

Agenda

Audit Scotland Board

Friday 7 June 2024

Audit Scotland, 102 West Port, Edinburgh



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

Standing items

5. Review of draft minutes:
 - Board meeting: 21 May 2024 For approval
6. Review of action tracker For assurance

Strategic items

7. SIP Programme Board update For assurance
8. 2025-26 Budget timetable For discussion

Annual reporting

9. 2023-24 Annual report from the Chair of the Audit Committee to the Board For assurance
10. 2023-24 Annual report: Review of Remuneration and Human Resources Committee performance For assurance
11. Policy on the provision of Non-Audit Services by Audit Scotland's external auditor For assurance
12. 2023-24 Governance statement and certificate of assurance For approval
13. Letter of Representation and Audit summary report for the year ended 31 March 2024 For assurance
14. Annual review of counter fraud policy For approval

Business planning, performance and governance

- | | |
|---|---------------|
| 15. Q4 Corporate performance reporting | For assurance |
| 16. Q4 Financial performance reporting | For assurance |

Items to be taken in private

- | | |
|---|---------------|
| 17. 2023-24 Transparency report
[Item to be taken in private to support the effective conduct of business, intended for future publication] | For assurance |
| 18. 2023-24 Quality of public audit in Scotland
[Item to be taken in private to support the effective conduct of business, intended for future publication] | For assurance |
| 19. 2023-24 Draft Annual Report & Accounts
[Item to be taken in private to support the effective conduct of business, intended for future publication] | For approval |
| 20. Audit modernisation project update
[Item to be taken in private to support the effective conduct of business, intended for future publication] | For assurance |
| 21. Boardroom Apprentice Scheme
[Item to be taken in private to support the effective conduct of business, intended for future publication] | For approval |

Conclusion

- | | |
|--|-----------------|
| 22. Any other business | For discussion |
| 23. Review of meeting | For discussion |
| 24. Date of next meeting: 24 September 2024 | For information |

Minutes Board



Tuesday 21 May 2024, 10.00am
Audit Scotland, 102 West Port

Present:

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

Apologies:

There were no apologies

In attendance:

Vicki Bibby, Chief Operating Officer (Item 7)
Antony Clark, Executive Director of Performance Audit & Best Value
John Cornett, Executive Director of Audit Services
Kenny Oliver, Executive Director of Innovation & Quality
Helena Grey, Controller of Audit
Martin Walker, Director of Corporate Support (Items 11, 12, 13,14)
Ian Metcalfe, Corporate Performance Officer (Item 11,12,13,14)
Sara Tait, Corporate Support Officer (Item 11,12,13,14)
Ethan Bayne, Digital Security Specialist (Item 11,12,13,14)
Nicola Paton, Digital Project Manager (Item 11,12,13,14)
Michelle Borland, Head of Organisation Improvement (Item 15)
Gemma Diamond, Director of Innovation and Transformation (Item 15,16)
Simon Ebbett, Communications Manager (Item 16)
Niki Ross, Forum Support Coordinator (Minutes)

1. Private meeting of Board members

The Board met privately and there were no matters arising.

2. Welcome and apologies

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

The Chair welcomed attendees to the meeting.

3. Declarations of interest

There were no declarations of interest noted.

4. Items to be taken in private

The Chair invited members to agree that item 16 of the agenda be considered in private for the reasons stated on the agenda. The members agreed.

5. Chair's report – verbal update

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

The Chair confirmed that he would be attending Antony Clark's keynote session on 29 May 2024.

The Chair will be attending the pre-meeting with the Scottish Commission for Public Audit (SCPA) on the annual report and the Audit Modernisation session which will take place end of June 2024.

Following discussion, the Board welcomed the update.

6. Accountable Officer's report – verbal update

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

In relation to parliamentary activity, Stephen has been involved in sessions with the Public Audit Committee (PAC) on his proposed forward work programme. PAC has engaged with the Parliamentary Committees and Stephen is waiting on a formal response from this before finalising the forward work programme. There have also been private discussions with PAC on impact reporting in which Stephen welcomed the opportunity to discuss this at a future public meeting.

PAC has also had Accountable Officer sessions on the back of the reporting of the Scottish Prison Service, performance audit on Heat in Homes and the published briefing paper on the Government's National Strategy for Economic Transformation.

Stephen advised the Board that we will shortly be marking the 25th anniversary of the formation of the Scottish Parliament and will keep the Board updated on events around this.

In relation to external engagement, Stephen has had meetings with the Chief Executive of the Scottish Futures Trust, the Controller and Auditor General of the National Audit Office and, along with Vickie Bibby, has continued to meet with our appointed audit firms. Stephen has also participated with Audit Wales colleagues, at their staff conference, where they were exploring the scope of public audit in terms of current and future priorities.

Stephen highlighted that the Joint Report on Digital Exclusion will be published over the next few weeks.

Stephen highlighted that Mark Taylor, Audit Director of Audit Services, will be retiring shortly and expressed his thanks for Mark's many years of service to Audit Scotland.

Following discussion, the Board welcomed the update.

7. Chief Operating Officer's report – verbal update

Vicki Bibby highlighted the current engagement with PCS on the 2024-25 pay award. Work is also underway with Executive Team and Leadership Group on the budget setting process for 2025-26. Results from the Best Value review of Audit Scotland will be discussed at the next Leadership Group meeting on 28 May 2024.

Vicki advised that she attended the April and May meetings of the Accounts Commission and has had regular meetings with Jo Armstrong, Chair of the Accounts Commission. Vicki advised that the Change Programme has been closed which demonstrates our positive partnership working arrangements.

Vicki confirmed that the Executive Team would attend the Accounts Commission meeting in August 2024 to discuss Audit Modernisation. A joint session will be arranged with the Accounts Commission and the Board on the new audit appointment process towards the end of 2024.

In terms of parliamentary business, Vicki has regular catchups with the Clerks and meets fortnightly with Chief Operating Officers of other audit agencies. Vicki and John Cornett have also been meeting with the Scottish Government and NHS to discuss audit fees.

Vicki has met with the organisers of the Boardroom Apprentice Scheme and will bring a report to Board on 7 June 2024.

Vicki gave an update on our key recruitment activities including: Executive Director of Performance Audit and Best Value; Head of Governance and Performance and the Secretary to the Accounts Commission.

Following discussion, the Board welcomed the update.

8. Accounts Commission Chair's report – verbal update

Jo Armstrong advised of having chaired three Accounts Commission meetings since the Board last met in March 2024. The Accounts Commission and the Performance Audit and Best Value team have produced two reports.

Jo advised that she meets regularly with Ellen Leaver from the Scottish Government and is starting to meet with other agencies including the Society of Local Authority Chief Executives (SOLACE)

Following discussion, the Board welcomed the update.

9. Review of minutes

Board meeting: 27 March 2024

The Board noted the minutes of the Board meeting of 27 March 2024, copies of which had been previously circulated. The Board noted they were an accurate record of the meeting.

Audit Committee: 19 March 2024

The Board noted the minutes of the Audit Committee meeting of 19 March 2024, copies of which had been previously circulated. The Board noted the minutes were an accurate record of the meeting.

Remuneration and Human Resources Committee: 19 March 2024

The Board noted the minutes and confidential minutes of the Remuneration and Human Resources Committee meeting of 19 March 2024, copies of which had been previously circulated. The Board noted the minutes were an accurate record of the meeting.

10. Review of action tracker

Martin provided an update on the Glasgow office refurbishment and confirmed that the project is on schedule for completion at the end of June.

The Board noted and approved the updated action tracker.

11. 2023-24 Annual report on information governance and security

Ian Metcalfe, Sara Tait, Ethan Bayne and Nicola Paton joined the meeting.

Martin Walker introduced the annual report on information governance and security, copies of which had been previously circulated.

The Board was invited to:

- Note the contents of the report.

During discussion, members thanked the team for a comprehensive and excellent report.

Members noted the diverse range of assurance and controls in place to continue to strengthen defences and resilience to protect the organisation from potential threat.

Further discussion was on Audit Scotland's commitment to meeting the newly released Information Security Standard (ISO) 27002:22. Members noted that planning work is underway and that we have until 2025 to complete the transition.

Further discussion was on the tight restrictions around access and compatibility to our systems which members agreed is vital to protect the organisation.

The Board agreed that to continue to strengthen our resilience we need to invest in this area and welcomed the re-focus and re-alignment of the current team as well as supporting recruitment for additional posts.

Following discussion, the Board noted the annual report and was assured by the progress made to date.

Action: Vicki and Jo to explore the potential of rolling out Audit Scotland's mandatory cyber security training to Accounts Commission members.

12. 2023-24 Annual report on complaints

Martin Walker introduced the annual report on complaints, copies of which had been circulated previously.

The Board was invited to:

- Note the contents of the report.

During discussion, the Board discussed the frequency of reviewing the complaints handling process and were assured that we comply with the Model Complaints Handling Procedure.

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

13. Q3 2023-24 Annual Report on freedom of information and environmental information

Martin Walker introduced the annual report on freedom of information and environmental information, copies of which had been circulated previously.

The Board was invited to:

- Note the performance in 2023-24.

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

14. Information security management policy review

Nicola Paton introduced the review of the information security management policy, copies of which have been circulated previously.

The Board was invited to:

- Note the annual review of the Information Security Management Policy.
- Approve the policy.

Following discussion, the Board approved the annual review of the information security management policy.

Ian Metcalfe, Sara Tait, Ethan Bayne and Nicola Paton left the meeting.

15. Annual 2024-28 Audit Scotland international engagement strategy

Gemma Diamond and Michelle Borland joined the meeting.

Gemma Diamond introduced the annual 2024-28 Audit Scotland international strategy, copies of which had been circulated previously.

The Board was invited to:

- Note the progress against our international work strategy 2021-24 and how the new international strategy 2024-2028 builds on this.

- Approve the International strategy 2024-2028, included as Appendix 1.

Members discussed the reference to our ethical position and noted that this is linked to our reputational position in terms of who we would engage with and our principles around this.

Further discussion was on our default position to participate in international work remotely and that this shouldn't exclude an appropriate visit in person.

Members discussed areas to explore to inform our strategic interest and in particular 'measuring our impact' against future performance audits and agreed that this area should be broader and not specific to just performance audits.

Following discussion, the Board noted the annual review report and was assured by the progress made to date.

Michelle Borland left the meeting.

Items taken in private

16. Stakeholder opinion and feedback

Simon Ebbett, Communications Manager, joined the meeting.

Simon Ebbett introduced the stakeholder opinion and feedback report, copies of which had been previously circulated.

The Board was invited to:

- Note the results of the 2024 public opinion survey, 2023 MSP survey, 2024 audited bodies' survey and 2023 local government survey.
- Review and give feedback on the discussion points and next steps.

Members welcomed the report and agreed that the results give us a clearer and insightful picture of where we are.

Members discussed the results and in particular feedback on awareness, visibility and understanding of Audit Scotland and the Accounts Commission and agreed there is more work to be done in this area to raise our profile and to better share examples of best practice.

Following discussion, the Board noted the report on stakeholder opinion and feedback.

Simon Ebbett and Gemma Diamond left the meeting.

17. Any other business

There was no other business for discussion.

18. Review of meeting

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

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

The Chair thanked everyone for their contributions.

19. Date of next meeting: 7 June 2024

The members noted the next meeting of the Audit Scotland Board is scheduled for 7 June 2024.

Board action tracker 2024



Agenda							Complete/	
Meeting date	item no	Item title	Action description	Due date	Responsible	Assigned to	ongoing	Progress notes
21/11/2023	12	Board and committee meetings 2024	The Board agreed in principle to hold 21 May 2024 Board meeting in Glasgow, subject to works being completed and build in time after the board meeting for staff to join and meet with Board members	21/05/2024	Nicola Constable	Nicola Constable	Ongoing	21/12/23: Keeping on radar for progress on office build 19/02/24: Glasgow office due for completion 3 June. Planning to hold June's Board meeting in Glasgow, however kept room booking in Edinburgh as a contingency. 15/04/24 - placeholder for Glasgow as the first choice but still to be confirmed depending on the Glasgow Estates work. 09/05/24: June meeting won't be held in Glasgow as office completion not finalised.
21/11/2023	12	Board and committee meetings 2024	The Board agreed to review further options to visit other Audit Scotland office locations in 2024/25.	26/11/2024	Martin Walker	Martin Walker	Ongoing	21/12/23: Keep on radar for new Chair's meeting in 2024.
27/03/2024	11	Operational budget	Prepare a proposal to SPCA on the spend to save option discussed by members.		Vicki Bibby	Stuart Dennis	Complete	09/05/24: This was actioned as a letter to SPCA requesting to use these funds and the SPCA responded 2 weeks ago to confirm we can use these funds within our budget.
27/03/2024	12	Q3 Corporate performance report	Martin to quantify the cost of delayed audits and inform the Board.		Martin Walker		Ongoing	09/05/24: Ongoing
27/03/2024	16	Audit modernisation project	Executive Team to give further thought on setting up a workshop session with SCPA to discuss the audit modernisation project.	Sep-24	Vicki Bibby	Nicola Constable	Ongoing	20/02/24: Discussions ongoing with SCPA Clerks to hold a session in September as part of the SCPA Business Planning day. 15/04/24: Set up with SCPA for 24 June. Now with Kenny's team to take forward design and delivery of material.

Strategic Improvement Programme: Update

Director of Innovation and Transformation and Head of Organisational Improvement

Purpose

1. This report updates the Board on progress with the Strategic Improvement Programme (SIP), following the SIP Board meeting on 14 May 2024.

Recommendations

2. The Board is invited to note:
 - The progress with SIP projects summarised in this paper.
 - The progress made improving the underpinning budget data for SIP projects.
 - Future plans to develop project performance monitoring.

Background

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

Table 1: Current SIP projects with agreed goals

Project	Goal
Audit modernisation	Transformed audit approaches that are: <ul style="list-style-type: none">• Clearly defined, risk-based and data driven, to ensure compliance, quality and efficiency.• Delivered through integrated auditing software and tools that automate and standardise processes.• Delivered by confident teams and staff with the right skills in the right structure.
Insights	Deliver coordinated intelligence from impact monitoring and evaluation, stakeholder engagement and horizon scanning to: <ul style="list-style-type: none">• Support us to respond with agility to what's coming in the future.• Improve the information we have to inform decision making.• Support continuous improvement and innovation.• Better understand and report on the impact of public audit.• Help us promote the value of public audit.

Resource and management information (R&MI)

To renew and digitise the system that Audit Scotland uses for resourcing and reporting on all key aspects in the delivery of our work, specifically the outward facing audit work that we undertake with audited bodies across Scotland and also internally focussed corporate projects.

Considerations**SIP programme update**

4. At its May 2024 meeting, the SIP Board considered a programme update report, which set out the status of each project, based on supporting information including project plans, progress with project delivery and project risks. The status and expected timeline for each project is summarised in Table 2.

Table 2: Status and expected timeline of SIP projects

Project	Status	Expected timeline	Notes
Audit modernisation	Amber	June 2023 - October 2026 (Dependent on procurement route)	<ul style="list-style-type: none"> The project status is currently assessed as amber because the timing of some milestones is still to be agreed. Project team action in progress. No additional action requested from SIP board.
Insights	Green	June 2022 to August 2025	<ul style="list-style-type: none"> On target with no additional management action required.
Resource and management information	Green	January 2024 to March 2025	<ul style="list-style-type: none"> On target with no additional management action required.

Project budgets

5. Table 3 summarises the estimated total costs for each SIP project.

Table 3: Estimated total project costs as at May 2024

Project	Estimated costs (£)	Estimated internal costs (£)*	Estimated external costs (£)**
Audit modernisation	694,340	499,915	194,425
Insights	108,053	78,053	30,000
R&MI	147,000	17,000	130,000
Total	949,393	594,968	354,425

6. For all three projects the internal costs represent project team members who are permanent Audit Scotland colleagues working on the project. Costs are estimated based on day rates for the colleagues involved and the proportion of the time we expect they will spend on the project. The Board is invited to consider the additional context below for each project.

Audit modernisation

7. The estimated costs for the audit modernisation project include known costs for 2023-24 and 2024-25 only. External costs represent additional resource required, including costs for project management, assurance, legal, commercial and procurement advice. All costs will be met from existing budgets and efficiency savings where possible.
8. We are breaking the procurement and legal costs into smaller packages as required, starting with support for considering how we would partner with NAO. We can accommodate the assurance costs and this initial package of support from the I&Q budget making use of current underspend against establishment. We may need support from across the organisation for further legal and procurement costs depending on size, direction of the project and our budget position. The project has noted the risk of these additional costs.
9. We will agree the full project budget after developing the Outline Business Case with costs included in our 2025-26 budget proposals to the SCPA. As set out at the March SIP Board meeting, currently, the upper range of estimated costs of transforming our approach and procuring new software is between £3.9m and £6m in additional costs (up to 2031).
10. The audit modernisation project is discussed in more detail in a separate paper.

Insights

11. The estimated costs of the Insights project have increased since March from £90,000 to £108,053. This is due to adding in costs incurred between June 2022 and September 2023, which was before the full project plan and budget were developed and adding in additional costs for contingency. The external costs will cover external support with wider evaluation of impact against public audit in Scotland outcomes. All internal and external costs are covered within existing operational budgets.

R&MI

12. The estimated costs for the R&MI project have not yet been baselined and are based on the top end estimate of the annual cost of a new resourcing system (£70k). All internal costs and costs of the external project manager are covered within existing budgets. We will need to factor in the business case for the additional and recurring cost of the system solution into our future budget proposals.

Budget phasing and variance analysis

13. In line with SIP Board feedback, SIP project managers have undertaken further work on project budgets to support analysis of spend against budget. Table 4 sets out the phasing and spend to date since the projects started and planned annual spend for 2024/25 and 2025/26, where this is available.

Table 4: Planned phasing and spend versus budget

Project	Phased budget to 31 March 2024 (£)	Actual spend to 31 March 2024 (£)	Variance	2024/25 phasing (£)	2025/26 phasing (£)
Audit modernisation	52,744	35,209	-33%	641,596	Not yet phased
Insights	44,030	42,513	-4%	39,016	25,007
Resource & management information	25,000	24,468	-2%	122,000	N/A
Total	121,744	102,190	-16%	802,612	25,007

Project performance monitoring

- 14.** At its March meeting the SIP Board and Audit Scotland Board fed back that work should be undertaken to improve the consistency across and distinction between success criteria and success factors, including making the language more accessible and meaningful.
- 15.** While we have not yet undertaken a full review of success criteria and factors across the SIP projects, we recognise there is room for improvement in supporting projects to distinguish between these areas and how they are monitored and reported. This is primarily a reporting issue and is not holding up project progress.
- 16.** The SIP Board agreed that projects should seek to apply existing guidance on defining success factors and criteria and that projects should set KPIs based on success criteria and integrate success factors into the project risk management approach. We will update on progress in this area at the September Board meeting.

