

Agenda

Audit Scotland Board

Tuesday 26 November 2024

Audit Scotland, 102 West Port, Edinburgh



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

Standing items

- | | |
|---|-----------------|
| 5. Chair's report – verbal update | For information |
| 6. Accountable Officer's report – verbal update | For information |
| 7. Chief Operating Officer report – verbal update | For information |
| 8. Accounts Commission Chair report – verbal update | For information |
| 9. Review of draft minutes: | |
| • Remuneration and Human Resources meeting: 7 May 2024 | For information |
| • Audit Committee meeting: 7 May 2024 | For information |
| • Remuneration and Human Resources Extraordinary meeting:
15 August 2024 | For Information |
| • Audit Committee meeting: 3 September 2024 | For information |
| • Board meeting: 24 September 2024 | For approval |
| 10. Review of action tracker | For assurance |

Business planning, performance and governance

- | | |
|---|---------------|
| 11. 2023-24 Climate change annual report | For assurance |
| 12. Quarter 2: Corporate performance report | For assurance |
| 13. Quarter 2: Financial performance report | For assurance |

Items to be taken in private

- | | |
|----------------------------------|--------------|
| 14. 2025-26 SCPA budget proposal | For approval |
|----------------------------------|--------------|

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

15. Audit Quality Framework

For information

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

16. Audit Quality Interim report

For assurance

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

17. Quality update

For assurance

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

18. Audit modernisation project: update

For assurance

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

19. Partnership working framework annual effectiveness review

For information

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

Conclusion

20. Any other business

For discussion

21. Review of meeting

For discussion

22. Date of next meeting: 28 January 2025

For information

Minutes

Audit Committee



Tuesday 7 May 2024, 10.00am

Audit Scotland, 102 West Port, Edinburgh / MS Teams

Present:

Colin Crosby (Chair)
Jackie Mann
Jo Armstrong

Apologies:

Stephen Pringle, Wylie & Bisset

In attendance:

Alan Alexander, Chair, Audit Scotland Board
Stephen Boyle, Accountable Officer and Auditor General for Scotland
Vicki Bibby, Chief Operating Officer
Kenny Oliver, Executive Director Innovation & Quality
John Cornett, Executive Director of Audit Services
Paul O'Brien, Director of Quality & Support
Martin Walker, Director of Corporate Support
Stuart Dennis, Corporate Finance Manager
Gemma Diamond, Director of Innovation & Transformation
Michelle Borland, Head of Organisational Improvement
Owen Smith, Senior Manager Audit Quality & Appointments
John Gilchrist, Manager Audit Quality & Appointments
Ian Metcalfe, Corporate Performance Officer
Jillian So, Alexander Sloan
David Jeffcoat, Alexander & Sloan
Graham Gillespie, Wylie & Bisset
Niki Ross, Forum Support Coordinator (Minutes)

1. Private meeting with Wylie & Bisset LLP

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

2. Welcome and apologies

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

3. Declarations of interests

Jo Armstrong advised of her connection with the Boards for Water Industry Commission for Scotland (WICS) and Glasgow City Buildings.

4. Minutes of the last meeting: 19 March 2024

Audit Committee members reviewed and agreed the minutes of the 19 March 2024 meeting, copies of which had been circulated previously.

Audit Committee approved the minutes of the previous meeting.

5. Review of action tracker

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

Audit Committee noted the tracker for completeness.

6. Internal audit report: 2023-24 Strategic Planning

Gemma Diamond and Michelle Borland joined the meeting.

Graham Gillespie, Wylie & Bisset, introduced the Strategic Planning 2023-24 internal audit report, copies of which had been circulated previously.

Graham advised that that a strong level of assurance was provided with a lot of good practice areas highlighted in the report. There was one recommendation with a low-risk rating and two observations which are around the timing of our strategic planning process. Audit Committee agreed that with the ongoing development of the planning process this will have a positive impact in addressing the issues raised.

Audit Committee noted the internal audit report on Strategic Planning.

7. Internal audit report: 2023-24 Follow up Review

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

Graham advised that a strong level of assurance was provided on Audit Scotland's implementation of outstanding recommendations, with 15 of the 18 recommendations being fully implemented.

During discussion members agreed that it would be useful to see the detailed cashflow forecast to have a clearer understanding of the monitoring and movement of cash.

Audit Committee noted the report and the value of the 2023-24 Follow up review.

Action: Stuart Dennis to share most recent cashflow report with members.

Gemma Diamond and Michelle Borland left the meeting.

8. Internal audit report: 2024-25 Internal audit plan

Graham Gillespie, Wylie & Bisset, introduced the internal audit plan for 2024-25, copies of which had been circulated previously.

The committee noted that the plan is a three-year rolling plan and that we are now in year three. The only change to the plan is around substituting the procurement review for a review of the Audit Modernisation Project.

Audit Committee discussed stakeholder engagement and if we are using all the appropriate methods for communication to a wide range of stakeholders who have a legitimate interest in what Audit Scotland does and how it does it.

Audit Committee approved the 2024-25 Internal Audit Plan.

9. Audit quality update

Kenny Oliver, John Cornett, Paul O'Brien, Owen Smith and John Gilchrist joined the meeting.

Kenny Oliver introduced the audit quality update, copies of which had been circulated previously.

Audit Committee was invited to:

- Note the paper and ask any questions of clarification.

Audit Committee welcomed the progress made in audit quality with all improvement actions relevant to the Audit Services Group now complete and good progress is continuing in the actions planned within Performance Audit.

Members discussed the different audit approaches between public and private sector in relation to asset valuations and noted the ongoing discussions in relation to that.

Following discussion, Audit Committee noted the audit quality update.

10. 2023-24 Transparency Report

Paul O'Brien introduced the Transparency Report, copies of which had been circulated previously.

Audit Committee was invited to:

- Comment on the draft Transparency Report.
- Approve the report's submission to the Board on 7 June.

Audit Committee welcomed the report noting it is honest, clear and informative.

During discussion, members noted that work is taking place in our strategic planning process to ensure we continue to provide progress on audit quality and delivery whilst facing competing demands amidst resourcing pressures. Members recognised that there is an element of investing for the future and that the impact of some improvements will not be immediate.

Further discussion took place on the funding we have retained to support the recruitment of temporary staff and the potential opportunities and challenges we face in ensuring that we use this funding in the best way possible to make the difference that is needed.

Following discussion, Audit Committee approved the report's submission, subject to minor amendments, to the Board on 7 June 2024.

11. 2023-24 Draft quality of public audit in Scotland

Owen Smith introduced the draft quality of public audit in Scotland (QPAS) and the draft supplementary report 2024, copies of which had been circulated previously.

Audit Committee was asked to:

- Note the report and its findings.
- Comment on the draft reports.
- Note that there is an ICAEW review of an ASG NHS audit still to be finalised.

During discussion, Audit Committee noted that some appointed firms can be outside the scope of the transparency reporting requirements therefore have no obligation to prepare a Transparency Report. Audit Committee agreed that we should maintain awareness of this for the next procurement round and how this could affect the positioning of future QPAS reports.

Audit Committee discussed the results for local government audits that were not completed on time and the various reasons surrounding this. Members agreed that it would be useful to see a year-on-year set of results to provide more context and understanding. Following discussion, Audit Committee noted the QPAS report and its findings, subject to minor amendments.

Action: Owen/John to prepare a 'tracked change' version of the QPAS report, reflecting Audit Committee's discussion, which will be submitted to the Board meeting on 7 June 2024.

Kenny Oliver, John Cornett, Paul O'Brien, Owen Smith left the meeting.

12. Financial position – verbal update

Stuart Dennis provided a verbal update on the financial position highlighting that we have a £2m underspend with the actual operating position being £120k underspend.

Audit Committee noted that the Q4 report will go to both Audit Committee and Board on 7 June 2024.

13. Review of risk register

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

Audit Committee was invited to:

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

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

14. 2023-24 Annual report on data incidents/loss

Ian Metcalfe joined the meeting.

Martin Walker introduced the 2023-24 annual report on data incidents/loss, copies of which had been circulated previously.

Audit Committee was invited to:

- Note the report.

Following discussion, Audit Committee noted the annual report on data incidents/loss.

15. 2023-24 Annual report on bribery and fraud

Martin Walker introduced the 2023-24 annual report on bribery and fraud, copies of which had been circulated previously.

Audit Committee was invited to:

- Note the report.

Following discussion, Audit Committee noted the annual report on bribery and fraud.

16. 2023-24 Annual report on hospitality and gifts

Martin Walker introduced the 2023-24 annual report on hospitality and gifts, copies of which had been circulated previously.

Audit Committee was invited to:

- Note the report.

Following discussion members noted the annual report on hospitality and gifts.

17. 2023-24 Annual report on whistleblowing (internal)

Martin Walker introduced the 2023-24 annual report on whistleblowing, copies of which had been circulated previously.

Audit Committee was invited to:

- Note the report.

Following discussion, Audit Committee noted the annual report on whistleblowing.

Ian Metcalfe left the meeting.

18. Annual review of performance management arrangements

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

Audit Committee was invited to:

- Note the performance management arrangements in place.
- Note the ongoing and planned performance management developments in 2024/25.

Following discussion, Audit Committee noted the annual review of performance management arrangements.

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

John Gilchrist provided an update on the policy on the provision of Non-Audit Services by Audit Scotland's external auditor, copies of which had been circulated previously.

Audit Committee was invited to:

- Comment on the draft policy.
- Recommend it to the Board for approval.

Following discussion, Audit Committee noted the report and agreed it be recommended to Board for approval on 21 May 2024.

John Gilchrist left the meeting.

20. Annual review of counter fraud policy

Martin Walker introduced the annual review of the counter fraud policy, copies of which had been circulated previously.

Audit Committee was invited to:

- Note the review.
- Agree proposed amendments to the policy.
- Agree, subject to any required amendments the policy is submitted to the Board meeting of 21 May 2024.

Following discussion, Audit Committee noted the report and agreed it be recommended to the Board meeting of 21 May 2024.

21. Annual review – Audit Committee self-evaluation

Martin Walker introduced the annual review of the Audit Committee self-evaluation, copies of which had been circulated previously.

Audit Committee was invited to:

- Note the self-evaluation findings and the positive assurance on the effectiveness of the Audit Committee.
- Agree that the assessment informs the Chair's annual report to the Board.
- Discuss the issues arising/ potential development areas from the evaluation and agree the next steps.

During discussion Audit Committee welcomed the suggestion of a periodic engagement between the Chair and their counterparts in other UK audit agencies.

Following discussion, Audit Committee noted the annual review of the Audit Committee self-evaluation.

22. Any other business

There were no other items of business.

23. Review of meeting

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

24. Date of next meeting

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

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

Minutes

Audit Committee



Tuesday 3 September 2024, 10.00 am
Audit Scotland, 102 West Port, Edinburgh

Present:

Colin Crosby (Chair)
Jackie Mann
Jo Armstrong (joined at item 11)

Apologies:

In attendance:

Alan Alexander, Chair, Audit Scotland Board
Stephen Boyle, Accountable Officer and Auditor General for Scotland
Vicki Bibby, Chief Operating Officer
Martin Walker, Director of Corporate Support
Graeme Forrester, Head of Performance and Corporate Governance
Wojciech Kuzma, Finance Business Partner
Ethan Bayne, Cloud and Security Manager
Nicola Paton, Digital Project Manager
Fiona Mitchell-Knight, Audit Director
Jillian So, Alexander Sloan
David Jeffcoat, Alexander & Sloan
Graham Gillespie, Wbg
Stephen Pringle, Wbg

Niki Ross, Forum Support Coordinator (Minutes)

1. Private meeting with Wylie & Bisset LLP

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

The Audit Committee noted that a detailed response had been submitted to the SCPA's inquiry regarding various areas of expenditure on 21 August 2024 and that no further request for information had been received.

Action: Martin to share the written response to Board and Audit Committee members and external auditors, Alexander Sloan.

2. Welcome and apologies

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

The Chair welcomed Graeme Forrester, Head of Performance and Corporate Governance, to his first meeting of the Audit Committee.

3. Declarations of interests

There were no declarations of interest.

4. Minutes of the last meeting: 7 June 2024

The Audit Committee members reviewed and agreed the minutes of the 7 June 2024 meeting, copies of which had been circulated previously.

5. Minutes of the extraordinary meeting: 18 June 2024

The Audit Committee members reviewed and agreed the minutes of the 18 June 2024 meeting, copies of which had been circulated previously.

6. Review of action tracker

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

The Audit Committee noted the tracker for completeness.

7. 2023-24 Internal Audit report: Stakeholder engagement

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

Graham advised that the review provided a strong level of assurance surrounding the effectiveness of the methods used to communicate with key stakeholders. Two low grade recommendations for improvement were made and five areas of good practice points were highlighted.

The members discussed the value of receiving an annual summary report that highlights our performance against the objectives and activities we planned to undertake whilst also considering the effectiveness of other reporting methods currently in use.

Following discussion, the Audit Committee welcomed the strong level of assurance and noted the 2023-24 stakeholder engagement report.

Action: Martin to consider the feasibility of producing an annual summary report that outlines our activities in relation to our commitments.

8. 2023-24 Internal Audit report: Business continuity planning

Graham Gillespie, Wylie & Bisset, introduced the internal audit report on business continuity planning, copies of which had been circulated previously.

Graham highlighted the substantial level of assurance surrounding the arrangements in place for business continuity and the five recommendations made.

The members discussed the context of Business Impact Assessments (BIA) in terms of how Audit Scotland has not conducted a BIA since 2018 and requested that Wbg strengthen the narrative to better reflect how the business was addressing the impacts of the pandemic during this period.

Following discussion, the Audit Committee welcomed the substantial level of assurance and noted the 2023-24 business continuity planning report, subject to minor amendments.

9. Internal Audit progress report

Graham Gillespie, Wylie & Bisset, provided an update on the summary of audit work undertaken in 2024-25, copies of which had been circulated previously.

Following discussion, the Audit Committee noted internal audit progress report.

10. Internal Audit recommendations progress report

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

The Audit Committee was invited to:

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

During discussion, the Audit Committee noted that overall, we are making good progress on the recommendations, although there has been slight slippage in a couple of the implementation dates.

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

11. Audit Scotland BV Self-Assessment

Fiona Mitchell-Knight joined the meeting.

Fiona Mitchell-Knight introduced the Audit Scotland BV Self-Assessment report, copies of which had been circulated previously.

The Audit Committee was invited to:

- Discuss this report and note the findings in the report, and the planned improvement actions which are now ongoing in response to the self-assessment.

During discussion, members welcomed the report and agreed that this is a very valuable and robust exercise. The members noted that Audit Scotland's identified areas for improvement align closely with those organisations we report on, as these challenges, such as longer-term planning, are inherently difficult to address.

The members commented that the report would benefit from greater detail in some areas to strengthen its depth, for example reinforcing the Board's role in relation to governance and accountability. This is currently included in the supporting working papers only.

Further discussion was on the value of undertaking the self-assessment with members agreeing that this should be viewed as a similar status to an internal audit report and follow the same process as our other internal reports including communicating the report to the wider audience. Additionally, there was also a discussion regarding the potential for independent review of the BV thematic areas covered by the report, to provide additional assurance, in the future if considered necessary.

Following discussion, the Audit Committee noted the findings in the report and the planned improvement actions, subject to amendments.

Action: Fiona to schedule an interim update report to Audit Committee as appropriate.

Action: Fiona to consider options for how we can share the report to a wider audience.

Fiona Mitchell-Knight left the meeting.

12. Q1 Financial performance report

Wojciech Kuzma joined the meeting.

Wojciech Kuzma provided an overview of the Q1 financial performance report, copies of which had been circulated previously.

The Audit Committee was invited to:

- Note the financial results for the three months to 30 June 2024.
- Discuss and note the main financial risks in paragraphs 24 and 25.

During the discussion, the Audit Committee reviewed the financial summary as of June 2024, considering the assumption that we will remain within our allocated budget and the possibility of an underspend. Additionally, members noted the need for transparency regarding our spending from the contingency fund.

Following discussion, the Audit Committee were content to note the Q1 financial performance report.

