply.	simplifications and clarifications to align with the FRC's emphasis on making ethical requirements easier to understand and apply. In doing so, we have reviewed and streamlined the language and structure of the guidance throughout to ensure clarity and ease of use.
New Restrictions on Fees The Standard introduces new restrictions on fees from entities related by a single controlling party, aiming to reduce conflicts of interest and enhance auditor independence.	Our current guidance addresses fees and remuneration, including the prohibition of contingent fees and the requirement to disclose significant fees. We have not reflected the new restrictions on fees from entities related by a single controlling party as it is not expected to be relevant in practice for Audit Scotland.
Enhanced Guidance Additional guidance is provided to help auditors navigate complex ethical dilemmas and ensure compliance with the revised standards.	Our current guidance covers various ethical dilemmas and compliance requirements, but we have enhanced the content to include more explanations and examples.
Focus on Independence There is a strong emphasis on maintaining auditor independence, with stricter rules around non-audit services and relationships with audit clients	Our current guidance already emphasises auditor independence, including rules on non-audit services and relationships with audited bodies. The updated Standard introduces new restrictions on certain non-audit services (such as tax services) which are not relevant to our circumstances. We have therefore not reflected the change in our guidance.

Consultation and communication

7. The approach to updating the guidance was discussed and agreed at the Quality and Ethics Committee in April and the Executive Team earlier in May.

Conclusion

8. The FRC has issued a revised Ethical Standard. It is necessary to make consequent revisions to our policy on the Standard.

Ethical Standard

Application guidance and policies

Draft for Board approval



Prepared by Audit Scotland's Ethics Function

May 2025

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Foreword from Ethics Partner

- 1 Audit Scotland's vision is that public money is well spent to meet the needs of Scotland's people. In the current challenging environment for the public sector in Scotland, independent audit assurance on how effectively public money is being managed and spent helps to support a strong and effective system of financial accountability and transparency.
- 2 A fundamental objective of public audit is that the intended users trust and have confidence that the opinion on the annual accounts or conclusions on other subject matter is professionally sound and objective. This should enhance the credibility for users of the subject matter, and their understanding of it.
- 3 In order to ensure continued trust in our work, we need to apply the highest professional and ethical standards. The Scottish public audit model provides a high level of safeguards to our independence that go above and beyond the general requirements in the private sector. These include:
 - independent appointment by the Auditor General and Accounts Commission to ensure the auditor is free from any potential or perceived conflict of interest or other pressure that might compromise their judgement
 - rotation of auditors every five to seven years to minimise any 'familiarity' threats
 - arrangements to control non-audit services to minimise 'self-review' and other threats to independence.
- 4 Audit Scotland has chosen to enforce the highest level of protection to our audit work because we believe that the independence of the public auditor is critical to high quality audit. However, high quality audit cannot be assured through rules and standards alone. It relies on each and every one of us embedding ethical behaviours in our day-to-day work.

Kenneth Oliver

Executive Director of Innovation and Quality; and Ethics Partner

Introduction

- 1.** The Financial Reporting Council's Ethical Standard (the Standard) specifies the ethical requirements of auditors in the UK. Audit Scotland adopts the principles in the Standard in common with all the Public Audit Forum audit agencies. The standard is available from the [Ethics page](#) on SharePoint.
- 2.** Fundamentally, ethics is about independence, which means avoiding threats that might compromise integrity or objectivity. If Audit Scotland is to retain the public's trust and confidence – which is imperative - we must be seen to be acting in the interest of the public, and only the interest of the public. If the judgment or actions of Audit Scotland staff could be unduly influenced by interests other than those of the public, that creates a conflict of interest. The principal types of threat are summarised at Appendix 1.
- 3.** A key test of whether there is a conflict of interest is the 'third party test', which involves considering threats to independence from the perspective of a reasonable and informed third party. That involves considering whether the threats are at a level where it is probable that a third party would conclude that independence is compromised. When the threats are above that level, mitigations are necessary either to apply safeguards that reduce the risk to an acceptable level or, if that is not practicable, to remove the threat.
- 4.** The Standard is in two parts:

Part	Content
Part A	Sets out the overarching principles of integrity, objectivity and independence, together with supporting ethical provisions. These establish a framework of ethical outcomes to be met to provide a basis for user trust and confidence in the integrity and objectivity of the auditor.
Part B	Sets out specific requirements relevant to certain circumstances that may arise which are designed to assist in meeting the ethical outcomes.

- 5.** Where requirements of the Standard need specific interpretation in the context of Audit Scotland, this application guidance from Audit Scotland's Ethics Function:
- explains how the requirement is applied

- where a policy is explicitly required, sets out that policy.

6. However, you should be aware that this guide covers only those requirements where application guidance is necessary; it does not cover all the requirements of the Standard, which you need to be familiar with. Annual training on ethics is mandatory for all staff.

7. A revised Standard was issued in January 2024, effective from 15 December 2024. The Standard has been simplified and provides additional clarity in a number of areas. This application guidance has been updated to reflect the above revisions to the extent they are applicable to the Audit Scotland context.

8. If you are in any doubt about the application of the Standard in particular circumstances, you should discuss it with your line manager in the first instance; the senior colleague in your business group who leads on ethics (Pauline Gillan, Cornilius Chikwama and Graeme Forrester); or the Ethics Partner (Kenny Oliver) or Deputy Ethics Partner (Paul O'Brien).

9. Should any part of the Standard be revised prior to this application guide being updated, the revisions will come into force in line with the effective date stated in the Standard.

10. Compliance with the Standard also represents compliance with the parts of the International Ethics Standards Board for Accountants' (IESBA) Code of Ethics for Professional Accountants covering audit work that has been adopted by most UK accountancy institutes (see appendix 2) and therefore applicable to a significant number of Audit Scotland staff.

11. The remaining chapters of this guide provide relevant extracts from the Standard along with guidance on how each requirement is applied in Audit Scotland. Throughout the guidance, the term used in the Standard as the 'firm' should be read as Audit Scotland.

Section 1. General requirements and guidance

Introduction

12. Section 1 of the Standard sets out the general requirements for auditors to act with integrity, objectivity and independence. It is important you understand the meaning of those three terms which are fundamental to ethical conduct:

- **Integrity** – this means you need to be trustworthy, straightforward, honest, fair and candid; complying with the spirit as well as the letter of applicable ethical principles, laws and regulations; behaving so as to maintain the public's trust in the auditing profession; and respecting confidentiality except where disclosure is in the public interest or is required to adhere to legal and professional responsibilities.
- **Objectivity** – this means acting and making decisions and judgments impartially, fairly and on merit (having regard to all considerations relevant to the task in hand but no other), without discrimination, bias, or compromise because of commercial or personal self-interest, conflicts of interest or the undue influence of others, and having given due consideration to the best available evidence.
- **Independence** – you must be free from conditions and relationships which would compromise the integrity or objectivity of Audit Scotland or you.

13. Audits in the Scottish public sector are carried out under appointment by either the Auditor General or the Accounts Commission. This provides a strong safeguard against the threats to integrity, objectivity and independence that all auditors must consider before accepting an audit appointment.

Compliance

Exhibit 1

Paragraph	Ethical Standard requirement
1.1	The firm shall establish appropriate policies and procedures to ensure that its owners or shareholders, as well as the members of the administrative, management and supervisory bodies of the firm, or of an affiliate firm, do not intervene in the carrying-out of an engagement in any way which jeopardises the integrity, objectivity or independence of the firm or covered persons.

Paragraph	Ethical Standard requirement
1.2	The firm shall establish appropriate and effective organisational and administrative arrangements: (a) that are designed to prevent, identify, eliminate or manage and disclose any threats to its independence; (b) for dealing with and recording incidents which have, or may have, serious consequences for the integrity of its audit or other public interest assurance activities.

Source: Ethical Standard (2024)

14. All Audit Scotland staff must:

- comply with Audit Scotland's [Staff Code of Conduct](#) and any further application guidance in this guide
- notify any potential conflicts of interest to the Ethics Function
- make an annual declaration of compliance with the staff Code through the [Fit and Proper self-assessment form](#).

Ethics Partner

Exhibit 2

Paragraph	Ethical Standard requirement
1.12	The senior management of the firm shall designate a partner in the firm possessing the necessary seniority, relevant experience, authority and leadership levels (the 'Ethics Partner') as having responsibility for ensuring the firm's compliance with supporting ethical provision A1.1. The Ethics Partner is supported, where appropriate, by other persons with relevant experience in the firm, comprising an Ethics Function.
1.20	To be able to discharge their responsibilities, the Ethics Partner shall be provided with sufficient, appropriately skilled and experienced staff support and other resources (the Ethics Function), commensurate with the size of the firm.

Source: Ethical Standard (2024)

15. The Executive Director of Innovation and Quality has been designated as Audit Scotland's Ethics Partner. In order to support the Ethics Partner, Audit Scotland's Ethics Function also includes the Director of Quality and Support in the role of Deputy Ethics Partner. There is also the Quality and

Ethics Committee that promotes compliance with the standard and this guidance.

16. Supporting ethical provision A1.1 requires the necessary culture and behaviours to be instilled throughout Audit Scotland to ensure that all staff behaving with integrity and objectivity is paramount and overrides all other interests. The Ethics Partner, supported by the Ethics Function, is responsible for ensuring Audit Scotland meets that requirement.

Identification and assessment of threats

Exhibit 3

Paragraph	Ethical Standard requirement
1.32	When complying with supporting ethical provisions A2.1–A2.3, conditions and relationship that could give rise to threats to the integrity, objectivity or independence of the firm or covered persons are communicated to the appropriate person, having regard to the nature of the threats and to the part of the firm and the identity of any person involved.

Source: Ethical Standard (2024)

17. You must report all threats to integrity, objectivity or perceived loss of independence to the Ethics Function, and provide all information relevant to consideration of the issue. This requirement applies to all aspects of Audit Scotland work.

18. You should consider the ‘Third Party Test’ when considering any potential independence or ethical threats. This involves evaluating the threat from the perspective of a reasonable person who is informed about the respective roles and responsibilities of an auditor, those charged with governance and management of a body, but who is not another auditor.

Non involvement in management decision-taking

Exhibit 4

Paragraph	Ethical Standard requirement
A2.1	The firm and each covered person, shall ensure (in the case of a covered person, insofar as they are able to do so) that the independence of the firm and each covered person is not compromised with respect to each entity relevant to the engagement. This includes ensuring that the firm and each covered person is not involved in management decision-taking.

Paragraph	Ethical Standard requirement
1.28	It is not possible to specify all types of decision that are the responsibility of management, but they typically involve leading and directing the entity, including making significant judgments and taking decisions regarding the acquisition, deployment and control of human, financial, physical and intangible resources.

Source: Ethical Standard (2024)

19. An 'entity relevant to an engagement' means:

- For annual audits, the audited body
- For performance audits, any public body responsible for the subject matter of the audit.

20. The threat to independence and objectivity arising from management decision making is so great that it cannot be safeguarded.

21. Audit Scotland staff must not take decisions that are the responsibility of management of the audited/responsible body.

Exhibit 5

Paragraph	Ethical Standard requirement
1.37	The firm shall establish policies and procedures to require the engagement partner to identify and assess the significance of threats to the integrity and objectivity of the firm and covered persons on an individual and cumulative basis, including any threats that may compromise independence: (a) when considering whether to accept or retain an engagement; (b) when planning the engagement; (c) when forming an opinion and signing the report on the financial statements or other subject matter information; (d) when considering whether to accept or continue to provide non-audit / additional services to an engagement by the firm; and (e) when potential threats are reported to them.

Source: Ethical Standard (2024)

22. The Auditor General or Accounts Commission appoint auditors based on advice from Audit Quality and Appointments (AQA) so the risk to independence in relation to accepting audits is managed by that appointments process. AQA applies the Standard when providing advice

on audit appointments. Auditors are therefore not required to identify threats to objectivity, including perceived loss of independence when considering whether to accept or retain an audit appointment.

23. Audit Scotland normally only provides audit and audit-related services to audited bodies. Occasionally auditors may be asked to undertake other non-audit services for their audited bodies. As explained in Section 5 of this guidance, you must obtain prior approval before undertaking non-audit services.

Identification and Assessment of Safeguards

Exhibit 6

Paragraph	Ethical Standard requirement
1.43	If the engagement partner identifies threats to the integrity or objectivity of the firm or covered persons, including any that could compromise independence, they shall identify and assess the effectiveness of the available safeguards and apply such safeguards as are sufficient to eliminate the threats or reduce them to a level where independence would not be compromised
1.47	The firm shall establish policies and procedures which set out the circumstances in which those additional requirements listed in paragraph 1.46 that apply to public interest entities or to listed entities or both are applied to other engagements.

Source: Ethical Standard (2024)

24. All threats to integrity, objectivity or perceived loss of independence must be reported to the Ethics Function so that appropriate safeguards can be considered.

Overall conclusion

Exhibit 7

Paragraph	Ethical Standard requirement
1.54	At the end of the engagement process, when forming an opinion to be reported, or otherwise reporting on the work undertaken, but before issuing the report, the engagement partner shall reach an overall conclusion that any threats to integrity or objectivity including any that could impair independence on an individual and cumulative basis have been properly addressed in accordance with this Ethical Standard. If the engagement partner cannot make such a conclusion, they shall not report, and the firm shall resign or otherwise withdraw from the engagement unless not permitted to do so by law or regulation.

Source: Ethical Standard (2024)

25. Engagement leads on annual audits and performance audit outputs must consider whether any threats to integrity or objectivity have been addressed.

26. The independent appointment process means that Audit Scotland auditors cannot resign from an annual audit appointment. If the engagement lead is unable to conclude that any threats to integrity, objectivity and independence have been addressed in accordance with the Ethical Standard, the engagement lead must refer the threat to the Ethics function for resolution.

27. Where the threat would result in an equivalent private sector audit being refused, the Ethics Function will consider whether the threats are of such significance that they should be reported formally to the audited body, the Auditor General or the Accounts Commission, or to the Scottish Parliament.

Communication with those Charged with Governance

Exhibit 8

Paragraph	Ethical Standard requirement
1.58	The engagement partner shall ensure that those charged with governance of each entity relevant to an engagement ... are appropriately informed on a timely basis of all significant facts and matters that may bear upon the integrity, objectivity and independence of the firm or covered persons.

Source: Ethical Standard (2024)

28. Engagement leads in Audit Services Group (ASG) must communicate the information required by paragraph 1.58 to those charged with governance through the annual audit plan, the annual audit report and other relevant communications.

29. For Performance Audit and Best Value (PABV), engagement leads should ensure equivalent parties are informed in a timely manner.

Exhibit 9

Paragraph	Ethical Standard requirement
1.62	In the case of public interest entities, and listed entities, relevant to an engagement, the engagement partner shall ensure that the audit committee is provided with:

Paragraph	Ethical Standard requirement
	(a) a written disclosure of relationships (including the provision of non-audit / additional services) that may bear on the integrity, objectivity or independence of the firm or covered persons. This shall have regard to relationships with the entity, its directors and senior management, its affiliates, and its connected parties, and the threats to integrity or objectivity, including those that could compromise independence, that these create. It shall also detail any safeguards that have been put in place and why they address such threats, together with any other information necessary to enable the integrity, objectivity and independence of the firm and each covered person to be assessed; (b) details of non-audit / additional services provided and the fees charged in relation thereto; (c) written confirmation that the firm and each covered person is independent; (d) details of any inconsistencies between this Ethical Standard and the policy of the entity for the provision of non-audit / additional services by the firm and any breach or apparent breach of that policy; (e) details of any breaches of the requirements in this Ethical Standard, and of any safeguards applied and actions taken by the firm to address any threats to independence; and (f) an opportunity to discuss independence issues

Source: Ethical Standard (2024)

30. In Audit Scotland, the requirements of paragraph 1.62 are extended beyond public interest entities to apply to all audited bodies.

31. Engagement leads on annual audits must communicate the information required by paragraph 1.62 to those charged with governance through the annual audit plan, the annual audit report and other relevant communications.

Documentation

Exhibit 10

Paragraph	Ethical Standard requirement
1.67	The firm shall document in the engagement working papers all significant threats to the integrity or objectivity, including any that could impair independence, of the firm and all covered persons as well as the safeguards applied to mitigate those threats and why they mitigate the threats.

Paragraph	Ethical Standard requirement
1.68	The engagement partner shall ensure that their consideration of the integrity, objectivity, and independence of the firm and covered persons is appropriately documented on a timely basis.

Source: Ethical Standard (2024)

32. The audit work programmes must be followed to ensure sufficient documentation of the consideration of potential threats. The engagement lead is responsible for ensuring there is sufficient documentation.

33. Audit documentation should detail sufficient information to demonstrate how the audit team have evaluated any threats, including the Engagement Lead's conclusion on the safeguards (if any) required.

Section 2. Financial, Business, Employment and Personal Relationships

Introduction

34. Section 2 of the Standard sets out the requirements concerning relationships with audited bodies including transfers of staff in either direction.

35. All staff are required to complete an annual Fit and Proper self-assessment to declare any potential threats from relationships with audited bodies so that appropriate safeguards can be put in place.

Financial considerations

Exhibit 11

Paragraph	Ethical Standard requirement
2.3	Each partner in the firm, and any persons closely associated with a partner in the firm, shall not hold any financial interest, other than an immaterial indirect financial interest, in or engage in any transaction – save for a sale of a prohibited financial interest – in any financial instrument of: (a) any entity relevant to an engagement of the firm, or (b) an entity which is an affiliate of such an entity; or (c) any other entity otherwise related to such an entity in circumstances where holding such a financial interest may cause, or may be perceived reasonable and informed third party as causing, a self-interest threat. r
2.4	The firm, each covered person, and any persons closely associated with any such person or the firm shall not: (a) hold any financial interest, other than an immaterial indirect financial interest held through a diversified collective investment scheme, in or engage in any transaction - save for a sale of a prohibited financial interest – in any financial instrument of: (i) any entity relevant to an engagement for which they (or the person they are closely associated to, where applicable) are a covered person – for the purposes of this requirement, the firm is a covered person for every engagement of the firm; or (ii) an entity which is an affiliate of such an entity; or

Paragraph	Ethical Standard requirement
	(iii) any other entity otherwise related to such an entity in circumstances where holding such a financial interest may cause, or may be perceived by an objective, reasonable and informed third party as causing, a self-interest threat.

Source: Ethical Standard (2024)

36. Audit Scotland staff are not permitted to hold a financial interest in a financial instrument issued by any public body where the auditor is appointed by the Auditor General or Accounts Commission, or issued by any entity in the same group. Financial instruments are assets that can be traded, such as shares and bonds.

37. The only exception is membership of a Pension Fund.

Loans and guarantees

Exhibit 12

Paragraph	Ethical Standard requirement
2.23	Covered persons and persons closely associated with them shall not accept a loan from, or have their borrowings guaranteed by, the entity relevant to the engagement, or the affiliates of such an entity, unless: (a) the entity is a bank or similar deposit taking institution; (b) the loan or guarantee is made in the ordinary course of business on normal business terms; and (c) the loan or guarantee is not material to the entity Where a covered person or persons closely associated with them have accepted a loan from, or have their borrowings guaranteed by an entity relevant to an engagement, or the affiliates of such an entity, the covered person shall withdraw from the engagement where the loan falls into significant arrears.

Source: Ethical Standard (2024)

38. If you, or anyone in your household, is in debt to an audited body (for example council tax arrears), you must notify your line manager. If an arrestment of earnings order has been made, notification must be made immediately.

39. Engagement leads must ensure that the member of staff takes no further part in any audit work involving that body until the outstanding debt has been repaid.

Management Role with an Entity Relevant to an Engagement

Exhibit 13

Paragraph	Ethical Standard requirement
2.35	A firm shall not admit to the partnership, or employ a person in a position as a covered person, if that person is also employed by any entity relevant to the engagement, or by any affiliate of such an entity.

Source: Ethical Standard (2024)

40. Audit Scotland will not employ, as annual audit staff, individuals who are also employed by an audited body. Members of annual audit staff will not be permitted to commence work for any audited body
41. Staff may be employed to work on performance audit outputs, provided that the work is not focused on their other employer. For example, working on a Best Value report of the employee’s council would not be acceptable.
42. Any incidental work relating to the other employer (e.g. preparing a report from a national survey which includes the other employer) must be subject to specific review by a more senior member of staff.

Loan staff assignments

Exhibit 14

Paragraph	Ethical Standard requirement
2.36	A firm shall not enter into an agreement with an entity relevant to an engagement, or with the affiliates of such an entity, to provide any partner or employee to work for a temporary period as if that individual were an employee of any such entity or its affiliates. An exception applies: in respect of staff employed by a UK national audit agency, in a role with no management responsibilities; for a short period of time²⁶; and where the service to be provided would not be prohibited by this Ethical Standard. ²⁶ For the purposes of this Ethical Standard ‘a short period of time’ is considered to be no longer than twelve months.

Source: Ethical Standard (2024)

43. The requirements at paragraph 2.36 cover staff on secondment to audited bodies. Secondments must be considered and planned in accordance with the Secondment Policy. Audit Scotland staff can only be seconded to an audited body where:

- the secondment period is no longer than twelve months (an increase from the 3 months - or 6 months in the case of trainees – required by the previous version of the Standard)
- the role involves no management responsibilities.

44. Although the Standard does not cover the secondment of staff from audited bodies to Audit Scotland, the same conditions apply. Seconded to audit teams should not work on the audit of the body from which they are seconded. The Ethics Partner must authorise any departure from this policy; that may be due to, for example, the previous role of the secondee.

45. Seconded to PABV may work on other audit work, such as national performance audits, provided that the work is not focussed on their other employer.

46. Any incidental work relating to the other employer (e.g. preparing a report from a national survey which includes the other employer) must be subject to specific review by a more senior member of staff.

Examples

Role	Response
A member of staff at Band 2B requests to go on secondment to an audited body for two months. The role will have management responsibility.	This is not permitted as the role would have management responsibility.
A Band 1C requests to go on secondment to an audited body for 18 months. The role will have no management responsibility.	This is not permitted as the secondment period exceeds twelve months.
A trainee requests to go on secondment to an audited body for nine months. The role will have no management responsibility.	This may be permitted as it is below the maximum secondment period of twelve months, and there is no management responsibility, provided the service is not otherwise prohibited by the Standard. Mitigations may be necessary depending on the role.
A Band 3 requests to go on secondment to a public body audited by a firm for nine months.	This may be permitted as it is not an audited body, provided the service is not otherwise prohibited by the Standard. Mitigations may be necessary depending on the role.

Partners and Engagement Team Members Joining an Entity
Relevant to an Engagement

Exhibit 15

Paragraph	Ethical Standard requirement
2.39	Firms shall establish policies and procedures that require in relation to any entity relevant to an engagement in which an individual is, or was at any time over the previous year (two years in the case of a partner), directly involved: (a) for all such engagements: (i) senior members of the engagement team to notify the firm of any situation involving their potential employment with any such entity; and (ii) other members of the engagement team to notify the firm of any situation involving their probable employment with any such entity; and (iii) all partners in the firm to notify the firm of any situation involving their potential employment with any such entity; and (iv) any other employee of the firm and any other natural person whose services are placed at the disposal of or under the control of the firm, where such employee or other person is personally approved as a statutory auditor under relevant legislation, to notify the firm of any situation involving their probable employment with any such entity; (b) anyone who has given such notice to be removed from the engagement team; and (c) a review of the engagement work performed by any resigning or former engagement team member in the current and, where appropriate, the most recent engagement.

Source: Ethical Standard (2024)

47. Staff must notify the Ethics Partner of applications to join a public body as follows:

Band	Notification to/by Ethics Partner
Band 3 who are engagement leads, all Band 4 and Executive Team	The Ethics Partner must be notified of an application to join an audited body or any public body where the auditor is appointed by the Auditor General or Accounts Commission. The Ethics Partner must notify the Auditor General or Secretary to the Accounts Commission of any application for any such jobs.

Band	Notification to/by Ethics Partner
All other bands	The Ethics Partner must be notified of an application to join an audited body which they have audited in the past twelve months.

48. If the individual is carrying out audit work at the relevant body, they must stop working on the audit immediately pending the outcome of the application/offer.

49. If the application is successful, the engagement lead must ensure that:

- the individual does not return to that audit
- all audit work carried out by the individual at that body is reviewed by a more senior member of staff
- the significance of any self-interest, familiarity and intimidation threats is assessed in consultation with the Ethics Function and appropriate safeguards applied dependant on such factors as:
 - the position that individual had in the audit team or Audit Scotland
 - the position that individual has taken at the body
 - the amount of involvement that individual will have with the audit team (especially where it includes former colleagues with whom they worked)
 - the length of time since that individual was a member of the audit team or employed by Audit Scotland.

50. If the application is unsuccessful, the individual must obtain approval from the Ethics Function to return to the audit; such approval will be provided whenever and wherever it is reasonable and practicable to do so.

Exhibit 16

Paragraph	Ethical Standard requirement
2.45	Where a partner, or another person (including a person whose services are at the disposal or under the control of the firm) who is personally approved as a statutory auditor as described in paragraph 2.40, is appointed as a director, a member of the audit committee or body performing equivalent functions, or to a key management position with an entity relevant to an engagement, having previously been a covered person: (a) in the case of a partner, at any time during the two years prior to such appointment; or

Paragraph	Ethical Standard requirement
	(b) in the case of another person, at any time during the year prior to such appointment; the firm shall resign from the engagement where possible under applicable law or regulation and not accept another engagement for the entity until: (i) in the case of a partner, a two-year period; or (ii) in the case of another person, a one-year period; commencing when the person ceased to be a covered person, or until the person ceases employment with the entity, whichever is the sooner.

Source: Ethical Standard (2024)

51. AQA will normally recommend the Auditor General or Accounts Commission transfer that audit appointment to a firm where an individual in Band 4 leaves Audit Scotland to join an audited body as a director or in a key management position and they carried out the role of engagement lead at that body.

52. The Ethics Function must put in place stringent safeguards if transfer to a firm is not possible (such as in the case of the Scottish Government or other audits where the Auditor General signs the independent auditor's report) to ensure that there is no loss of independence, e.g. independent review by another director or a firm.

53. AQA will take the circumstances of the member of staff leaving into account if the next audit appointments are made within two years of them leaving and will normally not recommend reappointment of Audit Scotland within a two-year period

54. The engagement lead in consultation with the Ethics Function will review the composition of the audit team at an audited body where any other member of the audit team has left Audit Scotland and within two years joins the audited body as a director or in a key management position.

Family Members Employed by an Entity Relevant to an Engagement

Exhibit 15

Paragraph	Ethical Standard requirement
2.51	Where a covered person, or any partner in the firm, becomes aware that a person closely associated with them, or a close family member, is employed by an entity relevant to the engagement and that person is in a position to exercise influence on the accounting records or financial statements or other

Paragraph	Ethical Standard requirement
	subject matter information or subject matter of such an engagement, that covered person or that partner shall either: (a) in the case of a person closely associated with them being employed by the entity in such a position, be excluded from any role in which they would be a covered person; or (b) in the case of a close family member of a covered person or any close family member of any partner in the firm, report the matter to the engagement partner to take appropriate action. If it is a close family member of the engagement partner or if the engagement partner is in doubt as to the action to be taken, the engagement partner shall resolve the matter in consultation with the Ethics Partner/Function

Source: Ethical Standard (2024)

55. Some Audit Scotland staff have family members who are employed by public bodies. Given the wide range of circumstances that may exist, each case is dealt with on its merits. However, the general principles are that:

- the closer to the subject matter of audit work that the family member is employed (e.g. in a finance role), the more likely it is that the member of staff should not take part in the audit
- the more senior the member of staff and/or their family member, the greater the perceived threat to independence and objectivity

56. A family member includes:

- A person closely associated - a spouse or dependent child.
- A close family member - a parent, sibling or non-dependent child.

57. It is unlikely that family members employed in roles such as teachers, doctors or nurses would normally create any threat to independence of staff members.

58. Staff engaged on audit work that covers several audited bodies need to be particularly vigilant in this area. Members of staff should discuss any such relationships with their line manager and if appropriate the Ethics Function.

Examples

Role	Mitigations
The wife of a member of staff works as an assistant director in the finance department of an audited body	A person closely associated works in a senior position in the finance department and therefore would have significant influence over the audit. The member of staff would not be permitted to take part in the audit.
The brother of a senior auditor is a doctor working for an audited body	A close family member but has no influence over the audit, and therefore the senior auditor would be permitted to take part in the audit of the health board without any further safeguards.
The father of an engagement lead works as a project manager	A close family member but has no influence over the audit. However, as the staff member is the engagement lead, they should consult with the ethics function who will decide on appropriate safeguards in the circumstances.

Governance Role with an Entity Relevant to an Engagement

Exhibit 15

Paragraph	Ethical Standard requirement
2.53	The firm or a partner or member of staff of the firm shall not accept appointment or perform a role: (a) as an officer or member of the board of directors of an entity relevant to an engagement of the firm; (b) as a member of any subcommittee of that board; or (c) in such a position in an entity which holds directly or indirectly more than 20% of the voting rights in the entity relevant to an engagement, or in an entity in which the entity relevant to such an engagement holds directly or indirectly more than 20% of the voting rights.

Source: Ethical Standard (2024)

59. Audit Scotland encourages members of staff to take part in voluntary and community bodies, many of which receive substantial public funding. In taking on such roles you need to be aware of the potential for your position to be perceived as creating a conflict of interest which may impair your integrity, independence or objectivity.

60. You must discuss any such roles with your line manager in the first instance and the Ethics Partner or Deputy Ethics Partner. Each case will be considered on its merits, but the following examples may help:

Examples

Role	Potential conflict
An engagement lead on the audit of a council is offered the role of treasurer or chair to a Citizens' Advice Bureau which is 40% funded by that council and the funding is discretionary.	This could create a perception of a conflict between the roles and must be avoided.
An engagement lead on the audit of a council is offered membership of a school board within that area.	While the school will be funded by the council, it is required to provide education as a statutory service. The likely influence of a member of a school board on the level of funding is negligible and the potential for conflict of interest is minimal. It is likely the role would be permitted.
A member of Audit Scotland staff is offered board membership of a body where the Auditor General appoints the auditor	The Standard does not allow any member of staff to be on the board of an audited body. Audit Scotland discourages board membership of any public body where the Auditor General of the Accounts Commission appoints the auditor (even if the auditor is a firm).

61. Staff should not seek board membership of bodies where the Auditor General or the Accounts Commission appoint the auditor as this can limit flexibility in making audit appointments or in the deployment of staff. Any offers for such positions must be agreed with the Ethics Partner.

Employment with the firm

Exhibit 15

Paragraph	Ethical Standard requirement
2.57	Where a former director or a former employee of an entity relevant to an engagement, who was in a position to exert significant influence over the preparation of the financial statements or other subject matter information or subject matter of such an engagement, joins the firm, that individual shall be excluded from any role in which they would be a covered person relevant to that entity or its affiliates for a period of two years following the date of leaving the entity.

Source: Ethical Standard (2024)

62. Paragraph 2.57 applies in full for financial audits. If the individual joining Audit Scotland has ASG management responsibility they must not be involved in the audit of their former employer, and the audit must be subject to an independent review for the first two years irrespective of the size of the body.

63. An individual joining PABV from a management position must not have any involvement in audit work or studies which focus on their former employer for a period of two years after joining. Any incidental work must be subject to specific review by a more senior member of staff.

Family and other personal relationships

Exhibit 15

Paragraph	Ethical Standard requirement
2.62	The firm shall establish policies and procedures that require: (a) partners and professional staff members to report to the firm any persons closely associated with them, any close family, and other personal relationships, where any of those persons is involved with an entity relevant to an engagement of the firm, where the partner or professional staff member considers that the relationship might create a threat to integrity or objectivity or may compromise independence; (b) the relevant engagement partners to be notified promptly of any information reported by partners and other professional staff members as required by paragraph (a).

Source: Ethical Standard (2024)

64. Any member of Audit Scotland must immediately report relationships that would negatively impinge on their independence to their line manager and where necessary to the Ethics function.

65. You must also report any such relationships in the annual Fit and Proper self-assessment form or confirm that there are none.

66. In addition to family relationships, the Standard also makes reference to ‘other personal relationships’. Relationships with individuals which have no status formally recognised by law may be considered as significant as those which do. You must regard such close personal relationships as if they are family relationships.

Section 3. Long Association with Engagements and with Entities Relevant to Engagements

Introduction

67. Section 3 of the Standard sets out the requirements concerning long association with an audited body.

General requirements

Exhibit 16

Paragraph	Ethical Standard requirement
3.2	The firm shall establish policies and procedures to monitor the length of time and extent of involvement that partners and staff in senior positions, including those from other disciplines, serve as members of the engagement team(s) for recurring engagements for particular entities

Source: Ethical Standard (2024)

68. Audit Scotland adopts robust limits on how long any member of an audit team spends on the audit of a public body; this is not limited to senior staff as required by the Standard.

69. ASG staff must:

- record their involvement in audits on the [annual audit rotation database](#)
- confirm they have updated this every year via the Fit and Proper form.

70. ASG management must monitor the length of time that staff work on audits.

71. In addition, the five year tender includes rotation of about half of Audit Services' audits to the private firms.

Key Audit Partners and Engagement Partners

Exhibit 17

Paragraph	Ethical Standard requirement
3.10	In the case of public interest entities and other listed entities, save where the circumstances contemplated in paragraph 3.13 and 3.14 apply, the firm shall establish policies and procedures to ensure in respect of a recurring engagement that: (a) no one shall act as engagement partner for more than five years, this includes time spent participating in an engagement, where an audit engagement has moved between firms; and (b) anyone who has acted as the engagement partner for a particular entity for a period of five years, shall not subsequently participate in the engagement until a further period of five years has elapsed; and (c) on completing their time in that role, the engagement partner, shall not continue to have significant or frequent interaction with senior management or with those charged with governance of the entity they have previously audited until the cooling off period has elapsed; and (d) once ceasing to be Engagement Partner, after completing the maximum allowed period, that partner shall not act as Engagement Quality Reviewer for the engagement until a period of five years has elapsed.
3.13	When an entity becomes a public interest entity or another listed entity, the length of time the engagement partner has served the entity in that capacity is taken into account in calculating the period before the engagement partner is rotated off the engagement team. However, where the engagement partner has already served for four or more years, that individual may continue to serve as the engagement partner for not more than two years after the entity becomes such a public interest entity or another listed entity
3.14	In circumstances where the audit committee (or equivalent) of an entity that is a public interest entity or another listed entity decide that a degree of flexibility over the timing of rotation is necessary to safeguard the quality of the engagement and the firm agrees, the engagement partner may continue in this position for an additional period of up to two years, so that no longer than seven years in total is spent in the position of engagement partner. An audit committee and the firm may consider that such flexibility safeguards the quality of the engagement, for example, where: • substantial change has recently been made or will soon be made to the nature or structure of the entity's business; or • there are unexpected changes in the senior management of the entity; or • the firm, having taken all reasonable succession planning steps, has no other partners with the necessary knowledge and experience who are able to take over as engagement partner.

Paragraph	Ethical Standard requirement
	In these circumstances alternative safeguards are applied to reduce any threats to a level where it is not probable that an objective, reasonable and informed third party would conclude the integrity, objectivity or independence of the firm or covered persons are compromised. Such safeguards may include ensuring that an expanded review of the engagement work is undertaken by the engagement quality reviewer or a partner with relevant expertise, who is not involved in the engagement. If an engagement partner rotates off an engagement after five years, then the option to extend for an additional period of two years is no longer available.

Source: Ethical Standard (2024)

72. The scope of paragraph 3.10 is extended at Audit Scotland to apply to:

- all audited bodies
- all members of an audit team.

73. In the case of the Scottish Government audit, and any other audit where the audit opinion is signed by the Auditor General, it is the relevant Audit Director that is considered to be the engagement lead for the purposes of the time limits.

74. Although Audit Scotland applies the five-year rotation as standard, where circumstances require a degree of flexibility over the timing of rotation to safeguard the quality of the audits, this may be extended for an additional period of up to two years for engagement leads, so that no individual spends longer than seven years in total in the role of engagement lead on the same audit.

Engagement Quality Reviewers and Other Key Partners Involved in the Engagement

Exhibit 18

Paragraph	Ethical Standard requirement
	In the case of public interest entities and other listed entities, the firm shall establish policies and procedures to ensure in respect of a recurring engagement that:
3.19	(a) no one shall act as the engagement quality reviewer or a key partner involved in the engagement for a period longer than seven years; (b) where an engagement quality reviewer or a key partner involved in the engagement becomes the engagement partner, the combined period of service in these positions shall not exceed seven years; and

Paragraph	Ethical Standard requirement
	(c) anyone who has acted: (i) as an engagement quality reviewer for a particular entity for a period of seven years, whether continuously or in aggregate, shall not participate in the engagement until a further period of five years has elapsed; (ii) as a key partner involved in the engagement for a particular entity for a period of seven years, whether continuously or in aggregate, shall not participate in the engagement until a further period of two years has elapsed; (iii) in a combination of roles as: – the engagement quality reviewer, – a key partner involved in the engagement, or – the engagement partner for a particular entity for a period of seven years, whether continuously or in aggregate, shall not participate in the engagement until a further period of five years has elapsed. The policies and procedures established by the firm shall include, in the application of the requirements in sub paragraphs (a) to (c)(iii) any time spent participating in an engagement where an audit engagement has moved between firms.

Source: Ethical Standard (2024)

75. The scope of paragraph 3.20 is extended at Audit Scotland to apply to all audited bodies.

76. The 'Key partner involved in the engagement' is the group engagement lead responsible under ISA(UK) 600 for key decisions or judgements on significant matters related to group entities.

Other Partners and Staff Involved in the Engagement in Senior Positions

Exhibit 19

Paragraph	Ethical Standard requirement
3.20	In the case of public interest entities and other listed entities, the engagement partner shall review the safeguards put in place to address the threats to the objectivity and independence of the person or persons conducting the engagement arising where partners and staff have been involved in the engagement, or been responsible for the relationship between the audit firm and the entity, including periods prior to the firm's appointment as auditor, in

Paragraph	Ethical Standard requirement
	senior positions for a continuous period longer than seven years and shall discuss those situations with the Ethics Function / Partner.

Source: Ethical Standard (2024)

77. All staff will normally be limited to five years on any one audit, except in exceptional circumstances where the Ethics Partner may allow the limit to be extended by up to two years for the engagement lead.

Section 4. Fees, remuneration and evaluation policies, gifts and hospitality, litigation

Introduction

78. Section 4 of the Standard sets out the requirements concerning fees and remuneration.

79. Expected fees for Audit Scotland's audits are set by AQA independently of auditors. This provides a strong control against threats to independence in combination with the independent appointment.

Fees

Exhibit 20

Paragraph	Ethical Standard requirement
4.1	The engagement partner shall be satisfied and able to demonstrate that the engagement has assigned to it sufficient partners and staff with appropriate time and skill to perform the engagement in accordance with all applicable Engagement and Ethical Standards, irrespective of the engagement fee to be charged.

Source: Ethical Standard (2024)

80. Engagement leads for annual audits and performance audit outputs must be satisfied that each audit is properly resources with sufficient staff with appropriate time and skills for the expected demands of the audit

81. The engagement lead's assessment should not be affected by the audit fee, budget or planned timetable.

Exhibit 21

Paragraph	Ethical Standard requirement
4.5	Fees for the provision of engagements, non-audit and audit-related services to an entity relevant to an engagement shall not be contingent fees.

Source: Ethical Standard (2024)

82. Audit Scotland does not undertake any work on a contingent fee basis.

Exhibit 22

Paragraph	Ethical Standard requirement
4.21	Where it is expected that the total fees for services receivable from a non-listed entity that is not a public interest entity and its subsidiaries or a collection of entities with the same beneficial owner or controlling party (which is not a corporate holding entity) relevant to a recurring engagement by the firm will regularly exceed 15% of the annual fee income of the firm or, where profits are not shared on a firm-wide basis, of the part of the firm by reference to which the engagement partner's profit share is calculated, the firm shall not act as the provider of the engagement for that entity and shall either resign or not stand for reappointment, as appropriate.
4.25	Where it is expected that the total fees for services receivable from a public interest entity or other listed entity and its subsidiaries or a collection of entities with the same beneficial owner or controlling party (which is not a corporate holding entity) relevant to a recurring engagement by the firm will regularly exceed 5% of the annual fee income of the firm or the part of the firm by reference to which the engagement partner's profit share is calculated, but will not regularly exceed 10%, the engagement partner shall disclose that expectation to the Ethics Partner/Function and to those charged with governance of the entity, including the audit committee where there is one, and discusses with both the threat to integrity, objectivity and independence of the firm and covered persons and whether safeguards need to be applied to eliminate or reduce the threat to a level where independence would not be compromised.
4.29	Where it is expected that the total fees for services receivable from a non-listed entity, that is not a public interest entity, and its subsidiaries or a collection of entities with the same beneficial owner or controlling party (which is not a corporate holding entity) relevant to a recurring engagement will regularly exceed 10% of the annual fee income of the firm or the part of the firm by reference to which the engagement partner's profit share is calculated, but will not regularly exceed 15%, the engagement partner shall disclose that expectation to the Ethics Partner/Function and to those charged with governance of the entity and the firm shall arrange an external independent quality control review of the engagement to be undertaken, before the firm's report is finalised.

Source: Ethical Standard (2024)

83. The Scottish Government group audit is the only audit which normally has fees exceeding 10% of ASG's total fee income. However, each group component is audited independently and the engagement lead for the

consolidated account has no direct influence, in that role, over the audit judgements for the components.

84. The threats to objectivity envisaged by the standard are fully mitigated because these audit appointments are made independently of the body by the Auditor General and consequently this requirement does not apply.

Remuneration and Evaluation Policies

Exhibit 23

Paragraph	Ethical Standard requirement
	The firm shall establish policies and procedures to ensure that each of the following is true in relation to each entity relevant to an engagement by the firm:
4.34	(a) a primary criterion for evaluating the performance or promotion of members of the engagement team is how they have contributed to the quality of engagements undertaken; (b) the objectives of the members of the engagement team do not include selling non-audit / additional services to the entity; (c) the criteria for evaluating the performance or promotion of members of the engagement team do not include success in selling non-audit / additional services to the entity; and (d) no specific element of the remuneration of a member of the engagement team is based on their success in selling non-audit / additional services to the entity.

Source: Ethical Standard (2024)

85. The selling of non-audit services is not a feature of either performance appraisal or staff remuneration at Audit Scotland.

Gifts and hospitality

Exhibit 24

Paragraph	Ethical Standard requirement
4.38	A firm, its partners and any covered person, and persons closely associated with them, shall not offer or accept pecuniary and nonpecuniary gifts or favours, including hospitality, from an entity relevant to the engagement, or any other entity related to that entity, unless an objective, reasonable and informed third party would consider the value thereof as trivial or inconsequential

Paragraph	Ethical Standard requirement
4.40	The firm shall establish policies on the nature and value of gifts, favours and hospitality that may be accepted from and offered to other entities, which are likely to subsequently become an entity relevant to an engagement and issue guidance to assist partners and staff to comply with such policies, including on events that would trigger the application of the policy

Source: Ethical Standard (2024)

86. Audit Scotland has a gift and hospitality policy which is consistent with the Standard's requirements and is set out in the Code of Conduct.

87. You must confirm compliance with the policy (or declare any non-compliance) in the annual Fit and Proper self-assessment form.

Section 5. Non-audit / Additional services provided to audited entities

Introduction

- 88.** Section 5 of the Standard sets out the requirements for providing professional services to audited bodies in addition to the core audit work.
- 89.** Audit Scotland's focus is on the delivery of the audit, and there is no incentive to promote non-audit services. Any such work will be carried out only if requested and can be accepted only with approval from the Ethics Partner and AQA.

General Approach to Non-audit / Additional Services

Exhibit 25

Paragraph	Ethical Standard requirement
5.10	The firm shall require others within the firm, when considering whether to provide a non-audit / additional service to an entity relevant to an engagement, or to any of its affiliates, to communicate details of the proposed non-audit / additional service to the engagement partner who considers the implications for the integrity, objectivity and independence of the firm and covered persons before provision of the non-audit / additional service is accepted.

Source: Ethical Standard (2024)

- 90.** Any proposed professional services in addition to the audit to be carried out by Audit Scotland staff at an audited body must be arranged through the engagement lead. All staff need to be alert to any requests from audited body staff for any improvement work or advice and must discuss any proposed work with the engagement lead before it is carried out.
- 91.** Engagement leads must identify and assess the significance of any threats related to the delivery of the requested service, including whether independence would be compromised. This includes considering the:
- likely relevance and impact of the service on the financial statements
 - size of the service and the associated fee

- Audit Scotland staff who would be carrying out the service, and the staff from the audited body who would be involved.

92. If the engagement lead is satisfied that the proposed service does not represent a conflict with Audit Scotland's role as auditor, particularly a self-review threat, they should request approval from the Ethics Partner. Requests should be made in writing and should be accompanied by express assurance from the engagement lead that they have reviewed the proposed work and that they do not consider that it represents a conflict.

93. If the Ethics Partner approves the request, the engagement lead must then seek in writing approval from AQA. AQA will make its decision on any request having regard to the requirements of the Standard and may consult Audit Scotland's Ethics Partner.

94. Audit Scotland staff do not provide professional services to bodies that are not audited bodies.

Approach to Non-audit / Additional Services Provided in any Statutory Audit Engagement

Exhibit 26

Paragraph	Ethical Standard requirement
5.44	In evaluating threats to compliance with the overarching principles of integrity, objectivity and independence arising from the provision of non-audit / additional services, the requirements and guidance below (paragraphs 5.45 to 5.131) apply to all entities as indicated relevant to an engagement.

Source: Ethical Standard (2024)

95. Paragraphs 5.45 to 5.131 of the Standard set out requirements for, and provide guidance relevant to, the following professional services: Internal audit services; Information technology services; Valuation services; Actuarial valuation services; Tax services; Litigation support services; Legal services; Recruitment and remuneration services; Corporate finance services; Transaction related services; Restructuring services; and Accounting Services.

96. The requirements of paragraph 5.44 to 5.131 apply to all audited bodies.

Audit related services

Exhibit 27

Paragraph	Ethical Standard requirement
5.36	Audit related services are: • Reporting required by law or regulation to be provided by an auditor; • Reviews of interim financial information; • Reporting on regulatory returns; • Reporting to a regulator on client assets; • Reporting on government grants; • Reporting on internal financial controls when required by law or regulation; • Extended audit work that is authorised by those charged with governance performed on financial information and/or financial controls where this work is integrated with the audit work and is performed on the same principal terms and conditions

Source: Ethical Standard (2024)

97. Audit related services are those non-audit services where the work is:

- largely carried out by the audit team
- closely related to the annual audit.

98. The type of audit related service most likely to be undertaken by Audit Scotland staff is work on the certification of government grants and similar returns.

99. Other than the returns expressly set out in each year's guidance on planning the annual audit, engagement leads must seek approval from the Ethics Partner before accepting any requests for audit related services. Approval from AQA is also required.

Appendix 1. Threats to integrity, objectivity and independence

Threat	Meaning
Self-interest	Arises where holding financial or other interests which might cause a member of staff to be perceived to be reluctant to take actions that would be adverse to such interests. In relation to non-audit services, the main self-interest threats concern fees and economic dependence.
Self-review	Arises when the results of non-audit services are reflected in the amounts included in the financial statements or other subject matter information.
Management	Arises where non-audit services are provided and, based on that work, management are required to make judgments and take decisions. The persons conducting the service may become closely aligned with the views and interests of the audited body and this may erode the distinction between the body and Audit Scotland, impairing the ability to apply a proper degree of professional scepticism.
Advocacy	Arises if Audit Scotland undertook work that involves acting as an advocate for an audited body, and supporting a position taken by the audited body in an adversarial or promotional context.
Familiarity	Arises when a member of Audit Scotland staff is predisposed to accept, or is insufficiently questioning of, the point of view of an audited body due to close personal relationships with personnel that have developed because of a long association with the body.
Intimidation	Arises when the conduct of a member of Audit Scotland staff is influenced by fear or threats such as where the audit team encounter an aggressive or dominating individual at an audited body.

Appendix 2. Institute ethics codes

The IESBA develops ethical standards and guidance for use by professional accountants. The [IESBA Code](#) serves as the foundation for codes of ethics developed and enforced by members of the International Federation of Accountants (IFAC). The current edition was issued in August 2024. No member body of IFAC or firm issuing reports in accordance with standards issued by the International Auditing and Assurance Standards Board is allowed to apply less stringent standards than those stated in the IESBA Code. The

Each professional institute in the UK has adopted the IESBA Code as the basis for their own ethics codes.

Members are required to comply with their institute's code. Information on each institute's ethics code is as follows:

- CIPFA - [Standard of Professional Practice on Ethics](#)
- ICAS - [Code of Ethics](#)
- ACCA - [Code of Ethics and Conduct](#)
- ICAEW - [Code of Ethics](#)

Ethical Standard

Application guidance and policies



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www.audit.scot

Information Security Management Policy

Annual review

Item 12.

Digital Project Manager

Meeting date:
20 May 2025

Purpose

1. This report asks the Audit Scotland Board to approve the refreshed Information Security Management Policy as part of the annual review process.

Recommendations

2. The Board is invited to:

- Note the refreshed policy and provide approval.
- Approve the inclusion of a new objective in the policy for supplier evaluation.

Background

3. The Information Security Management Policy sets out the importance of information security and what it means to Audit Scotland, because as an organisation we are responsible for not only our information but also our client's information.

4. The policy has been refreshed to include requirements of the new ISO 27001:2022 standard, plans to address strengthening security controls and the recommendation to introduce a new objective to address risks associated with supplier evaluation.

5. The visio diagram in Appendix 1 has been updated to reflect documentation changes since the last policy approval in 2024.

6. The policy was approved by the Information Governance Management Group (IGMG) on 4 April 2025 and Executive Team on 28 April 2025. The final stage in the approval process is consideration by the Board.

7. For assurance, the effectiveness of the objectives set out in the policy are monitored by IGMG and evaluated through the IGMG six monthly check in process.

Financial Implications

8. There are no financial implications linked to this report.

Considerations

- Through ISO certification, Audit Scotland is required to comply with the controls set out in the information security standard. Our certification to the ISO standard requires that we have an Information Security Management Policy in place that is approved by top management.
- On 17 April 2025 we completed the transition audit to the new ISO 27001:2022 standard, with no Non-conformances raised and we have since received confirmation that Audit Scotland are now certified to the new standard.
- ISO certification requires that all our ISMS documentation including this policy are subject to ISO surveillance audits by a UKAS accredited body every six months and re-certification every 3 years.
- The policy update proposes a new objective to help improve compliance with internal supplier onboarding processes. Introducing this new objective will help support current challenges in getting Audit Scotland staff to comply with supplier onboarding processes and aligning it to our information classifications.
- Compliance with the Information Security Management policy is a requirement for all Audit Scotland employees and confirmation of this is validated through the annual Fit and Proper process.
- The key changes in the policy that require Board consideration are noted in the table below.

Proposed policy change	Reason for change
Introduction title update and section 5 update on applicable information security requirements.	To meet requirements of ISO 27001:2022 5.1 (a) & (d).
Section 9 new objective for supplier evaluation recommended.	To help improve compliance with internal supplier onboarding processes.
Section 9 ISO update.	Removing reference to ISO 27001:2013 now that Audit Scotland are certified to the new standard.

Consultation and communication

- 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.
- At the Executive Team meeting on 28 April 2025 there was a request that if approved, the Executive Team support the promotion of the new supplier evaluation objective to the wider business. Executive Team is fully committed to this. This message from Executive Team will reaffirm the responsibilities Audit Scotland employees responsible for supplier onboarding have to comply with the internal supplier policies and procedures.

Conclusion

9. The Information Security Management Policy is an integral part of our digital security and information governance processes for compliance with ISO 27001:2022.

Information Security Management Policy

Owned and maintained by:	Digital Services / Head of Digital Services
Date checked/ created:	IGMG approved <u>[04/04/25]</u> , Executive Team <u>28/04/25</u>
Next review date:	Board review <u>20/05/25</u>

Introduction – What information security means to Audit Scotland

1. 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.
2. This policy aligns to the Audit Scotland Corporate and Business Plans.
3. This policy is supported by the Information Security Management System documentation shown in the diagram at Appendix 1.

Commented [NP1]: More explicit title to cover ISO 2022 5.1 (a) definition of info sec

Commented [NP2]: ISO 2022 5.1 (c) the principles guiding information security (CIA)

Scope

4. 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.
5. This policy covers all regulations, legislation and contracts that affect Audit Scotland's information security and the commitment to satisfy applicable requirements related to information security.
6. This policy is made available to all interested parties.
7. Where appropriate and necessary individual policies state the requirements and processes for handling exemptions and exceptions.

Commented [NP3]: ISO 2022 requirement 5.1 (d)

Information sensitivity classifications

8. 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

- Controlled – Information that has not yet been published and would require review before sharing with others
- 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.

Information Security Objectives

9. 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
- comply with all relevant data protection regulations and ~~implement-develop~~ privacy by design and zero trust security in all information systems
- identify and implement appropriate controls for information assets proportionate to levels of risk
- manage information security risks to an acceptable level, as defined in the Risk Framework
- minimise risk as much as possible when evaluating new suppliers, taking into consideration Audit Scotland information classifications
- communicate all appropriate information security policies to all employees, contractors, consultants, clients and other stakeholders

Commented [HG4]: Tweaked the wording so it flows from the 'will'

Commented [NP5]: New proposed objective - approved by IGMG and Executive Team

- 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 ISO/IEC 27001:2022 standard.

Commented [NP6]: Updated to reflect Audit Scotland certificate transition to the new ISO 27001:2022 standard.

Information Security Management Roles & Responsibilities

10. Audit Scotland's Board through its Audit Committee has oversight of risks, including information risks.
11. Audit Scotland's Accountable Officer, with support from the Executive Team, has overall responsibility for ensuring this policy is effectively implemented and delivered.
12. 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.
13. The Digital Services Management Team (DSMT) ensures the latest updates are provided to Senior Management demonstrating leadership and commitment to ISO 27001.
14. A 6-monthly update on Digital Security is provided to Executive Team and then the Audit Committee.
15. 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.
16. The ~~Knowledge, Information and Technology Governance~~ Management Group (~~KITGG~~IGMG) 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.
17. The ~~IGMG~~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.
18. The ~~IGMG~~KITGG will review and monitor all information security policies and our performance in meeting their requirements is monitored and reviewed on an annual basis.

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.
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.
21. The Data Protection Officer for Audit Scotland is responsible for updating Audit Scotland's Data Protection Policy, managing data subject access requests, and providing governance and compliance advice to staff.
22. Information Asset Owners must understand what information is held by their business group/teams, and approve the permissions required to access it.
23. All Managers will be responsible for implementing and communicating appropriate information security policies, guidance, and procedures.
24. 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.

Objectives Evaluation

25. Evaluation of our information security objectives in section ~~9.40~~ is reported through ~~IGMG~~**KITGG**.

Change Log

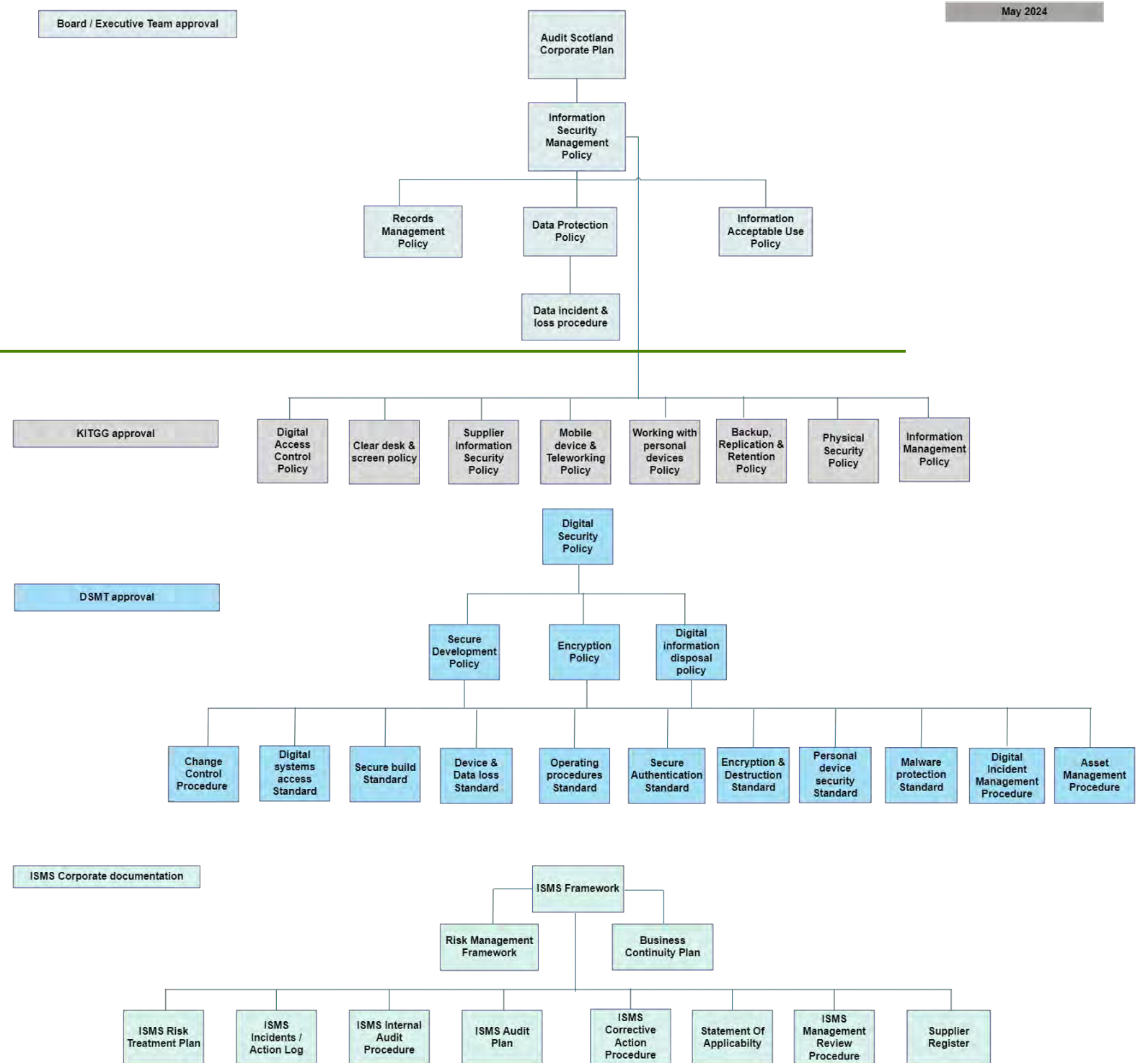
Date	Author	Description
13/05/20	Digital Services Manager	Annual refresh, additional objective included, CGM role updated and removed reference to Cyber Essentials Plus as superseded by ISO 27001. Board approved.
22/09/21	Digital Services Manager	Delayed annual refresh, minor change to responsibilities 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

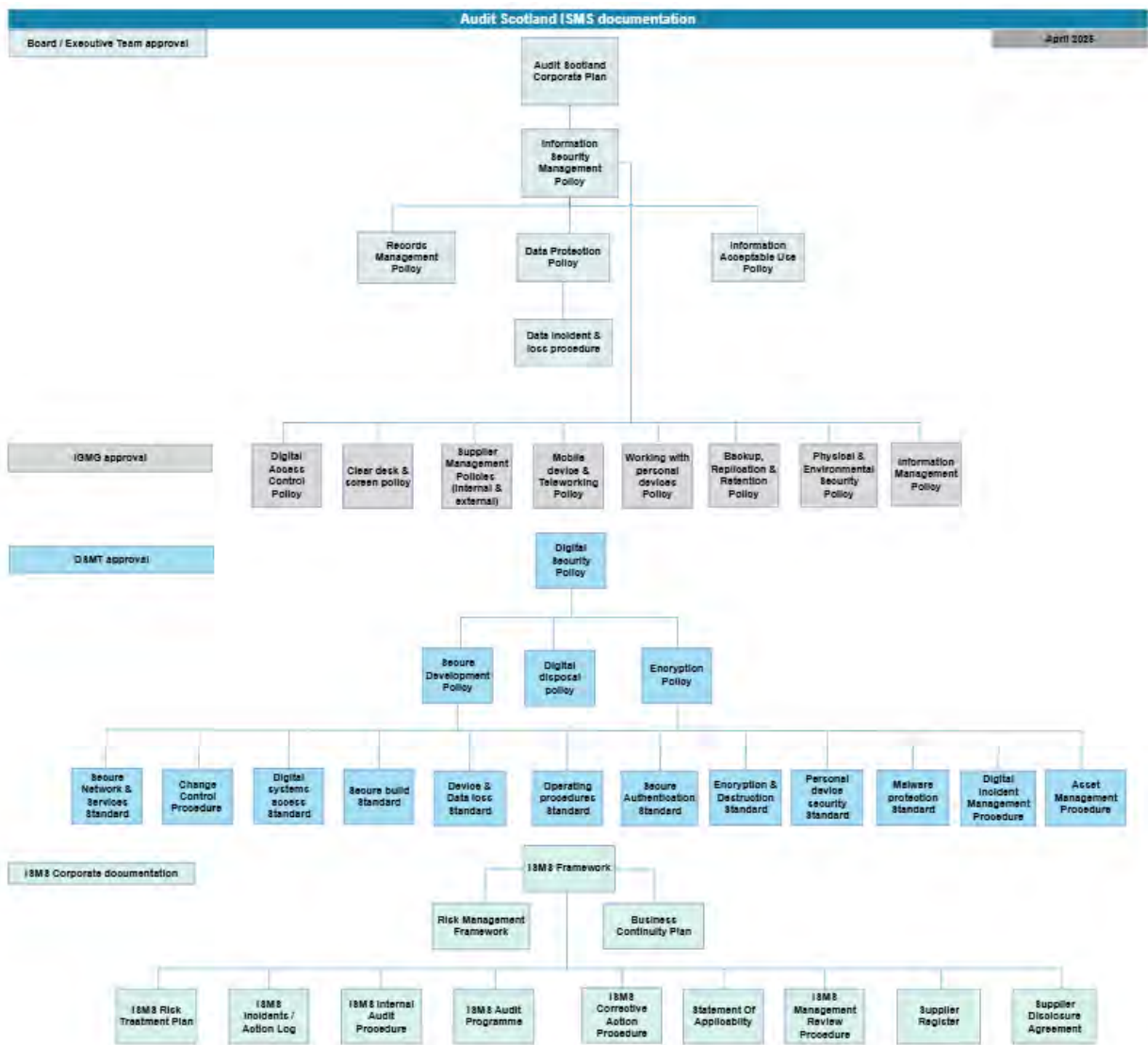
		information security. ISMS environment diagram updated to reflect document changes. Board approved.
23/05/23	Head of Digital Services	Annual review and approval of the policy by KITGG, Executive Team and the Audit Scotland Board. Minor updates made including the addition of a reference to training.
March 2024	Head of Digital Services	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.
May 2024	Head of Digital Services	Approved by Executive Team 08/05/24 and the Audit Scotland Board 21/05/24.
<u>April 2025</u>	<u>Head of Digital Services</u>	<u>IGMG approval 04/04/25, ET 28/04/25 and for Board review 20/05/25.</u>

Appendix 1

Commented [NP7]: See updated visio on next page.

Audit Scotland ISMS documentation





Commented [NP8]: Updates to the diagram as follows:

- KITGG now IGMG
- Physical security policy now Physical and environmental security policy
- Supplier policies - We now have both an internal policy for staff and external policy for sharing with suppliers
- Digital disposal policy added, Digital information policy no longer exists, content merged
- Secure Network & Services Standard ISO 27001:2022 8.15, 8.16, 8.20, 8.21 and 8.22
- Supplier Disclosure Agreement added ISO 27001:2022 6.6.

Staff Handbook policy review 2025

Diversity and Equality Policy

Item 13.

Head of HR

Meeting date:
20 May 2025

Purpose

1. This report is to ask the Board to approve the changes proposed to the Diversity and Equality policy (appendix one).

Recommendations

2. The Board is invited to:

- Consider the changes proposed in the policy attached.
- Note the report and consultation undertaken.
- Approve the revised policy.

Background

3. The Board is invited to consider the policy as part of the annual policy review.

4. The changes made to the policy have been shared with our recognised trade union, PCS, our business group People Leads and our Executive Team for their review and approval.

Considerations

5. An internal audit report on Governance last year identified a low-level recommendation that we should include a version control table on any Corporate Governance documentation. Therefore, an appendix is now being added to all future policy reviews for this purpose.

6. A summary of the changes to the policy is set out in the table below for ease of reference:

Policy description	Review outcome
Diversity and Equality Policy	Minor changes made to include our values, the introduction of our employee passport scheme and the new data collation (carer status and socio-economic status) which will be

Policy description	Review outcome
	reported on from March 2025 in our future Diversity and Equality reporting. The name of the internal equality group has been updated from the Equality and Human Rights Steering Group to the new Equality and Human Rights Strategic Group. This was changed during a review of our Corporate Forums in 2024. Reference to our old performance appraisal scheme, named 3D, has been removed.

Conclusion

7. The Board are asked to approve the revised policy.
8. Following approval, this will be published in our staff handbook and shared with all colleagues for their awareness via Viva Engage, our internal communications channel.

Diversity and Equality policy

Owned and maintained by:	Human Resources
Date checked/ created:	~~May 2023~~ April 2025
Next review date:	~~June 2025~~ June 2027

Introduction

Audit Scotland is committed to eliminating discrimination, valuing and promoting equality and diversity amongst our workforce and will work towards increasing the diversity of our employees. It is our policy to treat all job applicants and employees fairly and equitably regardless of age, disability, sex, gender reassignment status, marriage or civil partnership status, maternity or pregnancy, race, religion or belief or sexual orientation¹.

[Our organisational values include **equality** and **respect**. We have a values charter which sets out what it looks like when we are getting these right for our colleagues.](#)

We will strive to take a leading role in advancing equal opportunities practices and diversity both as an employer and in our auditing role. In relation to employment, this policy statement applies to recruitment and selection, promotion, training, terms and conditions of employment, pay and benefits and every other aspect of employment, including general treatment at work and the processes involved in the cessation of employment.

This policy applies to all to job applicants (internal and external), employees, secondees, agency staff, clients, suppliers and contractors, whether permanent or temporary.

Audit Scotland will do all it reasonably can to promote good practice in this area in order to eliminate discrimination, harassment and victimisation, advance equality of opportunity and promote good relations.

Audit Scotland aims to be an organisation which is broadly representative of the communities it serves. We will demonstrate our commitment by:

- Ensuring diversity and equality is at the heart of policy-making and taking a lead role in demonstrating best practice.

¹These characteristics are called 'protected characteristics' as defined by The Equality Act 2010. Audit Scotland considers Disability under the social model of disability. We recognise that it is often the barriers in society that exclude people with disabilities, rather than individual impairments and conditions.

- Actively promoting equality of opportunity through circulating recruitment vacancy details as widely as possible and monitoring our recruitment practices.
- Treating all our employees with respect and equality of opportunity in order that their selection and subsequent development is based entirely on merit.
- Creating a working environment that promotes dignity and respect for all. No form of discrimination², bullying, harassment or victimisation will be tolerated against any current or prospective employee on the grounds of their age, disability, sex, gender reassignment, marriage or civil partnership, maternity or pregnancy, race, religion or belief or sexual orientation.
- Raising employee awareness about equality and valuing diversity and enabling managers to promote and be accountable for equality of opportunity through [performance and 3D](#)-developmental discussion and training for all employees.
- Positively valuing the different attributes, perspectives and skills of employees and making full use of these.
- Putting in place any reasonable adjustments to the job or working conditions for a disabled colleague or prospective employee.

Recruitment and selection

We will carefully consider whether vacancies should be advertised internally or externally. Where externally advertised, we are committed to developing and monitoring our recruitment and employment policies to ensure they are accessible to all sections of the community.

When establishing criteria~~on~~² for recruitment into vacant posts, we will consider carefully what is relevant and necessary for the effective performance of the job. Criterion will not be imposed unless there is a proper job-based reason why they are necessary.

All job applicants will be asked to complete an online diversity monitoring section including details of their age, disability, ethnic origin, sex and race, religion or belief, and sexual orientation³. Audit Scotland guarantees the information provided will be used solely for the purposes of monitoring the effectiveness of our diversity and equality policy and will be kept confidential by the Human Resources (HR) team.

² The non-discrimination principle in this policy includes the prohibition of discrimination against an individual because they associate with someone with a protected characteristic, for example, an employee who is married to someone from a minority ethnic group. It applies equally to situations where someone thinks or perceives (rightly or wrongly) that a colleague has a particular protected characteristic e.g. they are undergoing or have undergone gender reassignment or have a disability.

³ This is voluntary and includes a “prefer not to say” option.

All [managers/colleagues](#) involved in any form of recruitment or selection will first complete recruitment and selection training, which includes [the topic of diversity and equality, woven throughout the session, a dedicated diversity and equality module](#). Our separate on-line diversity [training package](#) for managers also provides practical examples of diversity and equality issues in relation to recruitment and selection. Members of the HR team work closely with managers at all stages of the recruitment process, advising and supporting them on good practice and helping with individual questions that arise. [This training can be found on our Learning Management System](#).

Monitoring

We are committed to our monitoring requirements under the Equality Act 2010 and meeting our general and specific duties under this act.

To ensure accuracy in our reporting, employees are asked to update their diversity information annually. This includes details of their protected characteristics including disability, religion or belief and sexual orientation.

[We also collate information on carer status and socio-economic status.](#)

We guarantee that the information provided will be used solely for the purpose of monitoring the effectiveness of our diversity and equality policy and will be held securely.

All business groups have representatives on the Equality and Human Rights [Strategic Steering](#) Group (EHRSG). This group is responsible for our Equality Outcomes and Mainstreaming reporting, a full report is produced every four years. Annual reporting is carried out on equality and diversity across our workforce and recruitment activity by the HR team.

This reporting information is used to promote discussion and inform future policy and enhance business processes.

Further information on what information we ask employees to provide and how we use it can be found in Appendix One.

Our diversity policies and network groups

Audit Scotland has a number of diversity policies in place, including an equal pay policy statement, religion and belief observance policy, gender reassignment policy, and bullying and harassment policy.

Any employee can use the bullying and harassment or grievance policies to complain about discriminatory conduct. Audit Scotland is keen to ensure that all employees feel comfortable about raising such complaints. Employees should be able to raise a concern in the knowledge that their complaint will not be held against them unless it is made in bad faith e.g. out of malice. All diversity policies can be accessed through our staff handbook.