Review of SIP criteria and composition

- 17.** The current SIP purpose and criteria were agreed as part of the SIP refresh undertaken in early 2023 and are set out in Table 5. Within the SIP we define transformational change as follows: Change that evolves our basic structure – our strategy, culture, structure or processes – and leads to a fundamental shift in how we operate.
- 18.** We deliver transformational change to address major concerns, challenges or risks, or take advantage of major opportunities. It can be sudden and dramatic (like during the Covid-19 pandemic) or planned out over a longer period (like audit modernisation).

Table 5: SIP purpose and criteria

Purpose	Criteria
To provide a framework for transformational change projects to receive more capacity, scrutiny and direction to ensure that we deliver on our corporate plan strategic priorities and the outcomes in Public Audit in Scotland.	<ul style="list-style-type: none"> • The actions and intended outcomes impact more than one business group. • The projects intend to deliver transformational change, not just business as usual. • Intended outcome will require a significant change in approach, skills, and resources. • Intended outcome is critical to the achievement of the corporate plan. • Activity can be framed as a project with appropriate measurement criteria. • Activity is a SIP board priority.

- 19.** The SIP Board has been careful in its application of the criteria to decision-making, including considering whether projects are genuinely about transformational change or more at the adaptive end of the change management spectrum. It has also ensured that activities on the SIP can be clearly framed as projects and the introduction of the project management framework has supported this.
- 20.** At its meeting in May the SIP Board agreed a minor adjustment to the SIP criteria, as set out below, and no changes to the composition of the SIP.
- Specific mention of organisational culture and expenditure – Intended outcome will require a significant change in approach, skills, resource allocation, **planned expenditure** or **organisational culture**.
- 21.** The SIP Board agreed it would review the outcomes of the 2025/26 to 2027/28 operational planning process in September and use the refreshed criteria to assess whether any further projects should be added to the SIP.

Conclusion

- 22.** The SIP Board continues to scrutinise SIP projects to ensure they have the capacity and direction required to deliver transformational change. There are currently no significant risks to SIP projects to draw to the attention of the Audit Scotland Board. We have made good progress developing project budget reporting and have further work to do to improve project performance monitoring. We will update on progress with this in September.
- 23.** We have completed a review of the criteria for the SIP and have made minor changes to this. We will review the outcomes of the 2025/26 to 2027/28 operational planning process later this year and use the new criteria to assess whether any further projects should be added to the SIP.
- 24.** The next SIP Board meeting is in September and we will bring a further update to the Board at its September meeting.

Purpose

1. This report presents the proposed budget preparation timetable for 2025/26.

Recommendation

2. The Board is invited to:
 - Note the 2025/26 budget timetable.

Background

3. Based on the written agreement between the Scottish Commission for Public Audit (SCPA) and Audit Scotland the submission of detailed budget proposals to the SCPA is required no later than the first week in December each year.
4. For the 2024/25 budget proposal the SCPA took evidence on 11 December 2023. It is anticipated that for the 2025/26 budget proposal the session will take place at a date to be confirmed in December 2024.
5. The SCPA has also requested an informal budget proposal discussion on 30 September 2024 to discuss our initial draft proposals as part of the budget scrutiny process.
6. The budget will need to include the significant financial challenges identified in the Strategic Improvement Programme (SIP) such as the audit modernisation project as well as future pay awards, resourcing, firms' contractual obligations, operational business plans, hybrid working and fee income pressures.
7. The preparation of the 2025/26 budget proposal is based on the continued development of the one organisation joined up approach to developing a budget. The proposal will integrate organisational business planning and the people strategy. This approach will aim to assess cost and savings implications of various scenarios with a view to delivering key corporate objectives.
8. Early engagement with the Accounts Commission on Audit Scotland's budget proposals will also take place.
9. An initial discussion on the budget assumptions, proposals and funding implications is scheduled for the Audit Scotland Board meeting on 24 September.

Timetable

10. A timetable has been prepared to ensure that the 2025/26 budget submission meets the SCPA deadline and is attached as Appendix 1. It identifies the key actions required, dates for completion and the individuals responsible for delivering each action.

11. The approach follows previous years where Finance will work closely with budget holders to review and update budget projections for 2025/26.
12. A report of the first draft 2025/26 budget submission will be considered by Executive Team on 10 September 2024. Following discussion and approval at this meeting a provisional cost outcome and budget assumption report will be issued for Board approval at its meeting on 24 September 2024.
13. The timetable includes the new budget scrutiny session on the 30 September 2024 to enable early engagement with the SCPA on Audit Scotland's initial draft budget proposals before formal submission in early December.
14. Following Board approval on 24 September the draft SCPA budget proposal receives further scrutiny at Executive Team meetings on the 8 October and 5 November 2024.
15. Consultation with the Accounts Commission on budget proposals will commence in September 2024 with the aim to present a draft budget proposal at the Commission meeting scheduled for 7 November 2024.
16. The Board will formally approve the 2025/26 Budget proposal for submission to the SCPA at its meeting on 26 November 2024.

Next steps

17. Finance will work with budget holders to prepare a draft budget submission.

Appendix 1

	Milestone	Who	Complete by	Comments
1	Budget assumptions and Scenario Planning	SD/GD/MB/Budget Leads	May	At least 2 weeks before approval at ET below.
2	Budget Assumptions and Timetable for approval	ET	22 May 2024	
3	Provide budget holders base workforce plan numbers	Finance	19 Jul 2024	
4	Confirmation of updated workforce from budget holders to Finance	Budget holders	29 Jul 2024	
5	Consolidation of budget and workforce schedules	SD	31 Jul 2024	
6	Circulate establishment and cost centre first draft expenditure proposals to budget holders for review	SD	31 Jul 2024	
7	Initial discussion around material for SCPA Budget session on 30 Sept	ET	6 Aug 2024	ET Strategic Session Papers due 1/8
8	Return of business plans to Finance highlighting any additional requirements	Budget holders	16 Aug 2024	
9	Consolidation of budget returns/business plans	SD	21 Aug 2024	
10	Liaise with AQA on impact to expected fee income	AQA/SD	22 Aug 2024	
11	Leadership Team discussion	LT	27 Aug 2024	To be a joint item with Draft Business plan and workforce plan item at same meeting. Paper due 22/8. Michelle/Gemma/Martin/Stuart/Budget leads

12	Prepare SCPA Budget session material: needs discussion and approval with ET or at least COO/AGS/Chair	ET	3 Sept 2024	ET Strategic Session 3/9. Material due 29/8
13	Share SCPA Budget papers with Board members for comments	AS Board	10 Sept 2024	Papers due to Board 6/9
14	Initial review of budget submission	ET	10 Sep 2024	Item to be around 1 hour long. Should be an in-depth discussion. Possible include Gemma/Michelle/Martin/Budget Leads
15	Accounts Commission draft budget consultation	AC/AS staff	12 to 20 Sep 2024	
16	Final review of SCPA material	COO/AGS/Chair	17 Sep 2024	Due to colleagues by 15/9
17	Submit any papers to SCPA for session on 30 September	NB	20 Sep 2024	SCPA require papers 2 weeks before any session
18	SCPA budget session run through	All	24 Sep 2024	NB to schedule after ET meeting 22/5
19	Review of budget assumptions and provisional cost outcomes by AS Board	AS Board	24 Sep 2024	
20	Initial SCPA budget session		30 Sep 2024	
21	Informal Budget session with Board			TBC. We did this as part of the process in 2023 and should be replicated this year
22	ET further review of draft budget	ET	08 Oct 2024	
23	ET approval of budget proposal for Board review	ET	05 Nov 2024	
24	Accounts Commission update on draft budget	AC	07 Nov 2024	

25	AS Board approval of SCPA budget proposal	AS Board	26 Nov 2024	
26	Final approval of Budget for submission	COO/AGS/Chair	29 Nov 2024	Final version due 28/11
27	Submission of Budget Proposal to SCPA	AGS/COO	02 Dec 2024	
28	Approval of 2025/26 Operational Budget	AS Board	tbc	

2023-24 Annual report from the Chair of the Audit Committee to the Board

Chair of the Audit Committee

Item 9
Meeting date: 7 June 2024

Purpose

1. This report presents the annual report from the Audit Committee Chair to the Audit Scotland Board.

Recommendations

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

Background

3. The Audit Committee is a standing Committee of the Board established under Audit Scotland's Standing Orders. The Audit Committee consists of the members of the Board, other than the Chair of the Board and the Accountable Officer. In practice the Chair of the Board and the Accountable Officer attend the meetings as observers.
4. In May 2023, William Moyes resigned as Chair of the Accounts Commission. Tim McKay represented the Accounts Commission until 6 June when Ronnie Hinds became the Interim Chair of the Accounts Commission pending the appointment of the new Chair of the Accounts Commission, Jo Armstrong in February 2024.

Programme of work

5. The Audit Committee met five times in 2023/24 at Audit Scotland's Offices and via Microsoft Teams. In accordance with its Terms of Reference and the Audit Committee Planner, the committee considered a broad range of work across 103 agenda items, including 84 papers. This included reports and updates on:
 - Financial management.
 - Governance, including the annual assurance and statement of control process.
 - Internal and external audit.
 - Audit quality.
 - Organisational risk.
 - Information security and governance.
 - Business continuity.
 - The annual report and accounts.

6. The Audit Committee reviewed the rolling action tracker at each of its meetings.
7. The Audit Committee carries out an annual review of its effectiveness based on a self-assessment checklist completed by members. The evaluation process also included feedback from offers who attend and present reports to the committee. A report on the outcome of the review and the actions arising was presented to the meeting of the Audit Committee on 7 May 2024.

The annual report and accounts and financial management

8. The Audit Committee approved the timetable to facilitate the completion of the Statutory Accounts for the Year ended 31 March 2024 at its meeting on 19 March 2024.
9. The audit of the 2023/24 accounts has concluded and will be reported to the Audit Committee and the Board on 07 June 2024.
10. The Audit Committee considered financial performance reports each quarter.

Governance

11. The annual review of Audit Scotland's principal governance policies (Standing Orders, Financial Regulations and Scheme of Delegation) was undertaken in September 2023. The review resulted in minor changes.
12. In addition, the Audit Committee considered its Terms of Reference at the November meeting in line with the agreed annual review. No amendments were required to be made. The next review will be reported to the Audit Committee on 11 November 2024.
13. The Code of Conduct for members and employees was reviewed by the Board in September 2023 to ensure it remained up to date and in line with the model code published by the Scottish Government. The Code is published on the Audit Scotland website along with the annual declaration of members' interests.
14. The Audit Committee reviewed and approved the Business Continuity Plan and its supporting arrangements in March 2024. The Business Continuity Plan, which is subject to annual review, received minor amendments.
15. The Audit Committee considered a suite of annual assurance reports in accordance with the annual assurance and statement of control process. The reports were on:
 - Data Incidents.
 - Hospitality and Gifts.
 - Bribery and Fraud.
 - Whistleblowing.
 - Correspondence Handling and Whistleblowing.
 - Audit Quality.
 - Governance statement on internal control and Certificate of Assurance.

Internal and external audit

16. Wylie & Bisset were appointed by the Audit Committee as Audit Scotland's internal auditors in April 2022.
17. The external auditors and internal auditors have attended all of the Audit Committee meetings during 2023/24.
18. At each meeting there is a private session with both external and internal auditors. This provides the opportunity for the auditors to raise issues with members of the committee and for the committee to ask questions and seek the view of auditors. No material issues were raised during 2023/24.
19. At its meeting in March 2024 the Audit Committee considered a report from the internal and external auditors on their joint working arrangements.
20. The Audit Committee approves the programme of internal audit work each year. Wylie & Bisset carried out seven internal audits and one follow-up review during 2023/24. All reports were presented to the Audit Committee. An overall assurance assessment is given in each internal audit report for the design and operational effectiveness of systems and internal controls. The table below details the audits and overall assurance assessments:

Audit	Conclusion	Recommendations
GDPR July 2023	Strong	2 Low
Performance Audits & Best Value Audits July 2023	Strong	0
Contract Management November 2023	Strong	1 Low
Procurement & Appointment of Appointed Auditors November 2023	Strong	0
Cyber Incident Response Plan November 2023	Substantial	2 Medium
Overall Financial controls February 2024	Strong	0
Strategic Planning March 2024	Strong	1 low

21. There were six recommendations from the seven internal audits during 2023/24. Four recommendations were classified as low significance and two of medium significance. Management responses have been provided for all audit recommendations and work is being undertaken to implement them as appropriate.
22. The Corporate Governance team reports to the Audit Committee on progress with internal audit recommendations on a quarterly basis.
23. The internal audit service and scrutiny provided by Wylie & Bisset offered substantial assurances in the round for the 2023/24 annual internal audit report.
24. The Audit Committee is satisfied with the performance of internal audit with services delivered to the required standard for the year 23/24. Members were appreciative of the

'benchmarking' section within internal audit reports which provided Audit Scotland with a comparison against other organisations, and which considers current and evolving best practice.

25. The cost of the internal audit work for 2023/24 amounted to £24,960. This was a favourable variance of £5,040 against the £30k budget.
26. Wylie & Bisset completed all audits within the agreed 55 days during 23/24.
27. The internal audit plan for 2024/25 was approved by Audit Committee on 07 May 2024.

Audit quality

28. The Audit Quality Framework, approved in November 2019, committed to providing regular reporting to the Audit Committee on audit quality as well as to the Auditor General for Scotland and the Accounts Commission. Over the course of the last five years regular updates have been provided on audit quality to Audit Committee.
29. The framework uses a broad range of tools to assess audit quality including external and internal 'cold' reviews and surveys of audited bodies and auditors. This range of evidence continues to identify good practice and areas for improvement in audit quality.
30. The Quality of Public Audit in Scotland annual report 2023/24 was presented to the Audit Committee on 7 May 2024. The Audit Quality and Appointments team concluded that the quality of audit work is consistently good in Performance Audit and Best Value (PABV) audit and for five out of the six accountancy firms carrying out public sector audit work. The conclusion for the quality of financial audit work in the Audit Services Group (ASG) for 2022/23 is more mixed.
31. The independent quality reviews provide a clear indication that high quality standards are consistently being achieved in PABV audit work and that it can also be achieved in financial audit. Further work continues in some key areas to ensure that all the audit work meets the standards expected by all our stakeholders and in particular by the Auditor General for Scotland and the Accounts Commission.
32. At the same meeting in May the Audit Committee considered the Audit Scotland Transparency report 2024 and an update report on the Audit Quality Action Plan.
33. Taken together the above reports provide assurance and a positive direction of travel in relation to audit quality.

Risk management

34. Audit Scotland's Risk Management Framework was reviewed and approved by the Audit Committee on 19 March 2024. In accordance with the framework the committee reviewed the Risk Register at each of its five meetings.
35. The Audit Committee also considered quarterly reports on data incidents and noted the corrective actions proposed by Audit Scotland to reduce and prevent further incidents. It also received detailed six-monthly update reports on digital and cyber security risks.
36. The Risk Management Framework provides for risk 'deep dives'. These provide for more in-depth consideration of risks, or groups of connected risks and also provide for a more flexible approach than the risk interrogations that had preceded them.

37. In 2023/24 the Audit Committee undertook deep dives into capacity, delivery, the value of public audit and impact and reputation. In addition, the Board considered a deep dive into Artificial Intelligence and Audit Automation.
38. The Audit Committee agreed the schedule of deep dives for 2024/25 at its meeting on 19 March 2024.

Governance statement

39. The Audit Committee considered a report on the effectiveness of the systems of internal control. There were no matters arising from Audit Scotland's business groups which would require to be raised specifically in the Accountable Officer's governance statement.
40. Internal auditors provided Audit Scotland with reasonable assurance that there are no major weaknesses in the internal control system for the areas reviewed in 2023/24.
41. It is the Audit Committee's opinion, based on our scrutiny and oversight of the work of Audit Scotland, that the Accountable Officer and Board can take assurance that there are sound systems of internal control in place within Audit Scotland to support the achievement of the organisation's policies, aims and objectives as set out by the Audit Scotland Board.
42. On the basis of the work reviewed and progress made during 2023/24, the Audit Committee can advise the Board that, in its opinion, the internal control systems in Audit Scotland are effective.

Acknowledgements

43. The Chair of the Audit Committee thanks the members of the Audit Committee for their invaluable input during 2023/24.

Review of Remuneration and Human Resources Committee (Remco) performance

Chair of the Remuneration and Human Resources Committee

Purpose

1. The purpose of this report is to provide a review of the past 12 months of performance of the Remuneration and Human Resources Committee (Remco) and share future priority areas for discussion during 2024/25.

Recommendations

2. The Board is invited to note the report and the areas which the Committee will take forward as a priority for 2024/25.

Background

3. The Remco Terms of Reference state that a review of past performance of Remco is an annual item of business scheduled to occur at the May Remco meeting.
4. The process follows good practice for the operation of committees. The chair provides a separate report to the Audit Scotland Board and Accountable Officer following discussion by Remco members.
5. During 2023/24, Remco met as planned, in person in the West Port, Edinburgh office with MS Teams virtual attendance enabled where required by attendees.
6. Remco members welcomed Jo Armstrong, new Accounts Commission Chair to all Remco meetings from March 2023 onwards.

Considerations

7. During 2023/24 Audit Scotland's Remco met on four occasions:
 - 16 May 2023.
 - 29 August 2023.
 - 14 November 2023.
 - 19 March 2024.
8. The meeting held on 29 August 2023 was an extraordinary meeting and was convened to approve an updated pay award proposal which allowed pay negotiations to continue at Audit Scotland. The Accountable Officer also shared an updated Executive Team pay award proposal at that meeting.

9. At the August meeting, the Head of HR also took the opportunity to share the results of the 2023 stress survey. During discussion, Remco asked for the topic of employee wellbeing to become a standing item for its future meetings.
10. In accordance with its Terms of Reference the committee considered a broad range of work. This has included reports and updates on:

Strategy

- Regular updates about our business and workforce as we have managed the continued evolution of a hybrid model of working and the development of a new Innovation and Quality business group.
- Consideration and discussion of the 2023 employee stress survey results with resulting actions.
- Approval of the 2023/24 pay award and negotiations with the Public & Commercial Services (PCS), including the latest public sector pay policy in Scotland and the implications of this upon our own pay settlement, budget and fee strategy.
- Approval of the 2023/24 pay award for Executive Team members.
- Planned work around our future strategy on diversity, equality and inclusion.
- Approval of an Audit Scotland People Strategy in November 2023.
- Consideration of plans for talent management, succession planning and approving the wider workforce plans for 2024/25.