Wojciech Kuzma joined the meeting.

13. Review of risk register

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

The Audit Committee was asked to:

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

During discussion, the Audit Committee noted that there was no material change to the risk profile than what was previously reported to Audit Committee on 7 June 2024, highlighting the biggest risk continues to be digital.

During discussion, members acknowledged the scale of public pressure cuts and the need to be clear on our scenario planning to meet these challenges, and the risk associated with them as well as being able to evidence our approach to the SCPA.

Following discussion, the Audit Committee were content to note the updated risk register report.

14. Digital security update

Ethan Bayne and Nicola Paton joined the meeting

Ethan Bayne and Nicola Paton both introduced the digital security update, copies of which had been circulated previously.

The Audit Committee was invited to:

- Note the digital security risk profile.
- Note the ongoing and planned actions to mitigate digital risks.
- Note the new graphical summary of threats in Appendix 1.
- Note the summaries of Threats and risks and Actions and Improvements are provided in this document and available in greater detail via links at paragraphs 10 and 22.

During discussion members noted the ongoing actions to mitigate digital risks, particularly in relation to cyberattacks involving the use of personal email addresses in the workplace and importance of continuing to build on and reinforce the knowledge and resilience in this area.

Following discussion, the Audit Committee were content to note the digital security update.

15. Q1 Data incidents/loss report

Martin introduced the Q1 report on data incidents/loss, copies of which had been circulated previously.

The Audit Committee was invited to:

- Note the report.

Following discussion, the Audit Committee were content to note the Q1 report on data incidents/loss.

Ethan Bayne and Nicola Paton left the meeting.

16. 2023-24 Annual review of corporate governance policies

Martin provided an overview on the annual review of corporate governance policies, copies of which had been circulated previously, highlighting the main changes in each policy.

The Audit Committee was invited to:

- Note the annual review of the corporate governance documents.
- Recommend the suite of corporate governance documents to the Board for its meeting on 24 September 2024.

Standing orders

Following discussion, the Audit Committee recommended the revised document for approval by the Board.

Scheme of delegation

Following discussion, the Audit Committee recommended the revised document for approval by the Board.

Financial regulations

Following discussion, the Audit Committee recommended the revised document for approval by the Board.

Members code of conduct

Following discussion, the Audit Committee recommended the revised document for approval by the Board.

Staff code of conduct

Following discussion, the Audit Committee recommended the revised document for approval by the Board.

Stephen Pringle, Graeme Gillespie, Jillian So and David Jeffcoat left the meeting.

17. Private item: Internal audit procurement

Martin provided an overview of internal audit procurement report, copies of which had been circulated previously.

The Audit Committee was invited to:

- Consider the options available and the risk benefit assessment (paragraphs 12- 13 below).
- Approve the recommendation to extend the internal audit services contract for a further year – as provided for under the current agreement (option 2).

During discussion, members noted that there have been no issues of concern in relation to the work of Wbg. However, members acknowledged that there could be more challenge and engagement from them to support the work of the Audit Committee meetings.

Following discussion, the Audit Committee approved the recommendation to extend the internal audit services contract for a further year – as provided for under the current agreement.

Action: Martin to address the importance of increased participation from external auditors during Audit Committee meetings.

18. Any other business

There were no other items of business.

19. Review of meeting

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

20. Date of next meeting

The next meeting of the Audit Committee is scheduled for 11 November 2024.

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

Minutes

Audit Scotland Board

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



Present:

Alan Alexander (Chair)
Colin Crosby
Stephen Boyle
Jackie Mann
Jo Armstrong (joined from item 11)

Apologies:

In attendance:

Vicki Bibby, Chief Operating Officer (*Item 18*)
Alison Cumming, Executive Director of Performance Audit & Best Value
Helena Gray, Controller of Audit
Kenny Oliver, Executive Director of Innovation & Quality (*Item 20*)
Gemma Diamond, Director of Innovation and Transformation (*Items 11, 12, 20*)
Michelle Borland, Head of Organisational Improvement (*Items 11, 12*)
Martin Walker, Director of Corporate Support (*Items 13, 14, 15, 16*)
Stuart Dennis, Corporate Finance Manager, (*Items 17, 19*)
Wojciech Kuzma, Finance Business Partner (*Item 17, 19*)
Morag Campsie, Head of Digital Audit (*Item 20*)
Graeme Forrester, Head of Performance & Corporate Governance (Observer)
Niki Ross, Forum Support Coordinator (Minutes)

1. Private meeting of Board members

The Board met privately and emphasised the importance of routinely reviewing reports to ensure they maintain an appropriate level of detail.

Action: Martin to explore ways to ensure that reports contain the essential information for Board members while avoiding unnecessary detail.

2. Welcome and apologies

Vicki Bibby, Alison Cumming, Helena Gray, Kenny Oliver, Martin Walker and Graeme Forrester joined the meeting.

The Chair welcomed attendees to the meeting. A warm welcome was addressed to both Alison Cumming and Graeme Forrester, as this was their first Board meeting.

3. Declarations of interest

There were no declarations of interest noted.

4. Items to be taken in private

The Chair invited members to agree that items 19 and 20 of the agenda be considered in private for the reasons stated on the agenda. The members agreed.

5. Chair's report – verbal update

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

In addition, the Chair advised of his attendance at the Audit Committee on 3 September, the Extraordinary Remco meeting on 16 August to discuss the Audit Scotland Pay Award and the PABV keynote session on People and place.

In relation to Parliamentary engagement, the Chair invited members to note the SCPA session on our Annual Report and Accounts and the informal SCPA session on the Audit Modernisation Project.

The Chair advised that he has completed the Non-Executive Directors annual appraisals and submitted documentation to the Parliament.

In terms of forthcoming activities, the Chair advised members of the informal budget discussion with the SCPA.

Following discussion, the Board welcomed the update.

6. Accountable Officer's report – verbal update

Stephen Boyle acknowledged that this was the Chair's final meeting and expressed his deep appreciation for the time spent working together over the past few years. He thanked the Chair for his invaluable support, guidance, and wisdom.

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

Stephen highlighted that the completion of Audit Scotland's annual report and accounts marks a significant milestone, especially considering the challenges posed by the availability of pension information from the provider. He also acknowledged the scrutiny sessions held with the SCPA regarding our annual accounts and the audit modernisation project.

Stephen led a keynote session featuring two public sector leaders, Sarah Davidson, Chief Executive of Carnegie UK, and Craig Naylor, Chief Inspector of Constabulary in Scotland, as they discussed the challenges and opportunities facing the Scottish public sector.

In addition, Stephen chaired and published a mid-term blog that reflects on the challenges and opportunities ahead, emphasising the level of leadership and high-quality governance required to transition to a model that effectively serves the people of Scotland.

In relation to external engagement, Stephen had an interview with the Times newspaper, broader engagement with a range of public sector leaders and some of the firms that we

contract with. Stephen noted his introductory meetings with the new Chief Executive of chartered accountants of England and Wales

In relation to Parliamentary engagement, Stephen noted we are working to deliver the joint work programme, catching up with some of the delays encountered as a consequence of the 'purdah' period running up to the UK General Election, namely, publishing reports on Public Service Reform and Fiscal Sustainability, Scottish Government Section 22 reports and reports on NHS in Scotland and Drugs and Alcohol Services.

Following discussion, the Board welcomed the update.

7. Chief Operating Officer – verbal update

Vicki Bibby extended her heartfelt gratitude to the Chair for his support, wisdom and constructive challenges. She reflected on how much she has enjoyed working with him and emphasised the knowledge that she has gained will have a lasting impact on her.

Vicki highlighted the key internal activities include pay award negotiations, operational budgeting, and key projects such as audit modernisation and resource management. Additionally, she mentioned significant recruitment campaigns and a celebration on the achievements of newly qualified trainees.

In terms of parliamentary engagement, there have been discussions on budget, audit modernisation, and our accounts. Vicki noted her regular catchups with the Clerks and reported that she meets regularly with Chief Operating Officers of other audit agencies.

In terms of external engagement, Vicki has met with some of the firms on audit delivery. Executive Team also met with all the Partners from firms to reflect on how things have been post year 1 and into year 2 and looking ahead for the audit market. Vicki continues to engage with the Accounts Commission.

Vicki is a member of the Scottish Leaders Forum Strategic Steering Group and attends meetings regularly.

Vicki has confirmed that the application for the Boardroom Apprentice Scheme has been submitted and will inform the Board of the outcome in due course.

Looking ahead, Vicki is attending the CIPFA conference.

Following discussion, the Board welcomed the update.

8. Accounts Commission Chair's report – written update

The Board noted the update on recent and forthcoming engagements and Commission work.

9. Review of minutes

Audit Committee meeting: 7 June 2024

The Board noted the minutes of the Audit Committee meeting of 7 June 2024, copies of which had been previously circulated. The Board noted they were an accurate record of the meeting.

Board meeting: 7 June 2024

The Board noted the minutes of the Board meeting of 7 June 2024, copies of which had been previously circulated. The Board noted they were an accurate record of the meeting.

Extraordinary Audit Committee meeting: 18 June 2024

The Board noted the minutes of the Audit Committee meeting of 18 June 2024, copies of which had been previously circulated. The Board noted they were an accurate record of the meeting.

Extraordinary Board meeting: 18 June 2024

The Board noted the minutes of the Board meeting of 18 June 2024, copies of which had been previously circulated. The Board noted they were an accurate record of the meeting.

Extraordinary Board meeting: 3 September 2024

The Board noted the minutes of the Board meeting of 3 September 2024, copies of which had been previously circulated. The Board noted they were an accurate record of the meeting.

10. Review of action tracker

The Board noted and approved the updated action tracker.

11. Strategic Improvement Programme Board update

Gemma Diamond and Michelle Borland joined the meeting.

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

The Board was invited to note:

- The progress with SIP projects summarised in this paper.
- The latest budget and performance monitoring data provided by SIP projects.
- That a further review of SIP composition will happen in November 2024 following progress with the 2025/26 to 2027/28 operational planning process.

The Board noted the continued reference to slippage in the report and agreed that greater clarity is needed regarding the definition of the RAG status for project risks and that this should be incorporated within future update reports. In particular, consideration should be

given by the SIP Board to the cumulative impact of Amber risks to ensure that this does not create a Red risk.

Further discussion focussed on the R&MI project, highlighting that the cost and resources associated with our audits are quite intensive and that this project is seen as a spend to save investment aimed at generating future efficiencies and savings.

The Board explored the feasibility of creating a succession plan for each individual SIP project to effectively manage potential risks associated with staff turnover.

Following discussion, the Board was assured of the progress made, subject to minor amendments mainly around language, and noted a further review of SIP composition will happen in November 2024.

12. Diversity, Equality and Inclusion Strategy

Gemma presented the emerging diversity, equality and inclusion strategy, copies of which had been circulated previously.

The Board was invited to:

- Respond to the consultation on the emerging DEI strategy included in [Appendix one](#). The emerging strategy and consultation questions are summarised in Table 1 below (page two).
- Note the plans for wider consultation on the strategy with colleagues internally and external stakeholders.

The Board agreed that we have the right outcomes in place and noted that a range of metrics are being developed for each outcome to monitor progress within the strategy.

During discussion, members discussed the issue of inequality and noted that the strategy is data driven in terms of developing the appropriate outcomes. They also noted that auditors will be guided to look at data in their audit area to identify areas of inequality to inform their audit approach.

Following discussion, the Board was content note the plans for wider consultation, subject to minor amendments.

Gemma Diamond and Michelle Borland left the meeting.

13. Annual Review of Corporate Governance documents

Martin Walker provided an overview on the annual review of corporate governance policies, copies of which had been circulated previously.

The Board was invited to:

- Note the annual review of the corporate governance documents.
- Note they were reviewed by the Audit Committee at its meeting on 3 September 2024.
- Note the Audit Committee determined to recommend the revised documents.

- Approve the suite of corporate governance documents.

Following discussion, the Board approved the corporate governance policies.

14. Review Staff Handbook policies: Whistleblowing policy

Martin provided an overview of the Whistleblowing policy, copies of which had been circulated previously.

The Board was invited to:

- Consider the changes proposed to the policy at appendix one.
- Approve the changes to the policy at appendix one.

During the discussion, members highlighted that the whistleblowing policy is just one of several avenues available for staff to voice their concerns, and that all these channels are reviewed regularly. They emphasised the importance of our processes in identifying potential issues early on, allowing us the opportunity to address them promptly.

Following discussion, the Board approved the changes to the Whistleblowing policy.

15. Annual review of records management policies

Martin provided an overview of the records management policy, copies of which had been circulated previously.

The Board was invited to:

- Approve the updated records management policy.

Following discussion, the Board approved the updated records management policy.

16. Quarter 1: Corporate performance report

Martin introduced the Q1 corporate performance report, copies of which had been circulated previously.

The Board was invited to:

- Review the performance in Q1 as set out below and in appendix 1.
- Consider the issues affecting performance, the actions identified and whether any additional management action is required.

During the discussion, members recognised that certain areas are facing challenges and noted that proactive measures have been implemented to closely monitor and address these aspects.

Following discussion, the Board noted the Q1 corporate performance report.

17. Quarter 1: Financial performance reporting

Stuart Dennis and Wojciech Kuzma joined the meeting.

Stuart Dennis introduced the Q1 financial performance report, copies of which had been circulated previously.

The Board was invited to:

- Note the financial results for the three months to 30 June 2024.
- Discuss and note the main financial risks in paragraphs 24 and 25.

During discussion, the Board were content with Stuart's explanation regarding the questions raised by the Audit Committee on 3 September 2024 concerning budget forecasting and management contingency.

Following discussion, the Board noted the Q1 financial performance report.

18. 2025 Proposed Board and Committee meeting schedule

Vicki Bibby provided an overview of the proposed meeting schedule for the Audit Scotland Board and Committees in 2025, copies of which had been circulated previously.

The Board was invited to:

- Approve the proposed meeting dates for 2025, subject to the new Board Chair availability once in post.
- Approve the option of holding a meeting in the Glasgow office annually.

Following discussion, the Board approved the proposed Board and Committee meeting schedule for 2025, subject to the new Board Chair availability once in post.

Items taken in private

19. 2025-26 Draft Budget submission

Stuart Dennis provided an overview on the initial draft revenue and capital expenditure budget proposal for 2025-26, copies of which had been previously circulated.

The Board was invited to:

- To discuss and note the current position in respect of the 2025/26 Draft Budget Proposal.
- Confirm the Board is content with the budget assumptions set out in the paper.
- Invite observations on the development of a Recruitment Board to scrutinise all vacancies and the need for backfill.
- Note the ongoing budget development work.
- Note that a final budget report will be considered by the Board at its November meeting.

- The Board noted that the draft report had been considered by the Audit Committee at its meeting on 7 May 2024.

During discussion, members spoke about the need to increase the 2024-25 budget by 3.7% to sustain current delivery levels and the impact this will have on our direct costs and the fees we pay to appointed auditors.

Further discussion was on the challenges and resistance we have encountered from audited bodies regarding fee increases and, in terms of transformational change, if we need to do something different in our approach to audit delivery to keep fee increases to a minimum.

The Board recognised that while we haven't requested extra funding from the SCPA for a new system in over ten years, careful consideration must be given on requesting support for the Audit Modernisation Project

Further discussion was on the three funding options outlined in the paper with members recognising the strengths in each, but agreed that option two was the best option moving forward.

Following discussion, the Board noted the draft budget submission and agreed that further refinement to the paper can be done by correspondence.

Stuart Dennis and Wojciech Kuzma left the meeting.

20. Audit Modernisation Project update

Gemma Diamond and Morag Campsie joined the meeting.

Kenny Oliver provided an update on the Audit Modernisation Project (AMP), copies of which had been previously circulated.

The Board was invited to:

- Note the SIP Board approval of the recommended option to enter into a relationship with National Audit Office (NAO) to use the Apex system to replace Pentana (paragraphs 6 and 15 and 16) and to approve progression to next phase of the project to incorporate this option into an Outline Business Case.
- Note that the Strategic Outline Case (SOC) was approved by the Strategic Improvement Programme (SIP) Board on 6 August 2024 ([paragraph 4 and 28](#)).

