

Agenda

Audit Scotland Board

Wednesday 27 March 2024

Audit Scotland, 102 West Port, Edinburgh



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

Standing items

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

Strategic items

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

Business planning, performance and governance

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

Items to be taken in private

15. Annual report and accounts

For approval

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

16. Audit modernisation project update

For approval

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

17. Boardroom Apprentice Scheme

For approval

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

Conclusion

18. Any other business

For discussion

19. Review of meeting

For discussion

20. Date of next meeting: 21 May 2024

For information

Minutes Board



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

Present:

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

Apologies:

There were no apologies

In attendance:

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

1. Private meeting of Board members

The Board met privately and there were no matters arising.

2. Welcome and apologies

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

The Chair welcomed attendees to the meeting.

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

3. Declarations of interest

There were no declarations of interest noted.

4. Items to be taken in private

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

5. Chair's report – verbal update

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

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

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

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

Following discussion, the Board welcomed the update.

6. Accountable Officer's report – verbal update

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

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

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

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

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

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

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

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

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

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

Stephen expressed his pleasure in working with Ronnie.

Following discussion, the Board welcomed the update.

7. Accounts Commission Chair's report – verbal update

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

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

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

Following discussion, the Board welcomed the update.

8. Review of minutes

Board meeting: 21 November 2023

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

9. Review of action tracker

The Board noted and approved the updated action tracker.

10. Strategic priorities

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

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

The Board was invited to:

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

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

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

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

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

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

Michelle Borland left the meeting.

Items taken in private

11. Audit modernisation project

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

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

The Board was invited to:

- Note the update on progress and future plans.

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

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

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

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

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

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

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

Gemma Diamond and Morag Campsie, left the meeting.

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

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

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

Following discussion, the Board welcomed the update.

13. Confidential item

14. Any other business

There was no other business for discussion.

15. Review of meeting

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

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

The Chair thanked everyone for their contributions.

16. Date of next meeting: 27 March 2024

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

Minutes

Audit Committee



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

Present:

C Crosby (Chair)
J Mann
A Alexander

Apologies:

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

In attendance:

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

1. Private meeting with Wylie & Bisset LLP

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

2. Welcome and apologies

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

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

3. Declarations of interests

There were no declarations of interest.

4. Minutes of the last meeting: 5 September 2023

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

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

The Audit Committee approved the minutes of the previous meeting.

5. Review of action tracker

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

The Audit Committee noted the tracker for completeness.

6. Q2 Financial report

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

The Audit Committee was invited to:

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

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

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

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

Elaine Boyd and Owen Smith joined the meeting.

7. Audit Quality: Interim report

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

The Audit Committee was invited to note:

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

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

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

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

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

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

The Audit Committee noted the interim report on audit quality.

Elaine Boyd and Owen Smith left the meeting.

8. Review of risk register

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

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

The Audit Committee was invited to:

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

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

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

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

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

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

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

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

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

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

10. Internal audit report: Procurement and contract management

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

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

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

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

11. Internal audit progress report

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

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

The Audit Committee members noted the Internal audit progress report.

Ian Metcalf and Sara Tait joined the meeting.

12. Internal Audit recommendations progress report

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

The Audit Committee was invited to:

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

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

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

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

13. Annual review of Audit Committee Terms of Reference

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

The Audit Committee was invited to:

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

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

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

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

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

The Audit Committee was invited to:

- Note the report.

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

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

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

15. Q2 Data incidents / loss report

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

The Audit Committee was invited to:

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

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

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

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

The Audit Committee noted the data incidents/loss report.

16. Annual review of Audit Committee effectiveness

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

The Audit Committee was invited to:

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

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

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

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

17. Any other business

There were no items of other business.

18. Review of meeting

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

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

19. Date of next meeting

The next meeting of the Audit Committee is scheduled for 19 March 2024.

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

Board action tracker 2024



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

Strategic Improvement Programme: Update

Director of Innovation and Transformation
and Head of Organisational Improvement

Purpose

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

Recommendations

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

Background

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

Table 1: Current SIP projects with agreed goals

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

audited bodies across Scotland and also internally focussed corporate projects.

SIP programme update

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

Table 2: Status and expected timeline of SIP projects

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

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

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

Project initiation documents (PIDs)

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

Resource and Management Information

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

Insights

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

Project budgets

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

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

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

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

Performance monitoring

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

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

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

less confident with digital organisational changes.

Communications planning

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

Conclusion

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

Purpose

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

Recommendation

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

Background

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

Net expenditure requirement

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

- The budget assumes that moving the annual leave year from calendar year to financial year will lead to a saving and a negative budget of £305k has been included within the budget.
- The operational budget includes the proposed reduction in employer pension contributions. These were announced after the submission of our budget proposal. The reduction in employer rate from 19.4% to 17.6% leads to a saving of £286k. The excess budget has been allocated within the pension adjustments heading to reconcile to the original budget submission.

10. Fees and expenses paid to external firms are based on the bids submitted as part of the tender exercise with 2022/23 being year one of the new appointments. The completion of 2022/23 audits is expected in 2023/24 financial year and, in accordance with the conditions of the contract, the payments for 2023/24 audit year work will be uplifted based on the cost of living pay award to Audit Scotland staff effective from April 2023. The budget assumes the commencement of 2024/25 audit work will be uplifted in line with the budgeted pay award to Audit Scotland staff effective from April 2024.

11. Other expenditure has increased by £437k from the 2023/24 budget. The preparation of the operational budget allows for the realignment of budgets to the most appropriate subjective heading. These adjustments have no impact on the total other expenditure budget though reductions were identified in legal & professional fees and stationery & printing which are offset by increases in information technology and other. The main changes from 2023/24 are:

- The inclusion of £230k for the costs associated with the biennial national fraud initiative exercise.
- A £298k increase in accommodation costs is attributable to the expanded capacity in Glasgow and inflation pressures in respect of service charges, energy and facilities management. The Edinburgh office floor space will reduce in 2024/25 and the budget assumes that the savings this will generate will commence in 2025/26.
- Saving of £94k in travel and subsistence costs due to reduction in car leases.

12. The fees budget for the financial year has increased by 6.9% with the fee increase for 2023/24 audits increasing by 6% compared to 2022/23 fees.

13. The budget assumes an element of phased recovery to pre-pandemic levels and is based on the completion of the balance of 2023/24 audits and the commencement of 2024/25 audit work. EAFA funding of £100k has been included in the budget and this income stream will cease following completion of the final audit work in June 2024.

Capital requirement

14. The capital budget for 2024/25 is £150k.

15. The investment will continue to support our digital strategy and fund the Glasgow office expansion project.

16. Contingency plans have been actioned in 2023/24 financial year to reprofile the 2024/25 planned IT spend into 2023/24 due to the slippage on the Glasgow office expansion project.

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

2024/25 uncertainties

- 18.** The budget proposal was developed in the context of significant uncertainties, which included:
- Public sector pay claim/policy challenges.
 - Timing of budget statements from the UK and Scottish Government.
 - Impact of inflation/interest rates.
 - Audit modernisation requirements.
 - The cost and availability of goods/services.
 - The work and resource required to complete European Agricultural Fund Account audit.
- 19.** The approved 2024/25 budget settlement provides assurance that we can meet our breakeven obligation this financial year.
- 20.** We continue to operate in an extremely unpredictable and volatile environment with significant pressure on public finances. We will need to continue to develop financial strategies to address future potential issues, which include:
- Impact of future pay and reward settlements.
 - SCF funding pressures.
 - Audit delivery and resourcing.
 - Future direction of fees and funding taking cognisance of public sector funding pressures.
 - Audit modernisation (including electronic working papers system development).
 - Resourcing and Management Information Project.