Governance

- Approval of a number of staff handbook policies.
- Annual review and assurance in connection with the expenses of the Auditor General for Scotland.

Performance

- Reviewing Audit Scotland's people reports produced throughout the year which included both the gender pay gap report and annual diversity report.
 - Annual review of Remco past performance and the setting of future priorities.
11. All this work has been achieved in accordance with good employment practice and is consistent with public sector policy guidance affecting organisations such as Audit Scotland.

Priorities for 2024/25

12. The main priorities for 2024/25 are set out in the [People Strategy](#), approved by the Remco in November 2023.
13. There will be an annual update to Remco on the progress being made on the actions identified in the strategy. This is likely to include updates on:

- New diversity, equality and inclusion and health, safety and wellbeing strategies being developed in partnership with [Business in the Community](#) and internal committees.
 - A fully integrated approach to future workforce planning in response to the demands arising from digital auditing, the competitive recruitment market and our early careers widening access ambitions. This will combine business planning, financial planning and people resourcing planning in one.
 - Succession planning, with a particular focus on Executive Team and roles within the organisation which carry a level of risk in the event of a departure.
 - Supporting the strategic improvement projects, in particular the audit modernisation project and what this will mean for the target operating model and learning and development requirements.
 - A new approach to employee performance and development.
- 14.** The Head of HR proposes that Remco continues to consider regular health and wellbeing updates in light of our evolving hybrid way of working, staff engagement and staff stress survey results. Therefore, wellbeing is proposed to remain a standing item for discussion.

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

Director, Audit Quality and Appointments

Item 11
Meeting date: 7 June 2024

Purpose

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

Recommendations

2. The Board is invited to:
 - Note that the draft policy was reviewed by the Audit Committee at its meeting on 7 May 2024 and was recommended to the Board for approval.
 - Approve the policy.

Background

3. The Audit Committee is responsible for developing and monitoring a policy on engaging the external auditor to provide non-audit services, taking into account relevant guidance on the provision of non-audit services by the external audit firm.
4. The SCPA appoints Audit Scotland's external auditors and may impose contractual restrictions or prohibitions on the external auditor providing non-audit services. In the absence of contractual restrictions, the Audit Committee and Audit Scotland Board are responsible for determining in what circumstances Audit Scotland may engage the external auditor to provide non-audit services.
5. The current policy on the provision of Non-Audit Services was approved in June 2023 and is reviewed annually.
6. The draft policy was considered by the Audit Committee at its meeting on 7 May 2024 and was recommended to the Board for approval.

Financial Implications

7. There are no financial implications.

Considerations

8. The Financial Reporting Council (FRC) updated the [Ethical Standard](#) in 2023. The revised standard becomes effective on 15 December 2024. There are no material changes regarding the provision of non-audit services.
9. The standard defines non audit services as

'any engagement in which a firm provides professional services to an audited entity other than the audit of financial statements of the audited entity.'

10. The current Audit Scotland policy states:

'5. It is important that Audit Scotland's external auditors are independent and seen to be independent in the work that they undertake. It is therefore not appropriate for them to provide any non-audit work that might be perceived to create a conflict of interest with their role as external auditors.'

- 11.** Audit Scotland has never needed to engage its external auditors to provide non-audit services. If Audit Scotland needed the professional services of an accountant or auditor, there is considerable in-house expertise. If in-house expertise was not sufficient or appropriate, then alternative sources such as the other UK audit agencies, or different firms, could be used without creating any risk of independence threats.
- 12.** I therefore propose that a simplified revised policy be adopted, whereby Audit Scotland shall not engage the external auditors to provide any non-audit services.
- 13.** In view of the proposed change, I also propose that the frequency with which the policy is reviewed moves from annual to a three-year basis.

Conclusion

- 14.** The revised policy is appropriate and in line with the FRC's Ethical Standard and is attached as appendix 1.

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

Owned and maintained by:	Director of Audit Quality and Appointments
Date checked/ created:	June 2024
Next review date:	June 2025

Introduction

1. The Audit Committee is responsible for developing and monitoring a policy on engaging the external auditor to provide non-audit services, taking into account relevant guidance on the provision of non-audit services by the external audit firm.
2. The Scottish Commission for Public Audit (SCPA) appoints Audit Scotland's external auditors and may impose contractual restrictions/ prohibitions on the external auditor providing non-audit services.
3. In the absence of contractual restrictions, the Audit Committee and Audit Scotland Board are responsible for determining in what circumstances Audit Scotland may engage the external auditor to provide non-audit services.

Scope

4. This policy applies to Audit Scotland.

Policy

5. It is important that Audit Scotland's external auditors are independent and seen to be independent in the work that they undertake.
6. It is therefore not appropriate for them to provide any non-audit work that might be perceived to create a conflict of interest with their role as external auditors.
7. On that basis Audit Scotland shall not engage the external auditors appointed by the SCPA to provide any non-audit services.

2023-24 Governance statement and certificate of assurance

Director of Corporate Support

Item 12
Meeting date: 7 June 2024

Purpose

1. This report informs the Board of the annual review of our internal controls to support the achievement of the organisation's policies, aims and objectives. It forms part of the suite of assurance reports in support of the Accountable Officer's governance statement in the annual report and accounts.
2. The report also provides the Certificates of Assurance on our internal controls from each of Audit Scotland's business groups.

Recommendations

3. Board is invited to:
 - Consider the certificates of assurance.

Background

4. Executive Team agreed to adopt the internal control checklist and certificate of assurance process in 2011 to support the Accountable Officer's governance statement.

Considerations

5. Business groups reviewed their internal controls in March and April 2024 with the aid of the internal control checklist. Based on the review and checklist findings the business group Executive Directors/ Directors completed and approved their business group's Certificate of Assurance.
6. Business group Executive Directors/ Directors reported that generally the controls in their areas have been and are working well. The responses, including evidence and detailed action points where relevant are available on SharePoint.
 - [Audit Quality and Assurance](#)
 - [Audit Services](#)
 - [Corporate Services](#)
 - [Innovation & Quality](#)
 - [Performance and Best Value.](#)
7. The Executive Team reviewed the certificates of assurance at its meeting on 22 May 2024 and did not identify any issues to bring to the attention of the Audit Committee.

8. The Audit Committee reviewed the certificates of assurance at its meeting on 7 June and did not identify any issues to bring to the attention of the Board.

Good practice

9. The annual assurance process has demonstrated good practice across the organisation's internal controls including:
 - Robust governance and performance reporting.
 - Strong communication and collaboration within and across business groups.
 - A focused internal audit programme on existing and new areas of work.



CERTIFICATE OF ASSURANCE

To: Audit Scotland's Accountable Officer

ANNUAL ACCOUNTS 2023/24: ASSURANCE FOR THE GOVERNANCE STATEMENT

- I am aware that, as Chief Operating Officer, you are required to sign a governance statement for the annual accounts for 2023/24. To assist you in that process, I can confirm that I Executive team have reviewed the required assurances from each business Group.
- Based on that review, and my own knowledge of internal control matters in Audit Scotland I can confirm that these controls have been, and are, working well. There are, in my opinion, no significant matters arising in my area of responsibility which would require to be raised specifically in the governance statement.

Name of Director: Vicki Bibby (Chief Operating Officer)

Signature:

A handwritten signature in black ink that reads "Vicki A Bibby".

Date: 25 May 2024

Annual review: Counter fraud policy

Director of Corporate Support and Head of Human Resources

Purpose

1. This report provides the Board with the annual review of the counter fraud policy.

Recommendations

2. The Board is invited to:
 - Note the review.
 - Note that the policy was reviewed by the Audit Committee at its meeting on 7 May 2024 and was recommended to the Board for approval.
 - Approve the Counter Fraud Policy.

Background

3. Fraud is a common law offence in Scotland and therefore does not have a legal definition. However, the Fraud Act 2006 provides a useful definition which should be referred to.

A person commits a fraud if they intend to make a gain for themselves or another, cause loss to another or to expose another to a risk of loss by:

- Dishonestly making a false representation.
 - Dishonestly failing to disclose to another person information which they are under a legal duty to disclose.
 - Dishonestly abusing a position that they occupy in which they are expected to safeguard, or not to act against, the financial interests of another person.
4. Audit Scotland requires a standard of absolute honesty and integrity from its employees. Trust is an essential part of this process and there is no room for dishonesty, either within Audit Scotland or with its clients or stakeholders. Integrity is one of our corporate values.
 5. The Audit Committee's Terms of Reference refer to fraud as follows

' 8. The Audit Committee will advise the Board and Accountable Officer on:'

 - *'Anti-fraud policies, whistle-blowing processes and arrangements for special investigations.'*
 6. The counter fraud policy is approved at Board level to reinforce its significance. The policy was last approved by the Board at its meeting on 17 May 2022.

7. The Audit Committee considers an Annual Report on Bribery and Fraud. While reviewing the 2022/23 annual report at its meeting on 16 May 2023, the Audit Committee agreed that the counter fraud policy should be reviewed on an annual basis.
8. The policy was reviewed by the Executive Team at its meeting on 23 April 2024 and was recommended to the Audit Committee.
9. The policy was reviewed by the Audit Committee at its meeting on 7 May 2024 and was recommended to the Board for approval.

Financial Implications

10. There are no financial implications arising from this policy, however any instances of fraud could have both financial and reputational implications.

Considerations

11. We carried out a review of the policy in April 2024. The policy remains fit for purpose and the proposed amendments are minor, relating to nomenclature, designations and a reference to the new corporate values.
12. The amendments are shown as tracked changes in the appendix to this report.
13. The annual report on bribery and fraud was considered by the Audit Committee at its meeting on 7 May 2024.

Next steps

14. The policy is supported by a Fraud Response Plan. This was last [reviewed](#) in April 2021 and will be reviewed and updated by the Executive Team in June 2024.

Conclusion

15. Audit Scotland is committed to the prevention and detection of fraud. This policy forms part of that commitment.

Counter Fraud Policy

Owned and maintained by:	<u>Head of</u> Human Resources & Organisational Development
Date checked/created:	April 2022 <u>2024</u>
Next review date:	June 2024 <u>2025</u>

1. This policy sets out our approach to preventing, investigating and reporting fraud. All employees must ensure they are familiar with this policy. Audit Scotland takes a zero-tolerance approach to fraud including bribery and corruption.
2. Fraud is a common law offence in Scotland and therefore does not have a legal definition. However, the [Fraud Act 2006](#) provides a useful definition which should be referred to. A person commits a fraud if they intend to make a gain for themselves or another, cause loss to another or to expose another to a risk of loss by:
 - dishonestly making a false representation;
 - dishonestly failing to disclose to another person information which they are under a legal duty to disclose; or
 - dishonestly abusing a position that they occupy in which they are expected to safeguard, or not to act against, the financial interests of another person.
3. Audit Scotland requires a standard of absolute honesty and integrity from its employees. Trust is an essential part of this process and there is no room for dishonesty, either within Audit Scotland or with its clients or stakeholders. Integrity is one of our corporate values.
- 3-4. This approach has been endorsed strongly by Audit Scotland's Board, which requires that all fraud investigations be reported to it via the Audit Committee.
- 4-5. Audit Scotland subscribes to the principles outlined in the Scottish National Fraud Initiative (NFI) instructions and the associated privacy notices. We will include data on our employees as part of the NFI exercise. Further information on the National Fraud Initiative is available from the [Counter fraud hub](#) on our intranet and external website. This policy should be read in conjunction with:
 - Audit Scotland's Code of Conduct
 - Scheme of Delegation and Financial regulations
 - Information security management policy and Information Acceptable Use policy
 - Whistleblowing Policy
 - Disciplinary Policy
 - Grievance Policy
 - Ethical Standards Policy.

5-6. Copies of these documents are located in Audit Scotland's Staff Handbook within SharePoint and are also available from the Human Resources & ~~Organisational Development~~ team.

7. Audit Scotland employees should be aware of the [Criminal Finances Act 2017](#) and are expected to comply with the law as set out in legislation. This Act targets corruption, money laundering and tax evasion and affects all UK organisations.

6-8. The Act builds on existing legislation to offer greater enforcement powers and additional measures to protect the public purse. Under section 52(1) tax is stated to include "duty and any other form of taxation (however described)". All government levies, excises, tariffs, as well as VAT, national insurance contributions, capital gains tax, income tax, corporation tax, inheritance tax and all other taxes are covered.

7-9. This policy requires Audit Scotland employees to report any instance of suspected fraud to their Director or [Audit Executive](#) Director. Where employees do not understand any aspect of the policy, they should seek clarification from their Director or [Audit Executive](#) Director.

8-10. All employees are required to read and agree to Audit Scotland's [Code of Conduct](#) annually. This includes disclosing any potential conflicts of interest. The [Compliance Ethics](#) Partner /~~Compliance Manager~~ is responsible for reviewing all disclosures and addressing any conflicts that arise.

9-11. Educational information may be issued to employees from time to time by Audit Scotland concerning fraud prevention by way of briefing notes, training programmes or ad-hoc advice. The Board and [Management Executive](#) Team strongly support the counter fraud efforts of Audit Scotland. Please ensure you take note of any guidance issued and raise any queries or concerns with your line manager.

10-12. It is important to be clear that, as an employee of Audit Scotland, you have stewardship responsibilities for any property and information of Audit Scotland and/or the bodies we audit entrusted to you and under your control. This property and information must be safeguarded from inappropriate access, loss or theft.

11-13. It must also be recognised and accepted that fraud is possible in our organisation. If this is not recognised or accepted, then it is unlikely that fraud will be identified even if it is evident. Symptoms of fraud are frequently viewed as administrative errors because employees cannot believe that a colleague could possibly have committed such an act, particularly where affiliation has developed over a long period of time. Therefore, you should consider the following to help reduce the risk of any impropriety:

- Identify property for which you have responsibility e.g. computers, flash drives, audit files (including those in archive), departmental expenditure, credit cards, Audit Scotland mobile phones, supplies and leased company cars.
- Identify risks associated with safeguarding this property and information. Ask yourself:
 - How could this property or information be misused or improperly used?
 - If this property or information were misused or misappropriated, how would I know?

-
- What controls exist to prevent or detect inappropriate use or loss of property or information?
 - What additional controls are necessary to ensure the property or information is adequately protected from loss?
 - Is the cost of these additional controls reasonable in relation to the risk involved?
 - Establish a positive control environment in your department. It is important to demonstrate control consciousness – interest and concern for internal control should be communicated to all employees. Ensure that an adequate system of internal control exists within your department. The key points to consider are:
 - separation of duties
 - physical safeguards over property, in the office, on Audited body sites, at home or whilst travelling on business
 - proper documentation and authorisations, with consideration of any remote or virtual processes and procedures
 - adequate supervision e.g. independent checking of key transactions.

12-14. Audit Scotland aims to recruit honest employees. The degree of background checking is dependent on the level of accessibility to significant Audit Scotland assets. Certain information available from background and security checks is classified as personal, sensitive and / or confidential. This means that access to this information is restricted and it must be held in a secure manner. Human Resources lead on security and background checks¹ which is why you should speak with them prior to any formal checks being undertaken.

What should you do if you suspect fraud or corruption, or that ‘something is wrong’?

13-15. Employees are often the first to realise there may be something seriously wrong. However, they may not express their concerns because they feel to speak up would be disloyal to colleagues or to Audit Scotland. Employees may also fear harassment or victimisation so feel it is easier to ignore the concern rather than report what may just be a suspicion of malpractice. See Audit Scotland's [Red Flags \(Procurement\) document](#) for examples of situations where flags may be identified.

14-16. Audit Scotland's Whistleblowing Policy is intended to encourage employees to report concerns via Audit Scotland's procedures rather than overlooking a problem. The Board is committed to acting on all reports of suspected fraud and corruption both from within Audit Scotland and across the public sector.

15-17. Be assured that there will be no recriminations against employees who report reasonably held suspicions. Victimising or deterring employees from reporting any concerns is a serious

¹ All Audit Scotland employees are subject to a Basic Disclosure Scotland check. Those who are accountants or training to become accountants are subject to a Standard Disclosure Scotland check. Further enhanced security vetting and background checks for employees involved with certain clients or work are undertaken by external bodies instead of our HR team. Senior management in each business group should liaise with the Head of HR prior to any such checks being commissioned.

disciplinary matter. Any contravention of this policy should be reported in accordance with Audit Scotland's Disciplinary and Grievance Policies.

16-18. Abuse of this policy by raising malicious allegations could be regarded as a disciplinary matter.

17-19. If you have good reason to suspect a colleague, contractor or other person of fraud or an offence involving Audit Scotland or an audited body you should discuss it first with your manager. If you suspect your manager, you should go to the next most senior person above them in accordance with Audit Scotland's approach in the Disciplinary and Grievance Policies. Alternatively, you have the option to:

- Discuss the matter confidentially with the Chief Operating Officer; or
- Advise the Chief Operating Officer anonymously of your concerns.

18-20. You may find it helpful to read Audit Scotland's Whistleblowing Policy which provides further information.

19-21. If you and your manager decide between you that your suspicion may be justified, the matter must be reported to the Chief Operating Officer. Audit Scotland will then take the appropriate action, as follows:

- Implement its Fraud Response Plan.
- Refer the matter to the Audit Committee.
- Refer the matter to the Police, if appropriate.
- Report back to the Audit Committee in all cases.

20-22. Do not approach the individual(s) about whom you have concerns and do not discuss the matter with anyone else.

Q4 Corporate performance report

Director of Corporate Support

Item 15
Meeting date: 7 June 2024

Purpose

1. This report provides the Board with a review of organisational performance as at quarter four (Q4) 2023/24.

Recommendations

2. The Board Team is invited to:
 - Review the performance in Q4 as set out below and in appendix 1.
 - Consider the issues affecting performance, the actions identified and whether any additional management action is required.