During discussion, the Board agreed that the NAO option is the strongest choice and noted that due diligence had taken place and that we have the necessary safeguards in place.

Further discussion was on the potential resistance to change from staff across the organisation and how we approach this. The Board noted that organisational improvement activity has been built into this project encompassing cultural change and behaviours.

Further discussion was on the potential risks and costs associated with the different options. Members noted that an options analysis identified considerable variances in terms of supplier costs and their ability to meet our requirements. The next stage is to determine precise costs with the agreed option.

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

Gemma Diamond and Morag Campsie left the meeting.

21. Any other business

There was no other business for discussion.

22. Review of meeting

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

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

The Chair thanked everyone for their contributions.

23. Date of next meeting: 26 November 2024

The members noted the next meeting of the Audit Scotland Board is scheduled for 26 November 2024.

Board action tracker 2024



Meeting date	Agenda item no	Item title	Action description	Due date	Responsible	Assigned to	Complete/ongoing	Progress notes
21/11/2024	12	Board and committee meetings 2024	The Board agreed to review further options to visit other Audit Scotland office locations in 2024-25	Nov-24	Martin Walker	Nic Bryson		21/12/23: Keep on radar for the new Chair's meeting in Nov 2024.
27/03/2024	12	Q3 Corporate performance report	Martin to quantify the cost of delayed audits and inform the Board.	Dec-24	Martin Walker		Ongoing	09/05/24: Ongoing 04/09: Ongoing 15/11: progress delayed due to capacity challenges. Due to be progressed during December.
24/09/2024	1	Private meeting of Board members	Martin to explore ways to ensure that reports contain the essential information for Board members while avoiding unnecessary detail.		Martin Walker		Ongoing	15/11: this will be an ongoing process with checks made on reports pre Executive Team and the Board

Climate Change Annual Report 2023/24

Audit Director and Chair of Green Future Strategic Group and Director of Innovation and Transformation and climate change strategic lead

Item 11

Meeting date: 26 November 2024

Purpose

1. The draft Climate Change Annual Report provides an update on our organisational environmental performance to the end of 2023/24. It also provides an update on how we are developing our approach to auditing climate change.

Recommendations

2. The Board is invited to:
 - Approve the Climate Change Annual Report 2023/24, for publication on our external website on 29 November 2024.

Background

3. As a public sector organisation, Audit Scotland has a statutory duty to report each year on our progress in reducing greenhouse gas emissions as well as reporting on our wider environmental performance where applicable (for example, the actions we are taking to adapt to climate change).
4. We published our [Environment, Sustainability and Biodiversity Plan 2021-2025](#) in May 2021. This set out our approach to sustainability issues and our emissions reduction aspirations, including our ambition to reach net zero emissions by 2030. We report annually on progress against the plan. In previous years this report was titled the Environment, Sustainability and Biodiversity Annual Report, but we have simplified it to reflect the emphasis on climate change in public sector statutory reporting duties.
5. During 2023, we established new governance and risk management arrangements to better support consideration of climate change and environmental sustainability across the organisation. The Green Future Strategic Group is leading on the implementation of our Green Future Strategy, which includes measures designed to support improvement in this important area. This includes activity to help embed climate change considerations into every level of decision-making, building them into our business planning and continuing to develop our audit approach.

Financial Implications

6. There are no direct financial implications relating to the progress reported in the annual report. However, action taken to improve our environmental performance and how we respond to climate change may have financial – as well as carbon – implications. For example, decisions that impact on our energy use and business travel; building climate considerations into procurement decisions; and the provision of external training to staff to

ensure they have the skills to audit climate change. Exact costs would be identified and approved as part of the decision-making process.

Considerations

- During 2024, we responded to a Ministerial request to all public bodies to conduct an internal review of our climate change reporting arrangements. We concluded that Audit Scotland continues to comply with our statutory requirements under the Climate Change (Scotland) Act 2009 and the Climate Change (Duties of Public Bodies: Reporting Requirements) (Scotland) Amendment Order 2020.
- Although we have already met our carbon emission reduction target for 2030, emissions from both energy use and business travel increased between 2022/23 and 2023/24. We recognise that further increases in these areas could mean that we will fail to meet our targets in future years. We are monitoring the data closely to understand what impact current trends in business travel and changes to our office spaces may have on our ability to meet our targets in future years.
- Following a review of our emissions reduction target we have decided to maintain our current target in the short-term while we gain a better understanding of trends in business travel and energy use. We remain committed to our ambition of reaching net zero by 2030 and want to ensure that any changes to our current target, and targets beyond 2030, are stretching yet realistic. We plan to report on progress with reviewing our targets in next year's climate change annual report, including our approach to carbon offsetting.
- One of the actions in our Green Future Strategy that we are prioritising in 2024/25 is to undertake a self-assessment against the Sustainable Scotland Network's Leaders' Climate Emergency Checklist. This will allow us to identify improvement actions with the aim of reaching 'exemplary' status by the end of 2028.

Conclusion

7. The Board is invited to approve the Climate Change Annual Report 2023/24, for publication on the Audit Scotland website on 29 November 2024.

Climate change

Annual report 2023/24



Prepared by Audit Scotland
Draft for Board, November 2024

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Background

Purpose

1. The purpose of this document is to provide an update on the progress we are making towards our organisational environmental targets. It also provides an update on how we are developing our approach to auditing climate change.
2. Part 1 looks at our environmental performance as an organisation. Part 2 looks at what we are doing to develop our approach to auditing climate change.

Our ambition

3. Audit Scotland has a unique position within the public sector in Scotland, from which we aim to influence and support positive changes in how Scotland is responding to the climate emergency. This includes aiming to lead by example with our organisational response.
4. We aim to manage our own operations in a way that minimises our negative environmental impact and enhances our positive impact, wherever possible.
5. Our first [Climate change plan \(2015-2020\)](#) set a target to reduce our emissions from the baseline level of 533 tonnes of carbon dioxide equivalent (tCO₂e) to less than 292 tCO₂e by 2020. We went further than our target and recorded 215 tCO₂e in 2019/20.
6. A review of the initial plan was put on hold in 2020 due to the Covid-19 pandemic and we published our new [Environment, Sustainability and Biodiversity Plan 2021-2025](#) in September 2021. The plan sets out our approach to sustainability issues and continues to reflect our emissions reduction aspirations as well as introducing a focus on reaching net zero by 2030. It includes interim targets against the baseline year 2008/09.

Governance

7. Climate change issues are integrated into what we do and how we work through our corporate publications including our [Annual report and accounts](#), [Public audit in Scotland 2023-28](#), and [Corporate Plan 2023-28](#).
8. We have governance and risk management arrangements for climate change and wider environmental sustainability to ensure that these issues are taken into account at every level of decision-making.
9. The roles and responsibilities of the groups involved in leading, managing and holding us to account for our environmental and sustainability performance are set out in Appendix 1 (page 17).

1. Our environmental performance

Key messages

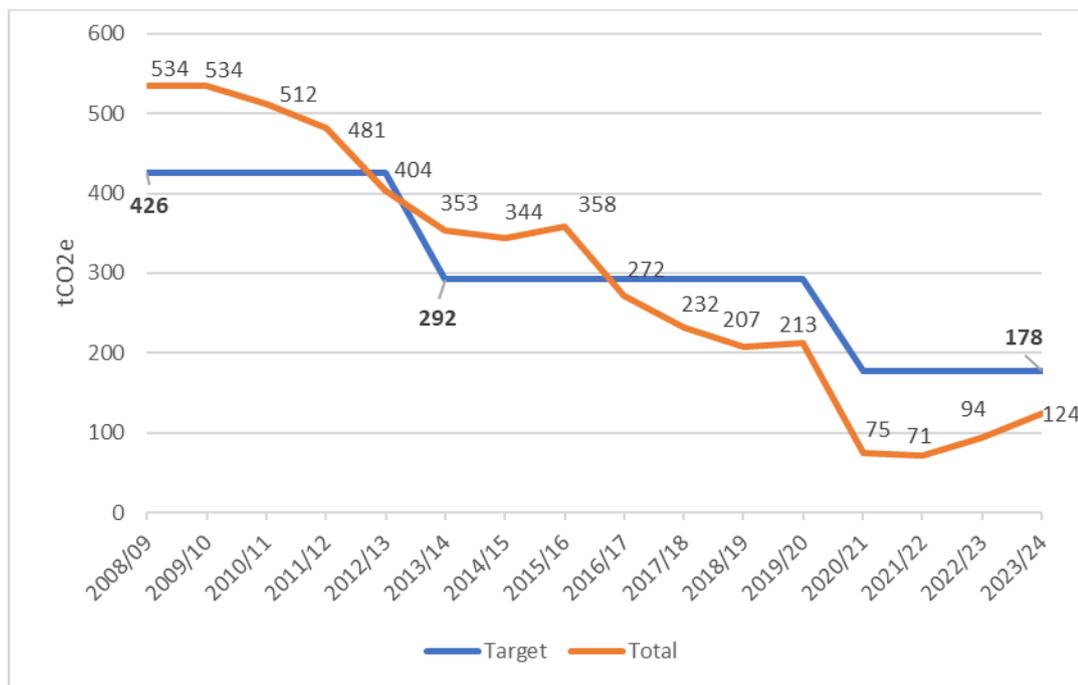
- **In 2023/24, we exceeded our overall 2030 emissions reduction target, as set out in our Environment, Sustainability and Biodiversity Plan 2021-2025.** We have maintained reduced levels of business travel through continued hybrid working following the pandemic and therefore the resulting emissions remain significantly lower than pre-pandemic levels. Business travel emissions have increased compared to last year, indicating a return to more typical patterns of working, but remain 50 per cent less than our target for travel emissions by 2030.
 - **Emissions from gas and electricity usage in Audit Scotland's offices increased in 2023/24.** This was expected, as a result of increasing the size of our office space in Glasgow to accommodate growing staff numbers. We anticipate a further increase in energy use as we fully occupy the space. The extent to which this will be balanced by a recent decrease in the size of our Edinburgh office is not yet known.
 - **Carbon emissions generated from the energy used by staff when they work from home decreased slightly in 2023/24.** This reflects an increase in colleagues working in our offices compared to the previous year. Emissions from working from home are not currently included in our targets, but we do estimate and report them. We do not routinely quantify emissions arising from staff commuting to and from work; however, we estimate that average annual emissions have decreased by about 65 per cent compared to estimated pre-pandemic levels.
 - **During 2023/24, Audit Scotland reviewed its emissions reduction target.** We want to minimise any future reliance on carbon offsetting to meet our net zero ambitions but have decided to maintain our current emissions reduction target in the short term. Analysing 2024/25 data will help us to gain a better understanding of trends in business travel and to assess the impact of changes to our office spaces on our energy use, to ensure future targets are stretching yet realistic. We will report on the outcome of this in next year's climate change annual report.
-

Overall emissions in 2023/24

Overall carbon emissions against targets

10. Performance against our targets to reduce total carbon emissions to date is shown in [Exhibit 1](#).

Exhibit 1 Carbon reduction since 2008 against targets



Note: In 2023 we corrected some previously reported figures following a review of our emissions data and included the updated figures in our 2022/23 annual report. The graph does not include working from home emissions, as they are not included in our current targets.

Source: Audit Scotland

11. In 2023/24, the total for the emissions that are included in our carbon reduction target was 124 tCO₂e. This is 54 tCO₂e (30 per cent) lower than our target to achieve no more than 178 tCO₂e by 2024/25. It is 9 tCO₂e (7 per cent) lower than our current 2030 emissions reduction target to emit no more than 133 tCO₂e ([Exhibit 2, page 6](#)).

12. This achievement is due largely to business travel not returning to pre-pandemic levels, as hybrid working arrangements continue, although business travel has increased slightly compared to 2022/23.

Exhibit 2

Carbon footprint in 2023/24 compared to route map emissions reduction targets

Carbon emissions included in our carbon reduction targets	Actual 2023/24 tCO ₂ e	Target 2024/25 tCO ₂ e	Target 2029/30 tCO ₂ e
Energy	88	79	65
Business travel	31	92	63
Waste and recycling ¹	4	6	4
Water	1	1	1
Total²	124	178	133
Working from home (not included in carbon reduction targets) ³	99	-	-

Note 1: We did not report on waste and recycling emissions between 2020/21 and 2022/23 as the majority of colleagues were working from home. In 2019/20, emissions were 7 tCO₂e.

Note 2: A breakdown of the sources of the emissions in this exhibit can be found in [Appendix 2, page 19](#).

Note 3: For transparency, we are including our working from home emissions in this report although they are not included in our current targets as set out in our [Environment, Sustainability and Biodiversity Plan 2021-25](#).

Source: Audit Scotland

Change in emissions between 2022/23 and 2023/24

13. Although our long-term targets have been surpassed, emissions included in the scope of our targets increased by 30 tCO₂e (32 per cent) between 2022/23 and 2023/24, as shown in [Exhibit 3 \(page 7\)](#).

14. This increase is due to a rise in emissions from both energy use and business travel. We recognise that further increases in these areas could mean that we will fail to meet our targets in future years. We are monitoring the data closely to understand what impact current trends in business travel and changes to our office spaces may have on our ability to meet our targets in future years.

Exhibit 3

Carbon footprint in 2023/24 compared to last year



Note: We did not report on waste and recycling emissions between 2020/21 and 2022/23 as the majority of colleagues were working from home. In 2019/20, emissions were 7 tCO2e.

Source: Audit Scotland

Energy carbon emissions

Target	Reduce emissions from electricity and gas used in offices to no more than 79 tCO2e by 2024/25.
Performance to date	Our emissions from electricity and gas used in offices in 2023/24 were 88 tCO2e.
Summary	The increase in the size of our Glasgow office means that the carbon emissions from the electricity and gas used in our offices have increased by 18 tCO2e compared to 2022/23.

15. Compared to 2022/23, emissions from electricity use have increased by 4 tCO2e and emissions from gas use by 14 tCO2e. This has been driven mainly by an increase in the size of our Glasgow office.

16. Development of the new office space has only recently been finalised, so the impact on our energy use may increase further as we fully occupy the space. However, we also anticipate a reduction in our energy use following the recent decrease in the size of our Edinburgh office. The overall impact of these reconfigurations to our office spaces on our ability to meet our targets for future years is currently unclear.

17. While we have already made a number of changes to reduce energy consumption in our offices, there is still more that we can do in this area. Our new thematic working group for energy use is currently exploring options for changing the lighting in our offices to LED bulbs, which would decrease energy consumption.

Emissions from electricity and gas used when staff work from home

18. Audit Scotland's targets do not currently include carbon emissions generated as a result of the gas and electricity used by staff when they work from home. However, we do estimate and report them.

19. Working from home emissions decreased to 99 tCO₂e in 2023/24, compared to 102 tCO₂e in 2022/23. This reflects an increase in colleagues working in our offices in 2023/24 compared to the previous year.

20. Although we report our working from home emissions, we do not routinely quantify the emissions generated by staff commuting to and from work. The thematic working group surveyed a sample of staff and found that estimated average annual emissions from current commuting patterns had decreased by about 65 per cent compared to estimated pre-pandemic levels. We are exploring possible methodologies to help us understand the net carbon impact of working from home when both staff commuting and home energy emissions are taken into account.

Business travel carbon emissions

Target	Reduce annual business travel carbon emissions to no more than 92 tCO ₂ e by 2024/25.
Performance to date	Our carbon emissions from business travel in 2023/24 were 31 tCO ₂ e, well below our target for 2024/25.
Summary	Compared to 2022/23 we increased our carbon emissions by 8 tCO ₂ e. However, we are 74 per cent below our 2019/20 pre-pandemic levels.

21. While our business travel emissions have increased from 23 to 31 tCO₂e compared to the previous year, we are still 74 per cent below our pre-pandemic levels of 118 tCO₂e.

22. Audit Scotland staff travelled 321,341 business kilometres in 2023/24 compared to 325,254 the previous year. Kilometres are measured across all transport modes, including car, rail and air. Although we travelled fewer business kilometres, the increase in emissions is due to more flights being taken in 2023/24. This reflects a return to more typical patterns of working following the pandemic. However, business travel is still considerably less than pre-pandemic levels, when we travelled approximately one million kilometres a year.