AUDIT SCOTLAND

NET EXPENDITURE STATEMENT

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

Q3 Corporate performance report

Director of Corporate Support

Item 12

Meeting date: 27 March 2024

Purpose

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

Recommendations

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

Background

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

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

Performance overview

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

Audit Scotland Corporate Plan 2023-28: Strategic Priorities													
Timely & impactful annual audit Dynamic performance audit programme Enhanced audit approaches				Developing our people and our business				Insights driving innovation and improvement					
Delivery				Resources				Innovation and learning					
Objective		Status		Objective		Status		Objective		Status			
Audits delivered on time		RED	→	Our finances: Spend against budget		AMBER	→	Innovation driving audit transformation		-	→		
Audits delivered on budget		AMBER	→	Our people: capacity to delivery - Establishment		AMBER	→	Application of insights to decision-making, audit delivery & organisational change		-	→		
Audits delivered on time and on budget - Audit focus		AMBER	→	Our people: capacity to delivery - Cost		GREEN	→						
Audit quality assurance results		GREEN	→	Our people: capacity to delivery - Wellbeing		AMBER	→	Note: • That not all objectives are reported quarterly. • Upward arrow indicates improving performance. • Horizontal arrow maintaining performance. • Downward arrow declining performance.					
Impact through our work		GREEN	→	Our people: capacity to delivery - Working across business groups		GREEN	→						
Progress towards net zero and climate resilience targets		GREEN	→	Our people: right skills - Learning & Development		AMBER	↗						
Progress against our equality outcomes		-	↔										
Not progressing/ significant additional management action required				Progressing and additional management action planned				On target/ no need for additional management action					
								Measures under development					

Note: An upward arrow indicates improving performance.

Financial audit delivery

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

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

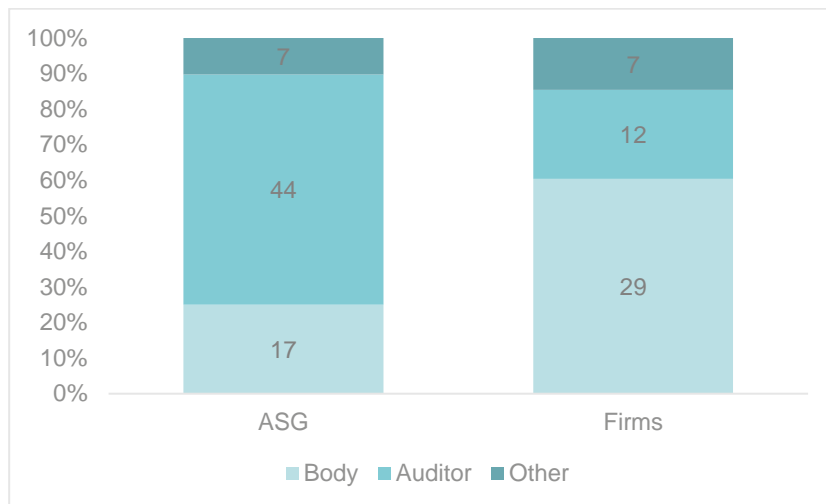
7. A further verbal update on the latest position will be provided at the meeting.

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

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

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

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



ASG delivery

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

Delivery by the Firms

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

Pensions revaluation

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

Performance audit/ statutory reports delivery

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

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

Resources and capacity

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

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

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

Innovation & Learning

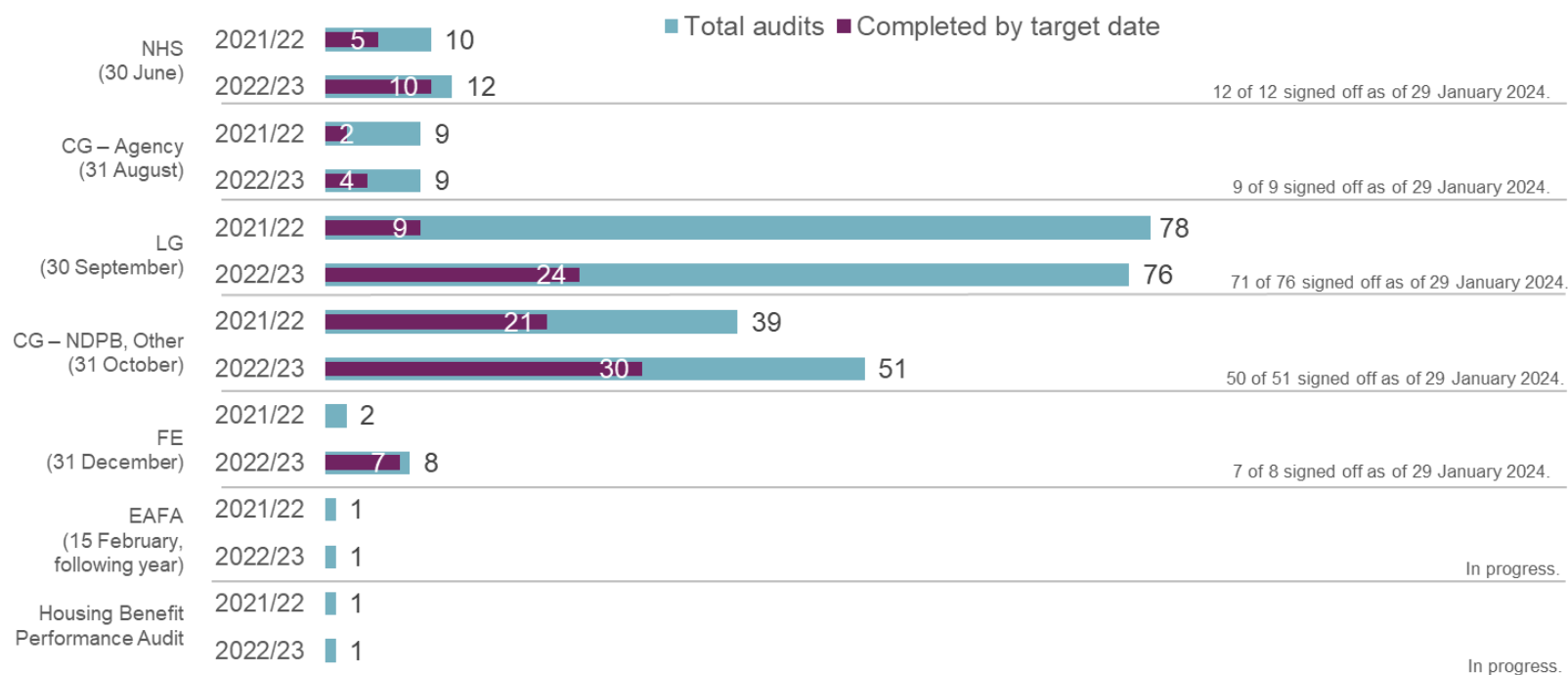
- 23. We are making progress with developing and monitoring measures in relation to innovation and learning and we have added detail in the appendix at slides 30 to 32. We are starting to get data for more measures and are refining the measures based on that intelligence. We have also included updates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