There are also a variety of employee network groups which can provide guidance and support to colleagues where requested. For example, our Disability Confident working group, our Race, Ethnicity and Cultural

Heritage group and our LGBTQ+ group. Details of the groups available can be found on our [intranet site here](#).

Disability Confident employer

Audit Scotland has received accreditation as a Disability Confident employer (Level 2) under the Disability Confident scheme, awarded by the Department for Work and Pensions. We have made an ongoing commitment to recruitment, retention and development of employees with disabilities.

A disability is a physical or mental impairment which has an adverse effect on a person's ability to carry out normal day-to-day activities. A more detailed definition can be found in the Equality Act 2010.

Employees who have a disability or health condition or who become disabled in the course of their employment are encouraged to inform HR. This is voluntary but participation will help Audit Scotland monitor and improve our policies and working practices. Any information provided is held in confidence and cannot be seen by line managers, although sharing this information with line managers is encouraged to ensure the right support is put into place.

[A new employee passport scheme was introduced in April 2025 to further support those who require adjustments in their role to deliver their work. This includes those with a disability. A copy of the relevant section of the passport can be shared and held with HR as a record of formally agreed adjustments. Information on the scheme can found on the intranet site here.](#)

Under the Equality Act 2010, we have a duty to make reasonable adjustments to the job or working conditions for a disabled colleague or prospective employee. Some examples include:

- adjustments to the workplace to improve access or layout; moving tasks to more accessible areas;
- giving some of the disabled person's duties to another person;
- getting new or adapting existing equipment, e.g., chairs, desks, computers;
- modifying instructions or procedures, e.g., by providing in bigger text or Braille;
- improving communication, e.g., providing a reader or interpreter, having visual as well as audible alarms; and
- changes to working hours, location or working patterns.

Employees can discuss any reasonable adjustments they require with HR or their line manager and are encouraged to suggest any adjustments that they believe would be helpful. Careful consideration will be given to any proposals and, where reasonable, such adjustments will be made.

Personal counselling is also available to all Audit Scotland employees. This can help with a broad range of individual and/or social situations, for example, dealing with physical pain, depression or stress. More details can be found in our Occupational Health and Wellbeing policy.

Audit Scotland is committed to supporting employees who become disabled in the course of their employment to enable them to continue in their current job or a suitable alternative post.

Employee Training

All employees will receive training in diversity and equality of opportunity as a part of their induction. Further training and development is available to all employees as part of our rolling programme of learning across Audit Scotland.

Every person working for Audit Scotland has a personal responsibility for implementing and promoting diversity and equality principles in their day to day dealings with clients and with each other.

Retirement

Audit Scotland does not operate any compulsory retirement age, and each employee may choose for themselves when to stop working, subject to them continuing to be fit to perform their job to a satisfactory standard.

Appendix One

Why do you want my diversity information and what information do Audit Scotland ask for?

We currently ask you to provide information on your:

- Age
- Disability
- Ethnicity
- Sex
- Marital or civil partnership status
- Nationality
- Race
- Religion or belief
- Sexual orientation.

These characteristics (alongside maternity or pregnancy) are covered under the Equality Act 2010 as protected characteristics. The Act bans unfair treatment of people because of a protected characteristic they have.

From 2025, we also ask you to confirm if you are a carer.

We also ask what the occupation of your main house-hold earner was when you were 14 to measure the socio-economic demographic of our workforce.

Why do you want my information and how will you use it?

We want to ensure our practices, systems and policies are not directly or indirectly treating people unfairly. Therefore, each year we produce a report which includes an analysis of employee information (the latest report is available from the Audit Scotland website).

We also produce an equal pay review showing pay gap differences (our latest report is also available on our website). Under the public sector equality duty, we have a legal obligation to gather information on our employees, particularly in relation to recruitment, development and retention across all of the protected characteristics.

We must use the information to better perform the equality duty⁴ and publish a report to show a breakdown of information and details of the progress we have made in gathering and using this information.

We are also required to produce gender pay gap information showing the percentage difference between male and female average pay.

Example:

If our analysis showed a significant difference in the pay between men and women doing work of equal value or a lower proportion of minority ethnic group applicants were making it through our selection processes, then we would examine this further and take action as appropriate.

Why should I tell you about my religion or sexual orientation? It has nothing to do with my job.

We understand that this information is particularly personal and sensitive and you may not want to share it with us. However, we want to ensure our practices, systems and policies are fair and non-discriminatory. If we want to be able to do this, we need your information. Therefore, we encourage you to share your details.

What will happen if I disclose a disability?

If you indicate you have a disability, HR will work with you to determine your particular circumstances and discuss any reasonable adjustment(s) that could be made to support you in your role. However, we acknowledge that often those with a disability don't need or want additional support or assistance. We will not make any assumptions, but will listen to you and agree what, if any, support is required.

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

Who will see the information you hold about me?

Only you and the HR team will be able to access your diversity information. Line managers will not have access. You complete and update the information confidentially on the HR system and it is protected by the General Data Protection Act 2018. We actively encourage you to review and update this information at least annually to ensure any changes are made.

When employee information is reported and published, it is not possible to identify individuals. For example, a report will show the percentage/number of LGBTQ+ employees compared to the percentage of those who are heterosexual. However, no breakdown is provided where fewer than five employees are in a particular category.

We take confidentiality very seriously and you can be assured we will keep your information safe and secure.

Do I have to disclose my information?

No. It is absolutely up to you. However, we would urge you to seriously consider sharing it with us, as it will help us ensure we are not treating people unfairly.

There is some information we need you to provide e.g. date of birth (age) and marital/civil partnership status for payroll / pension purposes and nationality for establishing your right to work in the UK.

Who can I go to if I have a question?

You can approach your line manager in the first instance or contact a member of the HR team. Alternatively, the employee network groups or the Equality and Human Rights [Strategic Steering Group](#) (EHRSG), will be happy to answer any questions. [A list of current members is on SharePoint \(Equality and Human Rights – Steering Group\).](#)

All discussions will be treated confidentially.

[Appendix One](#)

[Review and version control](#)

Date	Action	Comments
April 2025	Policy updated	Minor changes made to include our values, the introduction of our employee passport scheme and the new data collation (carer status and socio economic status).
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Annual assurance reports 2024/25

Item 14.

Meeting date:
20 May 2025

Head of Performance and Corporate Governance

Purpose

1. This report invites the Board to review the annual assurance reports and in accordance with the annual assurance process.

Recommendations

2. The Board is invited to:

- Note the suite of reports set out in the tables below.

Background

3. The governance of crucial business processes and procedures across the organisation is reviewed annually to provide the Audit Committee and Board with assurance and inform the signing of Audit Scotland's annual report and accounts.

Financial Implications

4. There are no financial implications in relation to the reports beyond the person time to prepare the reports and Board time to consider them.

Considerations

5. A suite of annual assurance reports was considered by the Executive Team (ET) at its meetings and via the correspondence process between 03 April and 19 May 2025.

6. The following annual assurance reports was considered by the Audit Committee on 06 May 2025:

- Whistleblowing
- Review of performance management arrangements
- Data Protection and data incidents / loss
- Hospitality and gifts
- Bribery and Fraud

7. The table below summarises the reports, key messages and next steps for reports to be considered by the Board on 20 May.

Report	Date/ summary
a) Information governance and security	Provides positive assurance on information governance and security
b) Complaints	Seven complaints in 2024/25 (compared to four in 2023/24)
c) FOI / EIR	38 requests in 2024/2025 of which 92% dealt within target (compared to 46 requests in 2023/24 of which 93% dealt within target)

8. The table below sets out the dates and next steps for the remaining reports.

Report	Date/ summary	Next steps
d) Correspondence & whistleblowing	Via correspondence, 15 May 2025.	Audit Committee: 03 June
e) Governance Statement and Certificate of Assurance	Scheduled for Executive Team, 19 May 2025.	Audit Committee & Board: 03 June

Annual report: Information governance and security 2024/25

Item 14.

Head of Performance and Corporate Governance and Head of Digital Services

Meeting date:
20 May 2025

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. The 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 Information Governance Management Group (IGMG) oversee the arrangements for information governance, information risk, and security management within Audit Scotland. The IGMG includes colleagues from all business groups.
6. This report has been considered by the IGMG, and it contributes to the Accountable Officer's governance statement for 2024/25.

Assurance and controls

7. The IGMG met six times in 2024/25 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 arrangements and opportunities to implement improvements.

9. Audit Scotland maintains its commitment to the Information Security Standard ISO 27001:2013 with Digital Services leading a project to transition to the new ISO 27001:2022 standard. A transition audit to certify Audit Scotland to the new standard is scheduled for 17 April 2025 and this will be led by an external accredited body LRQA. Following transition to the new standard we will be audited as part of a 3-year cycle process on all controls in the new standard.

10. In November 2024 an Information Security Survey was issued to Audit Scotland staff. The survey was completed by 41 per cent of colleagues, which is a reduction from the 59.5% who responded to the preceding survey in 2023. The responses to the survey indicate generally good working knowledge and understanding around data protection and information security issues across the organisation. There have been some notable improvements based on previous surveys including in the areas of awareness of policies and procedures, locking laptops, use of secure sharing networks, encrypting personal information and remaining cautious about opening external links or emails. Areas for improvement will be targeted through additional awareness raising via planned Viva Engage posts and blogs.

11. The information security survey will be refined in consultation with Digital Services recognising that the frequency of the KnowB4 training, which has received very positive response rates, provides a good level of assurance on engagement with information security and risks but may have negatively impacted engagement with the information security survey. A further, revised, survey will be scheduled for 2026.

12. The annual assurance process was completed in March 2025. Each Business group completed the assurance review checklists for Accountable Officers and Boards, and for Records Management Compliance. The findings from the annual assurance review checklists provide positive assurance about our information governance arrangements.

13. We produced several briefing papers and blogs during the year to remind colleagues of our information and data security arrangements. This year they included:

- The Data Protection Policy and the Freedom of Information and Environmental Information Policy update in April 2024.
- Freedom of Information blog in support of International Right to Know in September 2024.

14. During 2024-25 the Corporate Governance team posted three detailed blogs on the News page, and nine Viva Engage posts on data protection, information security and data incidents, posting on the 'All Company'

board and also dedicated Group boards to promote awareness and raise the profile of these issues.

15. During 2024-25 the Digital Services Team posted 78 Cyber Security Viva Engage posts and 15 detailed blogs on SharePoint Online, targeting awareness of phishing attacks, guidance on securing personal devices, and improving privacy settings.

Information governance, security and incidents in 2024/25

16. The Information Security Management Policy is scheduled for Executive Team on 28 April and the Audit Scotland Board on 20 May.

17. Digital Services produce digital security update reports on a six-monthly basis, and these are considered by the Executive Team and the Audit Committee.

18. In early August 2024, an Audit Scotland colleague's personal email was compromised and used to create highly credible Business Email Compromise (BEC) phishing emails sent to members of the Executive Team, Board and Audit Committee. Audit Scotland colleagues immediately identified the email as suspicious and once reported all email variants were destroyed and external parties notified.

19. In September 2024, Digital Services successfully contained a phishing incident involving a malicious URL within a phishing email targeting 9 inboxes. One colleague clicked the link, which created an alert, but did not download the file after suspecting it. The remaining eight emails were deleted before any staff interaction.

20. In December 2024, Deloitte UK experienced a significant ransomware attack by the Brain Cipher group, which claimed to have stolen over 1TB of data. The incident highlighted potential vulnerabilities in Deloitte's cybersecurity measures and raised concerns about the potential impact on their clients, including communication and data belonging to Audit Scotland and audited bodies. This was treated as a potential cyber incident but later it was confirmed that our data and data belonging to our audited bodies was not affected.

21. A cyber-attack in April 2024 affecting Dumfries & Galloway NHS occurred during an audit requiring heightened scrutiny and monitoring

22. The Digital Services Team is now at 90% establishment, with Ethan Bayne appointed to the role of Infrastructure and Security Manager in August 2024 and two Infrastructure Security Specialist roles being filled in December 2024 and March 2025 respectively. As these new roles complete onboarding there should be a significant improvement to Digital Services project backlog and the delivery of future projects. Two recruitment campaigns for the SQL Developer have been unsuccessful and DSMT are now reviewing the job description and title in line with ongoing projects and future service needs to attract the right skills. There

is the potential to replace the role with two skilled modern apprentices to support the delivery of APEX and our reporting platforms. The Executive Team will be asked to consider proposals for this outstanding vacant post at its meeting in June as part of the new Digital Strategy.

23. David Robertson took on the role of Chief Information Security Officer (CISO) with overall responsibility for cyber security and resilience. The Digital Services Strategy and improvements to the Cyber Incident Response Plan (CIRP), which has two outstanding Internal Audit medium recommendations for improvement, continue to be delayed but with the increase in establishment we anticipate these will be complete in June 2025.

24. Ransomware attacks continue to be the most significant risk to our business functions, with substantial financial implications for system restoration, data recovery and potential fines, together with reputational damage impacting public and audited entities' trust. Cybercriminals are increasingly employing effective toolkits to compromise devices through successful phishing attacks. We are currently reviewing and enhancing our technical protections on devices and providing essential cybersecurity training designed to increase staff awareness of these emerging threats.

25. Data exfiltration involves cybercriminals stealing sensitive information from our network via malware or phishing. Both external cybercriminals and insiders pose risks, necessitating robust detection and prevention mechanisms to protect Audit Scotland data. In the past six months, our network defences successfully blocked two unusual data transfers, both found to be benign. We continue to closely monitor for abnormal transfers and reinforce acceptable use policies as an additional safeguard.

26. We continue to observe an increase in phishing emails that appear to have been created using Artificial Intelligence (AI) tools. These AI assisted phishing emails are more believable as they are crafted with collected information about the individual or organisation from open-source information (social media, news channels, etc). Outside of email, we are expecting to see more communication channels where AI may be employed to create and imitate someone's appearance, persona, or voice, such as Teams phishing or phone calls ('vishing'). Cybersecurity training has been deployed to raise awareness of this emerging threat with staff.

27. Cyber-attacks continue to originate from criminal organisations, notably from Russia, North Korea, China, and Iran. North Korea continues to use crypto currency from Cyber Crime to fund its weapon program. UK public sector organisations are still actively targeted by state-sponsored actors and hacktivists because of Russia's invasion of Ukraine. This risk is expected to increase as the UK takes a more significant role in supporting Ukraine and the United States Government reduces investment in its cyber defences.

28. Our approach continues to be not ‘if’ we will be subject to a successful cyber-attack, but ‘when’ and to counter these increasing threats Digital Services has completed on the following actions to improve our information security and governance:

- As Windows 10 support is scheduled to conclude in October 2025, Digital Services have completed the successful testing of Windows 11, which includes substantial security improvements. Therefore, the wider rollout of Windows 11 to all Dell laptops has commenced. Concurrently, Windows Server 2025 will be deployed to key servers to enhance cybersecurity resilience. In addition to Windows 11 Digital Services are deploying new laptops that strengthen our ability to mitigate and recover from cyberattacks. All HP laptops will be replaced in the coming months and these will already have Windows 11 deployed.
- Our Infrastructure Security Team has grown in capacity allowing it to better monitor, review, and enact improvements to our devices and network security. The increased capacity also strengthens our ability to detect and mitigate cyberattacks.
- Completed deployment of cloud immutable backups for key business data. These backups are in addition to the ‘air-gapped’ immutable backup solution. Together they provide multiple levels of protection against a successful ransomware, preventing any alteration or deletion of our information, and are more efficient for recovery of data and services.
- Deployed a new proxy service which filters out internet-based malware, phishing, and various attacks. As well as providing enhanced protection against malicious sites and web apps the new advanced proxy service has also delivered a significant reduction in browser-based issues and unclassified websites.
- Digital services continue to rapidly update system vulnerabilities as appropriate and replace legacy systems with current more secure solutions.
- Digital Services monthly cybersecurity training continues with 90%+ monthly completion rate, the January 2025 phishing test logged 1.2% of staff incorrectly clicking on test phishing links, a reduction from 2.3% in for January 2024.
- In January 2025 Digital Services performed an annual systems recovery testing to test our recovery procedures. This identified a significant failure in the backup VPN that reduced the recovery time from an automated two hours to a manual procedure that would take up to one day. This is currently being addressed and will be retested in July 2025

- Completion of a thorough review of all our digital policies to ensure they conform to the new ISO 27001:2022 guidance.
- For compliance with ISO 27001:2022 significant improvements to the ISMS internal audit process, with regular internal audits being completed and evidence of an effective process available for upcoming audits.
- The next NCSC accredited penetration test is preliminary scheduled for May 2025. This has been delayed until after the ISO 27001:2022 transition audit and test the completion of the new Windows 11 deployment test phase and to provide a simulated internal attack for the new Infrastructure Security team.

Key information legislative and governance developments

29. There have been 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:

- transfer to the ISO 27001:2022 certification with assessment audits in April and July 2025.
- participate in the revised Scottish Government Public Sector Action Plan version 2 (PSAP) achieving the advanced tier of preparedness
- prepare for Cyber Essentials Plus accreditation
- participate in the National Cyber Security Centre (NCSC) Cyber Security Information Sharing Partnership (CiSP).

Information governance, risk and security mitigation actions

30. 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
- an IGMG, chaired by the Director of Corporate Support, overseeing our information management and risk arrangements. The work of the IGMG is raised by members 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 Head of Performance and Corporate Governance

- 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 IGMG
- an annual evaluation of our information risk and security, through the completion of assurance checklists
- mandatory staff training and awareness on information security and data protection
- provision of cyber incident management training for the Executive Team
- 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

31. The IGMG maintains an information risk register which is reviewed at each of the meetings taking place over the year.

32. The register shows there are currently twenty-three main information and security risks for Audit Scotland. Sixteen of these are active risks and seven are for monitoring due to the low net risk scores.

33. One of the active risks has a high gross risk score (red), fourteen have amber net risk scores defined as 'acceptable level of risk that requires constant active monitoring' and one green net risk score defined as 'acceptable level of exposure subject to regular active monitoring'.

34. The 'red' risk is described as 'a successful malware/ransomware attack prevents access to our data and/or exposes our data', and this issue has been escalated to the corporate risk register, in accordance with the Risk Management Framework, where this issue is recognised within risk A1 'failure to protect digital infrastructure, systems and information'.

Conclusion

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

Annual report on complaints 2024/25

Item 14.

Meeting date:
20 May 2025

Head of Performance and Corporate Governance

Purpose

1. This is the 2024/25 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 Model Complaints Handling Procedure (MCHP) requires all public bodies to have a two stage complaints procedure. Stage one is front line resolution, allowing an opportunity for complaints to be quickly resolved, perhaps by explaining a process which was followed or by providing more detail on how a decision was taken. Stage 2 is for complex complaints or those not resolved at stage one. Handling a complaint at stage two involves more detailed investigation and a formal written response providing information on the investigation and detailed grounds for its determination. Stage one complaints are to be resolved within 5 days, and stage two complaints are to be resolved within 20 working days.

5. Audit Scotland, the Auditor General and the Accounts Commission introduced a joint complaint handling process in December 2012.

6. In January 2020 the Scottish Public Services Ombudsman (SPSO) published a revised Model Complaints Handling Procedure (MCHP). The updated [Audit Scotland MCHP](#) was approved by the Board in September 2020.

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 seven complaints received in 2024/25 (compared to four in 2023/24). One Complaint was upheld, one was partially upheld, and five complaints were not upheld. A summary of the complaints are:

- Complaint one - timeliness following correspondence – Partially upheld – The original correspondence started in 2021/22 and some work took significantly longer to complete than originally identified. A full explanation was given to the complainant that the work was deprioritised due to the Auditor's responsibility to certify the accounts to a statutory deadline and the priority is to return to pre covid delivery dates for all public Bodies.
- Complaint two - complaint about recruitment process - Not upheld.
- Complaint three - treatment by a member of staff – Upheld – additional support provided for Front of House colleague in recognising and responding to complaints raised by telephone
- Complaints four and five - complaints about AGS - Not upheld.
- Complaint six - complaint re handling of correspondence - Not upheld.
- Complaint seven – complaint related to a complaint to a local authority and a complaint about the Audit of that local authority – 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
7	100%	4	100%	2	13	1	1	5

10. We received seven complaints, four were dealt with at stage one and a further four were handled at stage two of the complaints process. All complaints were dealt with within the specified deadlines.

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. During 2024/25 no complainant asked the Scottish Public Services Ombudsman (SPSO) to review their complaint.

Conclusion

13. Board is invited to note the complaints made in 2024/25, the outcomes of those complaints and the management arrangements in place.

Annual report: Freedom of information and environmental information 2024/25

Item 14.

Meeting date:
20 May 2025

Head of Performance and Corporate Governance

Purpose

1. This is the 2024/25 annual report 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 2024/25.

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 have been required to submit their FOI and EIR handling statistics to the SIC on a quarterly basis. Audit Scotland has complied timeously with this requirement.

FOI/EIR overview for 2024/25

Governance

8. The Information Governance Management Group (IGMG) 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 IGMG and Executive Team and re-approved by the Board via correspondence on 04 April 2025.

10. Staff acknowledged compliance with the extant policy via the Fit and Proper form in January 2025.

11. We reviewed our FOI publication scheme in September 2024, 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 recognises provision of information as 'business as usual' activity. This means that we commonly supply information to those requesting as part of our normal course of business.

13. More complex 'business as usual' requests, all requests expressly submitted as FOI/EIR request, and those 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 from this group convene as 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 38 FOI and no EIR requests this year (compared to 46 FOI requests in 2023/24). These were received as follows:

Requests received	2024/25		2023/24	
	FOI	EIR	FOI	EIR
Q1 (April – June)	8	0	7	0
Q2 (July – September)	10	0	10	0

Q3 (October – December)	8	0	8	0
Q4 (January – March)	12	0	21	0
Total	38	0	46	0

Type of requester

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

Requester type	2024/25		2023/24	
	FOI	EIR	FOI	EIR
Media	0	0	3	0
MSP/MP	7	0	1	0
Organisation / Commercial	11	0	23	0
Members of the public	15	0	15	0
Public Body	5	0	4	0
Total	38	0	46	0

Focus of requests

17. Themes emerging from the information being requested are:

- 39% - Audit Scotland's governance, policies, procedures or expenditure
- 24% - Contract information: Information technology, equipment, other contracts
- 24% - Reports, draft reports and correspondence relating to those reports
- 13% - Data held on other organisations

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 92 per cent of the requests. Three requests were late, all by one day. This was a complicated request involving sensitive information from a public body. The three requests were from one requestor and the response included significant discussions with the source of information and a large number of redactions to 29 documents.

20. Information requested was released in full on 18 (47%) occasions, partially released on 12 (32%) occasions and the information requested was not held by us on eight (21%) occasions.

Cost of administering 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. These arrangements will continue subsequent to the introduction of the R&MI system.

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 2024/25 11 colleagues recorded 261 hours to this code (compared to 305 hours in 2023/24). This equates to approximately £7,554 (compared to £7,467 in 2023/24) 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 2024/25.

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 2024/25 to consider applying exemptions to some or all the information being requested.

30. During the course of the year, we applied exemptions to 11 requests. These included exemptions relating to Commercial interests and the economy, Prejudice to effective conduct of public affairs, Law enforcement, Confidentiality and Personal information.

31. Where an applicant is not satisfied with our initial response to their request, they can ask Audit Scotland for a review. In 2024/25 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, with certification on a two –yearly cycle. All colleagues were asked to complete FOI training in March/April 2024 and the next round will be 2026. During 2025 we are refreshing and revising the Freedom of Information training. This will be issued through the Learning Management system from April 2025.

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.

Agenda

Audit Scotland Board

Tuesday 3 June 2025 12.45pm

Audit Scotland offices, 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: 20 May 2025

For approval
- 6. Review of action tracker**

For assurance

Business planning, performance and governance

- 7. 2024-25 Quarter 4 Corporate Performance Report**

For assurance
- 8. 2024-25 Quarter 4 Financial Performance Report**

For assurance

[Considered by the Audit Committee meeting at its meeting on 3 June 2025]
- 9. Bullying & Harassment policy**

For approval

Strategic items

- 10. Strategic Improvement Portfolio Overview Report**

For assurance

 - Project Overview
 - Resource and Management Information
 - Future Public Audit Model
 - Audit Modernisation Project

Annual reports

11. 2024-25 Annual Report from the Chair of the Audit Committee to the Board [Considered by the Audit Committee meeting at its meeting on 3 June 2025]	For assurance
12. 2024-25 Review of Remuneration and Human Resources Committee performance [Considered by RemCo meeting at its meeting on 6 May 2025]	For assurance
13. Letter of Representation and Audit summary Report for the year ended 31 March 2025 [Considered by Audit Committee meeting at its meeting on 3 June 2025]	For assurance
14. 2025 Review of Counter Fraud Policy [Considered by the Audit Committee meeting at its meeting on 6 May 2025]	For approval
15. Governance Statement and Certificate of Assurance [Considered by the Audit Committee meeting at its meeting on 3 June 2025]	For approval

Items to be taken in private

16. Audit Scotland Annual Report and Accounts [Item to be taken in private to support the effective conduct of business, intended for future publication]	For approval

Conclusion 14.45

17. Any other business	For discussion
18. Review of meeting	For discussion
19. Date of next meeting: 23 September 2025	For information

Minutes

Audit Scotland Board

Tuesday 1 April 2025, 10.00-13.00
Audit Scotland, 102 West Port



Present:

Colin Crosby (Chair)
Stephen Boyle
Jackie Mann
Jo Armstrong
Patrick Bartlett
Catherine Maclean

Apologies:

No apologies

In attendance:

Vicki Bibby, Chief Operating Officer
Alison Cumming, Executive Director of Performance Audit & Best Value
John Cornett, Executive Director of Audit Services (*Item 14*)
Martin Walker, Director of Corporate Support (*Item 16*)
Graeme Forrester, Head of Performance & Corporate Governance (*item 11*)
Gemma Diamond, Director of Innovation and Transformation (*Items 13,14,15*)
Stuart Dennis, Corporate Finance Manager (*Item 13*)
Susan Burgess, Head of Human Resources (*Item 13,15*)
Morag Campsie, Head of Digital Audit (*Item 14*)
Bobby Alikhani, Project Manager (*Item 14*)
Daniela Yaneva, Project Manager (*Item 14*)
Gill Miller, Senior Manager (*Item 16*)
Simon Ebbett, Head of Communications (*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, Alison Cumming, John Cornett, Martin Walker and Graeme Forrester joined the meeting.

The Chair welcomed attendees to the meeting and extended a special thanks to Martin Walker acknowledging his significant and invaluable contributions to Audit Scotland and the Board, as this is his final Board meeting.

The Chair acknowledged that family circumstances have prevented Michelle Borland, Susan Burgess, and Paul O'Brien from attending the meeting and conveyed the Board's best wishes to them.

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 18 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 routine meetings with Stephen Boyle, Auditor General for Scotland and Accountable Officer and Vicki Bibby, Chief Operating Officer. The Chair confirmed that he had meetings with Alison Cumming, Executive Director of Performance Audit and Best Value, Patrick Bartlett, Chair of the Audit Committee and Susan Burgess, Head of Human Resources as part of the induction programme.

The Chair met with Graeme Forrester, Head of Performance and Corporate Governance, to discuss the performance management framework and had an update meeting with Jo Armstrong, Chair of the Accounts Commission. Additionally, the Chair attended the Leadership Group meeting on 24 February 2025 to address transformational change from the Board's perspective.

The Chair attended: Kenny Oliver's keynote session on 'Shaping our future' which was followed up by a meeting with Professor James Baird; and a cyber security event in Glasgow. He has also undertaken cyber security training.

The Chair was involved in sending a response letter to the Spectator on Audit Scotland's open public tender process.

Regarding forthcoming activities, the Chair is meeting with the Chair of the National Audit Office this week. The Chair will also meet with the Chair of the Scottish Environment Protection Agency. Additionally, there will be an informal budget meeting with the Scottish Commission for Public Audit.

Following discussion, the Board welcomed the update.

6. Accountable Officer's report – verbal update

Stephen Boyle advised of regular meetings with the Chair of the Audit Scotland Board and meetings with Jo Armstrong, the Chair of the Accounts Commission. He will also meet with the Accounts Commission and colleagues to discuss the forward audit work programme leading up to the Scottish Parliament elections.

Stephen updated members on two significant publications: the joint report with the Accounts Commission on additional support for learning in Scotland and the implementation of the GP contract following the Scottish Parliament agreement.

Stephen and colleagues participated in evidence sessions with the Public Audit Committee, including a briefing from the Scottish Government and HMRC on Scottish income tax implementation. Stephen also provided evidence to the Scottish Parliamentary Corporate Body Supported Bodies Landscape Review Committee, which is considering the creation of seven additional commissioners in Scotland.

Externally, Stephen and Jo Armstrong attended the Scottish Government's Public Service Reform summit. Stephen and Vicki Bibby met with all six appointed audit firms. Additionally, Stephen addressed the Scottish Housing Regulator on public audit, proportionality, fiscal sustainability and challenges facing registered landlords in Scotland.

Stephen and Vicki Bibby attended an event in Dublin with the UK and Ireland Auditors General and Chief Operating Officers, focusing on parliamentary engagement. They also both attending the Deloitte State of the State event which focussed on reform and fiscal sustainability.

Stephen informed members that today is the Permanent Secretary of the Scottish Government's last day before assuming the role of HMRC Secretary. He looks forward to meeting the new Permanent Secretary.

Following discussion, the Board welcomed the update.

7. Accounts Commission Chair's report

Jo Armstrong reported a productive strategy session between Audit Scotland and the Accounts Commission, where colleagues discussed plans, priorities, and the future work programme. Additionally, Jo, along with Audit Scotland colleagues, attended a joint meeting with the Cabinet Secretary to discuss the collaborative work of Audit Scotland and the Accounts Commission.

Jo advised there were many publications produced with the key ones being the Financial Bulletin and the Integration Joint Board report. Additionally, numerous Best Value reports have been produced for a variety of Bodies.

Work is also taking place to continue to strengthen connections with major stakeholders such as the Improvement Service and the Convention of Scottish Local Authorities (COSLA).

Jo informed members that the Accounts Commission will play a key role in contributing to and shaping the Future Public Audit Model (FPAM).

Following discussion, the Board welcomed the update.

8. Chief Operating Officer – verbal update

Vicki Bibby thanked the teams involved in organising the two excellent Accounts Commission sessions: the Strategy session and the meeting with the Cabinet Secretary. She also thanked the team for organising the successful technical training event at Strathclyde University.

Vicki advised of regular engagement with the Chair of the Audit Scotland Board. She has also met regularly with the Chair of the Remuneration and Human Resources Committee, the Head of Human Resources and the Public and Commercial Services Union regarding organisational changes.

Vicki confirmed positive discussions with the six audit firms and attended the Deloitte State of the State 2025 event, as well as the Dublin event with UK and Ireland Auditors General and Chief Operating Officers. She continues regular engagement with Chief Operating Officers from other public audit bodies and had a constructive meeting with a consultant reviewing the Ireland office's strategic plan.

Looking ahead, Vicki and Stephen will meet with the Chief Executive and Head of Operations at the Parliament to discuss FPAM. She will also be attending the informal budget meeting with the Chair of the SCPA.

Vicki confirmed the temporary management arrangements for the vacant Director of Corporate Services post: she will oversee Finance and Human Resources, while Helena Gray, Controller of Audit, will manage Governance, Digital, and Business Support. Interviews for this position and the Head of Finance are scheduled.

Following discussion, the Board welcomed the update.

9. Review of minutes

Board meeting: 28 January 2025

The Board noted the minutes of the Board meeting of 28 January 2025, copies of which had been previously circulated.

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

Audit Committee meeting: 11 November 2024

The Board noted the minutes of the Audit Committee meeting of 11 November 2024, copies of which had been previously circulated.

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

Remuneration and Human Resources meeting: 11 November 2024

The Board noted the minutes of the Remuneration and Human Resources meeting of 11 November 2024, copies of which had been previously circulated.

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

10. Review of action tracker

The Board noted and approved the updated action tracker. Members requested that the action regarding the cost of delayed audits remain on the planner as an ongoing item. They noted that once the Resource and Management Information system is implemented, it will be easier to provide the necessary data.

11. 2024-25 Quarter 3 Corporate performance report

Graeme Forrester provided an update on the Quarter 3 Corporate performance report, copies of which had been previously circulated.

The Board was invited to:

- The 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.

The Board thanked the team for a useful and clear report and noted the stable performance position.

During discussion, the Board sought clarification on the number of audits delivered by the Firms in comparison to the number delivered by Audit Scotland. Members noted Audit Scotland's development of a stringent post-pandemic recovery plan, emphasising clear planning, flexibility and short-term resource increases to achieve target delivery. They also noted that the Firms have a clear recovery timeline, which is being closely monitored.

Further discussion focused on the introduction of the 11-month concept in the latest update of the audit quality framework to track improvements over time. Members noted that this is currently being developed as part of the performance management review. Also, as part of the review, members agreed that it would be useful for there to be a PABV focus on how costs are split across AGS and the Accounts Commission.

The Board noted that 80% of our audit delivery is improving whilst recognising the challenges we have with late delivery. Work is in progress to address the issues with the new Resource Management and Information system being fundamental in providing us with clarity over performance and where it sits in terms of delivery, finance and productivity.

The Board discussed in detail the future complexities and challenges of where we may face potential scenarios where public bodies have two different auditors and audit frameworks and how we can identify and address these situations.

Following discussion, the Board was content to note the progress made.

12. 2024-25 Quarter 3 Finance performance report

The Audit Committee reviewed the 2024-25 Quarter 3 Finance performance report during its meeting on 4 March 2025, and found no amendments necessary. The Board was content to note the report.

13. 2025-28 Operational planning: progress update

Gemma Diamond, Susan Burgess and Stuart Dennis joined the meeting.

Gemma Diamond provided an update on progress on Operational planning for the period 2025 to 2028, copies of which had been previously circulated.

The Audit Scotland Board is invited to:

- Note the operational priorities agreed for the business plan, set out in Exhibit 1.
- Note the progress developing the strategic workforce plan, noting that the strategic workforce plan 2025 to 2028 will be shared with the Remuneration and Human Resources Committee at its May meeting for assurance.
- Approve the operational budget for 2025-26.
- Note the planned approach to scenario planning to be taken forward this year.

During discussion, the Board was content to note that the plan captures the key operational priorities and agreed both workforce and financial planning is key to how we deploy our resources to deliver on these priorities. Members noted that delivery of the 2025/26 operational plan holds much more risk and acknowledged Audit Scotland's continued efforts to mitigate budget pressures such as reducing the contingency fund by half, increasing the vacancy factor and establishing a Recruitment Board.

Following discussion, the Board was content to note the operational priorities and the planned approach to scenario planning and approved the operational budget for 2025-26.

Susan Burgess and Stuart Dennis left the meeting.

14. Strategic Improvement Programme update

Morag Campsie, Bobby Alikhani and Daniela Yaneva joined the meeting.

Project Overview

Gemma Diamond provided an update on progress with the Strategic Improvement Programme following the SIP Board meeting on 4 March 2025, copies of which had been previously circulated.

The Board was invited to note:

- The status of SIP projects.
- Plans for applying portfolio and programme (PPM) principles and approaches to the SIP and the portfolio level timelines, budget and risk data available as part of this approach.

Following discussion, the Board was content to note the update on progress with the Strategic Improvement Programme.

Resource and Management Information (R&MI)

John Cornett provided an update on progress on the R&MI project confirming the completion of the open tender procurement and the appointment of Hub Planner to deliver the system. The contract standstill period has ended, and the contract will be awarded this week, with implementation starting in April.

The Board noted the development of a detailed cultural change plan and the setup of a testing environment for staff before the system goes live in August. Members also discussed data migration, noting that detailed discussions will begin once the contract is signed this week.

Future Public Audit Model (FPAM)

Gemma Diamond provided a progress update on FPAM confirming that it is now part of the Strategic Improvement Programme and a project board has been established to take this forward.

Audit Modernisation Project (AMP)

Gemma Diamond provided an update on the next steps for the AMP, copies of which had been previously circulated.

The Audit Scotland Board was invited to:

- Note the activity underway to complete the Full Business Case (FBC).
- Note the current underspend against budget and that this largely relates internal staff costs (paragraph 8).
- Note the acceleration of the Memorandum of Understanding (MoU) with the National Audit Office (NAO) as set out in paragraph 12.

During discussion, the Board noted that the team had a successful visit with the National Audit Office in London to gain a deeper understanding of the Apex system and how it was introduced across the organisation.

Further discussion centred on completing the Full Business Case. Members noted that this cannot be finalised until the MoU is completed. Risks to the timeline are being managed through clear communication channels and strong relationships with the NAO.

Following discussion, the Board was content to note the report.

Morag Campsie, Bobby Alikhani and Daniela Yaneva left the meeting.

15. 2023-25 Diversity, equality and inclusion strategy and mainstreaming equalities progress report

Susan Burgess joined the meeting.

Gemma Diamond provided an update on progress with the Strategic Improvement Programme following the SIP Board meeting on 4 March 2025, copies of which had been previously circulated.

The Board was invited to:

- Approve the DEI strategy for 2025-2029 (Appendix one).
- Approve the mainstreaming equality report 2023-2025 (Appendix two).

During discussion, the Board agreed that as an organisation we have evolved and our performance in all areas are good. We are attracting more people to come and work for Audit Scotland from diverse backgrounds.

Members agreed that we need to clearly define our benchmarking criteria for the Scottish population and ensure we use the right statistics for comparison.

Further discussion focussed on testing our practices concerning exclusion (as well as inclusion) where someone has not been able to work with us due to a disability. Members noted that, while there have been no such instances, it is a valuable concept to consider.

Following discussion, the Board approved both the DEI strategy for 2025-2029 and the mainstreaming equality report 2023-2025.

Gemma Diamond and Susan Burgess left the meeting.

16. Statutory reporting fees

Gill Miller joined the meeting.

Vicki Bibby provided an update on the proposed change to the application of Audit Scotland's funding and fee strategy, copies of which had been previously circulated.

The Board was invited to:

- Approve the principles-based approach to recovering ASG's costs by charging audited bodies a statutory reporting fee.
- Note how statutory reporting fees will be determined and the process for when a statutory reporting fee is not, or cannot, be charged.

During discussion, the Board noted that reports are considered on a case-by-case basis and questioned how to ensure fairness in the process. Members were assured that a robust and detailed process is in place to uphold our principles.

Following discussion, the Board approved the principles-based approach and were content to note how statutory reporting fees will be determined and the process for when a statutory reporting fee is not, or cannot, be charged.

Gill Miller left the meeting.

17. Board/committee meeting locations and engagement

Martin Walker provided an overview of the options provided for location of Board meetings, copies of which had been previously circulated.

The Board was invited to:

- Discuss the options and considerations in relation to the location of Board/ Committee meetings and wider Board engagement
- Agree next steps as set out in paragraph 31.

During discussion, the Board agreed that while Board/committee visibility in all Audit Scotland office locations is important, it is difficult to justify in terms of practicalities and costs. The Board agreed that rather than hold meeting days in Aberdeen or Inverness, other opportunities can be explored.

Following discussion, the Board agreed to hold Board/committee meetings in Glasgow and Edinburgh, with further options to be considered for Inverness and Aberdeen.

Action: Niki/Nic to schedule Board/committee meeting dates for Glasgow.

Items taken in private

18. 2024-25 Annual report and accounts

Simon Ebbett joined the meeting.

Simon Ebbett introduced the proposed themes for the narrative of the 2024-25 Audit Scotland annual report and accounts, copies of which had been circulated previously.

The Board was invited to:

- Provide feedback on the proposed themes in 'Narrative themes' in 12 – 19.
- Note the updated key dates in 'Key dates' at paras 20 – 21.

Following discussion, the Board agreed to the proposed themes and key dates, with minor amendments to the report on language and tone.

Simon Ebbett left the meeting.

Items taken by correspondence

19. R&MI project open tender recommendations

The Board noted the R&MI project open tender recommendation for approval.

20. Occupational Health contract award recommendation

The Board noted the Occupational Health contract award recommendation for approval.

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

The members noted the next meeting of the Audit Scotland Board is scheduled for 20 May 2025.

2025 Board action tracker



Meeting date	Item title	Action description	Due date	Responsible	Assigned to	Complete/ ongoing	Progress notes
27-Mar-24	Q3 Corporate performance report	Quantify the cost of delayed audits and inform the Board.	Sep-25	Graeme Forrester	Graeme Forrester	Ongoing	09/05/24: Ongoing 04/09: Ongoing 15/11: progress delayed due to capacity challenges. Due to be progressed during December. 16/01: Work now under way with revised target date of Feb 2025. 13/03: Report on the Executive Team agenda for 24/03/25 and circulation to the Board thereafter. 01/04: At its meeting on 1 April 2025, Board members agreed that this action remains on the action tracker until the new R&MI project, once implemented, can provide the required data.
20-May-25	Draft Audit Transparency report	Patrick to approve final Transparency report	May-25	Paul O'Brien		Complete	26/05: Patrick has approved the final report and has been sent to comms for publication.

Q4 2024/25 Corporate Performance Report

Item 7.

Meeting date:
03 June 2025

Head of Performance and Corporate Governance

Purpose

1. This report provides the Board with a review of organisational performance as at quarter four (Q4) 2024/25, and in doing so sets out the end-of-year position for 2024/25.

Recommendations

2. The Board is invited to:
- Review the performance in 2024/25 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 quarterly report is aligned to the Audit Scotland Corporate Plan 2023-2028 published in June 2023.

4. In preparation of this report, individual business groups have provided relevant data, which has been analysed and quality assured by the Performance, Finance and Risk Management Group, and is now presented to Executive Team for approval in advance of being submitted for the Board meeting on 3 June 2025.

5. The sections in the slide deck attached as appendix 1 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

6. The infographic below provides a summary of performance as at Q4, and the end-of-year position for 2025/26.



Performance Highlights 2024/25

7.

- **Financial Audit delivery** - timeliness of delivery of financial audits has improved compared to last year - 55 per cent on time compared to 46 per cent in 2023/24.
- **Performance and other audits** - We have delivered 35 Performance audits/reports in-year, 86% of which were delivered in line with planned timescales.
- **Exam results** – staff taking exams are exceeding the three-year results average, and passes are significantly above target (85%) at 94 per cent.
- **Flexi time balances** – flexi time balances in excess of the maximum allowed of 14.5 hours reduced from 31 per cent in Q1 2023/24 to 13 percent in Q4 2024/25.
- **Quality** - the Quality of Public Audit in Scotland annual report 2025, transparency reports and the audit quality action plan provide assurance overall and indicate a positive direction of travel. This included the first occasion on which we have received a 'good' grading on review of an audit of a Council or Health Board from an external reviewer. All performance audit reviews required no more than limited improvements, meeting the target. Performance audit external reviews have consistently met the expected standard for

the last three years. There was one review which identified 'significant improvements' required for a financial audit. Root cause analysis has been carried out by Innovation and Quality Group and improvement actions are being put in place.

- **Impact Monitoring and evaluation** report published in [May 2024](#).
- **Best Companies** survey – achievement of One Star accreditation and designation as 'a very good company to work for' in the Best Companies survey, up from 'one to watch' in 2024.

Financial audit delivery

8. The delivery of audit continues to improve - the proportion of financial audits delivered in-year increased to 87% this year, compared to 78% last year. Audits delivered by target date increased to 55% this year compared to 46% last year.

9. In the year to date we have delivered 236 (93%) of the 253 2023/24 annual financial audits required. These are:

- 23 of 23 NHS accounts (June due date)
- 22 of 22 Central Government (August due date)
- 109 of 125 Local Government audits (September due date)
- 63 of 63 Central Government (October due date)
- 18 of 20 Further Education. (December due date)
- By audit provider - ASG has delivered 155 of 157, and the Firms 81 of 96.

10. As at time of writing, one 2022/23 financial audits remains outstanding, which is a local government joint board audit being carried out by a firm.

11. Executive Team now considers a delivery update report on a monthly basis.

12. A verbal update on the most up to date position will be provided at the meeting.

Performance audit/ statutory reports/ other reports delivery

13. We delivered 35 Performance audits/reports, 86% issued to the planned timeline.

14. The UK General Election impacted on the publication timetable and resulted in some reporting occurring later in the year. All planned reports have now been published.

15. In Q4, 11 performance audits and two Audit Scotland corporate reports were published. Links to these reports are included below:

Accounts Commission:

- [Aberdeen City Council](#)
- [Financial bulletin 2023/24 and blog](#)
- [East Renfrewshire Council](#)
- [A review of housing benefit overpayments](#)
- [Fife Council](#)
- [Integration Joint Board financial bulletin 2023/24](#)
- [Council tax setting across councils](#)

Auditor General for Scotland:

- [Administration of Scottish Income Tax](#)
- [General practice](#)

Joint reports:

- [Sustainable transport](#)
- [Additional support for learning](#)

Audit Scotland:

- [Impact monitoring and evaluation report](#)

Resources and capacity

16. Audit Scotland's net operational expenditure was 5.3% less than budget. This is mainly due to receipt of unbudgeted prior year fee income and savings in pay expenditure with staff turnover being more than planned and the average WTE being lower than budgeted. Additional information is contained on slide 16 of the appendix.

17. The number of FTE at end of March 2025 was 345.15, against an establishment level 366.07 FTE. This equates to 94.3% of establishment. The breakdown by business group is included in Appendix 1 (slide 18).

18. Staff turnover for the year, for all leavers, was 8.13% compared to 9.33% in 2023/24.

19. Sickness absence rate was 6.52 days which remains below the average benchmarking figures for UK workplaces. It is, however, an increase from 6.01 days in 2023/24, and 4.66 days in 2022/23.

Innovation & Learning

20. Exam results year to date show a 94% pass rate, which is above the target of 85%, and is higher than last year's average of 92%.

21. The percentage of mandatory training completed increased to 93% but remains slightly below the target of 95%.

Developments in Audit delivery

22. 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 meeting the target date	9	14	11	8	42
Total audits in sector	11	49	24	12	96
Total audits delivered to date	11	35	24	10	80
Percentage of audits which met target sign-off date this year (2023/24 audits)	82%	29%	46%	67%	44%
Percentage of audits meeting target sign off date last year (2022/23 audits)	64%	27%	50%	54%	42%
Delivery on time performance against prior year	↑	↑	↓	↑	↑

ASG					
Expected delivery by Sector	NHS	LG	CG	FE	Total
Number of audits meeting the target date	12	38	40	6	96
Total audits in sector	12	76	61	8	157
Total audits delivered to date	12	70	61	6	155
Percentage of audits which met target sign-off date this year (2023/24 audits)	100%	50%	66%	75%	61%
Percentage of audits meeting target sign off date last year (2022/23 audits)	83%	32%	57%	88%	48%
Delivery on time performance against prior year	↑	↑	↑	↓	↑

Ongoing Performance Management Framework Development

23. The Audit Committee, at its meeting on 6 May 2025 received an annual review assurance report on Audit Scotland's Performance Management and Arrangements, which provided an overview of the

sources of performance assurance across the organisation, and set out ongoing developments in corporate performance reporting, the first phase of which will focus on:

- Supporting efficient and timely reporting of performance, enabling strategic oversight and decision making, and ensuring an accurate and appropriate record of organisational achievement.
- Being action-focussed – designed to support the organisation in identifying and taking appropriate operational actions to improve performance.
- Being demand-driven – moving from the current supply-led provision of performance information to a system where relevant information will be available on-demand to those who need to see it.
- Supporting the One Organisation approach – supporting corporate decision making and enabling sharing of information and learning across business groups.

24. Phases two and three of this work will align with the implementation of the R&MI system (scheduled for August 2025) and the development of the Audit Modernisation Programme (expected to be around Q2/Q3 of 2026/27), respectively, as both will offer significant opportunities to bring additional data within our reporting arrangements, and develop the analysis of that data.

Conclusion

25. This report asks the Board to note the Q4 performance report and the 24/25 annual performance summary, and note the steps being taken to develop the Performance Management Framework further

Q4 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	Green	→
Audit quality assurance results	Amber	→
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	Green	→

Innovation & 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

- Financial Audits delivered on time is 55%, compared to 46% last year, with ASG delivering 61 percent on time and the Firms 44 per cent
- 35 Performance Audit, statutory, or other reports delivered compared to 38 last year. With 86% on time compared to 89% last year
- 2024/25 Annual Audit plans 171 of 214 (80%) of 24/25 Annual Audit Plans due by 31 March 2025 were submitted on time. Compared to 67% on time at the same point last year.

Resources

- Both ASG and PABV show improving audit time v. non-audit time – ASG up 13% compared to 2019/20; PABV up 10% on 2020/21.
- At the end of March, the revenue position was £1,982k less than budget.
- Staff turnover for all 2025 leavers was 8.13% down from 9.33% in 2023/24.
- Absence for Q4 was 1.82 days compared to 1.86 days in Q4 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 Q4 2024/25 the average across business groups has reduced to 13%.

Other

- Exam Pass rates - exceeding the three-year average and above target

Challenges

Delivery

- There remains one outstanding Firms Local Government 2022/23 audit.
- There are 17 Outstanding 2023/24 audits. 2 ASG (LG audits) and 15 Firms audits (1 FE and 14 LG).
- Quality reviews show that 62.5% of external reviews achieved the target of 80% grade 1 or 2 outcomes. Internal reviews achieved 75% against the same benchmark.

Resources

- Overspends in audit days - though the financial position is a projected underspend.
- The number of FTE at the end of March 2025 was 345.15 (establishment level 366.07 FTE.) This equates to 94.3% of establishment.

Actions

Delivery

- During Summer 2025, AQA will discuss with both bodies and auditors how the most delayed audits can be brought back to expected dates .
- Quality: I&Q are progressing improvement actions to support audit teams with lower quality review grades.

Resources

- Recruitment to vacant posts is considered by the Recruitment Board.

Delivery

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

Financial Accounts:

253 Accounts were due by the 31 March 2025. This includes 23 NHS, 22 Central Government (Aug), 63 Central Government (Sept), 125 Local Government and 20 Further Education.

We have delivered 236 (93 per cent) of the 2023-24 accounts. ASG has delivered 155 (99%) of their 157 accounts, of which 61 percent were on time.

Firms have delivered 81 (84%) of their 96 accounts, of which 44 percent were on time.

The number of Annual Audit plans delivered on time has improved from last year's 67 per cent, with 171 of 215 (80%) of 24/25 Annual Audit Plans due by 31 March 2025 submitted on time. ASG have submitted 122 (88%) percent on time and the firms 49 (65%) percent on time.

Eighteen of the outstanding Annual Audit Plans relate to organisations where the 23/24 audit is either not completed or was completed late.

For the Auditor General for Scotland Year to date:

Accounts

- 126 of 128 (98%) of the NHS, CG and FE accounts due have been delivered 86 (67%) on time - ASG 58 (72%) on time; Firms 28 (60%) on time.

For the Accounts Commission Year to date :

Accounts

- 109 of 125 (87%) of the Local Government accounts have been delivered, of which 52 (42%) were delivered on time: ASG 38 (50%) on time; Firms 14 (29%) on time.

Performance and statutory reports

In 2024/25 we delivered 35 Performance and statutory reports with 86% on time compared to 38 reports last year with 89% on time last year.

The UK General Election impacted on the publication timetable and resulted in some reporting occurring later in the year.

Accounts Commission:

[Aberdeen City Council](#)

[Financial bulletin 2023/24 and blog](#)

[East Renfrewshire Council](#)

[A review of housing benefit overpayments](#)

[Fife Council](#)

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[General practice](#)

Joint reports

[Sustainable transport](#)

[Additional support for learning](#)

Audit Scotland

[Impact monitoring and evaluation report](#)

Objective

Audits delivered on time and on budget

KPQ

Are audits delivered on **time**?

Target

95% of audits delivered on time



OVERVIEW **Amber** - ASG and Firms Audits completed on time: percentage for each sector

Auditors continue to improve the proportion of audits delivered on time with 55% on time compared to 45% last year. A further nine per cent of audits that were completed after target dates were completed less than 11 months after the previous year's audits. The charts on this slide include delivery for both ASG and the Firms.

Reasons for late audits

- 47 percent - auditors prioritising other audits or due to audit staff availability.
- 29 percent - audited body setting board date after deadline, late providing evidence, audit amendments, and finance staff availability.
- 24 percent - previous years audits or not able to obtain audit information from bodies other than the audit body such as pension fund assurances and actuarial information.

For the Auditor General for Scotland Year to date:

Accounts

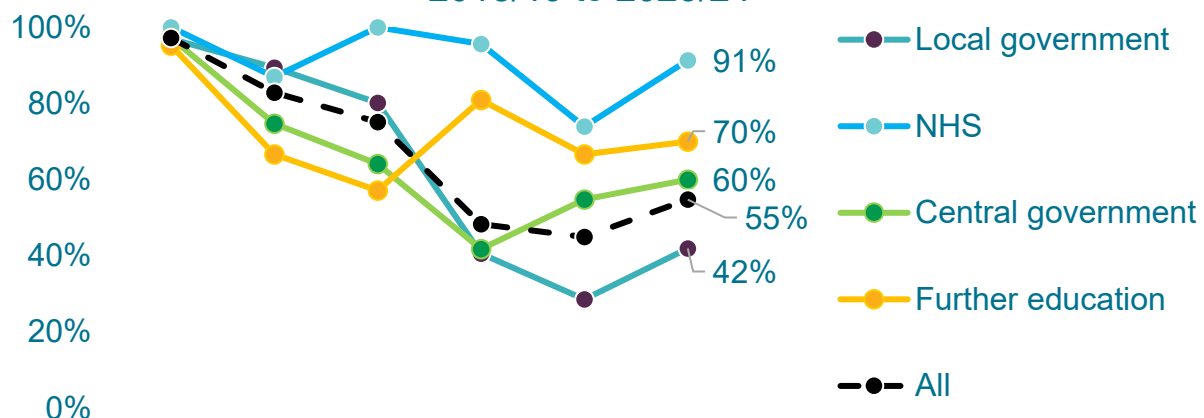
- 126 of 128 (98%) of the NHS, CG and FE accounts due have been delivered year to date
- 86 (67%) on time - ASG 58 (72%) on time; Firms 28 (60%) on time.

For the Accounts Commission Year to date :

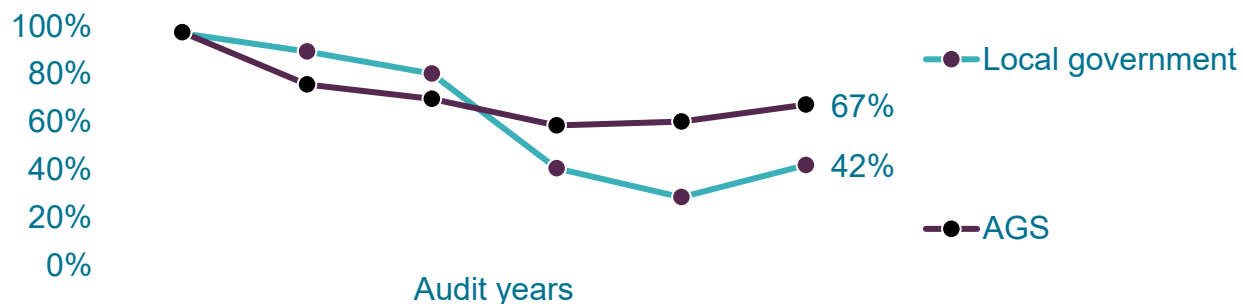
Accounts

- 107 of 125 (86%) of the Local Government accounts have been delivered year to date, of which 52 (42%) were delivered on time: ASG 38 (50%) on time; Firms 14 (29%) on time.

ALL - Percentage of audits completed by target date
2018/19 to 2023/24



ALL - Percentage of audits completed by target date
2018/19 to 2023/24



Objective

Audits delivered on time and on budget

KPQ

Are audits delivered on **time**?

Target

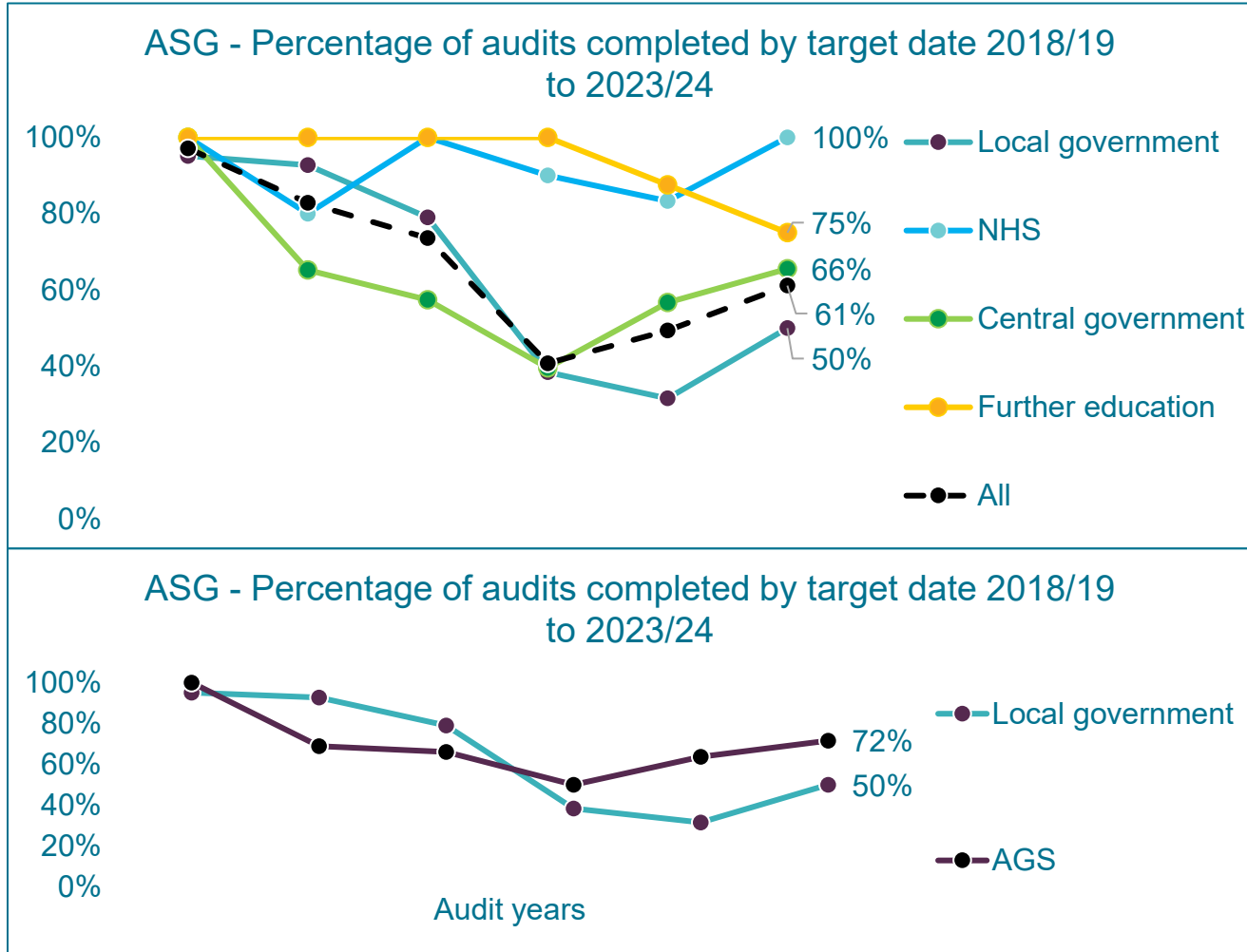
95% of audits delivered on time



OVERVIEW

Amber

Audit Services Group financial audit Audits completed on time: percentage for each sector



Auditors continue to improve the proportion of audits delivered on time.

Delivery of Audit was 61% on time, compared to 49% last year.

Delivery of audits on time are improving for both the Accounts Commission and the Auditor General for Scotland.

NB: these figures now include Dumfries and Galloway Council Trusts, a late entry for 2023/24. No audit will be required for 2024/25, but unfortunately, the Council alerted us in February 2025 that they had not closed off this body by the OSCR deadline, so a late audit was conducted and is now signed-off.

For the Auditor General for Scotland Year to date:

Accounts

- 81 of 81 (97%) of the NHS, CG and FE accounts due have been delivered year to date
- ASG 58 (72%) on time;

For the Accounts Commission Year to date :

Accounts

- 74 of 76 (97%) of the Local Government accounts have been delivered year to date, of which 38 (51%) were delivered on time.

Objective

Audits delivered on time and on budget

KPQ

Are audits delivered on **time**?

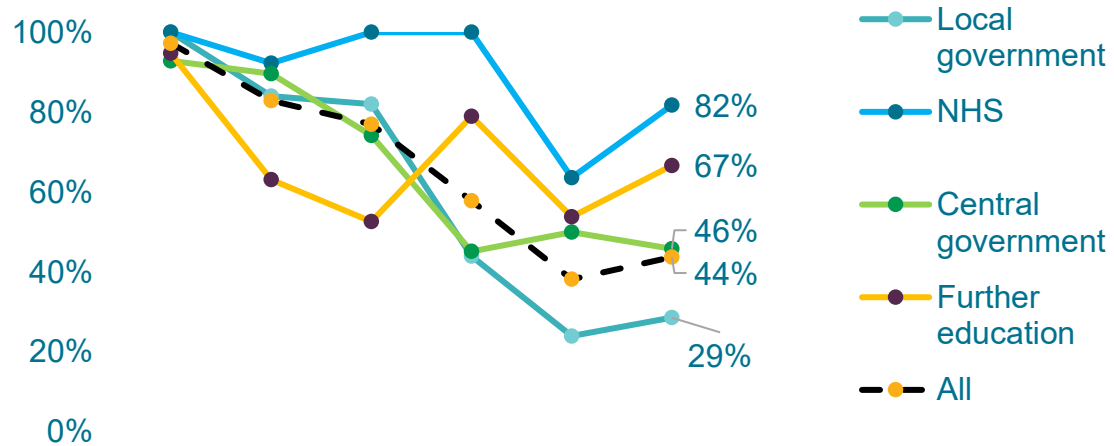
Target

95% of audits delivered on time



OVERVIEW **Amber** Firms financial audit Audits completed on time: percentage for each sector

Firms - Percentage of audits completed by target date
2018/19 to 2023/24



Firms - Percentage of audits completed by target date
2018/19 to 2023/24



There remains one outstanding 2022/23 Audit.

Auditors continue to improve the proportion of audits delivered on time.

Delivery of Audit was 44% on time compared to 38% last year.

Delivery of audits on time are improving for both the Accounts Commission and the Auditor General for Scotland.

For the Auditor General for Scotland Year to date:

Accounts

- 45 of 47 (96%) of the NHS, CG and FE accounts due have been delivered to date, of which 28 (60%) were delivered on time

For the Accounts Commission Year to date :

Accounts

- 35 of 49 (71%) of the Local Government accounts have been delivered year to date, of which 14 (29%) were delivered on time:

Objective

Audits delivered on time and on budget

KPQ

Are audits delivered on **budget**?

Target

+/-5% of budget

OVERVIEW **Amber**

Audit Services Group

For 2023/24, the initial budget for 2023/24 audits was 23,177 days – 12.5% less than 2022/23 actuals. As at 31 March, 26,308 days have been spent on 2023/24 audits (13.5% above budget, 3,131 day overspend). 2023/24 audit codes were closed at 31 March, except for the two outstanding audits. Overspends occurred across a large majority of audits, and across all sectors except for EAFA (in its final year).

The Resource Leads Group monitored this position throughout the year and discussed explanations including varying quality of working papers from clients, delays with clients, additional non-current assets work that was not budgeted for. Some changes to how we code time in the TRS will also have impacted time charged to audits – for example, a move away from using General Admin. A Budget Challenge Panel has been set up to review overspends, and insights from this will feed into continuous improvement.

It is of note that alongside this increase in audit time, there has been no equivalent increase in flexi balances. Therefore, the overspend against budgets has been achieved primarily through reduced non-audit time.

For 2024/25 audits, budgets have been finalised, providing for a total of 24,620 days. This is 1,688 lower than the actuals for 2023/24 audits. As of 31 March, 7,088 days had been spent – 28.8%, which is in line with or a little ahead of expectations based on last year.

Performance Audit and Best Value:

PABV is reporting 8% above budget - this is outwith the target level but lower than the 12% reported in Q3.

The cost overrun is spread over a few portfolio areas with approximately half in the Local Services portfolio due to the costs associated with completing Best Value work for the Commission.

Audit impact arrangements are still relatively new, and this has contributed to the current position particularly for the Social Care portfolio where the Alcohol and Drug Services report had increased engagement, impacting on the time required by the audit team. A similar position was also experienced in other portfolios where there has been increased engagement with Parliamentary committees.

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

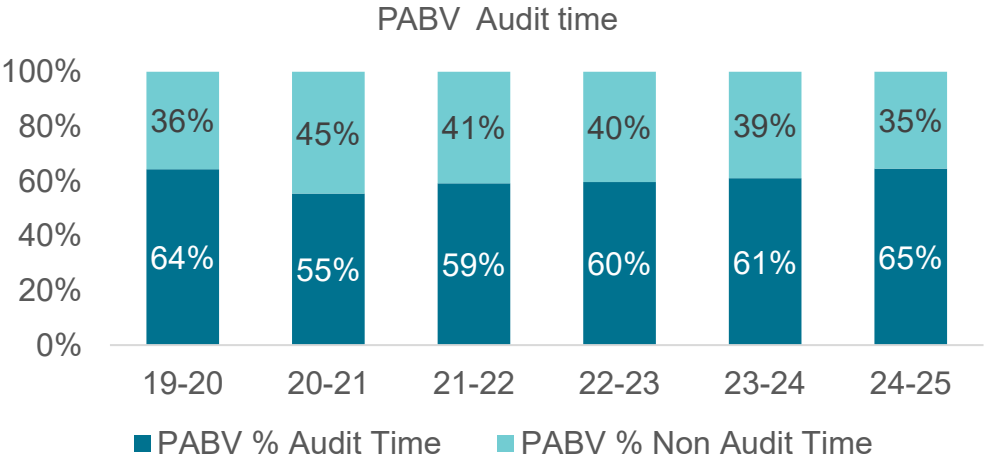
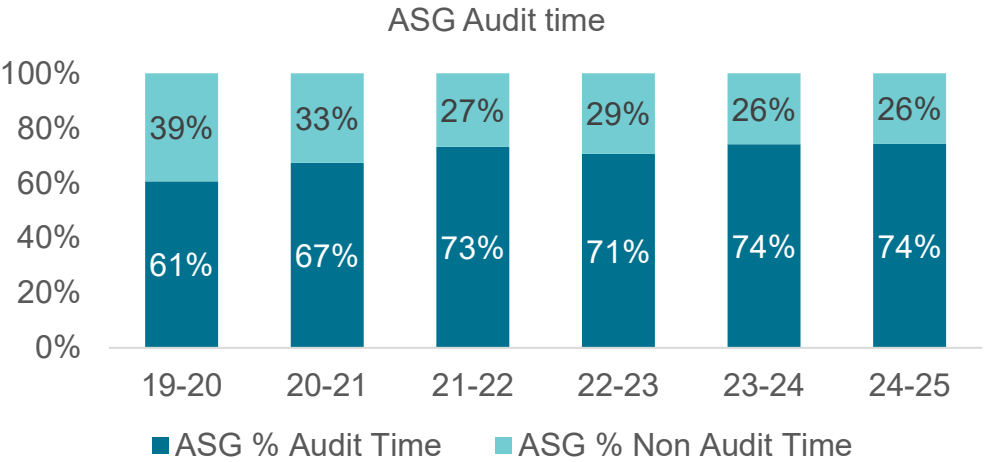
Are colleagues **audit focused**?

Target

70% of available time on audit



OVERVIEW **Green**



Colleagues are audit focused.

The charts show both ASG and PABV increasing the proportion of time recorded as 'audit time'.

Non audit time includes time codes for: Learning & development, improvement projects, business group management, meetings, travel and 'other' (including general administration)

Note that non-audit delivery staff within ASG and PABV are included in this analysis. This has a greater impact in PABV where the business management team is larger and the business group FTE is smaller. An update will be provided at the Board meeting on actions within PABV to increase audit time, including engagement with other public audit agencies.

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 grade 1 or 2 (annually)



OVERVIEW **Amber**

Summary of 2023/24 Audit Scotland quality grades

ASG cold file reviews	I&Q internal reviews	ICAEW external reviews
1 Good	0	2
2 Generally acceptable, with a small number of improvements	4	1
3 Some improvements required	2	2
4 Significant improvements required	0	1

PABV cold file reviews	I&Q internal reviews	ICAEW external reviews
1 Good	1	0
2 Generally acceptable, with a small number of improvements	1	2
3 Some improvements required	0	0
4 Significant improvements required	0	0

Planned improvement actions:

- I&Q are providing support and additional quality monitoring for the grade 3 and 4 annual audits. This includes undertaking root cause analysis (RCA), audit teams developing action plans to address issues, performing hot file reviews of 2024/25 audits, and additional monitoring and investigation for the grade 4 audit.
- The RCA exercise will inform the update of the Quality Improvement Action Plan.
- Good practice examples are being shared for the grade 1 audits.

Overview of 2023/24 cold file reviews (results for Audit Scotland and the firms)

2023/24 external reviews: Audit Scotland - ICAEW found that five of eight (62.5%) external reviews required no more than limited improvements. This is below the target of 80% but an improvement from last years 50 per cent (Firms: two of two required no more than limited improvements).For the first time we have received a ‘good’ grading on an external review of an annual audit of a Council or Health Board from an external reviewer. Performance audit external reviews have consistently met the expected standard for the last three years.

2023/24 internal reviews: Audit Scotland - The Quality team found that six out of eight (75%) internal reviews required no more than limited improvements, against the target of 80%. This compares to 88% last year. (Internal reviews by firms: five of five required no more than limited improvements).

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**

- In Q4 we continued to get our messages out effectively through a variety of means.
- The strong performance of the joint reports on Additional Support for Learning and on sustainable transport; and a strong news line for the Aberdeen City Council s.102, which focused on a fraud case and the lessons to be learnt by other councils.