23. The overall reduction in business travel is due, to a large extent, to the shift to online meetings which has reduced the need to travel. Audit Scotland has invested in technology to support this, including enhanced hybrid meeting facilities. Colleagues are increasingly travelling to audit sites, but this remains significantly lower than pre-pandemic levels. The biggest reductions since 2019 have been in car travel and flights. Colleagues are giving careful consideration to whether business travel is necessary and for choosing the least carbon-intensive option when it is.

24. A new thematic working group has been established with the aim of minimising the environmental impact of our business travel, for example organising activities to encourage staff to choose more sustainable transport options. The group is currently exploring ways of calculating the emissions impact from general commuting to our office sites.

25. Based on current trends in business travel, we have demonstrated that we are able to meet our 2030 target of less than 63 tCO₂e per annum. Business travel is likely to fluctuate depending on need. The thematic working group will monitor trends in business travel closely, recognising that any significant increase would have implications for our ability to meet our targets in future.

Waste, recycling and water carbon emissions

Target	Reduce waste and recycling carbon emissions to no more than 6 tCO ₂ e by 2024/25. (There is no carbon reduction target for water, which has remained consistent at 1 tCO ₂ e for several years.)
Performance to date	Our waste and recycling carbon emissions in 2023/24 were 4 tCO ₂ e.
Summary	We did not report on waste and recycling emissions between 2020/21 and 2022/23 as the majority of colleagues were working from home. Emissions in 2023/24 are lower than in 2019/20 (7 tCO ₂ e) and below our target for 2024/25.

26. As a result of hybrid working, we have not returned to pre-pandemic levels of office waste and recycling emissions (7 tCO₂e in 2019/20).

27. We have established a thematic group to lead on activity related to waste and procurement. The group has worked with colleagues to implement several initiatives to minimise waste as much as possible. This includes reducing our stationery supplies and using glass milk bottles that are collected and reused. Based on this activity, we are confident we can meet our target of 4 tCO₂e by 2030.

Procurement carbon emissions

28. We focus on embedding sustainability into our procurement activity and we include sustainability clauses in our standard procurement terms and conditions.

29. To date we have not included supply chain emissions in our calculations. The thematic working group for waste and procurement will consider our approach to this as part of continued work to review our current emissions reduction target.

Biodiversity and responding to the nature emergency

30. The Nature Conservation (Scotland) Act 2004 places a statutory duty on all public sector bodies in Scotland to further the conservation of biodiversity. The Wildlife and Natural Environment (Scotland) Act 2011 introduced a requirement

for all public bodies to report publicly on their compliance with the biodiversity duty. Biodiversity duty reports are required every three years. Our most recent [biodiversity duty report](#) was published in December 2023.

31. Audit Scotland does not own or manage land and we therefore have limited opportunity to carry out activities which encourage biodiversity. However, we can support biodiversity through:

- reducing our carbon footprint
- reducing what we buy and the resources we use
- reducing the amount of pollution we put into the environment
- minimising waste and following the waste hierarchy
- highlighting biodiversity, where relevant, through our audit work.

32. We have a thematic working group focused on supporting biodiversity, which led activity during 2023/24 including:

- Mainstreaming biodiversity: piloting the new [Nature's Workforce](#) toolkit, developed by nature charities (WWF, RSPB and the National Trust).
- Public engagement and workforce development: organising workforce events to raise staff awareness of biodiversity, for example with the sustainable development team at the Scottish Parliament. Further events are planned for 2024/25.

Building climate resilience

33. In addition to reducing our emissions, Audit Scotland has also made a commitment in its [Corporate Plan 2023-28](#) to make progress towards becoming climate resilient. This means thinking about how we will adapt and respond as an organisation in the face of ever-increasing climate change impacts and the disruption they bring, including floods, storms, heatwaves, droughts and wildfires.

34. Paramount to all of this is staff wellbeing and we have included specific climate change considerations into our draft Health, Safety and Wellbeing Strategy. We know that the impacts of climate change will be felt unequally by different groups. Those with particular health conditions, for example, may require additional support. To ensure that these issues are taken into account, climate-specific considerations are also now being included in our draft Diversity, Equalities and Inclusion Strategy. Further work will be done to consider specific actions that might be put in place to support the climate resilience elements of these strategies and we will report on this in our climate change annual report next year.

35. Risks to our operations as a result of extreme weather events are managed through our business continuity processes. These will continue to be reviewed and updated to ensure that the organisation is able to plan for, respond to and recover from climate impacts when they arise.

36. A climate resilience thematic working group has been established to support our work in this area. The group will focus on mainstreaming climate resilience into our broader corporate activities. It has also been reviewing the development of specific climate resilience indicators, which will be confirmed in our climate change annual report next year.

Validation of figures

37. Audit Scotland has introduced an internal peer review process, which means that all data is peer reviewed and quantified by at least two people.

Looking ahead: leading our drive to net zero and climate resilience

Governance arrangements

38. The new climate change governance structure introduced in 2023 is now embedded in the organisation and the Green Future Strategic Group is a key corporate decision-making forum (see [Appendix 1, page 17](#)). The thematic working groups have been focused on establishing their remits, ensuring appropriate membership, and developing initial action plans.

39. The Green Future Strategic Group and thematic groups are continually reviewing how we are responding as an organisation to the climate emergency and identifying opportunities for further improvement in our environmental performance, climate resilience and our approach to auditing climate change. Examples of activity progressed by the strategic group and thematic working groups during 2023/24 are included throughout this report. We will report on progress against the thematic groups' action plans in more detail in next year's climate change annual report.

Target review and shaping future plans

40. During 2023/24, Audit Scotland reviewed its targets to make sure that the scope of the emissions included, and the data underpinning them, is still appropriate. The outcome of the review was a decision by the Green Future Strategic Group to maintain our current emissions reduction targets in the short term. We remain committed to our ambition of reaching net zero by 2030.

41. Once available, we will analyse 2024/25 data to gain a better understanding of trends in business travel and to assess the impact of changes to our office spaces on our energy use. This information will help to ensure that any changes to our current target, and targets beyond 2030, are stretching yet realistic. We will report on progress with reviewing our targets in next year's climate change annual report.

42. We are also exploring ways to improve the data underpinning our emissions reduction targets. This includes building on work to estimate emissions from commuting patterns and aligning this with data on working from home emissions and energy use in our offices.

43. We do not currently offset our emissions but offsetting is integral to meeting our aim to be net zero by 2030. This target includes reducing our emissions by 75 per cent against a 2008 baseline and then offsetting the remaining 25 per cent. We would aim to do this by utilising schemes that remove carbon from the atmosphere, such as correctly planned tree planting. As part of our target review, we agreed to aim to reduce our future reliance on carbon offsetting as much as possible by maximising and prioritising emissions reduction and exceeding our current targets if feasible. We also agreed to ensure that we will only utilise carbon offsetting schemes that are in line with Scottish Government guidance and which meet specific ethical and environmental criteria. We will publish details of our offsetting criteria in our climate change annual report next year.

2. Auditing climate change

Key messages

- We published four outputs specifically on climate change during 2023/24. We have started to integrate climate considerations into our wider performance audit and Best Value work.
- As part of the 2022/23 annual audit all appointed auditors were asked to gather information on the arrangements for responding to climate change in public bodies. Auditors reported their findings in their 2022/23 annual audit reports.
- Climate change will continue to feature in our performance audit work programme for the foreseeable future. It will increasingly become part of the annual audit of financial statements as public bodies are required to enhance their financial reporting disclosures on climate change.
- We use opportunities to speak at conferences, contribute to workshops and meet with external organisations to raise awareness of our audit findings and share learning.

Our audit role

44. In December 2022, we published [Auditing climate change: Our strategy](#), which sets out our approach to auditing climate change. It outlines the role of public audit in this area and our aim to hold public bodies to account and help drive change and improvement in how public bodies are contributing to the Scottish Government's ambitions around climate change mitigation and adaptation.

45. We focus our attention on the areas where we can uniquely add the greatest value. Our approach focuses on:

- raising awareness of the importance and relevance of the public sector's contribution to national climate change goals
- holding audited bodies to account for their actions and spending on climate change
- holding audited bodies to account for climate-related disclosures in their annual accounts
- identifying and sharing learning, including good practice and areas for improvement.

Our audit work

46. During 2023/24, Audit Scotland published the following outputs focused on climate change:

- [How the Scottish Government is set up to deliver climate change goals](#) (April 2023): This report on behalf of the Auditor General focuses on how effective the Scottish Government's climate change governance and risk management arrangements are in supporting it to drive the delivery of Scotland's national net zero targets and climate change adaptation outcomes. The Scottish Government has made good progress against the recommendations in the report, leading to more transparent governance arrangements and more active monitoring and management of risks.
- [Approaches to achieving net zero across the UK](#) (September 2023): This report is a joint piece of work between the public audit offices of the four UK nations – Audit Scotland, Audit Wales, National Audit Office and Northern Ireland Audit Office. It sets out the UK and devolved governments' legislation, policies, strategies, and governance and monitoring arrangements, relevant to achieving net zero.
- [Tough decisions ahead on climate change](#) (October 2023): A blog by the Auditor General highlighting the important role of public audit in examining the public sector's response to climate change.
- [Decarbonising heat in homes](#) (February 2024): This report on behalf of the Auditor General examines progress towards the Scottish Government's ambition to reduce emissions from heating homes by switching away from polluting heating systems, such as fossil fuel boilers, to clean heating systems by 2045. The Scottish Government accepted all the recommendations in the report and we are monitoring progress in implementing them.

47. We plan to publish a performance audit report on sustainable transport in early 2025. This will look at what the Scottish Government and councils are doing to reduce car journeys and encourage the increased use of public transport and active travel options, to help bring down transport emissions (in line with the Scottish Government's target to reduce car kilometres by 20 per cent by 2030).

48. We are also undertaking a performance audit examining how well public bodies are working with each other and with communities to build resilience to flooding. That includes activity to avoid flooding where possible, but also supporting communities to prepare for, respond to and recover from flooding events. We plan to publish this report in summer 2025.

49. We will continue to undertake performance audits that focus specifically on climate change policies, targets and objectives. We are also working to integrate climate considerations into our wider work. For example:

- A recent performance audit on [Investing in Scotland's infrastructure](#), and our reporting on the NHS and college sector, considered the challenges in meeting net zero commitments within existing capital budgets.
- Thematic Best Value work in councils and annual financial audits have considered the extent to which climate change features in strategic decision-making and financial disclosures.

50. In anticipation of future accounting and auditing requirements relating to climate change, as part of the 2022/23 annual audit all appointed auditors were asked to gather information on the arrangements for responding to climate change in public bodies. This included considering what targets, strategies and monitoring arrangements were in place, and the extent to which bodies were considering the impact of climate change on their financial statements. Auditors reported their findings in their 2022/23 annual audit reports, which were published during 2023/24.

51. We monitor the impact of our audit work, which helps to inform proposals for future work. We also use opportunities to speak at conferences, contribute to workshops and meet with external organisations to raise awareness of our audit findings and share learning.

Looking ahead: developing our audit approach

52. We continue to refine our audit methodology and approach in response to our learning and external developments, such as new legislation or standards. We have established a thematic working group to coordinate activity across Audit Scotland with the aim of ensuring:

- we focus our audit work on climate change on the areas where we can uniquely add the greatest value.
- we are aware of developments in auditing standards and ensure that auditors comply with any future statutory obligations.
- our auditors have the knowledge and skills required to undertake work on climate change.

53. Climate change considerations will increasingly become part of the annual audit of financial statements, as public bodies are required to enhance their financial reporting disclosures on climate change. Our Innovation and Quality team have prepared materials to support auditors in considering climate-related financial disclosures, for example:

- The information gathered by auditors as part of the 2022/23 audit (see [paragraph 50](#)) has been shared with auditors to assist with both the planning of the 2024/25 audits and auditing climate change disclosures within the 2024/25 annual accounts of public bodies.
- We have published a Good Practice Note that shares the findings from a review of climate change-related disclosures within the 2022/23 and 2023/24 annual accounts of a sample of Scottish public bodies. It is

intended to act as a catalyst for public bodies to assess and enhance future climate-related disclosures.

54. Learning from others and sharing learning is integral to the development of our audit approach. We continue to liaise with audit firms to benefit from their experience of auditing climate change in the private sector. We have rolled out climate change training for auditors and will continue to develop additional training in response to future developments.

Appendix 1

Environmental and sustainability governance arrangements

Audit Scotland Board

Membership: The Auditor General for Scotland, the Chair of the Accounts Commission and three members appointed by the Scottish Commission for Public Audit.

Role: The board is responsible for the exercise of all functions of Audit Scotland. It exercises its powers and authorities through a Scheme of Delegation, which it determines and approves. Under the Scheme of Delegation, the board formally approves Audit Scotland's Environment, Sustainability and Biodiversity Plan. It receives annual updates on performance against the plan's targets and objectives, thereby holding Audit Scotland to account for their performance.

Executive Team

Membership: The Auditor General for Scotland; Audit Scotland's Chief Operating Officer; the Controller of Audit; Executive Directors of Audit Services, Performance Audit and Best Value, and Innovation and Quality.

Role: Executive Team is responsible for embedding environmental considerations into decision-making, approving policies that include environmental dimensions, and scrutinising performance against environmental targets.

Green Future Strategic Group

Membership: Representatives from across all business groups.

Role: The Green Future Strategic Group has an important leadership role and is empowered to make strategic decisions that will influence our response to climate change and wider environmental issues. It coordinates and oversees relevant activity across the organisation and scrutinises Audit Scotland's performance. It leads delivery of our Green Future Strategy.

Green Future Thematic Groups

Membership: Representatives from across all business groups.

Role: Sitting beneath the Green Future Strategic Group are six thematic working groups, each focusing on a key area of activity to help reduce Audit Scotland's environmental impact and develop our auditing approach (energy use, travel, procurement and waste, biodiversity, climate resilience and our audit approach). These groups report into the Green Future Strategic Group and provide information to help support decision-making and identify risks.

Business groups (Audit Services, Performance Audit and Best Value, Innovation and Quality, and Corporate Services)

Role: Audit Scotland's business groups are pivotal in ensuring that Audit Scotland meets its climate change obligations and continuously improves its environmental performance. It is through the actions of all staff that we can make the greatest difference.

Appendix 2

Sources of Audit Scotland's carbon emissions 2023/24

Category	CO2 emissions (tCO2e)
Energy use	
Natural gas	35
Grid electricity	53
Working from home	99 (not included in targets)
Travel	
Rail	7.0
Car travel	12.13
Flights - domestic	7.67
Flights – short haul	3.45
Taxi	0.25
Bus	0.07
Waste and recycling	
Refuse to landfill	1
Recycling	3
Water	
Water – treatment and supply	1
Total	124 (223 including working from home emissions)

Climate change

Annual report 2023/24



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Q2 2024/25 Corporate Performance Report

Director of Corporate Support & Head of Performance and Corporate Governance



Item 12

Meeting date: 26 November 2024

Purpose

This report provides the Board with a review of organisational performance as at quarter two (Q2) 2024/25.

Recommendations

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

Background

2. The Performance framework and the quarterly report is aligned to the [Audit Scotland Corporate Plan 2023-2028](#) published in June 2023.
3. The sections in the slide deck attached as appendix one are:

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

Performance overview

4. The infographic below provides a summary of performance as at Q2.

Audit Scotland Corporate Plan 2023-28: Strategic Priorities

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

Developing our people and our business

Insights driving innovation and improvement

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

Notes:

- That not all objectives are reported quarterly.
- Upward arrow indicates improving performance.
- Horizontal arrow = maintaining performance.
- Downward arrow = declining performance.
- Net zero will be reported in Q3

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

Financial audit delivery

5. Quarter two focussed on the delivery of central government audits due by 31 August and local government audits due by 30 September 2024, as well as a range of Performance and Best Value (PABV) reports.
6. There are two further audit deadline dates – the central government audits which are due by 31 October 2024, and the further education audits which are due by 31 December 2024. Delivery of these will be reported in Q3.
7. Delivery of audit continues to improve - the proportion of audits delivered or expected to be delivered by target dates will increase to 58% this year compared to 46% last year.
8. In the year to date, for the audits due by 30 September 2024, we have delivered:
 - 23 of 23 NHS accounts
 - 17 of 22 Central Government
 - 53 of 124 Local Government audits
 - By audit provider - ASG has delivered 57 of 97, and the Firms 36 of 72.
9. As at time of writing, eight of the 2022/23 financial audits remain outstanding.
 - Four are local government audits (4 Firms)
 - Two are local government charitable trusts (2 Firms)
 - Two are Further Education College audits (2 Firms)
10. A verbal update on the most up to date position will be provided at the meeting.