Developments in performance reporting

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

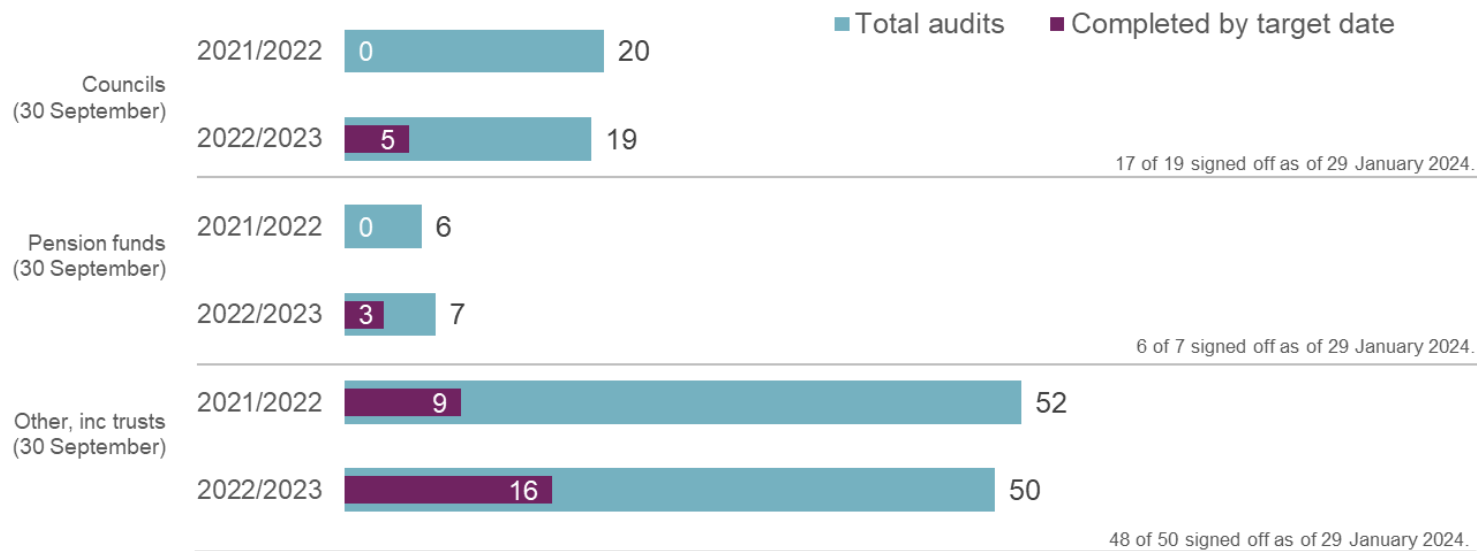
Annexe 1: ASG audit progress delivery update

Audit delivery – progress update (31 December)



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

LG splits – progress update (31 December)



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

Q3 Corporate Performance Report

Appendix 1

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

Resources

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

Innovation and learning

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

Note:

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

Not progressing/ significant additional management action required

Progressing and additional management action planned

On target/ no need for additional management action

Measures under development

Summary | Highlights, challenges and actions

Highlights

Delivery year to date

- 220 (86%) of financial audits are complete

Resources

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

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

Challenges

Delivery

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

Resources

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

Actions

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

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

Delivery

Objective

Audits delivered on time and on budget

KPQ

Are audits delivered on **time**?

Target

95% of audits delivered on time



OVERVIEW **RED**

Financial Annual Audit Plans:

Year to date (YTD) we delivered:

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

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

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

Performance Audit

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

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

Year to Date

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

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

Objective

Audits delivered on time and on budget

KPQ

Are audits delivered on **time**?

Target

95% of audits delivered on time



OVERVIEW **RED**

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

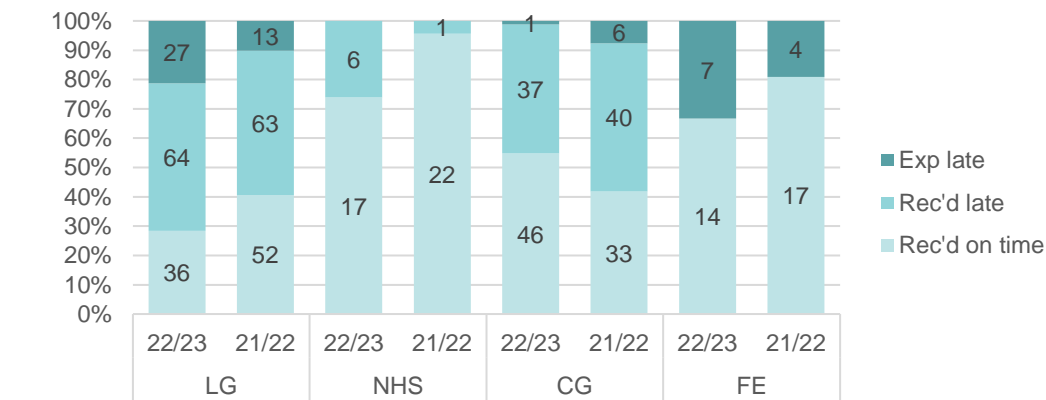
Financial Accounts: 86% of audits are complete, 44% on time.

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

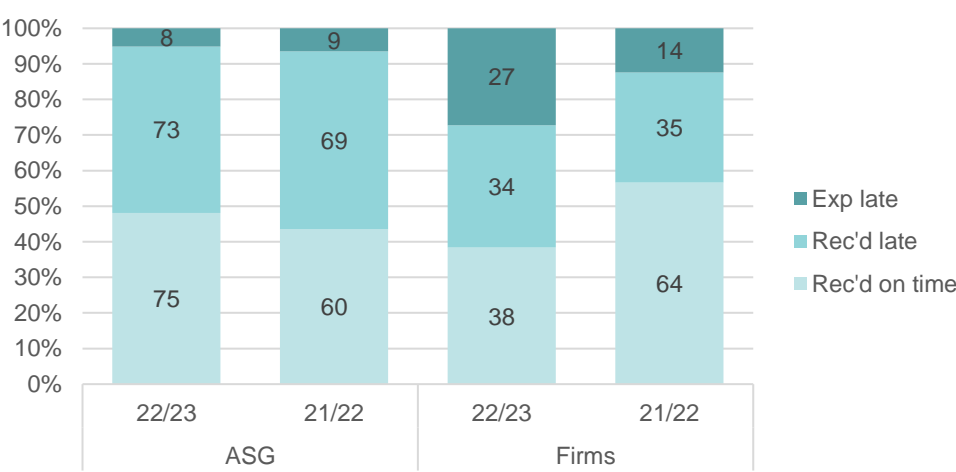
Planning Guidance Deadlines for delivery of financial annual audits are now in line with pre-covid dates. 2022/23 was the first year after rotation so auditors' portfolios are different, and the available time for delivery of NHS and Local Government audits is shorter than for last year.

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

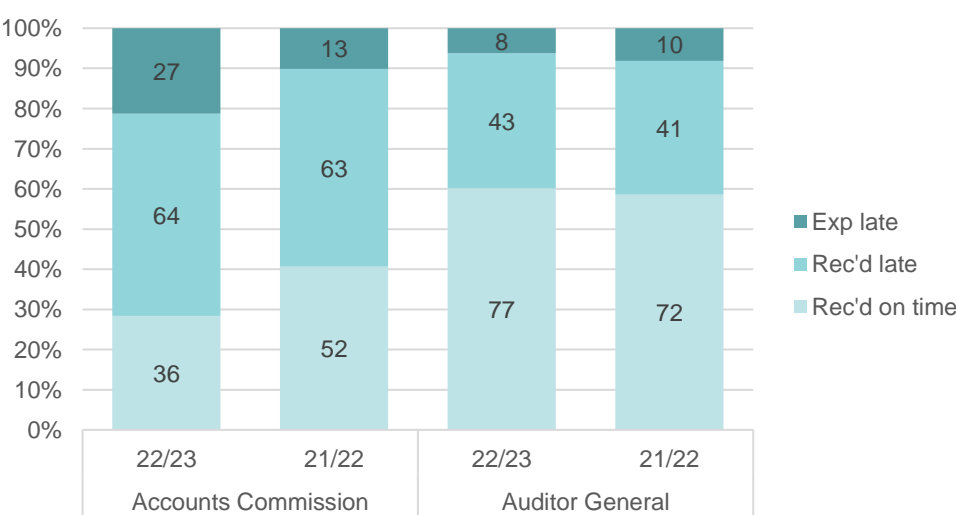
2022/23 Financial Accounts by sector as at 31/12/2023



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



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



Objective

Audits delivered on time and on budget

KPQ

Are audits delivered on **time**?