Media / broadcast:

- Top **AGS** reports: PA: General practice, Administration of Scottish Income Tax
- Top **Accounts Commission** reports: s102: Aberdeen City Council, Briefing: IJB financial analysis 2023/24, LGO: Financial bulletin 2023/24
- Top **Joint** reports: PA: Sustainable transport, Briefing: Additional support for learning

Social media engagements:

- Auditor General posts = 20,045
- Accounts Commission posts = 15,427
- Audit Scotland posts = 22,389

Parliament committee attendance:

- We attended **15** parliament committees including the Public Audit Committee and Finance and Public Administration committee, the Local Government, Housing and Planning committee, Equalities, Human Rights and Civil Justice Committee, Social Justice and Social Security committee, the Standards, Procedures and Public Appointments, Economy and Fair Work Committee.
- **Consultations:** Consultations responded to in Q4 – 5

Risk

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

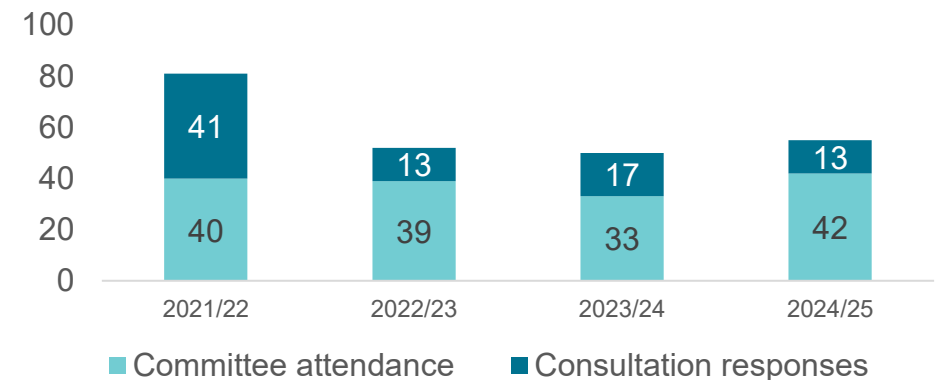
Risk register

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 ● ➡

Consultation and Committee Engagement



Objective

We engage with stakeholders

KPQ

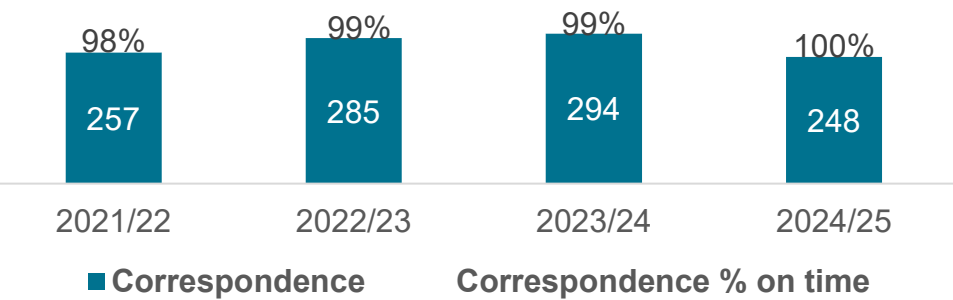
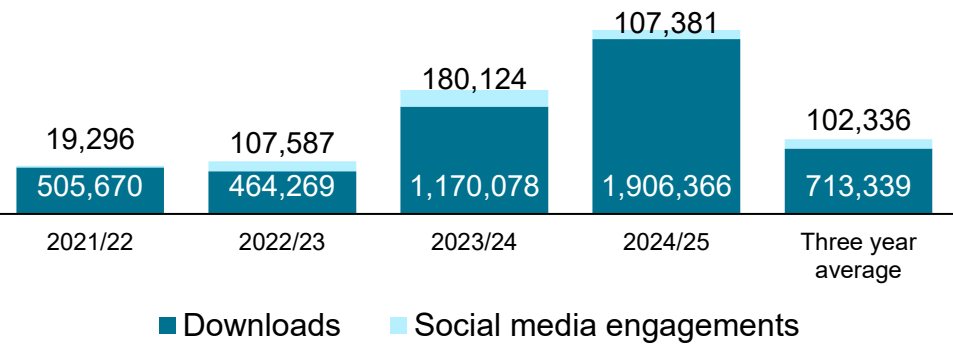
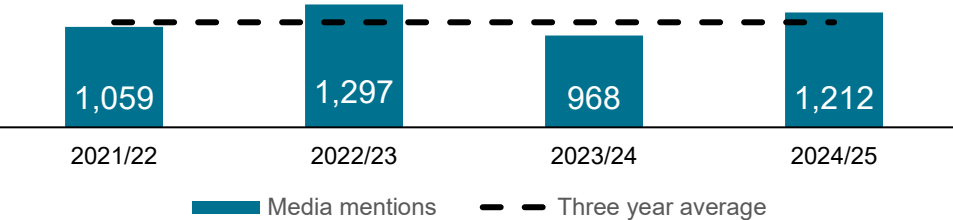
How are we **engaging** with stakeholders

Target

Engagement - time series comparison



OVERVIEW **Green**



During the year we continued to get our messages out effectively
Media mentions are higher than the previous three-year average.

Downloads continue to increase although some of this is due to automated Bots visiting our web pages. Social media engagement is lower than last year but remains above the three-year average.

Correspondence responded to on time for all correspondence in 2024/25
Breakdown of correspondence by body included in table below.

Year	Accounts Commission	Auditor general for Scotland	Audit Scotland
2021/22	78	93	86
2022/23	101	121	63
2023/24	122	103	69
2024/25	104	62	82

Objective

We communicate with stakeholders

KPQ

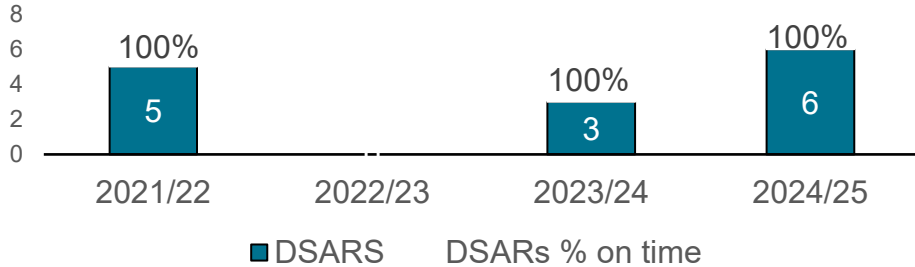
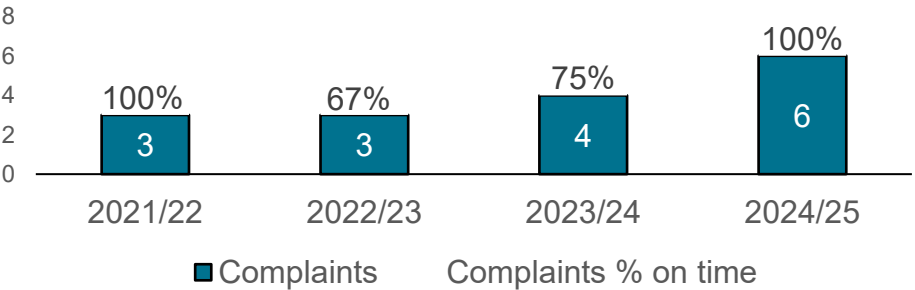
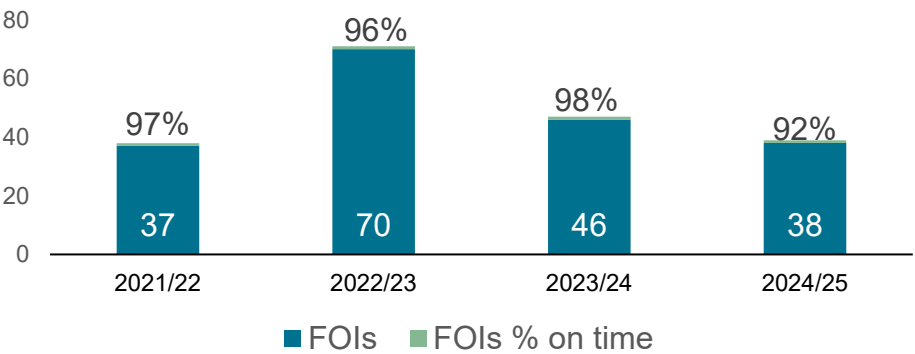
How are we responding to enquiries from the public

Target

Communication - Better than 95% on time



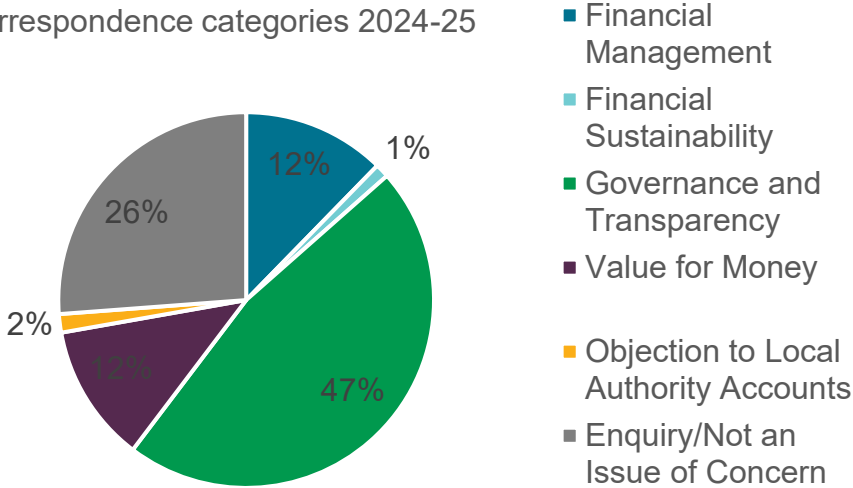
OVERVIEW Green



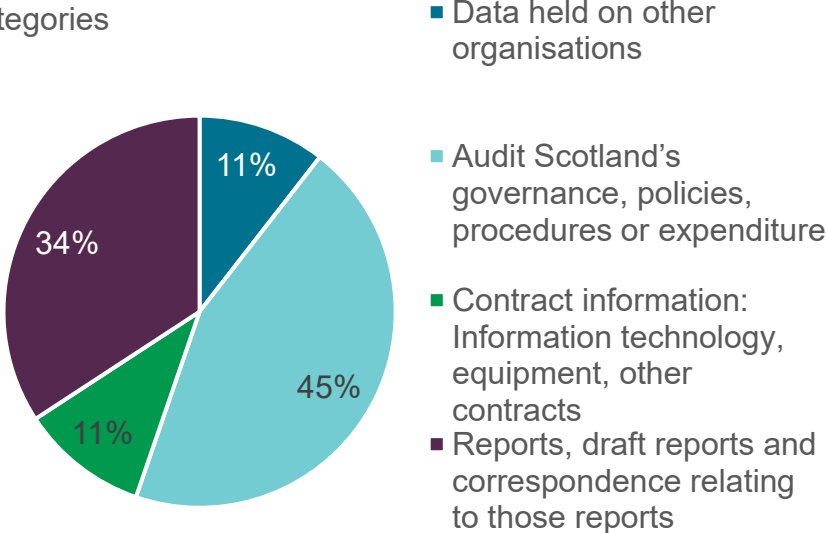
Graphs on left show the number of cases handled and the percentage on time for statutory responses and graphs on right shows categories of information being requested under FOI and Correspondence.

Corporate Governance Team publish a Freedom of Information [dashboard](#) in SharePoint. The dashboard is updated weekly and is available to all colleagues.

Correspondence categories 2024-25



FOI categories



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 March 2025 the revenue position was £1,982k less than budget. The IAS19 pension adjustment leads to a favourable variance of £1,773k, which leads to an operational underspend of £209k.

Net operating expenditure of £8,194k is £499k (5.3%) 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 less than funded budget.

Fee income – in-house chargeable audit work in total is £201k less than budget. This variance is achieved by 22/23 (£164k) and 23/24 (£133k) audits delivering more than budget with 24/25 (£498k) audits delivering less than budget. Firms chargeable audit work in total is £1,353k more than budget. This favourable variance is due to 22/23 (£1,206k) and 24/25 (£159k) audits recognising more income than budget and 23/24 (£12k) audits recognising less income than budget.

Other income – central charges £410k less than budget, bank interest/miscellaneous income £50k more than budget and unbudgeted secondment income of £11k.

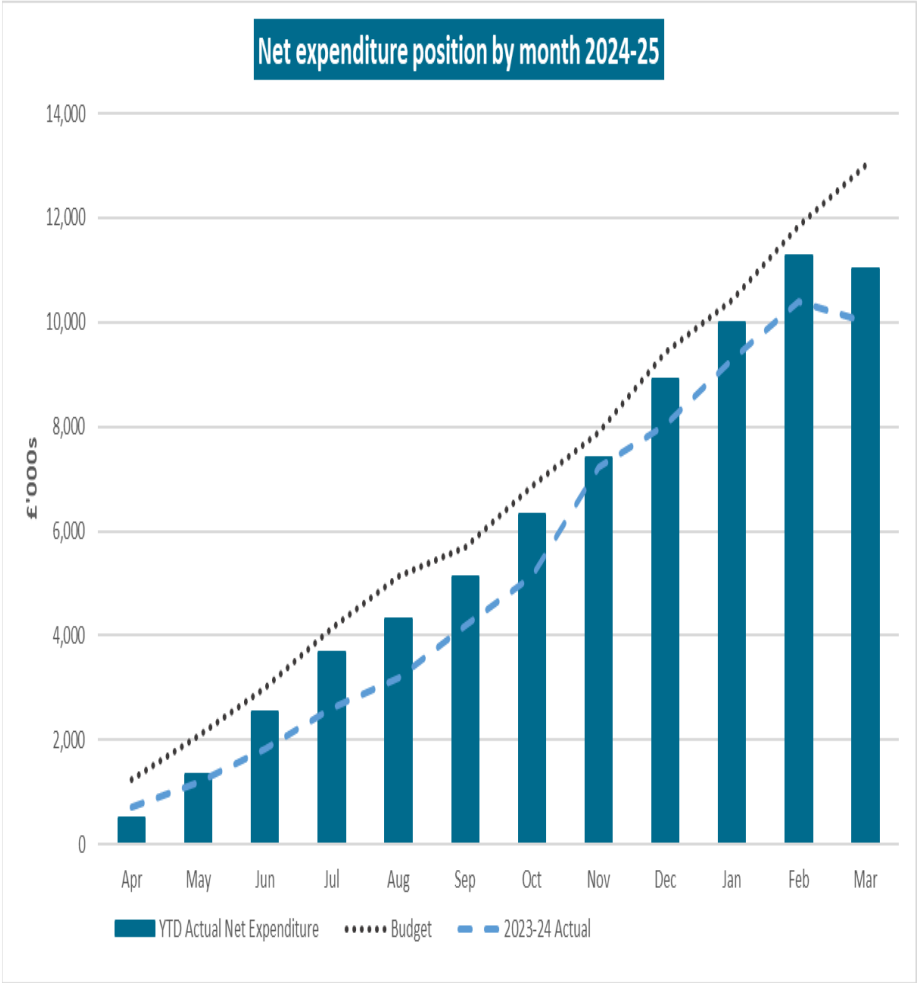
Pay – There is a staff pay variance of £773k due to the average whole time equivalent position for the financial year being 13.2 w.t.e below establishment. In addition to this there was also a saving of £96k on unfunded pensions. These savings were reduced by agency expenditure being more than budget, leading to an overall underspend of £656k.

Non-pay - overspends in firms’ payments, property, professional services, recruitment, IT and occupational health costs. The overspend is in line with projections and is mainly attributable to firms’ payments which is met from additional fee income. The other forecast overspends have been covered from savings in other budget headings (car leases, management contingency balance, training and pay).

Capital – £298k expenditure on Glasgow minor building works and laptops.

Forecast - After excluding the pension adjustments required under IAS 19 the final outturn was in line with the forecast underspend of £209k.

Cash flow - bank balance £1,701k, outstanding debt £1,792k with £193k overdue by 3 months or more.



Objective

Our finances: Spend against budget

KPQ

Spend against budget - Organisation

Target

Break even

OVERVIEW **Green**

The current financial risks are:

The financial risks for 25/26 include:

- Managing the impact of a 5% vacancy factor
- Meeting closing work in progress target at 31 March 2026
- Percentage uplift required to 25/26 audit fees to meet costs
- Managing cash flow and ensuring prompt payment of invoices
- Managing audit modernisation project and ensuring any underspend is carried forward into future budgets
- Potential impact of reduced working week on audit delivery

Risk register

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

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

A14 – Failure to deliver in accordance with the 2025-26 financial and operational plans  

M8 – Failure of cashflow to support organisational activities  

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 March 2025 was 345.15 (establishment level 366.07 FTE.)
- This equates to **94.3%** of establishment.
- At the end of March 2025, the business group establishments were as follows:
 - Audit Services = 93.44% of establishment.
 - Performance Audit and Best Value = 91.11% of establishment
 - Corporate services = 97.65% of establishment
 - Innovation and Quality = 98.44% of establishment.
 - Audit Quality and Appointments = 100% of establishment
 - Accounts Commission Support = 100% of establishment.

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 Q4 is 5.7%, compared to 6.1% in Q3.
- The Vacancy rate is against the workforce plan.

Risk

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

Risk register

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

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

A13 – Failure of capacity to deliver the transformational change programme



Objective

Our people: Right skills and capacity to deliver

KPQ

People spend against budget.

Target

+/- %5 of budget



OVERVIEW Green

The underspend of £656k (2.7%) on staff pay is mainly due to:

- There is a staff pay variance of £773k due to the average whole time equivalent position for the financial year being 13.2 w.t.e below establishment. In addition to this there was also a saving of £96k on unfunded pensions. These savings were reduced by agency expenditure being more than budget, leading to an overall underspend of £656k.

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  
- M8 – Failure of cashflow to support organisational activities.  

Objective

Our people: Right skills and capacity to deliver

KPQ

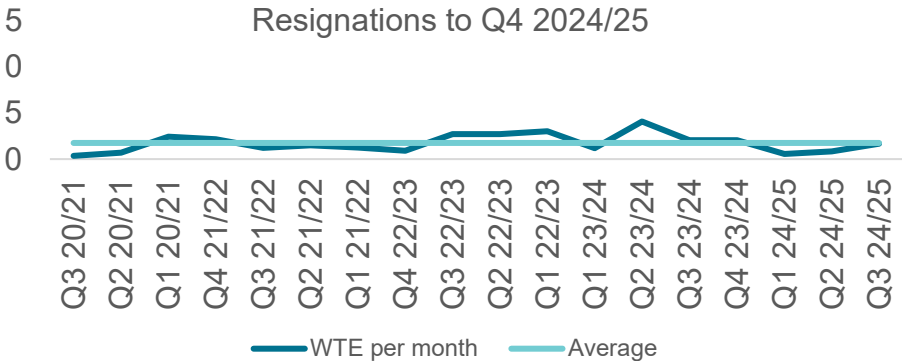
Capacity to deliver - Wellbeing

Target

Per KPI



OVERVIEW Green



Year-to-date voluntary (resignation) was 5.04% for 2024/25. This compares to 5.83 in 2023/24.

Audit Scotland’s voluntary (resignation) 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 resignations to Q4 2024/25 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.

Total turnover, which includes resignations, dismissals, retirels and other leavers stands at 8.13% overall. This is a decrease from the previous year (9.33%). This is below available reported external benchmarks.

OVERVIEW Amber

Sickness absence

	Q1	Q2	Q3	Q4	YTD
ASG	2.47	1.76	1.29	2	7.52
PABV	0.93	0.34	0.63	2.07	3.97
I&Q	1.07	0.57	2.35	3.97	7.96
CSG	2.20	2.5	1.52	1.29	7.51
Average	1.97	1.50	1.25	1.82	6.52

Sickness absence in Q4 was 1.82 days, compared to 1.86 in Q4 2023/24, and 1.27 days in Q4 2022/23.

Annual sickness absence for 2025/26 was 6.52 days, comparing to 6.01 days in 2023/24 and 4.66 days in 2022/23.

The 2024/25 **breakdown by business group** is shown in the table.

Objective

Our people: Right skills and capacity to deliver

KPQ

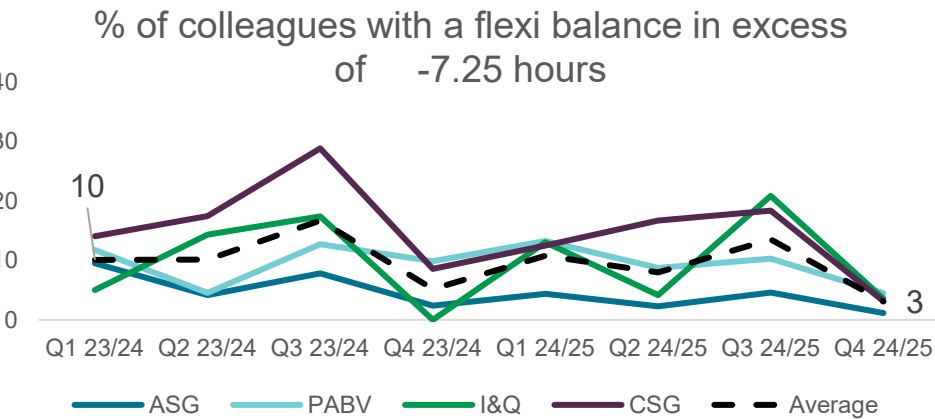
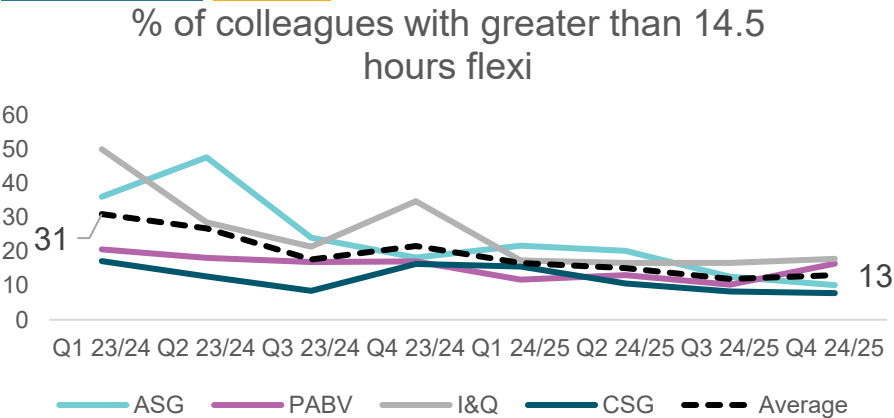
Capacity to deliver - Wellbeing

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 Q4 2024/25 the average across business groups is 13%.

The percentage of colleagues with a flexi balance in excess of - 7.25 hours reducing from 10.08 in Q1 23/24 to 3.08 in Q4 24/25.

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  

A13 – Failure of capacity to deliver the transformational change programme  

Objective

Our people: right skills - Learning & Development

KPQ

Learning (L&D)

Target

Target per KPI



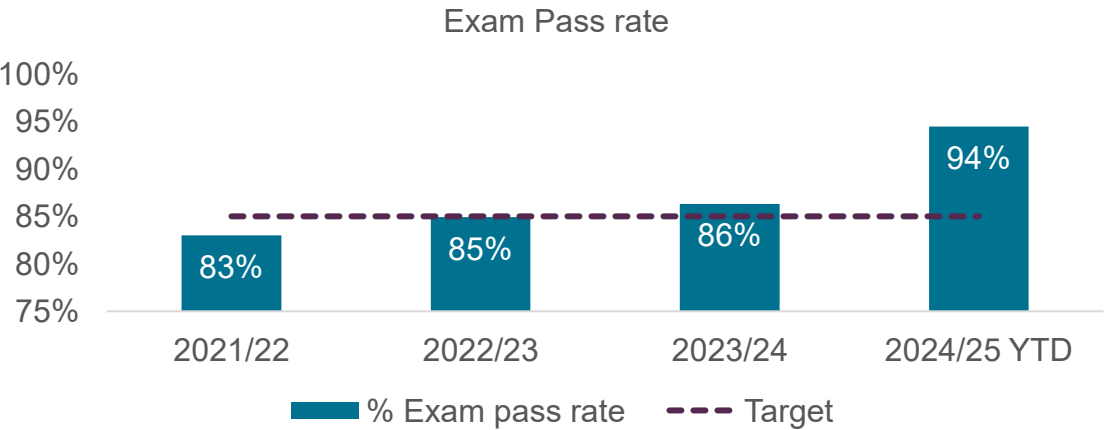
OVERVIEW **Green**

Learning & Development:

The YTD (31 March 2025) pass rate for all exams is 94 percent, exceeding the target of 85%, and also exceeding the three-year average for 2021-2024 which was 84%. There were 144 exams sat with 136 passes.

In Q4 :

- The Financial Audit Update Event , a cornerstone of the 2024/25 L&D Plan was delivered on 27 March. Positive feedback on the event has been received and a more formal evaluation is being undertaken to feed the results back to help inform the 2025/26 Plan.
- The January induction was delivered.
- The second cohort of the Aspiring Leaders programme was developed and delivery started in January. This cohort completed the programme in April 2025.



Mandatory training	Completed
Data Protection including GDPR	100%
Digital Services Cybersecurity Training (not available on LMS)	94%
Emotional Intelligence (ILT Report)	94%
Hybrid working DSE	93%
Freedom of Information	96%
Protecting Information Part 2	92%
Protecting Information Part 3 (materials)	79%
Trust and Ethics (materials)	99%
Total Mandatory training	93%

- Percentage of **mandatory training completed** is 93%, slightly below the target of 95%, but is improving on previous quarters.

Innovation & Learning

Objective

Innovation driving audit transformation

KPQ

Target per KPI

Target

Prior year performance



OVERVIEW **Amber**

Performance

In Q4

The Audit Modernisation Project (AMP) is progressing well, although still reporting as amber.

Key messages over last quarter include:

- Outline Business Case (OBC) approved by Board in January, and Scottish Commission for Public Audit (SCPA) recommended budget to Parliament.
- Continued engagement with Scottish Government procurement and legal advisors on the various contractual arrangements that need to be put in place.
- Our legal team have drafted a Memorandum of Understanding with the National Audit Office (NAO) which is the basis for our contractual arrangement with the NAO for access to the intellectual property of Apex (NAO's audit software), including the content library. A Non-Disclosure Agreement was put in place by the end of March to ensure access to relevant materials in the interim.
- Project team visited NAO to undertake a deep dive of Apex in January.
- Planning for the delivery of the Full Business Case in autumn is underway. Various strategies, including the project's Change and communications strategy have been reviewed and refreshed.
- Business analysts undertook a review of our process mapping and software requirements in March. A summary report was delivered to the April AMP Board.
- Engagement activities included PABV team meeting, and ASG financial update sessions. We have also continued to engage with our expert groups.
- Key project risks are around NAO, procurement/finance and project team capacity and change management.

Objective

Innovation & Learning - Insights

KPQ

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

Target

TBC



OVERVIEW **Green**

During Q4 we made good progress with the following projects:

Insights: Delivered impact capacity building sessions and impact data collection workshops to all seven ASG superteams. Appointed evaluation consultants to support us with the PAIS evaluation.

DEI strategy: Final draft strategy and mainstreaming equality report signed off by ET, Accounts Commission and Audit Scotland Board.
EPAD: New Your performance and development approach launched to staff with supporting guidance, L&D package and tutorials for colleagues.

Engagement surveys: Delivered Best Companies 2025 survey in line with agreed timescales.

SIP: Agreed with SIP Board to adopt programme and portfolio management principles from 2025/26 onwards. Phased / proportionate approach.

Resourcing: New I&Q Project Coordinator now in post to provide support for our corporate projects.

We experienced challenges in the following areas:

Operational planning: Resource constraints delayed work on business plan and strategic workforce plan and publication delayed until early May.

Q4 Financial performance report

Item 8.

Meeting date:
3 June 2025

Corporate Finance Manager

Purpose

1. This report presents the financial results for the twelve months to 31 March 2025.

Recommendation

2. The Audit Committee and Board is invited to:

- Note the audited financial results for the twelve months to 31 March 2025.

Background

3. A Financial Performance Executive Summary is provided in the appendix to support this report.

4. This report was reviewed by Audit Scotland's Executive Team on 22 May.

Summary financial position

Financial Position as at end of March 2025						
	Actual YTD £'000s	Budget YTD £'000s	Variance YTD £'000s	FY Forecast £'000s	FY Budget £'000s	Variance YTD £'000s
Income	(25,687)	(24,504)	1,183	(25,558)	(24,504)	1,054
Pay	23,898	24,650	752	24,220	24,650	430
Non-pay	14,735	12,860	(1,875)	14,135	12,860	(1,275)
IAS 19 Pension scheme adjustments	(1,743)	0	1,743	0	0	0
Capital Expenditure	298	300	2	298	300	2
Funded by Scottish Consolidated Fund	11,502	13,306	1,804	13,095	13,306	211

5. At the end of March 2025 Audit Scotland's total expenditure funded by the Scottish Consolidated Fund is £11,502k which is £1,804k (13.6%) less than budget.

6. Net operating expenditure of £12,947k was £59k (0.5%) less than budget.

7. The IAS 19 pension scheme adjustment is based on the results provided by the actuary for the funded pensions.

8. Total capital expenditure year to date of £298k relates to the full completion costs of the minor building work project in the Glasgow office and the laptop replacement programme.

9. Year to date variance analysis is provided in the main body of this report.

Income

10. Income recognition year to date of £25,687k is £1,183k (4.8%) more than budget.

11. In-house audit income £201k (1.6%) less than budget broken down as follows:

- Unbudgeted prior audit year income of £164k recognised for the completion of 2022/23 audits in local government, central government and EAFA.
- Chargeable 2023/24 audit fee income is £133k (1.5%) more than budget. Local government (£48k), central government (£82k) and EAFA (£3k) more than budget.
- Chargeable audit fee income for the start of 2024/25 audit work is £498k (13%) behind plan. Local government (£187k), health (£42k) and central government (£273k) sectors are less than budget with further education (£4k) more than budget.
- Non-chargeable audit work was £436k (15.8%) more than budget (£169k 2023/24 audits, £267k 2024/25 audits) leading to an overall position of £236k more than budget for in-house audit delivery in financial year 2024/25.

12. Income recognition for the firms is £1,799k (21.9%) more than budget due to:

- Unbudgeted prior year audit income of £1,206k recognised for completion of 2022/23 audits in local government (£1,067k), central government (£2k) and further education (£137k).
- Fee income recognition for 2023/24 audits is £434k (6.5%) more than budget. Further education (£26k) is less than budget with local government (£205k), central government (£25k), health (£202k) and water (£28k) more than budget.
- Income recognised for 2024/25 audit work is based on returns provided by firms. The overall position is £159k (10.7%) more than budget. Health (£66k), water (£136k) and central government

(£93k) are more than budget with local government (£13k) and further education (£123k) less than budget.

- Non-chargeable audit work more than budget for 2023/24 audit work (£27k) and less than budget (£75k) for 2024/25 audit work with the overall position for the financial year being £48k (7.8%) less than budget.

13. Central charges income is £410k less than budget and reflects the recovery of pooled costs and the local government allocation of PABV costs. The variance is due to the application of a 1.9% fee uplift for 2024/25 audit fees as part of the 2025/26 budget setting process and an adjustment to the pooled cost element based on completion percentages at 31 March. When the budget for 2024/25 financial year was approved in November 2023 the assumption was for a 4% fee uplift.

14. The balancing adverse variance of £5k is due to the interest charge of £66k on unfunded and ombudsmen pensions being reduced by improved bank interest on deposit balances (£34k), secondment income (£12k) and the rebate balance (£15k).

Pay expenditure

15. Expenditure on pay, pensions and agency costs of £23,898k is £752k (3.0%) less than budget.

16. There is a year-to-date underspend of £773k on staff pay which is mainly due to the average vacancy level for the year being 13.2 whole time equivalents (3.7%) less than establishment. There is also a minor variance associated with the pay award settlement being 4.2% compared to a budget of 4%.

17. The 5% vacancy factor applied to the 2025/26 budget has impacted on the outturn for 2024/25. There has been a natural delay in recruiting to vacant posts following the creation of a Recruitment Board which monitors and approves recruitment requests to ensure we can deliver within our allocated budget for 2025/26.

18. Unbudgeted agency and secondment expenditure year to date of £217k 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. Commitment was made in year to incur additional agency expenditure following the assurance provided through budget monitoring that there was resource available.

19. The balancing favourable variance of £196k relates to the adjustment required for the unfunded and ombudsmen pensions. The budget was set at £100k with the actual adjustment for the year in the actuary report being a credit of £96k.

Non-pay expenditure

20. Non-pay expenditure includes the payments to firms under the audit appointments contract and other operating expenditure. Year to date expenditure of £14,735k is £1,875k (14.6%) more than budget.

21. The main variances appear in Firms payments, professional services, IT, property and travel & subsistence.

22. Firms' payments £1,659k (21.4%) more than budget. Based on the audit firms returns at the end of March the position in respect of 2023/24 audit work highlights an overspend (£533k) which is being offset by the recognition of more fee income than planned. Additional costs (£713k) 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. The year-end position reported by the firms for the commencement of 2024/25 audit work in quarter 4 has led to a budget overspend (£413k) which is offset by the recognition of additional fee income.

23. Professional services £102k (11.5%) more than budget mainly due to expenditure incurred to support audit delivery, procurement, estates management and audit modernisation projects.

24. To support audit delivery there are occasions where additional external expert advice will be required. For 23/24 audit work this has been required in respect of pensions and property valuations. There has also been an unplanned requirement for one of the contracted firms to prepare a statutory report on behalf of the Controller of Audit.

25. There has been significant additional procurement support required from the Central Government Procurement Shared Services to enable us meet are strategic priorities. This involves providing expert knowledge and advice in respect of the estates, audit modernisation and resourcing projects. This was in addition to the usual support provided for procuring services on contracts that were due to expire in the financial year.

26. The estates management costs are the payments made to Space Solutions, Andrew Reilly Associates and Brodies solicitors to support the delivery of the Edinburgh and Glasgow projects.

27. Audit modernisation costs relate to a Gateway Review of the project and other external advice (e.g. legal and project management). The additional costs have been funded from other budget savings within the Innovation & Quality budget allocation.

28. IT expenditure £91k (12.6%) more than budget due to requirement for additional investment in cyber security support, increase in number of microsoft user licences and purchase of low value hardware items for new employees (e.g. monitors, keyboards).

29. Property expenditure £70k (4.4%) more than budget mainly due to the application of notional interest charges for the Edinburgh and Glasgow offices under IFRS 16 Leases.

30. Travel & subsistence expenditure £75k (17.4%) less than budget mainly due to savings generated on the car lease scheme. The number of eligible drivers has been decreasing at a faster pace than planned due to promotions, leavers and some opting for the cash for car alternative.

Contingency and future financial risks

31. 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 was made to fund a project manager for the audit modernisation project, £150k to meet the additional capital costs of the Glasgow office project and £147k to fund the minor building adjustments in the Edinburgh office.

32. The unallocated balance was £123k. Allocations are the responsibility of ET.

33. There continues to be many outside influences that will impact on longer-term financial planning and future budget proposals. Factors being considered include:

- Managing the impact of a 5% vacancy factor.
- Meeting the closing work in progress projections at 31 March 2026.
- Uplift required to 2025/26 audit fees to meet costs.
- Managing cash flow and ensuring prompt payment of invoices.
- Managing the audit modernisation project and ensuring any underspends are carried forward into future budgets.
- Potential impact of reduced working week on audit delivery.
- The Scottish Government budget and SCF funding pressures.
- Fees and funding strategy.
- Future pay award settlements from April 2026.
- Public sector audit model and impact on future procurement.

Capital expenditure

34. The approved capital programme for 2024/25 originally planned for further investment in IT hardware and software.

35. 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 being used to fund the Glasgow project.

36. The project completed in mid-November at a cost of £274k with some additional building compliance work identified. A budget virement took place for £150k as part of the Spring Budget Revision (SBR) process to meet the additional costs.

37. Capital expenditure of £24k was also used to purchase IT hardware as part of the laptop replacement programme.

Virement

38. There was a budget virement of £150k 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 – in-house chargeable audit work in total is £201k less than budget. This variance is achieved by 22/23 (£164k) and 23/24 (£133k) audits delivering more than budget with 24/25 (£498k) audits delivering less than budget. **Firms** chargeable audit work in total is £1,799k more than budget. This favourable variance is due to 22/23 (£1,206k), 23/24 (£434k) and 24/25 (£159k) audits recognising more income than budget.

Other income – central charges £410k less than budget, bank interest/miscellaneous income £50k more than budget and unbudgeted secondment income of £11k.

Pay – There is a staff pay variance of £773k due to the average whole time equivalent position for the financial year being 13.2 w.t.e below establishment. In addition to this there was also a saving of £196k on unfunded pensions. These savings were reduced by agency expenditure being more than budget by £217k, leading to an overall underspend of £752k.

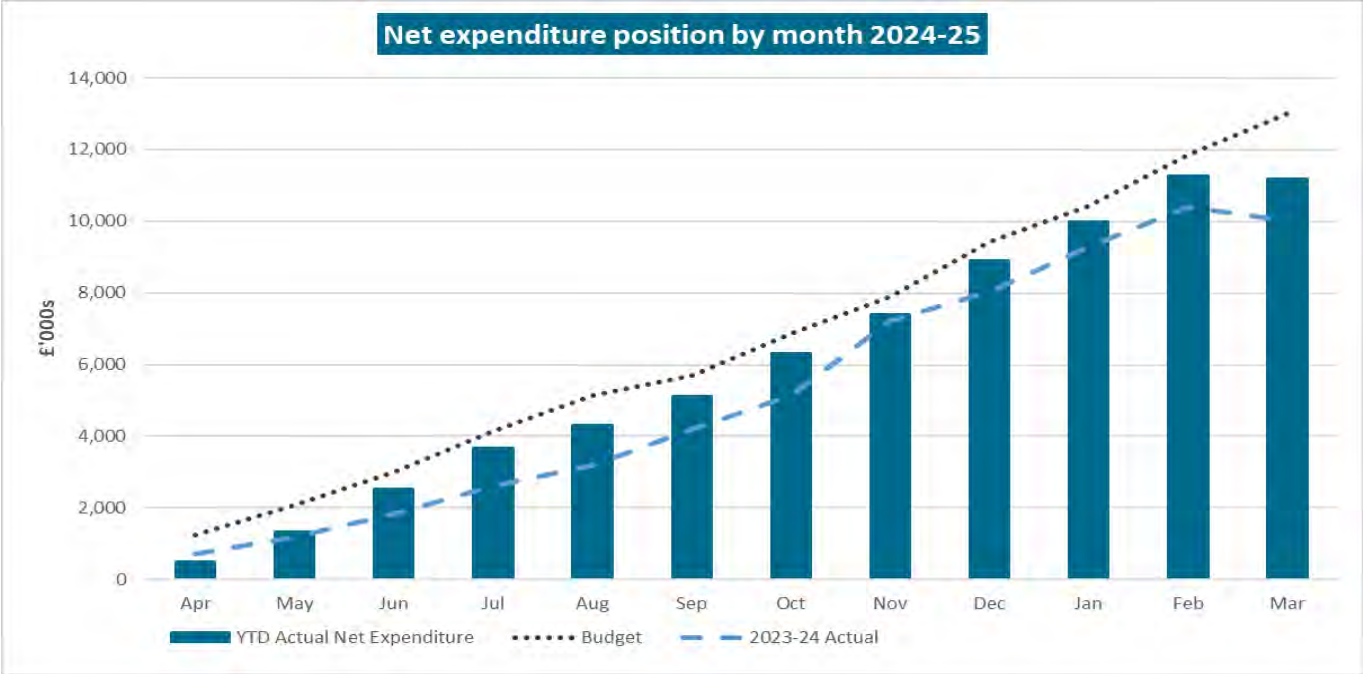
Non-pay - overspends in firms' payments, property, professional services, recruitment, IT and occupational health costs. The overspend is in line with projections and is mainly attributable to firms' payments which is met from additional fee income. The other forecast overspends have been covered from savings in other budget headings (car leases, management contingency balance, training and pay).

Capital – £298k expenditure on Glasgow minor building works and laptops.

Cash flow - bank balance £1,701k, outstanding debt £1,792k with £193k overdue by 3 months or more.

Management Contingency £'000s	
Total Funding	500
Audit Modernisation Project Manager	80
Spring Budget Revision revenue to capital	150
West Port minor building works	147
Balance	123

Financial Position as at end of March 2025						
	Actual YTD £'000s	Budget YTD £'000s	Variance YTD £'000s	FY Forecast £'000s	FY Budget £'000s	Variance YTD £'000s
Income	(25,687)	(24,504)	1,183	(25,558)	(24,504)	1,054
Pay	23,898	24,650	752	24,220	24,650	430
Non-pay	14,735	12,860	(1,875)	14,135	12,860	(1,275)
IAS 19 Pension scheme adjustments	(1,743)	0	1,743	0	0	0
Capital Expenditure	298	300	2	298	300	2
Funded by Scottish Consolidated Fund	11,502	13,306	1,804	13,095	13,306	211



Summary Balance Sheet £'000s			Summary Cash Flow £'000s		Capital Expenditure £'000s	
	31/03/2024	31/03/2025				
Total Non Current Assets	6,291	5,697	Net cash outflow from operating activities	(12,352)	Total Funding	300
Total Current Assets	6,092	5,727	Cashflows from investing activities	298	Glasgow minor building work	274
Total Current Liabilities	(7,375)	(7,055)	Drawdown from Consolidated Funds	12,594	Laptop replacement programme	24
Total Non Current Liabilities	(7,746)	(7,112)	Obligations under leases	(291)		
Assets Less Liabilities	(2,738)	(2,743)	Net (decrease) in cash/cash equivalents	(347)		
Taxpayers Equity	2,738	2,743	Net Cash requirement	12,941	Balance	2

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 reduced by decrease in cash balance and VAT debtor from 31 March 2024.

Current liabilities – decreases in balance due from SCF, untaken leave accrual, deferred income and manual accruals being reduced by trade payables increase.

Non-current liabilities – adjustments reflect movement in obligations under leases and provisions for early retirement.

- Draw down from Scottish Consolidated Fund of £12.594 million.
- Net decrease in cash / cash equivalents of £0.347 million from 31 March 2024.
- Final instalment of 23/24 audit fee invoices issued in September 24 with outstanding aged debt of £0.193 million on 31 March 2025.
- First instalment of 24/25 audit fees issued with debt outstanding of £1.599 million at 31 March 2025.
- Glasgow minor building works project commenced in June and the £274k represents the valuation payment for the completed work. Capital retention held as per terms of the contract and currently in discussions with the landlord regarding the unplanned electrical compliance work required.
- SBR requested for transfer of £150k revenue to capital to cover the additional unplanned costs of the project with the remaining balance used for IT hardware purchases in line with digital strategy.

Appendix | Financial Performance by Business Group – March 2025

YTD financial position for each business group

The financial position for each business group is detailed here.

- **Overall** - at the end of March the revenue position was £1,802k less than budget. The IAS19 pension adjustment leads to a favourable variance of £1,743k, which leads to an operational underspend of £59k.
- **Audit Services Group** - 22/23 audits complete with some residual income recognised this financial year (£164k). Chargeable 23/24 audit work slightly more than budget with fee income of £8,902k recognised compared to budget of £8,769k. Chargeable income recognised for 24/25 audit work £498k less than budget. Minor pay variance with unbudgeted agency costs of £208k being met from staff pay savings of £213k. Non-pay less than budget due to reduced expenditure ytd on professional trainee programme and car leases.
- **Performance Audit and Best Value** – income relates to recovery of secondment costs with pay costs being less than budget with the average w.t.e. 4.7 below funded establishment. Non-pay costs more than budget due to payment to firm for significant unplanned work on S102 report which is being reduced by savings on travel & subsistence.
- **Innovation and Quality** - pay costs less than budget due to average w.t.e. being 1.1 below funded establishment. Non-pay costs overspend due to professional fees to meet the costs of the gateway review for the audit modernisation project, i-Trent system support costs for 3D development, PAIS and FPAM work. This is funded by reduced pay, IT and car lease expenditure.
- **Audit Quality and Appointments** - overspend in pay costs due to additional temporary support from ASG and outstanding holiday balance payment for a leaver. Non-pay costs overspend due to audit quality survey work.
- **Corporate Services Group and Corporate Costs** - pay less than budget due to reduced wte offset by holiday pay budget adjustment. 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 together with the additional procurement support required on major projects. Income position reflects central charge and pension adjustment.
- **Approved Auditors** – completion of 22/23 audit work in 24/25 financial year leading to fee income recognition being more than budget (£1,206k). Fee income also more than budget on 23/24 (£434k) and 24/25 (£159k) audit work. Firms' expenditure £1,659k more than budget due to completion of additional 22/23 audit work in 24/25 financial year with 23/24 and 24/25 audit work also being more than budget due to additional chargeable work.
- **Accounts Commission and Support** - pay expenditure less than budget due to vacant Secretary post June to August. Non-pay costs underspend due to savings on legal and travel & subsistence expenditure.
- **Board, AGS and Exec Team** – minor pay underspend and non-pay underspend relates to budget not being required for a staff conference in 2024/25.

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 44 & 45	Income	(12,357)	(12,558)	(201)	(12,289)	(12,558)	(268)
	Pay	11,603	11,608	5	11,537	11,608	71
	Non-pay	537	634	97	629	634	4
	Total	(217)	(316)	(99)	(123)	(316)	(193)
Performance Audit and Best Value 57	Income	(11)	0	11	0	0	0
	Pay	4,918	5,220	301	5,072	5,220	148
	Non-pay	404	386	(17)	449	386	(63)
	Total	5,311	5,606	295	5,521	5,606	85
Innovation and Quality 46	Income	0	0	0	0	0	0
	Pay	2,099	2,225	126	2,154	2,225	71
	Non-pay	493	461	(32)	476	461	(15)
	Total	2,592	2,686	94	2,630	2,686	56
Audit Quality and Appointments 69	Income	0	0	0	0	0	0
	Pay	392	387	(4)	391	387	(4)
	Non-pay	150	141	(9)	150	141	(9)
	Total	542	528	(14)	541	528	(13)
Corporate Services Group and Corporate costs 00, 61..68, 71..78	Income	(5,165)	(3,749)	1,416	(3,527)	(3,749)	(222)
	Pay	3,471	3,655	184	3,547	3,655	108
	Non-pay	3,705	3,407	(298)	3,480	3,407	(73)
	Total	2,011	3,312	1,301	3,499	3,312	(187)
Approved Auditors 35	Income	(9,996)	(8,197)	1,799	(9,741)	(8,197)	1,545
	Pay	0	0	0	0	0	0
	Non-pay	9,396	7,737	(1,659)	8,880	7,737	(1,144)
	Total	(600)	(460)	140	(861)	(460)	401
Accounts Commission and Support 20 & 23	Income	0	0	0	0	0	0
	Pay	521	555	34	522	555	33
	Non-pay	27	38	10	36	38	2
	Total	548	593	45	558	593	35
Board, AGS and Exec Team 21..22, 26	Income	0	0	0	0	0	0
	Pay	994	1,000	6	997	1,000	3
	Non-pay	23	57	34	35	57	22
	Total	1,017	1,056	39	1,032	1,056	25
Funded by Scottish Consolidated Fund		11,204	13,006	1,802	12,797	13,006	209

Staff Handbook policy review

Bullying and Harassment Policy

Item 9.

Head of HR

Meeting date:
03 June 2025

Purpose

1. This report is to allow the Board to conduct a review of the Bullying and Harassment policy.

Recommendations

2. The Board is invited to:

- Note the report and changes proposed to the policy, attached as appendix one.
- Approve the changes proposed and agree that the policy can proceed to publication for colleagues.

Background

3. The Board is invited to consider the policy as part of the annual policy review.

4. The revised policy has also been shared with the Directors with People Lead responsibility, the PCS union and Executive Team for review. Their suggested changes and incorporations are made where applicable.

Financial Implications

5. There are no financial implications associated with this policy review.

Considerations

6. It is not considered that there are any revisions which represent a significant departure from existing Audit Scotland policy.

7. The changes are shown as tracked changes in the appended document and comments are also included where appropriate.

8. The organisation have been taking steps to address wellbeing survey results in the last two years where instances of bullying and harassment were identified.

9. In March 2025 Leadership Group were advised of the outcome of the external bullying and harassment helpline which was in place throughout

February 2025. Feedback from the helpline suggested that one area we can respond to was colleagues not knowing 'where or who to turn to' when they're struggling at work. The additional support section has therefore been moved up within the policy. Reference to our values and expected behaviours has also been included in this review.

10. Following discussion at Executive Team in May 2025, the use of the word, “victim”, has also been removed and replaced with colleague or complainant, where appropriate.

Policy description	Review outcome	Approval level
Bullying & Harassment Policy	This policy has been revised on a minor, non-substantive basis to include links to relevant online source material, reference to the updated legal position regarding the employers obligations to prevent sexual harassment and updated URLs. A version control has also been added to the bottom of the policy at appendix two.	Board

Conclusion and communication

11. Following approval by the Board this policy will then be shared with all colleagues via Viva Engage.

12. It would be recommended that following the post, Leadership Group members are encouraged to share the policy within teams and remind colleagues of avenues for support, when / if needed.

Bullying and Harassment Policy

Owned and maintained by:	Human Resources
Date checked/created:	~~April 2023~~ May 2025
Next review date:	June 2027 ~~5~~

Statement of intent

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 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.

We expect all colleagues to demonstrate our organisational values of equality, integrity and respect in all they do. Our values charter sets out how we will bring our values to life and this sets out what we believe and agree it looks like when we are doing our values well, and what it looks like when we're not getting it right. This ensures we're accountable at a personal, team and organisational level. It also empowers colleagues at all levels of seniority to challenge any behaviour or attitude that contradicts our values.

Employees have the right to be treated with dignity and respect irrespective of their age, disability, sex, gender re-assignment, marriage or civil partnership, maternity or pregnancy, race, religion or belief and sexual orientation. We do not condone any form of bullying or harassment.~~No form of bullying and harassment will be condoned if it has a bearing on the working relationship.~~ 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. Disciplinary action, including dismissal, will be taken against those failing to fulfil their responsibilities.

Audit Scotland welcomes the support of PCS in seeking to secure a working environment free from bullying and harassment.

Principles

This policy has been designed to inform employees about ~~the type of behaviour that is unacceptable~~ behaviours, and sets out the procedure for dealing with bullying and harassment.

Audit Scotland will not tolerate harassment or bullying of:

- job applicants and new recruits

- employees
- contractors
- agency workers
- clients

This policy also applies to work-related functions held outside of normal working hours, either on or off the organisation's premises, such as office parties, celebrations, working lunches, etc. The organisation will also not tolerate harassment of staff by third parties, for example, by clients, and will take appropriate action to deal with all instances which are reported.

Additional support

Access to a professional counsellor through our Occupational Health & Wellbeing partners may be appropriate. This could help complainants prepare their case and recover self-confidence. They can also help provide a confidential, sympathetic ear and advice if a colleague is feeling uncomfortable and is unsure of what to do next.

Informal contacts in the form of someone designated to lend a sympathetic ear and provide support if needed within Audit Scotland can be colleagues, members of Leadership Group, HR, trade union representatives or our mental health advocates.

Guidance for line managers in handling bullying or workplace conflict can be found on our Management Development intranet page.

Commented [AB1]: Updated link with latest, accessible guidance

Line managers are encouraged to seek further training and development if needed on this topic. Information on the following areas of relevant training can be obtained from HR:

- implementing and clearly communicating these guidelines
- corporate induction training
- diversity and equality (including bullying and harassment)
- assertiveness skills
- time management
- personal development
- stress management

Definitions of Bullying and Harassment

Bullying and harassment often take place with no witnesses.

~~Colleagues~~ ~~Victims~~ may not always recognise what is happening and may feel isolated and powerless. They often believe their concerns will not be taken seriously and that further retribution will follow if they do complain. Individuals may have problems identifying behaviors that could be considered bullying and/or harassment. Appendix one provides examples of behaviours that may be considered bullying and/or harassment. ~~facing up to what is going on and employees need to be aware of a checklist of early warning signs. These include feeling persistently "got at", being criticised for work that has always been acceptable to previous management and feeling blamed for other people's actions.~~

Bullying

- There is no legal definition of bullying. The Dignity at Work Partnership's definition of bullying states, "Bullying can take many forms. It is generally accepted as unwanted behaviour that offends, persecutes or excludes someone. It includes treating individuals in a demeaning and unacceptable way and can be intimidating, malicious or insulting, or a misuse of power to undermine, humiliate, threaten or cause injury."
- Bullying can be physical, verbal or non-verbal conduct. It is not necessarily face to face and can be done by email, phone calls, online (cyber-bullying) or on social media. Bullying may occur during working hours or outside of work. See examples in Appendix One.

Harassment

- Is unwanted conduct that intentionally or unintentionally violates an individual's dignity or creates an intimidating, hostile, degrading, humiliating or offensive environment for that individual.
- Can take many forms, occur on a variety of grounds and may be directed at one person or a group of people. People can be subjected to harassment on a wide variety of grounds, for example, because of their sex, age or disability.
- Can also include sexual harassment. Sexual harassment is behaviour that has a sexual content or sexual connotation. Examples could include unwelcome physical touching, making sexual remarks to or about a person, telling jokes with a sexual content or displaying sexually explicit images on a computer screen. See further examples in Appendix One.

Microaggression

- A microaggression is a subtle verbal or non-verbal behaviour, committed consciously or not, that is directed at a member of a marginalised group such as a racial or ethnic minority, and has a harmful, derogatory effect.
- Microaggressions cause others to feel dismissed, alienated, insulted, or invalidated. They make differences in power and privilege more apparent and perpetuate stereotypes and racism.

- Examples of these can include continued mispronunciation of names, asking someone who is a visible minority, "where are you really from" or a situation where someone tells a colleague who is LGBTQ that they "don't seem gay" or some other similar phrase.

~~Provided that you act in good faith, i.e. you genuinely believe that what you are saying is true, you have a right not to be victimised for making a complaint or doing anything in relation to a complaint of bullying or harassment. The organisation will take appropriate action to deal with any alleged victimisation, which may include disciplinary action against anyone found to have victimised you.~~

Victimisation

Provided that you act in good faith, i.e. you genuinely believe that what you are saying is true, you have a right not to be victimised for making a complaint or raising concerns in relation to a complaint of bullying or harassment. The organisation will take appropriate action to deal with any alleged victimisation, which may include disciplinary action against anyone found to have victimised you.

- Victimisation is subjecting a person to a detriment because they have, in good faith, complained (whether formally or otherwise) that someone has been bullying or harassing them or someone else, or supported someone to make a complaint or given evidence in relation to a complaint. This would include isolating someone because they have made a complaint or giving them a heavier or more difficult workload.

Making a complaint that you know to be untrue, or giving evidence that you know to be untrue, may lead to disciplinary action being taken against you.

In cases of bullying and harassment one incidence is sufficient for harassment to be deemed to have taken place. The test of whether the harasser ought to have known that the behaviour amounted to harassment is whether a reasonable person in possession of the same information would have known it did. Therefore, inappropriate behaviours can be considered harassment, even if the offence caused was not intentional. ~~can be an offence even if it is not intentional.~~

Legal Considerations

Audit Scotland has a legal and ethical responsibility as an employer to ensure that staff are not subjected to behaviour which may affect either their performance or, more importantly, their health and wellbeing.

An employer's responsibilities under the Health and Safety at Work Act 1974 include the provision of a safe and healthy working environment. Bullying and harassment is a cause of stress, which amounts to a serious health and safety issue. The Health and Safety Executive has published guidelines on stress at work, which include a section on dealing with bullying and harassment.

Under the Equalities Act 2010, employees are able to complain of behaviour that they find offensive even if it is not directed at them. In addition, the complainant need not themselves possess the relevant characteristic (for

example, race or religion or belief) - it can be because of a perception or association with a person who has a particular characteristic.

The Worker Protection (Amendment of Equality Act 2010) Act 2023 made it a legal duty for employers to take all reasonable steps to prevent sexual harassment. Therefore it is important for Audit Scotland to be unequivocal that we have a zero tolerance approach to all forms of sexual harassment.

Audit Scotland, together with any managers who fail to take steps to prevent harassment or investigate complaints, may be held liable for their unlawful actions. The intention of the perpetrator is irrelevant; it is the impact on the individual that determines whether bullying or harassment has taken place.

Effects of Bullying and Harassment

Bullying and harassment in the workplace can cause stress and anxiety, and affect the personal lives of those who suffer, as well as undermining morale and productivity. It can also lead to accidents, illness, and poor performance.

The symptoms of bullying and harassment include absenteeism, underperformance and high staff turnover. Preoccupied and anxious employees may become unwilling to make decisions or take the initiative, and may become quietly disruptive and demoralised. ~~For examples of what might constitute bullying and/or harassment see Appendix One.~~

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Making a Complaint

In the event of any member of staff being bullied or harassed, they have a right to, and are encouraged to, raise the matter informally with their line manager/a member of Human Resources (HR) or formally using the grievance procedure. It is the responsibility of all managers to take seriously, treat confidentially and thoroughly and speedily investigate any complaint of bullying or harassment.

If you observe behaviour that you believe could be perceived as bullying or harassment of another colleague, but don't feel able to challenge it directly yourself, in the first instance you are encouraged to speak with your line manager. However, you may not feel comfortable doing so, or the issue may be with your line manager. In these circumstances, please contact a member of Leadership Group or the HR team for a confidential discussion.

There are two procedures by which an employee can make a complaint of bullying or harassment – informal and formal. The employee must decide which procedure to use and can consider whether to ask for confidential counselling. When appropriate, every effort will be made to resolve the situation informally. Some incidents, however, by virtue of their serious nature will need to be dealt with immediately under the formal procedure.

Confidentiality will be maintained as far as possible. You may or may not want your manager or HR representative to talk to the individual on your behalf and, where possible, we will respect your wishes. However, if the welfare or safety of you or others is at risk or where your allegations are particularly serious, we may have to approach the individual and instigate a formal investigation. In such a case we will, where possible, discuss this with you first.

1. Informal Procedure

- Employees are encouraged to keep a written record of any incidents of bullying or harassment, including the date, time, nature of incident(s), the names of those involved and the names of any witnesses.
- If possible, the person who is bullying or harassing should be told by the individual who is being bullied or harassed that the behaviour is offensive and unwanted and must stop. A colleague, manager or union representative can act as a witness when this statement is made. Alternatively, an appropriate manager or a member of the HR team can be asked to speak to the alleged bully or harasser.
- Whenever possible, any complaint of bullying or harassment should be made in the first instance to the immediate line manager. Alternatively, you should speak with another appropriate member of the business group's management team.
- HR will give confidential support and advice to all parties as requested.
- Mediation provisions can also be considered to encourage early resolution.

Where informal methods fail [to resolve the issue](#), or the employee chooses not to use them or considers that the problem is sufficiently serious, a formal complaint can be made.

2. Formal Procedure

- The complaint should be made in writing, describing the incident(s) as fully as possible¹ to the Head of HR, the Chief Operating Officer or another appropriate member of the Executive Team.
- A senior manager or Director, from another business group (to ensure impartiality), may be appointed to investigate the complaint. They will interview the complainant², the person against whom the allegations are made and any relevant witnesses. These interviews will be conducted in confidence. All parties to these proceedings can be accompanied by a colleague or trade union representative.
- In some cases, an external investigator may be appointed at this stage to ensure impartiality, for example if the complaint is about a senior

¹ The employee may consult with HR if they are unsure how to present a written complaint.

² The aim is to establish all the evidence and employees who raise a complaint will be asked to disclose: the name of the person alleged to have breached this policy; what they personally observed, including words said, tone of voice, manner and other surrounding circumstances (as far as the employee can remember); the times and dates of alleged incidents and the names of anyone else present.

manager, member of the Executive Management team or a member of the HR team.

- All complaints will be handled and investigated in a timely manner. Wherever possible, the investigation will be concluded within two weeks of the complaint being received. If this is not possible, the complainant and the person against whom the allegations are being made will be advised of this and when the investigation is likely to be completed. Employees shall be guaranteed a fair and impartial hearing whether they are the alleged bully or the bullied.
- It may be necessary for one or both parties to be temporarily transferred to different teams while the investigation is carried out or for working from home to be considered. Only in the most serious cases of alleged bullying or harassment will suspension be considered necessary. Such action is undertaken only with the prior approval of HR and in line with the guidance detailed within our Disciplinary Policy.
- The investigating manager's report, indicating whether there is evidence to support the claim of bullying or harassment will be submitted to HR and to the complainant and the person(s) against whom the allegation has been made.
- If the complainant is dissatisfied with the outcome, or with the way in which the complaint was handled, then a written request for reconsideration should be made to the Head of HR within seven days of receiving the investigating manager's decision.
- If disciplinary action is justified, a disciplinary hearing will be arranged within ten working days of either the decision of the investigating manager, or if the matter was referred for reconsideration, the decision of the Head of HR.
- The employee against whom the allegation has been made will have the right to be accompanied at this hearing by a work colleague or trade union representative and will have the opportunity to challenge the evidence and to state their case. The hearing will be conducted in accordance with Audit Scotland's disciplinary policy.
- Any disciplinary action taken will reflect the severity of the offence and may include the transfer of the employee accused of bullying or harassment, on a temporary or permanent basis, or dismissal. The employee may appeal against the penalty or warning in accordance with the appeals procedure.
- Where the outcome of the investigation is that the complaint is not founded, or the nature of the complaint justifies counselling/advice, this will be discussed with all parties and HR.

Note: if a claim of bullying or harassment is made by a member of Audit Scotland staff against a member of staff who works for an audited body whilst on a non – Audit Scotland site then the policy of the hosting organisation will apply. Any complaint made by non-Audit Scotland staff whilst on Audit Scotland premises, will be dealt with under this policy. Audit Scotland staff should

therefore make themselves aware of the host organisation's policy in this respect.

Employees who experience bullying and harassment by a member of an audited body on a non-Audit Scotland site, however, should inform their line manager and/or a member of the HR team. While the matter may be formally dealt with by the host organisation's policy, all reasonable efforts will be made to reduce an employee's exposure to bullying or harassing behaviours. In such circumstances, alternative arrangements will be explored.

Any complaints found to be false and malicious may result in disciplinary action being taken against the complainant.

Employee Training

All employees will receive training in diversity and equality as a part of their induction. Further training and development is available to all employees as part of our rolling programme of learning across Audit Scotland.

Every person working for Audit Scotland has a personal responsibility for implementing and promoting diversity and equality principles in their dealings with clients and with each other. This includes consistently conducting ourselves in line with our values as an organisation.

We expect all of our colleagues to proactively support our equality, diversity and inclusion initiatives by attending events and workshops organised by Audit Scotland's Learning and Development and HR teams and employee network groups to educate themselves on the challenges faced by others and how to help alleviate these in the workplace.

All complaints and information received will be handled in line with our Data Protection policy which can be found in our staff handbook.

Additional support

~~Guidance for line managers in handling bullying or workplace conflict can be found on our Management Development intranet page.~~

~~Information on the following areas of relevant training can be obtained from HR:~~

- ~~• implementing and clearly communicating these guidelines~~
- ~~• corporate induction training~~
- ~~• diversity and equality (including bullying and harassment)~~
- ~~• assertiveness skills~~
- ~~• time management~~
- ~~• personal development~~
- ~~• stress management~~

Commented [AB2]: Updated link with latest, accessible guidance

Field Code Changed

~~Access to a professional counsellor through our Occupational Health & Wellbeing partners may be appropriate. This could help victims prepare their case and recover self-confidence.~~

~~Informal contacts in the form of someone designated to lend a sympathetic ear and provide support if needed can be colleagues, HR, trade union representatives, our mental health advocates or occupational health specialists.~~

Appendix One

Examples of bullying and harassment

Bullying

- Derogatory remarks.
- Insensitive jokes or pranks.
- Insulting or aggressive behaviour, both verbal and physical.
- Ignoring or excluding an individual.
- Setting unrealistic deadlines.
- Public criticism.
- Substituting responsible tasks with menial or trivial ones.
- Withholding necessary information.
- Constantly undervaluing effort.

Harassment

- Unwanted non-accidental contact ranging from unnecessary touching to assault and coercing sexual relations.
- The display of pornographic or sexually suggestive pictures.
- Conduct that denigrates or ridicules a colleague because of their race.
- Making fun of disability and use of inappropriate terms e.g. 'cripple'.

By law (Equality Act 2010), bullying behaviour can be harassment if it relates to any of the following 'protected characteristics':

- age
- disability

- gender reassignment
- race
- religion or belief
- sex
- sexual orientation

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These lists are not exhaustive. The actions listed above must be viewed in terms of the distress they cause the individual. It is the perceptions of the recipient that determine whether any action or statement can be viewed as bullying or harassment.

What is not generally considered to constitute bullying and harassment?

Line managers are responsible for ensuring that staff who report to them perform to an acceptable standard. Legitimate, justifiable, appropriately conducted monitoring of an employee’s behaviour or job performance does not therefore constitute bullying and harassment. Managers must carry out these functions in a fair, effective and consistent manner. It is important to differentiate between fair and effective management and bullying and harassing behaviour.

Fair and effective management	Bullying and harassing behaviour
Consistent and fair.	Aggressive and inconsistent.
Results focused but reasonable and flexible.	Unreasonable and inflexible.
Clear about their plans but willing to consult before drawing up proposals.	Believes they are always right and are not prepared to listen to others.
Will discuss in private, any problems with a member of the team or the team itself.	Loses temper when things go wrong.
Respects other colleagues	Degrades colleagues in front of others.

Appendix Two

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Review and version control

<u>Date</u>	<u>Action</u>	<u>Comments</u>

<u>May 2025</u>	<u>Policy updated</u>	<u>This policy has been revised on a minor, non-substantive basis to include links to relevant online source material, reference to the updated legal position regarding the employers obligations to prevent sexual harassment and updated URLs.</u>

Strategic Improvement Portfolio

Portfolio overview report

Item 10

Director of Innovation and Transformation and Head of
Organisational Improvement

Meeting date:
03 June 2025

Purpose

1. This report updates the Audit Scotland Board on progress with the Strategic Improvement Portfolio (SIP), with a focus on the agreed priorities for adopting a portfolio and programme management (PPM) approach – Financial management, risk management and change management.

Recommendations

2. The Audit Scotland Board is invited to:

- Note the overall status and timelines for SIP projects (Table 1, page 2).
- Note the financial and risk position of the portfolio and the agreed management action.
- Note the planned activity on supporting organisational readiness for change.

Background

3. The SIP currently contains three projects:

- Audit modernisation project (AMP).
- Resource and management information (R&MI).
- Future Public Audit Model (FPAM).

4. At its meeting in March 2025, the SIP Board agreed to adopt a PPM approach, with an initial focus on developing portfolio oversight of risks, finances and the impact of change. This is the first SIP report to the Audit Scotland Board to take a portfolio-based approach to reporting.

Considerations

Project status and timelines

5. Table 1 sets out the overall status of SIP projects. This is based on the red, amber, green descriptions in Appendix one.

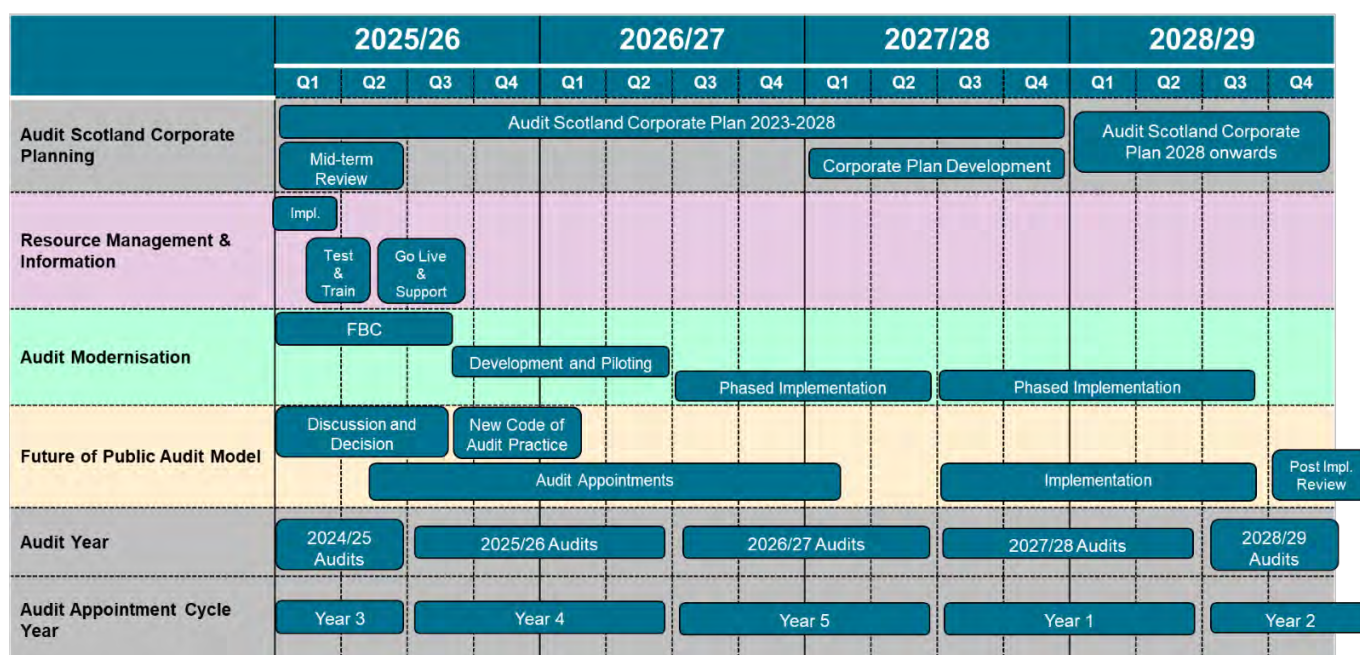
Table 1: Status of SIP projects

Project	Status	Notes
Audit modernisation project (AMP)	Amber	- Significant risk of delays to key milestones. - One milestone assessed as amber and one assessed as red relate to delays with NAO engagement. Non-Disclosure Agreement with NAO in place as of March 2025 as interim measure. This mitigates some risk around MoU delays by enabling key information and data sharing. - NAO were unable to accommodate our request to further assess Apex and audit approaches in April, and visit was rescheduled and took place in May. - Four project risks reporting amber. Project team has escalated NAO engagement from risk to issue. 2024/25 budget was underspent by 47%. Baseline project budget for 2025/26 has been developed.
Resource and management information (R&MI)	Amber	- Delay finalising terms and conditions for new resourcing system, with this now planned for mid-June 2025. This may impact on go-live date. - iTrent expense feature progressing on track, with development work taking place in June. - One new risk around the project Go-Live date is reporting amber, with mitigation actions in place. - Budget currently overspent by 12%.
Future public audit model (FPAM)	Green	- Project is on track with key milestones progressing as planned. - Overall risk and impact around project delivery included in corporate risk register. Project team developing its risk register. - Budget currently underspent by 40% partly due to Project Lead vacancy.