Performance audit/ statutory reports/ other reports delivery

11. We delivered nine performance audits and four Audit Scotland corporate reports in Q2, links to those reports are included below:

Accounts Commission:

- [Blog: Delivering for the future - why leadership matters](#)
- [Blog: The role of chief financial officers in LG](#)
- [Blog: Importance of the LGBF \(LGO24\)](#)
- [CoA: Clackmannanshire Council](#)
- [s102: Renfrewshire Council: Dargavel update](#)
- [Benchmarking and good public performance reporting matter | Audit Scotland](#)

Auditor General for Scotland:

- [Blog: Shrewd approach needed for public sector success](#)
- [Briefing: Scotland's colleges 2024](#)

Joint reports:

- [PA: Tackling digital exclusion](#)

Audit Scotland:

- [National Fraud Initiative in Scotland](#)
- [Gender pay gap and Equal pay report](#)
- [Impact Monitoring and evaluation](#)
- [Communications and engagement strategy 2024-28](#)

Resources and capacity

12. The number of FTE at end of September 2024 was 341.06, against an establishment level 366.07 FTE. This equates to 93.2% of establishment. The breakdown by business group is included in Appendix 1. Recruitment and selection campaigns are under way to fill vacancies across the business groups.

13. Staff turnover year to date for all leavers was 3.92%, compared to 4.07% in 2023/24.

14. Audit Scotland's net operational expenditure was 10.1% less than budget. This is mainly due to the receipt of unbudgeted prior year fee income and to savings in pay expenditure, with staff turnover being more than planned and the average whole-time equivalent being 5.6 less than the funded budget. Additional information is contained on slide 16 of the appendix.

15. The Q2 sickness absence rate was 1.5 days – down from 1.97 in the preceding quarter and compared to 1.56 in Q2 of 2023/24. This remains below the average benchmarking figures for UK workplaces.

Innovation & Learning

- 16.** Due to the timing of exams, we are changing the reporting of exam results. ICAS exams are principally taken in reporting periods for Quarters 1 and 3 and the number of exams taken in Quarters 2 and 4 are usually very low. The numbers of ACCA exams taken are small, and there is greater flexibility when these exams are taken. Exam results have therefore been presented on a year-to-date basis. Further detail is included on slide 22 of the appendix.
- 17.** The percentage of mandatory training completed remains at 90%, the same as in Q1.

Developments in Audit delivery

- 18.** In Q2 Delivery of audit continues to improve, the proportion of financial audits delivered or expected to be delivered by target dates will increase to 58% this year compared to 46% last year.
- 19.** There were 27 audits with completion dates of 30 October 2024 completed within the Q2 period. These will be included within the delivery data reported in Q3.
- 20.** The tables below show anticipated delivery for all sectors for both ASG and Firms for the 2023/24 audits.

Firms					
Expected delivery by Sector	NHS	LG	CG	FE	Total
Number of audits met or expected to meet target date	9	14	14	11	63
Total audits in sector	11	49	24	12	96
Percentage of audits met or expected to meet target sign-off date in 2023/24	82%	29%	58%	92%	50%
Percentage of audits meeting target sign off date in 2022/23	64%	27%	50%	54%	42%
Performance against prior year	↑	↑	↑	↑	↑

ASG					
Expected delivery by Sector	NHS	LG	CG	FE	Total
Number of audits met or expected to meet target date	12	38	40	7	97
Total audits in sector	12	75	61	8	156
Percentage of audits met or expected to meet target sign-off date in 2023/24	100%	51%	66%	88%	62%
Percentage of audits meeting target sign off date in 2022/23	83%	32%	57%	88%	48%
Performance against prior year	↑	↑	↑	→	↑

Q2 2024/25 Corporate Performance Report

Appendix 1

Summary | Key Measures

Audit Scotland Corporate Plan 2023-28: Strategic Priorities

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

Developing our people and our business

Insights driving innovation and improvement

Delivery

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

Resources

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

Innovation and learning

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

Notes:

- That not all objectives are reported quarterly.
- Upward arrow indicates improving performance.
- Horizontal arrow = maintaining performance.
- Downward arrow = declining performance.
- Net zero will be reported in Q3

Not progressing/ significant additional management action required

Progressing and additional management action planned

On target/ no need for additional management action

Measures under development

Summary | Highlights, challenges and actions

Highlights

Delivery

- Delivery of audit continues to improve - the proportion of financial audits delivered or expected to be delivered by target dates will increase to 58% this year compared to 46% last year.
- 27 other audits were completed in Q2 ahead of completion date of 30 October. These will be reported on in Q3.
- Nine Performance Audits delivered – this included those delayed from Q1 due to the General election.

Resources

- At the end of September 2024 Audit Scotland's total expenditure funded by the Scottish Consolidated Fund is £5,296k which is £551k (9.4%) less than budget.
- Net operating expenditure of £5,110k is £577k (10.1%) less than budget.
- At the end of the second quarter the full year forecast is £161k less than budget.
- Staff turnover YTD for all leavers was 3.92% (reduced from 4.07% Q2 last year)
- Absence levels for Q2 was 1.5 days (reduced from 1.97 days in Q1, and from 1.56 days in Q2 last year)
- The percentage of colleagues with greater than 14.5 hours flexi continues to trend downwards. In Q1 2023/24 the average across the business groups was 31% - by Q2 2024/25 the average across business groups has reduced to 15%.

Challenges

Delivery

- There remain eight outstanding 2022/23 audits (all Firms)

Resources

- The number of FTE at the end of September 2024 was 341.06 (establishment level 366.07 FTE.)
- This equates to 93.2% - which is under the 95% target.

Actions

Delivery

- Delivery of the outstanding 2022/23 financial audits - this is monitored on an ongoing basis by AQA and through meetings with the Firms. Delivery is reported to the Executive Team, Audit Committee and the Board through the quarterly performance reports and the risk register updates.

Resources

- We continue to recruit to fill vacant posts
- A review of the financial forecast is being undertaken in consultation with budget holders following the closure of quarter 2.

Delivery

Objective

Audits delivered on time and on budget

KPQ

Are audits delivered on **time**?

Target

95% of audits delivered on time



OVERVIEW **Amber**

Auditors have continued to improve the proportion of audits delivered or expected to be delivered by target dates from 46% for 2022/23 audits to 58% for 2023/24 audits. If auditors deliver audits as currently expected, they should be on track to bring audit delivery back to pre-pandemic levels by the end of this audit appointment period as planned. Outstanding audits from 2022/23 prevent 2023/24 audits from being completed and create resourcing challenges to both audited bodies and auditors.

Financial Accounts:

Accounts due YTD include 23 NHS, 22 Central Government and 124 Local Government:

- YTD we delivered 23 of 23 NHS accounts, 17 of 22 Central Government and 53 of 124 Local Government audits (ASG 57 of 97, Firms 36 of 72).
- In addition, during Q2 we delivered 28 (ASG 23, Firms, 5) Central Government audits that were not due until 31/10/2024. These will feature in Q3 reporting. At the equivalent time last year, 20 Central Government audits had been delivered (ASG 16, Firms 4).

There remain eight outstanding 2022/23 audits (Firms 8). This includes two FE, four LG, and two LG charitable trusts.

Financial Annual Audit Plans:

For the 2023/24 Annual Audit plans which were due by 30 June 2024:

- 210 (95%) of the 222 Annual Audit plans (AAPs) are now delivered. ASG are at 99% of expected delivery; Firms are at 80%
- 148 (67%) of the AAPs were on time (compared to 65% last year). ASG 76% and Firms 52% for 2024/24, compared to ASG 72% and Firms 58% in the previous year.

Performance Audit

Nine Performance and Best Value reports were published to schedule in Q2. This include the reports rescheduled from Q1 due to the General election.

- 6 for the Accounts Commission
- 2 for the AGS
- 1 Joint report

We also published four Audit Scotland reports.

Details of all published reports are included on slide six.

Objective

Audits delivered on time and on budget

KPQ

Are audits delivered on **time**?

Target

95% of audits delivered on time



OVERVIEW **Amber**

Financial audit

The deadlines for the 2023/24 Financial Accounts due in Q2 were:

- NHS accounts 30 June 2024, CG agencies 31 August, Local Government 30 September 2024

For the Auditor General for Scotland in Q2:

Annual Audit Plans

- 118 of 123 (96%) of the annual audit plans have been delivered year to date
- 92 (75%) on time - ASG 61 (80%) on time; Firms 31 (66%) on time.

Accounts

- 40 of 45 (89%) of the NHS and CG accounts due have been delivered year to date
- 31 (69%) on time - ASG 18 (82%) on time; Firms 13 (62%) on time.

For the Accounts Commission in Q2

Annual Audit Plans

- 92 of 99 (93%) of the Local Government Annual Audit plans have been delivered year to date
- 56 (56%) were on time. ASG 41(71%) on time, Firms 15 (37%) on time.

Accounts

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

Performance Audit

Nine Performance Audit products and four Audit Scotland Corporate reports were delivered in Q2. This include the reports rescheduled from Q1 due to the General election.

Accounts Commission:

- [Blog: Delivering for the future - why leadership matters](#)
- [Blog: The role of chief financial officers in LG](#)
- [Blog: Importance of the LGBF \(LGO24\)](#)
- [CoA: Clackmannanshire Council](#)
- [s102: Renfrewshire Council: Dargavel update](#)
- [Benchmarking and good public performance reporting matter | Audit Scotland](#)

Auditor General for Scotland:

- [Blog: Shrewd approach needed for public sector success](#)
- [Briefing: Scotland's colleges 2024](#)

Joint reports

- [PA: Tackling digital exclusion](#)

Audit Scotland

- [National Fraud Initiative in Scotland](#)
- [Gender pay gap and Equal pay report](#)
- [Impact Monitoring and evaluation](#)
- [Communications and engagement strategy 2024-28](#)

Objective

Audits delivered on time and on budget

KPQ

Are audits delivered on **time**?

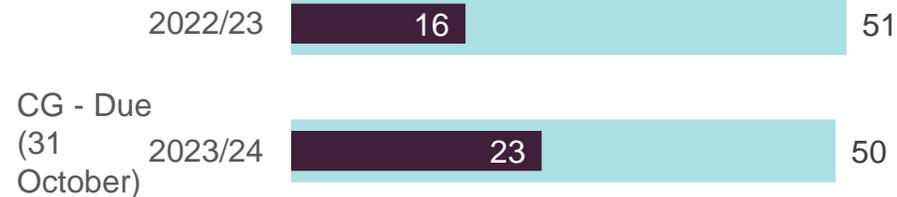
Target

95% of audits delivered on time

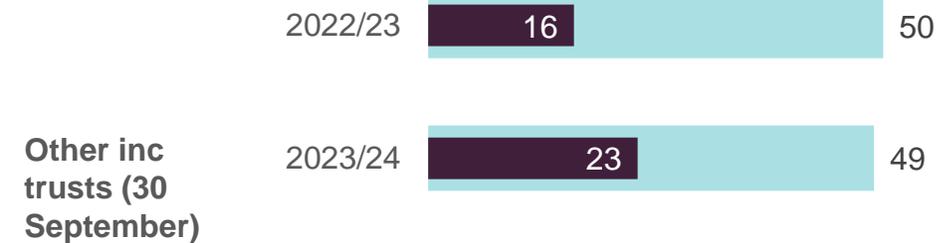
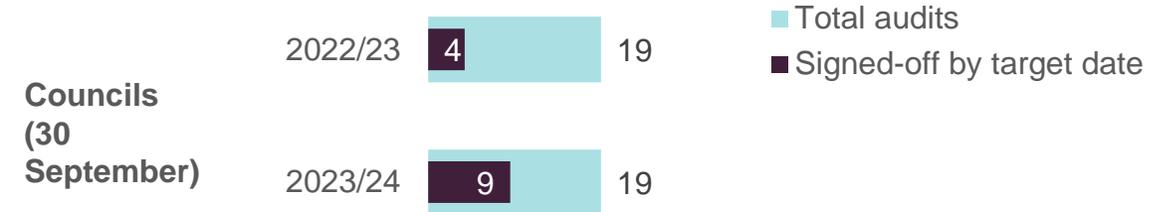


OVERVIEW **Amber** Audit Service Group Financial audit Progress as at 30 September 2024

Audit Sectors



Local Government



Objective

Audits delivered on time and on budget

KPQ

Are audits delivered on **time**?

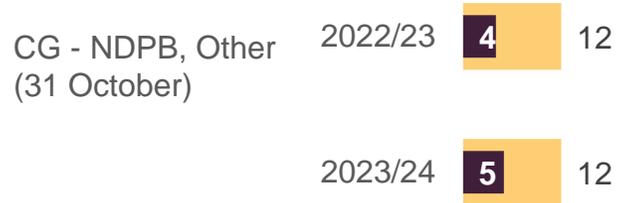
Target

95% of audits delivered on time

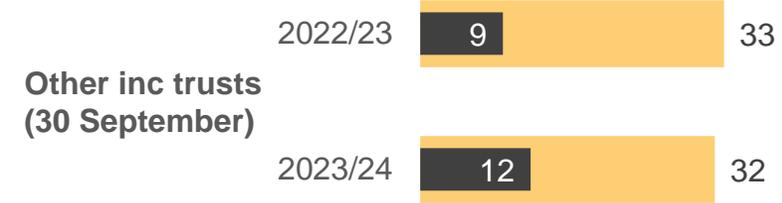
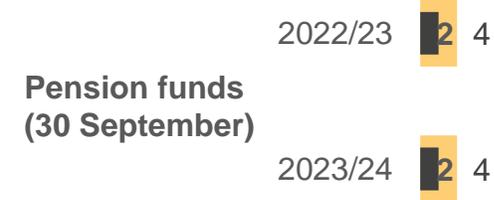
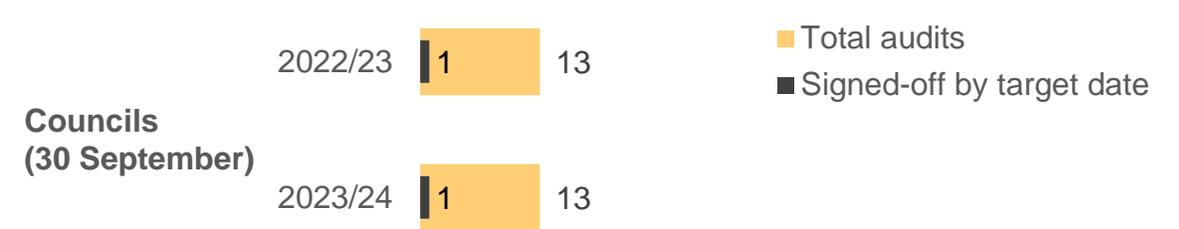


OVERVIEW **Amber** Firms Financial audit Progress as at 30 September 2024

Audit Sectors



Local Government



Objective

Audits delivered on time and on budget

KPQ

Are audits delivered on **budget**?

Target

+/-5% of budget

OVERVIEW **Amber**

For 2023/24, the initial ASG budget for 2023/24 audits was 23,177 days compared to the 23,621 budget for 2022/23. The 2023/24 budget is 12.5% less than 2022/23 actuals. As at 30 September 2024, at this point in the audit cycle, 21,043 days have been spent on 2023/24 audits (90.8% of budget). There have been overspends in several sectors, including NHS, Central Government – Agency, Central Government – Non Departmental Public Bodies, and LG Pension Funds, and current underspends in others. However, at this stage, it looks likely we will overspend to a small degree against our 2023/24 budget overall.