Target

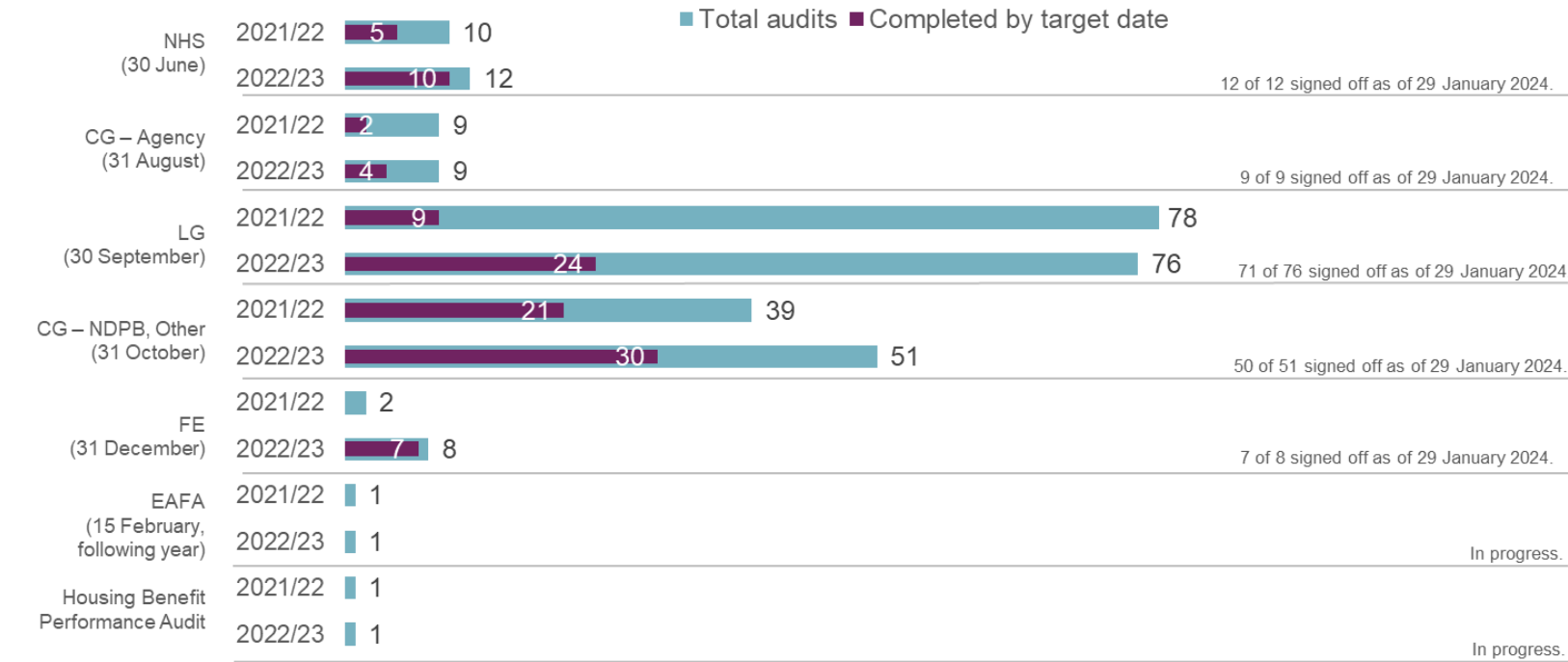
95% of audits delivered on time



OVERVIEW

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

Audit delivery – progress update (31 December)



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

Objective

Audits delivered on time and on budget

KPQ

Are audits delivered on **time**?

Target

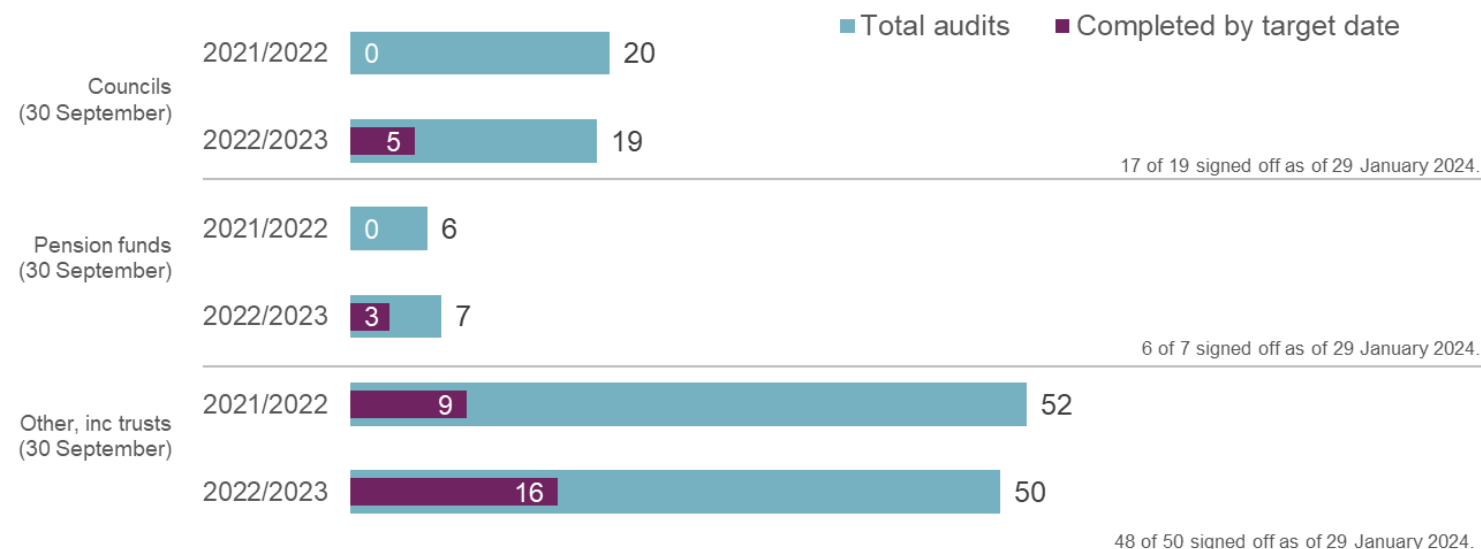
95% of audits delivered on time



OVERVIEW

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

LG splits – progress update (31 December)



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

Objective

Audits delivered on time and on budget

KPQ

Are audits delivered on **time**?

Target

95% of audits delivered on time

Performance, trend and RAG

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

Other factors which have impacted on delivery performance are:

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

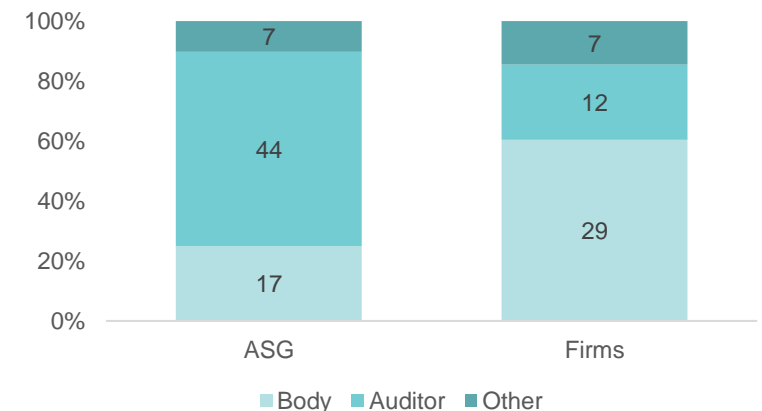
Auditors have managed the above additional challenges and maintained prior year audit delivery rates in 2022/23.

Reasons for delivery of audits after target dates

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

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

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



Objective

Audits delivered on time and on budget

KPQ

Are audits delivered on **time**?

Target

95% of audits delivered on time



OVERVIEW **RED**

Performance Audit

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

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

Year to Date

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

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

Performance Audit

Nine PABV products were delivered on time:

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

Objective

Audits delivered on time and on budget

KPQ

Are audits delivered on budget?

Target

+/-5% of budget



OVERVIEW Amber

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

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

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

PABV is reporting 14% under budget.

Risk

Risk register

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

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

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

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

Objective

Audits delivered on time and on budget

KPQ

Are colleagues **audit focused**?