Background

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

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

5. The Q4 performance report was reviewed by Executive Team at its meeting on 22 May 2024.

Performance overview

6. The infographic below provides a summary of performance as at Q4.

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

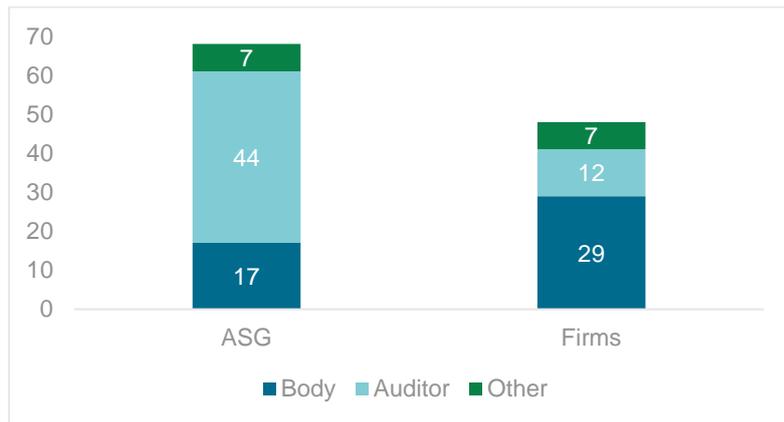
Performance overview 2023/24

- The delivery of **financial audits** has improved compared to last year in absolute terms. However, the planning guidance dates have returned to the pre pandemic dates and are earlier for some sectors and as a result the proportion of audits meeting the new dates has reduced compared to last year.
- In **ASG** there is an action plan in place to recover audit delivery timeliness to 95% by the end of the appointment round. Actions include securing additional capacity, closer coordination with PABV on resourcing and the delivery of Best Value requirements, a with greater proportion of work undertaken by PABV and audit teams being empowered to act at the local level to reduce the amount of audit work undertaken, remove duplication and take action to reduce inefficiencies. There are also continued improvements in management to provide a better focus on utilisation of staff through productivity, availability and deployment data, monthly, formal reporting of audit delivery forecasts and financial budget reports to ASGMT to drive remedial action and inform resourcing decisions and closer coordination between ASG and I&Q to understand the workload and resourcing impact of changes in audit requirements and expectations.
- For the **Firms** - each auditor has set out the measures they will implement to incrementally bring performance back to target dates. In some cases, this will take until 2026/27 audits to maintain audit quality and staff wellbeing. These measures include additional recruitment, prioritisation, debrief and lessons learned sessions, and quicker escalation when delivery is not as expected. AQA is monitoring performance closely and AQA, the Chief Operating Officer and the Accountable Officer have been meeting with representatives of the Firms.
- The **delivery of performance audits** has been strong. We have delivered 38 Performance audits/reports with 89% on time.
- Quality**- taken together the Quality of Public Audit in Scotland 2023/24 report, transparency reports and the audit quality action plan provide assurance and indicate a positive direction of travel.
- Resourcing** - the target for Audit Scotland is to break even as required by the Public Finance and Accountability (Scotland) Act 2000.

13. In 2023/24 the operational underspend was £9k (0.1%) with the balance of £1,880k relating to the non-cash in-year pension service cost adjustment required under International Accounting Standard 19 (IAS 19).
14. We are within 5% of establishment and are in the process of securing additional resources. The implementation of the People Strategy is under way.
15. **Impact & insight** – impact reporting is now established and further developments are under way. Metrics have been developed and targets will be set as data becomes available.

Financial audit delivery

16. The deadline dates for the financial audits have returned to the pre covid dates. This means that the time available to complete the NHS and Local Government audits is shorter than it was for the 2021/22 audit year.
17. In quarter four the focus remained on the delivery of the outstanding accounts and delivery of 2023/24 Annual Audit plans.
 - 235 (93%) of Annual Accounts were completed. (44% on time compared to 51% 2021/22).
 - 23 (100%) of NHS audits were completed (74% were on time compared to 96% in 2021/22)
 - 113 (90%) of local government audits were completed (28% on time compared to 43% in 2021/22)
 - 84 (100%) of central government were completed (54% on time compared to 35% 2021/22)
 - 15 (71%) of further education audits were completed (67% on time compared to 81% 2021/22)
 - 162 (80%) of the 202 2023/24 Annual Audit plans due were delivered, 136 (67%) were on time.
 - As at 31 May 2024 19 audits were outstanding as at the end of quarter 4 (2 ASG, 17 Firms). A verbal update on the latest position will be provided at the meeting.
18. An analysis of the audits that have been delayed indicates that audits were delayed for a variety of causes, which have been summarised as either:
 - due to the body (including Board sign off date after deadline, availability of staff at audited bodies, body late providing evidence and audit amendments),
 - due to auditor (including prioritisation of other audits, phasing to accommodate scaling up, and availability of audit staff).
 - other (including late sign off of 2021/22 audits and delays in obtaining assurances from other auditors):
19. The breakdown of reasons is shown in the graphic below:



ASG delivery

- 20.** The Audit Services Group (ASG) portfolio of audits for this appointment round is larger than in the last appointment round (159 compared to 139 previously). The portfolio also contains some large and complex audits, as well as more audits of Further Education (FE) colleges, these have a later sign-off deadline of 31 December 2023.
- 21.** The change in deadline dates mean that direct year-on-year comparisons are more complex than in previous years. An analysis of delivery using rebased target dates for ASG and the Firms is included in slides 9 and 10 of the appendix to this report. This indicates that timeliness of audit delivery against planned sign-off dates is improving for ASG audits.
- 22.** As outlined within our [Audit Scotland Business Plan 2023-25](#), approved by the Board in September 2023, our aim remains to use 2022/23 audits as the baseline, and to improve the timeliness in delivery of the annual audit of 159 public bodies against the timescales specified by the Auditor General and Accounts Commission in the planning guidance, through focused, risk-based improvements over the remaining four years of the current appointment round that maintain audit quality.

Delivery by the Firms

- 23.** The Firms have 17 Accounts outstanding and some of the Firms are experiencing challenges in delivering to the scheduled deadlines.
- 24.** An analysis of delivery using rebased target dates for the Firms is included in slides 9 and 10 of the appendix to this report. This indicates that timeliness of audit delivery against planned sign-off dates is improving slightly – though there are some issues to address by some Firms.
- 25.** Each auditor has set out the measures they will implement to incrementally bring performance back to target dates based on an analysis of the causes of delays. In some cases, this will take until 2026/27 audits to maintain audit quality and staff wellbeing. These measures include additional recruitment, prioritisation, debrief and lessons learned sessions, and quicker escalation when delivery is not as expected.

Performance audit/ statutory reports/ other reports delivery

26. Twelve performance audits/ other reports were scheduled for Q4 and all were delivered on time. The reports were:

Auditor general

- [Administration of Scottish Income Tax 2022/23](#)
- [Decarbonising Heat in Homes Performance Audit](#)
- [National Strategy for Economic Transformation Briefing](#)
- AGS Budget Briefing (Internal)
- [NHS in Scotland 2023 Overview](#)

Accounts Commission

- [BV Controller of Audit report: Dumfries and Galloway Council](#)
- [Local government financial bulletin 2022/23 Briefing](#)
- [S102: Renfrewshire Council \(Dargavel\) \(External Firm\)](#)
- [BV Controller of Audit report: Orkney Islands Council](#)
- LG budget briefing (Internal)
- [BV Controller of Audit report: Moray Council](#)
- Annual Assurance and Risks Report (AARR) (Internal)

Resources and capacity

Budget

27. The target for Audit Scotland is to break even as required by the Public Finance and Accountability (Scotland) Act 2000.
28. In 2023/24 the operational underspend was £9k (0.1%) with the balance of £1,880k relating to the non-cash in-year pension service cost adjustment required under International Accounting Standard 19 (IAS 19).
29. At the end of March 2024 Audit Scotland's total expenditure funded by the Scottish Consolidated Fund was £10,258k which was £1,942k (15.9%) less than budget. Net operating expenditure of £10,011k was £1,889k (15.9%) less than budget. Additional information is contained on slide 20 of the appendix

People

30. The number of WTE at end of March 2024 was 331.4, against an establishment level 347.1 WTE. Year to date this equates to 95.5%. The breakdown by business group is included in Appendix 1.
31. Recruitment and selection campaigns are under way to fill vacancies across the business groups.

- 32.** We have secured agreement from the SCPA that some budget savings arising from changes in pension costs can be retained to provide additional fixed term capacity to support the audit recovery process.
- 33.** Staff turnover for 2023/24 for all leavers was 9.33% compared to 8.7% in 2022/23. In Q4 it was 2.04% compared to 1.19% in Q4 last year). This compares to the benchmark of 22.5% (2022).
- 34.** The sickness absence rate for 2023/24 was 6.01 days compared to 4.66 in 2022/23. In Q4 it was 1.86 days per employee compared to 1.27 days in Q4 last year. This remains below the average benchmarking figures for UK workplaces. The recent CIPD health and well-being at work 2023 report explores health, wellbeing, and absences in UK workplaces. The survey has found the highest absence rate in over a decade, 7.8 days per employee and 10.6 days for public sector bodies.

Innovation & Learning

- 35.** The pass rate for exams is 92% which is an improvement on the 85% achieved in 2022/23 and the percentage of mandatory training days completed 79% (Target 95%).
- 36.** We are making progress with developing and monitoring measures in relation to innovation and learning and we have added detail in the appendix at slides 30 to 31.

Developments in performance reporting

- 37.** We are continuing to develop and refine our data collection, analysis, and reporting arrangements. This includes the increased use of targets, time series data and benchmarking.
- 38.** The Resourcing and Management Information project as part of the Strategic Improvement Programme. The purpose of this project is to assess the business need for and market availability of a resourcing and management information system so that we can deploy our people and analyse and report on performance in a more effective way and the project team expects to deliver early 2025.

Q4 Corporate Performance Report

Appendix 1

Audit Scotland Corporate Plan 2023-28: Strategic Priorities

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

Developing our people and our business

Insights driving innovation and improvement

Delivery

Resources

Innovation and learning

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

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

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

Notes:

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

Not progressing/ significant additional management action required

Progressing and additional management action planned

On target/ no need for additional management action

Measures under development

Summary | Highlights, challenges and actions

Highlights

Delivery year to date

- 235 (93%) of financial audits are complete (154 of 156 ASG audits, 98.7%)
- Financial audit delivery has improved compared to last year.
- 38 Performance Audits/ reports with 89% on time.

Resources

- In 2023/24 the operational underspend was £9k (0.1%) with the balance of £1,880k relating to the non-cash in-year pension service cost adjustment required under International Accounting Standard 19 (IAS 19).
- Staff turnover YTD for all leavers was 9.33% (9.31% last year)
- Absence levels YTD 6.01 days (4.66 days last year)

Actions

In **ASG**, the following actions are in place to recover audit delivery timeliness to 95% by the end of the appointment round:

- Appointments to five additional Senior Auditor and five Professional Trainee posts to ensure contingency for secondments / absences (e.g. maternity leave).
- Closer coordination between ASG and PABV for resourcing and delivery of Best Value requirements with greater proportion of work undertaken by PABV.
- Teams empowered to act at the local level to reduce the amount of audit work undertaken, remove duplication and take action to reduce inefficiencies.
- Continued improvements in management to provide a better focus on utilisation of staff through productivity, availability and deployment data.
- Monthly, formal reporting of audit delivery forecasts and financial budget reports to ASGMT to drive remedial action and inform resourcing decisions.
- Closer coordination between ASG and I&Q to understand the workload and resourcing impact of changes in audit requirements and expectations.

For the **Firms** - each auditor has set out the measures they will implement to incrementally bring performance back to target dates. In some cases, this will take until 2026/27 audits to maintain audit quality and staff wellbeing. These measures include additional recruitment, prioritisation, debrief and lessons learned sessions, and quicker escalation when delivery is not as expected.

Challenges

Delivery

- Planning Guidance deadlines for delivery of financial annual audits are now in line with pre-covid dates. 2022/23 was the first year after rotation, auditors' portfolios are different, and the available time for delivery of NHS and Local Government audits was shorter than for last year. The proportion of audits delivered to the new planning guidance was lower than last year.

Resources

- The average WTE number of staff year to date is 330.6. This equates to 95.2% of the establishment. Recruitment campaigns are under way.
- Issues with TRS have impacted on monitoring audit costs. An alternative method based on days is in place as an interim measure.

Delivery

Objective

Audits delivered on time and on budget

KPQ

Are audits delivered on **time**?

Target

95% of audits delivered on time



OVERVIEW Red

Financial Annual Audit Plans:

For the 2023/24 Annual Audit plans due by 31 March 2024:

- 162 (80%) of the 202 Annual Audit plans (AAPs) delivered, 136 (67%) of the AAPs were on time.
- On time: ASG = 77%, Firms = 51%

Financial Accounts: YTD delivery of audit (as at 31 March 2024), by Audit Scotland and the firms was:

- 235 (93%) of financial audits are complete (44% on time compared to 51% 2021/22).
 - 23 (100%) NHS audits were completed (74% were on time compared to 96% in 2021/22)
 - 113 (90%) local government audits were completed (28% on time compared to 43% in 2021/22)
 - 84 (100%) central government were completed (54% on time compared to 35% 2021/22)
 - 15 (71%) further education audits were completed (67% on time compared to 81% 2021/22)

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

Performance Audit

In Q4 we delivered all nine Performance and Best Value Products on time.

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

Year to Date

We have delivered 38 Performance audits/reports with 89% on time.

- 14 (of 15) for the Accounts Commission (93% on time)
- 14 (of 16) for the AGS (88% on time)
- Three (of three) for Audit Scotland (100% on time)
- Three (of four) Joint reports (75% on time)

Objective

Audits delivered on time and on budget

KPQ

Are audits delivered on **time**?

Target

95% of audits delivered on time



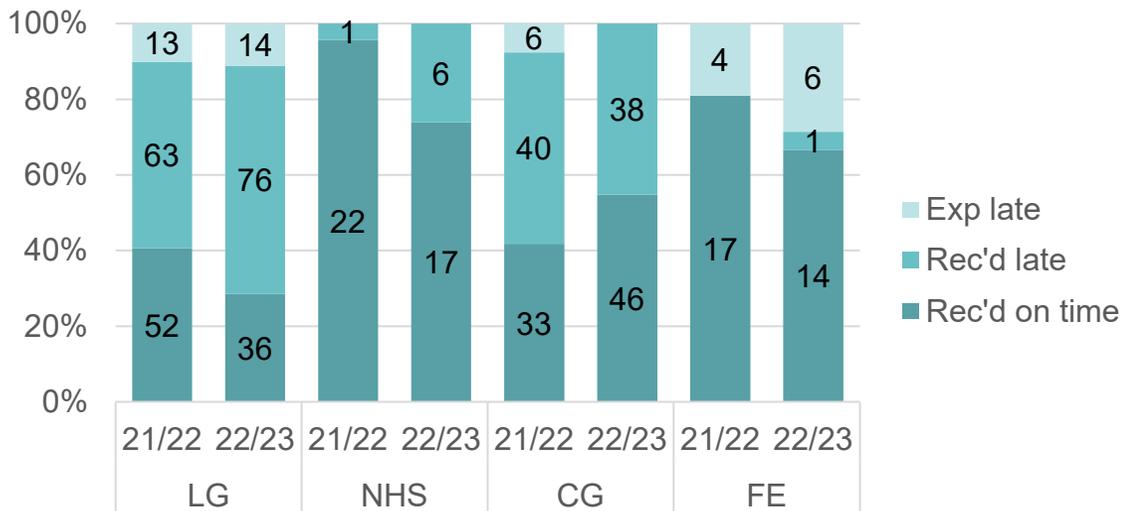
OVERVIEW Red

Financial Accounts: 93% of audits are complete, 44% on time.

- Where accounts were signed after the target date,
 - the average delay was 6 weeks for ASG and 7 weeks for firms.
 - 49% ASG and 31% firms were signed earlier than in the year before.
- As at 13 May 2024, 19 audits were outstanding (2 ASG, 17 Firms).

Planning Guidance Deadlines for delivery of financial annual audits are now in line with pre-covid dates. 2022/23 was the first year after rotation so auditors' portfolios are different, and the available time for delivery of NHS and Local Government audits is shorter than for last year. This means a direct comparison is not possible, but for indicative purposes:

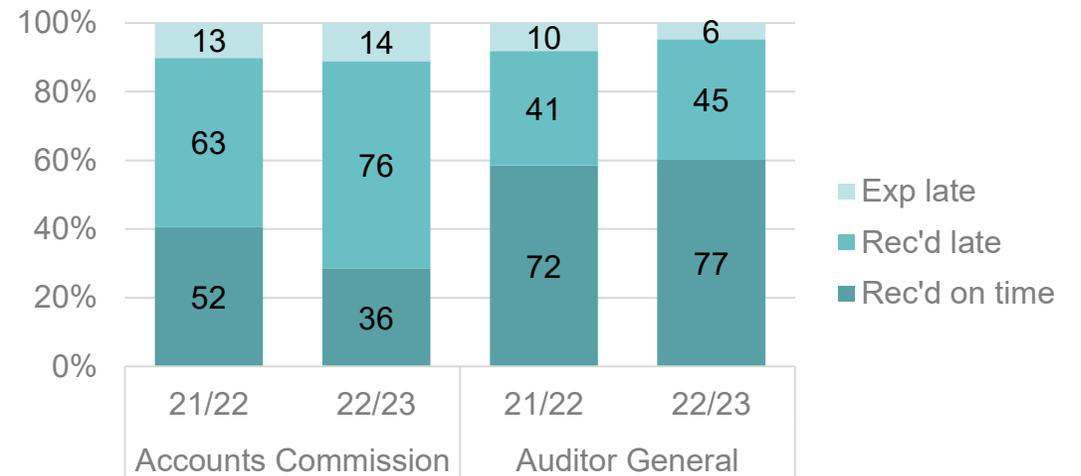
2022/23 Financial Accounts by sector



2022/23 Financial Accounts by auditor



2022/23 Financial Accounts by appointer



Objective

Audits delivered on time and on budget

KPQ

Are audits delivered on **time**?

Target

95% of audits delivered on time



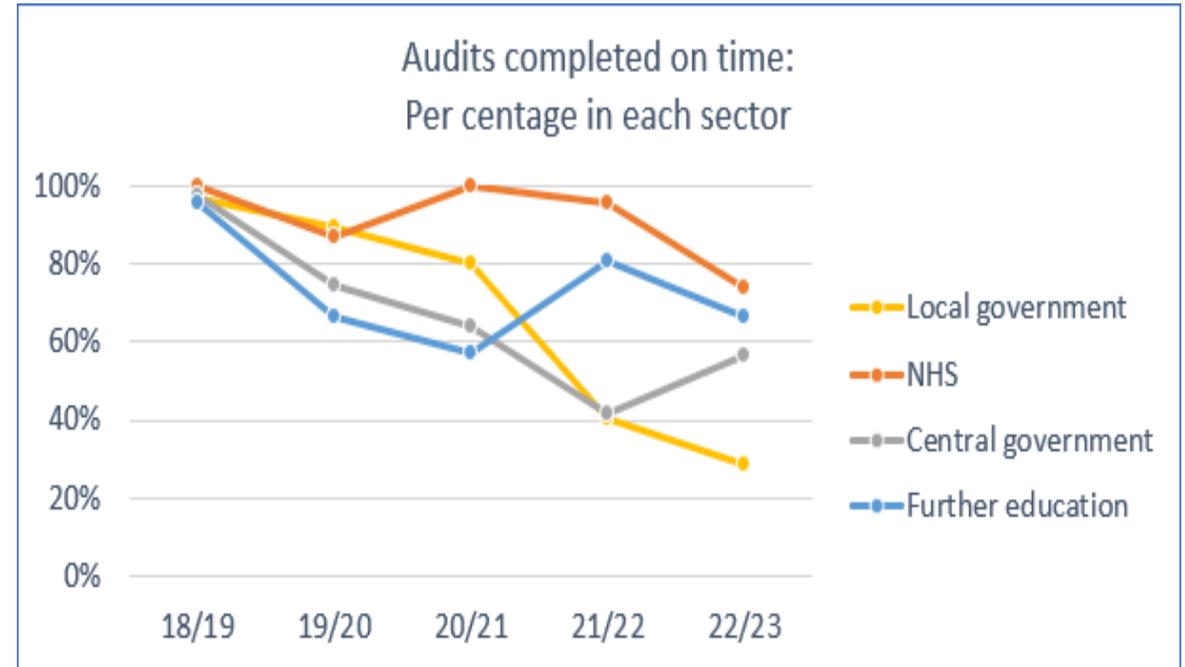
OVERVIEW Red

Auditors (ASG and the Firms) completed 44 per cent of 2022/23 audits by the revised target dates, a slight reduction from 49 per cent for 2021/22 audits.