6. Figure 1 provides an overall timeline for the three SIP projects. This includes the Audit Scotland corporate planning cycle, audit years and the audit appointment cycle. We will use this timeline to support risk mitigation activities noted in Table 6, including:

- Planning for the resource and capacity required at key stages to keep project delivery and implementation on track, ensuring we recognise interdependencies and pressure points across the portfolio (not just for individual projects).
- Supporting projects to plan for change in a way that considers interdependencies across projects and the overall impact of change on colleagues.

Figure 1: Timeline for SIP projects



Financial overview

7. Table 2 summarises the original budgets for SIP projects for 2023/24 to 2025/26, when the SIP Board agreed to add these projects to the SIP. It also sets out phased budgets and actual spend to date. The original budget for AMP covered to the end of 2024/25 only.

8. Overall, the portfolio is underspent by 37%. Budget variances of more than 10% at the individual project level require an exception report and these are outlined below:

- AMP** – The underspend is primarily related to internal staffing costs, where the focus of the extended project team has been diverted to delivering ‘business-as-usual’ improvements for the 2024/25 audit year and for performance audit. We have also experienced some underspends in the budgets for legal and procurement support. The project team has now agreed a baseline project budget for 2025/26 with the finance team, but reprofiling in year will be required once we receive further information from the NAO and Scottish Government Procurement and agree legal support requirements.
- R&MI** – The overspend is due to additional internal staffing costs and unplanned external legal advice costs, both of which related to the delays to the procurement process. The additional external costs were met through the 2024/25 budget and will not impact on the 2025/26 Audit Scotland budget. The project has not reported any future changes to planned project expenditure.
- FPAM** – The underspend is primarily related to the vacancy in the project lead post, which has now been filled. This is an internal

staffing cost so will not impact on the overall Audit Scotland budget. While the project identified additional costs associated with stakeholder engagement and scenario planning we have agreed to cover these through internal staffing resources.

Table 2: Project budgets, phased and actual spend to date

Live projects	Date added to SIP	Original budget 2023-24 to 2025-206	Phased budget to date	Actual spend to date	Variance
AMP	May 2024	£694,340	£726,450	£395,612	- 46%
R&MI	May 2024	£147,000	£86,000	£96,000	+12%
FPAM	May 2025	£337,170	£25,741	£15,211	- 41%
Completed projects					
Insights	May 2024	£108,053	£70,047	£59,292	- 15%
EPAD	Sep 2024	£42,076	£42,076	£31,180	- 26%
Total		£1,328,639	£950,314	£597,295	- 37%

Improving SIP financial management

9. At its May meeting the SIP Board agreed the following priorities for improving SIP financial management:

- Improve portfolio oversight and reporting on potential future changes to estimated project costs, including sources of funding and opportunity costs across the portfolio.
- Provide financial data by financial year and phased spend to date, rather than total project budget and spend to date. Ensure clarity on impact of budget over and under spends on overall Audit Scotland budget in each financial year.
- Connect with corporate governance team on review of risk management framework to consider impact of changes on SIP risk oversight and ensure project financial risks are recorded or escalated when appropriate.

Risk overview

10. In line with PPM good practice, we are developing a portfolio approach to risk management. Overall, there are five risks in the portfolio risk register, with three reporting amber. Table 4 summarises these.

11. At its May meeting the SIP Board noted the slippage in delivery against the mitigating actions but was assured that there is adequate capacity to bring these actions on track by the September SIP Board meeting.

Table 4: SIP risk overview

Summary of risk	Net score	Mitigation – Controls in place and further planned actions
Capacity to deliver change projects IF Audit Scotland does not have sufficient capacity for change initiatives, including within change project teams, organisational support teams, audit delivery teams and external input required THEN the feasibility of successfully delivering projects and realising benefits will be significantly at risk RESULTING IN Audit Scotland needing to delay or consider alternative options for delivering required change and improvements.	12	Controls in place - Each SIP project has identified a Senior Responsible Officer (SRO), project lead and project team. Further planned actions - Create resource profile by project, business group and category of resource required (May 2025). Action delayed and will be taken forward by September 2025. - Develop forward looking resource profile at portfolio level and undertake regular review with SIP Board (May 2025). Action delayed and will be taken forward by September 2025. - Make resourcing and capacity a core requirement for project update reporting at SIP meetings (May 2025). Action delayed and will be taken forward by September 2025.
Availability of management information IF Audit Scotland does not have the available management information to baseline, measure and demonstrate improvements resulting from the implementation of SIP projects THEN projects will be unable to realise proposed benefits and achievement of Audit Scotland's strategic priorities. RESULTING IN a negative reputational impact for Audit Scotland.	12	Controls in place - None. Further planned actions - Use Corporate Plan mid-term refresh to clarify measurement for strategic priorities (September 2025). - Use AMP benefit profiles and realisation strategy to develop model for other SIP projects to follow (November 2025).
Project planning	9	Controls in place All SIP projects have realistic project plans in place that are signed off by

Summary of risk	Net score	Mitigation – Controls in place and further planned actions
IF change project stakeholders seek earlier completion of project milestones than are currently proposed THEN project timescales would have to be condensed, with assumptions made to deliver at the pace expected RESULTING IN risks to project quality and increasing likelihood of issues arising within the implementation period that have additional time, resource and cost implications.		SIP Board and monitored within project governance structures. • Key stakeholder regularly updated on project progress. • SIP Board to actively scrutinise slippage against project milestones at each meeting through project update papers
Change readiness IF Audit Scotland has not identified and planned for changes required to colleague behaviours and ways of working to support change initiatives THEN there is a risk that project implementation is less successful as colleagues are resistant to changes RESULTING IN delays to project delivery and benefits realisation.	8	Controls in place • Change management framework developed, agreed and communicated to SIP projects. • Capacity building sessions on change delivered to SIP project teams. Further planned actions • Ensure each SIP project has a clear change management plan, alongside or embedded within its communications and engagement plan (May 2025). Action in progress with completion delayed to September 2025. • Coordinate change management activity across the portfolio (September 2025) • Active approach to identifying behaviour / cultural change required within all project teams (September 2025).
Portfolio management discipline IF Audit Scotland are unable to implement a portfolio management discipline for co-ordinating delivery across all Audit Scotland's change initiatives and other improvement activities THEN there will be a lack of alignment across initiatives, resource conflicts/inefficiencies, missed	9	Controls in place • SIP board managing the interaction between SIP projects. • Priorities agreed with SIP Board for applying PPM principles and timescales associated with key actions. Further planned actions

Summary of risk	Net score	Mitigation – Controls in place and further planned actions
dependencies, shifting priorities and low levels of collaboration. RESULTING IN delays to ongoing delivery and benefits realisation across all change initiatives, failure to successfully implement change projects, improve services and introduce operational efficiencies and improvements		Develop portfolio level reporting on priority areas, including financial and risk management (May 2025).

Organisational culture for change

12. In November 2024, the SIP Board agreed a change management framework, which the AMP and R&MI project teams are applying to their wider project planning. We recognise that while it is important for individual projects to plan for and manage change, we also need to act at an organisational level to develop our culture for change and to create the conditions for change.

13. Each project has different timescales and will be at different stages in terms of engaging staff on what change means to them. However, we recognise that we need to coordinate this activity at portfolio level to ensure it is joined up for colleagues and consistent.

14. We're developing a cross-cutting workstream that will help bring this activity across all SIP projects. We also plan to discuss this approach and the leadership behaviours required to support it with Leadership Group in July.

15. The Audit Committee has a deep dive on 2 September looking at managing the impacts on staff from organisational change which will be an opportunity to explore this in more detail.

Conclusion

16. Over the three years to end March 2026, the SIP portfolio comprises projects costing an estimated £1.3 million. Of the three live projects, two are currently rated amber and one green. Actions are planned at portfolio level to manage the risks arising. The portfolio and project teams are considering opportunities to support a culture for change.

Appendix one: Descriptions for assessing project status

Projects assess status based on progress against milestones, budget and risks using the descriptions below. The assessment is based on the status of future planned milestones, and the budget and risk position, as at the above reporting date.

Green	• Milestones – – All project milestones are on track - or - – Some slippage to planned milestones but this is within six weeks of original plan. Project plan has been updated to account for slippage and no further management action is required. • Budget - Project budget is on track with less than a 10% variance between phased budget and actual spend. • Risk - All project risks reporting green.
Amber	• Milestones - Some slippage to planned milestones, within eight weeks of original plan. Additional management action required. • Budget - Project budget has a variance between phased budget and actual spend higher than 10%. • Risk - One or more project risks reporting amber.
Red	• Milestones - Significant slippage to planned milestones, more than eight weeks behind original plan. Additional management action required. • Budget – Project budget has a variance between phased budget and actual spend higher than 15% (on external costs). • Risk - One or more project risks reporting red.

Resourcing and Management Information (R&MI) Project

Audit Scotland Board Update

Item 10.

Executive Director Audit Service Group (Project Sponsor and SRO)

Meeting date:
3rd June 2025

Purpose

1. This paper sets out the latest Resourcing and Management Information (R&MI) project progress on all key delivery milestones and their respective workstreams, risks and overall project budget to-date.
2. The report is for information purposes only; no decisions are required from the Audit Scotland Board at this project stage.

Recommendations

3. The Board is invited to note progress against key milestones, risks and budget updates.

Background

4. The project is currently reporting an Amber status, due to a delay in the completion of the Open Tender exercise.
5. The R&MI team is finalising the Procurement Phase and making preparations for the Implementation Phase of the project.
6. Contract Terms and Conditions have been reviewed by both parties, Audit Scotland and Hub Planner, and are currently being finalised based on the accepted proposed changes. We anticipate that the Procurement Phase of the project will be completed during June 2025 and a verbal update on progress with this will be provided to the Board at the 3 June meeting. Completion of the Procurement Phase will enable Audit Scotland to enter into direct communication with Hub Planner.
7. An important aspect of the project is the work required to secure the planned changes in organisational behaviours that accrue from the implementation of a modern agile system. These changes are integral to the successful launch of the new system and will be established with all staff, through the duration of the Implementation Phase of the new system. The project team has developed a comprehensive Engagement Plan, which provides a clear set of actions and timetable to address and support this aspect of the project deliverables. The Engagement Plan is aligned with the high-level implementation plan.

Considerations

8. This report covers all current major milestones and their progress. The key outstanding action from these milestones is the completion of signed contract Terms and Conditions. Once the document is signed and finalised, the Procurement phased will conclude and the Implementation phase will begin.

9. Key current milestones update is set out below:

Progress against progressing milestones | April – June 2025

Current Milestone	Due Date	Status
Procurement exercise / Open Tender	June 2025	In progress. The Open Tender has been launched on 13th January 2025 (30-day duration for suppliers' bids to be placed) and has concluded on 17th February 2025. A total of 3 valid bids have been received. Evaluation of received bids has concluded, and an awarded supplier selected (Hub Planner). The current final stage of the Procurement involves the review and signatures of the Terms and Conditions. The document has been reviewed by both Audit Scotland and Supplier and is currently being finalised with any accepted amendments which are to be applied in preparation for the signatures. The expectation is that the contract will be signed in June 2025.
iTrent Expenses feature	June 2025	In progress. Preparational work for the iTrent Expenses module set-up is in progress. The module is selected to replace the existing expenses feature within the current TRS system. The requirements document is currently being finalised by the MHR (iTrent) team. The module work is scheduled to start on 2nd June and planned to complete by end of June 2025 (including testing). Note: The overall one-off cost for the module to be implemented, tested and launched is £6,250 (funded through the project budget). There are no additional recurring costs of the iTrent expenses module which is already included in the contract price Audit Scotland pay to MHR iTrent.
Change Management – Organisational Behaviours workstream	August 2025	In progress. To support the changes in organisational behaviours accruing from the implementation of the new system a comprehensive Engagement Plan has been developed. This workstream is focussed on the following key activities: • Communications: All-staff monthly updates; all-staff monthly Teams Talks; additional high-level monthly updates cascaded by core project team to their respective business units; targeted face-to-face

		meetings with Executive Team and the four business groups. • Identifying and challenging change-resistant behaviours: Mitigating those via a combination of activities including Communications, creating a change-climate, enabling staff to get acquainted with the change, supporting staff through a variety of consistent engagements, planned training and guidance sessions. • Identifying the Change Advocates: (Core project team and Executive team) to promote new ways of working alongside system implementation, leading by example and supporting the change climate. The team has created a new compelling project Vision and a Destination Postcard, providing guidance around the structure of change and helping us navigate through this workstream to achieve the best results.
Engagement with Audit Wales – Learning from experience	August 2025	In progress. The project team engaged Audit Wales to gather their view on the overall project experience and Lessons Learned while implementing Hub Planner. Engagement via email correspondence is on-going, with an initial meeting which took place in May 2025. During the meeting Audit Wales shared their Lessons Learned and offered their insights on stumbling blocks they encountered during system implementation. In addition, Audit Wales shared their guiding principles developed through a post-implementation review of the system. The Audit Scotland project team embraced the learning and is ensuring they are all considered and appropriately addressed as the project progresses with the Implementation phase.

Project risks

10. The project has one risk reporting Amber, which influences the Amber project status. The risk is managed, with immediate actions already in place. The Audit Scotland Board is invited to note this risk, because based on the Terms and Conditions delay, this risk will impact the current Go-live date of the project (1st August).
11. The Amber Project risk is summarised below:

Risks	Net score	Summary of controls, mitigation and planned actions
Amber Risk	16	Mitigation actions already in place:
Due to the Open Tender Terms and Conditions (T&Cs) finalisation causing a		1. The Project Manager, the Project SRO and Head of Digital Services are working with Scottish Government Procurement to finalise the T&Cs in order to complete

delay in the overall completion of the Procurement phase, the current project Go-Live date of 1st August 2025 will be impacted.

- the Procurement phase. T&Cs are expected to reach signature phase in June 2025.
2. The PM and the SRO will revisit and re-assess the existing 1st August 2025 Go-live date, immediately after the T&Cs are signed, the procurement phase is fully complete, and the supplier has committed to the implementation timeline.

Project budget

12. The project budget update is shown in the below table. The project is within the approved budget. The reported spend to-date is primarily in relation to staff costs, with the allocated system budget yet to be paid to the selected supplier.

13. The payment for the system (Implementation costs and 1st year licences) for 2025/26 is expected to be made in June 2025, after the contract is signed by both parties.

Element	Budget	Spend to Date
Project Delivery (internal and external staff costs)	£105k	£96k
Hub Planner System Contract	£255k	£nil
iTrent Expenses Module	£6k	£6k

14. Additional notes on budget:

- Budget costs to-date are only spent on staff (both internal and external) plus external legal advice fees (£3,000).
- The new system cost for 2025/26 (£105,000) is yet to be paid to the supplier (upon signatures placed on the Terms and Conditions in June 2025).

Conclusion

15. The R&MI project is currently reporting Amber, due to a delay in the finalisation of the Terms and Conditions. Expected signature stage is planned for June 2025.

16. The contract finalisation will be followed by an immediate meeting with the supplier to agree the implementation plan and timescales.

17. Following on from the Implementation plan and timelines confirmed with the supplier, the SRO and PM will revisit and re-assess the existing 1st August 2025 Go-live date, propose a new date if required, and update the Amber risk.

Progress Report

Future Public Audit Model

Item 10.

Project Lead

Meeting date:
3 June 2025

Purpose

1. This report sets out progress to date on the Future Public Audit Model (FPAM) project.

Recommendations

2. The Board is invited to:
- Note progress to date.
 - Note the approach to stakeholder engagement (paragraphs 9 to 14).

Background

3. The FPAM project has been established by Audit Scotland to support the Auditor General and Accounts Commission in developing a new model for the annual audit of public bodies from 2027/28. The project has been accepted within Audit Scotland's Strategic Improvement Programme (SIP).

4. The Board discussed the key considerations for the FPAM project at its joint session with the Accounts Commission on 12 December 2024. [This](#) briefing paper set out the background, aims and challenges of the project.

5. The project has four, largely sequential, phases (with a degree of overlap between each phase). The timescales and key milestones are detailed below:

Phase	Timescale	Milestones
Project initiation	November 2024 to March 2025	Establishment of governance arrangements.
		Establishment of Project team.
		Approval of Project Initiation Document
1 Discussion and decision	April to December 2025	Production of five thematic discussion papers which are intended to support the Auditor General and Commission in

		answering the project questions.
		Engagement with internal and external stakeholders.
		Approval of public audit model by Auditor General and Commission.
2 New Code of Audit Practice	December 2025 to May 2026	Formal consultation with stakeholders on Code of Audit Practice (which communicates the public audit model).
		Publish new Code of Audit Practice.
3 Audit Procurement and Appointments	August 2025 to May 2027	Procure audit appointments for 2027/28 audits.

Considerations

Progress

6. Robust governance arrangements for the project have been finalised and are operating as intended. A key aspect is ensuring that the Chair of the Audit Committee feeds into all discussion papers with the Executive Team.

7. The success factors for the project are to deliver FPAM's objectives to time, quality and budget. The project is currently on track in terms of budget. For timeliness, the project is now in Phase 1 and is on track against key milestones including the production of discussion papers.

8. In terms of quality, all discussion papers are being developed by a Project Board with representation across the business groups. In addition to formal governance arrangements, there are also meetings with a small group of Commission members to provide a sounding board in developing preferred options.

Internal communication

9. A series of informal conversations with the Board chair, Commission chair, Auditor General and the Chief Operating Officer have been established to enable open dialogue.

10. Existing meetings will be used to update audit teams and work is ongoing with the Communications team to update all staff at key stages.

External stakeholder engagement

11. Gaining the views and insights of key external stakeholders is essential, and the project team is developing an approach that will allow

extensive stakeholder engagement in the most efficient way. In summary, the team is adopting a principle-based approach to stakeholder engagement, namely:

- A proportionate approach, based on the scope and timescales of the project
- A dynamic approach, the level and type of engagement and communication will reflect the significance of any proposed changes
- A widespread and cost-efficient approach, maximising use of existing liaison and engagement plus emails will allow the team to gain views from all key stakeholders
- A focused approach, a clear focus on FPAM - links to wider, longer-term improvement issues will be highlighted and disseminated

12. Engagement is being led overall by the Chief Operating Officer supported by the Project Lead. This is intended to clearly signal to stakeholders the importance that Audit Scotland attaches to the project.

13. Communication with external stakeholders will be informal during Phase 1. The purpose of informal consultation will be to inform them of the review and to seek their views on the issues identified including their appetite for a change of approach on matters such as less complex bodies. Informal engagement to assess supplier firms' appetite for the work is underway.

14. Formal consultation on an exposure draft of a new Code of Audit Practice will take place on phase 2.

Conclusion

15. The FPAM project is progressing as planned.

Audit Modernisation Project

Progress Report

Item 10.

Director of Innovation and Transformation

Meeting date:
03 June 2025

Purpose

1. This report sets out progress for the Audit Modernisation Project (AMP) and its next steps

Recommendations

2. The Audit Scotland Board is invited to:

- Note the progress of the AMP.
- Agree the mitigating actions against escalated risks and issues as set out in the risks and issues section.

Background

3. The Audit Scotland Board considered an AMP update report at its previous meeting on 01 April 2025. This report highlighted the proposed approach to delivering the Full Business Case (FBC) takes into consideration that there are several interdependent activities – namely NAO collaboration, audit approaches and software requirements and implementation planning.

4. The Board also agreed the timeframe for undertaking the above activities, recognising the interdependencies and delivering an FBC in as realistic timescale, and at an appropriate pace. This roadmap focuses on the FBC timeline and is shown in Appendix A.

Financial Implications

5. Audit Scotland received a £672,000 allocation in the Scottish Parliament budget for Audit Modernisation in 2025/26 and a total of £2.2m over 3 years by the end of 2027/28. This budget accounts for external Audit Modernisation costs, such as professional services, supplier contracting and other digital-related costs. Associated internal costs, namely staff time, are largely captured within existing Audit Scotland budgets, such as Innovation & Quality.

Considerations

6. As at the end of March 2025, the overall status was assessed as **Amber** as the project is forecasting that there is a significant risk that key, in-progress, milestones will be delivered outside tolerance of the planned completion dates. A number of activities took place across May and a verbal update will be given to the Board on these activities.

Milestones

- The external business analysis of audit processes has completed with the recommendations now being implemented. The milestones assessed as Amber and Red relate to NAO engagement. The Non-Disclosure Agreement, agreed with the NAO in March 2025 as an interim measure, is enabling the sharing of some key information and data.
- The NAO were unable to accommodate Audit Scotland to further assess Apex and the underlying financial audit approach in April 2025. This was re-scheduled for May 2025. Tasks associated with the NAO will be reprofiled with the aim of achieving the milestones by the planned completion date, but significant risk remains that this will slip beyond the current timeframe and will negatively impact upon subsequent milestones and the AMP roadmap.
- We have established some mitigating actions, including regular scheduled catch-ups with key NAO staff, providing quick turnaround from our team on legal issues relating to the MoU, and re-prioritising tasks for team members. Significant progress has been made in the last week on the MoU, which should be finalised by end May.

Budget

- As at the end of March 2025, the total project spend was £395,612, which represents an underspend of 47% against the 2024/25 budget of £726,450 (internal, £540,175; external, £186,275).
- The internal costs underspend of £253,519 was due to the focus of the extended project team being on delivering 'business-as-usual' improvements for the 2024/25 audit year and for performance audit.
- There was an underspend of £77,318 against the external costs budget relating to legal and procurement spend. This is mainly due to delays in setting up meetings with the NAO and its legal team to discuss contractual arrangements (MoU), which are now underway. This does not present a risk to the delivery timetable as the Roadmap, as approved by the Board in April 2025, has been developed with these activities planned in 2025/26.
- An initial 2025/26 budget spend profile was established by the end of April 2025, but further reprofiling will occur past this date, as

result of further information from the NAO which will inform the refinement of the potential level of development costs as well as additional licensing and infrastructure costs. It will also help to inform the level of SG Procurement and Legal Advisor support requirements.

Risks and Issues

- The risk relating to NAO engagement is now escalated as an issue, with mitigating actions as described above. The current amber-status risks relating to project team resourcing, expert groups, communications expertise and management information are being actively managed with mitigating actions in progress. For example, procurement of external project accountant resource, and the agreement of communications team resource. The previous amber risk relating to stakeholder expectations of FBC delivery has been reassessed as Green. Please refer to Appendix B for escalated risk and issue items as reported to the SIP Board ahead of its meeting on 19 May 2025.

Consultation and communication

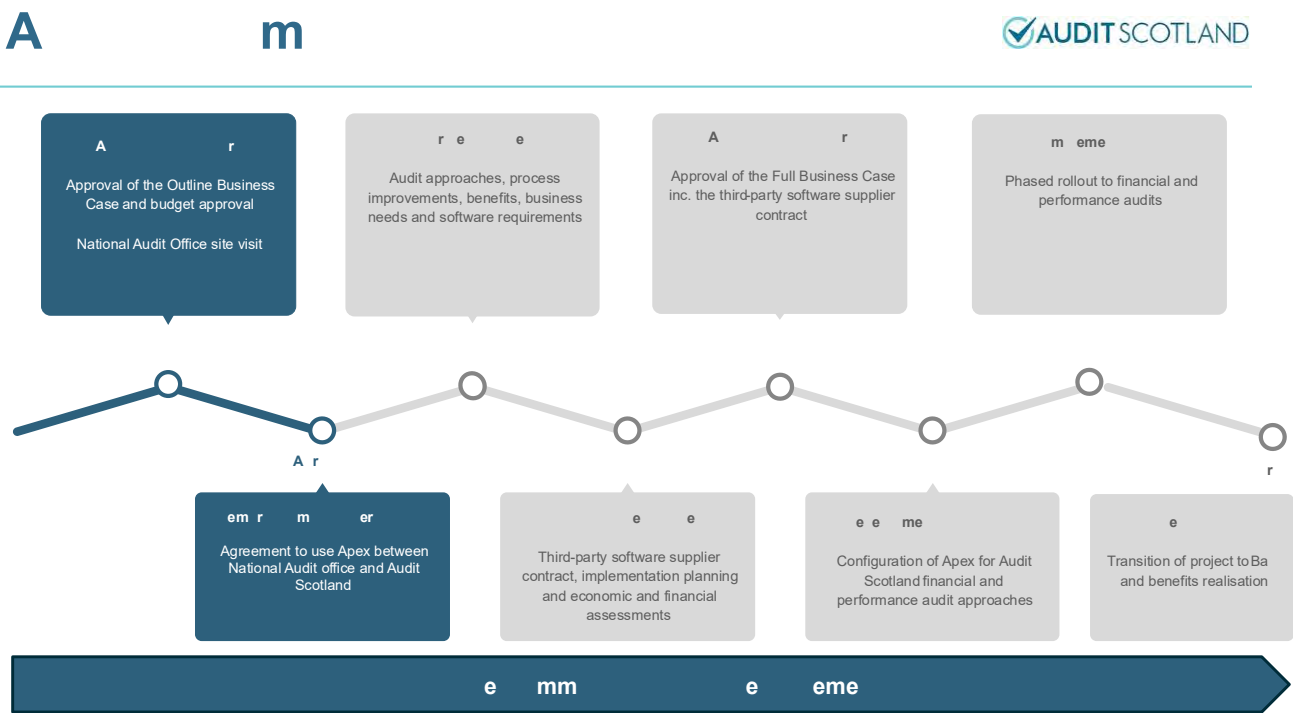
- AMP was a key item on the agenda of the Financial Audit Update Event in March 2025. The feedback survey for this session was very positive with staff finding it informative and engaging.
- Members of the I&Q team attended the PABV audit managers meeting on 24 April 2025 to provide an update on the project and with the development of guidance, training and supporting digital tools.
- The AMP Board discussed how to foster a culture for change at its meeting on 1 May 2025, which will inform what additional activities will be included in the FBC Change, Communications & Engagement Strategy. The AMPB agreed that the July 2025 meeting of the Leadership Group presents a good opportunity to have a discussion with the wider group on fostering a culture of change.
- The strategy will then be agreed by AMP Board in May 2025. This strategy will also take into consideration R&MI communications activities over the AMP FBC period and work across the SIP initiatives and with the communications team to ensure appropriate messaging across Audit Scotland.

Conclusion

7. AMP is currently dependent on NAO availability for access to Apex and its audit approach expertise. Engagement with NAO is essential in order to assess the system and their associated audit approaches, which the Apex software has been designed to support. This will inform Audit Scotland's

contracting with the third-party software supplier and the level of change required to existing audit approaches, as well as any potential configuration or customisation of the NAO version. Timely governance decision making within Audit Scotland, on proposed new audit approaches, will be critical in ensuring that planned milestones will be met accordingly.

Appendix A – Audit Modernisation Roadmap



Appendix B – Escalated Risks and Issues

Risks (R) and Issues (I)				
R / I	Risk / Issue Recorded in Log	Action	Current Risk Status	Prior Risk Status
I	NAO capacity to support Audit Scotland to assess Apex and NAO financial audit approach	May 25: The NDA, agreed with the NAO in Mar 25 as an interim measure, should negate the need for the MoU to be agreed to enable the sharing of key information and data. The NAO have been unable to accommodate Audit Scotland to further assess Apex and audit approaches in April 2025. This was re-scheduled for May 2025. Tasks associated with the NAO will be prioritised with the aim of achieving milestones by the planned completion date. Regular catch-ups now scheduled with key contacts to allow issues to be raised and progress monitored.	Escalated from Risk to Issue	AMBER
R	IF Audit Scotland is unable to resource a project team with the appropriate capacity and knowledge or there are key departures or absences, to deliver the full business case and the implementation of the revised audit approach (for PABV/ASG) and software THEN the AM project's ability to meet key milestones will be at risk and/or quality of deliverables may be compromised RESULTING IN delays to the AM project delivery, ongoing delivery and benefits realisation and the	May 25: Resourcing has been baselined during Apr 25. Additional audit expertise from within I&Q to be prioritised for the review of Apex and NAO audit approaches. Finance expertise and capacity has been discussed with the Corporate Finance Manager and a request for external project accountant resource agreed by the Recruitment Board in May 25.	AMBER	AMBER

Risks (R) and Issues (I)				
R / I	Risk / Issue Recorded in Log	Action	Current Risk Status	Prior Risk Status
	need to revisits the options in the Business Case.			
R	IF appropriate Audit colleagues are not available to work on any aspect of the AM project (from requirements, through to Test and go-live support) within the required / planned timescales THEN the support for Audit Refresh and other workstreams on the project within the required / planned timescales will be impacted RESULTING IN delays to the AM project delivery, ongoing delivery and benefits realisation	May 25: Draft ToR developed for AMP Board to agree by correspondence in May.	AMBER	AMBER
R	IF appropriate communications expertise and resource is not available to support the project to develop and deliver change, communications and engagement activities THEN colleagues and stakeholders will have limited support for and understanding of revised audit approaches, and software RESULTING IN delays to project delivery, additional cost and reduced benefits.	May 25: Draft change, communications and engagement strategy being developed with an updated product and engagement plan for the FBC with the Head of Communications and Head of Organisational Improvement. Updated version to be agreed by the AMP Board in May 25. Current BaU activity within the communications team is being reassessed to create capacity of SIP initiatives by the Head of Communications.	AMBER	AMBER
R	IF Audit Scotland does not have the available management information to baseline, measure and demonstrate measurable improvements resulting from the implementation of the project	May 25: Initial discussion with proposed business change managers on the benefit profiles are planned with the focus on identifying measurable improvements that	AMBER	AMBER

Risks (R) and Issues (I)				
R / I	Risk / Issue Recorded in Log	Action	Current Risk Status	Prior Risk Status
	THEN the project will be unable to realise it's proposed benefits and achievement of Audit Scotland's corporate objectives RESULTING IN a negative reputational impact for Audit Scotland	are appropriate and reasonable that can demonstrate the impact of AMP by the end of May 25		
R	IF key stakeholders seek earlier completion of the Full Business Case than is currently proposed THEN the project timescales would have to be condensed with a number of concurrent activities that have significant interdependencies, and the project will have to make a number of assumptions with regards to audit approaches and software requirements to deliver the Full Business Case RESULTING IN a Full Business Case that would not meet quality standards and increase the likelihood of issues arising within the implementation period that have additional time, resource and cost implications and a system that does not user requirements	May 25: FBC Roadmap agreed by the SIP Board at its March meeting and the Audit Scotland Board at its April meeting. The subsequent Delivery Plan was agreed by the AMP Board at its Apr 25 meeting. The risk assessment has been subsequently reevaluated.	GREEN	AMBER

Agenda

Audit Scotland Board

Tuesday 23 September 2025 10.00- 13.00

Audit Scotland offices, Nelson Mandela Place, Glasgow

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 report – verbal update	For information
8. Chief Operating Officer report – verbal update	For information
9. Review of draft minutes:	
• Board meeting: 3 June 2025	For approval
• Audit Committee: 6 May and 3 June 2025	For information
10. Review of Board action tracker	For assurance

Strategic items

11. Strategic Improvement Portfolio Overview Report	For assurance
• Project Overview	
• Resource and Management Information Project	
• Future Public Audit Model Progress Report	
• Audit Modernisation Progress Report	

Business planning, performance and governance

12. Annual Review of Records Management Policy and Appendix	For approval
13. Digital Services Strategy	For approval
14. Q1 2025/26 Corporate Performance Report and Appendix	For assurance
15. Q1 Financial Performance Report and Appendix [Considered by the Audit Committee at its meeting on 2 September 2025]	For assurance
16. 2026 Proposed Committee Meeting Schedule	For approval

Annual reports

17. Annual Review of Corporate Governance Documents	For approval
• Standing Orders • Financial Regulations • Scheme of Delegation • Code of Conduct of Members • Code of Conduct for Staff [Considered by the Audit Committee at its meeting on 2 September 2025]	

Items to be taken in private

18. 2026/27 Draft Budget Proposal and Appendix [Item to be taken in private to support the effective conduct of business, intended for future publication]	For discussion
19. Audit Delivery Update and Draft Escalation Procedure Report [Item to be taken in private to support the effective conduct of business, intended for future publication]	For assurance
20. VAT on Local Government Audits Report [Item to be taken in private to support the effective conduct of business, intended for future publication]	For Approval

Conclusion 13.00

21. Any other business

For discussion

22. Review of meeting

For discussion

23. Date of next meeting: 25 November 2025

For information

Minutes

Audit Scotland Board

Tuesday 20 May 2025, 10.00-13.00
Audit Scotland, 102 West Port



Present:

Colin Crosby (Chair)
Stephen Boyle
Jackie Mann
Jo Armstrong
Patrick Bartlett
Catherine Maclean

Apologies:

No apologies

In attendance:

Vicki Bibby, Chief Operating Officer
Alison Cumming, Executive Director of Performance Audit & Best Value
John Cornett, Executive Director of Audit Services
Helena Gray, Controller of Audit
Graeme Forrester, Head of Performance & Corporate Governance
Paul O'Brien, Director of Quality and Support (*Item 11, 16 and 17*)
Nicola Paton, Digital Project Manager (*Item 12*)
Susan Burgess, Head of Human Resources (*Item 13*)
David McGurk, Digital Services Manager (*Item 14*)
Simon Ebbett, Head of Communications (*Item 15*)
Owen Smith, Director of Audit Quality and Appointments (*Item 16 and 17*)
Nic Bryson, Executive Officer (Minutes)

1. Private meeting of Board members

The Board met privately and there were no matters arising.

2. Welcome and apologies

Vicki Bibby, Alison Cumming, John Cornett, and Graeme Forrester joined the meeting.

The Chair welcomed attendees to the meeting, including Fiona McKie observing the meeting before commencing her role as Director Corporate Services Group.

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 15 to 21 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 routine meetings with Stephen Boyle, Auditor General for Scotland and Accountable Officer and Vicki Bibby, Chief Operating Officer. Additionally, he had an update meeting with Stephen, Vicki and Jo Armstrong on the Future of Public Audit Model (FPAM) project.

The Chair met with Colin Beattie, Scottish Commission for Public Audit. (SCPA) Chair, with Vicki Bibby, for an informal introductory meeting as part of the induction programme and in advance of the SCPA meetings before summer recess.

The Chair was involved in an interview with Stephen Boyle for the CA Magazine which has been well received.

The Chair noted his meeting with Dame Fiona Reynolds, Chair of the National Audit Office and plans to convene meeting with the four Chairs of the UK Audit Agencies

Regarding forthcoming activities, the Chair is meeting with the Chair of Audit Wales and Northern Ireland Audit Office over the summer. Additionally, there will be the formal Annual Report and Accounts session and an informal meeting on our FPAM with the SCPA

Following discussion, the Board welcomed the update.

6. Accountable Officer's report – verbal update

Stephen Boyle advised of regular meetings with the Chair of the Audit Scotland Board and meetings with Jo Armstrong, the Chair of the Accounts Commission and various strategic discussions on the Future of Public Audit Model (FPAM) project.

Stephen highlighted the Scottish National Investment Bank publication and upcoming college section S22 reports.

In relation to parliamentary activity, Stephen met the Public Audit Committee (PAC) to formally consult on his proposed forward work programme and the Finance and Public Administration Committee (FPAC) on their inquiry into the Scottish budget process in practice.

Externally, Stephen met with the Director General Scottish Exchequer in relation to the delay on the medium-term financial strategy and attended the COSLA Anniversary event hosted by the Parliament. Additionally, Stephen attended the Financial Reporting Council SIG meeting.

Regarding forthcoming activities, Stephen noted his participation at an ICAS event as a panel member on Service delivery, reform and growth.

Following discussion, the Board welcomed the update.

7. Accounts Commission Chair's report

Jo Armstrong reported the two latest Best Value reports published and thanked the teams for their work, as well as being kept up to date on audit delivery delays for the Councils with a formal process being developed for the Accounts Commission to take appropriate action.

Jo advised that Commission member appraisals are complete, and feedback indicates the strong endorsement of the Commission's direction and members are keen to be more engaged.

Work has commenced on the Accounts Commission work programme and consultation with SOLACE and Directors of Finance Groups has been well received.

Jo informed members that the Accounts Commission forums after each meeting are playing a great part in keeping members up to date with the external and sector environments, and noting her upcoming internal Insights session with colleagues.

Following discussion, the Board welcomed the update.

8. Chief Operating Officer – verbal update

Vicki Bibby confirmed the Director Corporate Services starts in June and the new Head of Finance in August.

Vicki advised of engagement with Janice Crerar Officeholder Services Manager in Scottish Parliament, noting the recruitment for our next Board Chair and members in line with the 2026 Scottish elections and the positive meeting with Coline Beattie, SCPA Chair.

Vicki confirmed attendance at an RSE event on Productivity of the public sector, the COSLA anniversary and meetings with the firms around internal succession planning and target operating models, and highlighted the UK&I audit agencies Chief Operating Officers meeting hosted by Audit Scotland.

Looking ahead, Vicki is attending the SCVO Charity awards and visiting audit firms to share experience and practice on digital audit as well as implementing proactive next steps on audit delivery with public bodies.

Following discussion, the Board welcomed the update.

9. Review of minutes

Board meeting: 1 April 2025

The Board noted the minutes of the Board meeting of 1 April 2025, copies of which had been previously circulated.

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

Audit Committee meeting: 4 March 2025

The Board noted the minutes of the Audit Committee meeting of 4 March 2025, copies of which had been previously circulated.

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

Remuneration and Human Resources meeting: 4 March 2025

The Board noted the minutes of the Remuneration and Human Resources meeting of 4 March 2025, copies of which had been previously circulated.

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

10. Review of action tracker

The Board noted and approved the updated action tracker.

11. Ethics Guidance and Policies Update

Paul O'Brien joined the meeting.

Paul O'Brien introduced the update to the Ethics and Guidance Policies, copies of which had been previously circulated.

The Board was invited to:

- Approve the accompanying updated guidance and policies for Audit Scotland staff on the application of the FRC's Ethical Standard.

During discussion, the Board noted the specific changes and adopted principles we are applying to trigger conflicts of interest and emphasis our independence as a public auditor when engaging externally.

Further discussion focused on training to colleagues and updates to Commission members on the updated guidance. Members noted that mandatory training will be applied, a further discussion with the Secretary to the Accounts Commission will take place to implement arrangements to Accounts Commission members.

Following discussion, the Board was content to approve the updated guidance and policies.

Paul O'Brien left the meeting.

12. Information Security Management Policy

Nicola Paton joined the meeting.

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

The Board was invited to:

- Note the refreshed policy and provide approval.
- Approve the inclusion of a new objective in the policy for supplier evaluation

During discussion, the Board noted our certification to the new ISO2022 standard and thanked the team for all their hard work.

Following discussion, the Board approved the refreshed policy and inclusion of a new objective for supplier evaluation.

Nicola Paton left the meeting.

13. Diversity and Equality Policy

Susan Burgess joined the meeting.

Susan Burgess introduced the Diversity and Equality Policy, copies of which had been previously circulated.

The Audit Scotland Board was invited to:

- Consider the changes proposed in the policy attached.
- Note the report and consultation undertaken.
- Approve the revised policy.

During discussion, the Board addressed the Supreme Court ruling on gender reassignment and sex, with reassurance provided that the organisation remains committed to supporting all colleagues and any changes will be made in consultation with the LBQTI Group.

Following discussion, the Board approved the revised policy.

Susan Burgess left the meeting.

14. 2024/25 Suite of Annual Assurance Reports

Graeme Forrester introduced the 2024/25 annual assurance reports, copies of which had been previously circulated.

The Audit Scotland Board was invited to:

- Note the suite of reports set out in the tables.

Annual Report on Information Governance and Security

David McGurk joined the meeting.

Graeme Forrester 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 this report.

During discussion, Board Members noted the diverse range of assurance, controls and accessible training in place to continue to strengthen defences and resilience to protect the organisation from potential threat.

Following discussion, the Board noted the report and was assured by our processes in place.

David McGurk left the meeting.

Annual Complaints Report

Graeme Forrester provided an update on the Annual Complaints Report, copies of which had been previously circulated.

The Board was invited to:

- Note the reports.

Following discussion, the Board noted the report and was assured by our processes in place.

Annual Report on Freedom of Information and Environmental Information

Graeme Forrester provided an update on the Annual Report on Freedom of Information and Environmental Information, copies of which had been previously circulated.

The Board was invited to:

- Note the performance in 2024/25.

Following discussion, the Board approved the report and was assured by our processes in place.

Items taken in private

15. Annual Report on Stakeholder Engagement

Simon Ebbett introduced the Annual Report on Stakeholder Engagement, copies of which had been circulated previously.

The Board was invited to:

- Note the information about our engagement approaches in paragraphs 8-13.
- Note results of the 2024 MSP survey, 2024 local government leadership survey and 2024 audited bodies' survey.
- Consider the discussion points set out in paragraphs 36-48.

Members welcomed the report, noted the significant focus placed on improving strategic stakeholder engagement and agreed that the results give us a high level of assurance.

Members discussed the results and in particular better ways to share examples of best practice, further improvements of Audit Scotland's impact, as well as proactive induction arrangements with new MSPS following the 2026 Scottish Elections.

Following discussion, the Board noted the report on stakeholder opinion and feedback.

Simon Ebbett left the meeting.

16. Draft Audit Transparency Report

Paul O'Brien and Owen Smith joined the meeting.

Paul O'Brien introduced the Draft Audit Transparency Report, copies of which had been circulated previously.

The Board was invited to:

- Provide 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 5 May 2025.

During discussion, the Board noted their thanks for the changes to the report following the Audit Committee meeting.

Further discussion focused on the presentation of the grade 4 quality finding and the outcome of the ongoing work in relation to the impact of the grade 4.

Following discussion, the Board agreed for further refinement of the report and agreed to delegate final sign off to the Chair of the Audit Committee.

Action: Patrick to approve final Transparency report.

17. Draft Quality of Public Audit in Scotland Annual Report

Owen Smith introduced the Draft Quality of Public Audit in Scotland Report, copies of which had been circulated previously.

The Board was invited to:

- Approve the Quality of public audit in Scotland annual report 2025 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 5 May 2025.

During discussion, the Board noted their thanks for the changes to the report following the Audit Committee meeting.

The Board also acknowledged the significant turnaround achieved through quality improvement processes.

Following discussion and subject to further amendments and the outcome on the final audit quality review the Board approved the report.

Owen Smith and Paul O'Brien left the meeting.

18. Confidential item

This item has been deferred to a future meeting.

Items taken by correspondence

19. Annual Review of Freedom of Information, Environmental Information and Data Protection Policies

The Board noted the Annual Review of Freedom of Information, Environmental Information and Data Protection Policies for approval.

20. 2023/24 Annual Procurement Report

The Board noted the 2023/24 Annual Procurement Report for approval.

21. 2024/25 Draft Audit Scotland Annual Report and Accounts

The Board noted the 2024/25 Draft Audit Scotland Annual Report and Accounts for future approval at the 3 June Board meeting.

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

The members noted the next meeting of the Audit Scotland Board is scheduled for 3 June 2025.

Minutes

Audit Committee

Tuesday 6 May 2025 10.15am

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

Present:

Patrick Bartlett (Chair)
Jackie Mann
Jo Armstrong

Apologies:

Jillian So, Alexander Sloan

In attendance:

Colin Crosby, Chair, Audit Scotland Board
Stephen Boyle, Accountable Officer and Auditor General for Scotland
Catherine MacLean, Boardroom Apprentice
Vicki Bibby, Chief Operating Officer
John Cornett, Executive Director Audit Services
Graeme Forrester, Head of Performance and Corporate Governance
Stuart Dennis, Corporate Finance Manager
Susan Burgess, Head of Human Resources
Owen Smith, Director of Audit Quality and Appointments
Paul O'Brien, Director of Quality and Support
Parminder Singh, Manager
Jennifer Doolan, Senior Auditor
Gill Miller, Senior Manager
Jonny Steen, Head of Quality
Stephen Pringle, wbg
Graham Gillespie, wbg
David Jeffcoat, Alexander & Sloan
Niki Ross (Minutes)

1. Private meeting with Internal Auditors (wbg) and External Auditors (Alexander Sloan)

A private meeting was held with the Audit Committee members, internal auditors, Wbg, 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 interest

There were no declarations of interest.

4. Minutes of the last meeting: 4 March 2025

The Audit Committee reviewed and agreed the minutes of the 4 March 2025 meeting, copies of which had been previously circulated.

5. Review of action tracker

The Audit Committee reviewed and noted the action tracker, copies of which had been previously circulated.

6. 2025/26 Internal Audit Plan: verbal update

Graeme Gillespie, Wbg, provided an update on the 2025/26 Internal Audit Plan. A draft plan has been prepared which is due for review this week. There are six proposed topics: budget and financial reporting, artificial intelligence, cyber security, contract management, cash flow and risk management. The plan will be submitted to Audit Committee for approval on 3 June 2025, along with detail of other areas of work which had been considered for inclusion in the plan. The Audit Committee emphasised the importance of completing the outstanding actions, as planned, by the end of June 2025.

7. 2024/25 Internal Audit: Progress report

Graham Gillespie, Wbg, introduced the internal audit progress report 2024/25, copies of which had been previously circulated.

Graham confirmed that all audits were completed for the year, with the final two reports included on the agenda for discussion at this meeting.

8. Internal Audit: Follow up report

Graham Gillespie, Wbg, introduced the Internal Audit: Follow up report, copies of which had been previously circulated.

Graham advised that a substantial level of assurance was provided on Audit Scotland's implementation of outstanding internal audit recommendations. Four of the nine recommendations have been fully implemented, with four recommendations being partially implemented and one being superseded.

During discussion, members reflected on cyber incidents and their potential impact on the organisation, noting that Digital Services will be

undertaking a cyber simulation exercise shortly with the Executive Team. The Committee also noted that one post within the Digital team remains vacant, and that further information will be provided at the next Audit Committee meeting on recruitment activity.

Members sought further information on the superseded recommendation on budget holder training, noting that a survey exercise has been undertaken with budget holders to assess training needs and that results will be shared with the Executive Team.

Following discussion, the Audit Committee was content to note the report.

9. Internal Audit: Learning and Development report

Stephen Pringle, Wbg, introduced the Internal Audit: Learning and Development report, copies of which had been previously circulated.

Stephen advised that a Strong level of assurance was provided with several points of good practice, and three low grade recommendations, two of which have been completed.

During discussion, members sought understanding on how learning and development objectives are managed and monitored, and noted that the new Your Performance and Development (YPAD) approach offers a more rigorous process.

Following discussion, the Audit Committee was content to note the report.

10. 2024/25 Annual assurance reports

Graeme Forrester, introduced the 2024/25 annual assurance reports, copies of which had been previously circulated.

The Audit Committee was invited to:

- Note the suite of reports set out in the tables.

Annual review of performance management arrangements

Graeme Forrester introduced the annual review of performance management arrangements, copies of which had been previously circulated.

The Audit Committee is invited to:

- Note the performance management arrangements in place.
- Note the ongoing and planned performance management developments in 2025/26.

During discussion, members noted that an update on Audit Scotland's Best Value self-assessment action plan will be presented to Audit Committee on 2 September 2025.

Following discussion, the Audit Committee was content to note the report.

Annual report on data protection and data incidents / loss

Graeme Forrester introduced the annual report on data protection and data incidents / loss, copies of which had been previously circulated.

The Audit Committee was invited to:

- Note the report.

During discussion, members noted that the auto-complete function in Microsoft Outlook will no longer be available in Windows 10 and 11. Internal communications have been sent to staff, emphasising the risk in this area and the need to exercise additional caution when sending emails.

Further discussion focused on data breaches and whether any patterns can be identified. Members noted that the Corporate Governance Team captures lessons learned to raise staff awareness and drive continuous improvement.

Following discussion, the Audit Committee was content to note the report.

Annual report on hospitality and gifts

Graeme Forrester introduced the annual report on hospitality and gifts, copies of which had been previously circulated.

The Audit Committee was invited to:

- Note the report.

During discussion, members noted the arrangements in place for registering offers of hospitality and gifts from external organisations and suppliers, noting that occasions when hospitality may be offered form only a small part of the extensive external engagement undertaken by the organisation.

Following discussion, the Audit Committee was content to note the report.

Action: Graeme to share the engagement register with the Audit Committee.

Annual report on bribery and fraud 2024/25

Graeme Forrester introduced the annual report on bribery and fraud, copies of which had been previously circulated.

The Audit Committee was invited to:

- Note the report.

During discussion, members noted that no instances of fraud or bribery have been reported. Stringent measures are in place, including all staff completing the 'Fit and Proper' process and undergoing mandatory ethics training. Additionally, Audit Scotland participates in the National Fraud Initiative with payroll matching identifying no issues of concern.

Following discussion, the Audit Committee was content to note the report.

11. 2024/25 Annual report on whistleblowing

Graeme Forrester introduced the annual report on whistleblowing, copies of which had been previously circulated.

The Audit Committee was invited to:

- Note the report.

Following discussion, noting that no internal whistleblowing disclosures had been made during the year, and that Audit Scotland's functions as a 'prescribed person' under public interest disclosure legislation will be the subject of a separate report to the Committee, the Audit Committee was content to note the report.

12. Review of risk register

Graeme Forrester introduced the review of the risk register, copies of which had been previously circulated.

The Audit Committee was invited to:

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

During discussion, members focused on the 'red' risk associated with cyber security and inquired about how assurance can be provided to both the Board and the Audit Committee, especially in light of recent significant events affecting other organisations. Members agreed that significant focus should be on our recovery capabilities following a cyber-attack and the measures and actions we have in place to mitigate this risk.

Following discussion, the Audit Committee considered the risk register and noted that the Risk Management Framework is currently being reviewed and will be reported at the Audit Committee meeting on 2 September 2025.

Action: Graeme to look at expediting the deep dive session on 'managing the impacts on staff from organisational change' to take place at the earliest opportunity.

13. Review of Audit Committee effectiveness

Graeme Forrester provided an update of the review of the effectiveness of the Audit Committee, copies of which had been previously circulated.

The 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, members noted the positive assurance regarding the Audit Committee's effectiveness. They highlighted that key areas for further discussion include the interactions and communication between the Board and the Audit Committee, as well as training and development.

Further discussion highlighted the depth of skills, capabilities, and knowledge, with members satisfied that the Committee is functioning effectively and that there is a good level of rigor and dialogue.

Members noted that the Audit Committee plays a crucial role in providing assurance to the Board, albeit membership and attendance at the Committee is made up of the Board members. It was recognised that detailed discussions take place at the Audit Committee which informs consideration at the Board, and that this process supports strong governance. In addition, the Audit Committee is attended by both Audit Scotland's internal and external auditors who have the opportunity to raise concerns as and when appropriate.

Following discussion, the Audit Committee was content to note the report and agreed the next steps.

Action: The Chair of the Board and the Chair of the Audit Committee will discuss the terms of reference for both committees to ensure appropriate division of scope and responsibilities.

14. Audit quality improvement actions

Paul O'Brien, Jonny Steen, Gill Miller, Owen Smith, Parminder Singh and Jennifer Doolan joined the meeting.

Paul O'Brien introduced the audit quality improvement actions, copies of which had been previously circulated.

The Audit Committee was invited to:

- Note the paper.
- Offer any comments and ask any questions for clarification.

During the discussion, the Audit Committee agreed that this is a good report, demonstrating a strong focus on quality and improvement.

The Committee discussed the grade 4 outcome, with members noting the ongoing efforts to learn from this audit and prevent recurrence. They acknowledged that robust plans are in place, including root cause analysis, action plan development, and hot file reviews. This work is expected to be completed this week, in advance of the Transparency Report being presented to the Board for approval on 20 May 2025.

Following discussion, the Audit Committee was content to note the paper.

15. Draft Transparency Report

Paul O'Brien introduced the draft Transparency Report, copies of which had been previously circulated.

The Audit Committee was invited to:

- Comment on the draft Transparency Report.
- Approve the report's submission to the Board on 20 May.

During discussion, members reflected on the tone and narrative, agreeing further work is required to strike the right balance between both the high and low results, and to better align with the QPAS report.

Further discussion was on how to address audit completion delays, noting that the Chief Operating Officer is writing to relevant bodies requesting recovery plans to get back on track by the end of this audit appointment round.

Following discussion, the Audit Committee approved the report's submission to the Board on 20 May 2025, subject to the required amendments.

16. Draft Quality of Public Audit in Scotland Annual Report

Owen Smith introduced the draft report on the Quality of Public Audit in Scotland, copies of which had been previously circulated.

The Audit Committee was invited to:

- Note the assurances on the quality of 2023/24 audits.
- Comment on the structure of the report to inform future reporting.
- Endorse the QPAS report 2025 for presentation to the Board on 20 May 2025.

During discussion, members agreed that it would be helpful to see tracked changes on the report, as well as a covering paper with details on timeliness and future expectations, in the version to be presented to the Board on 20 May 2025.

Following discussion, the Audit Committee endorsed the QPAS report 2025 for presentation to the Board on 20 May 2025, subject to the amendments discussed.

Paul O'Brien, Jonny Steen, Gill Miller, Owen Smith, Parminder Singh and Jennifer Doolan joined the meeting.

17. Annual review of counter fraud policy

Susan Burgess joined the meeting.

Susan Burgess introduced the annual review of the counter fraud policy, copies of which had been previously circulated.

The Audit Committee was invited to:

- Consider the changes proposed in the policy attached.
- Note the report and consultation undertaken.
- Approve the revised policy.

Following discussion, the Audit Committee approved the revised policy.

Susan Burgess left the meeting.

18. Unaudited financial position: verbal update

Stuart Dennis joined the meeting.

Stuart Dennis provided an update on the financial position of our unaudited accounts.

The overall financial position is a £2.1m underspend, with £1.8m relating to pension and asset lease adjustments. Overall operational underspend amounts to £0.2m, which is in line with the forecasted outcome.

In discussing the preparation of the annual report and accounts, Stuart highlighted that there may again be a challenge posed by late provision of information relating to the Auditor General's pension disclosure but assured the Committee that this is being closely monitored along with the external auditors, recognising the timeline for production and laying of the accounts.

Action: Stuart to issue the financial statements to Audit Committee by correspondence.

19. Any other business

There were no other items of business.

20. 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.

21. Date of next meeting

The next meeting of the Audit Committee is scheduled for 3 June 2025.

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

Minutes

Audit Committee

Tuesday 3 June 2025 10.15am

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

Present:

Patrick Bartlett (Chair)
Jackie Mann

Apologies:

Jo Armstrong

In attendance:

Colin Crosby, Chair, Audit Scotland Board
Stephen Boyle, Accountable Officer and Auditor General for Scotland
Catherine MacLean, Boardroom Apprentice
Vicki Bibby, Chief Operating Officer
Fiona McKie, Director of Corporate Services
Graeme Forrester, Head of Performance and Corporate Governance
Stuart Dennis, Corporate Finance Manager
Simon Ebbett, Head of Communications
Wojciech Kuzma, Finance Business Partner
Rebecca Smallwood, Correspondence Manager
Andrew Dixon, Correspondence Officer
Stephen Pringle, Wbg
Graham Gillespie, Wbg
David Jeffcoat, Alexander Sloan
Jillian So, Alexander Sloan
Niki Ross (Minutes)

1. Private meeting with Internal Auditors (Wbg) and External Auditors (Alexander Sloan)

A private meeting was held with the Audit Committee members, internal auditors, Wbg, 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 interest

There were no declarations of interest.

4. Minutes of the last meeting: 6 May 2025

The Audit Committee reviewed and agreed the minutes of the 6 May 2025 meeting, copies of which had been previously circulated.

5. Review of action tracker

The Audit Committee reviewed and noted the action tracker, copies of which had been previously circulated.

6. 2025/26 Internal Audit Plan

Graeme Gillespie, Wbg, provided an update on the 2025/26 Internal Audit Plan.

Graeme advised members on the new Public Sector Internal Audit Standards, highlighting that the most significant change is the introduction of root cause analysis, requiring more detailed information to support audit recommendations. He also confirmed that Wbg could deliver a short presentation on the new standards at the September Audit Committee meeting, which the Committee welcomed.

Graeme outlined the proposed audit areas, noting that other areas such as payroll, health and safety, and recruitment and retention had also been considered.

Graeme confirmed that Wbg will carry out an internal quality review to ensure compliance with the new standards. The results will be reported to the Chair of the Audit Committee in December 2025 and included in the 2025/26 Annual Report to the Audit Committee in 2026. The Committee requested that the September presentation also cover Wbg compliance with the new standards.

Graeme assured members that risk is a key factor in planning the internal audit annual report drawing on both Audit Scotland's risk register and emerging risks identified across other organisations. He also noted that a review of the revised Risk Management Framework will assist in ensuring alignment with good practice.

Following discussion, the Audit Committee noted the internal audit annual report 2025/26, and thanked Stephen and Graham for their work.

7. 2024/25 Internal Audit: Annual Report

Graham Gillespie, Wbg, introduced the Internal Audit Annual Report, copies of which had been previously circulated.

Graeme confirmed that all internal audit work undertaken for the year has been completed and that all KPIs have been fully met.

The Audit Committee welcomed the positive report and noted the strong, clear Internal Audit opinion that Audit Scotland has effective arrangements in place, with no significant weaknesses identified in its risk management, control or governance processes.

8. Internal Audit Recommendations Report

Graeme Forrester introduced the 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.

During discussion, members questioned Audit Scotland's resilience in the event of a cyber incident, particularly regarding contingency plans if key personnel are unavailable. It was noted that this issue could be further explored during the upcoming cyber-attack simulation exercise on 16 June 2025.

Following discussion, the Audit Committee noted the progress on the implementation of outstanding audit recommendations.

9. Letter of Representation and Audit Summary Report for the year ended 31 March 2025

David Jeffcoat, Alexander Sloan, introduced the Letter of Representation and Audit Summary Report, copies of which had been previously circulated.

David advised that the draft Audit Summary Report notes that Audit Scotland will receive an unmodified audit report with no disclosure errors. This is on the assumption of disclosure information from the Principal Civil Service Pension Scheme (PCSPS) regarding the Auditor General's pension before the Accounts are signed.

Following discussion, the Audit Committee was content to note the report and recommend the Letter of Representation to the Board.

10. 2024/25 Governance Statement and Certificate of Assurance

Graeme Forrester, introduced the 2024/25 Governance Statement and Certificate of Assurance, copies of which had been previously circulated.

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 3 June 2025 with the Annual Accounts and governance statements.

During discussion, the Audit Committee observed that no major areas for control improvements were identified.

Following discussion, the Audit Committee was content to approve the report to the Board.

11. Draft Annual Report and Accounts

Simon Ebbett and Stuart Dennis joined the meeting.

Simon Ebbett and Stuart Dennis introduced the draft Annual Report and Accounts, copies of which had been previously circulated.

The Audit Committee was asked to:

- Recommend the draft Annual report and accounts for the year ended 31 March 2025 to the Board subject to receipt of the outstanding pension disclosure information.

During discussion, the Audit Committee noted that disclosure information from the Principal Civil Service Pension Scheme regarding the Auditor General's pension is still pending. This information is required for the Accountable Officer to finalise and sign off on the Accounts by 9 June 2025.

Further discussion addressed salary details in the report for the Executive Team, highlighting timing issues that impact on the presentation of pension information. Members noted the need to anticipate potential questions from the SCPA regarding these disclosures.

The Audit Committee acknowledged progress in this iteration of the Annual Report and Accounts, with members agreeing that viewing tracked amendments would be beneficial for future meetings.

Following discussion, the Audit Committee, subject to the amendments discussed and the outstanding pensions disclosure, was content to recommend the draft report to the Board.

It was noted that further steps to approve updates to the report and accounts would be discussed at the Board.

Simon Ebbett left the meeting.

12. Quarter 4 Financial Performance Report

Wojciech Kuzma joined the meeting.

Stuart Dennis introduced the Quarter 4 Financial Performance Report, copies of which had been previously circulated.

The Audit Committee was invited to:

- Note the audited financial results for the twelve months to 31 March 2025.

During discussion, the Audit Committee welcomed the good result and thanked the team for all their hard work.

Further discussion was on the additional costs which was paid to Firms to enable them to sign off 2022/23 audit work. Members agreed it would be valuable to have a comparative perspective by reviewing the equivalent figures for Audit Scotland.

Following discussion, the Audit Committee noted the report and expressed their sincere thanks to Stuart for his significant contributions and support over the years, as this was his final meeting with the Audit Committee.

Action: Stuart to provide the Audit Committee with comparative additional costs for Audit Scotland.

Wojciech Kuzma left the meeting.

13. 2024/25 Correspondence and Whistleblowing Annual Report

Rebecca Smallwood and Andrew Dixon joined the meeting.

Rebecca Smallwood provided an update the annual report on Correspondence and Whistleblowing, copies of which had been previously circulated.

The Audit Committee was invited to:

- Note the contents of the 2024/25 Annual Report on Correspondence and Whistleblowing. This report will be published on our website on 11 June 2025.

During discussion, the Audit Committee noted increases in certain areas of correspondence, which can be particularly time-consuming for the team due to the growing complexity of some cases. Members acknowledged that the team is collaborating with the Digital Services Team to enhance the current IT system, with a view to improving data capture and identifying potential areas for further development.

Further discussion was on the scope of our powers in responding to whistleblowing concerns and the expectations surrounding this. Members acknowledged that, while we aim to signpost individuals to the appropriate channels wherever possible, we are unable to forward concerns directly to other relevant bodies.

Following discussion, the Audit Committee was content to note the report ahead of it being published on our website on 11 June 2025.

Rebecca Smallwood and Andrew Dixon left the meeting.

14. 2024-25 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 previously circulated.

The Audit Committee was invited to:

- Consider the draft report.
- Subject to any amendments, approve its submission to the Board.

The Audit Committee was satisfied with the report and agreed it provided a comprehensive summary of the committee's work in 2024/25, noting that the paragraphs on audit quality would be updated to reflect ongoing work.

The Audit Committee noted the Annual report from the Chair of the Audit Committee and approved its submission to the Board.

15. Review of Risk Register

Graeme Forrester introduced the Review of Risk Register report, copies of which had been previously circulated.

The Audit Committee was invited to:

- Consider the risk register.
- Note the ongoing review of the Risk Management Framework.

During discussion, the Audit Committee welcomed the successful transition to the ISO27001/2022 standard and thanked the team for all their work on this.

The Audit Committee noted the risk register remains relatively static, raising concerns about potential complacency. Members agreed the upcoming review of the risk framework should help sharpen focus on key risks and ensure critical actions are clearly identified, managed and monitored.

Following discussion, the Audit Committee welcomed the discussion and noted the ongoing review of the risk register and look forward to seeing the new Risk Management Framework and Risk Register at September's Audit Committee.

Action: Graeme to provide an update to the Audit Committee on the cyber security independent penetration testing and investment in hardware and software.

16. Any other business

There were no other items of business.

17. Review of meeting

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

18. Date of next meeting

The next meeting of the Audit Committee is scheduled for 2 September 2025.

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

Strategic Improvement Portfolio

Portfolio overview report

Item 11

Director of Innovation and Transformation and Head of
Organisational Improvement

Meeting date:
23 September 2025

Purpose

1. This report updates the Audit Scotland Board on Strategic Improvement Portfolio (SIP) progress, aiming to **provide assurance** that SIP projects and programmes have the capacity, scrutiny and direction they need to deliver benefits. It focuses on the agreed priorities for adopting a portfolio and programme management approach – Financial management, risk management and change management.

Recommendations

2. This Audit Scotland Board is invited to:

- **Note** the overall status and timelines for SIP projects and the actions being taken by SIP Board and within project teams to mitigate project slippage and risks.
- **Note** the financial, resource and risk position of the portfolio.
- **Note** the progress with the SIP organisational change workstream plan.

Considerations

Project status and timelines

3. Table 1 sets out the overall status of SIP projects. This is based on the red, amber, green descriptions in Appendix one.

4. The SIP Board is actively managing the risks associated with the R&MI project. We concluded the contract with the external project manager following completion of the procurement phase and are transitioning to an internal project team. The primary focus right now is finishing the iTrent expenses module implementation. The team is also working on the Hub Planner implementation plan at the same time, which will determine the go-live date. The SIP Board has requested an update on project progress at the 15 September ET meeting and can update the Board verbally on progress at its meeting.

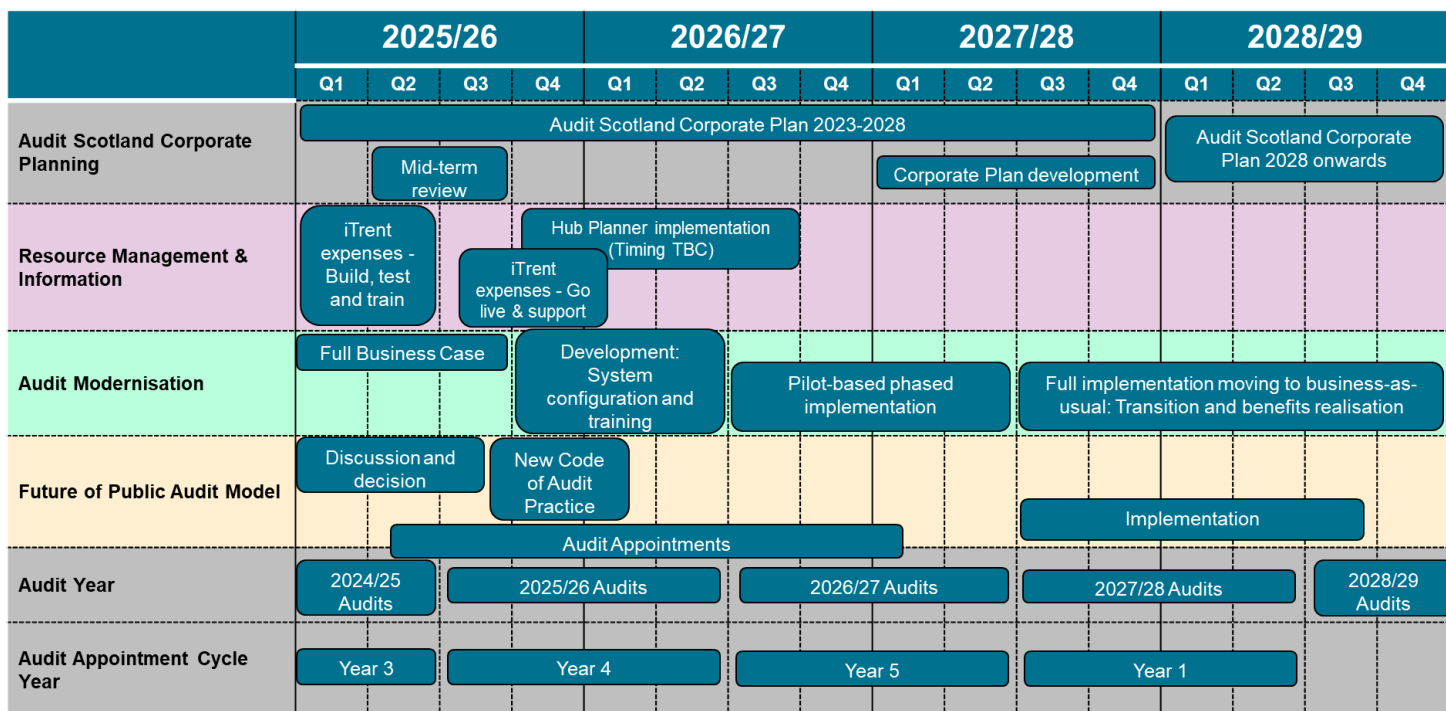
Table 1: Status of SIP projects

Project	Current status	Prior status	Notes
Audit modernisation project (AMP)	Amber	Amber	- The project experienced delays completing procurement activities, so the milestone related to the contract with the third-party software supplier has been assessed as amber. Procurement delays have also put pressure on timelines for the Full Business Case (FBC). - Although key milestones have still not been achieved, the procurement exercise has now concluded the evaluation step and has moved towards contract award, with supplier discussions expected imminently. Internal resource utilisation is under spent by 26%. Discussions on resource utilisation and budgeted days with AMP team members will inform a reprofiled internal spend for 2025/26. - One issue relating to NAO engagement has been de-escalated to an amber risk. One risk on project team resourcing has been escalated to an issue due the loss of the project accountant resource, which is key to completing the FBC. The project team is currently seeking a replacement for this post.
Resource and management information (R&MI)	Red	Amber	- Significant slippage to planned milestones, including: iTrent expenses go-live date delayed from 1 August 2025 until at least 1 October 2025 due to issues with testing and system configuration. Revised go-live date to be confirmed and is dependent on the outcome of re-testing which is due to complete on 11 September. - Delay signing supplier terms and conditions led to revising Hub Planner go-live date from 1 August 2025 to 1 November 2025. Draft system implementation plan in place. Finalising plan and confirming Hub Planner go live date dependent on resourcing availability to support design and build stage of project. External project budget has a 60% overspend. This is due to phasing and is expected to be a 7% overspend by the end of Q2, with no further external spend expected. Risk related to staff availability to support implementation currently amber. This will be increased to red if resource cannot be secured to support design and build phase.
Future public audit model (FPAM)	Amber	Green	- Some slippage to planned milestones: Delay to formal agreement of discussion papers two and three. Knock-on impact on discussion papers

Project	Current status	Prior status	Notes
			four and five being worked through with ET and Accounts Commission secretary.

5. Figure 1 provides an overall timeline for the three SIP projects. This includes the Audit Scotland corporate planning cycle, audit years and the audit appointment cycle. We are using this timeline to support risk mitigation activities noted in Table 4, including internal resource planning and change management.

Figure 1: Timeline for SIP projects



Financial overview

6. Table 2 sets out the external project budgets for 2025-26, planned quarterly phasing and spend-to-date as at the end of Q1. There is no external budget for FPAM. We are now reporting on the internal resource implications of projects as part of resource profiling work (see paras 9-10 and Tables 3 and 4).

7. **Overall the portfolio is over spent by 15%.** However, the 60% overspend for the R&MI project is due to budget phasing. The entire external budget for the project in 2025-26, including the new system costs, is phased to spend by the end of Q2 and the overall variance for the year is expected to be a circa 7% overspend.

8. AMP is highlighting that due to current project progress it is likely that the project will underspend against the external cost budget for this year. It will need to re-phase project expenditure over the three years, effectively handing back underspend from this year to add to following year budget.