Target

70% of available time on audit

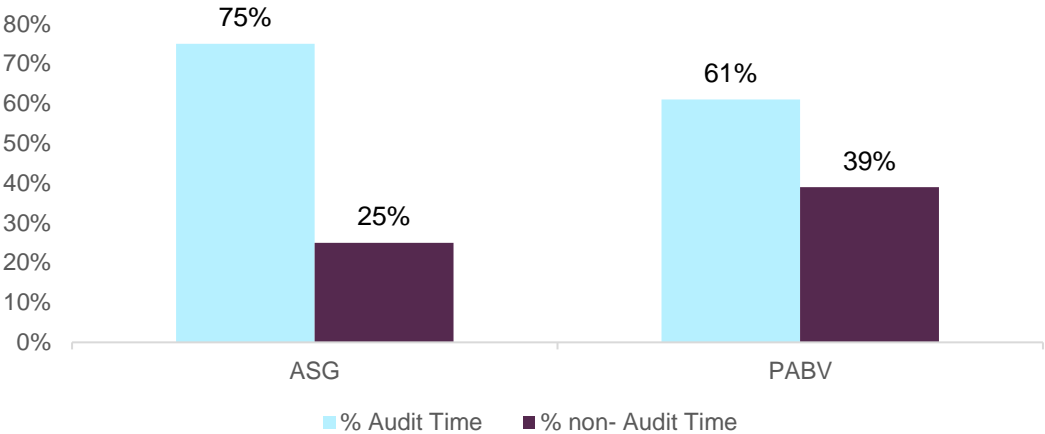


OVERVIEW **AMBER**

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

Available time does not include leave.

Q1 to Q3 Percentage of available time spent on Audit



Risk

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

Risk register

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

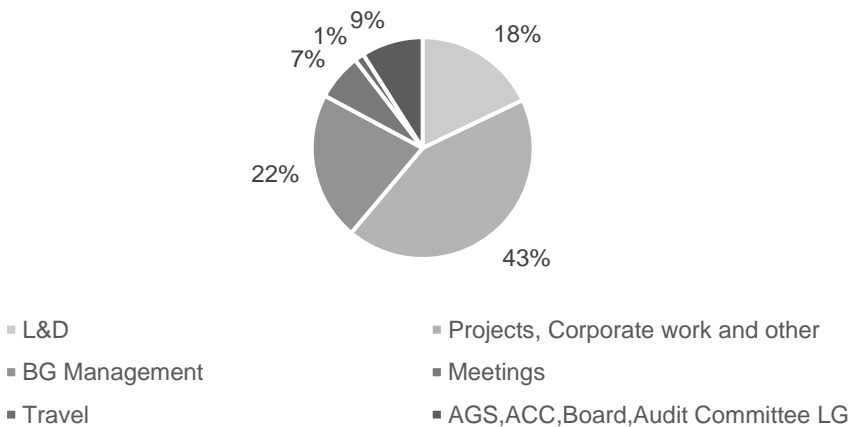
A5 – Failure of audit quality



A3 – Failure to deliver audits to deadlines



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



Objective

Audits delivered on time and on budget

KPQ

Are colleagues **audit focused**?

Target

70% of available time on audit



Performance, trend and RAG

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

Percentage of colleagues delivering audit in audit delivery business groups:

- ASG 95%
- PABV 88.3%

Non audit time includes time codes for:

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

Leave time codes include the following:

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

Risk

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

Risk register

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

A5 – Failure of audit quality ● ➡

A3 – Failure to deliver audits to deadlines ● ➡

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

Objective

Audit quality assurance results

KPQ

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

Target

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



OVERVIEW **GREEN**

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

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

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

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

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

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

Risk

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

Risk register

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

A5 – Failure of audit quality ● ➡

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

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

OVERVIEW GREEN

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

Media / broadcast:

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

Social media engagements:

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

PAC attendance:

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

Consultations:


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



Risk

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

Risk register

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

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

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

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

Objective

We communicate with stakeholders

KPQ

How are we **responding to enquiries from the public**

Target

Communication - Better than 95% on time

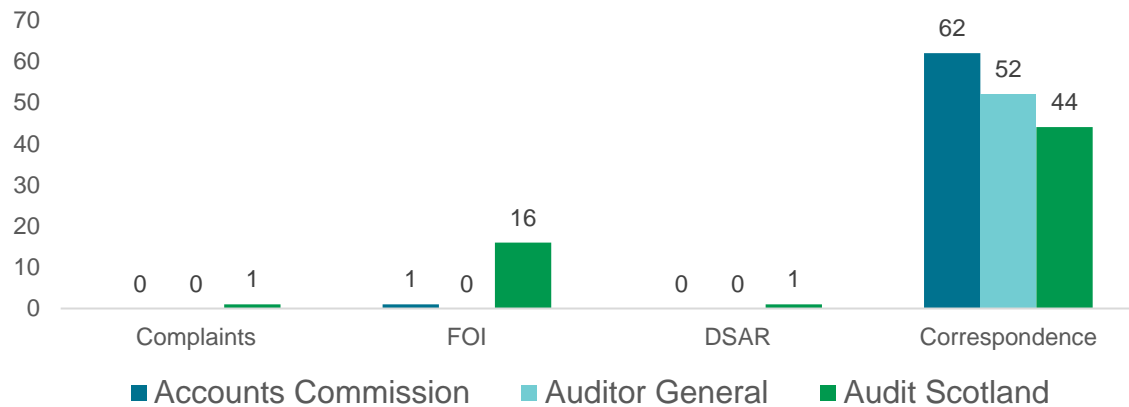


OVERVIEW

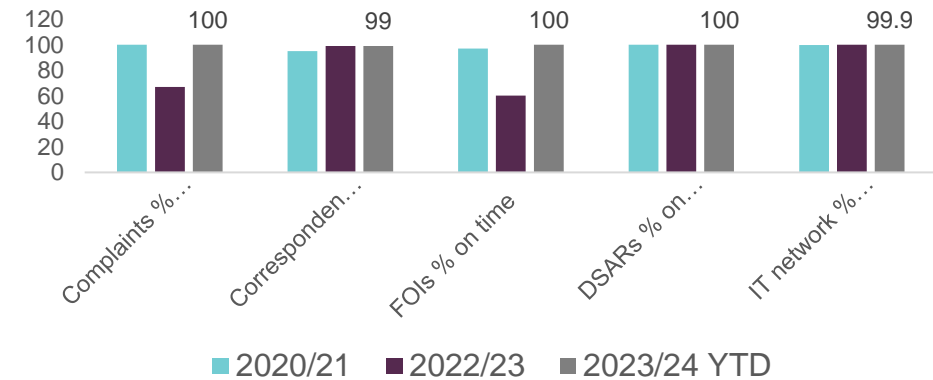
In Q3 we responded to:

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

Stakeholder engagement in YTD



Percentage on time



Objective

Progress against our **equality outcomes**.

KPQ

Are we progressing towards **our equality outcomes**

Target

TBC

OVERVIEW

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

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

Equality and Human Rights Steering Group (Internal)

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

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

Equality and Human Rights Advisory Group (external)

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

Objective

Progress against our **equality outcomes**.

KPQ

Are we progressing towards our **equality outcomes**

Target

TBC

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

Objective

Progress against our **equality outcomes**.

KPQ

Are we progressing towards our equality outcomes

Target

TBC

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

Resources

Objective

Our finances: Spend against budget

KPQ

Spend against budget - Organisation

Target

Break even

OVERVIEW **AMBER**

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

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

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

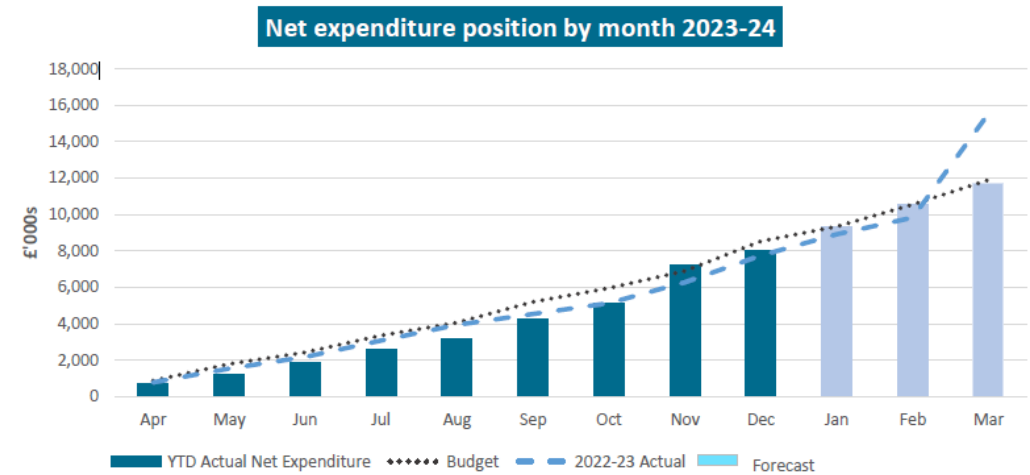
Pay - budgets include virements to cover the impact of the final pay award settlement being higher than the budget of 3%. The favourable variance is due to the average whole time equivalent (w.t.e.) position being 10.1 below funded establishment which includes a 2% vacancy/turnover factor.