The Resource Leads Group continue to monitor the position against budget and is actively managing drivers for the projected overspend. These drivers include the varying quality of working papers from audited bodies, delays with audited bodies, additional non-current assets work that was confirmed after initial budgets had been set, and, on some occasions, ongoing management of staffing issues where we are working with HR. We are assessing reasons for overspends with a view to raising additional fees to be billed to the audited body where appropriate.

Overall, a small projected overspend against budgeted days should be seen in the context of strong performance seen overall this year in ASG, which includes improved audit delivery sign-offs, improved productivity and an overall reducing flexitime balance.

PABV is reporting 3% above budget, this is within target level and is better than the 5% reported in Q1. This will continue to be closely monitored throughout Q3.

Risk register

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

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

Objective

Audits delivered on time and on budget

KPQ

Are colleagues **audit focused**?

Target

70% of available time on audit



OVERVIEW **Green**

Colleagues are audit focused.

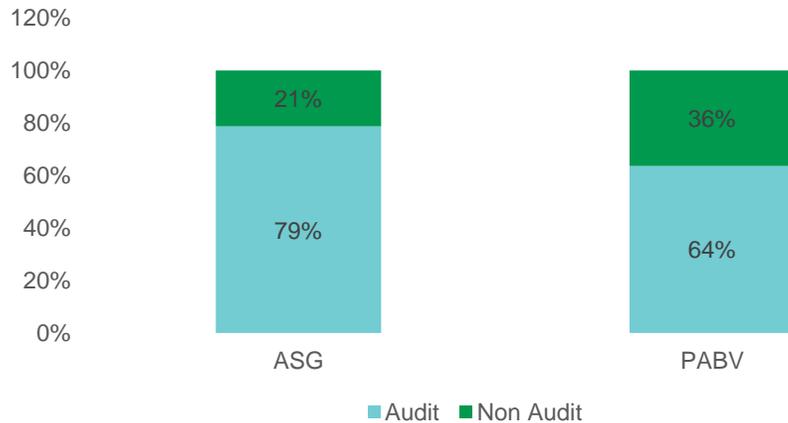
The combined time spent on audit for ASG and PABV is 74 percent, which is above target. (Available time does not include leave.)

The percentage of colleagues delivering audit in ASG and PABV.

- ASG 96%
- PABV 90%

(This excludes colleagues who do not work on audit and those on Maternity leave)

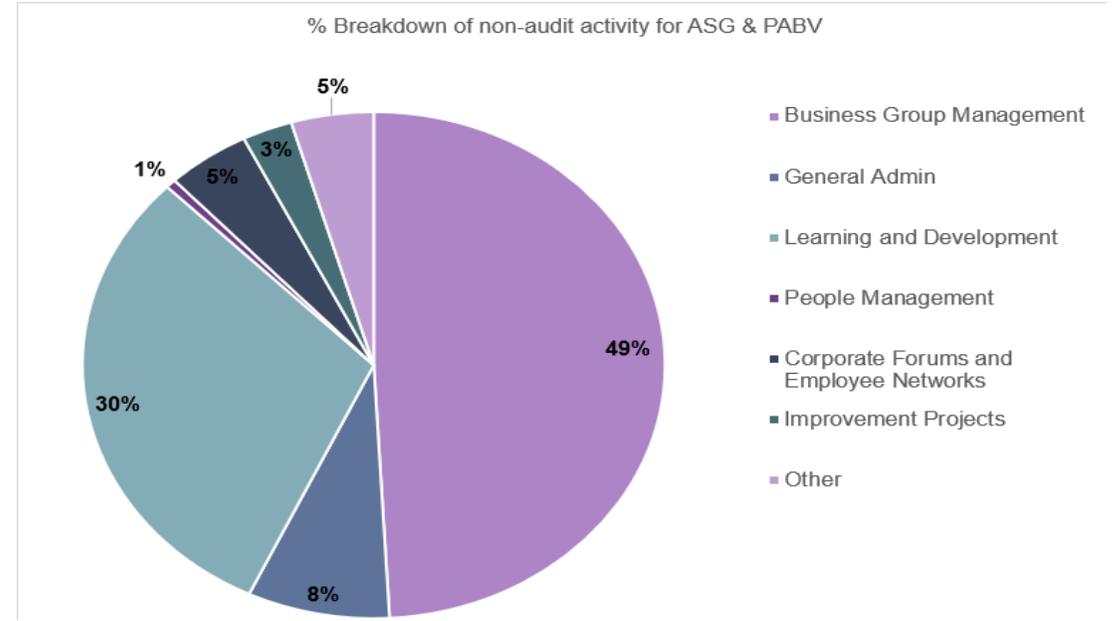
Year to date percentage of available time spent on Audit



In comparison, in Q2 2023/24:

ASG – 76% Audit time and 24% Non-Audit time

PABV – 62% Audit time and 38% Non-Audit time



Non audit time includes time codes for: Learning & development, improvement projects, business group management, meetings, travel and 'other' (including general administration)

Risk

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

Risk register

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

A5 – Failure of audit quality ● ⇨

A3 – Failure to deliver audits to deadlines ● ⇨

Objective

Audit quality assurance results

KPQ

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

Target

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



OVERVIEW **Green**

During Q2

The following I&Q activities were progressed in Q2 (NB: No cold reviews were completed in Q2 against the target above):

- **Audit Scotland Audit Quality Manual:** Drafting under way - the manual will provide a clear definition of high-quality public audit and set out our system of quality management.
- **ISQM 1 compliance:** Update provided to Executive Team providing assurance that ICAEW consider our compliance with ISQM1 is appropriate.
- **Best Value focused review:** Quality reviews of BV thematic work completed across six council. A Quality Bulletin to inform future BV for staff will be issued early in Q3.
- **Hot file reviews:** We continue our programme of hot file reviews of annual audits, and they will be finalised in Q3 to coincide with the completion of audit work.
- **Root cause analysis:** To support PABV quality - I&Q facilitated RCA discussions with audit teams that were included in this year's cold review exercise, with findings discussed with PABVLT. Root causes, along with actions from the cold reviews, were added to the refreshed Quality Improvement Action Plan (QIAP).
- **QIAP:** The two planned quality improvements for financial audits are either complete or on target for the 2024/25 audits. Performance audit improvement actions are still on track for completion by final target date of March 2025.
- **AQA activity:** AQA completed a sample review of Annual Audit Plans (AAPs). AAPs comply with the Code of Audit Practice 2021 in all sectors except for those noted below.
 - Annual Audit Plans of local government pension funds remain inconsistent in describing their planned work on Best Value.
 - Annual Audit Plans of bodies that were not councils did not in all cases describe their planned work on Best Value.
- Feedback has been provided to auditors, and the planning guidance has been updated.

Risk

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

Risk register

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

A5 – Failure of audit quality ● ⇨

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

Objective

We engage with stakeholders

KPQ

How are we **engaging** with stakeholders

Target

Engagement - time series comparison



OVERVIEW **Green**

We continue to get our messages out effectively through a variety of means. Some Q2 reports were rescheduled due to the General Election on 4 July where we followed civil service guidance and did not publish any reports that could be used to influence voting intentions.

In Q2

Media / broadcast:

- Top AGS reports: Briefing: Scotland's colleges 2024, Blog: AGS four years into his term , PA: Tackling digital exclusion
- Top Accounts Commission reports: CoA: Clackmannanshire Council , PA: IJB finance and performance 2024 PA: Tackling digital exclusion Briefing: Councils' budgets 2024/25

Social media engagements:

- Auditor General posts = 1,845
- Accounts Commission posts = 10,508
- Audit Scotland posts = 17,485

Parliament committee attendance:

- We attended **nine** parliament committees including the Public Audit committee, Health, Social Care and Sport Committee, Education, Children and Young People Committee, Finance and Public Administration committee, Public Audit Committee and Local Government, Housing and Planning committee

Consultations:

In Q2 we responded to **five** consultations including HSCS Committee pre-budget scrutiny, Education Bill, National Care Service (Scotland) Bill, regional strategic bodies within Glasgow and Lanarkshire College Regions, and Post-school education and skills reform

Risk

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

Risk register

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

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

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

Measure	Q2 24/25	Q2 23/24
Consultation responses	5	7
Committee attendance	9	6
Downloads	462,169	360,179
Media mentions	206	172
Social media engagement	17,485	21,372

Objective

We communicate with stakeholders

KPQ

How are we responding to enquiries from the public

Target

Communication - Better than 95% on time

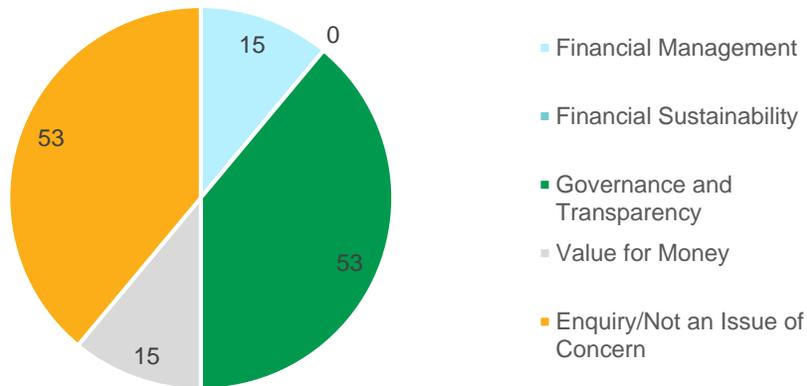


OVERVIEW

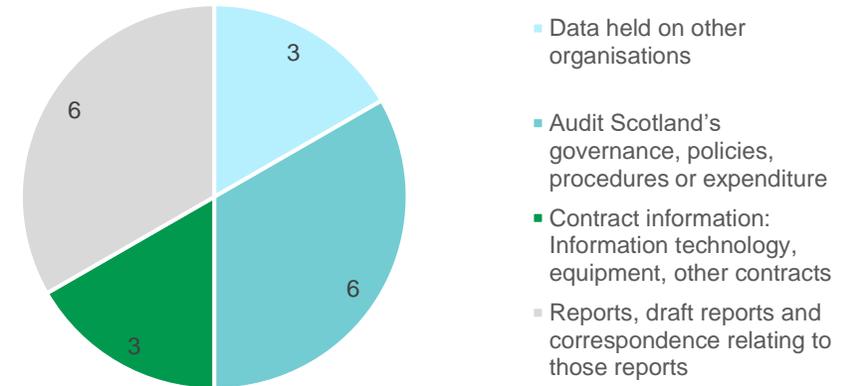
Year to date we responded to:

	24/25 total	23/24 total	24/25 % on time	23/24 % on time
Complaints	3	4	100	75
FOI	18	45	99	98
DSAR	2	3	100	100
Correspondence	136	248	100	98

Correspondence categories



FOI Categories



Objective

Progress against our **equality outcomes**.

KPQ

Are we progressing towards **our equality outcomes**

Target

TBC



OVERVIEW **Green**

In 2023/24 we undertook a review of progress review against 2021-2025 equality outcomes, three years into new outcomes cycle.

We are using this review to inform our new DEI strategy and next set of equality outcomes for 2025 to 2029. The key findings of the review are set out below.

We have delivered significant activity that contributes towards our equality outcomes:

- More than 70% of our performance audit products reference social and economic factors and protected characteristics and references in recommendations has increased each year from 8% of products in 2021/22 to 26% in 2023/24. We have expanded our range of publications and tailored them to meet the different communications needs of our audiences.
- We undertake significant external engagement on equality and human rights policy and are developing our approaches to integrating service user involvement and human rights into our audit methodology.
- We have seen an increase in applicant numbers amongst ethnic minorities (13.8% in 2019/20 to 24.6% in 2022/23) and disabled people (3.4% in 2019/20 to 7.10% in 2022/23).
- Our gender pay gap has decreased from circa 10% in 2020/21 to just over 4% in 2023/24.
- We have six active diversity network groups led by colleagues. These groups regularly seek feedback from colleagues who share protected characteristics, support each other and support our organisation to understand their needs and design and deliver policies that take these into account.

We now have data against all the new KPIs. We will monitor data over next few quarters to develop targets and ranges to allow us to assess progress.

Resources

Objective

Our finances: Spend against budget

KPQ

Spend against budget - Organisation

Target

Break even

OVERVIEW Green

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

At the end of **September 2024** Audit Scotland's total expenditure funded by the Scottish Consolidated Fund is £5,296k which is £551k (9.4%) less than budget.

Net operating expenditure of £5,110k is £577k (10.1%) less than budget. This is mainly due to the receipt of unbudgeted prior year fee income and savings in pay expenditure with staff turnover being more than planned and the average WTE being 5.6 less than funded budget.

At the end of the second quarter the full year forecast is £161k less than budget. A review of the forecast will be undertaken in consultation with budget holders following the closure of quarter 2.

Fee income – recognition of income on completion of outstanding 22/23 audits for both firms and in-house work. Firms additional income £1,076k and in-house £152k. For 23/24 audits, in-house work slightly behind plan in each sector. Firms slightly ahead of plan on all sectors except for local government and FE.

Other income – bank interest £20k better than budget.

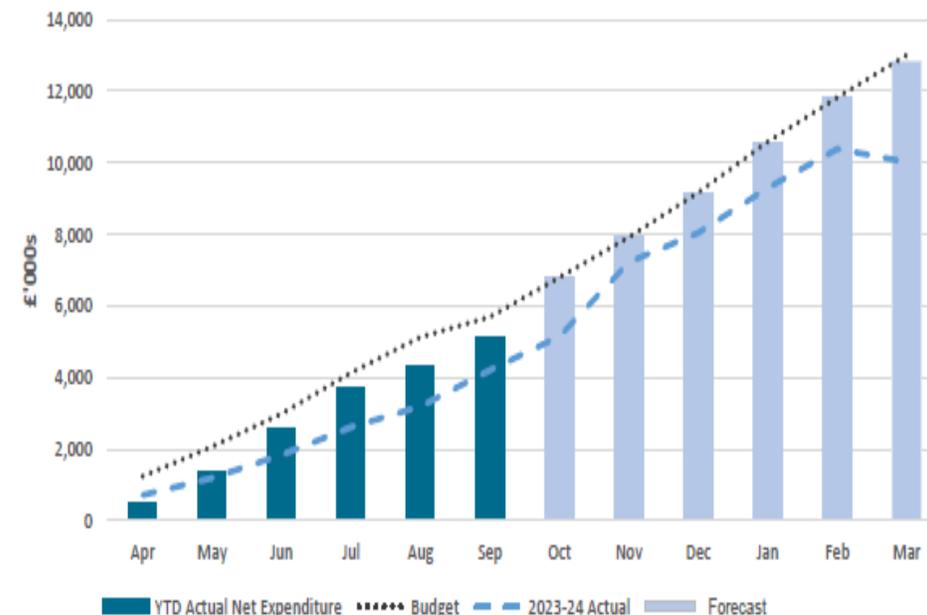
Pay – budgets include a pay award settlement of 4%. The actual YTD position includes a backdated pay award settlement of 4.2% paid in September. The pay variance of £228k is due to the average whole time equivalent position being 5.6 w.t.e below funded establishment and a price variance due to pay and NI being less than budget. This savings is being reduced by agency expenditure of £197k

Non-pay – overspends in property, professional services, IT and occupational health costs. These overspends will be met by future savings with the forecast overspend attributable to firms' payment which will be met from additional fee income.

Capital – £176k expenditure on Glasgow minor building works project.

Forecast – bank balance £2,692k, outstanding debt £6,408k with £383k overdue by 2 months or more.

Net expenditure position by month 2024-25



Objective

Our finances: Spend against budget

KPQ

Spend against budget - Organisation

Target

Break even

The current financial risks are:

- Closing work in progress position for 2024/25 audit work at 31 March 2025.
- Impact of 2025/26 budget settlement on 2024/25 budget.
- Firms additional audit work and fees.
- Payment of audit fee invoices and impact on cash flow.
- Impact of audit modernisation and resourcing system projects.
- Procurement demand and lead times.
- Planned reduction in holiday pay accrual.
- Public sector financial constraints

Risk register

The performance affects the following risk in the corporate risk register
A6 - Failure of efficiency and ability to demonstrate value for money 

Objective

Our people: Right skills and capacity to deliver

KPQ

Capacity to deliver - people establishment

Target

+/-5% of establishment



OVERVIEW **Amber**

Current staffing level vs **establishment**

- The number of FTE at the end of September 2024 was 341.06 (establishment level 366.07 FTE.)
- This equates to **93.2%** - which is under the 95% target.