This was achieved despite significant obstacles to delivery such as audit handovers, a shortened timetable for NHS and local government and late prior year audits. This operating environment also coincided with an increased ask of auditors under the 2021 Code and compliance with enhanced requirements under auditing standards.

Timeliness of financial audit work on the 2022/23 accounts

Audit Scotland sets targets for auditors to ensure that their financial audits are completed in a timely manner. Audit Scotland expects auditors to do all they can to meet the targets, but also recognises that there may be events beyond auditors' control that result in the targets being missed. Auditors' performance in meeting the targets for 2022/23 audits and the previous four years is shown in the graph.



Objective

Audits delivered on time and on budget

KPQ

Are audits delivered on **time**?

Target

95% of audits delivered on time

OVERVIEW Red

Auditors (ASG and the Firms) did well to achieve only a slight reduction in the delivery performance to the target dates compared to the previous year in light of the following circumstances:

- The 2022/23 audits were the first in the new round of appointments where auditors rotated which increases the work required in the first year.
- Target dates for audit completion returned to pre-pandemic dates for all sectors. This meant that there was 10 months between target dates in the NHS sector and 11 months in the local government sector.
- 48 per cent of 2021/22 audits were completed on time, resulting in half of 2022/23 audits being unable to start on time (this year and prior year have been adjusted to include local government charitable trusts for the first time).

Auditors reported that delays were caused by:

- the quality of draft accounts and working papers submitted for audit
- significant adjustments required to accounts
- prioritisation of audits by auditors
- availability of staff, both among auditors and finance staff in audited bodies
- obtaining assurances from auditors at other delayed audits
- scheduling of committees by audited bodies to consider the accounts.

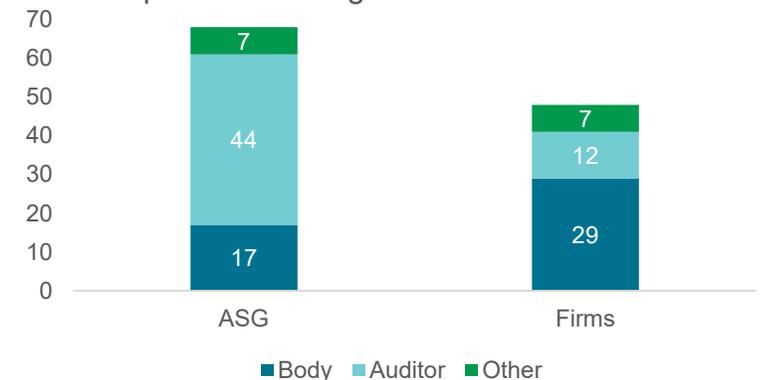
All auditors are working towards achieving earlier completion of audits. We expect an improvement in auditors' capacity to deliver audits by target dates in future years as auditors are not having to manage a handover and have a full 12 months between target dates. However, it is likely to take a further three years before we return to pre-pandemic delivery performance, particularly for audits that were delivered late this year.

Reasons for delivery of audits after target dates

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

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

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



Objective

Audits delivered on time and on budget

KPQ

Are audits delivered on **time**?

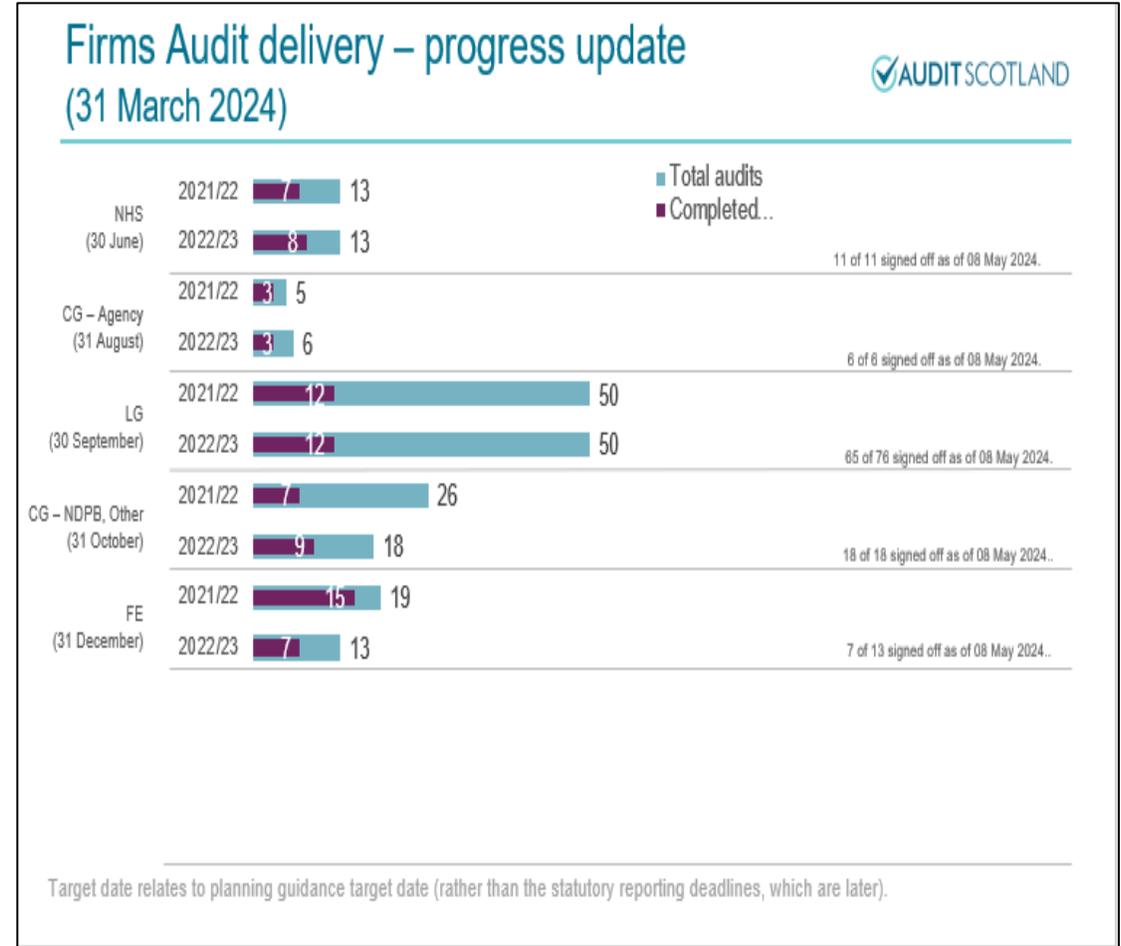
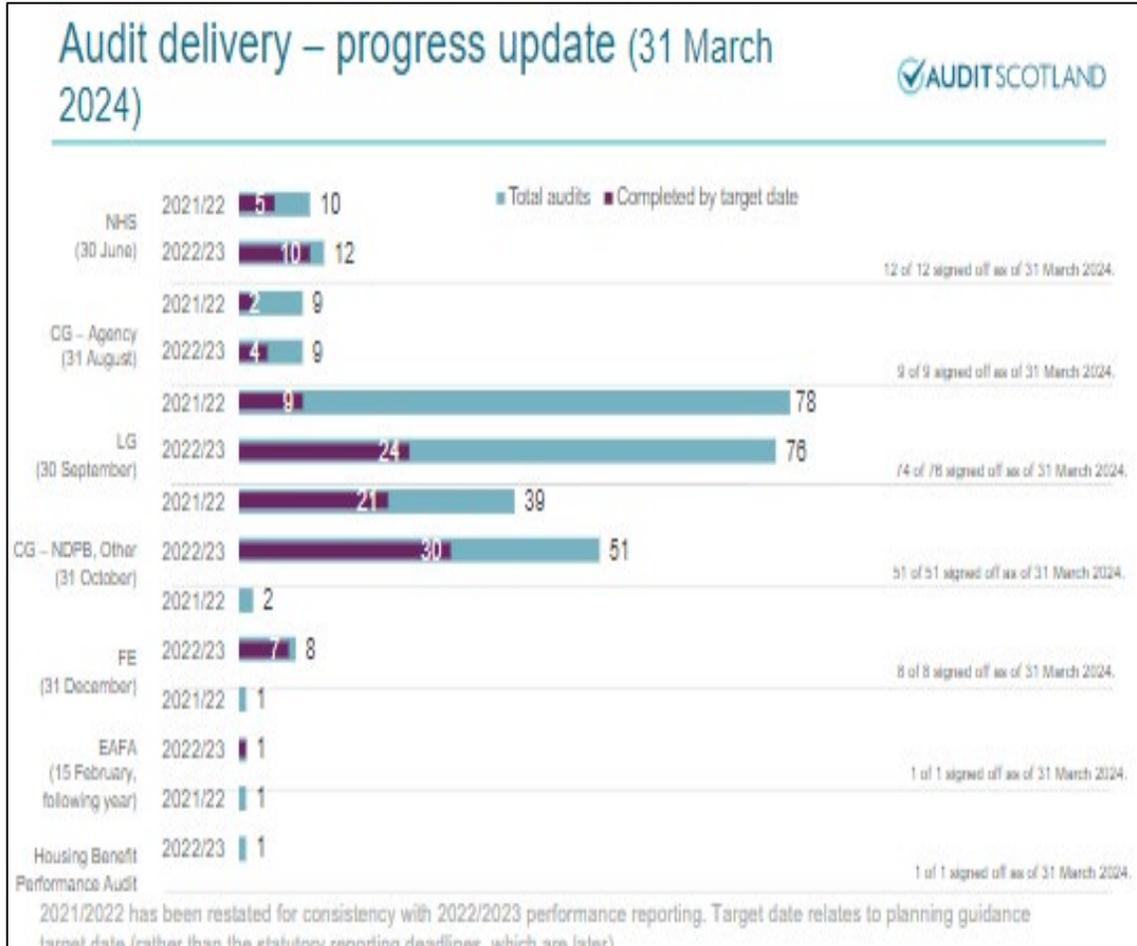
Target

95% of audits delivered on time



OVERVIEW

For **ASG audits**, when 2021/22 delivery is restated for consistency with 2022/23 performance reporting, progress is evident across all sectors.
For the **Firms** – performance has declined compared to last year



Objective

Audits delivered on time and on budget

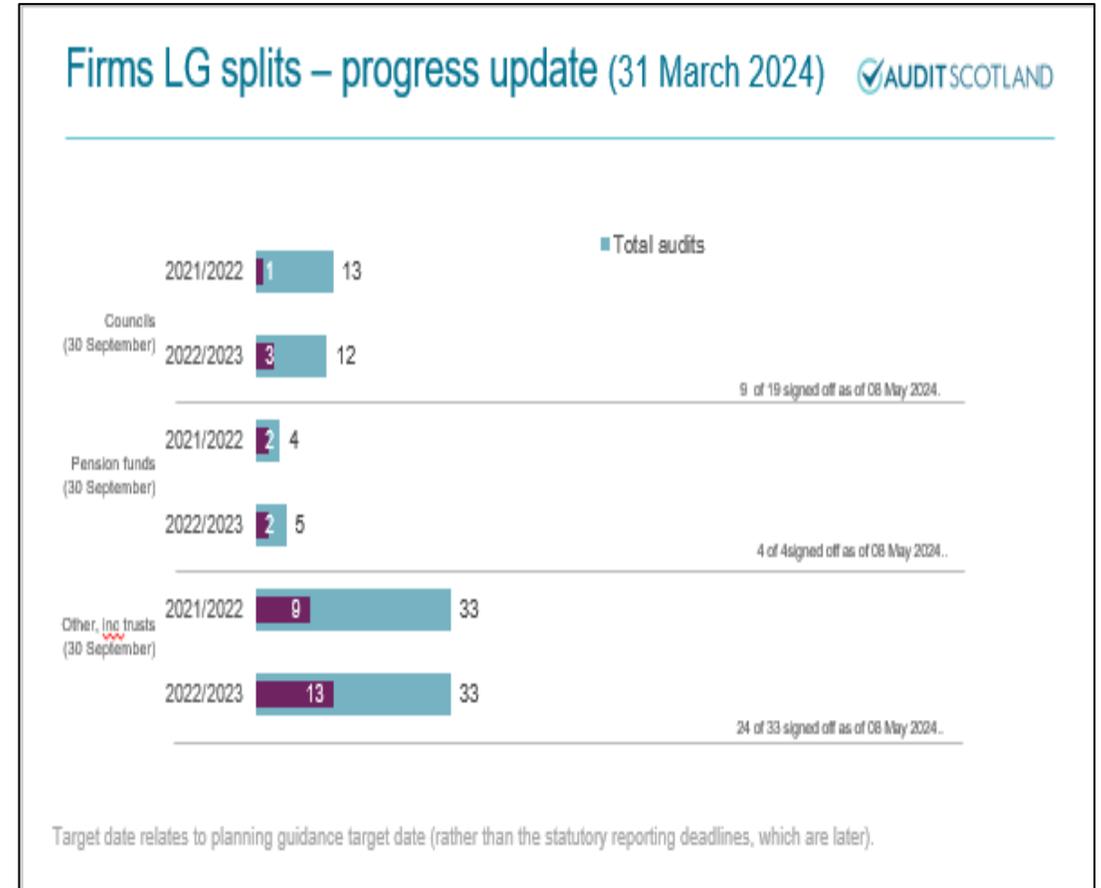
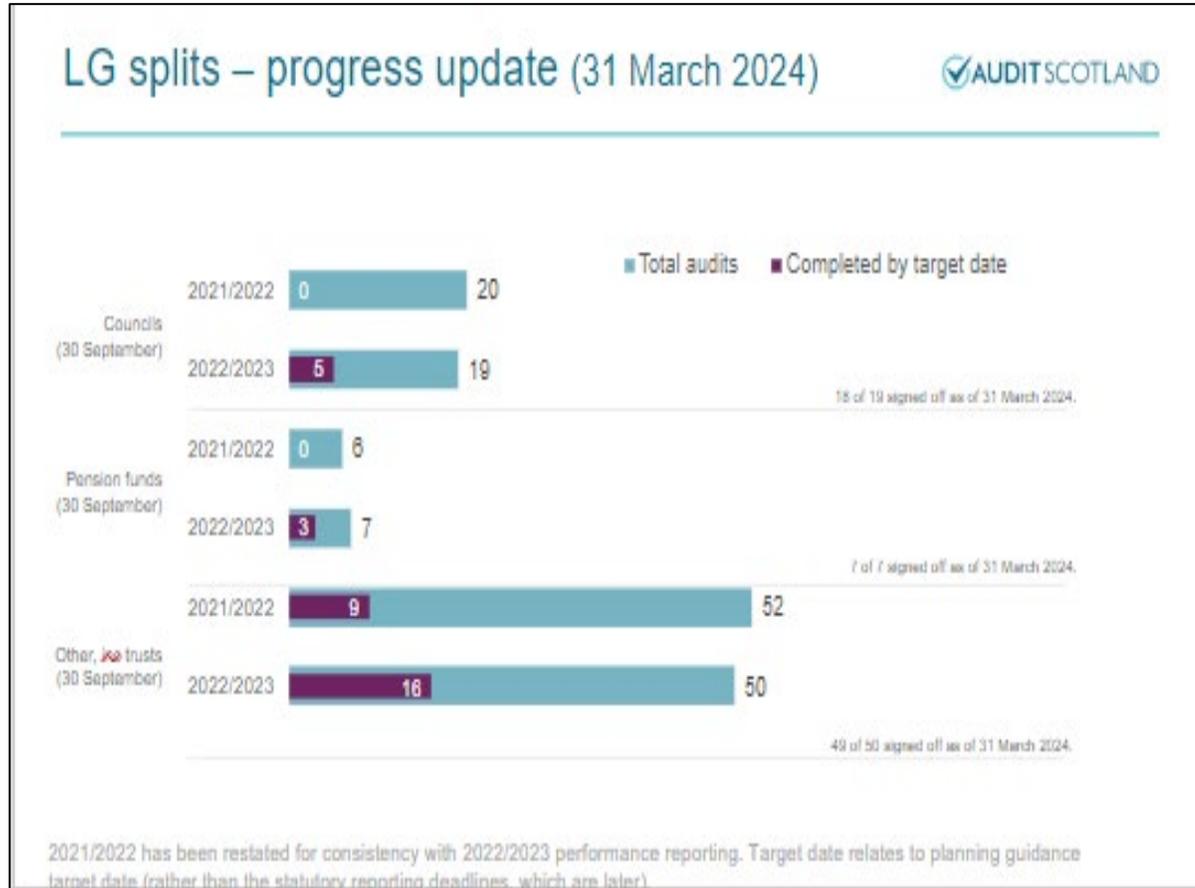
KPQ

Are audits delivered on **time**?

Target

95% of audits delivered on time

OVERVIEW



Objective

Audits delivered on time and on budget

KPQ

Are audits delivered on **time**?

Target

95% of audits delivered on time

OVERVIEW **Red**

Performance Audit

In Q4 we delivered 12 Performance and Best Value Products on time.

- Seven for the Accounts Commission - on time
- Five for the AGS - on time

In 2023/24

We delivered 38 Performance audits/reports with 89% on time.

- 14 (of 15) for the Accounts Commission (93% on time)
- 14 (of 16) for the AGS (88% on time)
- Three (of three) for Audit Scotland (100% on time)
- Three (of four) Joint reports (75% on time)

Performance Audit

Twelve PABV products were delivered on time.