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

Capital - £77k expenditure this financial year.

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

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



Objective

Our finances: Spend against budget

KPQ

Spend against budget - Organisation

Target

Break even

The current financial risks are:

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

Risk

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

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

Risk register

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

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

Objective

Our people: Right skills and capacity to deliver

KPQ

Capacity to deliver - people establishment

Target

+/-5% of establishment



OVERVIEW **AMBER**

Current staffing level vs **establishment**

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

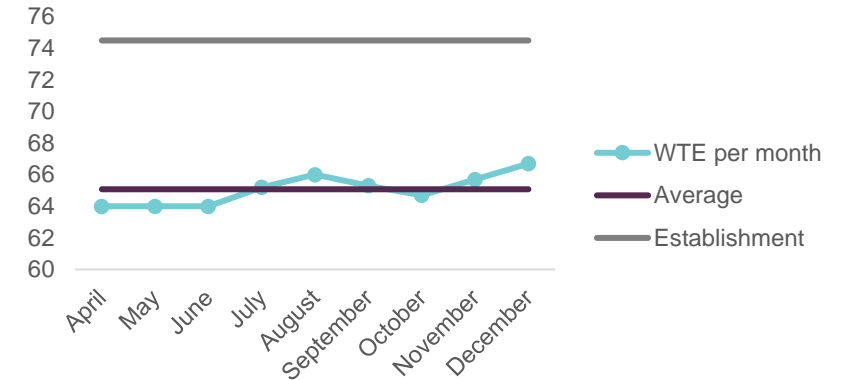
At the end of December 2023, the business groups were under establishment as follows:

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

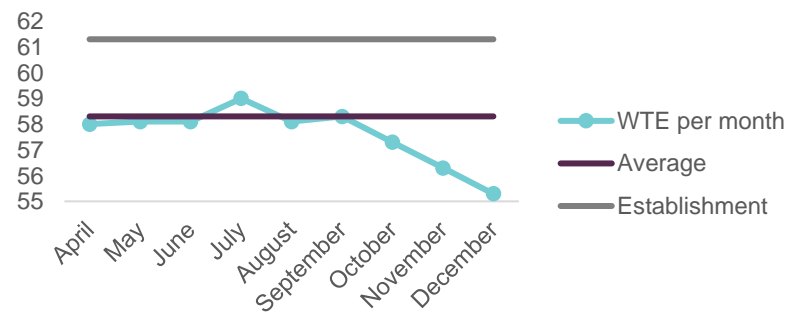
ASG - WTE staff in post 2023/24



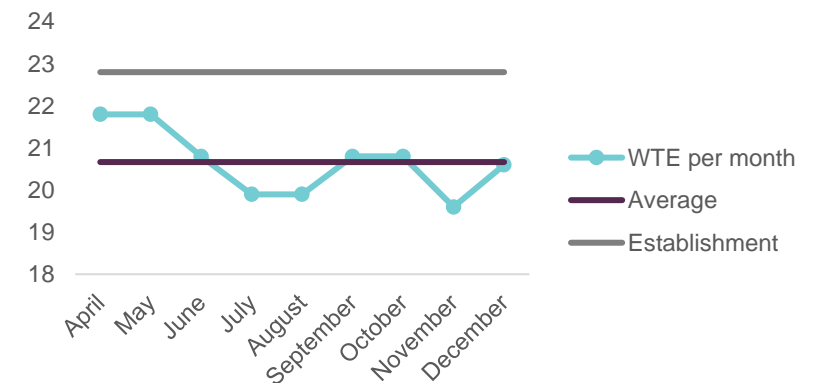
PABV - WTE staff in post 2023/24



CSG - WTE staff in post 2023/24



I&Q - WTE staff in post 2023/24



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

Objective

Our people: Right skills and capacity to deliver

KPQ

Capacity to deliver - People establishment

Target

+/-5%



Performance, trend and RAG

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

Actions include:

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

Risk

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

Risk register

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

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

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

Objective

Our people: Right skills and capacity to deliver

KPQ

People spend against budget.

Target

+/- %5 of budget



OVERVIEW **GREEN**

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

Risk

None

Risk register

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

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

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

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

Objective

Our people: Right skills and capacity to deliver

KPQ

Capacity to deliver - Wellbeing

Target

Per KPI



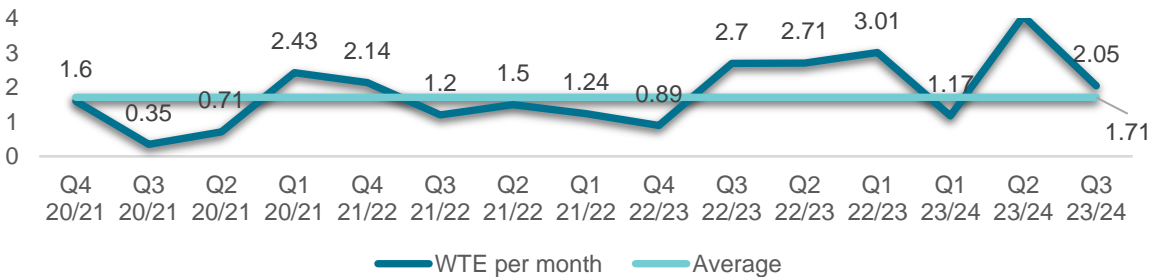
OVERVIEW Amber

Staff **turnover** YTD for all leavers in Q3 was **1.46%** (2.11% in Q3 last year). The graphic shows the variation for leavers above and below the average for the period 2020-21 to date. The variation is in most cases less than two percent above or below the average.

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

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

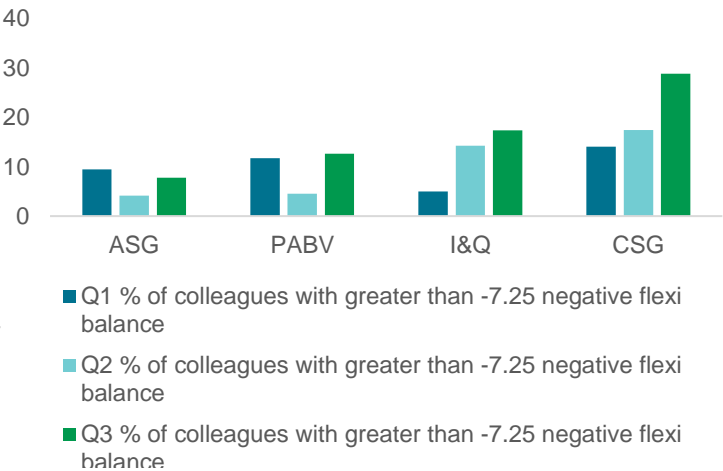
All Leavers 2021 to Q3 2023/24



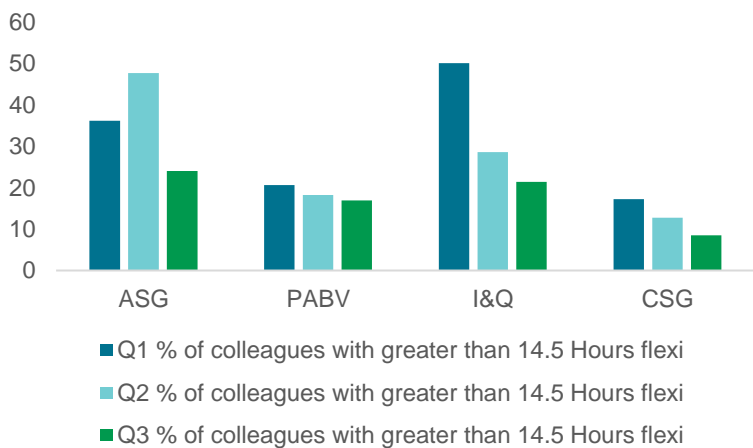
Q3 % Days leave outstanding



% of colleagues with greater than -7.25 negative flexi balance



% of colleagues with greater than 14.5 hours flexi



Objective

Our people: Right skills and capacity to deliver

KPQ

Capacity to deliver - **Wellbeing**

Target

Per KPI

Performance, trend and RAG

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

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

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

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

Risk

Wellbeing of colleagues is key to capacity to deliver

Risk register

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

A4 - Failure of capacity –establishment, deployment, skills  

Objective

Our people: right skills - Learning & Development

KPQ

Learning (L&D)