At the end of September 2024, the business group establishments were as follows:

- Audit Services = 93.3% of establishment.
- Performance Audit and Best Value = 90.86% of establishment
- Corporate services = 95.02% of establishment
- Innovation and Quality = 91.24% of establishment.
- Audit Quality and Appointments = 100% of establishment
- Accounts Commission Support = 100% of establishment.

Actions include:

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

Vacancy Rate %

- The vacancy rate is defined as 'Vacancy Rate (%) = (Number of Vacant Positions / Total Positions) x 100'. This represents the percentage of unfilled positions within Audit Scotland at a given time
- The Vacancy Rate in Q2 is 6.8%, compared to 6.1% in Q1 2024/25.
- We will monitor this quarterly and will benchmark against previous quarter going forward.

Risk

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

Risk register

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

Objective

Our people: Right skills and capacity to deliver

KPQ

People spend against budget.

Target

+/- %5 of budget



OVERVIEW **Green**

The year-to-date underspend of £425k on staff pay is mainly due to:

- A favourable volume variance of £193k with the average vacancy level for the year to date being 5.6 whole time equivalents (1.6%) less than funded establishment.
- The favourable price variance of £232k relates to staff turnover, higher trainee numbers and employer national insurance savings on salary sacrifice schemes.

Unbudgeted agency and secondment expenditure year to date of £197k is providing additional expert support on the audit modernisation and resourcing projects.

There has also been a requirement for additional audit support within Audit Services. The variance will be funded by budget savings, additional fee income and an allocation from management contingency.

Risk register

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

A4 - Failure of capacity – establishment, deployment, skills



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



Objective

Our people: Right skills and capacity to deliver

KPQ

Capacity to deliver - **Wellbeing**

Target

Per KPI



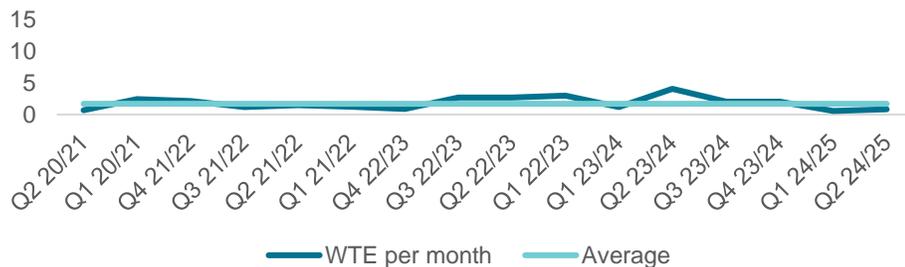
OVERVIEW **Green**

Year-to-date **staff turnover** was 3.92%, compared to 4.07 at Q2 in 2023/24. The median figure for the UK is 10.3

- Projections based upon figures from 2023/24 show we are likely to have lower turnover than in 2024/25.
- Audit Scotland's total turnover over the past five years has been lower than the median turnover for the UK labour market, which is currently at 14.4%
- Audit Scotland's resignation (voluntary) turnover over the past five years has been lower than the current median voluntary turnover for the UK labour market, which is 11.7%

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

All leavers to Q2 2024/25



OVERVIEW **Amber**

Sickness absence YTD was 1.5 days compared to 1.56 in Q2 2023/24. A breakdown by business group is shown in the table

Average Sickness days by Business group

	Q1	Q2	Q3	Q4	YTD
ASG	2.47	1.76			4.23
PABV	0.93	0.34			1.27
I&Q	1.07	0.57			1.64
CSG	2.20	2.5			4.7
AS average	1.97	1.50			3.47

Objective

Our people: Right skills and capacity to deliver

KPQ

Capacity to deliver - **Wellbeing**

Target

Per KPI



OVERVIEW **Amber**

Flexi Balances

The percentage of colleagues with greater than +14.5 hours flexi continues to trend downwards. In Q1 2023/24 the average across the Business groups was 31% - at Q2 2024/25 the average across business groups is 15%.

Flexi reports are re-run at the end of each quarter to provide a timely assessment of staff balances.

No member of staff, at any grade, is reported to have worked in excess of 48 hours in a week.

Risk

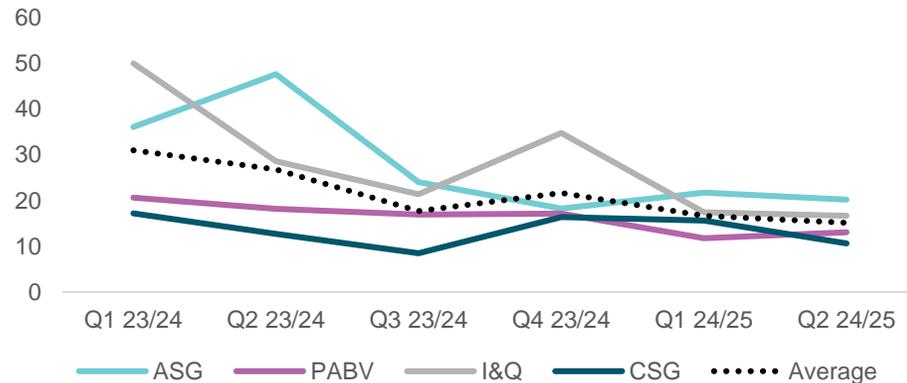
Wellbeing of colleagues is key to capacity to deliver

Risk register

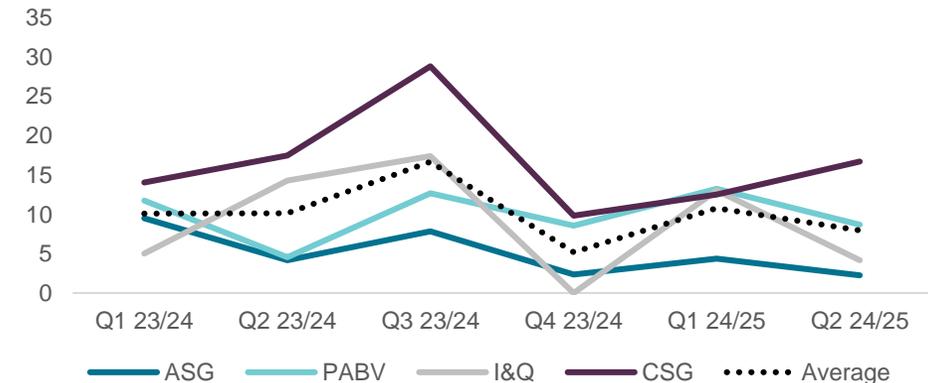
The performance affects the following risk in the corporate risk register.

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

% of colleagues with a flexi balance in excess of +14.5 hours flexi



% of colleagues with a flexi balance in excess of -7.25 hours



Objective

Our people: right skills - Learning & Development

KPQ

Learning (L&D)

Target

Target per KPI

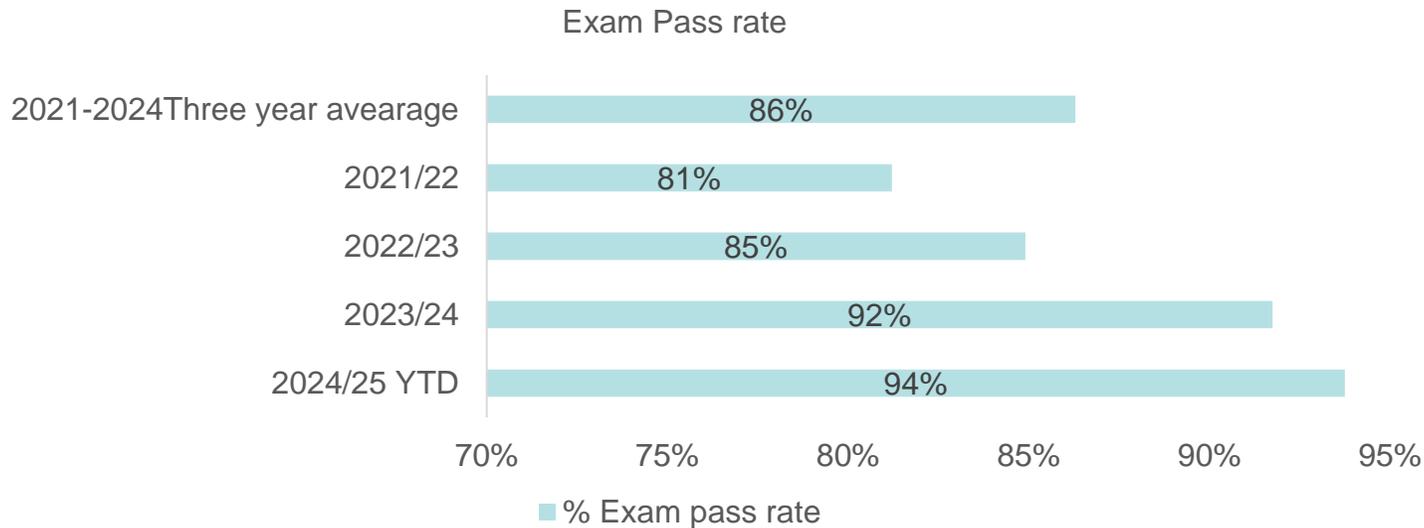


OVERVIEW Amber

L&D:

ICAS exams are principally taken in the reporting periods for Quarters 1 and 3. The numbers of ICAS exams taken in Quarters 2 and 4 are usually very low. Numbers of ACCA exams taken are small, and there is greater flexibility as to when exams are taken. Percentage exam success is reported here year-to-date (YTD).

For Q2 the YTD pass rate of 94 percent, exceeding the target of 85%, and also exceeding the three-year average for 2021-2024 which was 86%.



Event	Completed
Data Protection including GDPR	94%
Digital Services Cybersecurity Training (not available on LMS)	87%
Emotional Intelligence (ILT Report)	88%
Hybrid working DSE	87%
Freedom of Information	96%
Protecting Information Part 2	92%
Protecting Information Part 3 (materials)	79%
Trust and Ethics (materials)	99%
Total Mandatory training	90%

- Percentage of **mandatory training completed** is 90%, below the target of 95%, and remains the same as Q1.

Objective

Our people: right skills - Learning & Development

KPQ

Learning (L&D)

Target

Target per KPI



OVERVIEW **Amber**

Key messages

The 2024/25 L&D Plan was launched on 8 August.

- We are working with colleagues, including Professional Trainees, to develop materials to deliver the L&D Plan.
- Online Learning materials were developed to support auditors when auditing pensions and HB certification.
- The number of training events and attendees reduced in Q2 compared to Q1 (132 events/977 attendees) recognising the impact of audit activity and holidays during this period.
- Notable events included Police Scotland event which had good attendance plus colleagues accessing the slides after the event.
- The neurodiversity group has delivered awareness sessions across a number of business groups.
- Several Housing Benefit Sessions were held for external and internal participants.
- We worked with PABV colleagues to finalise the development of two new training courses - Introduction to Financial Information and the Scottish Budget. Pilots will take place in Q3.

Risk register

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

A4 – Failure of capacity – establishment, deployment, skills  

Innovation & Learning

Objective

Innovation driving audit transformation

KPQ

Target per KPI

Target

Prior year performance



OVERVIEW **Amber**

Performance

In Q2

The Audit Modernisation Project is progressing well, although still reporting as amber due to resourcing constraints:

- The Strategic Improvement Programme Board (SIPB) approved the Strategic Outline Case in August.
- Following a comprehensive Options Appraisal exercise, the SIPB and Audit Scotland Board agreed the preferred procurement route.
- Process mapping workshops for PABV and ASG audit work (setting out the 'as is' process) completed. We have started the 'to be' mapping alongside software requirements to support new audit approaches. Software requirements discussions will take place with staff in October.
- Workplans for project/IQ workstreams developed at a high level. Longer term plans for audit approaches, and behavioural change are under development now that decision on procurement route has been taken.
- L&D plans now include essential audit skills (e.g. documentation and reviewer training).
- Project resources in Q2: 3 staff seconded from ASG (2) and PABV (1) in Q1 progressed audit approach and software appraisal work, and recruitment for a new Project Manager was completed, who will start in Q3. Project management tasks have been split between the project team during the interim period.

Other highlights include:

- Web-based APT developed jointly between professional support and digital audit teams. This was demo'd to the Audit Approach Board (AAB) in August and is in the final stages of testing for roll out in 24/25. Feedback has been positive so far.
- Asc delivered in line with data requests for finals. Asc lite and sampling calculator tested and ready for 24/25.
- Local Government and NHS dashboards developed to support the overview teams and other audit teams more widely.
- Memorandum of Understanding developed with the Scottish Fiscal Commission to enable the sharing of data and code that underpins the Scottish Budget dashboard.
- Our first Modern Apprentice in Data analytics started in September 2024.

Objective

Innovation & Learning - Insights

KPQ

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

Target

TBC



OVERVIEW **Green**

During Q2 we continued to make progress with

- **Insights:** We published the latest impact monitoring and evaluation report on the Audit Scotland website, supported by additional information about our impact approach and communications to audited bodies to signpost to this information. We also worked with Leadership Group colleagues to review and refresh our approach to discussing audit risks and themes and using it for decision-making.
- **Employee engagement:** We have reviewed progress with one organisation working activity, alongside engagement survey findings to consult with Leadership Group on planned activity in next business plan.
- **Diversity, Equality and Inclusion strategy:** Where we finalised draft outcomes and wider strategy content and consulted with business group equality leads, ET and Audit Scotland Board.
- **Employee Performance and Development (EPAD):** We have completed testing phase of new approach to employee performance appraisal, process and guidance. Started engagement with supplier on technical solution.
- **Operational planning:** Where we completed first phase of the operational planning process with first meeting of new operational planning forum and Leadership Group session on priorities and resourcing. These informed the draft of the 2025/26 budget considered by the Board at its meeting in September.

Data now collected for all KPIs. We will monitor data over next two quarters to develop targets and ranges to enable full assessment of performance.

Q2 Financial performance report

Corporate Finance Manager



Item 13

Meeting date: 26 November 2024

Purpose

1. This report presents the financial results for the six months to 30 September 2024.

Recommendation

2. The Board is invited to:
 - Note the financial results for the six months to 30 September 2024.

Background

3. A Financial Performance Executive Summary is provided in the appendix to support this report.
4. This report was discussed by Audit Committee on 11 November 2024 and has been reviewed by Leadership Group.

Summary position

Financial Position as at end of September 2024						
	Actual YTD £'000s	Budget YTD £'000s	Variance YTD £'000s	FY Forecast £'000s	FY Budget £'000s	Variance YTD £'000s
Income	(14,547)	(14,119)	427	(24,989)	(24,504)	485
Pay	12,012	12,239	228	24,404	24,620	216
Non-pay	7,655	7,577	(79)	13,430	12,890	(540)
Capital Expenditure	176	150	(26)	300	300	0
Funded by Scottish Consolidated Fund	5,296	5,847	551	13,145	13,306	161

5. At the end of September 2024 Audit Scotland's total expenditure funded by the Scottish Consolidated Fund is £5,296k which is £551k (9.4%) less than budget.
6. Net operating expenditure of £5,110k is £577k (10.1%) less than budget.
7. Total capital expenditure year to date of £176k relates to the minor building work project in the Glasgow office.
8. At the end of the second quarter the full year forecast is £161k less than budget. A review of the forecast will be undertaken in consultation with budget holders following the closure of quarter 2.
9. Variance analysis is provided in the main body of this report.