Table 2: Project finances – External budgets and spend 2025/26

Project	External budget (£k)	Q1 phasing (£k)	Q2 phasing (£k)	Q3 phasing (£k)	Q4 phasing (£k)	Spend to date at Q1	Variance
AMP	672	39	50	46	537	38	-3%
R&MI	123	15	108	-	-	24	60%
Total	795	54	158	46	537	62	15%

Internal resource profiling

9. In response to the SIP risk around organisational capacity to deliver change projects, we asked each project to develop a forward-looking resource profile. Tables 3 and 4 summarise the 2025-26 internal resource requirements (in days and £), at project and portfolio level, where this has been provided. The R&MI resource profile is still work in progress due to the transition from the external project manager to internal teams.

10. The SIP Board is receiving regular updates on resourcing issues and requirements to ensure the projects have the capacity required at key stages to keep project delivery and implementation on track, ensuring we recognise interdependencies and pressure points across the portfolio.

Table 3: Internal project resource requirements (days) - 2025-26

Project	Q1 (days)	Q2 (days)	Q3 (days)	Q4 (days)	Utilisation at Q1(days)	Variance
AMP	317	326	342	388	233	-26%
FPAM	110	108	95	78	104	-5%
RMI	-	-	-	-	27	-
Total	427	434	437	466	364	-15%

Table 4: Internal project resource requirements (£) - 2025-26

Project	Q1 (£)	Q2 (£)	Q3 (£)	Q4 (£)	Utilisation at Q1(£)	Variance
AMP	£137,019	£155,350	£152,250	£652,280	£114,937	-16%
FPAM	£49,763	£49,773	£45,250	£35,756	£33,200	-33%
RMI	-	-	-	-	£11,915	-
Total	£186,782	£205,123	£197,351	£688,576	£160,052	-14%

Risk overview

11. Overall, there are seven risks in the portfolio register, with four reporting amber. Table 4 summarises the score and mitigation in place for the amber risks. The following risks are reporting green and being actively monitored:

- Availability of management information to measure improvements
- Stakeholder pressure on project delivery timelines
- Portfolio management discipline

Table 4: SIP risk overview

Summary of risk	Net score	Mitigation – Controls in place and further planned actions
Capacity to deliver change projects IF Audit Scotland does not have sufficient capacity and contingency to plan for and deliver change initiatives, including within change project teams, organisational support teams, audit delivery teams and external input required THEN the feasibility of successfully delivering projects and realising benefits will be significantly at risk RESULTING IN Audit Scotland needing to delay or consider alternative options for delivering required change and improvements.	16 (↑)	Controls in place • Each SIP project has identified a Senior Responsible Officer (SRO), project lead and project team. • Each project has a resource profile in place, broken down by business group and category of resource required. • Forward looking resource profile at portfolio level in place and regularly reviewed by SIP Board. • Resourcing and capacity a core requirement for project update reporting at SIP meetings. Further planned actions • Additional project resources required to be included in 2026/27 -2027/28 operational planning process with cases made to Recruitment Board for extensions to secondments from

Summary of risk	Net score	Mitigation – Controls in place and further planned actions
		business groups where required (September 2025). SIP projects to integrate continuity planning into resource planning work (November 2025).
Organisational readiness for change IF Audit Scotland has not identified and planned for changes required to colleague behaviours and ways of working to support change initiatives THEN there is a risk that project implementation is less successful as colleagues are resistant to changes RESULTING IN delays to project delivery and benefits realisation.	12 (↑)	Controls in place Change management framework developed, agreed and communicated to SIP projects. Capacity building sessions on change delivered to SIP project teams. Organisational change prioritised by SIP Board as key development area for moving to a PPM approach. Organisational change workstream plan developed and being delivered. Further planned actions Ensure each SIP project has a clear change management plan, alongside or embedded within its communications and engagement plan (May 2025). Action underway, completion delayed to September 2025. Active approach to identifying behaviour / cultural change required within all project teams (September 2025). Action delayed to October 2025.
SIP project governance and compliance IF SIP projects do not ensure adequate project governance is in place THEN the SIP Board may not receive the necessary information to inform its scrutiny and decision-making RESULTING IN SIP projects not having adequate capacity to delivery projects on time and on budget and reputational risks around compliance with legal requirements and project management good practice.	12 (new)	Controls in place Project management toolkit in place with guidance and templates for key stages of project lifecycle. SROs and project teams in place to support project compliance with project management approach. Further planned actions Develop SIP project governance and compliance checklist and assess each project against required standards (November 2025).
Procurement processes	16	Controls in place

Summary of risk	Net score	Mitigation – Controls in place and further planned actions
IF the procurement processes are subject to delay and complexity THEN contract awards could be delayed impacting SIP project timelines RESULTING IN reputational damage for Audit Scotland and delays to the project implementation, ongoing delivery and benefits realisation.	(new)	Projects with active procurement processes are subject to external legal advice to ensure a balanced assessment of risk and process. Further planned actions Consideration of external legal advice for procurement for other SIP projects as relevant (as required). Procurement needs and model for the organisation to be considered, as part of the wider CSG situational analysis (December 2025).

Organisational readiness for change

12. Table 5 summarises progress and upcoming activity within the organisational change workstream, which was approved by the SIP Board at its September meeting. On 2 September 2025, the Audit and Risk Committee undertook a risk deep dive on managing the impacts on staff from organisational change. A key focus of this discussion was on the capabilities of leaders to manage and lead colleagues through change. This is a key aspect of the training programme ‘Supporting colleagues with change’ under the Consistent tools and training workstream aim in Table 5, which is timetabled to deliver by the end of March 2026.

Table 5: Progress with organisational change workstream

Aim	Planned activities	Progress and upcoming activity
Compelling vision	- Develop project destination postcards for each project and use these to create an overarching portfolio destination postcard. - Consult with Leadership Group to: - Co-develop and gain buy in to the SIP vision. - Reflect on their own readiness for change, behaviours required to support a culture for change and their role as a guiding coalition for the SIP vision. - Co-develop the communications and engagement approach and identify what support they need as change leaders.	Progress (May 25 – Aug 25) - Destination postcards in place for each project and overall portfolio postcard drafted. - Consultation undertaken with Leadership Group to gain buy-in to SIP vision, reflect on their readiness for change and their role as a guiding coalition, discuss communication and identify what support they need. Upcoming activity (Sep 25 – Nov 25) - Corporate plan stocktake underway and due to go to ET for approval on 8 September.

Aim	Planned activities	Progress and upcoming activity
Coordinated communication	• Use mid-term review of corporate plan to communicate vision for change and to refresh priorities and aspirations in line with change vision. • Finalise a coordinated communications approach across the SIP, drawing on comms and engagement plans for each project, to establish a regular cadence of communication on organisational priorities for change and about progress on this journey. Ensure the approach is integrated with existing communications and engagement strategies (Leadership Group, Executive Team) and maximises use of existing channels. • Work with SIP projects to identify quick wins, learning and ongoing improvement and plan communication to celebrate this.	Progress (May 25 – Aug 25) • Key audiences identified and classified according to interest and influence, and analysis of needs, channels and approaches, and activity plan nearly complete. Upcoming activity (Sep 25 – Nov 25) • Change comms and engagement plans for each project to be finalised, embedding plans for communicating quick wins, project learning and improvements.
Consistent tools and training	• Develop tools and resources that support projects to plan and manage change and ensure these are applied consistently: – Change management framework – Destination postcards, including what it means for staff – Change, comms and engagement strategy template – Lessons learned / reflective practice templates • Develop tools and resources that support leaders to share the change vision, including FAQs and suggestions for communication messages and methods that they can use with their teams. • Develop and deliver learning opportunities to support colleagues to embrace change and managers to lead and manage change.	Progress (May 25 – Aug 25) • Proposals developed for supporting colleagues with change training programme, aligned to Band learning pathways. Upcoming activity (Sep 25 – Nov 25) • Destination postcards for each project to be refreshed to include what changes mean for staff. • Comms team to support each project to develop change, comms and engagement strategy in line with agreed template. • Change communications resources to be developed to support Leadership Group. • Change management training plans to be agreed as part of 2025/26 learning and development plan.

Aim	Planned activities	Progress and upcoming activity
Critical behaviours	• Identify critical behaviours required to deliver the change vision, building on those required for each project. • Finalise critical behaviours with Leadership Group and agree how members will role model these. • Use refreshed recognition approach in Your Performance and Development to positively recognise behaviour in line with the change vision and agreed critical behaviours.	Progress (May 25 – Aug 25) • None. Actions not yet due. Upcoming activity (Sep 25 – Nov 25) • Projects to identify critical behaviours for change. • Consult with Leadership Group on critical behaviours
Ongoing evaluation	• Agree and deliver an evaluation approach to gather feedback on how the organisation is feeling about change initiatives to inform future communications and engagement.	Progress (May 25 – Aug 25) • None. Actions not yet due. Upcoming activity (Sep 25 – Nov 25) • Evaluation approach to be proposed as part of reviewing approach to engagement surveys, due to go to ET in Sep 2025.
Supportive systems, processes and structures	• As part of reviewing our risk management framework, introduce improvements to risk appetite, in line with recommended actions from the Internal Audit Review, considering how we manage risk to support our change vision. Communicate changes to risk appetite widely, linked to change vision. • Integrate messaging about our change vision and priorities on our careers website. • Refresh induction processes to integrate messaging about our change vision and priorities. • Introduce interview questions to explore critical behaviours for change amongst applicants, including their resilience and adaptability to change. • Introduce a mandatory objective on managing and leading change for all colleagues at Band 3 and 4 (optional	Progress (May 25 – Aug 25) • Proposals developed for improving approach to risk appetite as part of review of risk management framework, in line with internal audit recommendations. Upcoming activity (Sep 25 – Nov 25) • Refresh careers website, induction processes and interview questions in line with change vision, priorities and behaviours.

Aim	Planned activities	Progress and upcoming activity
	for colleagues at Band 2B and below with line management responsibility). • Introduce contracting with staff, including the need to be open and responsive to change • Refresh Your performance and development guidance to support conversations about change and identify what further support is required for colleagues. • As part of the annual review of corporate governance documents, review governance and decision-making policies and structures to challenge and improve how well they support new ideas, change and risk-taking.	

Conclusion

13. One SIP project is reporting red and the other two are reporting amber. Actions are planned within projects, at portfolio level and at SIP Board level to manage the risks arising. The Audit Scotland Board is invited to note project progress, the overall information on the financial, resourcing and risk position of the portfolio, and plans in place to support organisational readiness for change.

Appendix one: Descriptions for assessing project status

Projects assess status based on progress against milestones, budget and risks using the descriptions below. The assessment is based on the status of future planned milestones, and the budget and risk position, as at the above reporting date.

Green	• Milestones – – All project milestones are on track - or - – Some slippage to planned milestones but this is within six weeks of original plan. Project plan has been updated to account for slippage and no further management action is required. • Budget – External project budget is on track with less than a 10% variance between phased budget and actual spend. Internal resource utilisation is on track with less than a 15% variance between planned days and actual days. • Risk - All project risks reporting green.

Amber	• Milestones - Some slippage to planned milestones, within eight weeks of original plan. Additional management action required. • Budget – External project budget has a variance between phased budget and actual spend higher than 10%. Internal resource utilisation is off track with more than a 15% variance between planned days and actual days. • Risk - One or more project risks reporting amber.
Red	• Milestones - Significant slippage to planned milestones, more than eight weeks behind original plan. Additional management action required. • Budget – External project budget has a variance between phased budget and actual spend higher than 15% (on external costs). • Risk - One or more project risks reporting red.

Strategic Improvement Portfolio

Resourcing & Management Information project

Item 11

Digital Project Manager & SRO

Meeting date:
23 September 2025

Purpose

1. This report sets out to provide an update on the delivery of the Resourcing & Management Information Management (R&MI) project. The update covers progress against key milestones, time, cost and an update on project risks.
2. The update covers both the implementation of the iTrent expenses module and the Hub Planner implementation.
3. The report is for information only and requires no decision or action by the Audit Scotland Board.

Recommendations

4. The Board is invited to note progress against key milestones and updates to the project risks, budget and communication plans.

Background

5. The project was transferred to Digital Services on 18 August following the departure of the contract Project Manager and is now managed by the Digital Project Manager.
6. Project governance and progress on the delivery of these projects is being monitored by the SIP Board. The SIP Board received an update on both projects on 1 September and requested a further progress update at a special SIP Board meeting on 15 September. At this point there is a real focus on securing the resources needed to successfully deliver the projects and develop internal communications, with clear accurate messaging to staff on progress. The Digital Project Manager is working closely with the Implementation group on these areas.

Progress against key milestones and upcoming milestones

Current Milestone	Due Date	Status
iTrent Expenses module	1 October 2025	The delivery of this project continues to report at Red status. The two key elements that remain to be addressed to secure a safe

launch of the iTrent expenses module are set out below:

Based on feedback from the project team concerning the quality of testing completed in June, retesting of the new module was required. A total of 12 testers were identified from across all business groups and testing was completed on 15 September.

Since the last update, the focus has been on achieving a 1 October 2025 launch, however securing MHR consultancy resource has resulted in a delay. Confirmation received on 9 September that MHR are unable to provide the required consultancy resource to support test fixing w/c 15 September. The impact of this was that launch plans needed to be delayed to 1 November 2025.

A verbal update on the outcome of the testing will be provided to the Board on 23 September.

**Hub Planner
Implementation
phase**

Under review The delivery of this project continues to report at **Red** status.

The project has moved to the Implementation phase and from 18 August is being managed by Digital Services.

Security controls have been applied through SSO to the TEST environment and disabled on LIVE until we approach the launch planning phase. Successfully tested on 9 September.

Since the last update, a small number of key issues have been identified that will prevent the proposed 1 November launch from proceeding as planned. In summary these are:

- securing internal resources to support the system design phase.
-

- addressing a system change request affecting design/build timescales and
- confirmation from Hub Planner of estimated timelines for the design/build phase.

The system Implementation date is currently under review pending progress with the design and build work being undertaken by Hub Planner to correct the flexi-time issue. We aim to provide an indicative implementation date within 4 - 6 weeks.

A verbal update on the latest position with the project will be provided to the Board on 23 September.

Project risks

7. The red scoring iTrent expenses module risks are noted below. A new risk register has been developed, and the Digital Project Manager is working with the project team to mitigate the high scoring risks.

Risks	Net score	Summary of controls, mitigation and planned actions
R0565 – Failure to deliver the project by 1 October, (now 1 November).	20	• Repeat of user acceptance testing and handover to MHR to investigate/fix issues identified. • Refresh of test scripts now include steps missing in the earlier test phase, included representation from all business groups and manager approval. • Working to secure the required project resources, internal and MHR for the outstanding tasks. • Work closely with the comms lead to prepare for a 1 November launch, agree revised communication plans and make any final amendments to the training materials.

R0566 - Supplier or internal project resource not available to deliver on outstanding tasks.	20	• Project plan tasks and deadlines agreed with resources and reviewed at internal weekly project reviews. • Agree workplans with MHR Consultants based on consultancy time required. • Annual Leave plans to be shared with the Digital Project Manager to align with project plan requirements.

8. The red scoring Hub Planner implementation risks are noted below. A new risk register has been developed and was shared with the Hub Planner Implementation group at the first meeting on 11 September 2025.

Risks	Net score	Summary of controls, mitigation and planned actions
DST R0568 - Failure to deliver the project and launch the new system by 1 November 2025 deadline.	20	• Development of a detailed project plan with input from People and Process leads. • Introduction of eight new implementation milestones which where possible will be run parallel, with weekly meetings to track progress and as necessary allocate additional resources. • Determine and secure the resources for implementation (design/build/test phases), ensuring minimal disruption to audit delivery. • Identify optimal timing for testing and highlight additional key tasks that will necessitate audit resources during the build phase. • Establish implementation group to monitor progress on a weekly basis. • Progress against project plan reviews as part of regular supplier engagement.
DST R0571 – Resourcing requirements not identified and secured to support critical phases of the project.	20	• Process team setup, work ongoing to setup a People team to manage people requirements. • Internal review to identify audit resources for power user roles currently ongoing, request to be made at implementation group to secure I&Q resource. • HR resource to be factored into resource requirements to cover support in the design phase for building into the system Audit Scotland working patterns.

R0575 - Supplier not delivering functionality or resource as per contractual agreement.	20	• Twice weekly “progress against the plan” reviews between Audit Scotland project leads and Hub Planner are taking place. • Monitor open issues through project issues log. (Flexi calculation issue #06 on Hub Planner issues log)
R0579 - Not enough communications to staff, particularly those directly affected by phase 1 of the launch, staff not clear of the planned change and no clear timescales provided.		• Plan to tie in an update on the status of this project with progress/launch plans for the iTrent expenses system. • Communications relating to the project to be approved by the project SRO and need to tie in with other SIP project communications.

Implementation update, engagement and communications activity

iTrent Expenses module implementation update

9. Since the last update, a project plan, risk and issue registers have been developed and weekly meetings with the project team setup to manage the iTrent expenses module implementation.

10. The project team has been working towards achieving a launch on the 1 October 2025. This however has been challenging due to the need to repeat user acceptance testing, securing test resource at short notice and the availability of MHR development consultancy resource.

11. There has been no MHR resource available to support the project since 27 August 2025 and on 9 September it was confirmed that only minimal hours support could be provided week commencing 15 September as core hours are booked out to other clients. As a result of a launch on 1 October will not be possible and this will need to be delayed to 1 November 2025.

12. The Digital Project Manager is now working directly with the MHR Consultant to secure the required time to for fixing test issues.

13. Depending on the outcome of testing, training materials may need to be updated before release to staff. Based on the now confirmed resource issue, communication plans will be revised with the Comms lead later this week.

14. Prior to the transfer to Digital Services, the use of iTrent expenses on mobile apps had not been included in the test phase. MHR have failed to

provide the requested guidance documentation to support this being included in the ongoing testing phase. If it functions as expected with mobile apps, it is likely this feature will need to be pushed out as a separate release post launch. Testing with mobile apps is dependent on security controls and the protection of information.

Hub Planner implementation updates

15. The actions that have taken place since an update to the SIP Board on 1 September 2025 are set out below and include the further actions required to secure the safe implementation of Hub Planner:

- As noted at the last meeting securing project resource to support the delivery of the project is critical, particularly during design/build and test phases of the project. Securing these resources (referred to by Hub Planner as Power users) is proving challenging based on audit commitments over the coming weeks and months. Hub Planner have a team of resources ready to work with Audit Scotland as soon as power users have been identified and, in the meantime, continue to work with the Digital Project Manager and Process and People leads. We are aiming to secure Power user resource by 19 September.
- Hub Planner confirmed a requirement for 4-5 resources for process and 2-3 for the people element. Based on securing the power user resources and dedicated to the project, Hub Planner estimate that the design/build phase will take around 4 weeks to achieve. It is recommended that contingency be added to this period and for this to be set between 4-6 weeks.
- In addition to this and needed to be factored into timescales is a period of testing, estimated to be around 3 weeks in total allowing 2 weeks for internal testing and 1 for bug fixing by Hub Planner.
- Time allocated into the plan for training has yet to be agreed. Hub Planner have recommended training videos be developed as an effective method of training for staff and that these could be developed jointly between Audit Scotland project resources and the Hub Planner team.
- During a walkthrough of the system, it was identified that the system in its current state will not adequately support how Audit Scotland manage flexi time. The system does not currently support calculating flexi balance accrual in a continuous way across days and weeks. A request for change was immediately submitted to the Hub Planner development team and an update on this provided 9 September confirming that this request will take around a month to develop. This is a brand-new feature for Hub Planner and new feature requests need to tie in with other requests from clients on their development roadmap. An alternative option of a suggested workaround was not an option as it would require the staff member

to request and seek approval from their line manager to manage flexi time. This would not tie in with our flexible working process.

- The Hub Planner system can manually implement a cap of 14 hours accrued flexi as per the current process.
- Security controls for the new Hub Planner system have been applied to the TEST environment and set as disabled in the LIVE environment until we prepare the system ahead of launch. Testing has been confirmed as successful.
- Twice weekly meetings are taking place with the Hub Planner lead to walkthrough system functionality and to initiate system design requirements discussions.
- Implementation group meetings have been setup with representation from all four business groups and the first meeting took place on 11 September. One of the key responsibilities of this group will be to identifying and secure project resources from their business groups, which is crucial during the design, build, and test phases.
- As the implementation plan is refined, the comms lead will develop a parallel communications plan which will detail training materials, training plans, and provide information for the launch of Hub Planner. Planned communications will link with iTrent expenses module developments.
- Due to crossover of requirements, the Process and People workstream leads are working in collaboration and have scheduled time with the Hub Planner lead to provide the required design information required at this stage to support the system build.

Budget

16. Project budget – 2025/26

Budget	Internal costs	External costs	Phased budget Q1	Phased budget Q2	Phased budget Q3	Phased budget Q4
Staff - external		£20,000	£15,000	£5,000	-	-
System		£103,000	-	£103,000	-	-
Total: £128,000		£123,000	£15,000	£108,000		
% of total budget (YTD)			12%	88%	0%	0%

17. Project spend - 2025/26

Q1 total spend	Q1 internal costs	Q1 external costs	Variance against external budget (%)
Staff - internal	£11,915		
Staff - external		£24,000	60%
System		-	-
	£11,915	£24,000	60%

Additional notes on budget

The external budget variance arises from an extension to the Project Manager contract resulting from delays in the procurement phase of the project. The procurement phase of the project is now complete, and the implementation phase has commenced. The contract with the external Project Manager ended with the completion of the procurement phase. Therefore, when we get to the end of Q2 in this scenario the variance becomes 7% and is only 60% at the end of Q1 because of a timing variance.

The reason for the £0k in Q3 and Q4 is because all of the external expenditure in relation to Hub Planner and iTrent has taken place in Q2 and there is no further spend required this financial year.

The internal cost is based on actual time charged to the project in Q1 by Audit Scotland staff. Internal resource profiling is being developed as part of wider SIP reporting.

Conclusion

18. The priority for the Hub Planner implementation project at this point is the design fix for the flexi calculation and to secure the resources needed internally to support the design/build/test phases of the project. An indicative implementation date is aimed to be provided within 4-6 weeks when a fix for the flexi-time issue is expected and the new feature tested.

19. The priority for the iTrent expenses module implementation project at this point is to secure MHR consultancy resource. The internal project team will continue to deliver on the outstanding tasks based on the revised launch date of 1 November 2025.

Progress Report

Future Public Audit Model project

Item 11.

Senior Responsible Owner

Meeting date:
23 September 2025

Purpose

1. This report sets out progress to date on the Future Public Audit Model (FPAM) project

Recommendations

2. Audit Scotland's Board is invited to:

- Note progress to date.
- Ask questions and / or offer any comments.

Background

3. The FPAM project has been established by Audit Scotland to support the Auditor General and Accounts Commission in developing a new model for the annual audit of public bodies from 2027/28. The project has been accepted within Audit Scotland's Strategic Improvement Programme (SIP).

4. The Board discussed the [key considerations](#) for the FPAM project at its joint session with the Accounts Commission on 12 December 2024. The Board received the first [progress report](#) in June 2025.

5. The project has four, largely sequential, phases (with a degree of overlap between each phase). The timescales and key milestones are detailed below:

Phase	Timescale	Milestones
Project initiation	November 2024 to March 2025	Establishment of governance arrangements.
		Establishment of Project team.
		Approval of Project Initiation Document
1 Discussion and decision	April to December 2025	Production of five thematic Discussion Papers which are intended to support the Auditor General and Commission in

		answering the project questions.
		Engagement with internal and external stakeholders.
		Approval of public audit model by Auditor General and Commission.
2 New Code of Audit Practice	December 2025 to May 2026	Formal consultation with stakeholders on Code of Audit Practice (which communicates the public audit model).
		Publish new Code of Audit Practice.
3 Audit Procurement and Appointments	August 2025 to May 2027	Procure audit appointments for 2027/28 audits.

6. The five Discussion Papers to inform decision-making are:

- Discussion Paper 1 - Auditing the annual accounts
- Discussion Paper 2 - Best Value in local government
- Discussion Paper 3 – Scope of audit
- Discussion Paper 4 - Delivery model
- Discussion Paper 5 - Communicating the Model

Considerations

Progress against milestones

7. The FPAM project is currently in Phase 1. Discussion and decisions on the first thematic Discussion Paper are complete, subject to following up a couple of points around smaller bodies. The Accounts Commission Sounding Board felt that, on reflection, a ‘first principles’ approach was required before getting into the detail of Discussion Papers 2 and Discussion Paper 3.

8. As a result, the FPAM governance forum, made up of the Executive Team and the Audit Committee Chair was paused to allow further reflection on the correct approach. Executive Team agreed that some fundamental questions on Best Value and wider scope should be posed to the Accounts Commission at its strategy seminar in September. This would help the Commission fully consider the project questions as set out in the Discussion Papers.

9. The project team has revised plans for the consideration and approval of the thematic Discussion Papers. In practical terms, this means that Discussion Papers 4 and 5 will be considered, as originally planned, by the FPAM governance forum in September, and, if approved, submitted to the Accounts Commission and Auditor General in October. Discussion Papers 2 and 3 will be revised following the Commission strategy seminar. They will then be considered by the FPAM governance forum in October, and, if approved, submitted to the Accounts Commission and Auditor General in November. If these papers are not approved by the Accounts Commission or Auditor General, or if substantive changes are required, then final decisions on the Code will be pushed into 2026.

10. So, while some of FPAM's interim milestones have shifted, the key milestone for Phase 1, final decision on all options, remains on track. However, the original timescale has become significantly tighter and the risk to timely, quality delivery has increased. While the team is hopeful that all Discussions Papers can progress through the governance arrangements as set out above, contingency within Phase 1 is now very limited, increasing the risk to timely delivery.

11. While any delays to Phase 1 may have knock-on effects on subsequent phases, including less time to draft the Code, ahead of formal consultation, the extent of the impact will depend on the duration of the delay. We can provide assurance to the Board that this risk would be mitigated by progressing elements of Phase 2 in parallel, even if Phase 1 has not fully concluded. This approach would help maintain momentum and reduce the likelihood of delays to formal procurement.

Budgets

12. There is no external budget for the FPAM project at this stage, all costs are being met in-house. The SIP Board has asked the team to consider if any external support may be required in the future, particularly for the procurement stage.

13. By the end of August 2025, there was a 41 per cent underspend against the budget for staff costs. This variation is high and so is an amber risk for the SIP Board. However, this is not considered a risk to the successful delivery of FPAM, rather it reflects the difficulties in budgeting for a project of this wide-ranging and cross-cutting nature.

Engagement activity

14. A plan for informal engagement with external stakeholders has been agreed by Executive Team. Letters updating stakeholders on FPAM and seeking views on key areas have been sent from the Auditor General and the Chair of the Accounts Commission. Meetings have been offered, and many have taken place with various members of Executive Team taking the lead.

15. Internally, a SPO news update has gone out to all staff and a SPO hub is planned. The FPAM team is working with Communications and other SIP projects to co-ordinate change activity and communications across the organisation.

Conclusion

16. The RAG status for the FPAM project is amber, due to increased risks around the timely delivery of Phase 1 and an underspend in internal budgets.

Audit Modernisation

Progress Report

Item 11.

Director of Innovation and Transformation

Meeting date:
23 September 2025

Purpose

1. This report sets out progress for the Audit Modernisation Project (AMP) and its next steps.

Recommendations

2. The Audit Scotland Board is invited to:

- Note the progress of the AMP for information.
- Note, for assurance, the mitigating actions being taken for the escalated risks and issues as set out in the risks and issues section.

Background

3. At its meeting on 01 April 2025, the Audit Scotland Board agreed that the Full Business Case (FBC) would be submitted to the Board for its meeting in November 2025. This timeframe was agreed as realistic, to allow the financial and commercial cases to be developed at an appropriate pace, and also to recognise the key interdependencies involved in its delivery.

4. The Board also considered an AMP update report at its previous meeting on 03 June 2025. This report highlighted the progress towards delivering the FBC and the key interdependent activities – namely NAO collaboration, audit approaches, procurement and implementation planning.

Financial Implications

5. Audit Scotland received a £672,000 allocation in the Scottish Parliament budget for Audit Modernisation in 2025/26 and a total of £2.2m over 3 years by the end of 2027/28. This budget accounts for external Audit Modernisation costs, such as professional services, supplier contracting and other digital-related costs. Associated internal costs, namely staff time, are largely captured within existing Audit Scotland budgets, such as Innovation & Quality.

6. The Audit Modernisation OBC and budget submission to the Scottish Parliament in 2024/25 made clear that the phasing of the external spend will be subject to procurement and implementation approach. Ahead of the next Scottish Parliament budget setting process in December 2025, Audit Scotland will need to inform the Scottish Commission for Public Audit (SCPA) in September 2025 if the phasing between years will need to change. We currently consider it likely that we will need to re-phase some of the 2025/26 AMP budget allocation into 2026/27.

7. We will work with colleagues in finance to finalise and agree revised costs and phasing as part of the Full Business Case which will be brought to the Board for approval in December 2025.

Considerations

8. The Audit Modernisation Project Board (AMPB) assessed the overall project status as Red at its meeting on 26 August 2025. This was due to key FBC milestones, scheduled for 31 August 2025, being delayed. This included the updated economic, financial and management cases of the FBC. These have been delayed as result of a prolonged procurement exercise for the third-party software supplier. As a result, the contract discussions with the supplier have not commenced, which would identify the proposed contractual financial costs and implementation considerations to inform the development of the FBC.

9. The Strategic Improvement Portfolio Board (SIPB), at its meeting on 01 September 2025, agreed to revise this assessment to Amber. On the basis that, although these milestones have not been achieved, the procurement exercise has now concluded the evaluation step and had moved towards contract award, with supplier discussions expected imminently. This would allow the draft FBC to be updated and for its submission, as planned, to the AMPB meeting on 29 October 2025, SIPB meeting on 10 November 2025 and Audit Scotland Board on 25 November 2025. Appendix A details an updated version of the Roadmap that the Audit Scotland Board approved at its meeting in April 2025.

10. Progress against key milestones have been summarised as below:

Milestones

- **Audit Approach and Processes** – At its meeting on 12 June 2025, the AMPB approved the high level financial, and performance ‘To Be’ audit approaches and the adoption of Apex by Audit Scotland for both financial and performance audit.
- **Memorandum of Understanding (MoU) with the National Audit Office (NAO)** – The agreement was signed by both parties on 23 June 2025, which was delayed from the planned milestone date of 30 April 2025. This provides Audit Scotland with the intellectual property right to use NAO’s audit management software, Apex and its associated content library. As part of this agreement, Audit

Scotland now has access to Apex, the content library and their Product Owner, which allows Audit Scotland audit subject matter experts unrestricted access, to help inform implementation planning and adoption by Audit Scotland.

- **Benefits** – At its meeting on 12 June 2025, the AMPB approved, in principle, the proposed benefits and measurable improvements with follow up actions to finalise the measurable improvements to be completed by 30 September 2025.
- **Procurement** – the AMPB approval of the Sourcing (Procurement) Strategy was delayed from its planned date of 25 June 2025. The AMPB agreed at its meeting on 31 July 2025, to proceed with a compliant direct award procurement through the Back Office Software 2 Framework as set out in the sourcing strategy, which was formally approved at its meeting on 26 August 2025. The evaluation of supplier catalogues, as part of the Direct Award process, was completed on 31 August 2025. Contract Award discussions with the third-party software supplier are expected to commence imminently and the order form and schedules (Contract) is being drafted with input from Audit Scotland's legal advisor and procurement service provider. The Data Protection and Equality Impact Assessments have been approved as per Audit Scotland corporate processes and final versions will be included as part of the FBC.
- **Implementation planning** – At its meeting on 31 July 2025, the AMPB agreed the planning assumptions which frame Audit Scotland's approach to implementation of revised audit approaches and software for both financial and performance audit. This would include pilots for financial and performance audit from October 2026 and full roll out by October 2027. At its meeting on 26 August 2025, the AMPB considered the draft implementation plan and agreed the scope of financial audit pilots. Performance Audit pilots are dependent on the PABV work programme.
- Preparations are underway for **Gate Review 3**: Investment Decision, scheduled for 01 to 03 October 2025, and ahead of submission of the FBC to Audit Scotland governance groups. The UK Government's Gate Review process gives independent guidance on how best to ensure that programmes and projects are successful.

Budget

- As of the end of July 2025, total project expenditure stands at £163K, reflecting a £25K (13%) underspend against the allocated budget.
- External spend in the period totalled £54K, slightly below the budgeted £58K. The external spend budget was profiled to reflect

most implementation costs to occur in Quarter 4, following contract award.

- Internal spend to the end of July is £131K, which is 17% below the phased budget. This shortfall is attributed to a combination of staff leave, delivery and access to NAO laptops, and the delays in signing the MOU by NAO. Internal spend represents utilisation of Audit Scotland internal staff resources, rather than additional financial spend. Discussions regarding resource utilisation and budgeted days with AMP team members in July 2025 has informed a reprofiled internal spend for 2025/26 which is expected to outturn in line with the budgeted cost for 2025/26.

Risks and Issues

11. Appendix B details the escalated risk and issues, summarised below:

- The issue relating to procurement, as highlighted in the milestones section above, has been escalated. The mitigating actions as described above are underway with the evaluation step now complete.
- An additional issue relating to project team resources has been escalated. AMP lost its accountant resource during w/c 18 August 2025. This was temporary cover to support the project through the finalisation of the contract and FBC. Engagement with the agency providers is currently underway for a replacement.
- With regards to NAO engagement this has now been de-escalated from an Issue to an Amber risk. Audit Scotland now has access to the NAO content library, Apex and their product owner who can provide support and guidance. The transfer of the source code is still outstanding, but this does not present an issue to the development of the FBC.

Consultation and communication

- The SIP Organisational Change Strategy has recently been approved by SIP, which also identifies a number of change activities relating to the development of a compelling vision, coordinated communications across SIP initiatives, consistent tools and training, critical behaviours, ongoing evaluation and supportive systems, processes and structures.
- Change and communications activities as well as training, covering the implementation period, is being progressed as part of the wider implementation planning.
- As part of the Equality Impact Assessment process, engagement with the Audit Scotland Disability Confident Working Group,

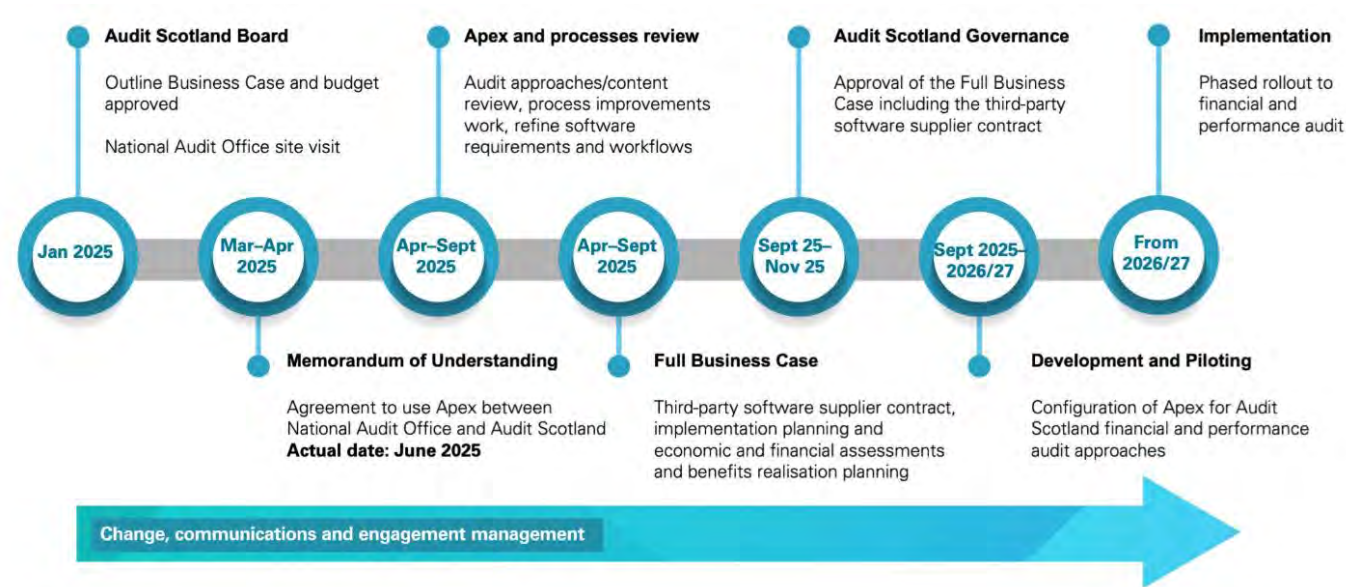
Neurodiversity Group and Equality and Human Rights Steering Group

- Members of the project have attended various management meetings across the audit delivery business group over the last three months, ensuring that colleagues are informed of developments.
- First user group sessions have taken place with PABV colleagues on 18 August and ASG colleagues on 25 August 2025.
- Leadership colleagues included a brief update on AMP as part of the first leadership briefing in August 2025.

Conclusion

12. Since April 2025, the delivery of the AMP FBC has been subject to delays in agreeing the MoU with the NAO, getting access to Apex and the content library and progressing with the procurement of the third-party software supplier in a timely manner. The recent delays resulting from the prolonged procurement has impacted on the AMP team's ability to update constituent cases of the FBC with financial costs and implementation planning information. However, as procurement now moves towards contract award, the AMP team are planning for the FBC to meet its submission timelines.

Appendix A – Updated AMP Roadmap



Appendix B – Escalated Risks and Issues

Risks (R) and Issues (I)				
R / I	Risk / Issue Recorded in Log	Action	Current Risk Status	Prior Risk Status
I	Supplier catalogues from the Back Office Software 2 Framework are unavailable from Crown Commercial Services. The inability to review the supplier catalogues for applicability, and subsequent evaluation, prevents Audit Scotland in progressing with a compliant direct award process.	August 2025: Following the AMPB meeting on 31 July 2025, a request has been issued for catalogues from framework suppliers. Six suppliers responded and the desktop evaluation of these catalogues was completed by 31 August 2025. Contract Award discussions with the preferred third-party software supplier can now commence.	Escalated as an Issue	N/A
I	IF Audit Scotland is unable to resource a project team with the appropriate capacity and knowledge or there are key departures or absences, to deliver the full business case and the implementation of the revised audit approach (for PABV/ASG) and software THEN the AM project's ability to meet key milestones will be at risk and/or quality of deliverables may be compromised RESULTING IN delays to the AM project delivery, ongoing delivery and benefits realisation and the need to revisits the options in the Business Case.	August 2025: AMP lost its accountant resource on 20 August 2025. Engagement with agency providers is underway to assess the suitability of potential replacements by 08 September 2025. Additional audit expertise resource, required as part of implementation, continues to be assessed as part of implementation planning for the FBC.	Escalated as an Issue	AMBER
R	NAO capacity to support Audit Scotland to assess Apex and NAO financial audit approach	August 2025: Audit Scotland now has access to the NAO content library and Apex and their product owner who can provide support and guidance. The transfer of the source code is still outstanding, but this does not present an issue to the development of the Full Business Case.	AMBER (De-escalated from Issue to Risk)	Escalated from Risk to Issue

Annual review of Records Management Policy

Item 12.

Head of Performance and Corporate Governance

23 September 2025

Purpose

1. This report invites Board to approve the submission of Audit Scotland's Records Management Policy.

Recommendations

2. Executive Team is invited to:

- Approve the updated Records Management Policy.
- Approve the proposed subsequent review date.

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 Information Management and Governance Group (IGMG) 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. This also forms part of the annual assurance process in support of the Accountable Officer's Governance Statement.

7. The Records Management Policy is currently reviewed on an annual basis. It is proposed that following the submission of the next five-year Records Management Plan, due in 2027, to review the Records Management Policy at the mid-point of the five-year plan. However, if there is significant change to relevant legislation, the policy will be reviewed in response to that, and the Executive Team and Board advised of any updates requiring to be made.

Annual review of Records Management Policy

8. Corporate Governance carried out a review of the Records Management Policy during August 2025.

9. The review found no substantive amendments were required, recognising 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.

10. Minor changes to nomenclature and references to new relevant legislation are shown as tracked changes to the policy document appended to this report.

11. The draft policy was considered by the Executive Team by correspondence in August 2025 and recommended for approval by the Board.

Ongoing records management assurance

12. The annual review of the Information asset register and retention schedule by Information Asset Owners (IAO) will be reported to IGMG in October 2025.

Required upcoming development actions

13. Audit Scotland will be invited by the Keeper of the Records to submit a new Records Management Plan during 2027. The exact timing will be decided by the Keeper of the Records.

Records Management Policy

Owned and maintained by:	Head of Performance and Corporate Governance
Date checked/ created:	September 2025
Next review date:	September 2028

Introduction

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.

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.

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.

Records are fundamental to our Audit Quality arrangements and professional standards and running Audit Scotland efficiently and effectively.

Scope

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

Definition

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

The Chief Operating Officer is responsible for ensuring there are appropriate arrangements for managing information and records.

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.

It is the Information Governance and Management Group's (IGMG) role to ensure this policy remains relevant, represents good practice and is implemented effectively.

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

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.

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.

Guidance in support of this policy has been prepared and is available to all staff in [SharePoint](#).

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

It is vital that everyone understands their information and record management responsibilities as set out in this policy. Therefore, [Executive Directors](#), 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.

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

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) [and the Data \(Use and Access\) Act 2025 \(DUAA\)](#)
- 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
- Audit Scotland's Information 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 Information Asset register and records retention schedule
- Audit requirements:
 - Audit standards e.g. ISA's
 - Audit Management Guides and Frameworks

Digital Services Strategy 2025/28

Item 13.

Head of Digital Services

Meeting date:
23 September 2025

Purpose

1. This paper supports the Boards review of the attached Digital Services Strategy 2025 to 2028. It outlines the key deliverables, resources and planning, budgets, scrutiny and review processes and seeks the Boards approval for its key components.

Recommendations

2. The Board is invited to:
- Review and approve the strategy, including its core principals, strategic objectives, framework, review process and budget provision.

Background

3. This strategy replaces the previous digital strategy and covers the period 2025 to 2028, ending in March 2029. It supports Audit Scotland's vision as laid out in Public Audit in Scotland (2023-28) and its delivery in our Corporate Plan (2023-28).

4. It was developed by reviewing the previous digital strategy, assessing external threats, aligning with our key strategies and plans, colleague surveys, and consulting with business groups.

Key deliverables

5. The strategy supports the Auditor General, the Accounts Commission, and Audit Scotland's vision and mission, while addressing direct business needs. It introduces **two new core principles**:

- Continually improve our cyber resilience, to mitigate the continuing threat of a cyber-attack, protect our information and quickly recover from an attack.
- Address the climate emergency by reducing power consumption, minimising travel, and using sustainable energy and recyclable products

6. It introduces **three new strategic objectives**:

- Provide automation and AI systems to deliver measurable cost and time savings by automating standard processes, allowing auditors

to focus on the more value-added tasks. Maximise the opportunities provided by the Resource and Management Information System (R&MI) and the Audit Modernisation Apex Project.

- Improve collaboration with new services and training to strengthen one organisation working and improve information sharing partnerships with external agencies.
- Procure, manage and deliver innovative solutions to increase the efficiency and effectiveness of our digital workspace. Focusing on the implementation and integration of R&MI and Apex.

Budgets

7. There are no anticipated additional requirements for staff costs and capital over this period.

8. Two milestones require additional budget which will be sought from efficiencies within the Corporate Services Business Group or a bid for additional funding in 2026/2027 to deliver:

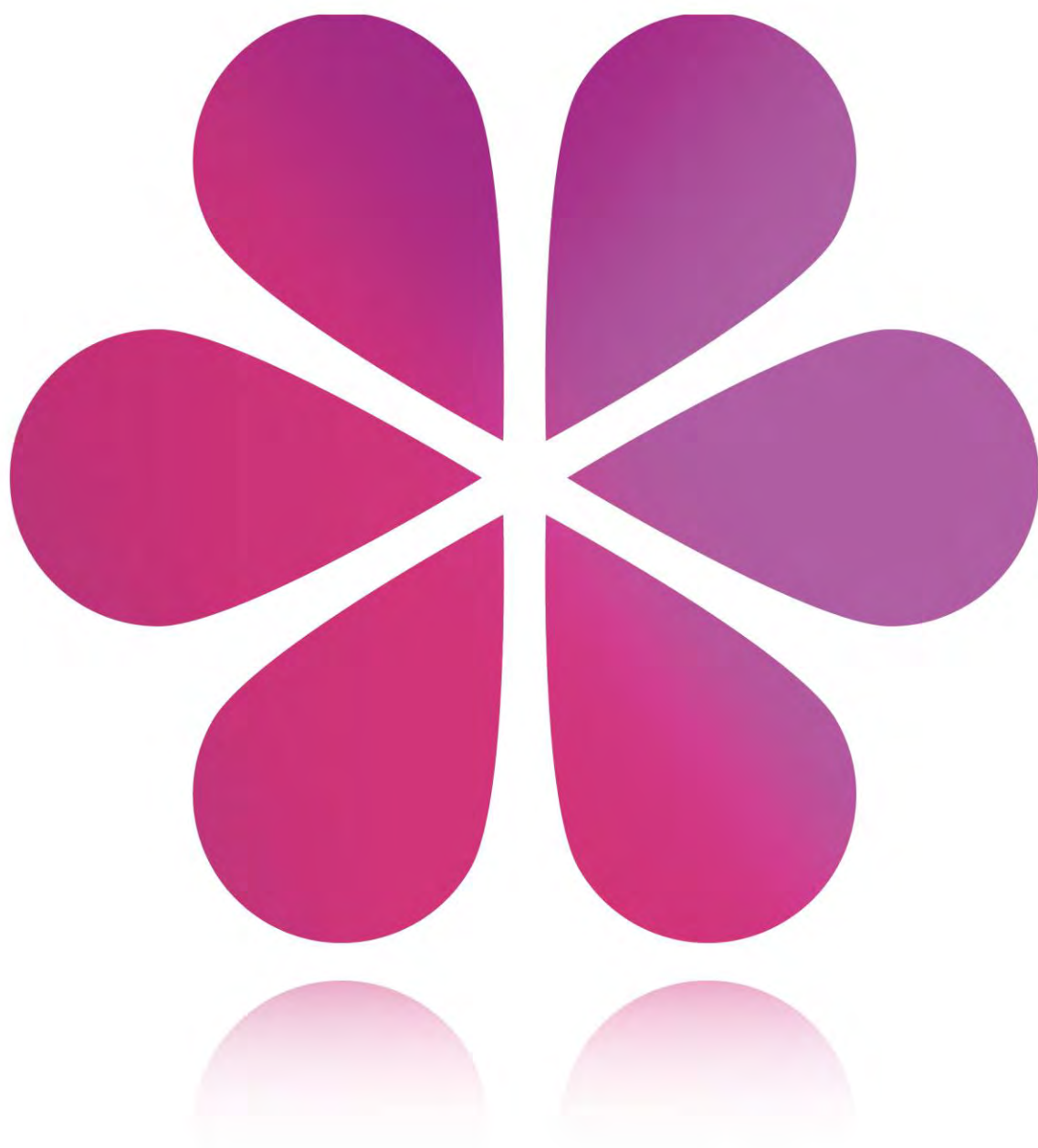
- An automated threat monitoring service to mitigate information exfiltration.
- A new room and desk booking system to reserve rooms, desks, or work areas and provide AI transcription and meeting notes.

Scrutiny and review

9. The strategy uses clearly defined and measurable milestones, that are grouped into core principles and strategic objectives. These will be combined to form key performance indicators for the performance monitoring framework (under review). Executive Team and the Board will receive quarterly high-level progress updates through this mechanism together with detailed strategy updates to the Audit Committee and Executive Team every six months.

10. Operational oversight is provided via monthly reviews from the Digital Services Management Team, bi-monthly progress reports to the Information Governance and Management Group, review meetings with the Digital Audit Team and semi-annual collaboration with other strategic audit agencies. Internal audits provide additional independent scrutiny.

Digital Services Strategy 2025-28



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Accessibility

You can find out more and read this report using assistive technology on our website www.audit.scot/accessibility.

Purpose

What the strategy will do

- 1.** We live and work in a world where almost everything we do is digital or has a digital element. Hybrid working is now established practice, our teams have become more geographically dispersed and how we engage with clients and deliver audit is increasingly dependent on digital systems. To achieve the vision and mission of Public audit in Scotland, we must use effective, secure digital services and ensure our people have the skills to maximise their impact.
- 2.** This Digital Services strategy spans the four-year period from 2025 to 2028, ending in March 2029. It sets out measurable, deliverable objectives to support the delivery of the vision, mission and outcomes of Public audit in Scotland, Audit Scotland's Corporate Plan 2023-28 and associated strategies, including our Business, Learning & Development and Workforce Plans for 2025-28.
- 3.** It uses a review of the previous digital strategy, analysis of external threats and challenges, consultations with our business groups and a staff survey, to focus these objectives to meet specific business needs and priorities.
- 4.** Alongside introducing core principles for cybersecurity and mitigating our environmental impact, this strategy concentrates on three key objectives that support the strategic priorities and business of Audit Scotland.
 - Provide automation and AI systems to deliver measurable cost and time savings by automating standard processes, allowing auditors to focus on the more value-added tasks.
 - Improve collaboration with new services and training to strengthen one organisation working and improve information sharing partnerships with external agencies.
 - Procure, manage and deliver innovative solutions to increase the efficiency and effectiveness of our digital workspace. Focusing on the implementation and integration of R&MI and Apex.
- 5.** To deliver these objectives, this strategy includes measurable milestones and a fully costed resourcing and delivery plan.

The strategy's framework

How it was created and how its effectiveness is monitored

6. To develop this strategy and form our core principles and key objectives, we used a framework of retrospective and prospective reviews, consultations, and surveys. This comprised of:

- [A review of our previous 2021-2024 digital strategy](#) measuring the success of each strategic objective milestone and identifying failings as part of a lessons learned. Any outstanding milestones have been carried over to the new strategy.
- [A wide-ranging assessment of the major external threats and challenges](#) that Audit Scotland will encounter over the next four years, including technological, political, legislative, economic, and climate change factors. Where appropriate mitigating actions have been identified and converted to measurable milestones.
- [Colleague feedback and suggestions](#) via an initial survey, with a follow up survey that invited colleagues to rank the results in order of most importance. The results were then converted to deliverable milestones.
- [A comprehensive review of our strategic documents](#): Public Audit in Scotland 2023-28, Values Charter, Corporate Plan 2023-28, Environment, Sustainability and Biodiversity Plan 2021-2025, Audit Scotland People Strategy 2023-28 and the Business and Workforce Plan 2025-28. Identifying each of their key requirements and mapping them to a milestone that Digital Services will either deliver directly or support the business functions that delivers it.
- [Consultation meetings](#) with our business groups and corporate services teams between October 2024 and April 2025. The peer reviewed notes were then mapped to measurable milestones.

7. The results from these processes were used to create specific and measurable milestones. These milestones were then grouped to form the core principles and strategic objectives.

8. The performance of this strategy will be monitored by:

- Measuring the progress and effectiveness of the core principles and strategic objectives through the completion of their milestones. Each milestone is designed to be measured, with clear goals and success factors.

- The progress and effectiveness of the core principles and strategic objectives will be combined to create key performance indicators (KPIs). KPIs will be reviewed annually, and where there are significant changes to business needs or technology, they will be updated to ensure they remain effective.
- These KPIs will then form part of the performance monitoring framework, currently under review, and be used in quarterly high-level progress updates to the Executive Team and the Board.

9. This strategy will undergo scrutiny and review by:

- Monthly Digital Services Management Team (DSMT) reviews to assess progress on each milestone, and as necessary instigate any corrective action.
- Progress reporting of the core principles and strategic objectives to the Information Governance and Management Group (IGMG) every two months.
- Review meetings every two months with the Digital Audit Team.
- Six monthly collaboration meetings with other strategic audit agencies.
- Progress updates every six months to the Executive Team and Audit Committee as part of the Digital Security report.
- An annual review presented to the Executive Team to ensure that objectives adapt to any technology changes and continue to serve business needs.
- An effectiveness assessment as part of our internal audit programme.

Core principles

Principles that underpin all our actions, now and in future strategies.

10. Cyber Resilience – Continually improving the safety of our digital workspaces, ensuring cyber security is a priority and embedded in everything we do.

- Protect our information – Ensuring we control where and how our information is used
 - Deploy sensitivity labelling which will restrict or block access to personal and controlled information reducing the risk of a ransomware breach.
 - Provide services to automatically remove outdated/unnecessary information.
 - Only allow Audit Scotland staff personal devices that have passed appropriate security checks access to our information and strictly limit these devices access to controlled and sensitive information
- Strengthen our authentication and access management – Ensuring we control who accesses our systems at all levels
 - Require systems to complete continuous authentication, authorisation and validation challenges to verify and limit access based on risk.
 - Implement Entra Privileged Identity Management to offer time-based and approval-based role activation, reducing the risks associated with excessive, unnecessary, or misused access permissions.
 - Improve authentication and verification for our public information to prevent misinformation sources from compromising Audit Scotland's public information.
- Monitor and log all activity – Raising our awareness of potential attacks for a faster more effective response
 - Implement a centralised log server that collates volatile network and system logs to aid with analysis and response.
 - Expand automated risk-based threat monitoring and behaviour analysis to track and block information exfiltration across all

services at an additional annual revenue cost of 49,992 (inc. VAT).

- Provide a Security Information and Event Management (SIEM) dashboard that collates all activity highlighting suspicious or potentially malicious activity.
- Improve endpoint device and colleague resilience – Reducing the risk of a successful cyber-attack.
 - Enhance endpoint protections and attack resilience with improved behavioural and technical controls.
 - Continue to raise colleagues' cyber security awareness through short, curated, high-quality training. Expand training availability to the Accounts Commission and Board members.
- Improve our Cyber Incident Response – Reducing the time to recover from a successful cyber-attack.
 - Continually improve our Cyber Incident Response Plan, updating it to address emerging threats and identify areas of improving technical defences.
 - Increase our analysis and incident response skills with expert third party training.
 - Working with expert third parties to assess and improve our readiness.
 - Regularly communicate updates to Cyber Incident Response Plan, with clear instructions and cyber incident recovery simulations for staff.
- Provide independent assurance of our cyber resilience.
 - Maintain ISO 27001:2022
 - Continue regular NSCS certified third party penetration testing.
 - Achieve Tier 2 Scottish public sector cyber resilience framework v2.0 compliance.
 - Undertake a Cyber Essentials Plus audit.
 - Continue collaboration with other statutory national audit bodies using their experience and knowledge to assess and improve our own cyber resilience.

11. Climate Emergency – Use energy-efficient systems, renewable resources, and travel alternatives to significantly reduce our impact on the environment without compromising business effectiveness. Increase device reuse and cease procurement of non-recyclable and/or non-reusable devices and accessories.

- Reduce power consumption, wherever possible excluding energy from fossil fuels.
 - Reduce our power usage by configuring our cloud and AI services, operating systems and devices to minimise power consumption and perform at maximum efficiency.
 - Ensure devices, services and systems power down or enter a low-energy state when not in use. Procure cloud services that cost only when in use.
 - Transfer to energy providers and services that guarantee they source their energy from renewable energy sources such as solar, wind, hydro power or clean nuclear power. Reduce travel energy consumption through improved hybrid working.
 - Improve our video conferencing services, reducing the need to travel. Support more secure third-party services so they can be accessed via our own tools, such as joining a Zoom call via MS Teams.
 - Provide video conferencing devices located in Audit Scotland offices, with improved audio and video to improve the meeting experience.
 - Optimise services, such as the R&MI, that manage staff deployment and travel to minimise or prevent unnecessary journeys.
- Implement sustainable procurement, reuse or extend device's effective life and prevent unrecyclable waste.
 - Prioritise procurement of devices and accessories that can be reused or recycled. Cease all purchasing of single-use plastics and disposable items.
 - Select energy-efficient equipment during procurement processes. When replacing devices, ensure they have lower power consumption and incorporate more energy-efficient components.
 - Procure devices and accessories that are maintainable. Instigate regular maintenance to prolong the life of devices. Wherever possible refurbish and reuse devices or consider purchasing refurbished devices.

- Prioritise procurement from suppliers who use sustainable energy/energy efficient systems and who do not use single-use plastics.

Strategic objectives

Objectives targeted to meet business needs in 2025 to 2028

12. Automation – Providing systems that deliver measurable cost and time savings by automating standard processes and enhancing reporting, allowing colleagues to focus on the more value-added tasks. Delivering AI tools to assist in the audit process, to support in auditor judgement and decision-making, and enhancing efficiency and quality across all business functions. Offering learning resources so that colleagues understand how to best use AI while minimising the risks.

- Provide automation that increases the efficiency and effectiveness of procedures by reducing or replacing repetitive manual tasks in all areas of our business. Building a data infrastructure that supports the delivery of automation.
 - Deliver, support and maintain an automation and reporting platform that will integrate data analytics lab applications and our forthcoming core business applications Apex, R&MI and future replacement Finance/HR/learning management systems. Ensure solutions scale to support any changes in the Future Public Audit Model.
 - Provide a business intelligence platform enabling trained colleagues to explore to explore individual, team or business solutions that join, optimise and enhance our information workflows enhancing
 - Offer development environments to support our experts in creating specialist automation tools.
 - Reallocate existing resources to provide a dedicated Modern Apprentice Data Analysis role specialising in supporting automation and reporting, initially to work with the R&MI and Apex projects.
 - Ensure all new projects and procurement of new services integrate with existing automation and reporting tools. Identifying early any inefficiencies and conflicts to ensure an integrated and optimised solution.
 - Support the development or evaluation, procurement, testing and implementation of a set of data capture tools.

- Explore options for automation and AI services for invoice management and design services.
- Deliver enhanced redaction tools that will be counter-charged to the relevant cost centre if necessary.
- Provide the environments and devices to deliver AI expert systems that enhance our scrutiny and understanding of audit data.
 - Support the Digital Audit Team with improved cloud infrastructure and environments to safely develop and deliver AI expert systems and enhanced analytical services.
 - Improve the resilience and elasticity of our cloud infrastructure providing the Digital Audit Team with the flexibility to ‘spin up’ and configure new environments with transparency of costs and licencing.
 - Increase the effectiveness of information management by transferring all suitable on-premise data warehouse applications to a cloud Managed Cloud Database Service.
 - Provide Data Engineer / Developer personas that have extended permissions, providing more flexibility for the Digital Audit Team while maintaining cyber security.
 - Investigate options to support and maintain information services such as No-SQL, Dataverse and data lake skills.
- Deliver a secure AI services platform to enhance the accuracy, efficiency, and impact of our knowledge processes.
 - Support the methods used to capture, structure, analyse, and apply organisational knowledge rely on organised data and involvement from multiple teams.
 - Provide tools for data management, learning, development, collaboration, and integrate intelligent technologies to deliver insights quickly and reliably.
 - Deploy secure baseline AI services to all colleagues, encouraging innovation and exploration of the benefits of AI, chat bots and agentic services. Provide communication and training, ensuring colleagues understand how to use internal AI systems and the risks of external AI systems.
 - On request, provide colleagues with advanced AI that can access our own information in a closed and secure way. The cost of this service will be counter-charged to the relevant cost centre after approval from the budget holders. Colleagues will be encouraged to work with the Digital Audit Team on small scale

pilots, that where effective can be deploy as business AI services.

- Ensure AI solutions are fully scalable so they can scale to support any changes in the Future Public Audit Model.
- Support the development of mandatory and optional AI training pathways so colleagues can understand the fundamental concepts and understand where AI will provide best value with minimal risk.
 - Ensure colleagues have the skills to engage with AI services effectively, assess AI accuracy and set boundaries on acceptable errors.
 - Supply dedicated training on the usage, risks and accuracy of specialist AI solutions, either developed internally or through external advanced AI services.
 - Provide customised training for colleagues feeling isolated by AI, explain what AI/automation can offer and how to use it safely to enhance productivity.
- Advance an AI governance framework to establish clear structures for the responsible management and oversight of artificial intelligence and its utilisation of organisational data across the business.
 - Support the Data Governance & AI Group (DGAI) that will provide governance and implementation arrangements for data governance and the use of AI, based on industry standards, internal research, and staff engagement.
- Integrate the Resource and Management Information System (R&MI) and the Audit Modernisation Apex Project into our data infrastructure, business intelligence, and automation services to increase workflow and maximise efficiencies.
 - Support the delivery of Apex, by providing the cloud infrastructure, data processing capacity, automation, reporting, AI/Automation integration, and licencing improvements. Providing the implementation, testing and integration of other systems, and working with the NAO and third-party supplier.
 - Support the delivery of the R&MI solution, by providing procurement, project management, iTrent integration and implementation services. Managing the relationship with the supplier ensuring a responsive and effective solution.

13. Collaboration – Improving teamworking with new services and training to strengthen one organisation working and improve information sharing partnerships with external agencies.

- Improve the devices and services available in our offices to better support hybrid working
 - Consider a new room and desk booking system using Microsoft Teams Premium. Replacing the current system with a solution that allows colleagues to reserve rooms, desks, or work areas from within Teams and provide AI transcription and meeting notes for internal meetings. External meetings with clients would be excluded from this by default.
 - Provide the option for laptops with larger screens and trial larger/multiple screens in the office. Work with colleagues on future device procurement options.
 - Ensure better access to Digital Services colleagues with Service Desk colleagues being available in Edinburgh and Glasgow two days a week.
 - Install a full audio system in Nelson Mandela Place so that large meetings can be held in Glasgow.
 - Where appropriate supply 'helpdesk' solutions for more effective management of requests across a distributed team.
- Supporting Audit Scotland's learning and development plan by providing training to improve colleagues understanding and skills with new and existing systems. Sharing new ideas and best practice.
 - Enhance training and documentation to maximise the use of apps and services for better hybrid and collaborative work in our digital workspaces. Improve Office 365 efficiency by providing short topic-based training and actively encourage the sharing of new ideas and best practices.
 - Provide dedicated support and training for Power BI and Power Automate so colleagues can learn the skills to better manage and understand our information.
 - Provide training and resources for colleagues who wish to be service or app experts and share their expertise across our business groups.
 - Improve the delivery of webinars and hybrid meetings with better documentation and regular updates. Support experts who can train and assist in delivering professional and reliable meetings and conferences.
 - Increase the success of solutions delivered by DST by encouraging more feedback and using volunteer staff for early testing.

- Provide methods to filter “noise” in incoming communication and prioritise the delivery of business-critical news. Improve our knowledge and skills through sharing information, solutions and ideas
- Provide alternative ways for secure data sharing with clients, with appropriate guidance for both staff and clients.
- Support the Digital Audit Team to develop a standard architecture for interoperability of internal and external data, code and cloud configuration to improve the effectiveness of exchanging information securely with Audit bodies.
- Collaborate with the NAO, WAO and other Audit agencies to learn from their approaches and share our own. Where appropriate investigate joint procurement for greater cost efficiencies.
- Wherever possible expand access to Audit Scotland’s digital services to Accounts Commission members.
- Integrate Apex and the R&MI with existing services to better share information. Reduce duplication by ensuring a canonical source with managed data flow.
 - Provide solutions for integrating existing services, specifically R&MI and iTrent, and LMS and Teams. Ensure future procurement projects consider integration as a key selection factor.
 - Ensure all staff use the appropriate office app templates by distributing templates, including a universal normal template, to all appropriate services.

14. Efficiency – Procure, manage and deliver innovative solutions to increase the efficiency and effectiveness of our digital workspace, while reducing the environmental impact. Primarily focus on the implementation and integration of R&MI and Apex.

- Expand support for procurement projects which involve digital systems, ensuring consistent project delivery through specialist supplier management.
 - Provide effective procurement and project management for all projects involving digital systems with early involvement during the planning stage and ensuring key components such as system integration, cyber security and compliance are core to the project delivery. Expand the digital projects team with a project management modern apprentice to support this function.

- Ensure future procurement of digital systems can be scaled up to fit potential changes in Future Public Audit Model but can also be scaled down when not required to provide efficiency savings and reduce environmental impact
- Optimise procurement by moderating the suppliers ISO 27001 requirements based on the sensitivity of the information that will be accessed.
- Streamline procurement cyber security checks into a single process which also includes checks for integration and future compatibility.
- Deliver efficiency savings across all our digital devices, systems and services.
 - Annually review and score all existing digital systems and services assessing their effectiveness and usage. If low scoring, investigate potential savings include terminating the service, using an alternative existing service or procuring a more cost-effective solution.
 - Explore third party support options for the design teams Apple Macs, produce a costed options paper that includes options to experiment with apps.
 - Assist in cost effective leasing options for recruitment assessment devices.
- Manage the implementation and maintenance of the R&MI system.
 - Support the R&MI procurement process
 - Deliver the R&MI implementation and manage the ongoing supplier relationship.
 - Investigate third party solutions to integrate with iTrent, configuration options for business logic and automation services for integration with Apex.
- Support the evaluation, procurement, testing and implementation of Apex.
 - Provide and maintain a modular, secure infrastructure with Apex at its core. Support interoperability with Office 365 and potential new services such as a set of data capture tools and the R&MI.
 - Create a secure collaboration portal within Apex for data and document exchange, and to facilitate communication and tracking of audit queries between audit teams and the audited

body. Primarily adopt an NAO-developed solution but also consider third-party options.

- Provide services for the development and implementation of Apex to support performance audit. Support the refresh of the performance audit approach through the implementation of Apex and better use of O365 applications.

Resourcing and delivery

The budget and staffing required to deliver the strategy

15. The core principles and strategic objectives must be effectively resourced to ensure successful delivery.

16. Two milestones require additional budget which will be sought from efficiencies from the wider corporate services group or where necessary, the 2026/2027 budget setting process. All other milestones can be achieved using the existing annual revenue provision.

17. A modification to the Digital Services Team staffing structure is required to deliver the strategy but this can be funded from a redundant post.

18. No additional capital funding is required. All milestones can be delivered using existing capital budget which includes a onetime increase for the 2025/26 financial year.

19. No additional funding is required for the changes in staffing until 2028/29. If approved by the Recruitment Board, the Workforce Plan will be updated to remove the SQL Developer role from establishment and use the released funding to:

- Recruit a modern apprentice (Data Analyst SCQF Level 8) to specialise in Power Automate and Power BI to provide dedicated support for the R&MI and Apex projects.
- Recruit a modern apprentice (Project Management SCQF Level 8) to support digital project and procurement projects, together with ISO 27001:2022 and additional compliance and certification.
- Review the role requirements and responsibilities to deliver procurement and programme management from within the existing team structure. Fund any regrading needed following formal job evaluations.

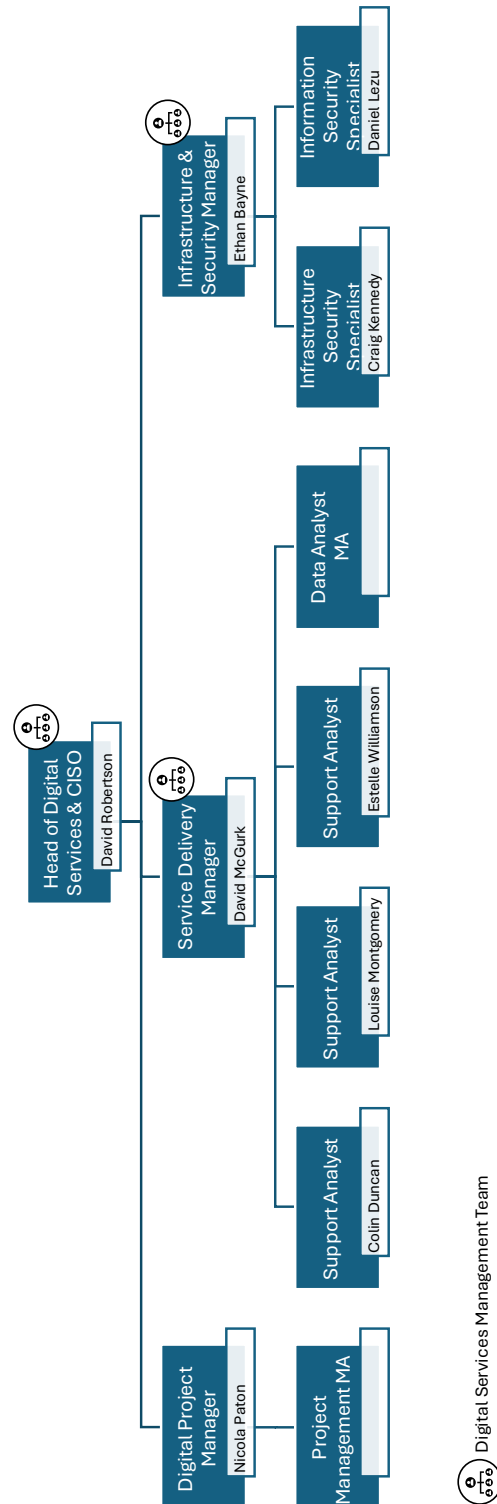
The Digital Services Staffing Structure is available in Appendix 1.

20. Succession planning – The Head of Digital Services will retire from Audit Scotland within the period of this strategy, having been part of Digital Services for 28 years. A succession plan is essential to ensure smooth transition and effective knowledge transfer. This plan may require additional funding if a new Head of Digital services is recruited externally.

Succession planning option, and all stages would require approval by the Recruitment Board.

Appendix 1

Digital Services Staffing Structure



Digital Services Strategy

2025-28



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ISBN

Q1 2025/26 Corporate Performance Report

Item 14.

Meeting date:

23 September 2025

Head of Performance and Corporate Governance

Purpose

1. This report provides the Board with a review of organisational performance as at quarter one (Q1) 2025/26,

Recommendations

2. The Board is invited to:

- Review the performance in Q1 2025/26 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 quarterly report are aligned to the Audit Scotland Corporate Plan 2023-2028 published in June 2023.

4. In preparation of this report, individual business groups have provided relevant data, which has been analysed and quality assured by the Performance, Finance and Risk Management Group, considered by the Executive Team on 18 August 2025, and is now presented to the Board meeting on 23 September 2025.

5. The sections in the slide deck attached as appendix 1 are:

Section	Strategic Priorities
Summary – Corporate Plan	
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

6. The infographic below provides a summary of performance as at Q1, 2025/26.



Performance Highlights Q1 2025/25

7.

- **Financial Audit delivery** - timeliness of delivery of NHS financial audits has remained the same as last year - 91 per cent on time compared to 91 per cent in 2023/24.
- **Performance and other audits** - We have delivered 7 Performance audits/reports in-year, 86% of which were delivered in line with planned timescales.
- **Exam results** – staff taking exams are exceeding the three-year results average, and passes are significantly above target (85%) at 98 per cent.
- **Flexi time balances** – flexi time balances in excess of the maximum allowed of 14 hours reduced from 31 per cent in Q1 2023/24 to 12.45 percent in Q1 2025/26.
- **Quality** – In June 2025 we published the [Quality of Public Audit in Scotland annual report 2025](#) and the [Audit Scotland's Transparency Report 2024/25](#). All PABV outputs in the last three years have achieved grades 1 or 2. Two financial audits for 2023/24 received grade 4 scores (1 ASG and 1 Firm). Further details and response actions are provided on page 9 of the slide deck.