Target

Target per KPI

OVERVIEW **AMBER**

Performance, trend and RAG

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

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

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

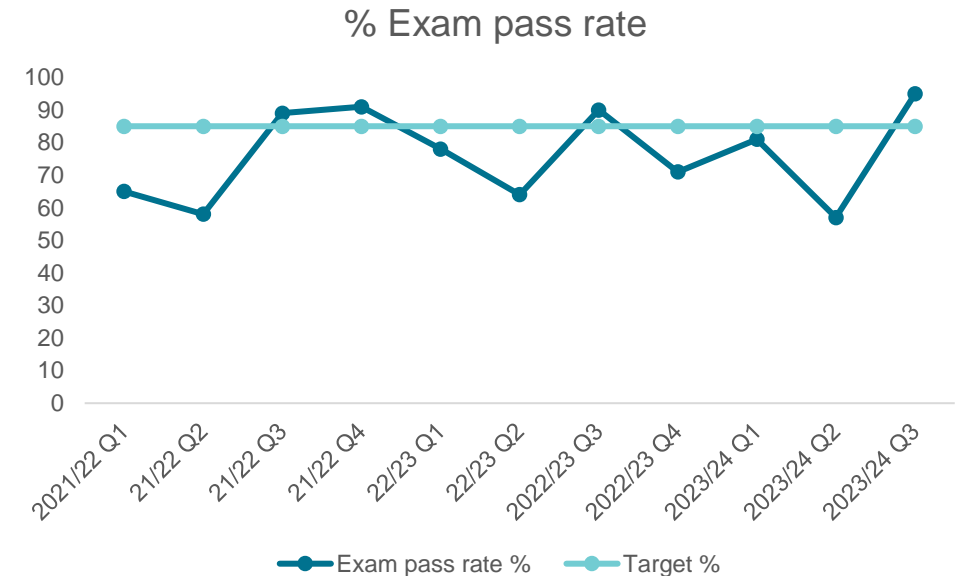
L&D in Q3:

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

Risk register

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

A4 – Failure of capacity – establishment, deployment, skills  



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

Innovation & Learning

OVERVIEW

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

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

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

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

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

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

Objective

Innovation driving audit transformation

KPI

Target per KPI

Target

Prior year performance

Performance

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

Risk register

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

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

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

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

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

Objective

Innovation & Learning - Insights

KPQ

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

Target

TBC



OVERVIEW

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

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

Ongoing Actions

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

Performance, trend and RAG

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

Q3 Financial performance report

Corporate Finance Manager



Item 13

Meeting date: 27 March 2024

Purpose

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

Recommendation

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

Background

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

Summary position

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

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

- 9.** At this stage of the new financial year the current forecast is £229.0k (1.9%) less than the budget allocation. The biggest financial risk is:
- The closing work in progress position on 31 March 2024 as we start 2023/24 audit work.
- 10.** Variance analysis is provided in the main body of this report.

Income

- 11.** Income recognition year to date of £18,088.3k is £119.9k (0.7%) less than budget.
- 12.** In-house audit income £8.2k less than budget broken down as follows:
- Unbudgeted prior audit year income of £118.1k recognised for the completion of 2021/22 audits in the local government sector.
 - 2022/23 audit fee income in health (£5.0k) and central government (£33.8k) more than budget with local government (£22.1k), EAFA (£67.3k) and further education (£6.0k) less than budget.
 - 2023/24 audit fee income in central government (£24.3k), further education (£2.6k) and EAFA (£1.3k) more than budget with local government (£54.3k) and health (£43.6k) less than budget.
- 13.** Income recognition for the firms is £181.1k (2.8%) less than budget due to:
- Unbudgeted prior year audit income of £225.1k recognised for completion of 2021/22 audits in local government (£86.3k), central government (£134.4k) and further education (£4.4k).
 - Fee income recognition for 2022/23 audits is less than budget in local government (£465.1k) with central government (£69.2k), health (£213.1k) and further education (£61.5k) income more than budget.
 - No fee income has been recognised for 2023/24 audits leading to an adverse variance of £284.9k.
- 14.** The completion of all 2022/23 audits and the fee income associated with these audits is planned in this financial year and the position is being closely monitored on a monthly basis.
- 15.** The balancing favourable variance of £69.4k is mainly due to unbudgeted bank interest on deposit balances and central charges recovery.

Pay expenditure

- 16.** Expenditure on pay and agency costs of £16,908.4k is £477.4k (2.7%) less than budget.
- 17.** The year-to-date underspend on staff pay is mainly due to:
- A volume variance with the average vacancy level for the year to date being 10.1 whole time equivalents (3.0%) less than funded establishment.

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

Non-pay expenditure

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

Contingency and financial risks

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

Capital expenditure

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

Virement

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

Financial Position

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

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

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

Capital – £77k expenditure this financial year.

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

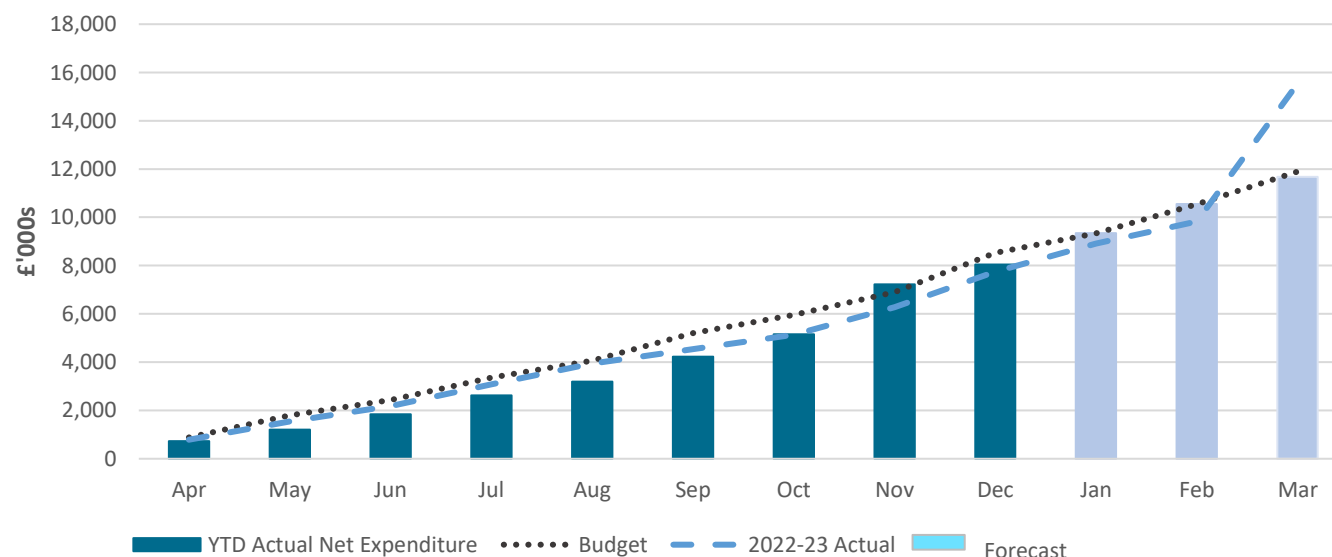
Forecast - based on September result and presented to ET on 16 January. The forecast includes the impact of the agreed pay offer.