Auditor General for Scotland

- [Administration of Scottish Income Tax 2022/23](#)
- [Decarbonising Heat in Homes Performance Audit](#)
- [National Strategy for Economic Transformation Briefing](#)
- AGS Budget Briefing (Internal)
- [NHS in Scotland 2023 Overview](#)

Accounts Commission

- [BV Controller of Audit report: Dumfries and Galloway Council](#)
- [Local government financial bulletin 2022/23 Briefing](#)
- [S102: Renfrewshire Council \(Dargavel\) \(External Firm\)](#)
- [BV Controller of Audit report: Orkney Islands Council](#)
- LG budget briefing (Internal)
- [BV Controller of Audit report: Moray Council](#)
- Annual Assurance and Risks Report (AARR) (Internal)

Objective

Audits delivered on time and on budget

KPQ

Are audits delivered on **budget**?

Target

+/-5% of budget

OVERVIEW **Amber**

2023/2024 was the first year of the new audit rotation and in year 1 of audit appointments we generally expect to spend approximately 10% more due to factors listed, but also specific ISA requirements placed on the auditor following a handover.

As at 31 March 2024, ASG, has an overspend of 12.1% against the initial budgets set by audit teams before insights into new audits, new clients and possible risks were developed – this is in line with expectations given these factors. For 2023/24, based on a robust 'challenge and confirm' process for each audit, the budget is projected to be 12.5% less than 2022/23 actuals, providing confidence in initial budgets.

PABV is reporting 10% under budget. Reasons for underspend include less time being spent on R&D work than initially planned. Many of these R&D estimates were based on previously agreed audit time assumptions which are likely to be reviewed during 2024-25.

Other reasons for underspend include work not going ahead as planned, for example Ferries 801/802 follow up (which remains in the pipeline, but timing and scope are yet to be confirmed).

We have received a small number of larger than normal requests for additional fees this year. Although these are revenue neutral for Audit Scotland because costs are passed on to the audited bodies, the bodies concerned pay significantly more. AQA will carry out a review of the process for auditors requesting and Audit Scotland approving additional fees to ensure that appropriate controls are in place.

Risk register

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

- A6 – Failure of efficiency and ability to demonstrate value for money ● ⇨
- A9 - Failure of timely & efficient access to performance & business management information ● ⇨

Issues / Actions	Actions to improve performance	Who	Timescales	Comment / update
Audit Budget information	See above			

Objective

Audits delivered on time and on budget

KPQ

Are colleagues **audit focused**?

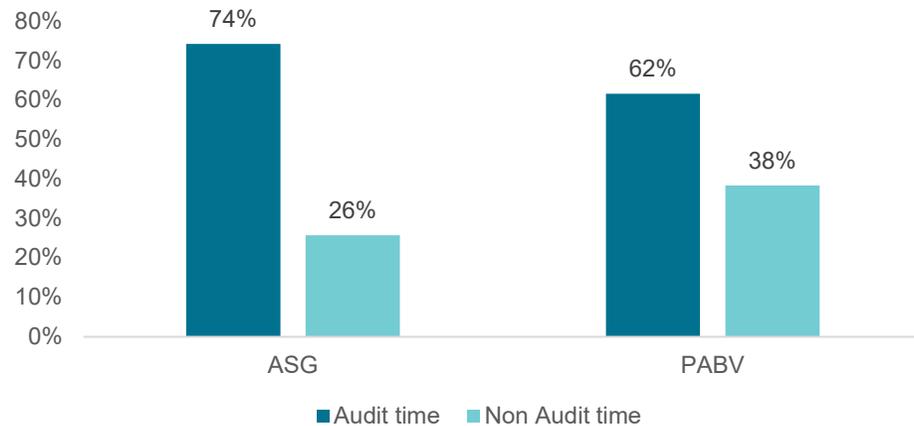
Target

70% of available time on audit

OVERVIEW **Amber**

The combined time spent on audit for ASG and PABV is 71 percent, which is above target. (Available time does not include leave.)

Q1 to Q4 Percentage of available time spent on Audit



Risk

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

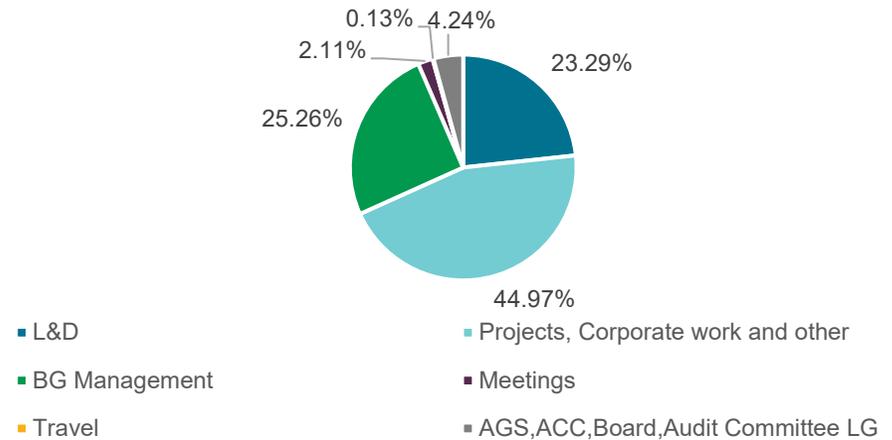
Risk register

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

A5 – Failure of audit quality

A3 – Failure to deliver audits to deadlines

Q1 to Q4 % Breakdown of non-audit activity for ASG & PABV



Objective

Audits delivered on time and on budget

KPQ

Are colleagues **audit focused**?

Target

70% of available time on audit

Performance, trend and RAG

The breakdown by audit delivery business groups is shown in the graphic on the previous slide.

Percentage of colleagues delivering audit in audit delivery business groups:

- ASG 99%
- PABV 89%

Non audit time includes time codes for:

Learning & development, improvement projects, business group management, meetings, travel and 'other' (including general administration)

Leave time codes include the following:

Annual leave, public holiday, flexi leave, sickness, medical appointment, phased return, maternity/paternity leave, compassionate, secondment, unpaid leave, parental, jury service/ public duties, career break and transport disruption.

Risk

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

Risk register

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

A5 – Failure of audit quality

A3 – Failure to deliver audits to deadlines

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

Objective

Audit quality assurance results

KPQ

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

Target

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

OVERVIEW **Green**

Feedback on the annual audit from audited bodies continues to show a high level of satisfaction with 87 per cent of respondents considering the annual audit to be fairly or very useful

ASG:

The results were mixed in Audit Services Group (ASG) for 2022/23 financial audit work based on the ICAEW's independent quality reviews and Audit Scotland's internal quality reviews. Eight out of the twelve ASG audits reviewed were graded as 'good' or 'limited improvements required' and met the expected quality standards. Four were graded as 'improvements required' and therefore did not meet the expected quality standards. Two internal ASG reviews were also awarded the highest gradings for their 2022/23 audit work. For the second year running no ASG audits were graded as 'significant improvement required'.

PABV:

Consistently good results in Performance Audit and Best Value (PABV) audit work based on both the independent and internal quality reviews. The two PABV audits reviewed by ICAEW and the two internal cold reviews this year were all graded as 'limited improvements required'.

Firms:

Consistently results good over the last four years in five out of six of the accountancy firms carrying out public sector audit work in Scotland based on the independent ICAEW quality reviews and the internal quality reviews of financial audits. 41 out of the 44 cold reviews carried out on accountancy firm audits in the last four years were graded as 'good' or 'limited improvements required'. Only Mazars has been graded as 'improvements required' over this period. No accountancy firm has been graded as 'significant improvement required'.

Targets: Financial audits is 70% for independent reviews and 88% for internal reviews the last 3 years. PABV is 100% for independent reviews and 75% for internal reviews.

Risk

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

Risk register

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

A5 – Failure of audit quality ● ⇨

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

Objective

We engage with stakeholders

KPQ

How are we **engaging** with stakeholders

Target

Engagement - time series comparison

OVERVIEW Green

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

Media / broadcast:

- Top **AGS** reports: PA: Decarbonising heat in homes, Briefing: National strategy for economic transformation, Overview: NHS in Scotland 2023
- Top **Accounts Commission** reports: LG financial bulletin 2022/23, CoA: Moray Council, CoA: Orkney Islands Council,

Social media engagements:

- Auditor General posts = 9,813
- Accounts Commission posts = 9,976
- Audit Scotland posts = 20,072

Parliament committee attendance:

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

Consultations:

We considered 9 consultations and responded to 5. The consultations responded to were:

- Non-investment Asset Valuation for Financial Reporting Purposes - Exposure Draft
- Invitation to Comment - Code of Practice on Local Authority Accounting in the UK - Short Term England-only Measures
- Post-legislative scrutiny of the Social Care (Self-directed Support) (Scotland) Act 2013
- Wellbeing and Sustainable Development (Scotland) Bill
- Social Security (Amendment) (Scotland) Bill

Risk

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

Risk register

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

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

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

Measure	Q4 23/24	Q4 22/23
Consultation responses	5	4
Committee attendance	10	8
Downloads	199,503	77,990
Media mentions	308	350
Social media engagement	39,861	10,821

Objective

We communicate with stakeholders

KPQ

How are we responding to enquiries from the public

Target

Communication - Better than 95% on time

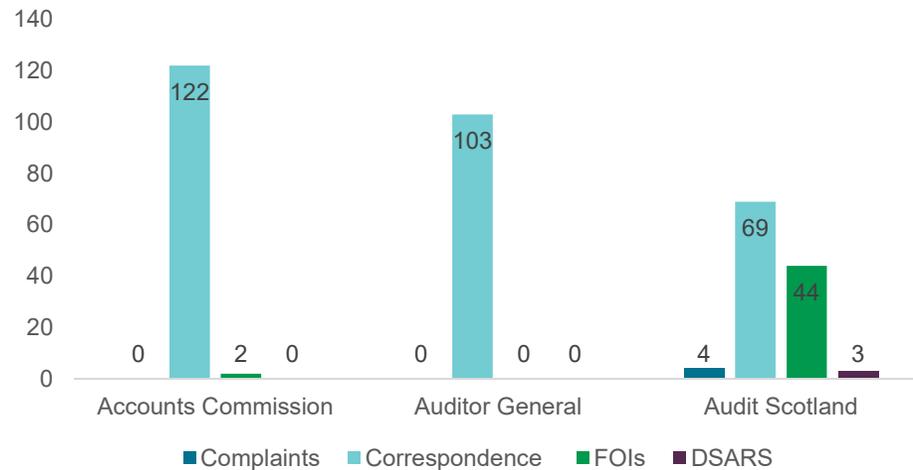


OVERVIEW

In Q4 we responded to:

- 85 items of correspondence/ issues of concern (98% responded to on time)
- 20 FOI/EIRs (100% on time)
- One data subject access request (on time)
- One complaint received. Responded to on time and the outcome was not upheld.

Stakeholder engagement in 2023/24



OVERVIEW

In 2023/24 we responded to

	22/23 total	23/24 total	22/23 % on time	23/24 % on time
Complaints	3	4	67	75
FOI	70	45	64	98
DSAR	1	3	100	100
Correspondence	232	248	99	98

In 2023/24 the issues raised were

FOI

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

Complaints

- Level of service from Audit Scotland including timeliness, recruitment and quality of response

Correspondence

- transparency of decisions about education
- councils' governance and scrutiny arrangements
- council spend on local area projects
- officer and elected members' conduct and transparency
- planning / planning decisions.

Objective

Progress against our **equality outcomes**.

KPQ

Are we progressing towards **our equality outcomes**

Target

TBC

OVERVIEW Green

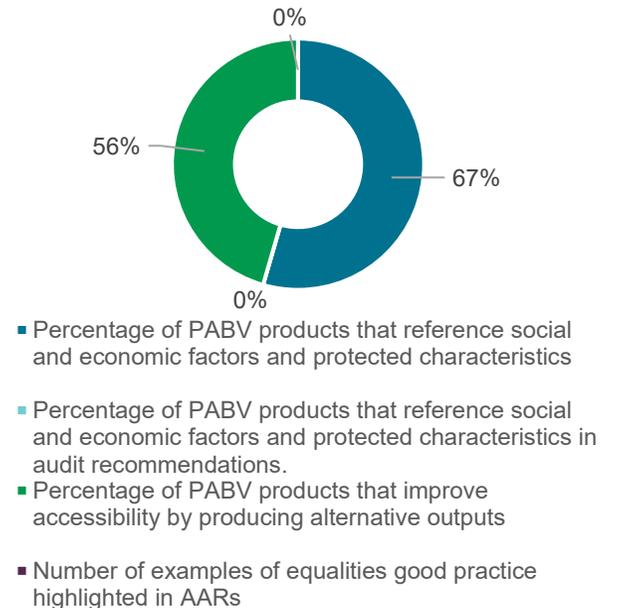
In our audit work:

- PABV audit products regularly reference social and economic factors and protected characteristics (see ring chart), this doesn't always lead to recommendations.
- We produce alternative outputs that improve accessibility for over 50% of PABV products
- We discussed three audit scopes with our external Equality and Human Rights Advisory Group taking feedback that will improve the audit scopes.

As an organisation:

- We now have references to equalities across our key strategic documents – Public Audit in Scotland, and our Corporate Plan and equality is one of our values
- We are progressing the development of a new Diversity, Inclusion and Equality Strategy in line with the People Strategy
- We've discussed the proposed Human Rights Bill with Executive Team, the Accounts Commission and the Board, and responded to the Scottish Government consultation
- In this quarter our six staff network groups have undertaken 24 awareness raising activities

Equality KPIs



Issues / Actions	Actions to improve performance	Who	Timescales	Comment / update
We now have data against all the new KPIs. We will monitor data over next few quarters to develop targets and ranges to allow us to assess progress.				Review and update by Q2 report 2024/25

Resources

Objective

Our finances: Spend against budget

KPQ

Spend against budget - Organisation

Target

Break even

OVERVIEW **Green**

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

In 2023/24 the operational underspend was £9k (0.1%) with the balance of £1,880k relating to the non-cash in-year pension service cost adjustment required under International Accounting Standard 19 (IAS 19).

Fee income - recognition of income on completion of outstanding 21/22 audits for both firms and in house work. Firms additional income (£225k) offset by increased firms payments (£198k). For 22/23 audits, in-house work behind plan for local government and EAFA. Firms behind plan on 22/23 audits due to local government and FE audit work. The combined position for in-house and firms' 23/24 audit work is on plan.

Other income - favourable pension fund adjustment of £1,675k and unbudgeted bank interest of £67k.

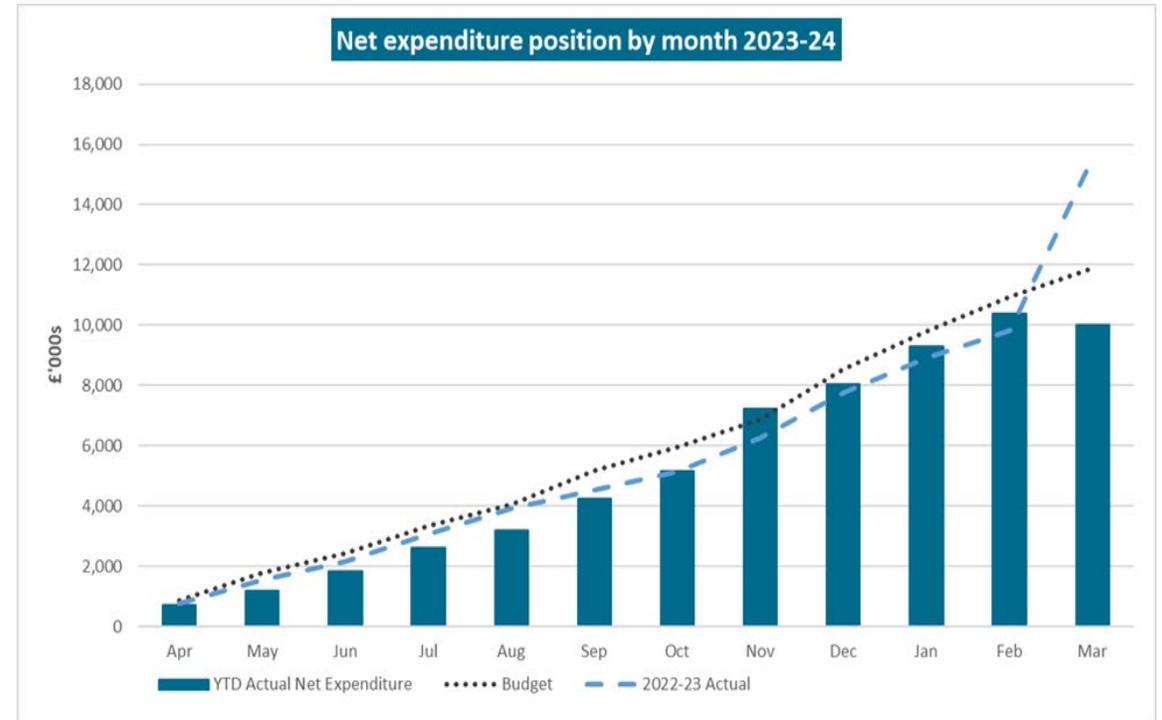
Pay - budgets include virements to cover the impact of the final pay award settlement being higher than the budget of 3%. £514k of the favourable variance is due to the average whole time equivalent (w.t.e.) position being 9.4 below funded establishment, which is then reduced by increased agency and secondment expenditure. The balance of the variance is due to pensions (£222k) and holiday pay accrual (£242k).

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

Capital - £247k expenditure, £53k less than budget.

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

Forecast - based on September result, presented to ET on 16 January and did not include the forecast pension underspend.



Objective

Our finances: Spend against budget

KPQ

Spend against budget - Organisation

Target

Break even

The current financial risks are:

- Closing work in progress position for 2023/24 audit work at 31 March 2024.
- Firms additional audit work and fees.
- Outstanding 2022/23 audits.
- Cash flow issues in respect of payment of 2023/24 audit fees.
- Financial implications of Estate strategy.
- Procurement demand and lead times.