Financial audit delivery

8. In the year to date we have delivered 23 (100%) of the NHS 2024/25 annual financial audits.

- 23 of 23 NHS accounts (June due date) 91% delivered on time. ASG 100% and Firms 82% delivered on time.
- By audit provider - ASG has delivered 12 - (100%), and the Firms 11(100%) of the audits due in Q1.

9. As at time of writing, one 2022/23 financial audit remains outstanding, which is a local government joint board audit being carried out by a firm.

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. In Q1 seven Performance audits/reports were issued, with 6 (86%) having been issued to the planned timeline.

12. The Forth Valley College, section 22 report is recorded as 'late' as the deadline for s.22 reports is set by statute and this was not met. It should be noted that this deadline was not met by the appointed auditor, and accordingly the required timeline for the s.22 report could not be achieved.

13. Links to the 7 issued reports are included below:

Accounts Commission:

- [Local government budgets 2025/26](#)
- [Best Value – Argyll and Bute Council](#)
- [Best Value – The Highland Council](#)
- [Best Value – Renfrewshire Council](#)

Auditor General for Scotland:

- [Scottish National Investment Bank](#)
- [The 2022/23 audit of Forth Valley College](#)
- [NHS in Scotland: Spotlight on governance](#)

Resources and capacity

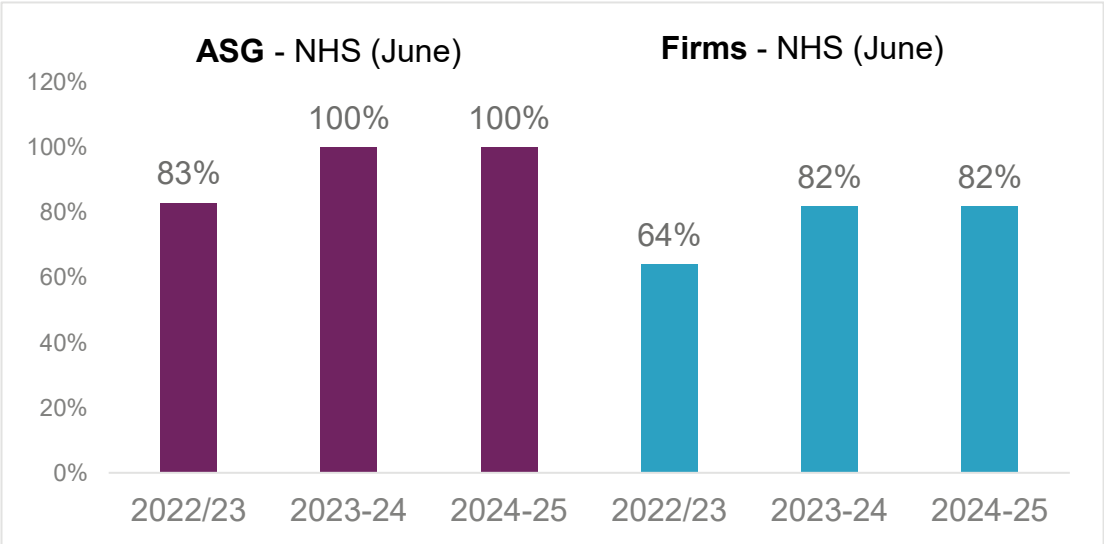
- 14. Audit Scotland’s net operational expenditure was 19.2% less than budget. More detail on key variances is included in the appendix at slide 14.
- 15. The number of FTE at end of Q1 2025/26 was 344.94, against an establishment level 366.07 FTE. This equates to 95.66% of establishment. The breakdown by business group is included in Appendix 1 at slide 19.
- 16. Staff turnover for the year, for all leavers, was 1.11% compared to 0.57% in Q1 2024/25.
- 17. Sickness absence rate was 1.55 days which remains below the average benchmarking figures for UK workplaces. It is also below the equivalent 1.97 days in Q1 2024/25 and down from the last quarter (1.82)

Innovation & Learning

- 18. Exam results year to date show a 98% pass rate, which is significantly above the target of 85%, and is higher than last year's average of 92%.
- 19. The percentage of mandatory training completed increased to 97% for training due in the quarter.

Developments in Audit delivery

- 20. The percentage of audits, due in Q1, which met target sign-off date compared to previous years was:



Ongoing Performance Management Framework Development

- 21. We continue to develop the performance framework and changes in how we collate, use and present performance data will take place over coming reports, with opportunities for developments being the subject of an Executive Team strategic session in September 2025.

22. Phases two and three of developing the performance framework work will align with the implementation of the R&MI system and the development of the Audit Modernisation Programme (expected to be around Q2/Q3 of 2026/27), respectively, as both will offer significant opportunities to bring additional data within our reporting arrangements and develop the analysis of that data.

Conclusion

23. This report asks the Board to note Q1 2025/26 performance and the steps being taken to further develop the performance framework.

Q1 2025/26 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	RAG
Audits delivered on time	Amber	→
Audits delivered on budget	Amber	→
Audits delivered on time and on budget - Audit focus	Green	→
Audit quality assurance results	Amber	→
Impact through our work	Green	→
Progress towards net zero and climate resilience targets	Green	→
Progress against our equality outcomes	Green	→

Resources

Objective	Status	RAG
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	Green	→

Innovation & Learning

Objective	Status	RAG
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

- All NHS audits delivered (100%)
 - 91% on time (this compares to 91% on time in Q1 2024/25)
 - ASG delivered 100% on time and the Firms 82% on time.
 - The two outstanding NHS audits were delivered within four weeks of the scheduled target date.
- Three Central Government audits delivered (these are reports due in Q2 (ASG 2, 1 Firm)).

Resources

- Both ASG and PABV show improving audit time v. non-audit time – ASG at 75% audit time, and PABV at 67% audit time.
- At the end of June, the revenue position was £682k less than budget.
- Staff turnover for Q1 leavers was 1.1 % compared to 0.57% in 2024/25.
- Absence for Q1 was 1.55 days compared to 1.97 days in Q1 last year.
- The percentage of colleagues with greater than 14 hours flexi continues to trend downwards. In Q1 2023/24 the average across the business groups was 31% - by Q1 2025/26 the average across business groups has reduced to 12.45%.

Other

- Exam Pass rates – Achieved 98 percent, exceeding the three-year average and above target
- All PABV quality reviews have received grade 1 or 2 in the last three years.

Challenges

Delivery

- There remains one outstanding Firms Local Government 2022/23 audit.
- There are 13 outstanding 2023/24 audits. 2 ASG (LG audits) and 11 Firms audits (1 FE and 10 LG).

Resources

- Overspends in audit days - though the financial position is a projected underspend.
- The number of FTE at the end of June 2025 was 344.94 (establishment level 366.07 FTE.) This equates to 95.66% of establishment.

Quality

- Two audits (1 ASG; 1 firm) received a grade of 4

Actions

Delivery

- A letter from the Chief Operating Officer has been sent to all bodies encouraging partnership working to bring audits back to target dates.

Resources

- Recruitment to vacant posts is considered by the Recruitment Board.

Quality

- Audit Services and Firms auditors are reviewing causes and taking action to address the matters requiring improvement.

Delivery

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

All NHS audits have been delivered with only two late (these were completed within four weeks of the expected completion date). Completion rates for NHS audits are the same as last year.

Financial Accounts:

Accounts due in Q1:

All 23 NHS accounts have been delivered (ASG 12, Firms 11).

21 (91%) of the NHS accounts were on time. ASG 12 on time (100%) Firms 9 on time (82%)

Three Central Government audits were delivered during Q1, with these reports being due during Q2 (ASG 2, 1 Firm).

Financial Annual Audit Plans:

For the 2024/25 Annual Audit plans due by 30 June 2025:

213 (90%) of the 236 Annual Audit plans (AAPs) have been delivered. This is an improvement on the 88% of AAPs delivered in Q1 last year. ASG delivered 97%, Firms delivered 80%

187 (79%) of the AAPs were on time (compared to 67% last year) ASG 89% Firms 69% compared to ASG 76% and Firms 52% in Q1 last year.

21 of the 24 outstanding Annual Audit Plans related to 23/24 audits that either are not complete or were completed late.

Performance and statutory reports

So far this year 7 performance and statutory reports have been issued, with 86% being recorded as on time.

Accounts Commission:

Four of four reports delivered on time

- [Local government budgets 2025/26](#)
- [Best Value – Argyll and Bute Council](#)
- [Best Value – The Highland Council](#)
- [Best Value – Renfrewshire Council](#)

Auditor General for Scotland:

Two of three delivered on time

- [Scottish National Investment Bank](#)
- [The 2022/23 audit of Forth Valley College](#)
- [NHS in Scotland: Spotlight on governance](#)

Reason for late audit

The Forth Valley College section 22 report is recorded as 'late' as the statutory deadline for s.22 reports was not met. This deadline was not met by the appointed auditor, and accordingly the timeline for the s.22 report could not be achieved.

Objective

Audits delivered on time and on budget

KPQ

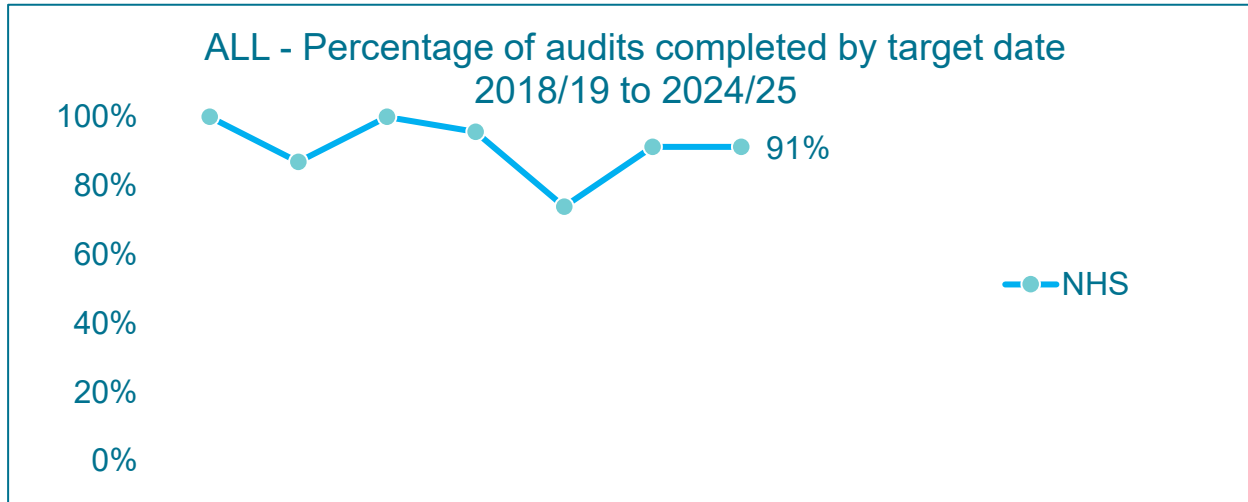
Are audits delivered on **time**?

Target

95% of audits delivered on time



OVERVIEW **Amber** - ASG and Firms Audits completed on time: percentage for each sector



Auditors maintained the proportion of NHS audits delivered on time compared to last year (91%).

Reasons for late audits

One audit was late primarily because of delays at the body, and the other was primarily because of delays by the auditor. Both were completed within July 2025.

For the Auditor General for Scotland Year to date:

Accounts

- 23 of 23 (100%) of the NHS accounts due have been delivered
- 21 (91%) on time - ASG 12 (100%) on time; Firms 9 (82%) on time.

For the Accounts Commission Year to date :

Accounts

- Accounts Commission reports are due by the 30 September 2025 and delivery data for these will be included in future reports.

Objective

Audits delivered on time and on budget

KPQ

Are audits delivered on **budget**?

Target

+/-5% of budget

OVERVIEW **Amber**

Audit Services Group

Budgets for ASG audit work carried out in Quarter 1 are: NHS 4.8% above budget (158 day overspend across 12 NHS boards); and central government 16.2% above budget (60 day overspend across 2 bodies).

Budget variations are currently being explored by Audit Services Group Management Team.

Performance Audit and Best Value:

PABV is reporting 4% above budget - this is within the target level for budgets.

Actions

ASG: Budget variations are under review by Audit Services Group Management Team.

PABV: Budget variations are under review by the PABV Leadership Team.

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

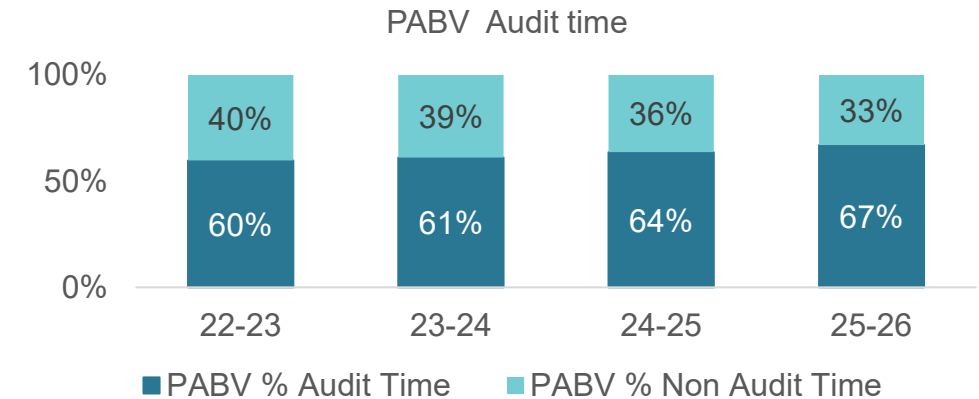
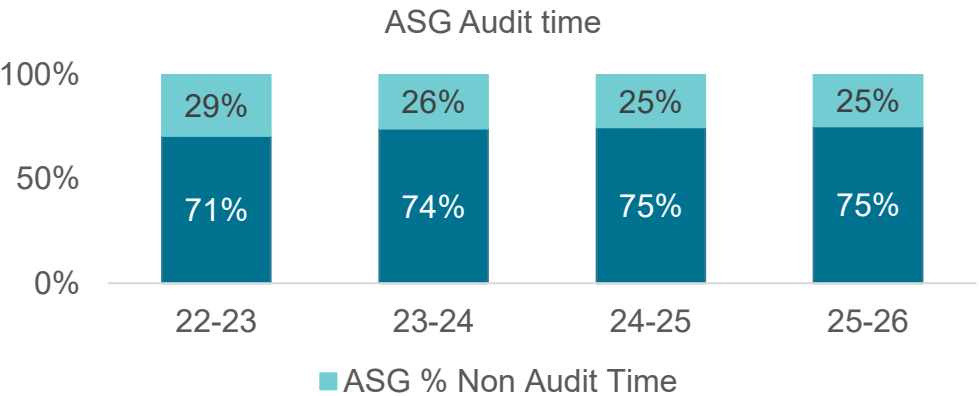
Are colleagues **audit focused**?

Target

70% of available time on audit



OVERVIEW **Green**



Colleagues are audit focused.

The graphs show that the proportion of time recorded as 'audit time' has improved and is now stable for ASG, and that it continues to improve for PABV. The Combined percentage Audit time for ASG and PABV is 73%. This is above the 70% target and accordingly a RAG status of Green is applied for this objective. Business Group variation, including PABV audit time being below target, is recognised and is the focus of Executive Team discussion.

Non audit time includes time codes for: Learning & development, improvement projects, business group management, meetings, travel and 'other' (including general administration)

Note that non-audit delivery staff within ASG and PABV are included in this analysis. This has a greater impact in PABV where the business management team is larger and the business group FTE is smaller.

When non-auditor colleagues are excluded from the figures the time spent on audit is:

ASG 76.4%

PABV 69.7%

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 sustainably deliver audits and/ or recover to target dates due to external factors ↑

Objective

Audit quality assurance results

KPQ

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

Target

80% of reviews achieve grade 1 or 2 (annually)



OVERVIEW **Amber**

Quality of public audit in Scotland was published on 11/06/25. The main messages were included in the 24/25 Q4 report.

Following the completion of 2023/24 cold file reviews, I&Q completed the following activities:

- Held quality feedback sessions in May to share key findings with ASG and PABV colleagues.
- Completed a root cause analysis exercise and updated the Quality Improvement Action Plan.
- Issued a Quality Bulletin to ASG staff to share RCA themes and good audit practice.
- Published [Audit Scotland's Transparency Report 2024/25](#) on 11/06/25.

In Q1, the Quality team started a programme of hot file reviews and follow up monitoring to support 2024/25 audit work.

Since publishing the Quality of public audit Annual report in June, we received one further internal quality review from a firm. All PABV output reviews were found to be grade 1 or 2 in the last three years.

The percentage of financial audit reviews by grade are shown below:

Audit year	2021/22	2022/23	2023/24
Grade 1 & 2	89%	74%	73%
Grade 3	11%	26%	18%
Grade 4	0%	0%	9%

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

Actions

Audit Services and Firms auditors are taking appropriate action to address the matters requiring improvement.

ASG grade 4 audit:

I&Q completed a root cause analysis of the audit and confirmed that the matters were isolated to that audit. The auditor is addressing all matters requiring improvements during the 24/25 audit with appropriate support from ASG. AQA will work with I&Q on a follow up of the 24/25 audit to ensure that all matters are addressed.

Firm grade 4 audit:

The firm has remediated the 23/24 file and has addressed the matters in the 24/25 audit. This remediation has been subject to review. All matters requiring improvement have been communicated to the wider public sector team and, where not already being addressed, they are being picked up as part of the 24/25 audits. AQA will work with the firm on a follow up of the 24/25 audit to ensure that all matters were addressed.

Objective

We engage with stakeholders

KPQ

How are we **engaging** with stakeholders

Target

Engagement - time series comparison



OVERVIEW **Green**

- In Q1 we continued to get our messages out effectively through a variety of means.
- The strong performance of the joint reports on Additional Support for Learning and on sustainable transport; and a strong news line for the Aberdeen City Council s.102, which focused on a fraud case and the lessons which should be learned by other councils.

Media / broadcast:

- Top **AGS** reports: PA: NHS spotlight on governance, PA: Scottish National Investment Bank, s22: Forth Valley College
- Top **Accounts Commission** reports: LGO: Councils' budgets 2025/26, BV: Highland Council, BV: Argyll and Bute Council

Social media engagements:

- Auditor General posts = 1,272
- Accounts Commission posts = 10,417
- Audit Scotland posts = 30,209

Parliament committee attendance:

- We attended **nine** parliament committees including the Public Audit Committee, and the Finance and Public Administration Committee
- **Consultations:**
- We responded to 1 consultation on Climate change duties - draft statutory guidance for public bodies

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 →

Objective

We engage with stakeholders

KPQ

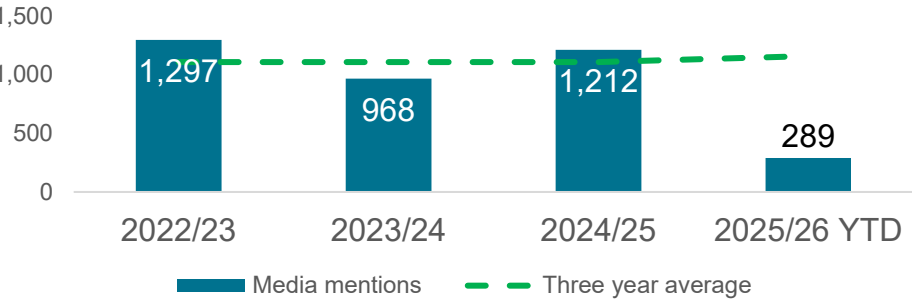
How are we **engaging** with stakeholders

Target

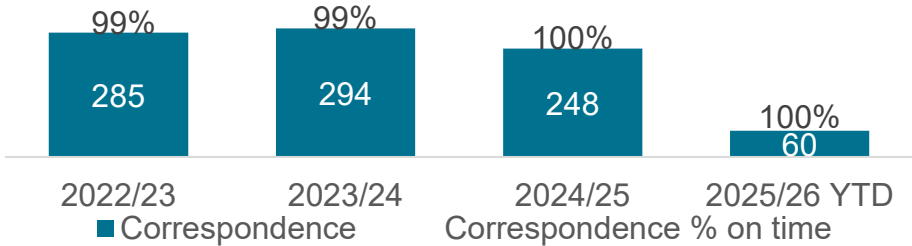
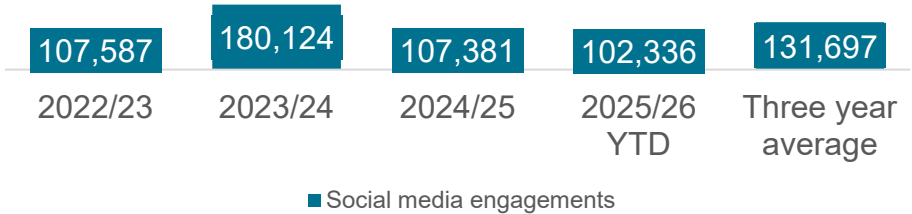
Engagement - time series comparison



OVERVIEW **Green**



Social media engagements



During the quarter we continued to get our messages out effectively. Note that Last years Q1 figures were impacted by the UK general election. The comparative figures are included for completeness.

Compared to Q1 last year:

289 Media mentions compared to 137 last year.

41,898 Social media engagements compared to 9,738 last year.

60 Correspondence cases compared to 70 last year.

All correspondence was responded to on time during 2024/25. A breakdown of correspondence by body and year is in the table below.

Year	Accounts Commission	Auditor general for Scotland	Audit Scotland
2025/26 YTD	21	25	14
2024/25	104	62	82
2023/24	122	103	69
2022/23	101	121	63
2021/22	78	93	86

Objective

We communicate with stakeholders

KPQ

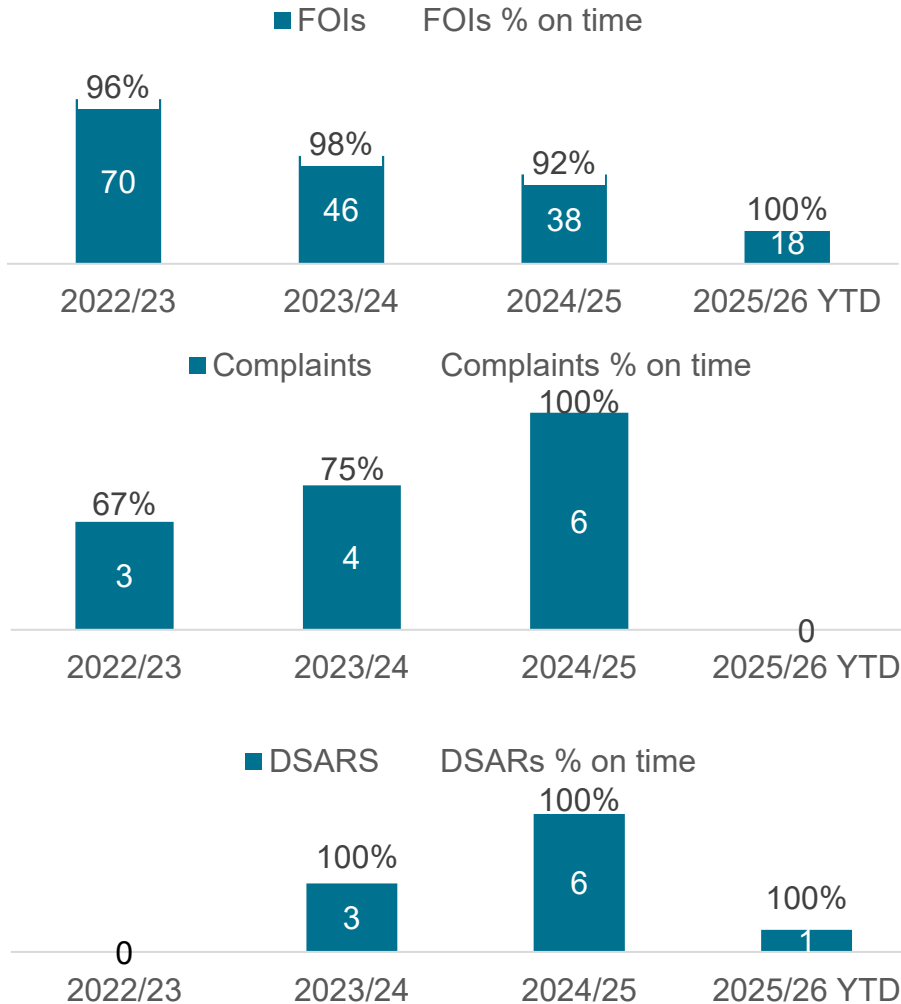
How are we **responding** to enquiries from the **public**

Target

Communication - Better than 95% on time



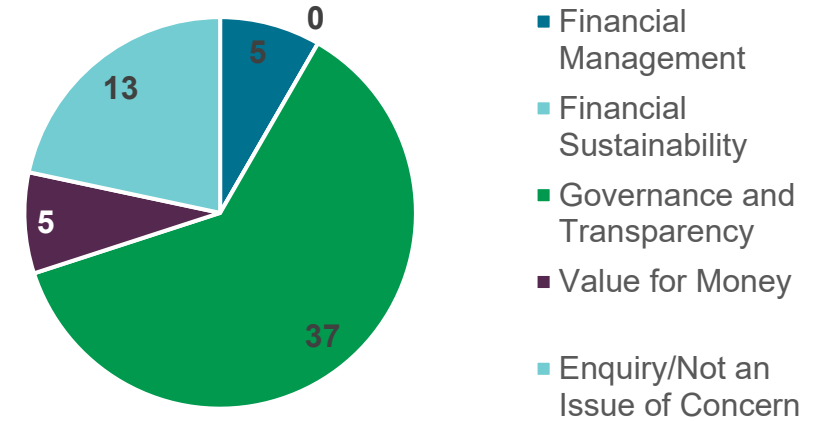
OVERVIEW **Green**



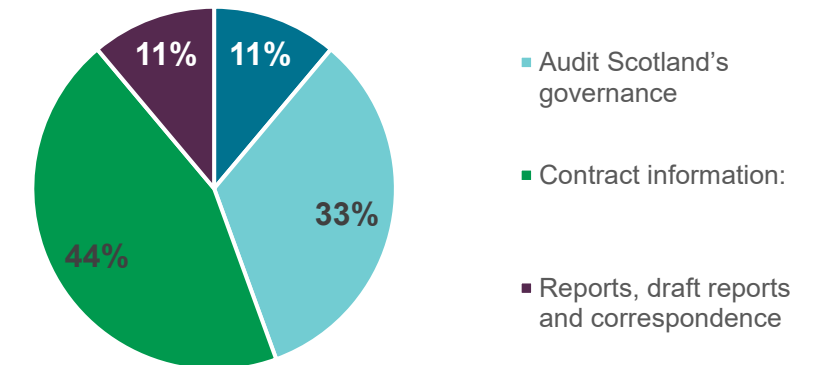
Graphs on left show the number of cases handled and the percentage on time for statutory responses and graphs on right shows categories of information being requested under FOI and Correspondence.

Corporate Governance Team publish a Freedom of Information [dashboard](#) in SharePoint. The dashboard is updated weekly and is available to all colleagues.

Correspondence categories 2025/26 YTD



FOI Categories 2025/26 YTD



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.

Net operating expenditure of £2,873k is £682k (19.2%) less than budget. Key variances are identified below:

Fee income – In-house chargeable audit work in total is £246k more than budget with prior year fees of £62k and position in all chargeable sectors being ahead of plan (£184k).

Firms income £789k less than budget with £402k relating to recognition of prior year audit work and position in most chargeable sectors (except FE) for 24/25 audits being behind (£1.191m).

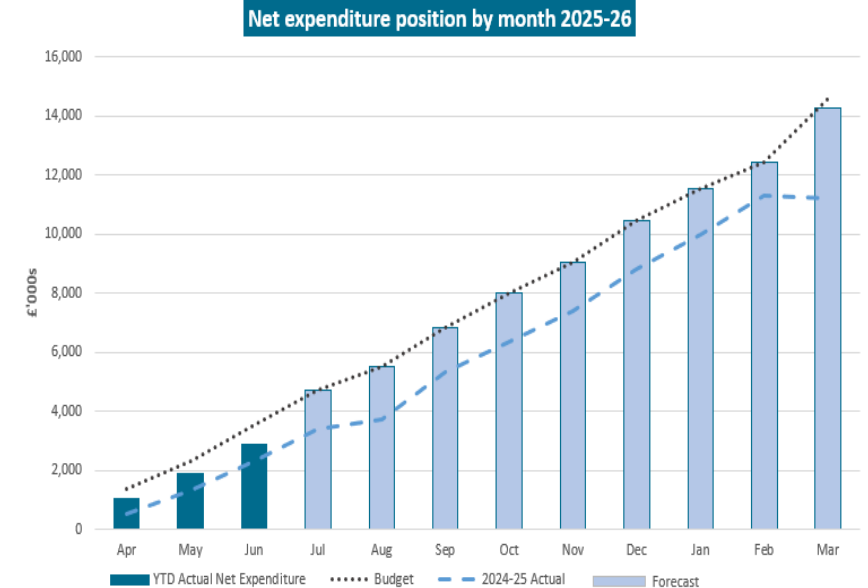
Other income – bank interest income £2k more than budget and £21k relating to secondment recharge.

Pay – Favourable pay variance relates to agency costs, apprenticeship levy and class 1a NIER being in total £15k less than budget with the balance of £108k relating to staff pay.

Non-pay - underspends in firms' costs (£895k), property (£66k), T&S (£22k), legal & professional (£75k), training (£26k), recruitment (£32k), printing & office (£6k), dep'n (£19k) and other (£12k). IT costs overspend (£80k) largely explained by a purchase of a critical security enhancement to an existing service (£50k).

Capital – £155k relating to laptop replacement programme.

Cash flow - bank balance £2,628k, outstanding debt £3.33m with £147k overdue by 3 months or more.



Objective

Our finances: Spend against budget

KPQ

Spend against budget - Organisation

Target

Break even

OVERVIEW **Green**

The current financial risks are:

The financial risks for 25/26 include:

- Managing the impact of a 5% vacancy factor
- Meeting closing work in progress target at 31 March 2026
- Managing cash flow and ensuring prompt payment of invoices.
- Managing the audit modernisation project and ensuring any underspends are carried forward into future budgets.
- Potential impact of reduced working week on audit delivery.
- The Scottish Government budget and SCF funding pressures.
- Fees and funding strategy.
- Future pay award settlements from April 2026.
- Public sector audit model and impact on future procurement.
- Onboarding of the new Head of Finance and budget delivery timelines.

Risk register

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

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

A14 – Failure to deliver in accordance with the 2025-26 financial and operational plans →

M8 – Failure of incoming cashflow to support organisational activities →

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 2025 was 344.94 (establishment level 366.07 FTE.)
- This equates to **95.66%** of establishment.
- At the end of March 2025, the business group establishments were as follows:
 - Audit Services = 97.87% of establishment.
 - Performance Audit and Best Value = 89.30% of establishment
 - Corporate services = 94.97% of establishment
 - Innovation and Quality = 97.42% of establishment.
 - Audit Quality and Appointments = 100% of establishment
 - Accounts Commission Support = 100% of establishment.

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 Q1 is 4.34%, compared to 5.7% in Q4.
- The Vacancy rate is measured against the organisation establishment identified in the workforce plan.

Vacancy Factor %

- The vacancy factor is defined as 'Vacancy factor (%) = (Cost of Vacant Positions / Budget for Positions) x 100'. This represents the percentage cost of unfilled positions within Audit Scotland at a given time
- The Vacancy Factor in Q1 is 3.7% less than establishment.

Risk

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

Risk register

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

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

A13 – Failure of capacity to deliver the transformational change programme ↓

Objective

Our people: Right skills and capacity to deliver

KPQ

People spend against budget.

Target

+/- %5 of budget

OVERVIEW **Green**

The underspend of £656k (2.7%) on staff pay is mainly due to:

- There is a staff pay variance of £128k. The favourable pay variance relates to agency costs, apprenticeship levy and class 1a NIER being in total £15k less than budget, with £108k relating to staff pay.

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 →

M8 – Failure of incoming cashflow to support organisational activities. →

Objective

Our people: Right skills and capacity to deliver

KPQ

Capacity to deliver - Wellbeing

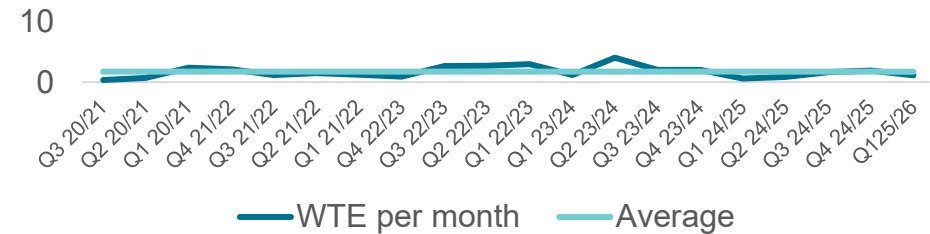
Target

Per KPI



OVERVIEW Green

Resignations to Q1 2025/26



Year-to-date voluntary (resignation) was 1.11% for 2025/26. This compares to 0.57 in Q1 2024/25. The projected resignations for 2025/26 is approximately 5% compared to 5.04% in 2024/25.

Audit Scotland’s voluntary (resignation) 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 resignations to Q1 2025/26 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.

The average sickness absence in Q1 was 1.55 days, compared to 1.97 in Q1 2024/25.

Annual sickness absence for 2024/25 was 6.54 days and 6.01 days in 2023/24 and 4.66 days in 2022/23.

The 2025/26 breakdown by business group is shown in the table.

Actions

At the May 2025 meeting, RemCo were concerned to see the increasing trend of sickness absence. Whilst it is still below external benchmarks, the rising trend may indicate a cause for concern for Audit Scotland. An update has been requested at the November 2025 RemCo meeting for discussion. In the meantime, line manager training on absence management is being rolled out and active promotion of our mental health advocate programme and other training available continues.

OVERVIEW Amber

Sickness absence Average Sickness days by Business

group	Q1	Q2	Q3	Q4	YTD
ASG	1.8				1.8
PABV	1.45				1.45
I&Q	2.48				2.48
CSG	0.77				0.77
Average	1.55				1.55

Objective

Our people: Right skills and capacity to deliver

KPQ

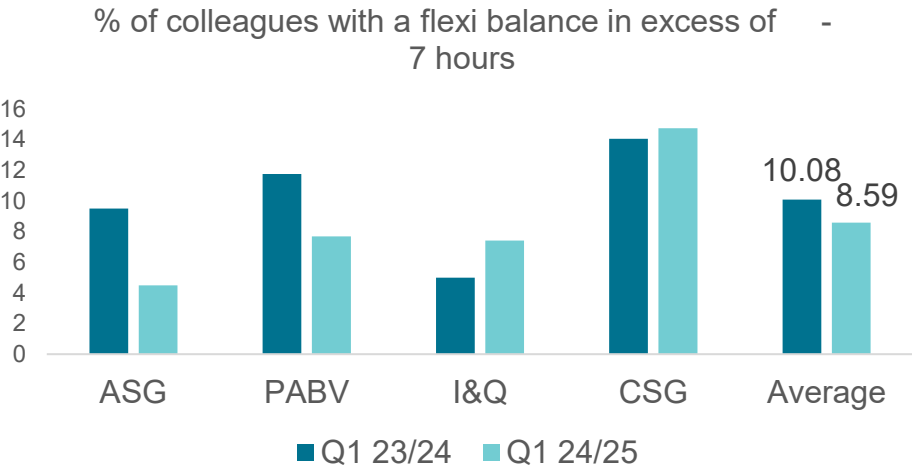
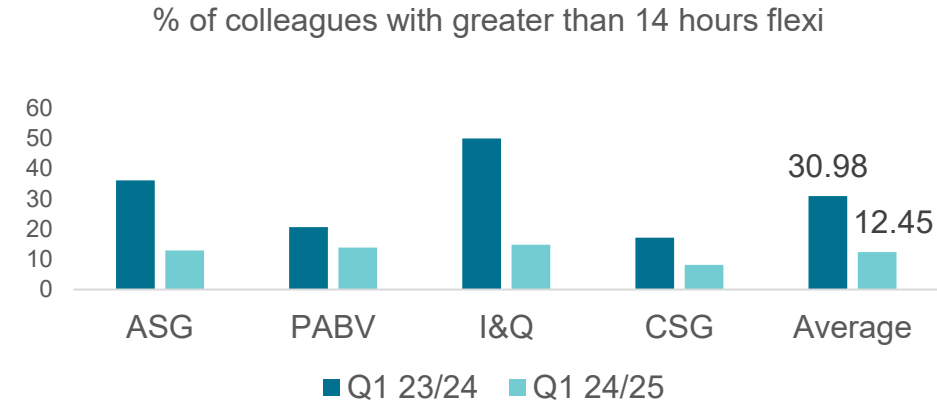
Capacity to deliver - Wellbeing

Target

Per KPI



OVERVIEW **Amber**



Flexi Balances

The percentage of colleagues with greater than 14 hours flexi accrued (staff members in credit) continues to trend downwards. In Q1 2023/24 the average across the Business groups was 30.98% - at Q1 2025/26 the average across business groups is 12.45%.

The percentage of colleagues with a negative flexi balance (staff members in debit) in excess of -7 hours reduced from 10.08 in Q1 23/24 to 8.59 in Q1 25/26.

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 ➡

A13 – Failure of capacity to deliver the transformational change programme ↓

Objective

Our people: right skills - Learning & Development

KPQ

Learning (L&D)

Target

Target per KPI



OVERVIEW Green

Learning & Development:

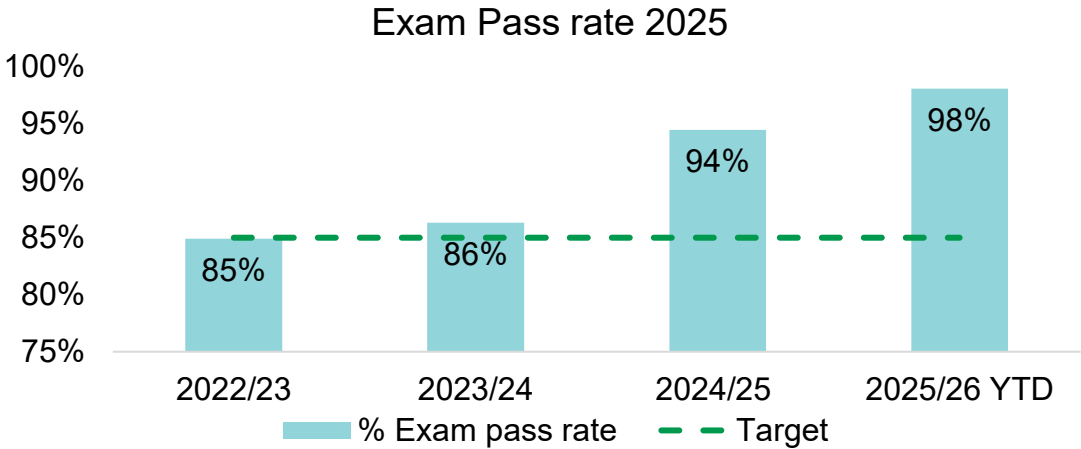
In Q1 the pass rate for all exams is 98 percent, exceeding the target of 85%, and also exceeding the three-year average for 2022-2025 which was 89%. There were 52 exams sat with 51 passes.

In Q1 :

- Work to develop the 25/26 L&D Plan underway.
- Number of training events - 182. Attendances – 1510.

The percentage of **mandatory training completed** is 97%, which is above the target of 95%. A new Information Security training package was introduced with the original deadline for completion by 30 June 2025. The deadline was extended to accommodate colleagues doing accounts reporting. The completion of the security training is now due by November 2025 and we will continue to monitor the take up of this training.

Mandatory training	Completed
Data Protection including GDPR	100%
Digital Services Cybersecurity Training (not available on LMS)	94%
Emotional Intelligence (ILT Report)	94%
Hybrid working DSE	97%
Freedom of Information	98%
Trust and Ethics (materials)	99%
Total Mandatory training	97%



Innovation & Learning

Objective

Innovation driving audit transformation

KPQ

Target per KPI

Target

Prior year performance



OVERVIEW **Amber**

Performance

In Q1

AMP update

The project was reporting as amber in Q1. The following activities were progressed:

- Members of the AMP project team visited the NAO in London in May 2025 to do a further deep dive of Apex and the content library. Colleagues were able to assess Apex for use for performance audit as well as get a better understanding of the NAO's methodology and, in particular how the risk assessment works within AMP. An assessment paper was presented to the AMP Board on 12 June 2025.
- The MoU with the NAO was signed on 24 June 2025 and this was a key milestone. The original plan was for this to have been signed by April. This has caused delays in our ability to review the underlying content library. The signing of the MoU opens up the door for the exchange of Apex documentation and supporting materials. This is a significant piece of work which will need to be prioritised over Q2 and Q3.
- The project continued to engage with SG procurement and legal advisors on the contractual arrangements for Apex. Work on the sourcing strategy, specification, and refinement of our process maps and software requirements were progressed in Q1.
- Further work to assess potential efficiencies and benefits was undertaken in Q1 to inform the Full Business Case. Our ability to assess potential efficiencies is currently limited due to the granularity of time recording data. A report from our external business analyst consultants was delivered to the AMP Board in Q1. This identified some further areas for efficiency/improvement, but it noted that our ability to identify potential leaner processes is limited by having a lack of data.

R&MI update

- An update went to the Strategic Improvement Portfolio board in June 2025
- In June 2025 the new Audit Scotland Implementation Team is in place with an initial in-person meeting scheduled for 19 June 2025

Objective

Innovation & Learning - Insights

KPQ

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

Target

TBC



OVERVIEW **Green**

During Q1 we made good progress with the following projects:

- Operational planning: Published Business Plan and Strategic Workforce Plan 2025-2028. Agreed with Operational Planning Group and ET: New approach to monitoring and reporting on business plan objectives and Operational planning process for 2026/27. Both now underway.
- Insights: Delivered annual impact monitoring and evaluation report to Leadership Group. Good progress with interim evaluation of Public Audit in Scotland.
- Strategic planning: Mid-term stock take of Corporate Plan underway.
- SIP: Developed organisational change workstream in line with SIP Board feedback.

We experienced challenges in the following areas:

- Progressing our work on organisational change; consultation with ET is ongoing. ET have agreed how to approach change leadership conversations with Leadership Group in July. Further SIP change workstream plans require to be discussed at SIP Board.

Q1 Financial performance report

Item 15.

Meeting date:

23 September 2025

Head of Finance

Purpose

1. This report presents the financial results for the three months to 30 June 2025.

Recommendation

2. The Board is invited to:

- Note the financial results for the three months to 30 June 2025.

Background

3. A Financial Performance Executive Summary is provided in the appendix to support this report.

Summary financial position

Financial Position as at end of June 2025						
	Actual YTD £'000s	Budget YTD £'000s	Variance YTD £'000s	FY Forecast £'000s	FY Budget £'000s	Variance YTD £'000s
Income	(6,301)	(6,820)	(520)	(25,650)	(24,841)	809
Pay	6,355	6,482	128	25,840	25,806	(34)
Non-pay	2,819	3,893	1,074	13,888	13,659	(229)
Capital Expenditure	155	150	(5)	200	200	0
Funded by Scottish Consolidated Fund	3,028	3,705	677	14,278	14,823	545

4. At the end of June 2025 Audit Scotland's total expenditure funded by the Scottish Consolidated Fund is £3,028k which is £677k (18.3%) less than budget.

5. Net operating expenditure of £2,873k was £682k (19.2%) less than budget.

6. The capital expenditure year to date of £155k relates entirely to the laptop replacement programme.

7. The forecast is based on current high-level assumptions incorporating known commitments. Further work will be undertaken with budget holders to update the forecast for the quarter two report.

8. Year to date variance analysis is provided in the main body of this report.

Income

9. Income recognition year to date of £6,301k is £520k (7.6%) less than budget.

10. In-house audit income £246k (7.9%) more than budget broken down as follows:

- Unbudgeted prior audit year income of £62k recognised for the completion of 2023/24 audits in local government and further education.
- Chargeable 2024/25 audit fee income is £184k (5.9%) more than budget. Local government (£106k), health (£51k), central government (£16k) and further education (£11k) more than budget. This reflects an improvement on the prior year and supports the recovery plan ambitions.
- Non-chargeable audit work was £29k (3.7%) less than budget leading to an overall position of £218k more than budget for in-house audit delivery in financial year 2025/26.

11. Income recognition for the firms is based on work in progress returns provided by them and is £789k (27.3%) less than budget due to:

- Unbudgeted prior year audit income of £402k recognised for completion of 2022/23 audits in further education (£5k) and 2023/24 audits in local government (£390k), central government (£5k) and further education (£2k).
- Fee income recognition for 2024/25 audits is £1,191k (41.3%) less than budget: local government (£795k), health (£282k), central government (£62k), water (£46k) and colleges (£6k) less than budget.
- Non-chargeable audit work more than budget for 2023/24 audit work (£13k) and less than budget for 2024/25 audit work (£40k) with the net position year to date in the sector being £28k (17.2%) less than budget.

- Firms overall position in the financial year is £817k (26.8%) less than budget.

12. The balancing favourable variance of £23k is due to unbudgeted secondment income (£21k) and improved bank interest on deposit balances (£2k).

Pay expenditure

13. Expenditure on pay, pensions and agency costs of £6,355k is £128k (2.0%) less than budget.

14. There is a year-to-date underspend of £116k on staff pay with the average vacancy level for the year being 13.1 whole time equivalents (3.7%) less than establishment. The budget includes a vacancy factor of 5% on the main operational business groups and while the current level is below this target the underspend is attributable to savings generated in employer national insurance due to salary sacrifice schemes, staff mix savings (vacancies in higher grades with increased numbers in lower grades) and colleagues opting out of the pension scheme.

15. There is also a variance associated with agency staff expenditure of £11k (25.4%) less than budget. This expenditure solely relates to the R&MI project. Future agency expenditure will arise on the audit modernisation project and for posts within ASG and PABV. This expenditure will be met from staff cost savings and the budget allocated for the audit modernisation project.

Non-pay expenditure

16. Non-pay expenditure includes the payments to firms under the audit appointments contract and other operating expenditure. Year to date expenditure of £2,819k is £1,074k (27.6%) less than budget.

17. The main variances appear in Firms payments, professional services, IT, property, training, recruitment and travel & subsistence.

18. Firms' payments £895k (31.3%) less than budget. This is due to firms work in progress being behind plan in most sectors (except colleges) as well as some firms delaying initial fee claim submissions which means we are not able to set up standing orders for them.

19. Professional services £75k (67.0%) less than budget mainly due to the timing of expenditure in PABV, ASG and Digital Services business groups. Timing of expenditure in this subjective heading is unpredictable in nature and the budget is used for additional professional support required on performance work (e.g. firms input to section 22), additional external expertise for audit assurance (e.g. surveyor for fixed asset valuations, pension advice) and ISO accreditation. Budget holder meetings will take place as part of the forecast exercise to establish expenditure plans to enable budgets to be phased in line with future expenditure plans.

20. IT expenditure £80k (12.6%) more than budget due to requirement for additional upfront investment in cyber security support, increase in IT support expenditure and increase in software licenses costs. The budget phasing will be reviewed in quarter two to accurately reflect the timing of this expenditure.

21. Property expenditure £66k (21.6%) less than budget mainly due to reduced service charges, rates, electricity and cleaning costs. The reduction in services charges and rates relate to the receipt of refunds following the work undertaken to reduce the floor space of the Edinburgh office. This means there will be a budget underspend in 2025/26 to account for these adjustments.

22. Training £27k (27.6%) and **recruitment** £32k (78.0%) expenditure less than budget mainly due to the timing of expenditure.

23. Travel & subsistence expenditure £22k (20.2%) less than budget mainly due to savings generated on the car lease scheme as well as lower staff travel expenses.

Contingency and future financial risks

24. The 2025/26 budget includes a contingency allocation of £250k to meet any unexpected financial pressures that may arise in the year. In the year to date none of this budget was spent.

25. There continues to be many outside influences that will impact on longer-term financial planning and future budget proposals. Factors being considered include:

- Managing the impact of a 5% vacancy factor.
- Meeting the closing work in progress projections at 31 March 2026.
- Managing cash flow and ensuring prompt payment of invoices.
- Managing the audit modernisation project and ensuring any underspends are carried forward into future budgets.
- Potential impact of reduced working week on audit delivery.
- The Scottish Government budget and SCF funding pressures.
- Fees and funding strategy.
- Future pay award settlements from April 2026.
- Public sector audit model and impact on future procurement.
- Onboarding of the new HoF and budget delivery timelines.

Capital expenditure

26. The approved capital programme for 2025/26 of £200k planned for laptop replacement. To date £155k has been used to purchase 130 new staff laptops in April and further 12 in June for the members of the Accounts Commission.

Virement

27. There were no instances of budget virements to 30 June.

Financial Position

Fee income – **In-house** chargeable audit work in total is £246k more than budget with prior year fees of £62k and position in all chargeable sectors being ahead of plan (£184k).

Firms income £789k less than budget with £402k relating to recognition of prior year audit work and position in most chargeable sectors (except FE) for 24/25 audits being behind (£1.191m).

Other income – bank interest income £2k more than budget and £21k relating to secondment recharge.

Pay – Favourable pay variance relates to agency costs, apprenticeship levy and class 1a NIER being in total £15k less than budget with the balance of £108k relating to staff pay. The average w.t.e. position at the end of June was 3.9 w.t.e more than funded establishment.

Non-pay - underspends in firms' costs (£895k), property (£66k), T&S (£22k), legal & professional (£75k), training (£26k), recruitment (£32k), printing & office (£6k), dep'n (£19k) and other (£12k). IT costs overspend (£80k) largely explained by a purchase of a critical security enhancement to an existing service (£50k).

Capital – all costs relating to laptop replacement programme.

Cash flow - bank balance £2,628k, outstanding debt £3.33m with £147k overdue by 3 months or more.

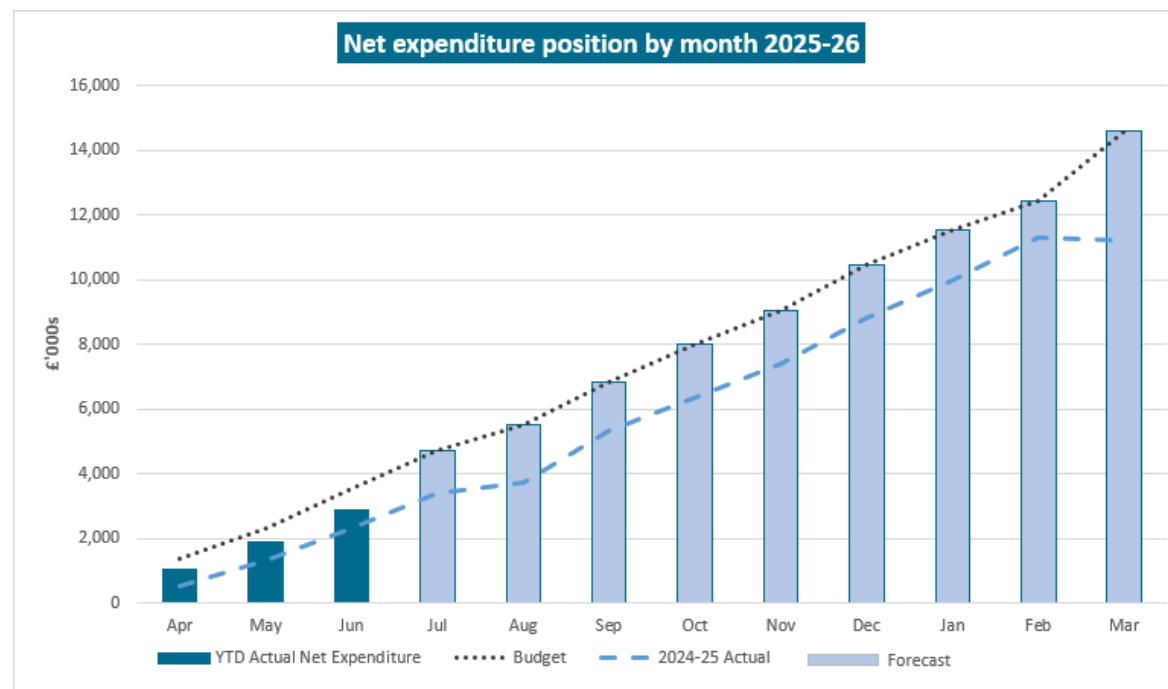
Forecast - based on discussions with budget holders and identified potential budget pressures.

Financial Position as at end of June 2025						
	Actual YTD £'000s	Budget YTD £'000s	Variance YTD £'000s	FY Forecast £'000s	FY Budget £'000s	Variance YTD £'000s
Income	(6,301)	(6,820)	(520)	(25,461)	(24,841)	620
Pay	6,355	6,482	128	25,840	25,806	(34)
Non-pay	2,819	3,893	1,074	13,888	13,659	(229)
Capital Expenditure	155	150	(5)	200	200	0
Funded by Scottish Consolidated Fund	3,028	3,705	677	14,467	14,823	356

Management Contingency £'000s	
Total Funding	250
Spend year to date	0
Balance	250

Financial Risks

- Closing work in progress position for 2025/26 audit work at 31 March 2026.
- Managing 5% vacancy factor.
- Cash flow management and ensuring prompt payment of fee invoices.
- Impact of reduced working week on audit delivery.
- Audit modernisation project (potential carry forward of underspend).
- Onboarding of new HoF and budget delivery timelines.
- Future public sector audit model/procurement.



Summary Balance Sheet £'000s			Summary Cash Flow £'000s		Capital Expenditure £'000s	
	31/03/2025	30/06/2025				
Total Non Current Assets	5,697	5,639	Net cash outflow from operating activities	(10,321)	Total Funding	200
Total Current Assets	5,727	10,198	Cashflows from investing activities	155	Laptop replacement programme	144
Total Current Liabilities	(7,055)	(11,356)	Drawdown from Consolidated Funds	4,000	Laptop replacement programme (for AC)	11
Total Non Current Liabilities	(7,112)	(7,028)	Obligations under leases	(55)		
Assets Less Liabilities	(2,743)	(2,547)	Net (decrease) in cash/cash equivalents	(6,221)	Balance	45
Taxpayers Equity	2,743	2,547	Net Cash requirement	10,221		

Non-current assets – small reduction due to depreciation higher than investment and no car lease additions.

Current assets – increase in both debtors (following 2nd instalment of 24/25 fees issued in June) and cash balance from 31 March 2025.

Current liabilities – mainly due to increases in balance due to SCF and deferred income accruals.

Non-current liabilities – adjustments reflect movement in obligations under leases and provisions for early retirement.

- Draw down from Scottish Consolidated Fund of £4.0 million.
- Net decrease in cash / cash equivalents of £6.2 million from 31 March 2025.
- Final instalment of 23/24 audit fee invoices issued in September 24 with outstanding aged debt of £0.112 million on 30 June 2025 relating to one LG body.
- Second instalment of 24/25 audit fees issued with debt outstanding of £3.217 million at 30 June 2025.

- Purchase of 130 new laptops in April and further 12 in June for the members of the Accounts Commission

Appendix | Financial Performance by Business Group – June 2025

YTD financial position for each business group

The financial position for each business group is detailed here.

- **Overall** - at the end of June the revenue position was £682k less than budget. At this stage of the financial year the forecast is that the final outturn will be £356k underspend.
- **Audit Services Group** - chargeable audit work in total is £246k more than budget. This variance is achieved by 23/24 (£62k) and 24/25 (£184k) audits delivering more than budget. Pay variance due to average w.t.e. being 6.4 (3.6%) above funded establishment with the price savings generated by savings in employer ni, pension and staff mix. Non-pay £29k less than budget mainly due to underspend on T&S and professional services.
- **Performance Audit and Best Value** - unbudgeted income from secondment, pay costs £59k less than budget with the average w.t.e. 3.1 (4.7%) below funded establishment and underspend professional services budget as well as travel and subsistence.
- **Innovation and Quality** - pay costs £7k more than budget due to average w.t.e. 0.8 (3.2%) above funded establishment and underspent agency cost budget.
- **Audit Quality and Appointments** - £4k underspend in pay costs due to staff mix (temporary posts) savings to core establishment.
- **Corporate Services Group and Corporate Costs** – income £2k more than budget due to more bank interest earned in the period. Pay less than budget (£35k) due to staff mix and employer ni savings due to salary sacrifice schemes. Non-pay £88k less than budget with the most significant variances in property, professional services, recruitment and depreciation.
- **Approved Auditors** – audit work behind plan in most sectors which affects both income recognition as well as expenditure with some firms also delay submitting their fee claims.
- **Accounts Commission and Support** - £6k underspend relates to travel and subsistence.
- **Board, AGS and Exec Team** – underspend on legal, professional and consultancy costs

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 44 & 45	Income	(3,377)	(3,131)	246	(12,941)	(13,002)	(61)
	Pay	3,044	3,081	37	12,225	12,218	(6)
	Non-pay	115	145	29	753	738	(15)
	Total	(218)	94	312	37	(45)	(82)
Performance Audit and Best Value 57	Income	(21)	0	21	94	0	(94)
	Pay	1,263	1,322	59	5,208	5,290	82
	Non-pay	3	34	30	145	145	0
	Total	1,245	1,356	110	5,447	5,435	(12)
Innovation and Quality 46 & 47	Income	0	0	0	0	0	0
	Pay	603	596	(7)	2,415	2,273	(142)
	Non-pay	80	104	23	1,039	1,155	116
	Total	684	699	16	3,454	3,429	(26)
Audit Quality and Appointments 69	Income	0	0	0	0	0	0
	Pay	91	95	4	383	381	(3)
	Non-pay	3	3	(1)	149	148	(2)
	Total	94	98	4	533	528	(4)
Corporate Services Group and Corporate costs 00, 61..68, 71..78	Income	(807)	(805)	2	(3,410)	(3,381)	29
	Pay	937	971	35	3,941	3,973	32
	Non-pay	652	740	88	2,939	3,373	434
	Total	782	906	125	3,470	3,965	495
Approved Auditors 35	Income	(2,096)	(2,885)	(789)	(9,205)	(8,459)	746
	Pay	0	0	0	0	0	0
	Non-pay	1,962	2,857	895	8,798	8,034	(764)
	Total	(133)	(28)	105	(407)	(425)	(18)
Accounts Commission and Support 20 & 23	Income	0	0	0	0	0	0
	Pay	150	151	1	599	602	3
	Non-pay	2	8	6	38	38	0
	Total	152	158	7	637	640	3
Board, AGS and Exec Team 21..22, 26	Income	0	0	0	0	0	0
	Pay	267	267	(0)	1,069	1,068	(1)
	Non-pay	1	4	2	28	28	0
	Total	269	271	2	1,096	1,096	(0)
Funded by Scottish Consolidated Fund		2,873	3,555	682	14,267	14,623	356

2026 Proposed Committee meeting schedule

Item 16.

Meeting date:

23 September 2025

Chief Operating Officer

Purpose

1. This report details the proposed meeting schedule for the Audit Scotland Board and Committees in 2026.

Recommendations

2. The Board is invited to:
- Approve the proposed meeting dates for 2026.

Background

2. 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. Please note the SCPA session to present our report and accounts may be after summer recess due to the election period and formation of parliamentary committees.
- Review dates for strategies, plans, policies and procedures.
- Performance reporting.
- Meetings of Parliamentary committees and the Accounts Commission.

Considerations

3. The proposed schedule of meeting dates is attached at Appendix 1 and a schedule of indicative Board items is attached at Appendix 2.

4. As the board is aware, there is an ongoing review on the efficiency of papers being considered at Audit Committee which also requires consideration at Board level. This will be reported back at the November Board meeting.
5. There is one Audit Committee and one Board meeting proposed to take place in the Glasgow office.
6. The Standing Orders provide for any additional meetings to be called should they be required.

Appendix 1

Proposed meeting schedule 2026

Audit Committee		Human Resources and Remuneration Committee	Board
			Thursday 29 January 2026
Thursday 5 March 2026		Thursday 5 March 2026	Tuesday 31 March 2026 *
Tuesday 5 May 2026		Tuesday 5 May 2026	Tuesday 26 May 2026
Tuesday 9 June 2026			Tuesday 9 June 2026
Thursday 3 September 2026			Thursday 24 September 2026
Thursday 12 November 2026*	Thursday 12 November 2026*		Thursday 26 November 2026

* To be held in the Glasgow office

Appendix 2

Indicative Work Programme 2026 – Audit Scotland Board

January 2026	March 2026	May 2026	June 2026	September 2026	November 2026
Agenda items include: • Standing items • SCPA report on budget submission • SIP update	Agenda items include: • Standing items • SIP update • Q3 performance reporting • Annual report and accounts timeline and outline plan • Operational Planning	Agenda items include: • 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 • Information Security Management Policy • Annual Procurement Report	Agenda items include: • Standing items • Q4 performance reporting • Annual report and accounts • Annual reporting • Governance and assurance reporting • SIP update	Agenda items include: • 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/Code of Conduct Members/Staff Standing orders • PAIS Review • Impact Report	Agenda items include: • Standing items • Q2 performance reporting • Audit Scotland's budget submission • Audit Quality Interim report • Audit Quality Update Report • PWF Review • Climate Change Annual Report and Five-Year Plan

Annual review of Corporate Governance documents

Item 17.

Meeting date:

23 September 2025

Head of Performance and Corporate Governance

Purpose

1. This report provides for the Board the:

- Audit Scotland Standing Orders,
- The Audit Scotland Financial Regulations,
- The Audit Scotland Scheme of Delegation,
- The Audit Scotland Code of Conduct of Members, and
- The Audit Scotland Code of Conduct for Staff

Recommendations

2. The Board is invited to:

- Consider the appended draft corporate governance documents.
- Note they were reviewed on 2 September 2025 by the Audit Committee, which agreed to recommend the draft corporate governance documents to the Board subject to further review of the proposed revision to the Standing Orders.
- Note that further revision of the Standing Orders has been undertaken.
- Approve the suite of corporate governance documents.

Background

3. Audit Scotland's Standing Orders (para 56) 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 Standing Orders, Financial Regulations, Scheme of Delegation and Codes of Conduct for members and staff were updated as part of the normal annual cycle in 2024, with the Audit Committee at its meeting on 3 September 2024 agreeing to recommend each to the Audit Scotland

Board. The Board approved the revised documents on 24 September 2024.

5. Undertaking the annual review of the set of appended corporate governance documents provides the opportunity to review the organisation's decision-making arrangements in a structured and consistent manner and demonstrates that the decision making and related arrangements of the organisation are kept under regular review and are reviewed in the context of the functioning of the whole decision-making process.

6. Undertaking an annual review of these documents is a key aspect of organisational governance.

7. There are no direct financial implications from the annual review of the governance documents beyond the officer time in conducting the review.

Considerations

8. Proposed amendments are set out by track changes in the appended corporate governance documents, and substantive amendments noted below:

8.1. Audit Scotland Standing Orders

8.1.1. Addition of paragraph within 'Conduct of Business' section setting out correspondence process for decisions being taken outside of scheduled meetings, noting the process for agreement for an item to be taken by correspondence (aligned to the requirement for a quorum for decisions in meetings), requirement for notice of a decision taken by correspondence on the agenda for the next scheduled meeting and for the terms of the decision taken to be appropriately recorded in the minutes of that meeting, and for retention of interactions during decision making process;

8.2. Audit Scotland Financial Regulations

8.2.1. Amendment to paragraph 46 within 'Tendering procedures' to accord with the detailed provisions set out in the Procurement Handbook.

8.3. Audit Scotland Scheme of Delegation

8.3.1. Addition of 'approval of procurement strategy' as a reservation to the Board.

8.3.2. Recognition of correspondence process for decision making within section on decision making in exceptional circumstances.

8.4. Audit Scotland Code of Conduct of Members

- 8.4.1.** Minor amendments proposed to update terminology and to provide a link to Scottish Government website.

8.5. Audit Scotland Code of Conduct for Staff

- 8.5.1.** Minor amendments proposed to update terminology and to provide a link to Staff Handbook for the Fit and Proper Self-Assessment Form.

9. Undertaking an annual review process is a core part of demonstrating that the organisation's decision-making structure is fit for purpose. Undertaking an annual review does not, however, restrict consideration of changes or the making of amendments outside of that annual cycle, for example where an internal or external change requires consideration to be given to arrangements.

10. Work is ongoing, and scheduled to report to the Executive Team in September 2025, on processes to ensure that items of business which are considered in detail by a committee are reported to the Board in a way which facilitates required discussion, but also makes appropriate use of resources and time available to the Board, and also on allocation of business between Board, committees and Executive Team to minimise repetition. Where that work leads to changes to the remits of committees, or requires amendments to the Board's Standing Orders, such changes can be taken forward outwith the annual review cycle.

Conclusion

11. This report provides corporate governance documents for review by the Board. The Board has the remit to keep under review the Standing Orders, Financial Regulations and Scheme of Delegation.

Standing Orders



Prepared by Audit Scotland
September 2025

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You can find out more and read this report using assistive technology on our website www.audit.scot/accessibility.

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.

Field Code Changed

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.

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 24.

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.

23. The Board Chair may in agreement with the Auditor General and the Chair of the Accounts Commission agree to items of business being conducted via correspondence. Where an item of business is to be conducted via correspondence:

- All Board members will be asked to submit in writing their position on the item of business;
- Where two or more members of the Board state opposition, the item of business being considered via correspondence shall be placed on the agenda for the next meeting of the Board;
- A record of interactions will be maintained and where a decision is taken by correspondence this shall be noted on the agenda for the next scheduled meeting with the substantive decision appropriately recorded in the minute.

Minutes

22-24. Minutes of every meeting of the Board will be drawn up and will be approved at the following meeting.

Directions

23-25. Section 10(4) of The Public Finance and Accountability (Scotland) Act 2000 ("the Act") provides that:-

24-26. 'Directions may be given to Audit Scotland—

25-27. by the Auditor General, for the purpose of or in connection with the exercise of Audit Scotland's functions in relation to the Auditor General,

26-28. by the Accounts Commission, for the purpose of or in connection with the exercise of Audit Scotland's functions in relation to the Commission.'

27-29. Section 27(4) of the Act provides that:

28-30. 'Directions under sections 10(4) and 19(4) and paragraph 6 of schedule 3 are to be given in writing and may be varied or revoked by subsequent directions under the same provision.'

29-31. In accordance with the provisions of sections 10(4) and 27(4) of the Act any directions given by the Auditor General or the Accounts Commission to Audit Scotland must be given in writing.

30-32. 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

31-33. The proceedings of the Board will not be invalidated by any vacancy in membership or by any defect in the appointment of any person.

Code of Conduct

~~32-34.~~ Each member will abide by the Code of Conduct for Members of the Audit Scotland Board current at any time.

Committees

~~33-35.~~ The Board may appoint standing or ad hoc committees consisting of such numbers as the Board may determine. Committees may consist of members and other suitable persons chosen by the Board.

~~34-36.~~ The Board will establish an Audit Committee with the terms of reference contained in Appendix 1.

~~35-37.~~ The Board will establish a Remuneration & Human Resources Committee with the terms of reference contained in Appendix 2.

~~36-38.~~ The Board will establish an Appeals Committee with the terms of reference contained in Appendix 3.

~~37-39.~~ Any committee will operate within the terms of remit and any delegation made to it by the Board.

Deeds and Documents

~~38-40.~~ Any deed or document requiring formal execution by Audit Scotland will be signed for and on behalf of Audit Scotland by the Chair of the Accounts Commission or the Auditor General for Scotland and the Chief Operating Officer.

Advisers and Committee Co-optees

~~39-41.~~ The Board may appoint advisers and/or co-optees to Committees and pay them such remuneration and expenses as the Board decide. The co-option appointment procedure is contained in Appendix 4.

~~40-42.~~ Employees of Audit Scotland, advisers and others may be present at items taken in private at meetings of the Board at the invitation of the members.

Openness and Transparency

~~41-43.~~ 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

~~42-44.~~ The Board will conduct a self-evaluation of its effectiveness on an annual basis.

Application of Standing Orders

~~43-45.~~ These Standing Orders will apply to meetings of committees of the Board subject to any due modification of details.

Alteration

~~44-46.~~ 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

46-47. The Audit Committee will consist of members of the Board. The Board may appoint persons who are not members of the Board to be members of or advisers to the Audit Committee and may pay them such remuneration and expenses as the Board decides. The Chair of the Board and the Accountable Officer may not be members of the Audit Committee but may attend meetings.

46-48. The purposes of the Audit Committee are detailed in the Audit Committee terms of reference. The key points are:

Internal Control and Corporate Governance

47-49. To evaluate the framework of internal control, strategic processes for risk and corporate governance comprising the following components:

- Control Environment.
- Risk Management.
- Information and Communication.
- Control Procedures.
- Monitoring and Corrective Action.
- Audit quality monitoring and arrangements.

48-50. To review the system of internal financial control, which includes:

- The safeguarding of assets against unauthorised use and disposal.
- The maintenance of proper accounting policies and records and the reliability of financial information used within the organisation or for publication.
- To ensure that Audit Scotland's activities are within the law and regulations governing them.
- To monitor performance and best value by reviewing the economy, efficiency and effectiveness of operations.

- To present an annual statement of assurance to the Board to support the Accountable Officer's governance statement.

Internal Audit

- To review the Terms of Reference and appointment of the internal auditors.
- To review and approve the internal audit strategic and annual plans.
- To monitor audit progress and review audit reports.
- To monitor the management action taken in response to the audit recommendations through an appropriate follow up mechanism.
- To consider internal audit's annual report and assurance statement.
- To review the operational effectiveness of internal audit by considering the audit standards, resources, staffing, technical competency and performance measures.
- To ensure that there is direct contact between the Audit Committee and internal audit and that the opportunity is given for discussions with internal audit who should attend every meeting of the Committee.

External Audit

49-51. To consider all audit material, in particular:

- Audit Reports.
- Annual Reports.
- Management Letters.
- Management Reports.

50-52. To monitor management action taken in response to all external audit recommendations.

51-53. To hold meetings with the external auditors at least once per year and, as required, without the presence of senior management.

52-54. To review the extent of co-operation between external and internal audit.