Financial Risks

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

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

Net expenditure position by month 2023-24



Summary Balance Sheet £'000s			Summary Cash Flow £'000s		Capital Expenditure £'000s	
	31/03/2023	31/12/2023				
Total Non Current Assets	2,083	2,848	Net cash outflow from operating activities	(7,303)	Total Funding	300
Total Current Assets	6,528	5,893	Cashflows from investing activities	77	Audio equipment EH1/2	42
Total Current Liabilities	(8,649)	(6,921)	Obligations under leases	784	40 office chairs	20
Total Non Current Liabilities	(2,751)	(4,056)	Drawdown from Consolidated Funds	8,750	Dell power switch/laptops	15
Assets Less Liabilities	(2,789)	(2,236)	Net increase/(decrease) in cash/cash equivalents	2,308		
Taxpayers Equity	2,789	2,236	Net Cash requirement	6,442	Balance	223

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

Current assets – increase in cash and decrease debtors.

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

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

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

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

Appendix | Financial Performance by Business Group – December 2023

YTD financial position for each business group

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

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

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

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

Director of Corporate Support

Item 14
Meeting date: 27 March 2024

Purpose

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

Recommendations

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

Background

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

Annual review of FOI and EIR policy

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

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

Annual review of Data Protection policy

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

Conclusion

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

Freedom of Information and Environmental Information Policy

Owned and maintained by:	Corporate Governance Manager
Date checked/ created:	March 2023 <u>2024</u>
Next review date:	March 2024 <u>2025</u>

Introduction

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

Our approach

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

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

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

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

Scope

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

Roles and responsibilities

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

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

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

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

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

Information we hold

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

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

Training and awareness

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

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

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

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

Charges

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

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

Supplementary documentation

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

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

Change log

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

Data Protection Policy

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

Introduction

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

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

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

UK GDPR

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

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

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

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

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

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

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

- 9.1-10.1.** ensuring that all personal information is processed lawfully and in compliance with current data protection legislation;
- 9.2-10.2.** ensuring that our digital systems are secure, and that personal information will be stored securely;
- 9.3-10.3.** implementing effective systems for ensuring the rights of individuals, such as systems for handling and responding to data subject access requests within one month or receipt (requests from individuals to access their personal information);
- 9.4-10.4.** designing systems, processes and methods of working that protect personal information entrusted to us (privacy by design and default);
- 9.5-10.5.** undertaking data protection impact assessments as necessary for major new projects or when considering new software;
- 9.6-10.6.** full awareness of and on-going training in data protection legislation, its implications for our work, our data protection arrangements and our data loss/incident process;
- 9.7-10.7.** implementing effective systems for handling security breaches and data losses;
- 9.8-10.8.** ensuring that when we use a data processor that a written contract is in place so that both parties understand their responsibilities and liabilities;
- 9.9-10.9.** ensuring that any data processor we use also implements appropriate technical and organisational measures;
- 9.10-10.10.** conducting regular testing and reviews of our measures to ensure they remain effective, and act on the results of those tests where they highlight areas for improvement;
- 9.11-10.11.** understanding that encryption can be an appropriate technical measure to ensure that we process personal data securely;

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

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

Definition

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

12.13. It applies only to living individuals and covers their personal information held on physical or digital medium.

Data protection principles

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

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

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

15.16. To comply with the seven data protection principles, we will:

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

~~45.3.~~16.3. ensure that the personal information we collect is adequate, relevant and limited to what is necessary in relation to the purposes for which they are processed;

~~45.4.~~16.4. ensure the accuracy of personal information and, where necessary, keep the information up to date; personal information that is inaccurate will be erased or rectified without delay;

~~45.5.~~16.5. only keep personal information in a form which permits identification of data subjects for no longer than is necessary for the purposes for which the personal data are processed; personal data may be stored for longer periods insofar as the personal data will be processed solely for archiving purposes in the public interest, scientific or historical research purposes;

~~45.6.~~16.6. ensure personal information is only processed in a manner that ensures appropriate security of the personal information, including protection against unauthorised or unlawful processing and against accidental loss, destruction, or damage, using appropriate technical or organisational measures ('integrity and confidentiality'); and

~~46.7.~~16.7. ensure that we can demonstrate compliance with UK GDPR regulations by being able to evidence the steps we have taken to secure personal data including removal / redaction. We require to have a process in place to manage any requests, but also need to have a full audit trail to prove that we undertook the proper actions.

Disclosure of personal information

~~46.~~17. We will only disclose personal information to:

~~46.4.~~17.1. those who are entitled to the information;

~~46.2.~~17.2. any authority we are required to do so by law e.g. HMRC;
and

~~46.3.~~17.3. anyone to whom we are required to disclose it, such as individuals seeking to access their own personal data

Rights of the individual

~~47.~~18. The UK GDPR provides the following rights for individuals which we as an organisation must be cognisant of:

~~47.4.~~18.1. The right to be informed - this covers some of the key transparency requirements of the UK GDPR. It is about providing individuals with clear and concise information about what you do with their personal data. Articles 13 and 14 of the UK GDPR specify what individuals have the right to be informed about.

~~47.2.~~18.2. The right of access - this is commonly referred to as subject access and gives individuals the right to obtain a copy of their personal data as well as other supplementary information. It helps individuals to understand how and why you are using their data, and check you are doing it lawfully.

47.3.18.3. The right to rectification - Under Article 16 of the UK GDPR individuals have the right to have inaccurate personal data rectified. An individual may also be able to have incomplete personal data completed – although this will depend on the purposes for the processing. This may involve providing a supplementary statement to the incomplete data.

47.4.18.4. The right to erasure - Under Article 17 of the UK GDPR individuals have the right to have personal data erased. This is also known as the ‘right to be forgotten’. The right is not absolute and only applies in certain circumstances.

47.5.18.5. The right to restrict processing - Article 18 of the UK GDPR gives individuals the right to restrict the processing of their personal data in certain circumstances. This means that an individual can limit the way that an organisation uses their data. This is an alternative to requesting the erasure of their data. Individuals have the right to restrict the processing of their personal data where they have a particular reason for wanting the restriction. This may be because they have issues with the content of the information you hold or how you have processed their data. In most cases you will not be required to restrict an individual’s personal data indefinitely but will need to have the restriction in place for a certain period of time.

47.6.18.6. The right to data portability - The right to data portability gives individuals the right to receive personal data they have provided to a controller in a structured, commonly used and machine-readable format. It also gives them the right to request that a controller transmits this data directly to another controller.

47.7.18.7. The right to object - Article 21 of the UK GDPR gives individuals the right to object to the processing of their personal data. This effectively allows individuals to ask you to stop processing their personal data. The right to object only applies in certain circumstances. Whether it applies depends on your purposes for processing and your lawful basis for processing.

47.8.18.8. Rights in relation to automated decision making and profiling - Under Article 4 (4) any form of automated processing of personal data consisting of the use of personal data to evaluate certain personal aspects relating to a natural person, in particular to analyse or predict aspects concerning that natural person’s performance at work, economic situation, health, personal preferences, interests, reliability, behaviour, location or movements.

Data protection officer

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

Personal responsibility

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

Training and awareness

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

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

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

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

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

Misuse of personal information

25-26. Failure of staff to comply with this policy and the data protection principles may result in action under Audit Scotland's disciplinary policy.

Change log

Version	Date	Author	Description
13	12/04/2018	Corporate Governance Manager	Data protection policy changed to include GDPR requirements and the commencement of this change log.
14	26/03/2019	Corporate Governance Manager	Updated to reflect the further guidance updates on GDPR since April 2018
15	01/05/2019	Corporate Governance Manager	Revised policy approved by Audit Scotland Board

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