Risk

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

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

Risk register

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

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

Objective

Our people: Right skills and capacity to deliver

KPQ

Capacity to deliver - people establishment

Target

+/-5% of establishment

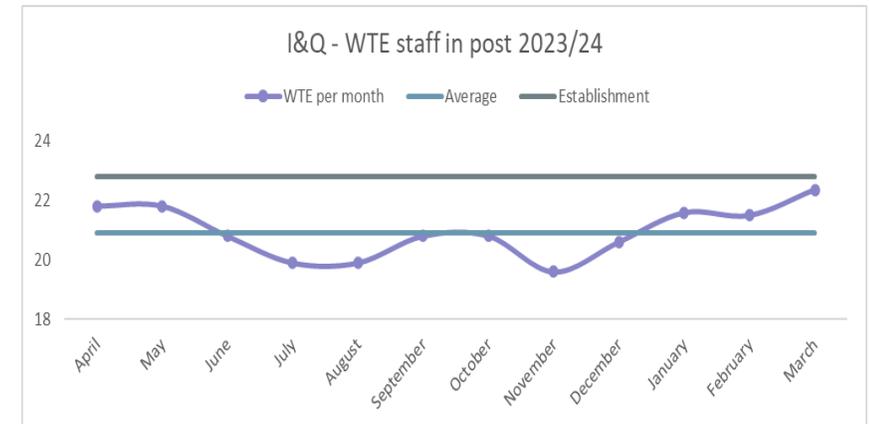
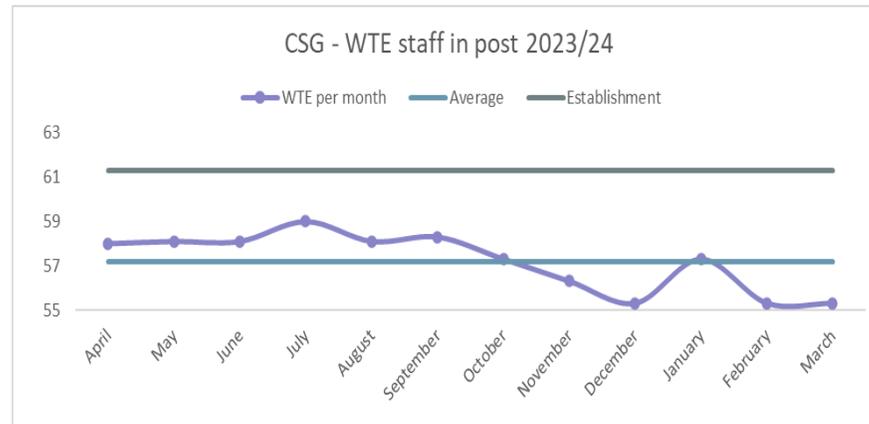
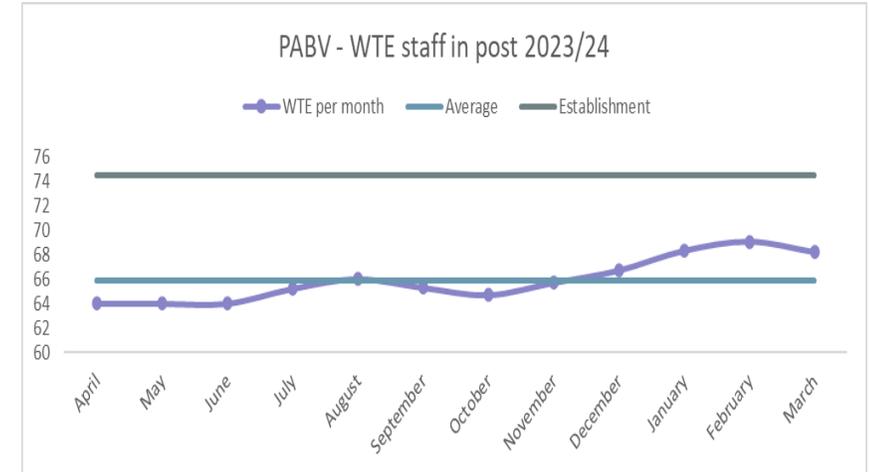
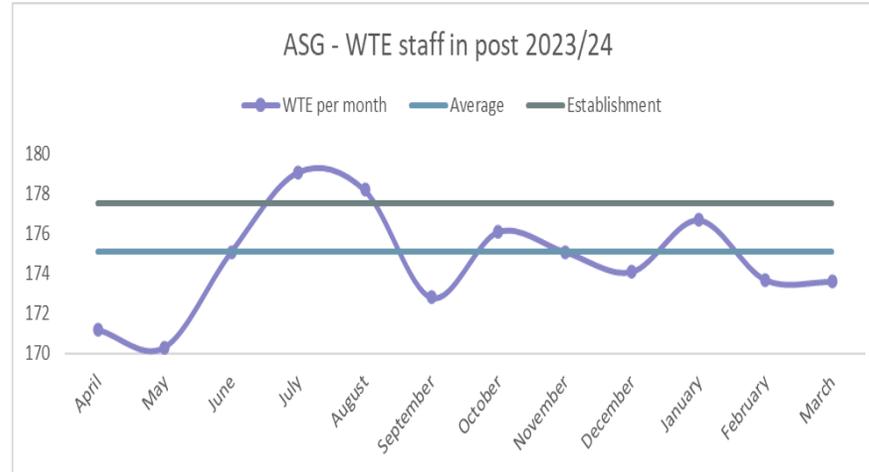
OVERVIEW Green

Current staffing level vs establishment

- The number of WTE at the end of March 2024 was 331.4 (establishment level 347.1 WTE.)
- This equates to **95.5%** - which is within target.

At the end of March 2024, the business groups were under establishment as follows:

- Audit Services = 97.8% of establishment.
- Performance Audit and Best Value = 91.5% of establishment
- Corporate services = 90.1% of establishment
- Innovation and Quality = 98.1% of establishment.



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

Objective

Our people: Right skills and capacity to deliver

KPQ

Capacity to deliver - People establishment

Target

+/-5%

Performance, trend and RAG

Overall, this measure is rated green due to FTE being at 331.4 which is 95.2% of establishment (347.1).

Actions include:

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

Risk

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

Risk register

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

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

Issues / Actions	Actions to improve performance	Who	Timescales	Comment / update
	Ongoing recruitment campaigns	Various	Various	

Objective

Our people: Right skills and capacity to deliver

KPQ

People spend against budget.

Target

+/- %5 of budget

OVERVIEW Green

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

Risk

None

Risk register

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

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

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

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

Objective

Our people: Right skills and capacity to deliver

KPQ

Capacity to deliver - **Wellbeing**

Target

Per KPI

OVERVIEW Amber

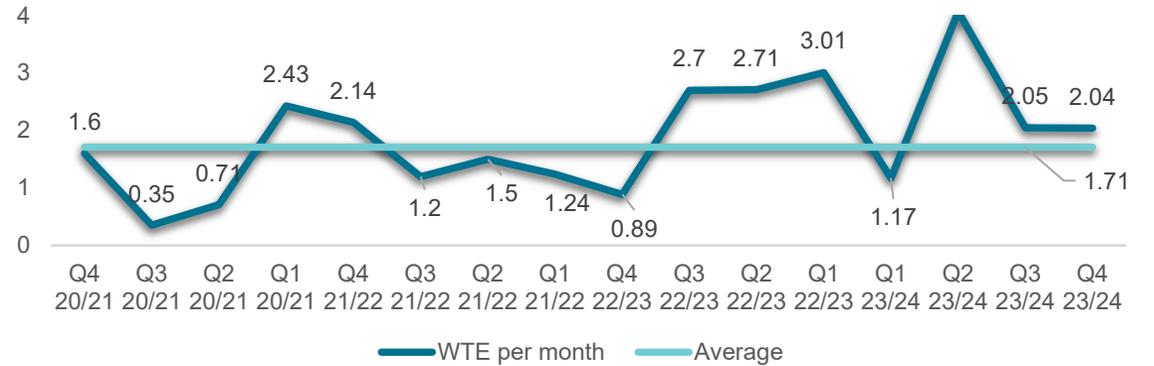
Staff **turnover** YTD for all leavers was 9.33% compared to 8.7 in 2022/23. In Q4 it was **2.04%** compared to 1.19% in Q4 last year). This compares to the benchmark of 22.5% (all sectors in 2022)

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

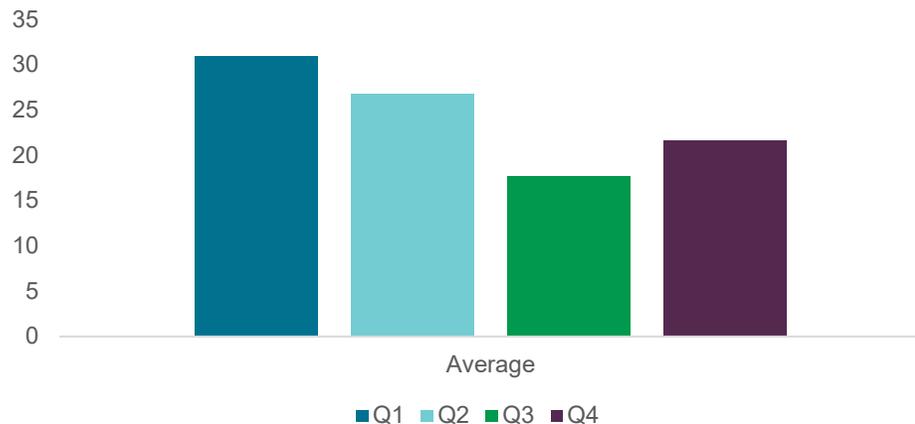
Sickness absence YTD was 6.01 days compared to 4.66 in 2022/23 and in Q4 **1.86 days** compared to 1.27 days in Q4 Last year.

The trend for the percentage of colleagues with greater than 14.5 hours flexi is decreasing and the percentage of colleagues with more that 7.25 hours negative flexi is mixed.

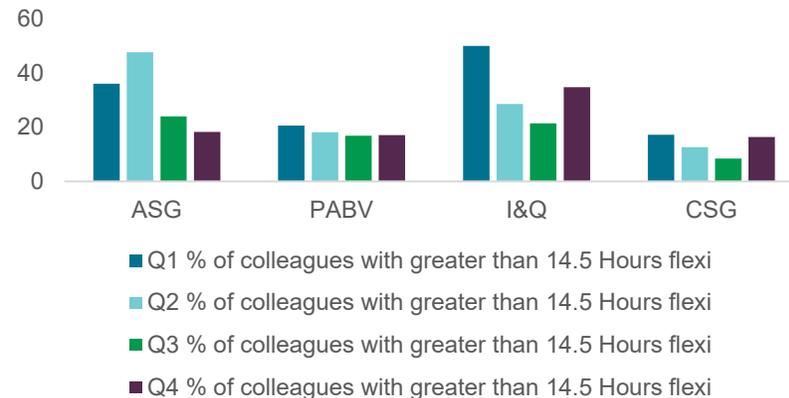
All Leavers 2021 to Q4 2023/24



Average % of colleagues with greater than 14.5 hours flexi



% of colleagues with greater than 14.5 hours flexi



Objective

Our people: Right skills and capacity to deliver

KPQ

Capacity to deliver - **Wellbeing**

Target

Per KPI

Performance, trend and RAG

- **Our sickness absence levels are 6.01 days which is higher than the 4.66 days in 2022/23.**
- Audit Scotland's average absence rates remain below that of the public sector and UK labour market. This must be considered against the backdrop of reported absence rates, in the UK, being at the highest reported level in over a decade, 7.8 days average per employee in 2023. (Source: [CIPD Health and wellbeing report 2023](#))
- The HR team continue to support line managers in managing high or long-term absence cases within teams and encouraging individuals to record absences against the relevant reason code in the HR system.
- The total percentage of **resignations** (voluntary turnover) and total **turnover** is down at the end of 2023/24 compared to 2022/23 and remains lower than the external benchmarks for the year to date. For example, based on the most recent figures available - The labour market total turnover rate was 22.5%, in public services the total turnover rate was 16.2% and in organisations with 250-999 employees, the total turnover rate was 21.7% (Source: [XpertHR Labour turnover rates 2023](#))
- Employee **wellbeing** remains a focus of regular discussion at Leadership Group with quarterly people data being shared and considered against qualitative data such as exit interviews and survey commentary. 2024 Best Companies results are in the process of being analysed.

Risk

Wellbeing of colleagues is key to capacity to deliver

Risk register

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

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

Objective

Our people: right skills - Learning & Development

KPQ

Learning (L&D)

Target

Target per KPI

OVERVIEW **Amber**

Performance, trend and RAG

- Q4 is the busiest quarter for delivery of learning, with Audit Update and IFRS 16 events delivered January-March. Positive feedback has been received on these events..
- The delivery of mandatory line manager training continued and will be completed by October 2024.
- The average completion rate of the 3 mandatory training events in Q4 was 80%. Protecting Information part 3 completion rate of 50% reduced the overall average, with completion rates for the other two events above 85%. Routine reporting and regular reminders from business groups have improved completion rates.
- Additional investment has been provided to all leadership teams to complete MBTI and to redevelop "Thinking on your feet" as we transition to a new supplier. The first courses using new L&D software published on the LMS have received positive feedback and evaluation scores of 5/5.
- Development of the 2024/25 L&D offering has begun with benchmarking discussions with firms and other audit agencies. We have renewed our eLearning provider contract and new e-learning courses are now being added to LMS, the focus areas include Health, Safety and Wellbeing, Compliance, DE&I and Performance & Leadership.

Risk register

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

A4 – Failure of capacity – establishment, deployment, skills 

Objective

Our people: right skills - Learning & Development

KPQ

Learning (L&D)

Target

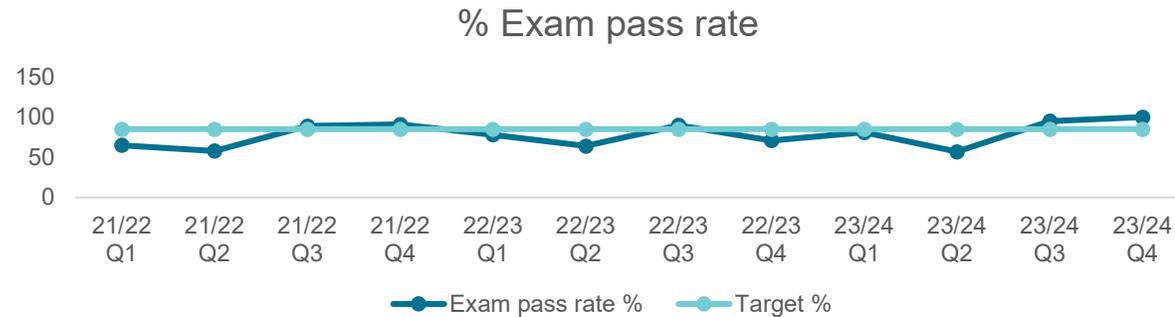
Target per KPI



OVERVIEW Amber

L&D in Q4:

- 26 trainees sat 30 exams with 30 exams passed (100%) against a Target of 85%. YTD the pass rate is 92% which is an improvement on the 85% achieved in 2022/23.
- 161 training events with 2,319 attendees (Target N/A)
- Average L&D days per Colleague 1.08 (Target N/A)
- Percentage of **mandatory training days completed** 79% (Target 95%). This is slightly lower than Q3 (80%)



L&D in 2023/24:

- Trainees sat 194 exams with 178 exams passed (92%) against a Target of 85%. (Compared to 85% in 2022/23).
- 446 training events with 5,778 attendees compared to 292 with 3,139 last year
- Average L&D days per Colleague 2.3

Risk register

- The performance affects the following risk in the corporate risk register.
- A4 – Failure of capacity – establishment, deployment, skills ● ⇒

Issues / Actions	Actions to improve performance	Who	Timescales	Comment / update
Mandatory completion rate	Investigate LMS issue which results in under reporting of completion rates	Gordon Robertson	June 2024	A number of colleagues appear to have undertaken the training, but have not completed the declaration. The LMS does not record completion until the declaration is complete. Issued reminders to colleagues affected and completion rate has increased above 90% for Trust & Ethics

Innovation & Learning

Objective

Innovation driving audit transformation

KPQ

Target per KPI

Target

Prior year performance



OVERVIEW **Amber**

Performance

- Audit Modernisation Project (AMP) progressing well. Seconded resources agreed across the organisation, focus group started, and discussions with SG procurement on Prior Information Notice issued in April.
- At March SIP Board, project was assessed as amber due to delays getting resources in place, management action has resolved these delays.
- The budget dashboard was put to good use for the February Scottish budget, allowing teams to access updated data within days of the budget being published. It is also helping efficiency with one team estimating that it had saved them 50 hours of work.
- The audit approach board agreed the use of a sample size calculator on a number of audits across ASG. Initial feedback is positive.
- We received another 2 suggestions to our ideas board, making it 15 in total since launch in Q3.

Risk register

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

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

A10 - Failure to deliver the objectives of audit modernisation ● ⇨

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

Issues / Actions	Actions to improve performance	Who	Timescales	Comment / update
Capacity constraints within I&Q and within the wider organisation has caused some slippage on AMP project.	We will have resources in place in Q1 24/25 to better support the project and deliver key milestones in Q1 and Q2. We will continue to monitor progress and escalate any issues as required, through the project board.	Head of Digital Audit/ project lead	Q1 24/25	There is an update report on the AMP on the Bord agenda for 7 June 2024.

Objective

Innovation & Learning - Insights

KPQ

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

Target

TBC



OVERVIEW **Amber**

During Q4 we continued to make progress with the **Insights** project:

- We completed an impact evaluation pilot within ASG and reported on the findings of this to ASG Management Team.
- We also made progress with the horizon scanning and stakeholder engagement strands of the project, which were previously paused due to resource constraints.
- The SIP Board signed off the Insights project initiation document, which sets out a clear project plan and a project end date of summer 2025.
- At the SIP board in March the project status was assessed as amber, with management action being taken to schedule milestones

We have also:

- Shared a digital issues and risks bulletin with staff
- Shared a technical issue relating to college audit (arising from quality reviews) with staff in a technical bulletin to ensure timely knowledge and action

In the year to date

- We have run 12 insights events with an average attendance of 36 people.
- These events covered a wider range of topics including: Human rights, United Nations Convention on the Rights of the Child, Audit quality, Data science, External networking, Climate change, wellbeing economy, Scottish Budget tracking.
- We've held 6 keynotes with an average attendance of 187 people
- In the Best Companies survey we achieved a score of 4.29 in the Colleague satisfaction with levels and effectiveness of intelligence sharing. This is an overall positive score on the Best Companies 1-7 scale in response to the following question: Internal information and intelligence sharing generally works well in this organisation.

Issues / Actions	Actions to improve performance	Who	Timescales	Comment / update
Data now collected for all KPIs. We will monitor data over next two quarters to develop targets and ranges to enable full assessment of performance.				Review and update by Q2 report 2024/25

Q4 Financial performance report

Corporate Finance Manager



Item 16

Meeting date: 7 June 2024

Purpose

1. This report presents the financial results for the twelve months to 31 March 2024.

Recommendation

2. The Audit Committee and Board is invited to:
 - note the audited financial results for the twelve months to 31 March 2024.

Background

3. A Financial Performance Executive Summary is provided in the appendix to support this report.
4. The report was discussed by Audit Scotland's Executive Team on 22 May.