53-55. The external auditor will be appointed by the Scottish Commission for Public Audit under Section 25 of the 2000 Act. The external auditor will examine and certify the account and report on the account to the Commission. The Commission must lay before the

Parliament a copy of the account and the auditor's report and publish the account and that report.

Annual Accounts

~~54-56.~~ To review and recommend approval of the Annual Accounts.

Standing Orders, Financial Regulations and Scheme of Delegation

~~55-57.~~ To keep under review the Standing Orders, Financial Regulations and Scheme of Delegation and recommend to the Board any amendments.

Other duties

~~56-58.~~ The Audit Committee may take on other duties as determined by the Audit Scotland Board.

Appendix 2: Remuneration & Human Resources Committee remit

57-59. The Remuneration & Human Resources Committee (Remco) will consist of members of the Board. The Accountable Officer became a formal member of Remco during 2021. The Board may appoint persons who are not members of the Board to be members of or advisers to the Remuneration & Human Resources Committee and may pay them such remuneration and expenses as the Board decided.

58-60. The purposes are detailed in the Remuneration & Human Resources Committee terms of reference.

Remuneration & Human Resources Committee responsibilities

59-61. 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

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

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.
- Decide on applications for early retirement.
- Determine compensation payments for loss of office.
- Agree, oversee and review the operation of expenses policy.
- Review the expense claims of the Accountable Officer on an annual basis.

~~60-62.~~ In relation to other staff employed by Audit Scotland, are to:

- Determine the remuneration policy governing all terms and conditions of employment, including pay, benefits, retirement policy and other policies relating to compensation for loss of office.
- Ensure remuneration policy and strategy is aligned to the relevant public sector policies being implemented by the UK and Scottish Governments.
- Approve the parameters for the annual pay award cycle.
- Review, not less than annually, the application of remuneration policy.
- Assure itself about any issues relating to the overall performance of employees.

Other duties

~~61-63.~~ The Remuneration & Human Resources Committee may take on other duties as determined by the Audit Scotland Board.

Appendix 3: Appeals Committee remit

~~62-64.~~_____ The Appeals Committee will consist of at least two members of the Board.

~~63-65.~~_____ 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

~~64-66.~~ Audit Scotland's standing orders state that:

- The Board may appoint standing or ad hoc committees consisting of such numbers as the Board may determine. Committees may consist of members and other suitable persons chosen by the Board.
- The Board may appoint advisers and/or co-optees to Committees and pay them such remuneration and expenses as the Board decide. Employees of Audit Scotland, advisers and others may be present at items taken in private at meetings of the Board at the invitation of the members.

Reasons for co-option

~~65-67.~~ There may be times when specialist expertise is required which the Board may be unable to fulfil, or when the current or future balance of skills available to the Board's committees may need strengthened.

~~66-68.~~ The Board should discuss and agree the specification of skills and experience being sought through co-option.

Nominations process

~~67-69.~~ the Board agrees to co-opt to its committees to fulfil requirements identified under 60 above, an advertisement seeking expressions of interest will be place on Audit Scotland's website.

Application process

~~68-70.~~ Applicants for co-option should provide a written statement of their relevant skills and a CV.

~~69-71.~~ Following a shortlisting process, applicants will be interviewed by the Chair of the Board and the Chair of the relevant committee, plus one other member of the Board.

~~70-72.~~ Candidates and interviewers must declare any relationships or potential conflicts of interest to the Chair.

~~71-73.~~ The Board should approve the final recommendation from the Chair.

Term of Office

~~72-74.~~ Co-option is intended to provide specific skills for a fixed term as determined by the Board.

~~73-75.~~ There is potential for renewal, subject to the approval of the Board.

Remuneration

~~74-76.~~ 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

~~76-77.~~ Co-opted members will be required to follow the Audit Scotland Code of Conduct for Board members, and the associated disclosure requirements, and their appointment may be terminated by the Chair, subject to the approval of the Board.

Engagement with Scottish Commission for Public Audit

~~76-78.~~ The Board will write to the Scottish Commission for Public Audit in advance of the co-option of members to a Committee, setting out:

~~76.1.78.1.~~ the reason for co-opting

~~76.2.78.2.~~ the process by which any appointments will be made.

[illegible]

Standing Orders



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Financial Regulations



Prepared by Audit Scotland
September 2025

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Accessibility

You can find out more and read this report using assistive technology on our website www.audit.scot/accessibility.

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.

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.

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)

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

19. Financial performance will be monitored against budget and reported regularly to the Executive Team and at least quarterly to the Board.

20. Systems of budgetary control will be devised and maintained to include:

20.1. Regular financial reports as prescribed above containing -

20.1.1. income and expenditure to date and, when relevant, forecast year end position

20.1.2. explanations of any material variations

20.1.3. details of any corrective action necessary

20.1.4. virement

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

20.3. Arrangements for the authorisation of virement.

21. Each budget holder will be responsible for the management of their budgets within the approved policies of the Board.

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

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.

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.

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)

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

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.

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.

29. No Audit Scotland monies will be held in any bank accounts outwith those approved by the Board.

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:

- 30.1.** The conditions under which each bank account is to be operated.
- 30.2.** The limit to be applied to any overdraft.
- 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.

31. Banking arrangements will be reviewed at regular intervals to ensure that they reflect best practice and represent best value for money.

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

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.

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

35. Systems will be designed and maintained for the proper recording, invoicing, collection and coding of all monies due to Audit Scotland.

36. All monies received will be banked promptly.

37. Arrangements will be made for appropriate recovery action on all outstanding debts.

38. Fees and charges, including fees to audited bodies, will be determined in accordance with policies decided by the Board.

Investments and borrowings

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.

40. All short term borrowings will be kept to the minimum period of time possible, consistent with the overall cash flow position.

41. Any long term borrowing must be consistent with policies decided by the Board.

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

43. Arrangements will be made to ensure that all insurance cover is effected, periodically reviewed and adjusted as necessary.

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

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.

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 a formal procurement process as described in the Procurement Handbook is undertaken, including where required that tenders have been invited by advertisement on Public Contracts Scotland, the Scottish Government procurement system.

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.

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.

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)

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.

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.

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.

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

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:

54.1. The works, goods or services to which the account relates have been received or carried out satisfactorily.

54.2. Prices, extensions, calculations, trade discounts, other allowances, credits and tax are correct.

54.3. The expenditure has been authorised and is within the relevant estimate provisions.

55. All duly certified invoices shall be authorised for payment by the officer authorised under the Scheme of Delegation. (Scheme of delegation 3.8)

56. An officer shall not add any additional items to an invoice rendered to Audit Scotland by a supplier.

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.

58. The EPO system maintains a list of staff with delegated authority to authorise expenditure, as per para. 51 above.

59. When the goods or services have been received the originator records the receipt through the EPO system.

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)

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)

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

63. The Board will establish an Audit Committee with clearly defined terms of reference under Standing Orders.

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.

65. The internal auditor is appointed by Audit Scotland and reports to the Executive Team and the Audit Committee on systems of internal control.

66. The external and internal auditor are entitled to:

- 66.1.** enter any Audit Scotland establishment at all reasonable times;
- 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;

66.3. require and receive explanations as are necessary concerning any matter under examination;

66.4. require any employee of Audit Scotland to produce cash, equipment or any other property under his/her control; and

66.5. direct access to the Chair of the Audit Committee.

Security and Fraud Prevention

67. Arrangements will be made to develop and document effective policies on:

67.1. Prevention of fraud and irregularity.

67.2. IT security.

67.3. Security of assets.

68. Proper security must be maintained, at all times, for all buildings, stores, furniture, equipment, cash, information, etc.

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.

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. The ID badges will be deactivated immediately.

71. The Chief Operating Officer is responsible for maintaining proper security and privacy relative to information held in the computer installations.

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

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.

74. Salaries and other payments will normally be paid by direct transfer to a nominated bank account.

75. A record of all matters affecting the payment of such emoluments shall be kept and in particular the following information will be recorded:

75.1. appointments, resignations, dismissals, suspensions, secondments and transfers;

75.2. absences from duty for sickness or other reason, including approved leave;

75.3. changes in remuneration, including those arising from normal increments and pay awards and agreements of special and general application;

75.4. information necessary to maintain records of service for superannuation, income tax, national insurance and the like;

75.5. particulars of any deduction from salary for loans, subscriptions and the like, and the authority for such deduction.

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.

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.

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

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.

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.

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

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.

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

84. These Regulations may be varied from time to time by the Board on receipt of a report and recommendations from the Accountable Officer.

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.

Version control

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Financial Regulations



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Scheme of Delegation



Prepared by Audit Scotland
September 2025

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Accessibility

You can find out more and read this report using assistive technology on our website www.audit.scot/accessibility.

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.

6. Approval of specific matters referred to in the attached Schedule.

6-7. Approval of procurement strategy

7-8. 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.

8-9. In exceptional circumstances where a decision of the Board is required and it is not possible to convene a meeting of the Board or for a decision to be taken utilising the correspondence process, a member of the Executive Team¹ in consultation with the Chair, or another Board member if the Chair is unavailable, may take the necessary decision and report the action taken to the next meeting of the Board.

Quorum for Executive Team

9-10. The quorum for the Executive Team is three, comprising of the Accountable Officer or the Chief Operating Officer plus two others.

9.1.10.1. 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.

9.2.10.2. In the event of a vacancy in the role of Chief Operating Officer a member of staff nominated by the Accountable Officer

¹ Executive Team is comprised of the Accountable Officer, Chief Operating Officer, Controller of Audit, Executive Director of Audit Services Group, Executive Director or Performance Audit and Best Value and the Executive Director of Innovation and Quality

and approved by the Board may take their place for the purposes of Executive Team quorum.

Making, revocation and variation

~~10.~~ 11. The matters reserved to the Board and delegated to officers of Audit Scotland are as detailed above and as shown in the Schedule.

~~11.~~ 12. This Scheme of Delegation may be varied or revoked by the Board.

Schedule

	Matter	Reserved or delegated to	Comment
1	Appointment of employees		
1.1	Appointment of Executive Team	Board	
1.2	Appointment 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: • Executive Team • All other employees	Board Executive Team	
3	Financial matters		
3.1	Approval of expenditure for which there is no provision in the overall budget.	Board	Financial Regulations 17
3.2	Approval of virement within agreed budget: • Virement between budget groups • Virement between budget heads • Virement between budget lines	Executive Team Relevant Executive Directors Budget Holders	Financial Regulations 18
3.3	Virement of salary budget over £250,000, cumulatively in one year	Board	Financial Regulations 18
3.4	Approval of Accounting Policies	Board	Financial Regulation 25
3.5	Approval for the issue of credit cards to members of staff and credit limit to be applied.	Accountable Officer and Chief Operating Officer	Financial Regulation 33 – 34

	(To be reported at next Executive Team meeting) Credit Card default limits: - Executive Team £1,500 - Other staff £1,000		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	Acceptance of tenders and placing of orders: - Above £250,000 - Between £100,000 and £250,000 - Up to £100,000 - Below £50,000	Board Accountable Officer and Chief Operating Officer Executive Team Budget Holders	Financial Regulations 49 Financial Regulations 53 (appointment of auditors) See also the Procurement Handbook
3.7	Acceptance of offers for disposal of assets	As for acceptance of tenders and placing of orders	
3.8	Approval of expenditure within agreed budget: - Any budget group - Specific budget group - Specific cost centre budget	Executive Team Relevant Executive Director Budget Holder	Financial Regulations 55
3.9	Payment of accounts other than to approved auditors: - Above £50,000 - Below £50,000	Executive Team Member of Executive Team or as delegated	Financial Regulations 54 – 59 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.
3.10	Payment of accounts for orders placed using electronic purchase orders.	Member of Executive Team or as delegated	Electronic purchase orders are sent, via email, to be authorised. The process requires the authoriser to be selected from a list, maintained within the finance system, of signatories delegated to sign for the cost centre and for the value of goods or services being ordered. The signatories are the same as those delegated in the previous section.
3.11	Parameters for automatic payment of electronic purchase orders.	Executive Team	Financial Regulations 61 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: 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. Any invoice where the value is outwith these parameters must be sent for an additional, manual, authorisation before payment can be made.

3.12	Certification of accounts for payment to approved auditors: • Interim invoices up to £50,000 and final invoices up to £10,000 • Interim invoices over £50,000 and final invoices over £10,000	A member of the Audit Quality and Appointments team Director, Audit Quality and Appointments or member of Executive Team	Financial Regulations 62
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 79 - 81 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”.

Version control

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Scheme of Delegation



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Members' Code of Conduct



Prepared by Audit Scotland
September 2025

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Accessibility

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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"~~ On Board: A Guide for Members of Statutory Boards" published January 2023 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.

13. As a board member you should be familiar 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.

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.

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

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.

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.

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

19. You must comply with any rules of Audit Scotland regarding remuneration, allowances and expenses.

Bribery and corruption

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.

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.

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.

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

24. You must never ask or seek gifts or hospitality.

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.

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.

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.

28. You must not accept repeated hospitality from the same source.

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.

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.

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.

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.

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

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.

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.

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.

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

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.

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

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.

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

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.

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

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.

46. In relation to 45 above, the amount of remuneration does not require to be registered, and remuneration received as a member does not have to be registered.

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'.

48. If you receive any allowances in relation to membership of any organisation, the fact that you receive such an allowance must be registered.

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.

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.

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.

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.

53. Registration of a pension is not required as this falls outside the scope of the category.

Related undertakings

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.

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.

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

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 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.

58. You must register a description of the contract, including its duration, but excluding the consideration.

Houses, land and buildings

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.

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

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.

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

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.

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

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.

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

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

- 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.
- 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.
- 67.3.** A connection includes anything that you have registered as an interest.
- 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

- 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

- 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.

- 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.
- 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.
- 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.
- 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.
- 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.
- 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.

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

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.

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

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).

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.

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

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.

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.

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

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.

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.

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.

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.

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

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.

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.

87. There is only a need to withdraw from the meeting if the interest is clear and substantial.

Making a declaration

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.

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

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

91. 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.

92. 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.

93. 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

94. 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;

94.1. Any role you have in dealing with enquiries from the public;

94.2. Any community engagement where you are working with individuals and organisations to encourage their participation and involvement, and;

94.3. Lobbying, which is where I am approached by any individual or organisation who is seeking to do business with Audit Scotland.

95. 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.

96. 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.

97. 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.

98. 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.

99. 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.

100. 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.

Version control

[illegible]

Members' Code of Conduct



Audit Scotland, 4th Floor, 102 West Port, Edinburgh EH3 9DN
Phone: 0131 625 1500 **Email: info@audit.scot**
www.audit.scot

Code of Conduct

Staff Policy



Prepared by Audit Scotland
September 2025

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Accessibility

You can find out more and read this report using assistive technology on our website www.audit.scot/accessibility.

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~~ engagements and with entities relevant to engagements.
- Fees, remuneration and evaluation policies, gifts and hospitality, litigation.
- Non-audit / Additional services provided to audited 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~~Ethics 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 [application guidance and policies-policy, section 2 pages 18 - 19](#)).

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 [Ethics/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, and you have information that should be reported to the [Compliance/Ethics](#) 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/Ethics](#) 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. 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 Level 2 (previously called Standard Disclosure) ~~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 Level 2 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. Level 2 checks ~~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 [Head of 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, 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.

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.

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.

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

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.

74. Working at home can be required by the Incident Management Team for all staff during a national pandemic, and for an unspecified duration.

75. While working at home, we expect you to adhere to our policies, practices and procedures on digital security and data protection.

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.

Version control

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Code of Conduct

Staff Policy



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Agenda

Extraordinary Board Meeting

Tuesday 11 November 2025 12.15pm

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

- 1. Welcome and apologies**
 - 2. Declarations of interest**
-

Private Business

- 3. 2025-26 Budget Position** For approval
-

Close of meeting 12.30

Agenda

Audit Scotland Board

25 November 2025 09.45 - 13.15

Audit Scotland offices, 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 report – verbal update	For information
8. Chief Operating Officer report – verbal update	For information
9. Review of draft minutes:	
• Board meeting minutes: 23 September 2025	For approval
• Extraordinary Board meeting minutes: 11 November 2025	For approval
• Audit Committee minutes: 2 September 2025	For information
• RemCo minutes and RemCo confidential minutes: 6 May 2025	For information
10. Review of Board action tracker	For assurance

Strategic items

11. Resource and Management Information Project update (Nicola/Lisa: In-person)	For approval

Business planning, performance and governance

12. Q2 2025/26 Corporate Performance Report and Appendix (Graeme: In-person)	For assurance
13. Q2 Financial Performance Report and Appendix (Waqas: In-person)	For assurance
[Considered by the Audit Committee at its meeting on 11 November 2025]	

Annual reports

14. 2024-2025 Climate Change Annual Report and Appendix (Kenny: In-person)	For assurance

Items to be taken in private

15. 2026-2027 Final Budget Proposal (Waqas: In-person)

For approval

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

16. Strategy and Impact (Kenny: In-person)

- 2023-2028 Public Audit in Scotland: Interim Report
- 2023-2028 Corporate Plan: Mid-Term Review

For approval

For discussion

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

Comfort Break

17. Audit Modernisation Project Update (Kenny/Gemma: In-person)

For assurance

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

18. Funding Scottish Public Sector Audit and Appendix (Owen/Parminder: In-person)

For discussion

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

19. ASG Audit Delivery Update (Lisa/Carole: In-person)

For assurance

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

20. Firms Audit Delivery (Owen/Parminder: In-person)

For assurance

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

21. Audit Quality Update Report (Kenny: In-person)

For assurance

[Considered by the Audit Committee at its meeting on 11 November 2025]

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

22. Audit Quality Interim Report and cover (Owen/Parminder: In-person)

For assurance

[Considered by the Audit Committee at its meeting on 11 November 2025]

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

**23. Partnership Working Framework
(Vicki: In-person)**

For information

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

Items taken by correspondence

24. VAT and Additional Fees

For approval

[Item taken by correspondence in **Private** to support the conduct of business and commercial sensitivity. Approved by correspondence]

Conclusion

25. Any other business

For discussion

26. Review of meeting

For discussion

27. Date of next meeting: 29 January 2026

For information

Minutes

Audit Scotland Board

Tuesday 3 June 2025, 12.45-15.00
Audit Scotland, 102 West Port



Present:

Colin Crosby (Chair)
Stephen Boyle
Jackie Mann
Patrick Bartlett
Catherine Maclean

Apologies:

Jo Armstrong

In attendance:

Vicki Bibby, Chief Operating Officer
Alison Cumming, Executive Director of Performance Audit & Best Value
John Cornett, Executive Director of Audit Services (*Item 10*)
Helena Gray, Controller of Audit
Fiona McKie, Director of Corporate Services
Graeme Forrester, Head of Performance & Corporate Governance (*Items 7, 15*)
Stuart Dennis, Corporate Finance Manager (*Items 8, 13, 16*)
Wojciech Kuzma, Finance Business Manager (*Item 8*)
Susan Burgess, Head of Human Resources (*Items 9, 14*)
Gemma Diamond, Director of Innovation & Transformation (*Item 10*)
Michelle Borland, Head of Organisational Improvement (*Item 10*)
Daniela Yaneva, Project Manager (*Item 10*)
Morag Campsie, Head of Digital Audit (*Item 10*)
Bobby Alikhani, Project Manager (*Item 10*)
Paul O'Brien, Director of Quality and Support (*Item 10*)
Simon Ebbett, Head of Communications (*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, Alison Cumming, John Cornett, Helena Gray, Fiona McKie, and Graeme Forrester joined the meeting.

The Chair welcomed attendees to the meeting, and in particular Fiona McKie as this was her first formal Board meeting as Director of Corporate Services.

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. Review of minutes

Board meeting: 20 May 2025

The Board noted the minutes of the Board meeting of 20 May 2025, copies of which had been previously circulated.

The Board approved the minutes as an accurate record of the meeting, subject to minor amendments.

6. Review of action tracker

The Board noted and approved the updated action tracker. Members requested that the action concerning the cost of delayed audits be marked as 'on hold' to ensure it remains visible on the tracker.

Further discussion was on the Transparency Report noting that the final position remains uncertain regarding whether the findings will impact the audit opinion. It was acknowledged that a response from the Engagement Leads is expected by close of play on 3 June 2025. Following this, the Transparency Report will be updated accordingly and will inform the QPAS Report. From a governance perspective, the Board agreed that the proposed changes will be approved by Vicki Bibby, Chief Operating Officer, and Patrick Bartlett, Chair of the Audit Committee, with Stephen Boyle, Auditor General, kept informed throughout the process. In addition, the Board was reassured that steps are being taken to ensure lessons are learned from this experience, and that appropriate support mechanisms are in place for colleagues.

7. 2024/25 Quarter 4 Corporate Performance Report

Graeme Forrester introduced the Quarter 4 Corporate Performance Report, copies of which had been previously circulated.

The Board was invited to:

- Review the performance in 2024/25 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 ongoing efforts by the Performance Audit and Best Value business group to increase audit time to meet the 70% target. This includes the development of a new resourcing approach, with the new R&MI project providing an opportunity to explore this area in greater depth, although recognising that both are not interdependent.

Further discussion was on audit timeliness and if we should be setting a clear target for where we expect to be with audit delivery next year and how we use data to show progress to the Board. The Board also noted that while overall audit delivery is improving, some Firms still face specific issues, and we'll continue working with them to provide support.

Following discussion, the Board was content to note the report and requested that a more detailed report is brought back to the Board at their next meeting on 23 September 2025.

Action: Vicki to work with AQA to present the Board with a comprehensive analysis on delivery including challenges and expectations around targets. This will include audits for ASG and the firms.

8. 2024/25 Quarter 4 Financial Performance Report

The Board was invited to:

- Note the audited financial results for the twelve months to 31 March 2025.

Following discussion, the Board was content to note the report.

9. Bullying and Harassment Policy

Susan Burgess joined the meeting.

Susan Burgess introduced the Bullying and Harassment Policy, copies of which had been previously circulated.

The Audit Scotland Board was invited to:

- Note the report and changes proposed to the policy, attached as appendix one.
- Approve the changes proposed and agree that the policy can proceed to publication for colleagues.

Following discussion, the Board approved the revised policy and agreed that the policy can proceed to publication.

Susan Burgess left the meeting.

10. Strategic Improvement Portfolio Overview Report

Gemma Diamond, Michelle Borland, Daniela Yaneva, Paul Obrien, Morag Campsie and Bobby Alikhani joined the meeting.

Project Overview

Gemma Diamond provided an update on progress with the Strategic Improvement Programme, copies of which had been previously circulated.

The Board was invited to:

- Note the overall status and timelines for SIP projects.
- Note the financial and risk position of the portfolio and the agreed management action.
- Note the planned activity on supporting organisational readiness for change.

During discussion, the Board noted that there has been a strong focus at portfolio level on organisational change, recognising that each project involves significant cultural and behavioural shifts. While individual projects are addressing change locally, work is underway to coordinate these efforts across the portfolio.

Following discussion, the Board noted the progress update.

Resource and Management Information

John Cornett introduced the latest progress on the Resourcing and Management Information (R&MI) project, copies of which had been previously circulated.

The Board was invited to:

- Note progress against key milestones, risks and budget updates.

During discussion, the Board noted that finalising the terms and conditions has resulted in the 'go live' date being deferred by a couple of months, with a revised timeline now targeting October/November."

Further discussion was on project funding with the Board noting that this will be considered as part of our budget process scheduled for September.

Following discussion, the Board was content to note the progress outlined in the report.

Future Public Audit Model

John Cornett introduced the progress to date on the Future Public Audit Model, copies of which had been previously circulated.

The Board was invited to:

- Note progress to date.

- Note the approach to stakeholder engagement.

During discussion, the Board noted, despite the challenging timeline, the project is progressing as planned.

Further discussion was on the engagement programme, emphasising the importance of involving key stakeholders early and capturing their input ahead of the formal consultation process.

Following discussion, the Board was content to note the progress outlined in the report.

Audit Modernisation Project

John Cornett introduced the progress made on the Audit Modernisation Project, copies of which had been previously circulated.

The Board was invited to:

- Note the progress of the AMP.
- Agree the mitigating actions against escalated risks and issues as set out in the risks and issues section.

During discussion, the Board noted that the project is currently highly dependent on the National Audit Office (NAO) for system access and audit content. While NAO remains supportive, internal resource constraints have slowed their response. Open communication is being maintained. Despite some risks, the team still aims to meet the November Board date for the Final Business Case.

Following discussion, the Board was content to note the progress outlined in the report but asked that Vicki raise the issue of timing with the Chief Operating Officer at the National Audit Office.

Action: Vicki will raise the timing issue with the Chief Operating Officer at the National Audit Office.

Gemma Diamond, Michelle Borland, Daniela Yaneva, Paul Obrien, Morag Campsie and Bobby Alikhani left the meeting.

11. 2024/25 Annual Report from the Chair of the Audit Committee to the Board

The Chair of the Audit Committee introduced the 2024/25 Annual Report from the Chair of the Audit Committee to the Board, copies of which had been previously circulated.

The Board was invited to:

- Note the report.

Following discussion, the Board was content to note the annual report.

Action: Fiona/Graeme to review year-end processes for publishing reports on the Audit Scotland website.

12. 2024/25 Review of Remuneration and Human Resources Committee Performance

The Chair of the Remuneration and Human Resources Committee introduced the 2024/25 Review of the Remuneration and Human Resources Committee, copies of which had been previously circulated.

The Board was invited to note:

- Note the report.
- Note the areas proposed which the committee will take forward as a priority for 2025/26.

Following discussion, the Board was content to note the 2024/25 the Review of the Remuneration and Human Resources Committee.

13. Letter of Representation and Audit Summary Report for the year ended 31 March 2025

The Board was content to note the Letter of Representation and Audit Summary Report for the year ended 31 March 2025.

14. Review of Counter Fraud Policy

The Board was invited to:

- Consider the changes proposed in the policy attached.
- Note the report and consultation undertaken.
- Approve the revised policy.

Following discussion, the Board approved the revised policy.

15. 2024/25 Governance Statement and Certificate of Assurance

Graeme Forrester introduced the 2024/25 Governance Statement and Certificate of Assurance, copies of which had been previously circulated.

The Board was invited to:

- Note the certificates of assurance were presented to Audit Committee on 3 June 2025
- Consider the certificates of assurance.

Following discussion, the Board approved the 2024/25 Governance Statement and Certificates of Assurance.

Items taken in private

16. Draft Annual Report and Accounts

The Board was asked to:

- Approve the draft Annual report and accounts for the year ended 31 March 2025 and recommend that the Auditor General for Scotland, being Accountable Officer of Audit Scotland, sign the accounts on Monday 9 June 2025 subject to receipt of the outstanding pension disclosure information.

During discussion, the Board agreed that in future it would be helpful for amended versions to be shared with the Board accompanied by a 'list of amendments' report to track changes.

Following discussion, the Board approved the Annual Report and Accounts, subject to the agreed amendments and final sign-off from Patrick Bartlett, Chair of the Audit Committee Commission and Stephen Boyle, Auditor General.

Action: Simon to ensure that all amended versions of the report have tracked changes and are shared with the Board.

17. Any other business

Draft minutes

The Board requested that only formally approved Board minutes are published on the Audit Scotland website.

Action: Niki to ensure that the current published papers on the website includes approved minutes.

Action: Vicki to investigate the practices of other public bodies regarding the publication of minutes.

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

The members noted the next meeting of the Audit Scotland Board is scheduled for 23 September 2025.

Minutes

Audit Scotland Board



Tuesday 23 September 2025, 10.00-13.00
Audit Scotland, NMP, Glasgow

Present:

Colin Crosby (Chair)
Stephen Boyle
Jackie Mann
Jo Armstrong
Patrick Bartlett
Catherine MacLean

Apologies:

No apologies

In attendance:

Vicki Bibby, Chief Operating Officer
John Cornett, Executive Director of Audit Services
Kenny Oliver, Executive Directors of Innovation and Quality
Alison Cumming, Executive Director of Performance Audit & Best Value
Helena Gray, Controller of Audit
Fiona McKie, Director of Corporate Support
Graeme Forrester, Head of Performance & Corporate Governance
Gemma Diamond, Director of Innovation and Transformation (*Item 11*)
Michelle Borland, Head of Organisational Improvement (*Item 11*)
Nicola Paton, Digital Project Manager (*Item 11*)
Bobby Alikhani, Project Manager (*Item 11*)
David McGurk, Service Delivery Manager (*Item 13*)
Waqas Sanawar, Head of Finance (*Items 15,18*)
John Gilchrist, Manager Procurement, QA, NFI and Risk (*Items 19,20*)
Parminder Singh, Manager Audit Quality and Appointments (*Item 19,20*)
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, Alison Cumming, John Cornett, Kenny Oliver, Helena Gray
Fiona McKie and Graeme Forrester 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 items 18, 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 routine meetings with Stephen Boyle, Auditor General for Scotland (AGS) and Vicki Bibby, Chief Operating Officer (COO). The Chair confirmed he had also met with the Jo Armstrong, Accounts Commission Chair, Vicki Bibby and Stephen Boyle to update and reflect on matters relating to the Future Public Audit Model (FPAM).

An introductory meeting took place with the new Head of Finance, Waqas Sanawar. The Chair also had a meeting with the Head of Communications to discuss engagement activity.

Regarding external meetings, the Chair met with Ian Rees, Audit Wales Chair, with the conclusion that a four-way Board Chairs meeting would be arranged for later in the year. The Chair also met with Marie Mallon, Northern Ireland Audit Office Chair.

The Chair held appraisal meetings for Board members and the Boardroom Apprentice. Ken McIntosh conducted the Chairs annual evaluation.

Upcoming engagements include an informal budget session with the Scottish Commission for Public Audit and participation in the 2025 Annual Planning Guidance Conference. The Chair will also join the joint annual session with the Board and the Accounts Commission. Additionally, a Risk Deep Dive session focusing on Data Analytics and AI is scheduled to take place in November.

The Chair will also do a short blog for Audit Scotland's 25th anniversary.

Following discussion, the Board welcomed the update.

6. Accountable Officer's report – verbal update

Stephen Boyle advised of monthly catchups with the Accounts Commission Chair and the Board Chair. Stephen attended the strategic session on the Commission's work programme as well as being involved in continued discussions on the FPAM and the next Audit Appointment round.

In terms of parliamentary business, Stephen hosted the Public Audit Committee (PAC) Business Planning session and participated in various evidence sessions with the PAC, including the Scottish Government's approach to financial interventions and the Scottish National Investment Bank AGS and Accountable Officer sessions.

Externally, Stephen met with the Cabinet Secretary for Education & Skills with Accounts Commission Chair for a report on additional support for learning. Stephen participated in a panel session at the Institute for Chartered Accountants for Scotland event in June, focusing on service delivery, reform and growth. He was also interviewed by the Mail on Sunday on the challenges with Public Audit in Scotland.

Forthcoming sessions, include speaking at the Enlighten Conference and hosting the UK and Ireland AGs & COOs session.

Following discussion, the Board welcomed the update.

7. Accounts Commission Chair's report

Jo Armstrong advised of the section 102 report on Glasgow City Council which has created an opportunity to follow up on ensuring local authorities are using the Nolan Principles.

Jo advised that the Strategy Seminar held in September on the Commission's work programme was a good and valuable session with lots of discussion and debate.

Following discussion, the Board welcomed the update.

8. Chief Operating Officer – verbal update

Vicki Bibby noted that it has been a very busy summer and will continue to be busy due to ongoing financial audits, performance programme and SIP projects.

Vicki advised of regular engagement with the Chair of the Audit Scotland Board and the Chair of the Accounts Commission. Vicki also has monthly meetings with the Chair of PCS. Vicki has continued discussions on the FPAM and the next Audit Appointment round, including the AC and SCPA Session on FPAM.

Vicki also advised Jackie Mann, Remco Chair, was a welcomed guest speaker at the Leadership Group session in August.

In terms of parliamentary business, Vicki had an introductory meeting with Heather MacLennan, Head of Office Service Holders as well as routine meetings with Michelle Hegarty, Scottish Parliament.

Vicki hosted the Ministry of Housing, Local Communities and Government event and had meetings with Ernest Young, and also KPMG/National Audit Office to discuss Audit Technology. Vicki attended the SCVO charity awards.

Forthcoming activities include the 2025 Annual Audit Planning conference and meeting with the UK and Ireland AGS and COOs which Audit Scotland is hosting.

Following discussion, the Board welcomed the update.

9. Review of minutes

Board meeting: 3 June 2025

The Board considered the minutes of the Board meeting of 3 June 2025, copies of which had been previously circulated.

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

Audit Committee: 6 May and 3 June 2025

The Board noted the minutes of the Audit Committee meetings of 6 May and 3 June 2025, copies of which had been previously circulated, as an accurate record of the meetings.

The Board discussed the current process for publishing committee meeting minutes on the Audit Scotland website and agreed that it requires further evaluation.

Action: Vicki/Niki to review the current process for publishing committee meeting minutes on the Audit Scotland website to ensure it remains effective and fit for purpose.

10. Review of action tracker

The Board noted and approved the updated action tracker.

11. Strategic Improvement Portfolio update

Gemma Diamond, Michelle Borland, Nicola Paton and Bobby Alikhani joined the meeting.

Project Overview

Gemma Diamond provided an update on progress with the Strategic Improvement Portfolio, copies of which had been previously circulated.

The Board was invited to note:

- The overall status and timelines for SIP projects and the actions being taken by SIP Board and within project teams to mitigate project slippage and risks.
- The financial, resource and risk position of the portfolio.
- The progress with the SIP organisational change workstream plan.

During discussion, the Board was assured that resourcing issues are being closely monitored. Currently, there are no concerns, and there is sufficient capacity at key stages to keep project delivery on track and monitor any potential pressure points across the portfolio.

Further discussion focused on project interdependencies across the portfolio. The Board acknowledged the holistic approach being taken but suggested that the report could more clearly articulate ownership and delivery responsibilities for each project. The Board also noted the dependencies on the Digital Strategy and sought assurance that these were aligned.

The Board noted ongoing work to develop an overarching Communications Strategy for the Strategic Improvement Portfolio. In addition to this, there will be communications at a project level to ensure more targeted clarity and consistency.

Following discussion, the Board was content to note the update on progress.

Resource and Management Information (R&MI)

John Cornett provided an update on progress on the R&MI project, copies of which had been previously circulated.

The Board was invited to note:

- Progress against key milestones and updates to the project risks, budget and communication plans.

During discussion, the Board considered the slippage in planned milestones and were assured that delays with the project will not impact on other projects across the portfolio.

Further discussion was on the expenses functionality, with the Board noting that there are contingency measures in place to ensure a safe launch of the iTrent expenses module.

The Board noted that, due to a small number of key issues, the system implementation date for Hub Planner is currently under review.

The Board discussed the current 60% overspend and noted that it is expected to reduce to 7% by the end of Quarter 2. It was also acknowledged that multi-phase funding has been approved, and assurance was given that expenditure is being managed with transparency.

Following discussion, the Board was content to note the update on progress.

Future Public Audit Model (FPAM)

Kenny Oliver provided a progress update on FPAM, copies of which had been previously circulated.

The Board was invited to note:

- Note progress to date.
- Ask questions and / or offer any comments.

The Board was content to note the report.

Audit Modernisation Project (AMP)

Gemma Diamond provided an update on the next steps for the AMP, copies of which had been previously circulated.

The Board was invited to:

- Note the progress of the AMP for information.
- Note, for assurance, the mitigating actions being taken for the escalated risks and issues as set out in the risks and issues section.

The Board was content to note the report.

Gemma Diamond, Michelle Borland, Nicola Paton and Bobby Alikhani left the meeting.

12. Annual Review of Records Management Policy

Graeme Forrester provided an update on the Records Management Policy, copies of which had been previously circulated.

The Board was invited to:

- Approve the updated Records Management Policy.
- Approve the proposed subsequent review date.

The Board was content to approve the Records Management Policy.

13. 2025-28 Digital Services Strategy

David McGurk joined the meeting.

David McGurk provided an update on the Digital Services Strategy, copies of which had been previously circulated.

The Board was invited to:

- Review and approve the strategy, including its core principals, strategic objectives, framework, review process and budget provision.

The Board considered how objectives will be translated into measurable milestones, which will form key performance indicators within Audit Scotland's Performance Management Framework. Regular updates will be provided to both the Board and the Executive Team through this framework.

During discussion, the Board noted there are no additional staff or capital costs expected, though two milestones will require extra budget, which will be sourced either through internal efficiencies within the Corporate Service's Business area or a 2026/2027 funding bid.

The Board discussed data governance and noted that a working group has been established to explore future data capabilities and data governance arrangements. It was also noted that a Risk Deep Dive session focused on Data Analytics and AI is scheduled for November.

Following discussion, the Board was content to approve the strategy.

David McGurk left the meeting.

14. 2025-26 Quarter 1 Corporate Performance Report

Graeme Forrester provided an update on the Quarter 1 Corporate Performance Report, copies of which had been previously circulated.

The Board was invited to:

- Review the performance in Q1 2025/26 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 Firms' grade 4 audit and noted the Firm has taken appropriate steps to address the issues in the 2024/25 audit. AQA will continue to engage with the Firm to help ensure the issues are not repeated.

The Board discussed concerns around overdue cash flow and potential shifts in its position. Reassurance was provided that cash flow is being closely monitored and pay arrangements will be reviewed as part of the next procurement process.

Following discussion, the Board was content to note the progress made.

15. 2024-25 Quarter 1 Finance performance report

The Audit Committee reviewed the 2024-25 Quarter 1 Finance performance report during its meeting on 2 September 2025 and found no amendments necessary. The Board was content to note the report.

16. Proposed Board and Audit Committee Dates for 2026

Vicky Bibby introduced the proposed Board and Audit Committee dates for 2026, copies of which had been previously circulated.

The Audit Scotland Board is invited to:

- Approve the proposed meeting dates for 2026.

The Board was content to approve the meeting dates for 2026.

17. Annual Review of Corporate Governance Reports

The Audit Committee reviewed the Corporate Governance Reports during its meeting on 2 September 2025, with only one amendment necessary in the Standing Orders.

The Board was content to approve the following reports:

- Standing Orders
- Scheme of Delegation
- Financial Regulations
- Code of Conduct Members
- Code of Conduct Staff

Items taken in private

18. 2026-27 Draft Budget Submission

Waqas Sanawar joined the meeting.

Vicki Bibby introduced Audit Scotland's Draft Budget Submission copies of which had been circulated previously.

The Board was invited to:

- Provide Discuss and note the current position in respect of the 2026/27 Draft Budget Proposal.
- Confirm the Board is content with the budget assumptions and risks set out in the paper and the accompanying slides, particularly around Pay Award and Management Contingency.
- Discuss opportunities around future voluntary redundancy schemes.
- Agree recommendation of Option 4 to discuss with SCPA.
- Note that a final budget report will be considered by the Board at its November meeting.

The Board extended its thanks to the team for their hard work in preparing the draft budget submission.

During discussion, the Board reviewed the budget assumptions and risks, particularly around the pay award and management contingency. The Board agreed that the budget must reflect the financial challenges identified in the Strategic Improvement Programme and consideration is given to future pay awards, vacancy factors, resourcing, firms' contractual obligations, operational business plans and fee income pressures.

Following discussion, the Board agreed that Option 4 will be put forward for discussion with the SCPA and noted that the final budget report will be considered by the Board at its meeting in November.

19. Audit Delivery Escalation

John Gilchrist and Parminder Singh joined the meeting.

John Gilchrist introduced the Audit Delivery Escalation report, copies of which had been circulated previously.

The Board was invited to:

- Note that
 - delivery performance in NHS was maintained at 91% and remains on track to improve across all other sectors compared to 2023/24.
 - there are 13 outstanding 2023/24 audits - 2 Audit Services Group (ASG) and 11 firms.
 - two of the 15 outstanding 2023/24 audits reported in June 2025 have been signed off.
 - based on information provided by auditors, 12 of the outstanding 2023/24 audits are aiming to be signed off by October 2025 (one Forvis Mazars Local Government (LG) audit is tbc).
 - West of Scotland European Forum is the last outstanding audit for 2022/23.

- the Chief Operating Officer wrote to all bodies in July 2025 to emphasise the importance of completing audits in a timely manner.
- on current trajectory, up to 241 of 253 (95%) audits could be completed by target dates by the end of the appointment round (see page 9).
- based on recent years we anticipate a small number of delays coming to light only as target dates approach, so we expect a deterioration in the above numbers.
- Approve the draft escalation procedure.

During discussion, the Board welcomed improved audit delivery performance across all sectors for 2023/24, with the expectation that this will continue at a similar rate for 2024/25 audits. It was noted that AQA will undertake further analysis on the audits not expected to return to target by the end of the appointment round and implement the escalation procedure to support timely recovery.

The Board noted that 95% of audits are expected to recover within two years. However, the remaining 5% present a potential reputational risk, and consideration may be needed around resourcing to prevent this from taking place.

Following discussion, the Board noted the update on progress and approved the escalation procedure, subject to further discussion on the AGS audits process in step 3 of the escalation procedure.

20. VAT on Local Government Audits

John Gilchrist introduced the VAT on Local Government Audits, copies of which had been circulated previously.

The Board was invited to:

- Note that the VAT arrangements reduce the cost of local government audit significantly.
- Note that legal advice was sought from Brodies on the proposed options for VAT arrangements to ensure that they are lawful.
- Note that AQA recommends VAT option 4 as coming closest to the legislative intent in the most proportionate way. AQA propose a de-minimis level of £3,000 which should be uprated annually in line with the fee budget based on Audit Scotland staff cost of living increases.
- Note that the expenses budget does not provide for any expenses associated with additional fees.
- Note that AQA recommend expenses option 2 with a de-minimis set at the same level as the VAT option.
- Approve option 4 for how to treat VAT recovery on additional fees for local government bodies audited by firms.

- Approve option 2 for how to treat expenses associated with additional fees.

During discussion, the Board noted the complexities of VAT recovery on audit fees, especially for local government audits, and noted the proposal to return VAT to councils.

The Board discussed the proposed de minimis approach to VAT recovery on additional fees, emphasising the need to confirm compliance with HMRC and ensure appropriate language is used in billing categorisation prior to implementation.

Following discussion, the Board approved option 4 and option 2, subject to a check with HMRC on the proposed VAT arrangements.

John Gilchrist, Parminder Singh and Waqas Sanawar 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

The members noted the next meeting of the Audit Scotland Board is scheduled for 25 November 2025.

Minutes

Audit Scotland Extraordinary Board Meeting



Tuesday 11 November 2025, 12.15-12.30
Audit Scotland, Westport, Edinburgh

Present:

Colin Crosby (Chair)
Stephen Boyle
Jackie Mann
Jo Armstrong
Patrick Bartlett
Catherine MacLean

Apologies:

No apologies

In attendance:

Vicki Bibby, Chief Operating Officer
Kenny Oliver, Executive Director of Innovation and Quality
Alison Cumming, Executive Director of Performance Audit & Best Value
John Cornett, Executive Director Audit Services Group
Helena Gray, Controller of Audit
Fiona McKie, Director of Corporate Services
Graeme Forrester, Head of Performance & Corporate Governance
Waqas Sanawar, Head of Finance
Niki Ross, Forum Support Coordinator (Minutes)

1. Welcome and apologies

Vicki Bibby, Alison Cumming, Kenny Oliver, Helena Gray, John Cornett, Fiona McKie and Graeme Forrester joined the meeting.

The Chair welcomed attendees to the meeting.

2. Declarations of interest

There were no declarations of interest noted.

3. 2025-26 Updated Budget Position

Waqas Sanawar and Vicki Bibby provided an overview of the 2025-26 budget position, copies of which had been previously circulated.

The Board was invited to:

- Note the updated 2025/26 budget position and the forecasted underspend of £1.738 million as at Q2.
- Agree the proposal to return £1.08 million to the SCF via the Spring Budget Revision, as set out in paragraph 4.

- Note that three of the four components of the £1.08 million are non-recurring and could not have been reasonably foreseen or budgeted for.

During discussion, the Board noted that the organisation is forecasting a £1.7 million underspend, with £450,000 of strategic expenditure identified to accelerate projects in-year, ensuring alignment with organisational priorities. The Board agreed that returning £1.08 million of the underspend proactively would be better received by the SCPA and the Scottish Government demonstrating financial prudence and transparency.

Further discussion was on the ASG additional income with Board noting that this has resulted from extra work charged to audited bodies, primarily due to unforeseen challenges and delays, and is unbudgeted for. The Board reflected on whether the increased productivity should be factored into future budgets and noted that productivity assumptions are reviewed annually.

Following discussion, the Board approved the proposed approach, subject to finalising a clear narrative around the £300,000 additional income and ensuring robust communication with the SCPA and Scottish Government.

Agenda

Audit Scotland Board

25 November 2025 09.45 - 13.15

Audit Scotland offices, 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 report – verbal update	For information
8. Chief Operating Officer report – verbal update	For information
9. Review of draft minutes:	
• Board meeting minutes: 23 September 2025	For approval
• Extraordinary Board meeting minutes: 11 November 2025	For approval
• Audit Committee minutes: 2 September 2025	For information
• RemCo minutes and RemCo confidential minutes: 6 May 2025	For information
10. Review of Board action tracker	For assurance

Strategic items

11. Resource and Management Information Project update (Nicola/Lisa: In-person)	For approval

Business planning, performance and governance

12. Q2 2025/26 Corporate Performance Report and Appendix (Graeme: In-person)	For assurance
13. Q2 Financial Performance Report and Appendix (Waqas: In-person)	For assurance
[Considered by the Audit Committee at its meeting on 11 November 2025]	

Annual reports

14. 2024-2025 Climate Change Annual Report and Appendix (Kenny: In-person)	For assurance

Items to be taken in private

15. 2026-2027 Final Budget Proposal (Waqas: In-person)

For approval

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

16. Strategy and Impact (Kenny: In-person)

- 2023-2028 Public Audit in Scotland: Interim Report
- 2023-2028 Corporate Plan: Mid-Term Review

For approval

For discussion

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

Comfort Break

17. Audit Modernisation Project Update (Kenny/Gemma: In-person)

For assurance

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

18. Funding Scottish Public Sector Audit and Appendix (Owen/Parminder: In-person)

For discussion

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

19. ASG Audit Delivery Update (Lisa/Carole: In-person)

For assurance

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

20. Firms Audit Delivery (Owen/Parminder: In-person)

For assurance

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

21. Audit Quality Update Report (Kenny: In-person)

For assurance

[Considered by the Audit Committee at its meeting on 11 November 2025]

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

22. Audit Quality Interim Report and cover (Owen/Parminder: In-person)

For assurance

[Considered by the Audit Committee at its meeting on 11 November 2025]

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

**23. Partnership Working Framework
(Vicki: In-person)**

For information

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

Items taken by correspondence

24. VAT and Additional Fees

For approval

[Item taken by correspondence in **Private** to support the conduct of business and commercial sensitivity. Approved by correspondence]

Conclusion

25. Any other business

For discussion

26. Review of meeting

For discussion

27. Date of next meeting: 29 January 2026

For information

2025 Board action tracker



Meeting date	Item title	Action description	Due date	Responsible	Assigned to	Complete/ongoing	Progress notes
27-Mar-24	Q3 Corporate performance report	Quantify the cost of delayed audits and inform the Board.		Graeme Forrester		Onhold	09/05/24: Ongoing 04/09: Ongoing 15/11: progress delayed due to capacity challenges. Due to be progressed during December. 16/01: Work now under way with revised target date of Feb 2025. 13/03: Report on the Executive Team agenda for 24/03/25 and circulation to the Board thereafter. 01/04: At its meeting on 1 April 2025, Board members agreed that this action remains on the action tracker until the new R&MI project, once implemented, can provide the required data.
03-Jun-25	Annual Report from the Chair of the Audit Committee to the Board	Review year-end processes for publishing reports on the Audit Scotland website.	Dec-25	Graeme Forrester		Complete	08/09: The process for publishing reports including those being presented to the Board for consideration in advance of publication will be reviewed to inform the process for 2025-26 year-end. 13/11: The revised process for publication of Committee minutes agreed by the Audit Committee at its meeting on 11 November 2025 is designed to deal with the issue which was identified in process leading up to the publication of an annual report in summer 2025. This issue stemmed from the disclosure of private discussion of a draft report through publication of a Committee minute. The revised minutes process is now applied, and ensures that there is appropriate space for the private discussion of reports scheduled for future publication.
23-Sep-25	Audit Committee minutes	Review the current process for publishing committee meeting minutes on the Audit Scotland website to ensure it remains effective and fit for purpose.	Oct-25	Graeme Forrester		Complete	13/11: Audit Committee considered its Terms of Reference at its meeting on 11 November 2025. This consideration discussed options for arrangements for publishing committee minutes, and determined to align process with that in place for RemCo, with the effect that Audit Committee minutes will cease to be published on the website.

Strategic Improvement Portfolio

Resourcing & Management Information project

Item 11

Digital Project Manager & SRO

Meeting date:
25 November 2025

Purpose

1. This report provides an update on the Resourcing & Management Information Management (R&MI) project, including progress on key milestones, schedule, budget, and project risks. It includes updates on the implementation of iTrent expenses and the Hub Planner system.
2. The report is for information only and requires no decision or action by the Audit Scotland Board.

Recommendations

3. The Board is invited to note updates to key milestones, risks, budget, and communications plans.

Background

4. Digital Services took over management of the iTrent expenses and Hub Planner implementation projects on 18 August 2025.
5. The iTrent expenses module went “live” to all staff on 5 November 2025.
6. The Hub Planner system launch date is still under review and work is still ongoing to resolve the challenges associated with flexi time recording and reporting. A verbal update on the latest position will be provided at the meeting.

Progress against key milestones and upcoming milestones

Current Milestone	Due Date	Status
iTrent Expenses module	1 October	Project delivered and reporting at Green status. A key milestone for the Hub Planner implementation seen the launch of iTrent expenses on 5 November. The system launch was delayed due to the issues identified during user testing in September/October. Additionally, the rollout was impacted by limited

		availability of the consultancy resource required to resolve system defects in the system before launch to staff. Retesting in September/October uncovered a total of 30 new defects/improvements that needed to be addressed before the system could be signed off. TRS the system previously used for recording and processing expenses is now solely used for recording time and will be decommissioned upon the full launch of Hub Planner.
Hub Planner Implementation phase	Under review	Project delivery continues to report at Red status. The current issue impacting the status of the project relates to flexi time calculation within Hub Planner. Digital Services are actively working with the Hub Planner team to develop a new solution that aligns with Audit Scotland processes for flexible working and recording flexi time.

Project risks

7. The iTrent expenses module has now been deployed to all users and is functioning as expected. There are no red risks open. We continue to monitor its effectiveness of the new system with only two risks remaining open pending completion of the first expenses payment run later this month.

8. The Hub planner component of the project has one red risk (R0568) with a net score of 20 and is detailed below. All other risks are shared with the implementation group on a weekly basis.

Risks	Net score	Summary of controls, mitigation and planned actions
DST R0568 - Failure to deliver the project and launch the new system. (Under review)	20	Implementation project plan developed and tracking progress against milestones.

-
	• Weekly implementation group meetings to monitor progress, decision making responsibilities. • Representation across all business groups on the implementation group and as power users. • Secure the resources needed for implementation design/build/test/training phases, ensuring minimal disruption to audit delivery. • Identify optimal timing for testing and highlight additional key tasks that will necessitate audit resources during the build phase. • Progress against project plan reviews as part of supplier engagement.
-

Implementation update, engagement and communications activity

iTrent Expenses module implementation update

9. The iTrent expenses system went live for all staff on 5 November 2025, marking the completion of a key milestone in the Hub Planner implementation project.

10. Detailed user testing of the system in September identified 30 defects and areas for improvement that required resolution prior to final sign-off.

11. Colleagues from across the business supported user acceptance testing and gave feedback that uncovered the system issues.

12. Securing MHR Consultant resource time was a recurring challenge throughout the testing phase. As a result, the system launch was delayed from the original date of 1 October 2025 to 5 November 2025.

13. The project team met on a weekly basis to monitor progress against the plan and to agree staff training requirements and communication plans.

14. The project team developed and tested training materials before releasing them to staff to ensure alignment with system functionality.

15. Communications were prepared before the system launch and later updated to include the new requirement for some managers to approve expenses.

16. The iTrent expenses project team met on 11 November to conduct a lessons learned session, reflecting on what went well and identifying areas of improvement.

Hub Planner implementation updates

17. Since the last update to the Board in September the following actions have been taken place to secure the safe implementation of Hub Planner:

- Implementation group established and meeting on a weekly basis with representation from all business groups.
- Commitment that all business groups will jointly launch Hub Planner's time and resourcing features at the same time, rather than a phased rollout.
- All business groups have committed Power User resources and Hub Planner is providing sessions to train them on the new system and its features. Power Users have access to a Test environment to familiarise themselves with the system and have been supporting the design phase over recent weeks.
- Work continues to develop the detailed underlying processes, including roles and responsibilities, that underpin the operation of Hub Planner and Resource Management. Power Users from across the business groups are providing input into key process and system design elements.
- Work to resolve the flexi time calculation design issue in Hub Planner is ongoing. Since the issue was identified, both the Head of Digital Services and Digital Project Manager have joined multiple meetings with the Hub Planner development team. Significant work has been done to deliver the required detail for scoping and planning development. Hub Planner understands that flexi time functionality is essential for launch.
- All design requirements were submitted to Hub Planner on time. However, some elements need extra time due to ongoing actions within Audit Scotland, for example, finalising charge rates and further discussions to clarify features such as booking which are used to tag projects or resources in the system.
- The system build was handed over by Hub Planner, however due to data inconsistencies is being rebuilt and now scheduled for handover 18 November. This is a priority for Hub Planner. Although flexi time functionality is not yet incorporated, the version expected will enable comprehensive testing of all other system features.
- A three-week period was secured from 10-28 November for user acceptance testing. Test resources have been identified with representation across all business groups. The start of testing has

been delayed due to the data issues with the system build handover. Work is ongoing by Hub Planner to resolve these issues as a priority and the testing schedule will be revised as required.

- Training plans have been agreed with Hub Planner and time secured to run staff training over two weeks from 12 January 2026. Sessions will be jointly run by Hub Planner and Audit Scotland. The training structure will be developed following testing at the end of this month and will require sign off by the implementation group.
- A dedicated session on the Communications and Engagement Strategy for the project was held on 23 October. The strategy is expected to receive formal approval from the project team by mid-November.
- Hub Planner offers an API (Application Programming Interface) for reading, modifying, adding, or deleting data from permitted accounts. We plan to use this API to synchronise holidays and staff availability between iTrent and Hub Planner. Audit Wales have successfully used the API to synchronise holidays and other events that affect availability. We are collaborating with Digital Audit Team colleagues to determine how Audit Wales techniques can be incorporated into our implementation of Hub planner and aim to provide a clearer position at the end of November.
- A lessons learned check-in is scheduled with the Hub Planner implementation group for 27 November 2025.

Budget

18. As at the end of September 2025, the total project expenditure for 2025/26 stands at £148k. This is made up of the contract for the external project manager (£45k), the Hub Planner contract (£96k) and the iTrent expenses module (£7k). The expenditure relating to the external project manager has been funded from the ASG external contractors budget and the expenditure on the Hub Planner set-up and licenses, and the iTrent module is in line with the assigned budget. No further external costs are anticipated for the remainder of the year.

19. We reported internal staff costs of £12k to the end of June 2025. For the period July to September 2025, we incurred a further £19k internal staff costs associated with the system implementation, a total of £31k to date. This does not include the input from Digital Services team who took over management of the iTrent expenses and Hub Planner implementation projects on 18 August 2025.

20. Digital Project Manager time from mid-August and in September is reported at a cost of £6k.

Conclusion

21. The priority for the Hub Planner implementation project is to secure the time needed for Hub Planner to develop flexi time calculation functionality. The handover of the build with the data needed for testing is also significant. As the project approaches the critical milestone of testing, the conclusion of user acceptance testing at the end of November will offer valuable insights into the operational effectiveness and provide assurance of the systems functionality.

22. The iTrent expenses project is now in project closure phase, lessons learned session were captured with the project team on what went well, what could be improved and will inform future projects.

Q2 2025/26 Corporate Performance Report

Item 12.

Meeting date:

25 November 2025

Head of Performance and Corporate Governance

Purpose

1. This report provides the Board with a review of organisational performance as at quarter one (Q2) 2025/26,

Recommendations

2. The Board is invited to:

- Review the performance in Q2 2025/26 as set out below and in appendix 1.
- Consider the issues affecting performance, the actions identified and whether any additional management action is required.
- Note that there is still significant work to be done to implement a revised, fit for purpose approach to performance management and the development of an effective Performance Management Framework and that this is a key priority delivery between now and the end of the financial year.

Background

3. The Performance framework and the quarterly report is aligned to the Audit Scotland Corporate Plan 2023-2028 published in June 2023.

4. In preparation of this report, individual business groups have provided relevant data, which has been analysed and quality assured by the Performance, Finance and Risk Management Group (16 October 2025), and is now presented to Executive Team for consideration in advance of being submitted for the Board meeting on 25 November 2025.

5. The sections in the slide deck attached as appendix 1 are:

Section	Strategic Priorities
Summary – Corporate Plan	
Summary – Business Plan	We are developing the quarterly report of the Business Plan

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

6. The infographic below provides a summary of performance as at Q2, 2025/26.

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			Resources			Innovation & Learning			
Objective	Status	RAG	Objective	Status	RAG	Objective	Status	RAG	
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	Green	→	Our people: capacity to delivery - Cost	Green	→				
Audit quality assurance results	Amber	→	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	Green	→				
Progress against our equality outcomes	Green	→							
Not progressing/ significant additional management action required			Progressing and additional management action planned			Measures under development			

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

Audit delivery

Financial Audit

7. In the year to date we have delivered:

- 23 of 23 NHS accounts (due 30 June) 91% delivered on time. ASG 100% and Firms 82% delivered on time.
- 11 of 21 Central Government (due 31 August), with 29% delivered on time.
- 60 of 123 Local Government (due 30 September), with 46% delivered on time.

8. As at time of writing, one 2022/23 financial audit remains outstanding, which is a local government joint board audit being carried out by a firm.

There are 11 outstanding 2023/24 financial audits outstanding including 1 ASG Local Government audit and the Firms have 1 Further Education and 9 Local Government audits outstanding.

9. A verbal update on the most up to date position will be provided at the meeting.

Performance audit/ statutory reports/ other reports delivery

10. In Q2 seven Performance audits/reports were issued, with five being on time.

11. The Lews Castle and UHI Perth section 22 reports are recorded as 'late' as the deadline for s.22 reports is set by statute and this was not met. It should be noted that this deadline was not met by the appointed auditor, and accordingly the required timeline for the s.22 report could not be achieved.

Accounts Commission:

- [Glasgow City Council s102](#)
- [BV East Lothian](#)
- [BV thematic - Workforce](#)

Auditor General for Scotland:

- [Adult Disability Payment](#)
- [Lews Castle College s22](#)
- [UHI Perth s22](#)

Joint report:

- [Building community resilience to flooding](#)

Resources and capacity

12. Audit Scotland's net operational expenditure as at the end of Q2 was 39.7 % less than budget. Detail on key variances is included in the Appendix at slide 14.

13. The number of FTE at end of Q2 2025/26 was 337.98, against an establishment level 366.07 FTE. This equates to 93.73% of establishment. The breakdown by business group is included in Appendix 1 (slide 15).

14. Staff turnover for the year, for all leavers, was 2.28% compared to 1.41% in Q2 2024/25.

15. Sickness absence for the year to date is 3.79 days, which remains below the average benchmarking figures for UK workplaces, but is a slight increase on the 3.47 days reported in Q2 2024/25.

Innovation & Learning

16. Exam results year to date show a 97% pass rate, which is significantly above the target of 85%, and is higher than last year's average of 92%.

17. The percentage of mandatory training completed increased to 97% for training due in the quarter.

Ongoing Performance Management Framework Development

18. We continue to develop the Performance management Framework and iterative changes in how we present performance data. This will include building in information gained from the Hub Planner system over future reporting cycles

19. However, the ET Strategic Session on 15 September 2025 reaffirmed the need, and priority for, the delivery of a comprehensive overhaul of our approach to performance management. The development of a new, fit-for-purpose Performance Management Framework is overdue and now requires dedicated action to enhance how performance data is captured, presented, and accessed. This work will include a thorough review of existing methodologies and data sources to ensure the revised framework robustly supports effective performance reporting and organisational decision-making and is a key priority deliverable for CSG, and stakeholders from other business groups, between now and the end of the financial year.

20. The Executive Team have also reaffirmed the commitment to continuing iterative development of the data and analysis provided through the existing performance reporting structure. Within this Q2 report:

- Additional audit delivery information is provided for the Board setting out reasons for audits being completed late (slide 6 – ‘are audits delivered on time?’);
- Additional detail is provided on reasons and responses to audits in ASG and PABV which have exceeded budgets (slide 7 - ‘are audits delivered on budget?’);
- Additional analysis is provided to quantify the impact on audit time / non-audit time of differing departmental setups in ASG and PABV (slide 8 - ‘are colleagues audit focussed?’).

21. This report asks the Board to note Q2 2025/26 performance and the steps being taken to further develop the performance framework.

Q2 2025/26 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	RAG
Audits delivered on time	Amber	→
Audits delivered on budget	Amber	→
Audits delivered on time and on budget - Audit focus	Green	→
Audit quality assurance results	Amber	→
Impact through our work	Green	→
Progress towards net zero and climate resilience targets	Green	→
Progress against our equality outcomes	Green	→

Resources

Objective	Status	RAG
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	Green	→

Innovation & Learning

Objective	Status	RAG
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 of Audits due by 30 September 2026

Audits delivered:

- 57% of audits delivered on time compared to 55% last year
- 26 Central Government (due 31/10/2025) audits delivered

Resources

- Both ASG and PABV show improving audit time v. non-audit time.
- All Business group colleagues ASG at 79% audit time, and PABV at 68% audit time.
- Considering 'audit delivery' colleagues only, ASG remain at 79% audit time, but PABV show 71%
- Staff turnover for YTD to Q2 leavers was 2.28 % compared to 3.92% in 2024/25.
- The average sickness absence YTD in Q2 was 3.79 days, compared to 3.47 in YTD in Q2 2024/25.
- The percentage of colleagues with flexi greater than 14 hours is 10.94
The percentage of colleagues with flexi greater than -7 hours is 7.72 %.

Other

- Exam Pass rates – Year to date is 97 percent pass rate, exceeding the three-year average and above target.

Challenges

Delivery

- One Firms Local Government 2022/23 audit remains outstanding.
- There are 11 outstanding 2023/24 audits. 1 ASG (LG audits) and 10 Firms audits (1 FE and 9 LG).

Resources

- Overspends are recorded in audit days - though the financial position is a projected underspend.
- The number of FTE at the end of September 2025 was 337.98 (establishment level 366.07 FTE.) This equates to 93.73% of establishment.
- Increase in the level of Correspondence and Freedom Of information requests (details in slide 11 and 12)

Actions

Delivery

- AQA has begun applying the new escalation procedure as approved by the Board in September 2025.

Resources

- Recruitment to vacant posts is considered by the Recruitment Board.

Delivery

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

Auditors improved delivery of Annual Audit Plans (AAPs) by target dates from 66 per cent to 80 per cent in 2024/25.

Auditors have made progress in improving the number of audits delivered or expected to be delivered by target dates, from 55 per cent for 2023/24 audits to 57 per cent for 2024/25 audits.

Within the audits which were not delivered on time, eight per cent were delivered earlier than the equivalent audit in the previous year.

Financial Accounts year to date (YTD):

NHS (due 30/06/2025): 23 of 23 accounts, 21 (91% on time)

Central Government (due 31/08/2025): 11 of 21 accounts, 6 (29% on time)

Local Government (due 30/09/2025): 60 of 123 accounts, 57 (46% on time)

To 30 September we delivered 92 of the 167 (55% on time) audits due by 30 September 2025. This compares to 54% on time in Q2 last year.

To 30 September we delivered 26 of 66 **Central Government** (due 31/10/2026). This will be reported in the Q3 report.

Performance and statutory reports

So far this year 14 performance and statutory reports have been issued, with 79% being recorded as on time.

In Q2 all reports were delivered on time including:

Accounts Commission:

Three of three reports delivered on time

- [Glasgow City Council s102](#)
- [BV East Lothian](#)
- [BV thematic - Workforce](#)

Auditor General for Scotland:

Three of three delivered one on time

- [Adult Disability Payment](#)
- [Lews Castle College s22](#)
- [UHI Perth s22](#)

Joint report:

1 of 1 report delivered on time

- [Building community resilience to flooding](#)

Reason for late audits:

The Lews Castle and UHI Perth section 22 report are recorded as 'late' as the statutory deadline for s.22 reports was not met. This deadline was not met by the appointed auditor, and accordingly the timeline for the s.22 report could not be achieved.

Objective

Audits delivered on time and on budget

KPQ

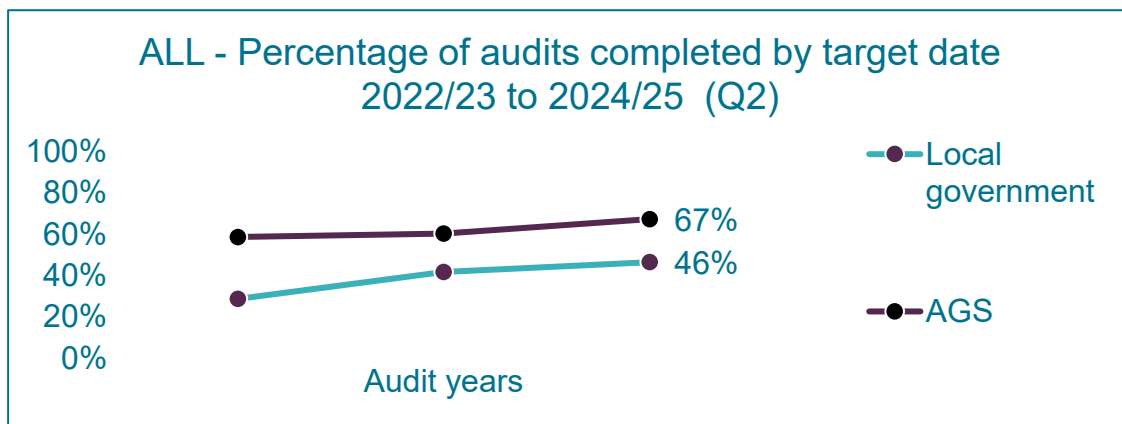
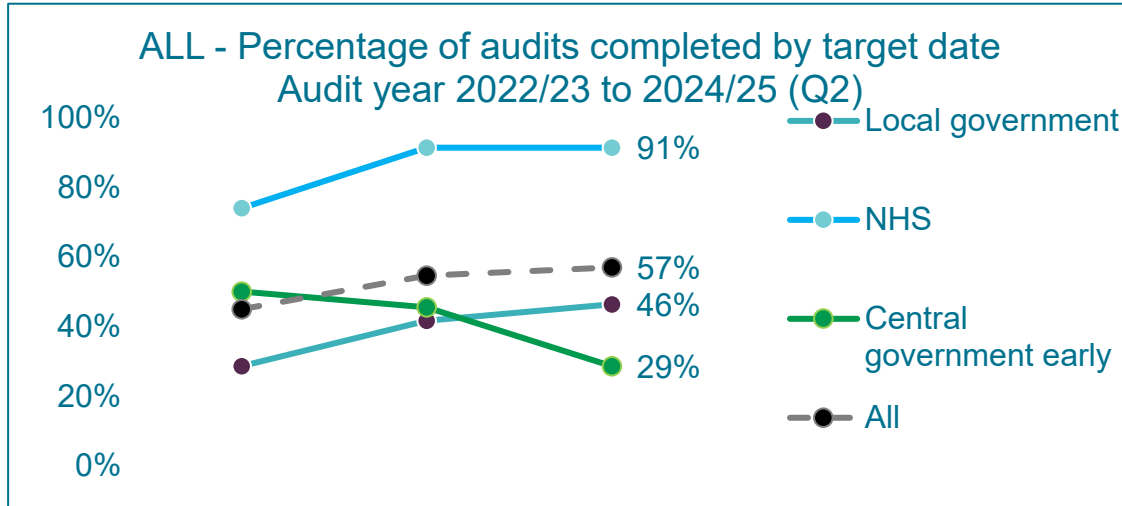
Are audits delivered on **time**?

Target

95% of audits delivered on time



OVERVIEW **Amber** - ASG and Firms Audits completed on time: percentage for each sector



Auditors are improving the proportion of audits delivered on time compared to last year.

Reasons for late audits

Central Government

- Late receipt of pension information delayed 7 CG early (31/08/2025) audits
- Late receipt of evidence delayed 3 CG early audits
- Assorted reasons delayed the remaining 5 CG early audits, only one of which was due to the auditor.

Local Government

- Late prior year sign off delayed 23 LG audits
- Prioritisation or audit staff availability delayed 21 LG audits
- Late receipt of evidence delayed 9 LG audits
- Board dates set after deadlines delayed 4 LG audits
- Finance staff availability delayed 4 LG audits
- Assorted reasons delayed the remaining 5 LG audits, none of which were due to the auditor.

For the Auditor General for Scotland Year to date:

Accounts due by 30 September 2025

- 23 of 23 (100%) of the NHS accounts due have been delivered
- 21 (91%) on time – ASG 12 (100%) on time; Firms 9 (82%) on time.
- 9 of 21 (43%) of the CG early accounts have been delivered
- 6 (29%) on time – ASG 4 (44%) on time; Firms 2 (17%) on time

For the Accounts Commission Year to date :

Accounts due by 30 September 2025

- 60 of 123 (49%) of the NHS accounts due have been delivered
- 57 (46%) on time - ASG 46 (62%) on time; Firms 11 (22%) on time.

Objective

Audits delivered on time and on budget

KPQ

Are audits delivered on **budget**?

Target

+/-5% of budget

OVERVIEW **Amber**

Audit Services Group

Budgets for ASG audit work carried out in Quarter 2 are:

4 audits delivered at 102% of budget

- 2 further audits signed off during September on budget

Local Government (end September target date)

- 13 council audits delivered at 93% of budget (note work on grant claims still to be completed)

- 6 pension funds delivered at 125% of budget (work planned to review deliverability of audit expectations within previously set budgets)

- 27 other local government audits, including 13 IJBs, at 108% of budget

Central Government (end October target date)

- 24 audits already delivered and further detail on outturn will be included in Q3 once the target date has passed

Performance Audit and Best Value:

PABV audits published during Q2 have been delivered at 111% of budget with the overspend attributed to the Flooding in Communities audit which required additional time due to scale and complexity of audit evidence, work required to finalise the audit report, and range of media material and audit products.