Income

- 10.** Income recognition year to date of £14,547k is £427k (3.0%) more than budget.
- 11.** In-house audit income £198k (2.9%) less than budget broken down as follows:
- Unbudgeted prior audit year income of £152k recognised for the completion of 2022/23 audits in local government, central government and EAFA.
 - 2023/24 audit fee income in local government (£30k), health (£128k), central government (£151k) and further education (£44k) less than budget. On completion of the EAFA audit the closing position is £3k more than budget.
 - Non-chargeable audit work is ahead of plan (£269k) with the overall position for 2023/24 in-house audit work being slightly behind plan.
- 12.** Income recognition for the firms is £603k (11.1%) more than budget due to:
- Unbudgeted prior year audit income of £1,076k recognised for completion of 2022/23 audits in local government (£974k), central government (£2k) and further education (£100k).
 - Fee income recognition for 2023/24 audits is less than budget in local government (£824k) and further education (£59k) with health (£196k), central government (£186k) and water (£28k) more than budget.
 - Non-chargeable audit work is slightly behind plan (£10k).
- 13.** The balancing favourable variance of £22k is mainly due to bank interest on deposit balances being more than budget. This is due to the deposit account interest rates being higher than prior years.

Pay expenditure

- 14.** Expenditure on pay, pensions and agency costs of £12,012k is £228k (1.9%) less than budget.
- 15.** The year-to-date underspend of £425k on staff pay is mainly due to:
- A favourable volume variance of £193k with the average vacancy level for the year to date being 5.6 whole time equivalents (1.6%) less than funded establishment.
 - The favourable price variance of £232k relates to staff turnover, higher trainee numbers and employer national insurance savings on salary sacrifice schemes.
- 16.** Unbudgeted agency and secondment expenditure year to date of £197k is providing additional expert support on the audit modernisation and resourcing projects. There has also been a requirement for additional audit support within Audit Services. The variance will be funded by budget savings, additional fee income and an allocation from management contingency.

Non-pay expenditure

17. Non-pay expenditure includes the payments to firms under the audit appointments contract and other operating expenditure. Year to date expenditure of £7,655k is £79k (1.0%) more than budget.
18. The main variances appear in Firms payments, professional services, IT and property.
19. **Firms payments** £216k (3.9%) less than budget. Based on the audit firms returns at the end of September the position in respect of 2023/24 audit work highlights an underspend (£525k) which is being offset by the recognition of less fee income than planned. Additional costs (£309k) were paid to the firms to enable them to sign off 2022/23 audit work. This is covered by applying additional fees and was due to a significant number of adjustments, discrepancies in the application of accounting standards and delays in the availability of working papers.
20. **Professional services** £93k (39.9%) more than budget mainly due to expenditure relating to NAO social security work, the estates management and audit modernisation projects. The NAO undertakes audit assurance work on our behalf and the variance is due to timing of expenditure with the budget to cover this cost being phased elsewhere.
21. The estates management costs are the payments made to Space Solutions to manage the Edinburgh and Glasgow projects on our behalf. This expenditure will be met from savings in the second half of the financial year when we start to make savings on our property costs and budget adjustments will be made to cover these costs.
22. Audit modernisation costs relate to a Gateway Review of the project and these costs will be met from other budget savings within the Innovation & Quality budget allocation.
23. **IT expenditure** £100k (31.6%) more than budget due to upfront one-off payments for hardware, software and payment of invoices that require prepayment as they cover 12 months or more. On making these adjustments in the next quarter it is projected that we will be on budget by the end of the financial year.
24. **Property** expenditure £87k (13.8%) more than budget due to application of notional interest charge for Edinburgh and Glasgow offices under IFRS 16 Leases. Future savings on completion of office re-configurations will be used to fund this variance.

Contingency and future financial risks

25. The 2024/25 budget includes a contingency allocation of £500k to meet any unexpected financial pressures that may arise in the year. An allocation of £80k has been made to fund a project manager for the audit modernisation project and £150k is required to meet the additional capital costs of the Glasgow office project.
26. The current unallocated balance is £270k. Allocations are the responsibility of the Executive Team (ET) and any further allocations will require a robust business case to seek ET approval.
27. The **financial risks** that have the potential to impact on our ability to deliver a balanced budget include:
 - Work in progress position for 2024/25 audit work at 31 March 2025.

- Impact of 2025/26 budget settlement on 2024/25 budget.
 - Timely payment of audit fee invoices and impact on cash flow.
 - Impact of audit modernisation and resourcing system projects.
 - Public sector financial constraints.
 - Planned reduction in IAS 19 holiday pay accrual.
- 28.** There continues to be many external factors that will impact on longer-term financial scenario planning and future budget proposals. Factors being considered include:
- The UK and Scottish Government budget announcements in October and December respectively, leading to SCF funding pressures.
 - Fees and funding strategy.
 - Audit delivery, recovery and resourcing.
 - Audit modernisation.
 - Resourcing and management information system.
 - Public sector audit model and impact on future procurement.

Capital expenditure

- 29.** The approved capital programme for 2024/25 originally planned for further investment in IT hardware and software.
- 30.** Due to slippage on the Glasgow office project, the IT capital investment in 2024/25 was brought forward into financial year 2023/24 with the capital budget for 2024/25 now being used to fund the Glasgow project.
- 31.** Total year to date capital expenditure of £176k relates to the minor building work in the Glasgow office.
- 32.** The timetable for project completion is mid-November with some additional building compliance work identified. A budget virement will need to take place for £150k as part of the Spring Budget Revision (SBR) process to meet the additional costs.

Virement

- 33.** There were no instances of budget virement in excess of £20k in the six months to 30 September 2024.
- 34.** There will be a budget virement in quarter 4 from revenue to capital as part of the SBR process to meet the additional capital costs of the Glasgow office project.

Financial Position

Fee income – recognition of income on completion of outstanding 22/23 audits for both firms and in-house work. Firms additional income £1,076k and in-house £152k. For 23/24 audits, in-house work slightly behind plan in each sector. Firms slightly ahead of plan on all sectors except for local government and FE.

Other income – bank interest £20k better than budget.

Pay – budgets include a pay award settlement of 4%. The actual ytd position includes a backdated pay award settlement of 4.2% paid in September. The pay variance of £228k is due to the average whole time equivalent position being 5.6 w.t.e below funded establishment and a price variance due to pay and ni being less than budget. This savings is being reduced by agency expenditure of £197k.

Non-pay - overspends in property, professional services, IT and occupational health costs. These overspends will be met by future savings with the forecast overspend attributable to firms' payment which will be met from additional fee income.

Capital – £176k expenditure on Glasgow minor building works project.

Forecast - based on discussions with budget managers following the closure of quarter 1 and to be reviewed and updated following closure of quarter 2.

Cash flow - bank balance £2,692k, outstanding debt £6,408k with £383k overdue by 2 months or more.

Management Contingency £'000s

Total Funding	500
Audit Modernisation Project Manager	80
Spring Budget Revision revenue to capital	150

Balance	270
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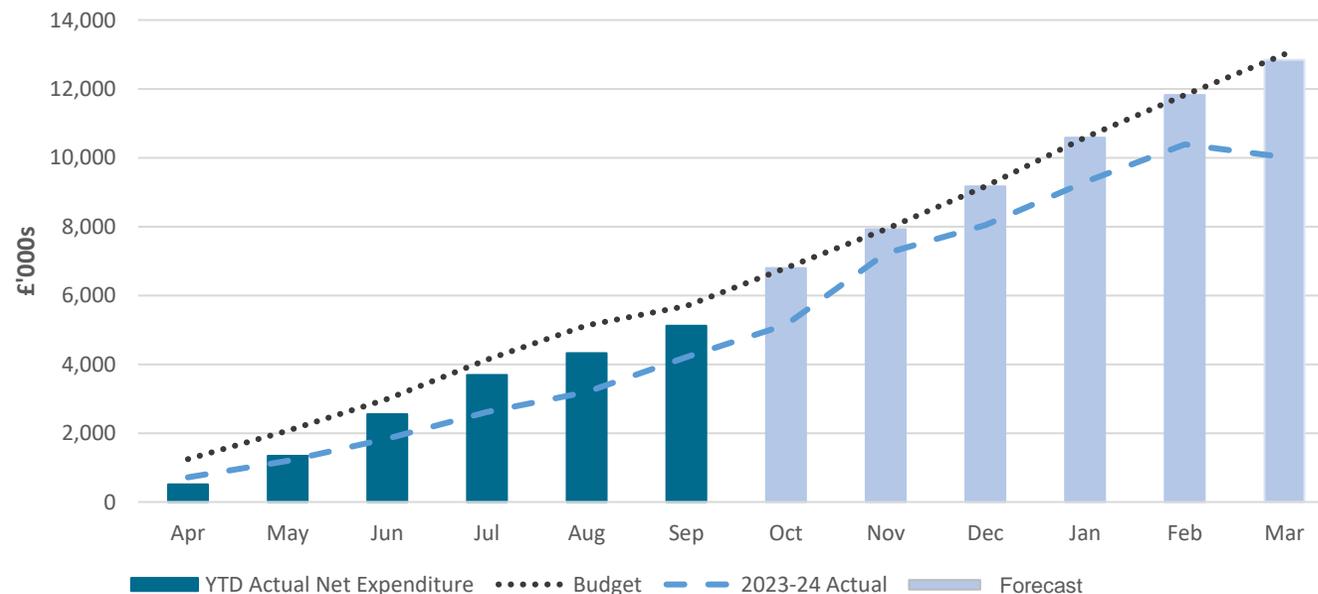
Financial Risks

- Closing work in progress position for 2024/25 audit work at 31 March 2025.
- Impact of 2025/26 budget settlement on 2024/25 budget.
- Firms additional audit work and fees.
- Payment of audit fee invoices and impact on cash flow.
- Impact of audit modernisation and resourcing system projects.
- Procurement demand and lead times.
- Planned reduction in holiday pay accrual.
- Public sector financial constraints.

Financial Position as at end of September 2024

	Actual YTD £'000s	Budget YTD £'000s	Variance YTD £'000s	FY Forecast £'000s	FY Budget £'000s	Variance YTD £'000s
Income	(14,547)	(14,119)	427	(24,989)	(24,504)	485
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Non-pay	7,655	7,577	(79)	13,430	12,890	(540)
Capital Expenditure	176	150	(26)	300	300	0
Funded by Scottish Consolidated Fund	5,296	5,847	551	13,145	13,306	161

Net expenditure position by month 2024-25



Summary Balance Sheet £'000s			Summary Cash Flow £'000s		Capital Expenditure £'000s	
	31/03/2024	30/09/2024				
Total Non Current Assets	6,291	6,247	Net cash outflow from operating activities	(7,595)	Total Funding	150
Total Current Assets	6,092	12,019	Cashflows from investing activities	176	Glasgow minor building work	176
Total Current Liabilities	(7,375)	(10,336)	Drawdown from Consolidated Funds	9,000		
Total Non Current Liabilities	(7,746)	(7,362)	Obligations under leases	(17)		
Assets Less Liabilities	(2,738)	568	Net increase in cash/cash equivalents	1,564		
Taxpayers Equity	2,738	(568)	Net Cash requirement	7,436	Balance	-26

Non-current assets – decrease in right-of-use assets due to depreciation higher than car lease additions and year-to-date depreciation of tangible and non-tangible assets higher than investment.

Current assets – increase in debtors following issue of final instalment invoices for 23/24 audit work (excluding FE) in September.

Current liabilities – increase in WIP deferred income and outstanding payroll payments due to HMRC and LPF.

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

- Draw down from Scottish Consolidated Fund of £9.0 million.
- Net increase in cash / cash equivalents of £1.564 million from 31 March.
- Final instalment of 23/24 audit fee invoices issued in September 24 with outstanding debt of £6.408 million on 30 September.

- Glasgow minor building works project commenced in June and the £176k represents the valuation payment for the work completed to date. Project scheduled for completion mid-October.
- SBR to be requested for transfer of £150k revenue to capital to cover the additional unplanned costs of the project with the remaining balance to be used for essential IT hardware purchases.

Appendix | Financial Performance by Business Group – September 2024

YTD financial position for each business group

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

- **Overall** - at the end of September the revenue position was £577k less than budget and the full year forecast following closure of quarter 1 is an underspend of £161k. An updated forecast will be undertaken in consultation with budget holders following the closure of quarter 2.
- **Audit Services Group** - 22/23 audits complete with some residual income recognised this financial year (£152k). Chargeable 23/24 audit work behind plan with fee income of £6,478k recognised for 23/24 audit work compared to budget of £6,828k. Non-chargeable audit work is £269k ahead of plan. Pay more than budget due to unbudgeted agency costs of £127k being partially met from staff pay savings of £84k. Non-pay more than budget due to NAO payment for social security work for which the budget will be re-phased.
- **Performance Audit and Best Value** - pay costs less than budget with average w.t.e. 2.9 below funded establishment. Vacant posts being filled. Non-pay costs less than budget due to reduced expenditure on professional services. This variance will reduce as payments are due for work on a S102 report.
- **Innovation and Quality** - pay costs less than budget due to average w.t.e. being 2.0 below funded establishment. This is being reduced by agency costs for project management support on audit modernisation project. Non-pay costs more than budget due to the costs of the gateway review for the audit modernisation project and i-Trent system support costs for 3D development.
- **Audit Quality and Appointments** - overspend in pay costs due to additional temporary support from ASG and outstanding leave payment for a leaver.
- **Corporate Services Group and Corporate Costs** - pay less than budget due to w.t.e. being 3.0 below funded establishment. Non-pay more than budget with the most significant variances in property, professional services, IT and occupational health costs. The non-pay overspend is mainly due to the implementation of the estates strategy with savings to be generated in the second half of the financial year.
- **Approved Auditors** – completion of 22/23 audit work in 24/25 financial year leading to fee income recognition being more than budget (£1,076k) and behind plan for 23/24 audit work (£473k). Firms' expenditure £512k more than budget on completion of additional 22/23 audit work in 24/25 financial year. Expenditure for the 23/24 audit year work is £296k less than budget.
- **Accounts Commission and Support** - pay expenditure less than budget due to vacant Secretary post which has now been filled. Minor overspend on non-pay due to timing of expense claims and will be on budget over the full year.
- **Board, AGS and Exec Team** – pay underspend due to turnover and national insurance savings.

Business Group	Cost type	Actual YTD £'000s	Budget YTD £'000s	Variance YTD £'000s	FY Forecast £'000s	FY Budget £'000s	Variance YTD £'000s
Audit Services Group	Income	(6,630)	(6,828)	(198)	(12,166)	(12,558)	(392)
	Pay	5,757	5,714	(43)	11,736	11,638	(98)
	Non-pay	224	200	(24)	493	487	(7)
	Total	(648)	(914)	(266)	63	(433)	(496)
Performance Audit and Best Value	Income	0	0	0	0	0	0
	Pay	2,562	2,649	88	5,190	5,299	108
	Non-pay	85	147	62	420	386	(34)
	Total	2,647	2,796	149	5,611	5,685	74
Innovation and Quality	Income	0	0	0	0	0	0
	Pay	1,018	1,033	15	2,086	2,146	60
	Non-pay	235	201	(33)	645	608	(37)
	Total	1,253	1,234	(18)	2,731	2,754	23
Audit Quality and Appointments	Income	0	0	0	0	0	0
	Pay	222	194	(29)	401	387	(14)
	Non-pay	5	6	0	155	141	(14)
	Total	227	199	(28)	556	528	(28)
Corporate Services Group and Corporate costs	Income	(1,897)	(1,875)	22	(3,696)	(3,749)	(53)
	Pay	1,725	1,877	152	3,473	3,625	152
	Non-pay	1,746	1,452	(294)	3,303	3,373	70
	Total	1,574	1,454	(120)	3,079	3,248	169
Approved Auditors	Income	(6,020)	(5,416)	603	(9,127)	(8,197)	930
	Pay	0	0	0	0	0	0
	Non-pay	5,335	5,551	216	8,323	7,737	(586)
	Total	(685)	135	819	(804)	(460)	344
Accounts Commission and Support	Income	0	0	0	0	0	0
	Pay	240	273	33	521	525	4
	Non-pay	16	10	(5)	37	102	65
	Total	256	283	28	558	627	69
Board, AGS and Exec Team	Income	0	0	0	0	0	0
	Pay	487	500	12	997	1,000	3
	Non-pay	10	9	(0)	53	57	3
	Total	497	509	12	1,050	1,056	6
Funded by Scottish Consolidated Fund		5,120	5,697	577	12,845	13,006	161