Summary position

Financial Position as at end of March 2024						
	Actual YTD £'000s	Budget YTD £'000s	Variance YTD £'000s	FY Forecast £'000s	FY Budget £'000s	Variance YTD £'000s
Income	(25,116)	(22,943)	2,174	(23,386)	(22,943)	444
Pay	22,333	23,311	978	23,035	23,311	275
Non-pay	12,794	11,532	(1,262)	12,022	11,532	(490)
Capital Expenditure	247	300	53	300	300	0
Funded by Scottish Consolidated Fund	10,258	12,200	1,942	11,971	12,200	229

5. At the end of March 2024 Audit Scotland's total expenditure funded by the Scottish Consolidated Fund was £10,258k which was £1,942k (15.9%) less than budget.
6. Net operating expenditure of £10,011k was £1,889k (15.9%) less than budget.
7. The operational underspend was £9k (0.1%) with the underspend balance of £1,880k relating to the non-cash in-year pension service cost adjustment required under International Accounting Standard 19 (IAS 19). The pension service cost adjustments appear in both Income and Pay headings. The net positive result in Income of £1,741k is due to expected interest income from local government pension scheme assets exceeding the interest payable on scheme liabilities. The balance of £139k in Pay is due to retirement benefit scheme costs being less than the actual contributions made in the year.

8. Total capital expenditure year to date was £247k, £53k (17.7%) less than budget.
9. The forecast of £229k (1.9%) less than budget was based on the operational budget and took no account of the IAS 19 pension adjustment.
10. Variance analysis is provided in the main body of this report.

Income

11. Income recognition year to date of £25,116k is £2,174k (9.5%) more than budget. Excluding the pension adjustment the operational income position is £499k (2.2%) more than budget.
12. In-house audit income £52k more than budget broken down as follows:
 - Unbudgeted prior audit year income of £118k recognised for the completion of 2021/22 audits in the local government sector.
 - 2022/23 audit fee income in local government (£57k), health (£5k) and central government (£34k) more than budget with EAFA (£87k) less than budget.
 - 2023/24 audit fee income in local government (£34k), central government (£2k), and further education (£16k) more than budget with health (£30k) and EAFA (£97k) less than budget.
13. Income recognition for the firms is £249k (3.3%) more than budget due to:
 - Unbudgeted prior year audit income of £211k recognised for completion of 2021/22 audits in local government (£73k), central government (£134k) and further education (£4k).
 - Fee income recognition for 2022/23 audits is less than budget in local government (£193k) and further education (£113k) with central government (£69k) and health (£222k) income more than budget.
 - Fee income for 2023/24 audits is less than budget in further education (£107k) with local government (£32k), health (£105k) and central government (£23k) more than budget.
14. Central charges income is £133k more than budget and reflects the recovery of pooled costs and the local government allocation of PABV costs.
15. Unbudgeted pension fund income of £1,675k relates to the interest income on plan assets of £6,856k being more than the interest cost on defined benefit obligations of £5,115k. The balance of £66k represents the interest charge adjustment required to meet the unfunded and ombudsmen pension obligations.
16. The balancing favourable variance of £65k is mainly due to unbudgeted bank interest on deposit balances. This is due to the increase in deposit account interest rates during the year.

Pay expenditure

17. Expenditure on pay, pensions and agency costs of £22,333k is £978k (4.2%) less than budget.
18. The year-to-date underspend of £688k on staff pay is mainly due to:
 - A favourable volume variance of £652k with the average vacancy level for the year to date being 9.4 whole time equivalents (2.8%) less than funded establishment.
 - A minor favourable price variance of £36k following budget adjustments made to cover the final pay award settlement.
19. Agency and secondment expenditure year to date of £189k is £174k more than budget and provided cover for vacant positions in Accounts Commission Support, and Corporate Support. There was also a requirement for additional expert support on the audit modernisation and resourcing projects. This variance is being funded by the vacancy savings within these business groups staff pay budget.
20. At the end of each financial year an adjustment is required to account for untaken holiday and flexitime balances. The adjustment in 2023/24 is a favourable variance of £242k as the management plan to reduce outstanding leave balances is achieving a positive outcome.
21. The funded pension adjustment in 2023/24 was a credit of £139k and the unfunded charge was £83k less than budget.

Non-pay expenditure

22. Non-pay expenditure includes the payments to firms under the audit appointments contract and other operating expenditure. Year to date expenditure of £12,794k is £1,262k (10.9%) more than budget.
23. The main variances appear in Firms payments, professional services, travel & subsistence, IT, depreciation, property, training and health & wellbeing.
24. **Firms payments** £1,077k (15.2%) more than budget due to additional work undertaken and the costs of completing prior year audit work. Additional fee income covers some of the additional costs with the firms identifying a significant number of adjustments, discrepancies in the application of accounting standards and delays in the availability of working papers. Audit year 2022/23 was year one of the new five-year appointments and it is expected that the position will improve for future audit year work.
25. **Professional services** £176k (24.8%) less than budget mainly due to reduced expenditure in Innovation & Quality (£148k) and PABV (£39k) business groups. The savings in Innovation and Quality relates to unused budget for the digital audit project and the release of an old accrual relating to historical costs incurred to support housing benefit audit work. PABV use their budget allocation for any independent expert support required to deliver on work programme commitments and this was lower than planned in 2023/24.
26. **Travel & subsistence** £156k (32.3%) less than budget mainly due to savings generated in the car lease scheme with the number of eligible drivers decreasing at a faster pace than planned due to promotions and leavers.

- 27. IT** expenditure £160k (25.0%) more than budget due to one off payments for cyber security training, penetration testing and the unbudgeted software upgrade required for the finance system. With the finance system server being unsupported from November 2023 it was essential that a migration to a cloud based system was undertaken in 2023/24 in order to minimise the risk of failure. While there wasn't sufficient IT budget to meet the cost, savings were identified in other budget headings to fund this project.
- 28. Depreciation** is £69k (15.4%) less than budget due to the budget phasing assumption being different from the timing of in year capital expenditure. This leads to a delay in the commencement of depreciation following the purchase of new assets. The reduction in actual expenditure is also attributable to capital expenditure in 2022/23 being less than budget.
- 29. Property** expenditure £311k (29.3%) more than budget due to increase in property service charges, business rates and facilities management costs. The business rates increases are being challenged with the valuation boards and the outcome of this will not be known until 2024/25 financial year. The financial impact of the lease for the increased floor space in Glasgow also accounts for overspend.
- 30. Training** £94k (18.8%) more than budget with additional investment identified at all levels in the organisation to ensure the delivery of high-quality audit and additional support for managers to ensure the wellbeing of colleagues is being managed effectively.
- 31. Health & wellbeing** relates to the cost of the annual health checks offered to staff. The cost of this contract increased and the take up by staff also increased leading to an overspend of £33k (92.9%) which will be funded by savings in other Human Resources budgets.

Contingency and future financial risks

- 32.** The 2023/24 budget includes a contingency allocation of £500k to meet any unexpected financial pressures that may arise in the year. An allocation of £150k was made to capital. Allocations are the responsibility of the Executive Team and a further allocation of £288k has been made to meet pay award pressures.
- 33.** After agreement of a pay settlement in October 2023 the main financial risk to manage has been the work in progress position at 31 March 2024. This relates to the amount of income we can recognise following the start of the 2023/24 audits.
- 34.** There continues to be many outside influences that will impact on longer-term financial planning and future budget proposals. Factors being considered include:
- Future pay award settlements.
 - SCF funding pressures.
 - Audit delivery and resourcing.
 - Future direction of fees and funding.
 - Public audit model and impact on future procurement.
 - Audit modernisation.

- Resourcing system.
- Implementation of estate strategy.

Capital expenditure

- 35.** The approved capital programme for 2023/24 planned for further investment in IT hardware and software. Following Board approval of the Estates Strategy and the expansion of our Glasgow office the total budget allocation was increased in the year by £150k to £300k. This budget increase was required to fund the minor works required to make the Glasgow office suitable for our operational requirements.
- 36.** Due to slippage on the Glasgow office project our contingency plan to bring forward planned IT spend in 2024/25 into 2023/24 was actioned.
- 37.** Total capital expenditure of £247k was spent on furniture for Glasgow and Edinburgh offices (£20k), audio equipment for meeting room EH1/2 in Edinburgh (£42k) and IT hardware (£185k).

Virement

- 38.** Executive Team approved the virement of £150k revenue budget from management contingency to the capital investment budget. This was to enable us to complete the building work required in the Glasgow office.
- 39.** To fund the 2023/24 pay award settlement there is a requirement to vire £288k from management contingency to staff pay.

Financial Position

Fee income – recognition of income on completion of outstanding 21/22 audits for both firms and in house work. Firms additional income (£225k) offset by increased firms payments (£198k). For 22/23 audits, in-house work behind plan for local government and EAFA. Firms behind plan on 22/23 audits due to local government and FE audit work. The combined position for in-house and firms' 23/24 audit work is on plan.

Other income – favourable pension fund adjustment of £1,675k and unbudgeted bank interest of £67k.

Pay – budgets include virements to cover the impact of the final pay award settlement being higher than the budget of 3%. £514k of the favourable variance is due to the average whole time equivalent (w.t.e.) position being 9.4 below funded establishment, which is then reduced by increased agency and secondment expenditure. The balance of the variance is due to pensions (£222k) and holiday pay accrual (£242k).

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

Capital – £247k expenditure, £53k less than budget.

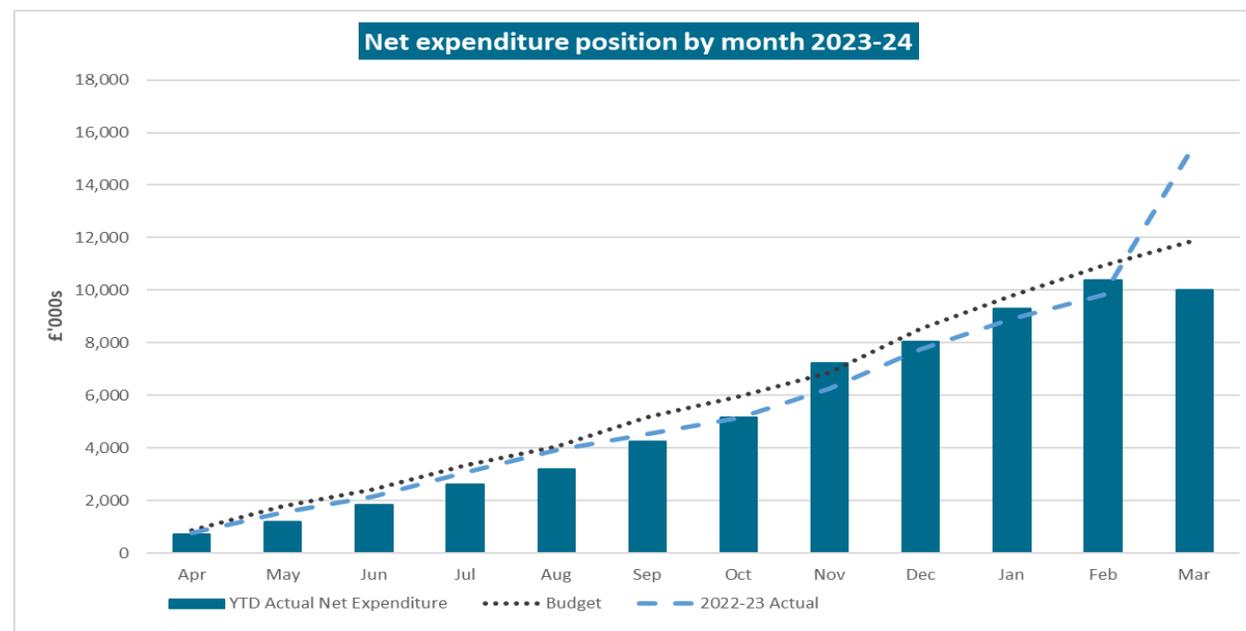
Management contingency - £500k budget. £150k allocated to capital investment and a further allocation of £288k to meet the impact of the agreed pay award.

Forecast - based on September result, presented to ET on 16 January and did not include the forecast pension underspend.

Financial Risks

- Closing work in progress position for 2023/24 audit work at 31 March 2024.
- Firms additional audit work and fees.
- Outstanding 2022/23 audits.
- Cash flow issues in respect of payment of 2023/24 audit fees.
- Financial implications of Estate strategy.
- Procurement demand and lead times.

Financial Position as at end of March 2024						
	Actual YTD £'000s	Budget YTD £'000s	Variance YTD £'000s	FY Forecast £'000s	FY Budget £'000s	Variance YTD £'000s
Income	(25,116)	(22,943)	2,174	(23,386)	(22,943)	444
Pay	22,333	23,311	978	23,035	23,311	275
Non-pay	12,794	11,532	(1,262)	12,022	11,532	(490)
Capital Expenditure	247	300	53	300	300	0
Funded by Scottish Consolidated Fund	10,258	12,200	1,942	11,971	12,200	229



Summary Balance Sheet £'000s

	31/03/2023	31/03/2024
Total Non Current Assets	2,083	6,291
Total Current Assets	6,528	6,093
Total Current Liabilities	(8,649)	(7,777)
Total Non Current Liabilities	(2,751)	(7,344)
Assets Less Liabilities	(2,789)	(2,737)
Taxpayers Equity	2,789	2,737

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

Current assets – decrease in cash and increase in VAT debtor and prepayments.

Current liabilities – decrease in SCF creditor and untaken leave accrual.

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

Summary Cash Flow £'000s

Net cash outflow from operating activities	(11,064)
Cashflows from investing activities	(247)
Obligations under leases	(632)
Drawdown from Consolidated Funds	11,152
Net increase/(decrease) in cash/cash equivalents	(791)
Net Cash requirement	11,943

- Draw down from Scottish Consolidated Fund of £11.152 million.
- Net decrease in cash / cash equivalents of £0.791 million from 31 March.
- First instalment of 23/24 audit fee invoices issued in January 24 with outstanding debt of £1.267 million on 31 March.

Capital Expenditure £'000s

	Total Funding
Audio equipment EH1/2	42
40 office chairs	20
Dell power switch/laptops	15
Mobile phones	22
Laptops	116
48G Switch x 10	15
FortiProxy software	17
Balance	53

- Year to date spend on upgrading audio equipment in Board meeting room at WP, IT hardware, mobile phones, software and office chairs.
- Virement of £150k from Revenue to Capital approved by ET to undertake Glasgow office building work. We did not start the work this financial year and have accelerated the digital services requirement for 24/25 in to 23/24.

Appendix | Financial Performance by Business Group – March 2024

YTD financial position for each business group

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

- **Overall** - at the end of March the un-audited revenue position was £2,001k less than budget.
- **Audit Services Group** - 21/22 audits complete with some residual income recognised this financial year. 22/23 audit work slightly behind plan in local government and EAFA. Income of £2,931k recognised for 23/24 audit work compared to budget of £3,006k. Pay less than budget following virement in December to cover impact of increased pay award. Non-pay less than budget mainly due to reduced travel and lease car expenditure.
- **Performance Audit and Best Value** - pay costs less than budget with average w.t.e. 6.1 below funded establishment reduced by pay award above budget allocation. Vacant posts being filled. Non-pay costs less than budget due to reduced expenditure on professional services and reduction in car lease costs.
- **Innovation and Quality** - pay costs less than budget with the average w.t.e. 1.4 below funded establishment being reduced by pay award above budget allocation. Non-pay costs less than budget due to reduced expenditure on professional fees (digital audit project) and car lease costs which is offset by overspend in training costs.
- **Audit Quality and Appointments** - overspend in pay costs due to additional temporary support from ASG.
- **Corporate Services Group and Corporate Costs** - pay less than budget due to average 2.5 w.t.e. below plan together with corporate savings in pensions (£222k) and holiday pay accrual (£242k). Non-pay more than budget with the most significant variances in property, professional services, occupational health and IT costs. This is being reduced by depreciation charges being less than budget. Income includes unbudgeted pension finance (£1,675k), central charge recovery more than budget (£133k) and unbudgeted bank interest (£67k).
- **Approved Auditors** – completion of some 21/22 audit work in 23/24 financial year with 22/23 audit work behind trajectory leading to fee income recognition being slightly less than budget. Income for 23/24 audit work slightly more than budget. Firm expenditure more than budget due to cost of additional 22/23 audit work.
- **Accounts Commission and Support** - non-pay expenditure less than budget due to unused change programme budget and adopting alternative means to make Commission meetings available online.
- **Board, AGS and Exec Team** - non-pay costs more than budget due to additional training expenditure and a reduction in corporate subscription expenditure.

Business Group	Cost type	Actual YTD £'000s	Budget YTD £'000s	Variance YTD £'000s	FY Forecast £'000s	FY Budget £'000s	Variance YTD £'000s
Audit Services Group	Income	(11,904)	(11,852)	52	(11,950)	(11,852)	98
	Pay	11,081	11,096	15	11,280	11,096	(184)
	Non-pay	439	552	113	464	552	88
	Total	(383)	(203)	180	(206)	(203)	3
Performance Audit and Best Value	Income	0	0	0	0	0	0
	Pay	4,668	4,993	325	4,687	4,993	305
	Non-pay	109	185	76	156	185	29
	Total	4,777	5,178	401	4,844	5,178	334
Innovation and Quality	Income	0	0	0	0	0	0
	Pay	1,762	1,809	48	1,713	1,809	96
	Non-pay	508	642	135	579	642	64
	Total	2,270	2,452	182	2,292	2,452	160
Audit Quality and Appointments	Income	0	0	0	0	0	0
	Pay	383	374	(9)	374	374	0
	Non-pay	152	157	5	157	157	(0)
	Total	535	532	(3)	532	532	(0)
Corporate Services Group and Corporate costs	Income	(5,366)	(3,493)	1,873	(3,545)	(3,493)	53
	Pay	2,981	3,589	608	3,531	3,589	58
	Non-pay	3,375	2,765	(611)	2,995	2,765	(230)
	Total	991	2,861	1,871	2,981	2,861	(120)
Approved Auditors	Income	(7,847)	(7,598)	249	(7,891)	(7,598)	293
	Pay	0	0	0	0	0	0
	Non-pay	8,147	7,070	(1,077)	7,583	7,070	(513)
	Total	300	(528)	(828)	(308)	(528)	(220)
Accounts Commission and Support	Income	0	0	0	0	0	0
	Pay	499	491	(8)	489	491	2
	Non-pay	37	138	100	55	138	83
	Total	536	628	92	544	628	85
Board, AGS and Exec Team	Income	0	0	0	0	0	0
	Pay	959	958	(1)	960	958	(2)
	Non-pay	26	22	(4)	33	22	(11)
	Total	986	980	(5)	993	980	(13)
Funded by Scottish Consolidated Fund		10,011	11,900	1,889	11,671	11,900	229