Actions

ASG: Budget variations continue to be under review by ASG Management Team.

PABV: Budget reporting is being further developed with work underway to enhance visibility and ownership.

General: Real time monitoring of budgets will be enhanced by the introduction of Hub Planner.

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

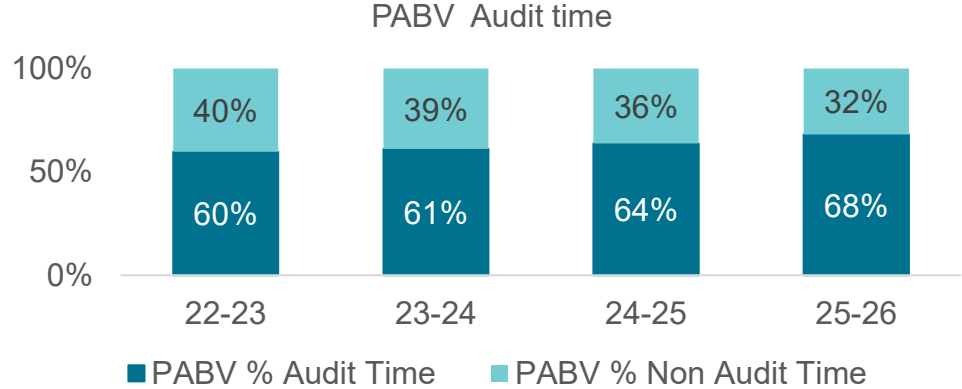
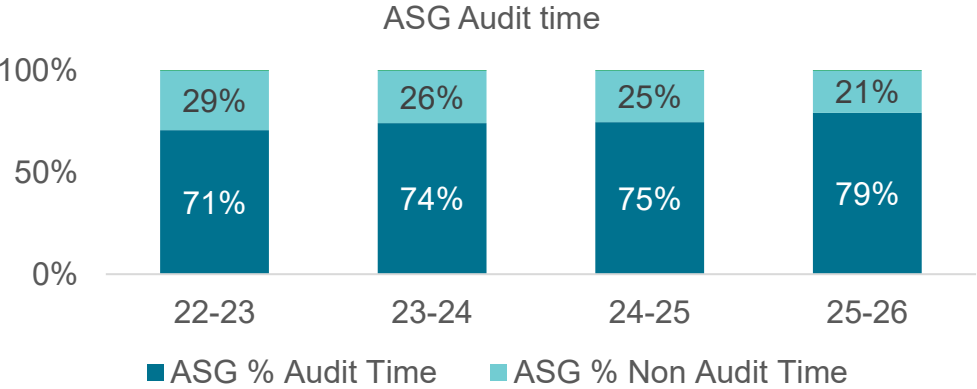
Are colleagues **audit focused**?

Target

70% of available time on audit



OVERVIEW **Green**



Colleagues are audit focused.

The graphs show that the proportion of time recorded as 'audit time' has improved, that it is now consistently above target for ASG, and that it continues to improve for PABV. The combined percentage audit time for ASG and PABV is 73%.

This analysis includes non-auditor colleagues, such as the business management team, which disproportionately impacts on PABV. When these colleagues are excluded the total for ASG remains the same at **79%** but PABV increases to **71%**.

Overall that target of 70% is being achieved and a RAG status of Green is applied.

Non audit time includes time codes for: Learning & development, improvement projects, business group management, meetings, travel and other (including general admin)

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 sustainably deliver audits and/ or recover to target dates due to external factors ↑

Objective

Audit quality assurance results

KPQ

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

Target

80% of reviews achieve grade 1 or 2 (annually)

OVERVIEW **Amber**

AQA completed a review of a sample of Annual Audit Plans and found that auditors prepared high quality Annual Audit Plans (AAPs) that comply with the Code of Audit Practice 2021 (the 2021 code). Our review identified notable improvements compared to the previous year:

There is now greater consistency in how local government pension funds outline their planned audit work on Best Value.

Sectors other than local government now provide clearer explanations of how they meet their Best Value responsibilities.

Internal quality monitoring (I&Q)

Completed two hot reviews in PABV and four hot reviews in ASG (good progress noted following up prior year issues on annual audits)

Completed a thematic review for a sample of NHS annual audits, focused on supporting teams with auditing land and building valuations. Positive feedback from ASGMT.

Hosted the Public Sector Audit Quality Group meeting in July and useful to share intelligence on quality monitoring with other UK agencies.

Quality team now providing more resource on AMP and related improvement activities; such as file review training, review of NAO approach and Apex.

We have experienced challenges in the following area:

Concluding ASG hot reviews, linked to pressure on audit teams delivering audits to target completion dates and late audit work recorded on file

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 

Actions

.

Objective

We engage with stakeholders

KPQ

How are we **engaging** with stakeholders

Target

Engagement - time series comparison



OVERVIEW **Green**

In Q2 we continued to get our messages out effectively through a variety of means. The joint performance report on flooding in communities generated the most media coverage across the quarter. With more communities being threatened by flooding, and high-profile recent stories of flooding in Fife and elsewhere, the report’s topic had high public interest before publication.

Media / broadcast:

- Top **Auditor General for Scotland** reports: PA: Flooding in communities PA: Adult disability payment
- Top **Accounts Commission** reports: BV Thematic: Workforce innovation, s102: Glasgow City Council, BV: East Lothian Council

Social media engagements with Audit Scotland posts (likes, shares, clicks, reads, links, comments) and video views (X, Facebook, Insta, LinkedIn, YouTube):

- Auditor General posts = 642
- Accounts Commission posts = 5,630
- Audit Scotland posts = 5,750

Parliament committee attendance:

- We attended **four** parliament committees including the Public Audit Committee,

Consultations:

- We responded to 3 consultations on Draft Climate Change Plan Scrutiny 2025, Future Social Security Spending in Scotland - Budget Scrutiny 2026/27, Local Government, Housing and Planning Committee letter to the Accounts Commission Chair

Risk

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

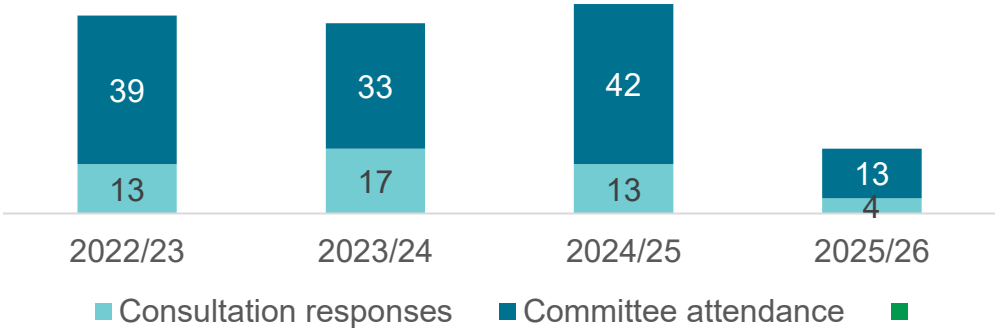
Risk register

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 ➡

Consultation and Committee Engagement



Objective

We engage with stakeholders

KPQ

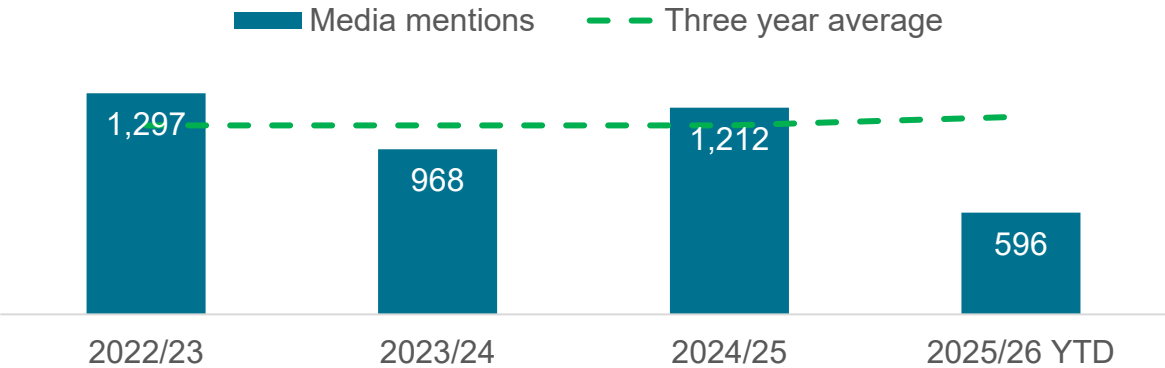
How are we **engaging** with stakeholders

Target

Engagement - time series comparison



OVERVIEW **Green**



During the quarter we continued to get our messages out effectively. The comparative figures are included for completeness.

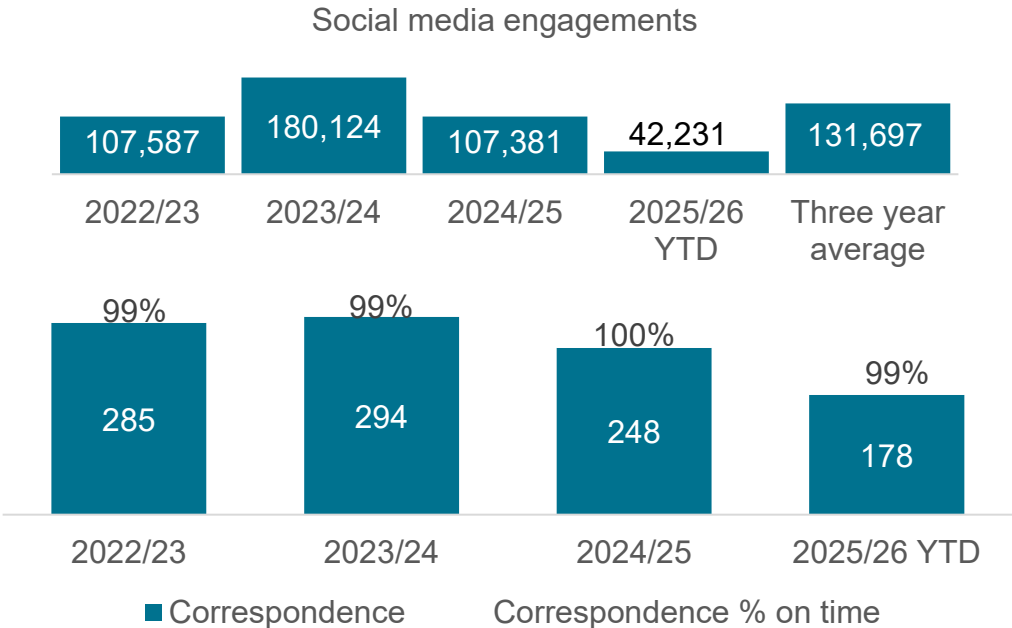
Compared to year to date in Q2 last year:

596 Media mentions compared to 202 last year.

42,231 Social media engagements compared to 17,485 last year.

178 Correspondence cases compared to 136 last year.

A breakdown of correspondence by body and year is in the table below.



Year	Accounts Commission	Auditor general for Scotland	Audit Scotland
2025/26 YTD	65	75	38
2024/25	104	62	82
2023/24	122	103	69
2022/23	101	121	63
2021/22	78	93	86

Objective

We communicate with stakeholders

KPQ

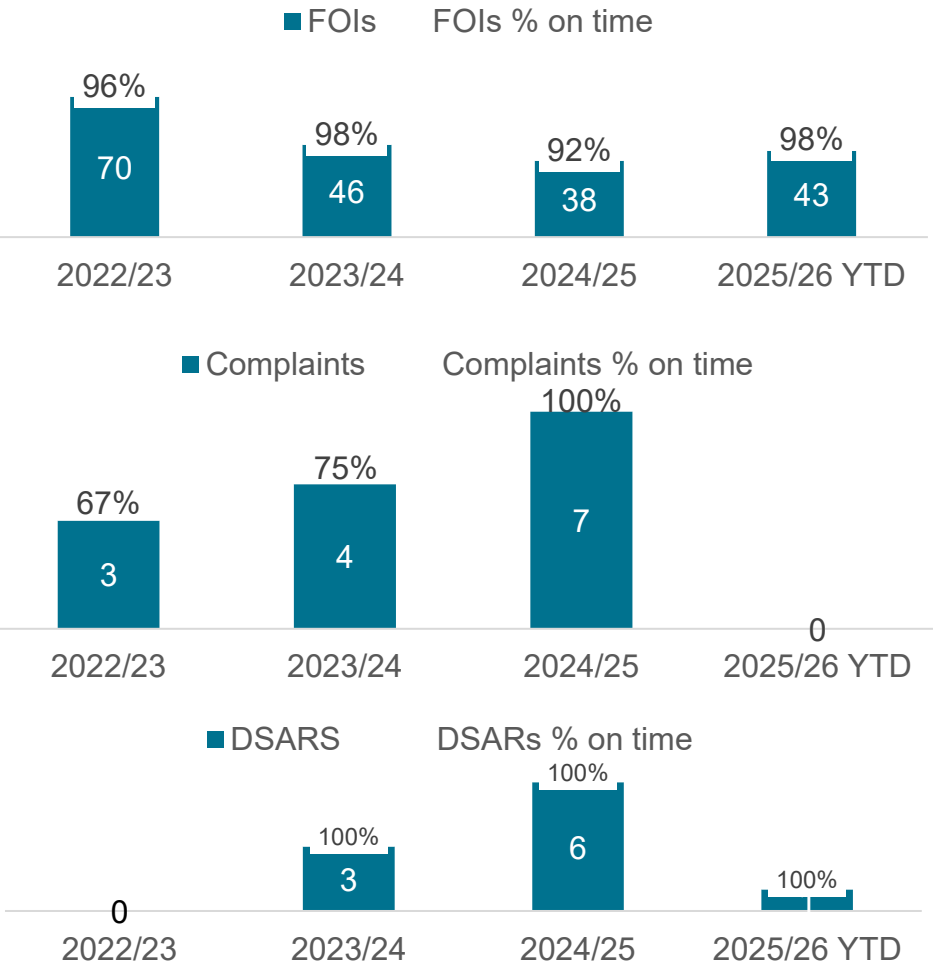
How are we responding to enquiries from the public

Target

Communication - Better than 95% on time



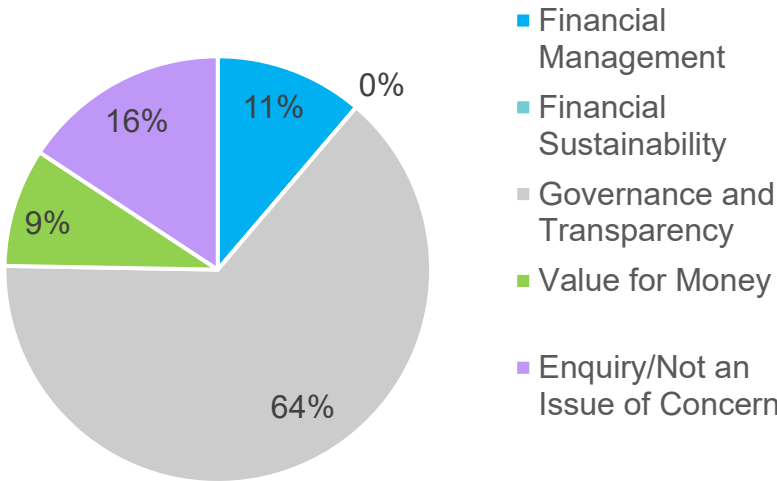
OVERVIEW **Green**



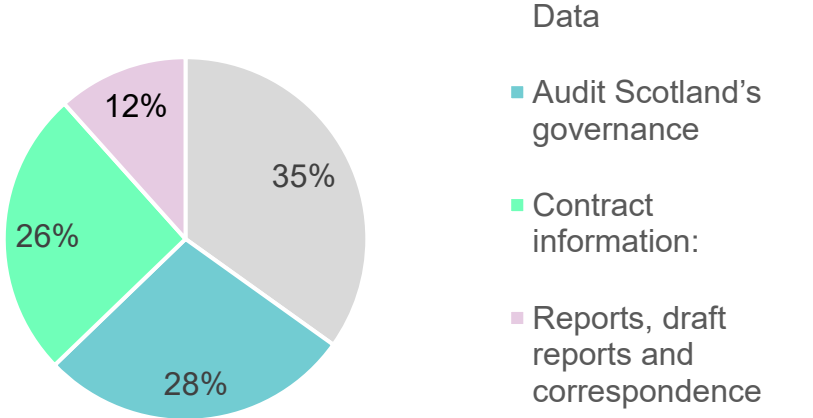
Graphs on left show the number of cases handled and the percentage on time for statutory responses, and graphs on right show categories of information being requested under FOI and Correspondence.

Corporate Governance Team publish a Freedom of Information [dashboard](#) in SharePoint. The dashboard is updated weekly and is available to all colleagues.

Correspondence categories 2025/26 YTD



FOI Categories 2025/26 YTD



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.

Net operating expenditure of £5,241k is £1,720k (24.7%) less than budget. Key variances are identified below:

Fee income – In-house chargeable audit work is currently £841k ahead of plan predominantly due to the Local Government sector.

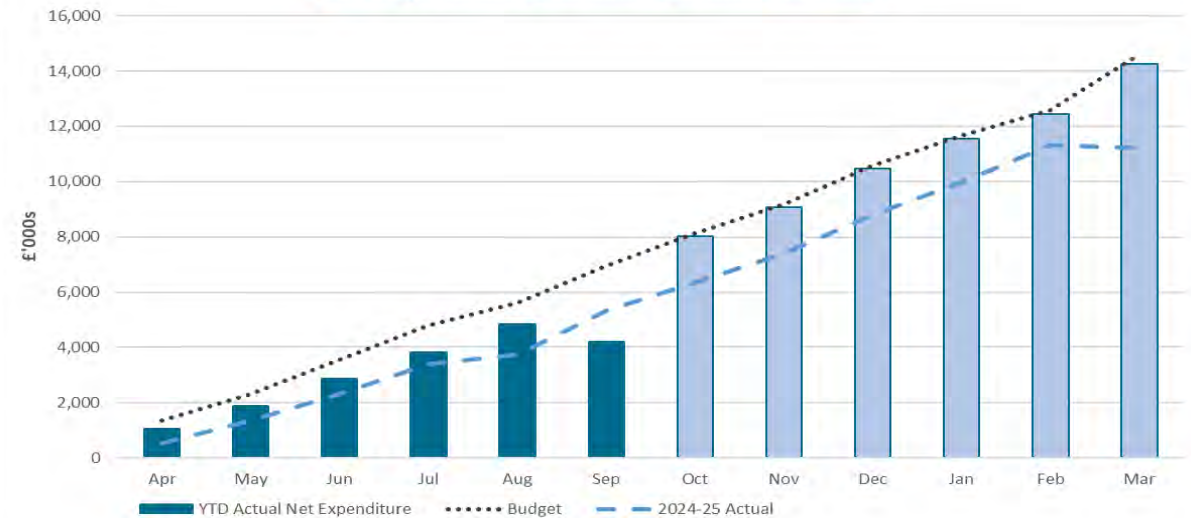
Firms income is now £858k behind plan, due to progress on Local Government audited bodies.

Pay – a YTD overspend on Agency Costs of £41k has been offset in full by £238k in savings on other staff costs resulting in an overall favourable variance of £197k.

Non-pay – a significant underspend of £1.05m reported on Firm Fees as at the end of Q2 - linked to the progress on Local Government audits referenced above. Other notable underspends include Training (£168k), Property Costs (£73k), Legal, Professional & Consultancy (£59k), Travel & Subsistence (£49k), Recruitment (£45k), Depreciation & Others such as Occupational Health totalling £67k) giving rise to an overall underspend of £1.5m.

Capital – £155k relating to laptop replacement programme.

Net expenditure position by month 2025-26



The current financial risks are:

- Closing work in progress position for 2025/26 audit work at 31 March 2026.
- Managing 5% vacancy factor
- Cash flow management and ensuring prompt payment of fee invoices.
- Audit modernisation project (potential carry forward of underspend).
- Impact of reduced working week on audit delivery
- Future public sector audit model/procurement

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 2025 was 337.98 (establishment level 366.07 FTE.)
- This equates to **93.73%** of establishment.
- At the end of September 2025, the business group establishments were as follows:
 - Audit Services = 94.63% of establishment.
 - Performance Audit and Best Value = 89.30% of establishment
 - Corporate services = 93.08% of establishment
 - Innovation and Quality = 98.11% of establishment.
 - Audit Quality and Appointments = 100% of establishment
 - Accounts Commission Support = 100% of establishment.

Vacancy Rate % - People

- 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 6.3%, compared to 4.34% in Q1.
- The Vacancy rate is measured against the organisation establishment identified in the workforce plan.

Vacancy Factor % - Finance

- The vacancy factor is defined as 'Vacancy factor (%) = (Cost of Vacant Positions / Budget for Positions) x 100'. This represents the percentage cost of unfilled positions within Audit Scotland at a given time
- The Vacancy Factor in Q2 is 6.6% less than establishment and currently forecasting year end position of 6.8%.

Risk

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

Risk register

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

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

A13 – Failure of capacity to deliver the transformational change programme ↓

Objective

Our people: Right skills and capacity to deliver

KPQ

People spend against budget.

Target

+/- %5 of budget

OVERVIEW **Green**

The underspend of £197k (1.5%) on staff pay is mainly due to:

- The favourable pay variance relates to a YTD overspend on Agency Costs of £41k has been offset in full by £238k in savings on other staff costs resulting in an overall favourable variance of £197k.

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 →

M8 – Failure of incoming cashflow to support organisational activities. →

Objective

Our people: Right skills and capacity to deliver

KPQ

Capacity to deliver - Wellbeing

Target

Per KPI



OVERVIEW **Amber**

Sickness absence Average Sickness days by Business group

	Q1	Q2	Q3	Q4	YTD
ASG	1.8	2.76			4.56
PABV	1.45	2.08			3.53
I&Q	2.48	0.34			2.82
CSG	0.77	2.13			2.9
Average	1.55	2.24			3.79

Year-to-date voluntary (resignation) was 2.28% for 2025/26. This compares to 1.41 YTD in Q2 2024/25. The projected resignations for 2025/26 is approximately 5% compared to 5.04% in 2024/25.

Audit Scotland’s voluntary (resignation) 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 resignations YTD in Q2 2025/26 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.

The average sickness absence YTD in Q2 was 3.79 days, compared to 3.47 in YTD in Q2 2024/25.

Annual sickness absence for 2024/25 was 6.54 days and 6.01 days in 2023/24 and 4.66 days in 2022/23.

Objective

Our people: Right skills and capacity to deliver

KPQ

Capacity to deliver - Wellbeing

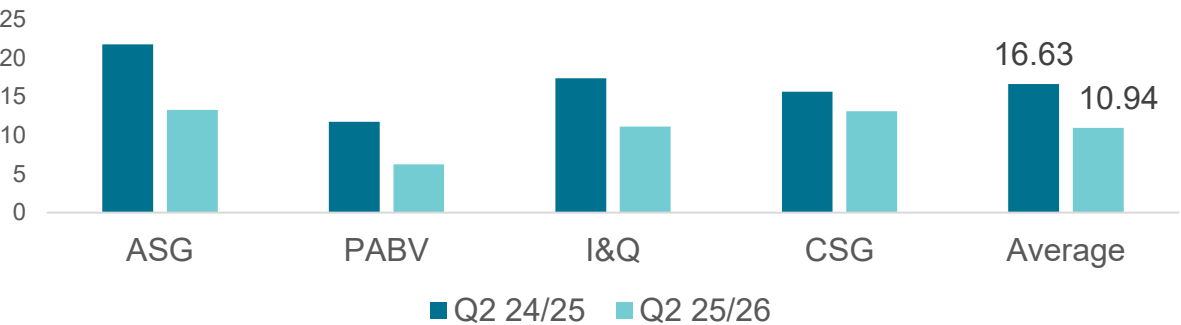
Target

Per KPI

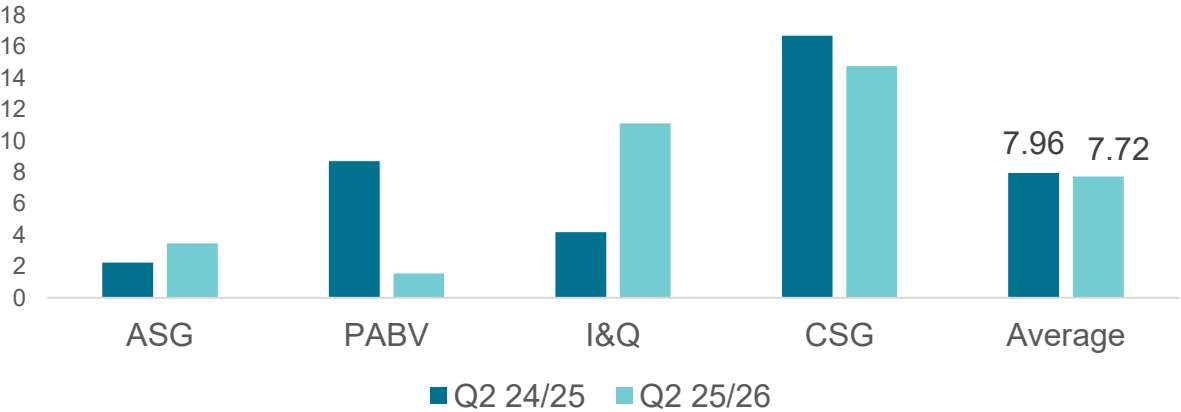


OVERVIEW **Amber**

% of colleagues with greater than 14 hours flexi



% of colleagues with a flexi balance in excess of -7 hours



Flexi Balances

The percentage of colleagues with greater than 14 hours flexi accrued (staff members in credit) continues to trend downwards. In Q2 2024/25 the average across the business groups was 16.63% - at Q2 2025/26 the average across business groups is 10.94%.

The percentage of colleagues with a negative flexi balance (staff members in debit) in excess of -7 hours reduced slightly from 7.96 in Q2 24/25 to 7.72 in Q2 25/26.

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 ➡

A13 – Failure of capacity to deliver the transformational change programme ↓

Objective

Our people: right skills - Learning & Development

KPQ

Learning (L&D)

Target

Target per KPI



OVERVIEW **Green**

Learning & Development:

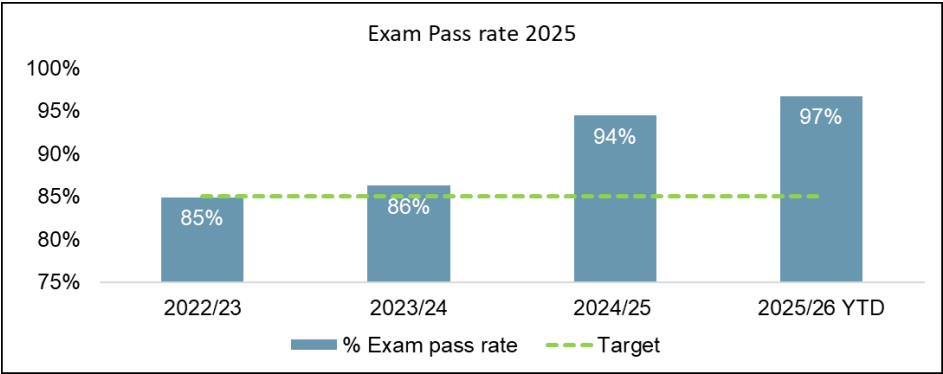
In Q2 :

- Exam Pass rate year to date is 97%. Significantly above the target.
- Issued the 2025/26 learning and development Plan in August. Content being developed to deliver tailored learning for Band pathways.
- Preparations for the business group specific development days are progressing with dates and venues agreed for all but ASG. Dates and venues are being scoped for ASG.

In Quarter 2: Number of training events - 109. Attendees – 498.

The percentage of **mandatory training completed** is 97%, which is above the target of 95%. A new Information Security training package was introduced with the original deadline for completion by 30 June 2025. The deadline was extended to accommodate colleagues doing accounts reporting. The completion of the security training is now due by November 2025, and we will continue to monitor the take up of this training and resume reporting in Q3 2025/26.

Mandatory training	Completed
Data Protection including GDPR	100%
Digital Services Cybersecurity Training (not available on LMS)	94%
Emotional Intelligence (ILT Report)	94%
Hybrid working DSE	97%
Freedom of Information	97%
Trust and Ethics (materials)	99%
Total Mandatory training	97%



Innovation & Learning

Objective

Innovation driving audit transformation

KPQ

Target per KPI

Target

Prior year performance

OVERVIEW **Amber**

Performance

In Q2

AMP update

The following activities were progressed:

Memorandum of Understanding with National Audit Office (NAO) for audit modernisation project signed in June 2025. Key members of project team now have access to NAO laptops with a full review of Apex functionality and audit content and approach underway. This includes reviewing the aligned workbooks that the NAO uses to assess whether we will want to adopt or adapt these in anyway. These decisions will be made in Q3 and Q4. The project team is also trialling potential workflows and functionality for performance audit in the NAO's Apex environment.

Improvements to our inhouse designed audit planning tool are underway with it currently undergoing testing. This helps to standardise our risk assessment processes and is a stepping stone towards the NAO risk assessment which is embedded into Apex.

Implementation plans, including proposals for pilot/pathfinder audits have been developed and will be finalised as part of the completion of the FBC.

PABV and ASG user groups are in place to help inform the project with positive engagement on testing out proposals and systems.

Hub Planner (formerly R&MI): The Digital Services Team is now managing this project following the resourcing software purchase (Hub Planner) and the decision to develop the expenses module on iTrent to replace the expenses functionality in TRS. The project team is finalising implementation plans for both systems, including system design, testing and refinement and training.

Ongoing challenges include:

Although Full Business Case and contractual arrangements with third party supplier are now being finalised, there have been delays with the procurement process over the summer due to having to request additional information on systems

Objective

Innovation & Learning - Insights

KPQ

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

Target

TBC



OVERVIEW **Green**

During Q2 we made good progress with the following projects:

We have made good progress with SIP oversight and governance, including enhanced reporting on SIP finances, resources and risk. The SIP Board agreed an organisational change workstream and delivery is now underway.

Highlights from specific SIP projects include:

Insights: 2025 impact monitoring and evaluation report approved by Accounts Commission in August and published on our website in September. Referred to Public Audit Committee with evidence session scheduled for 8 October 2025. Public audit in Scotland interim evaluation report emerging messages considered by Leadership Group in July, with final draft report agreed by ET in September to go to Accounts Commission and AS Board in October / November.

Future Public Audit Model: We have received positive feedback from ET on discussion papers 1, 4 and 5 on the audit of the accounts, audit delivery model and communicating the audit model. The Auditor General and Accounts Commission have agreed preferred options for the audit of the accounts with some outstanding matters related to small bodies, including legal powers and an appropriate definition. Discussion papers 4 and 5 will be considered by the AGS and Commission in October. There have been some delays to discussion papers 2 and 3 on Best Value and wider scope and these are still to be considered by ET, the AGS and Commission. Engagement with stakeholders is taking place and the results are being fed onto the process.

Q2 Financial Performance Report

Item 13.

Meeting date:

25 November 2025

Head of Finance

Purpose

1. This report presents the financial results for the six months to 30 September 2025.

Recommendation

2. The Board is invited to:

- Note the financial results for the six months to 30 September 2025.
- Note the revised forecast following the actions taken to reduce the projected year-end underspend.

Background

3. A Financial Performance Executive Summary is provided in the appendix to support this report.

Summary financial position

Financial Position as at end of September 2025			
	Actual YTD £'000s	Budget YTD £'000s	Variance YTD £'000s
Income	(14,166)	(14,147)	20
Pay	12,754	12,951	197
Non-pay	6,654	8,157	1,504
Capital Expenditure	155	150	(5)
Funded by Scottish Consolidated Fund	5,396	7,112	1,715

Income

4. Income from in-house audit work continues to outperform expectations, currently £841k ahead of plan, largely due to strong delivery in the Local Government sector. Conversely, income from firms is £858k behind plan, reflecting slower progress on audits in the same sector. Additional income streams such as bank interest and secondments have also contributed positively, exceeding budget by £5k and £31k respectively.

Pay expenditure

5. While agency costs are £41k over budget, this has been more than offset by £238k in savings across other staff-related costs, resulting in a net favourable variance of £197k.

Non-pay expenditure

6. Firm Fees remain the largest contributor to the non-pay underspend, currently £1.05m below budget due to audit progress. Other areas of underspend include Training (£168k), Property (£73k), Legal and Consultancy (£59k), Travel (£49k), Recruitment (£45k), Depreciation and Miscellaneous costs (£67k). The total non-pay underspend stands at £1.5m.

Contingency and future financial risks

7. The 2025/26 budget includes a contingency allocation of £250k to meet any unexpected financial pressures that may arise in the year. In the year to date none of this budget was spent.

8. There continues to be many outside influences that will impact on longer-term financial planning and future budget proposals. Factors being considered include:

- Managing the impact of a 5% vacancy factor.
- Meeting the closing work in progress projections at 31 March 2026.
- Managing cash flow and ensuring prompt payment of invoices.
- Managing the audit modernisation project and ensuring any underspends are carried forward into future budgets.
- Potential impact of reduced working week on audit delivery.
- The Scottish Government budget and SCF funding pressures.
- Fees and funding strategy.
- Future pay award settlements from April 2026.
- Public sector audit model and impact on future procurement.

Capital expenditure

9. The approved capital programme for 2025/26 of £200k planned for laptop replacement. To date £155k has been used to purchase 130 new staff laptops in April and further 12 in June for the members of the Accounts Commission.

Cash Flow

10. Cash flow remains healthy, with a bank balance of £2.7m and receivables of £3.9m at quarter end. These figures have since reduced to £2.09m and £134k respectively as of 15 October.

Forecast

11. Following identification of a forecasted underspend at the end of Q2, specific actions were agreed with ET and the Board to return surplus funds of £1.08m to the Scottish Consolidated Fund (SCF). This comprised:

- Audit Modernisation Programme (AMP) Reprofiting: £430k
- Additional Fee Income: £300k
- Management Contingency: £250k
- Secondments Income: £100k

In addition, shovel ready expenditure was approved to accelerate strategic spend, as agreed at the extraordinary Board meeting on 11 November 2025.

After these actions, the revised forecasted underspend is now approximately £378k. This retained balance is intentional and important because the full £250k Management Contingency is being returned through the Spring Budget Revision (SBR). Maintaining this flexibility allows us to respond to any unforeseen costs that may arise during the remainder of the financial year. We are also hopeful that this balance can be further reduced as additional shovel ready expenditure is identified and approved throughout the year.

Business Group Performance

12. Audit Services Group: £842k ahead of budget; underspends in Staff Costs, IT, Travel, and Consultancy.

13. PABV: Secondment income offset by agency costs; underspends in Staff and Consultancy.

14. Innovation & Quality: Largest underspend in Training (£63k); overspends in Consultancy (£24k) and Staff Costs (£21k). No AMP IT

spend forecasted until we have further clarity from Supplier on costs and timelines involved impact the current financial year.

15. Audit Quality & Appointments: £9k underspend in pay; minor overspends in Consultancy and Travel.

16. Corporate Services & Costs: £5k income ahead of budget due to higher interest income; underspends in Staff (£44k) and Non-pay (£137k).

17. Approved Auditors: Audit work behind plan, impacting both income and expenditure.

18. Accounts Commission & Support: £11k underspend mainly in Travel and Training.

19. Board, AGS & Exec Team: Minor underspends across Travel, Training, and Consultancy.

Vacancy Factor

20. YTD vacancy factor is 6.6%, with a forecast year-end position of 6.8%.

Conclusion

21. The initial forecasted underspend at the end of Q2 was £1.739m. Through proactive measures, including returning surplus funds to the Scottish Consolidated Fund and approving shovel ready expenditure - the underspend has been significantly reduced to £378k.

The budget will continue to be monitored closely for the remainder of the financial year to ensure alignment with organisational priorities and to manage any emerging risks or opportunities.

Virement

22. There were no instances of budget virements to 30 September 2025.

Financial Position

Fee income – In-house chargeable audit work is currently £841k ahead of plan predominantly due to the Local Government sector.

Firms income is now £858k behind plan, due to progress on Local Government audited bodies.

Other income – bank interest and income from secondments are £5k and £31k higher than budgeted, respectively.

Pay – a YTD overspend on Agency Costs of £41k has been offset in full by £238k in savings on other staff costs resulting in an overall favourable variance of £197k.

Non-pay – a significant underspend of £1.05m reported on Firm Fees as at the end of Q2 - linked to the progress on Local Government audits referenced above. Other notable underspends include Training (£168k), Property Costs (£73k), Legal, Professional & Consultancy (£59k), Travel & Subsistence (£49k), Recruitment (£45k), Depreciation & Others such as Occupational Health totalling £67k) giving rise to an overall underspend of £1.5m.

Capital – all costs relating to laptop replacement programme.

Cash flow - healthy bank balance of £2.7m, with total outstanding receivables balance of £3.9m of which £147k was overdue by 3 months or more. As at the 15th of October, these balances had reduced down to £2.09m and £134k, respectively.

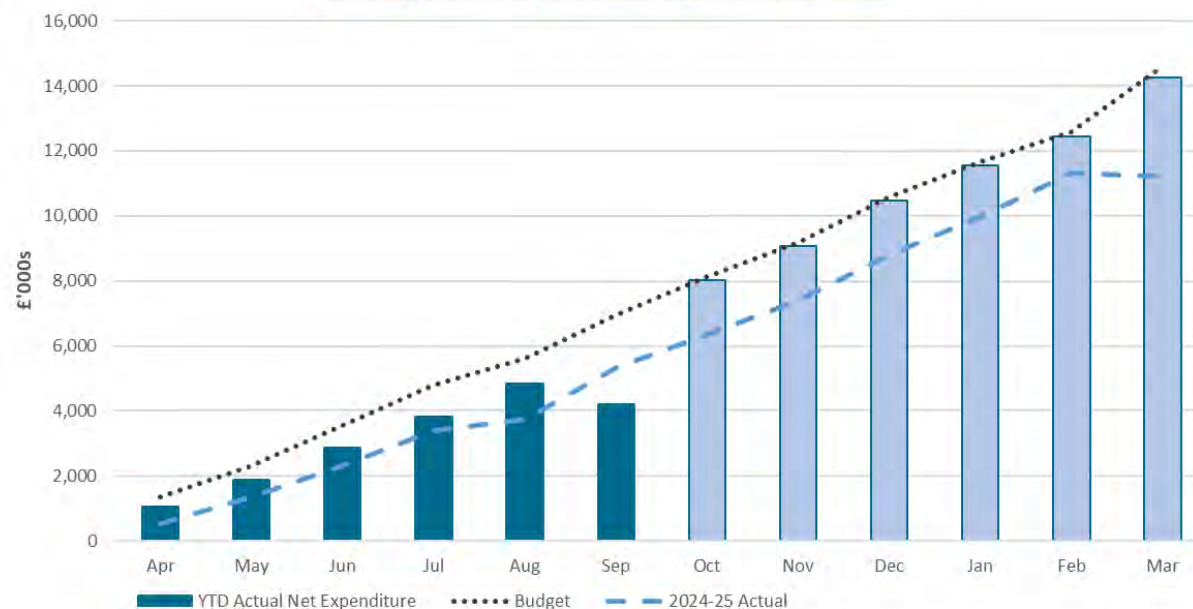
Forecast – based on feedback from all business groups as at the end of Q2.

Financial Position as at end of September 2025						
	Actual YTD £'000s	Budget YTD £'000s	Variance YTD £'000s	FY Forecast £'000s	FY Budget £'000s	Variance YTD £'000s
Income	(14,166)	(14,147)	20	(26,090)	(24,841)	1,249
Pay	12,754	12,951	197	25,460	25,922	462
Non-pay	6,654	8,157	1,504	13,607	13,635	28
Capital Expenditure	155	150	(5)	200	200	0
Funded by Scottish Consolidated Fund	5,396	7,112	1,715	13,176	14,915	1,739

Financial Risks

- Closing work in progress position for 2025/26 audit work at 31 March 2026.
- Managing 5% vacancy factor.
- Cash flow management and ensuring prompt payment of fee invoices.
- Impact of reduced working week on audit delivery.
- Audit modernisation project (potential carry forward of underspend).
- Future public sector audit model/procurement.

Net expenditure position by month 2025-26



Summary Balance Sheet £'000s			Summary Cash Flow £'000s		Capital Expenditure £'000s	
	31/03/2025	30/09/2025				
Total Non Current Assets	5,697	5,430	Net cash outflow from operating activities	(10,461)	Total Funding	200
Total Current Assets	5,727	9,995	Cashflows from investing activities	155	Laptop replacement programme	144
Total Current Liabilities	(7,055)	(11,126)	Drawdown from Consolidated Funds	8,000	Laptop replacement programme (for AC)	11
Total Non Current Liabilities	(7,112)	(6,859)	Obligations under leases	(186)		
Assets Less Liabilities	(2,743)	(2,560)	Net (decrease) in cash/cash equivalents	(2,492)	Balance	45
Taxpayers Equity	2,743	2,560	Net Cash requirement	10,492		

Non-current assets – reduction is due to depreciation being higher than investment and no car lease additions.

Current assets – increase in cash balance, prepaid expenses and other balances such as VAT repayable vs 31st of March 2025.

Current liabilities – mainly due to increases in balance due to SCF and deferred income accruals (WIP).

Non-current liabilities – adjustments reflect movement in obligations under leases and provisions for early retirement.

- Draw down from Scottish Consolidated Fund of £8.0 million.
- Net decrease in cash / cash equivalents of £2,492k.
- Purchase of 130 new laptops in April and further 12 in June for the members of the Accounts Commission

Appendix | Financial Performance by Business Group – September 2025

YTD financial position for each business group

The financial position for each business group is broken down as follows:

- **Overall** - at this stage of the financial year the initial forecast was that the final outturn would be an underspend of £1.739m. This has since reduced to £378k as detailed in the Q2 Financial Performance Report paper.
- **Audit Services Group** - chargeable audit work in total is £842k higher than budget. Notable underspends as at the end of Q2 include Staff Costs (£100k), IT (£43k), Travel & Subsistence (32k) and Legal, Professional & Consultancy (£27k).
- **Performance Audit and Best Value** - unbudgeted income from secondments which has been offset in full by Agency Costs. Other key movements include an underspend of £106k on Staff Costs and £41k on Legal, Professional & Consultancy.
- **Innovation and Quality** – the largest underspend as at the end of Q2 was on Training (£63k) which was partially offset by overspends in Legal, Professional & Consultancy (£24k) and Staff Costs (£21k). The forecast currently assumes no IT spend on AMP within the year, until we have firm costings and timelines from the Supplier.
- **Audit Quality and Appointments** - £9k underspend in pay costs due to staff mix (temporary posts) and minor overspend in Legal, Professional and Consultancy as well as Travel & Subsistence.
- **Corporate Services Group and Corporate Costs** – income £5k higher than budget due to higher interest income than expected. Staff costs less than budget (£44k) due to staff mix and employer NI savings due to salary sacrifice schemes. Non-pay costs £137k lower than budget with the most significant variances in Property, Recruitment, Occupational Health and non-cash items such as Depreciation.
- **Approved Auditors** – audit work behind plan based on latest progress reports which affects both income recognition as well as expenditure.
- **Accounts Commission and Support** - £11k underspend relates mainly to Travel & Subsistence and Training.
- **Board, AGS and Exec Team** – minor underspends on Travel & Subsistence, Training and Legal, Professional and Consultancy costs.

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 44 & 45	Income	(7,514)	(6,672)	842	(13,302)	(13,002)	300
	Pay	6,054	6,136	81	12,056	12,218	162
	Non-pay	277	482	205	746	830	84
	Total	(1,182)	(54)	1,129	(499)	47	546
Performance Audit and Best Value 57	Income	(30)	0	30	(61)	0	61
	Pay	2,569	2,643	75	5,187	5,290	102
	Non-pay	22	69	48	94	145	51
	Total	2,560	2,713	153	5,220	5,435	214
Innovation and Quality 46 & 47	Income	0	0	0	0	0	0
	Pay	1,216	1,203	(12)	2,431	2,389	(42)
	Non-pay	174	221	47	543	1,039	496
	Total	1,389	1,424	35	2,974	3,429	454
Audit Quality and Appointments 69	Income	0	0	0	0	0	0
	Pay	182	190	9	363	381	18
	Non-pay	9	6	(3)	170	148	(22)
	Total	190	196	6	533	528	(4)
Corporate Services Group and Corporate costs 00, 61..68, 71..78	Income	(1,615)	(1,610)	5	(3,410)	(3,381)	29
	Pay	1,899	1,943	44	3,752	3,973	222
	Non-pay	1,345	1,483	137	3,099	3,373	274
	Total	1,629	1,816	186	3,441	3,965	525
Approved Auditors 35	Income	(5,007)	(5,865)	(858)	(9,318)	(8,459)	859
	Pay	0	0	0	0	0	0
	Non-pay	4,813	5,867	1,054	8,892	8,034	(858)
	Total	(194)	2	196	(426)	(425)	1
Accounts Commission and Support 20 & 23	Income	0	0	0	0	0	0
	Pay	300	301	1	602	602	0
	Non-pay	7	17	10	35	38	3
	Total	307	318	11	637	640	3
Board, AGS and Exec Team 21..22, 26	Income	0	0	0	0	0	0
	Pay	534	534	(0)	1,068	1,068	0
	Non-pay	8	13	5	28	28	(0)
	Total	542	547	5	1,096	1,096	(0)
Funded by Scottish Consolidated Fund		5,241	6,962	1,720	12,976	14,715	1,739

Staff Cost Savings as at end of September 2025						
	Actual Pay YTD	Budget Pay YTD	Variance YTD		FY Forecast Pay	FY Budget Pay
	£'000s	£'000s	%		£'000s	£'000s
ASG	6,054	6,136	1.33%		12,056	12,218
PABV	2,569	2,643	2.83%		5,187	5,290
CSG	1,899	1,943	2.27%		3,752	3,973
I&Q	1,216	1,203	-1.04%		2,431	2,389
AQA	182	190	4.61%		363	381
Commission Support	106	107	0.93%		427	427
Total Pay	12,025	12,223	1.62%		24,217	24,678
	Actual Saving YTD	Budgeted Saving YTD	Variance/Shortfall YTD		Forecast Saving FY	Budgeted Saving FY
	£'000	£'000	£'000		£'000	£'000
	847	649	(198)		1,761	1,299
			6.6%			
						Forecast Variance/Shortfall FY
						£'000
						(462)
						6.8%

Q2 2025 YTD Vacancy Factor of 6.6% - currently forecasting year end position of 6.8%.

Climate Change Annual Report 2024/25

Item 14.

Kenny Oliver, Executive Director of Innovation and Quality
and Executive Team lead for climate change

Meeting date:
25 November 2025

Purpose

1. The draft Climate Change Annual Report provides an update on our organisational environmental performance to the end of 2024/25. It also provides an update on how we are developing our approach to auditing climate change.
2. The report contributes towards meeting our statutory duties under the Climate Change (Duties of Public Bodies: Reporting Requirements) (Scotland) Amendment Order 2020.

Recommendations

3. The Board is invited to:
 - Approve the Climate Change Annual Report 2024/25, for publication on our external website on 28 November 2025.

Background

4. As a public sector organisation, Audit Scotland has a statutory duty to contribute to the delivery of the Scottish Government's emissions reduction targets and climate change adaptation programme. We are required to report annually on compliance with this duty.
5. Responding effectively to climate change is also one of our corporate aims. Progress towards net zero and climate resilience targets is one of the key performance measures in our Corporate Plan 2023-2028.
6. We published our Environment, Sustainability and Biodiversity Plan 2021-2025 in September 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.

Financial implications

7. There are no direct financial implications relating to the progress reported in the annual report or the approach set out in the Climate

Change Plan. However, action taken to improve our environmental performance and how we respond to climate change may have financial – as well as carbon – implications.

8. 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 existing corporate decision-making processes.

Considerations

- During the period of our current five-year plan, we reduced our emission levels by 33 per cent, from 213 tonnes of Carbon Dioxide-equivalent (tCO₂e) in 2019/20 to 142 tCO₂e in 2024/25. This exceeded our interim emissions reduction target of 178 tCO₂e by 2024/25. This was achieved because business travel did not return to pre-pandemic levels, as we continued to work in a hybrid setting.
- Emissions have risen gradually since 2021/22 as colleagues have returned to more typical patterns of working following the pandemic and we have increased the size of our Glasgow office. Looking ahead, we do not anticipate any significant changes in emissions and will focus on stabilising current levels and reducing emissions where possible.
- We are currently developing a new Climate Change Plan for the period 2026-30, which will set out our organisational response to climate change including reducing our carbon emissions. It will replace our Environment, Sustainability and Biodiversity Plan, which covered the period 2021-2025.
- Executive Team discussed a draft Climate Change Plan in November. It agreed to take more time to fully explore the scale of our climate ambitions and how we meet these in a way that complements our audit delivery needs, supports our international engagement, and reflects the size and scale of our business. A revised plan will return to Executive Team for consideration, before coming to the Board for final approval in either January or March 2026. There is no statutory timescale for publication of the plan.

Conclusion

9. The Board is invited to approve the Climate Change Annual Report 2024/25, for publication on the Audit Scotland website on 28 November 2025.

Climate change

Annual report 2024/25



 AUDIT SCOTLAND

Prepared by Audit Scotland
November 2025

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Accessibility

You can find out more and read this report using assistive technology on our website www.audit.scot/accessibility.

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 organisation

3. Audit Scotland delivers financial and performance audits on public bodies across Scotland. In 2024/25, we employed 345 whole-time equivalent members of staff. We lease office space in Edinburgh and Glasgow and a much smaller space in Inverness. We operate a hybrid working model, and colleagues work from home, in our offices and at the offices of the public bodies we audit.

Our ambition

4. 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.
5. We aim to manage our own operations in a way that minimises our negative environmental impact and enhances our positive impact, wherever possible.
6. 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.
7. A review of the initial plan was put on hold in 2020 due to the Covid-19 pandemic and we published our [Environment, Sustainability and Biodiversity Plan 2021-2025](#) in September 2021. The plan set out our approach to sustainability issues and reflected our emissions reduction aspirations as well as introducing a focus on reaching net zero by 2030. It included interim targets against the baseline year 2008/09.

Governance

8. 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](#).
9. 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.
10. The roles and responsibilities of the groups involved in leading, managing and holding us to account for our environmental sustainability performance are set out in [Appendix 1 \(page 18\)](#).

1. Our environmental performance

Key messages

- 1 We have exceeded our interim emissions reduction target for 2024/25, as set out in our Environment, Sustainability and Biodiversity Plan 2021-2025.** During the period of our five-year plan, we have reduced our emissions by 33 per cent from pre-pandemic levels in 2019/20. This was achieved because business travel has not returned to pre-pandemic levels, as we continue to work in a hybrid setting. Business travel emissions in 2024/25 were 44 per cent less than our target for travel emissions by 2030.
 - 2 Emissions from energy use in Audit Scotland's offices increased in 2024/25.** This is the result of a decision to increase the size of our office space in Glasgow to accommodate growing staff numbers based in the west of Scotland. We have reduced the size of our office space in Edinburgh. Emissions from the energy used by staff when they work from home also increased. Emissions from working from home are not currently included in our targets, but we do estimate and report them. We are working to improve our data on emissions arising from staff commuting to and from work.
 - 3 Emissions levels are likely to remain steady in the medium-term.** Although emissions in 2024/25 were 20 per cent lower than our interim target, emissions have risen gradually over the last five years as colleagues have returned to more typical patterns of working following the pandemic and we have increased the size of our Glasgow office. Looking ahead, we do not anticipate any significant changes in emissions and will focus on stabilising current levels and reducing emissions where possible.
 - 4 We are making progress towards our commitment to become a climate resilient organisation.** In addition to reducing our emissions, Audit Scotland is taking action to integrate climate resilience into our corporate activity and audit work. During 2024/25, we self-assessed ourselves as meeting Level 1 of Adaptation Scotland's Climate Adaptation Capability Framework.
-

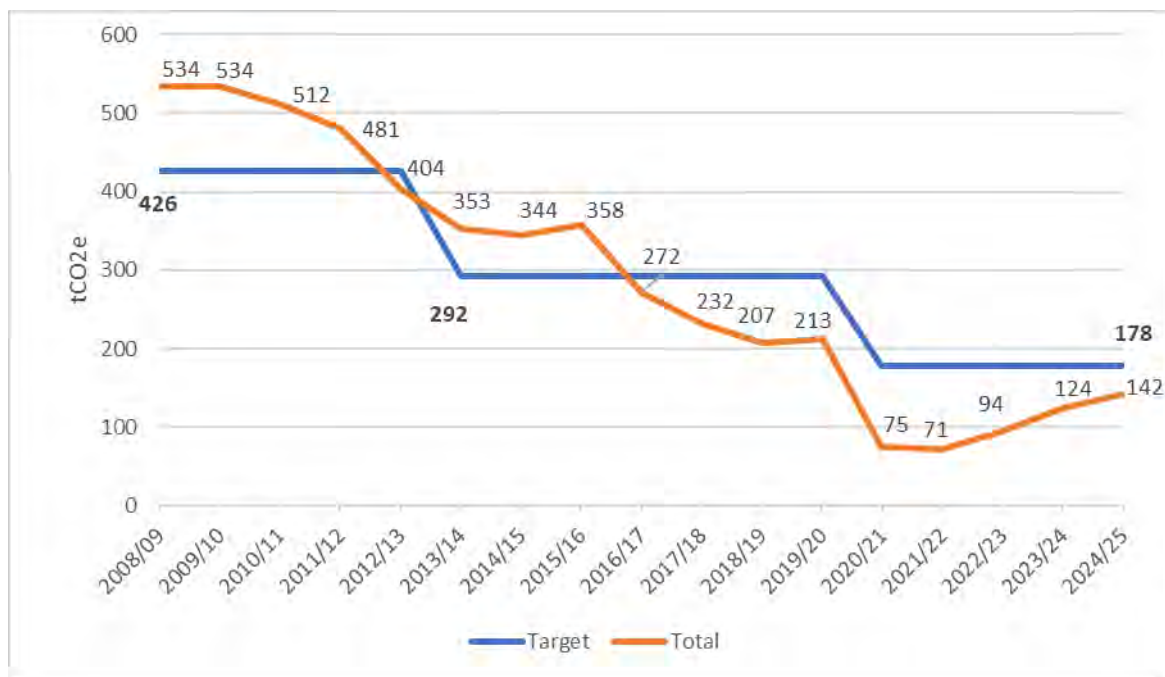
Overall emissions in 2024/25

Overall carbon emissions against targets

11. Performance against our targets to reduce total carbon emissions to date is shown in [Exhibit 1](#).

Exhibit 1

Carbon reduction since 2008 against targets



Note1: 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.

Note 2: The graph does not include working from home emissions, as they are not included in our current targets.

Note 3: 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

12. In 2024/25, the total for the emissions that are included in our carbon reduction target was 142 tCO₂e. This is 36 tCO₂e (20 per cent) lower than our target to achieve no more than 178 tCO₂e by 2024/25. It is 9 tCO₂e (7 per cent) higher than our current 2030 emissions reduction target to emit no more than 133 tCO₂e ([Exhibit 2, page 7](#)).

13. Achieving our 2024/25 target is due largely to business travel not returning to pre-pandemic levels, as hybrid working arrangements continue.

Exhibit 2

Carbon footprint in 2024/25 compared to route map emissions reduction targets

Carbon emissions included in our carbon reduction targets	Actual 2024/25 tCO ₂ e	Target 2024/25 tCO ₂ e	Target 2029/30 tCO ₂ e
Energy	103	79	65
Business travel	35	92	63
Waste and recycling	4	6	4
Water	0.3	1	1
Total	142	178	133
Working from home (not included in carbon reduction targets)	109	-	-

Note 1: A breakdown of the sources of the emissions in this exhibit can be found in [Appendix 2, page 20](#).

Note 2: 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](#).

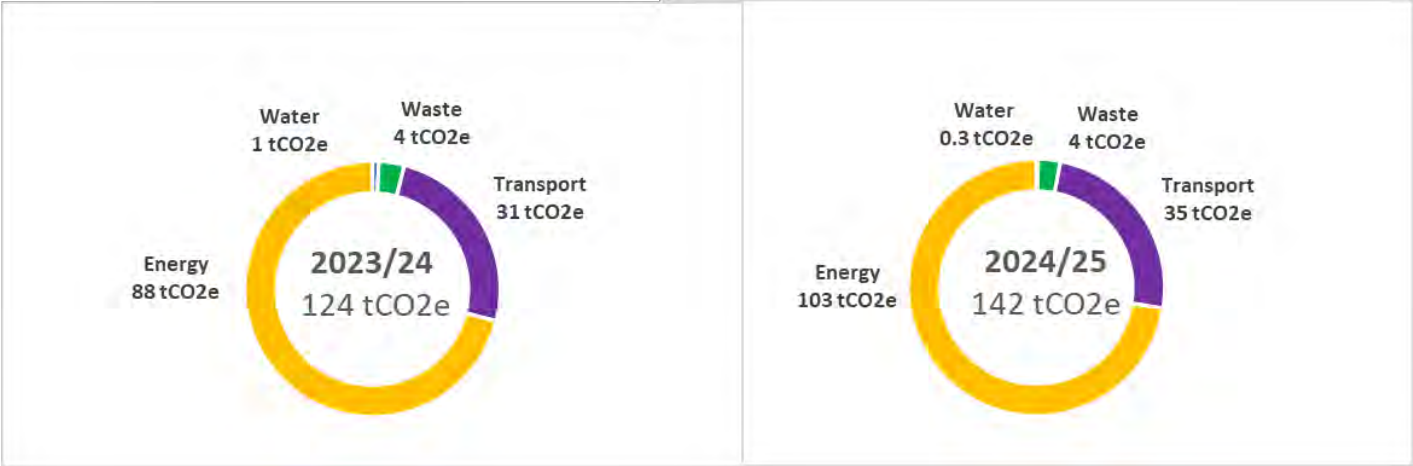
Source: Audit Scotland

Change in emissions between 2023/24 and 2024/25

14. Although we have met our 2024/25 target, emissions included in the scope of our targets increased by 18 tCO₂e (14.5 per cent) between 2023/24 and 2024/25, as shown in [Exhibit 3 \(page 8\)](#).

15. This increase is primarily due to a rise in emissions from energy use and a slight increase in emissions from business travel. The increase means that, unlike last year, our emissions are now higher than our 2030 target. We recognise that, without stabilising and reducing emissions where possible, we will fail to meet this target.

Exhibit 3
Carbon footprint in 2024/25 compared to last year



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 2024/25 were 103 tCO2e.
Summary	The changes to the sizes of our offices, since our targets were initially set, have resulted in an increase in the carbon emissions from the energy used in our offices of 15 tCO2e compared to 2023/24.

16. Compared to 2023/24, emissions from electricity use have decreased by 3 tCO2e but emissions from gas have increased by 18 tCO2e. This has been driven mainly by an increase in the size of our Glasgow office.

17. At the time of our last annual report, the increase to the size of our Glasgow office and reduction in the size our Edinburgh office had only recently been finalised. The changes to our Glasgow office took effect earlier, and we started to experience an increase in emissions from energy use in 2023/24 as a result. We have seen a reduction in the gas and electricity used in the smaller Edinburgh office this year. However, overall, our emissions from gas and electricity use in our offices in 2024/25 are higher than in 2023/24.

18. 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. We are continuing to explore options to change the remaining fluorescent lighting in our offices to LED bulbs, which would decrease energy consumption.

Emissions from electricity and gas used when staff work from home

19. 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.

20. Working from home emissions increased to 109 tCO₂e in 2024/25, compared to 99 tCO₂e in 2023/24. This is an estimate based on the number of whole-time equivalent colleagues and an estimated breakdown of hybrid working patterns. The number of colleagues rose by 14 (4 per cent) in 2024/25.

21. Although we report our working from home emissions, we do not routinely quantify the emissions generated by staff commuting to and from work. We are continuing to explore and test 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 2024/25 were 35 tCO ₂ e, significantly below our target for 2024/25.
Summary	Compared to 2023/24, our carbon emissions increased by 4 tCO ₂ e. However, we are 70 per cent below our 2019/20 pre-pandemic levels.

22. Our business travel emissions increased between 2023/24 and 2024/25 by 15 per cent to 35 tCO₂e. Business travel emissions are 70 per cent below pre-pandemic levels of 118 tCO₂e.

23. Audit Scotland staff travelled 390,196 business kilometres in 2024/25 compared to 323,167 the previous year. Kilometres are measured across all transport modes, including car, rail and air. Business travel is still considerably less than pre-pandemic levels, when we travelled approximately one million kilometres a year.

24. Between 2023/24 and 2024/25, emissions from car travel decreased, while flight-related emissions increased by 28 per cent. The rise reflects a greater number of business flights taken over the past year, with domestic UK flights accounting for the largest proportion. The transport thematic working group is undertaking further analysis to distinguish flights taken for core audit activities from those related to other engagements, such as conferences and training events.

25. 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. Colleagues are giving careful

consideration to whether business travel is necessary and for choosing the least carbon-intensive option when it is.

26. The transport thematic working group is actively promoting more sustainable travel practices in Audit Scotland. In collaboration with the energy use thematic group, it has conducted surveys to better understand emissions associated with colleagues' commuting to office sites. Thirty-seven per cent of respondents identified rail as their primary mode of transport for commuting to the office. Rail travel generally is more carbon friendly compared to using a car. Audit Scotland will conduct regular surveys to monitor shifts in commuting travel behaviours.

27. The transport thematic working group is currently reviewing how our office environments and organisational policies enable and encourage colleagues to cycle to work. As part of this assessment, the group is using Cycling Scotland's Cycling Friendly Employer programme to evaluate how effectively Audit Scotland promotes cycling as a sustainable commuting option.

28. Based on current trends in business travel, we have demonstrated that we are able to meet our 2030 target of emitting less than 63 tCO₂e per annum. Business travel is likely to fluctuate depending on need. The thematic working group will monitor trends closely, recognising that a reduction in emissions from business travel will be needed to meet our overall 2030 target to emit no more than 133 tCO₂e.

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 or less for several years.)
Performance to date	Our waste and recycling carbon emissions in 2024/25 were 4 tCO ₂ e.
Summary	Emissions in 2024/25 are the same as in 2023/24 and below our target for 2024/25.

29. 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).

30. 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 maintain progress and meet our target of 4 tCO₂e by 2030.

Procurement carbon emissions

31. We focus on embedding sustainability into our procurement activity and we include sustainability clauses in our standard procurement terms and

conditions. We are also committed to maximising the life of digital equipment as much as possible and recycling previous kit for reuse in other parts of the world.

32. To date we have not included supply chain emissions in our calculations. The thematic working group for waste and procurement is considering our approach to this.

Biodiversity and responding to the nature emergency

33. 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.

34. 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.

35. We have a thematic working group focused on supporting biodiversity. The group led activity during 2024/25 to raise awareness of biodiversity. For example, we ran two staff-led litter pick events, which provided opportunities to connect employees with the local environment and highlight the impact of waste on biodiversity.

Building climate resilience

36. 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. This includes the impact of floods, storms, heatwaves, droughts and wildfires. There are several groups and areas of activity within the organisation that are progressing work to build climate resilience.

37. Paramount to all of this is staff wellbeing. We know that the impacts of climate change may be felt unequally by different groups. Those with particular health conditions or who live in a flood risk area, for example, may require additional support. To ensure that these issues are taken into account, climate change considerations are included in our Health, Safety and Wellbeing Plan.

Further work is under way to consider specific actions to support the climate resilience elements of this plan.

38. 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.

39. A climate resilience thematic working group has been established, which is focussed on mainstreaming climate resilience into our broader corporate activity. The group is using Adaptation Scotland's [Climate Adaptation Capability Framework](#) (ACF) to support this process. We will use the framework to drive change in the organisation in a way that makes the most effective use of limited resources. This means taking a proportionate and balanced approach, reflective of the size and nature of the organisation, and we will be transparent about this in our reporting. We consider that we have now achieved Level 1 of the ACF (see [Appendix 3](#)). We will aim to achieve Level 2 (intermediate) and Level 3 (advanced) by 2027/28, reaching full maturity (Level 4) by 2029/30.

40. We recognise that our biggest area of impact is through our auditing work (see [Part 2](#)). A thematic group has been established to bring together colleagues that are leading on the development of our approach to auditing climate change. This group will consider how climate resilience might be included in our audits and other outputs moving forward. The group has also contributed to the Scottish Government's consultation for updated public sector guidance on climate change, including issues related to climate resilience.

Validation of figures

41. 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

42. 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 18](#)).

43. The thematic working groups have been involved in activity throughout the year to promote actions to reduce emissions, support biodiversity and build climate resilience. The strategic group and auditing thematic group have also continued to contribute to the development of our approach to auditing climate change, to maximise the value of our work. Examples of thematic group activity are included throughout this report.

44. Audit Scotland is currently developing its new five-year climate change strategy for the period 2026-2030, which will be published in early 2026.

45. Over the next five years, we will work to improve our data to help inform target setting for the period beyond 2030. 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. We will use this information to ensure that our emissions reduction targets beyond 2030 are stretching yet realistic.

2. Auditing climate change

Key messages

- 1 Climate change will continue to feature in our performance audit work programme for the foreseeable future. We published one performance audit report specifically on climate change during 2024/25 and started work on other outputs to be published during 2025/26.
- 2 Climate change 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 have provided a range of materials to auditors during 2024/25 to support them in considering climate-related financial disclosures.
- 3 We have launched a new page on our [external website](#) that collates all our audit work on climate change in one place. This will help to raise awareness of our audit findings and share learning.

Our audit role

46. In January 2025, we published an update to [Auditing climate change: Our strategy](#), which outlines the role of public audit in this area and our approach to auditing climate change. It sets out our aim to hold public bodies to account and help drive change and improvement in how public bodies are working together and targeting resources to reduce emissions and build resilience to climate change.

47. We focus our attention on the areas where we can uniquely add the greatest value. Our approach focuses on:

- holding audited bodies to account for their actions and spend on climate change and offering constructive challenge
- 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

48. During 2024/25, Audit Scotland published a report on [Sustainable transport](#) (January 2025). The report, on behalf of the Auditor General and Accounts Commission, examines the progress that the Scottish Government and councils are making towards the target to reduce car use. The report included a recommendation for the Scottish Government to clarify its commitment to reducing transport emissions through the car kilometre target as soon as possible. In March 2025, the Scottish Government announced that it was dropping the target to reduce car kilometres by 20 per cent by 2030. It will be working with COSLA to develop a revised target aligned with the next draft climate change plan.

49. We published a performance audit report on [Flooding in communities](#) in August 2025. The report, on behalf of the Auditor General and Accounts Commission, examines how well public bodies are working with each other and with communities to build resilience to flooding. This includes activity to avoid flooding where possible, but also supporting communities to prepare for, respond to and recover from flooding events. The report makes recommendations that aim to inform the further development of plans and actions to implement the Scottish Government's National Flood Resilience Strategy. The relevant Accountable Officers have accepted the recommendations in the report and are progressing them.

50. To reflect the work of the Auditor General and the Accounts Commission, Audit Scotland is developing a lessons learned output to draw together cross-cutting judgements, recommendations and learning from our audit reporting on climate change. It will highlight the elements that we see as important, and the improvements and changes we think are required, to support the public sector in delivering long-term climate change ambitions. We plan to publish this in March 2026 ([Transforming the approach to Climate Change: Lessons from public audit](#)).

51. We will continue to undertake performance audits that focus specifically on climate change policies and objectives. We also continue to integrate climate considerations into our wider work.

52. 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.

53. During 2024/25, a review was completed of the information provided by auditors as part of the 2022/23 audit. A report was published summarising the findings providing an overview across the public sector and a breakdown by sector, where appropriate. The report provides information to help auditors:

- inform discussions on climate change with their audited bodies

- informally benchmark their audited body in the relevant sector
- identify where the audited body may be doing more than other bodies or where there is room for improvement.

54. 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.

55. We have launched a new [climate change hub page](#) on our website that collates all our audit work on climate change in one place. It also includes plans and reports on our organisational response to climate change and provides links to other relevant organisations.

Looking ahead: developing our audit approach

56. 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 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
- that auditors are aware of climate-related accounting and disclosure requirements
- our auditors have the knowledge and skills required to undertake work on climate change.

57. 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:

- updates on Scottish Government guidance on sustainability-related disclosures in the financial statements
- briefing notes on the HM Treasury Task Force on Climate-related Financial Disclosures (TCFD) application guidance
- a summary of HM Treasury's good practice guide on sustainability disclosures in the annual report and accounts
- training materials on climate-related financial disclosure requirements and green budgeting
- 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.

58. Learning from others and sharing learning is integral to the development of our audit approach. We are supporting our colleagues by developing tools, guidance and training on auditing climate change. We continue to liaise with audit firms to benefit from their experience of auditing climate change in the private sector. We also participate in internal and external networks, to help identify, share and promote good practice and learning.

Appendix 1

Governance arrangements for climate change and environmental sustainability

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 Climate Change 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.

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 2024/25

Category	CO2 emissions (tCO2e)
Energy use	
Natural gas	71
Grid electricity	32
Working from home	109 (not included in targets)
Travel	
Rail	9
Car travel	10
Flights - domestic	11
Flights - short haul	3
Taxi	1
Waste and recycling	
Refuse to landfill	3
Recycling	1
Water	
Water - treatment and supply	0.3
Total	142 (251 including working from home emissions)

Note: Emissions from business travel total 35 tCO2e after rounding up.

Appendix 3

Actions taken to achieve Level 1 of Adaptation Scotland's Climate Adaptation Capability Framework.

Action	Status
LEARN about Scotland's changing climate and impacts	Complete
CONSIDER how adaptation fits with your organisation's objectives	Complete
CONSIDER how you contribute to Scotland's adaptation outcomes	Complete
DEFINE your objectives and opportunities for joined up working	Complete
DEVELOP understanding of climate risk and vulnerability	Complete
IDENTIFY resources already available for adaptation	Complete
IDENTIFY existing adaptation work within your organisation	Complete
IDENTIFY relevant groups, partnerships and forums	Complete
RECORD and CONSIDER the impact of recent weather events on your organisation	Partial - we do not systematically record events or impacts but we can highlight recent events across Scotland and consider likely impacts on staff. Further action will be kept under review.
IDENTIFY key internal stakeholders for adaptation	Complete
DEFINE strategic adaptation outcomes and/or vision	Complete
JOIN/PARTICIPATE in relevant professional and adaptation networks.	Complete

Climate change

Annual report 2024/25



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