

Agenda

Audit Scotland Board

Tuesday 1 April 2025

Audit Scotland, 102 West Port, Edinburgh



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

Standing items

- | | |
|---|-----------------|
| 5. Chair's report – verbal update | For information |
| 6. Accountable Officer's report – verbal update | For information |
| 7. Accounts Commission Chair report – verbal update | For information |
| 8. Chief Operating Officer report – verbal update | For information |
| 9. Review of draft minutes: | |
| • Board meeting: 28 January 2025 | For approval |
| • Audit Committee: 11 November 2024 | For information |
| • RemCo: 11 November 2024 | For information |
| 10. Review of action tracker | For assurance |

Business planning, performance and governance

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

Strategic items

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

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

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

16. Statutory reporting fees For approval

Other

17. Board/committee meeting locations and engagement For discussion

Items to be taken in private

18. Audit Scotland annual report and accounts For approval
[Item to be taken in private to support the effective conduct of business, intended for future publication]

Items taken by correspondence

19. R&MI project open tender recommendations For approval
[Private paper to support the conduct of business and commercial sensitivity. Approved by correspondence]

20. Occupational Health contract award recommendation For approval
[Private paper to support the conduct of business and commercial sensitivity. Approved by correspondence]

Conclusion

21. Any other business For discussion

22. Review of meeting For discussion

23. Date of next meeting: 20 May 2025 For information

Minutes

Audit Scotland Board

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



Present:

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

Apologies:

No apologies

In attendance:

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

1. Private meeting of Board members

The Board met privately and there were no matters arising.

2. Welcome and apologies

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

The Chair welcomed attendees to the meeting.

A particular welcome was address to Patrick Barlett, new Board member and Chair of the Audit Committee and Catherine Maclean, new Boardroom Apprentice, to their first Board meeting.

3. Declarations of interest

There were no declarations of interest noted.

4. Items to be taken in private

The Chair invited members to agree that items 12 and 13 of the agenda be considered in private for the reasons stated on the agenda. The members agreed.

5. Chair's report – verbal update

The Chair advised of meetings with Jo Armstrong, Chair of the Accounts Commission and John Cornett, Executive Director of Audit Services. Additionally, the Chair has participated in several induction meetings.

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

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

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

Following discussion, the Board welcomed the update.

6. Accountable Officer's report – verbal update

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

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

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

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

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

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

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

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

Following discussion, the Board welcomed the update.

7. Accounts Commission Chair's report

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

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

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

Following discussion, the Board welcomed the update.

8. Chief Operating Officer – verbal update

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

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

Parliamentary engagement has mainly involved the budget over recent months.

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

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

Following discussion, the Board welcomed the update.

9. Review of minutes

Board meeting: 26 November 2024

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

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

10. Review of action tracker

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

11. Strategic Improvement Programme update

Gemma Diamond joined the meeting.

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

The Board was invited to:

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

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

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

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

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

Items taken in private

12. Audit Modernisation Project: update

Morag Campsie and Bobby Alikhani joined the meeting.

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

The Board was invited to:

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

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

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

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

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

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

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

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

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

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

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

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

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

13. 2025-26 SCPA budget proposal

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

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

14. Any other business

There was no other business for discussion.

15. Review of meeting

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

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

The Chair thanked everyone for their contributions.

16. Date of next meeting

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

Minutes

Audit Committee



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

Present:

Jackie Mann (Chair)
Jo Armstrong

Apologies:

Jillian So, Alexander Sloan
Graham Gillespie, Wbg

In attendance:

Colin Crosby, Chair, Audit Scotland Board
Stephen Boyle, Accountable Officer and Auditor General for Scotland
Vicki Bibby, Chief Operating Officer
Martin Walker, Director of Corporate Support
Graeme Forrester, Head of Performance and Corporate Governance
Stuart Dennis, Corporate Finance Manager
Owen Smith, Director of Audit Quality and Appointments
John Gilchrist, Manager
Jennifer Doolan, Senior Auditor
David Jeffcoat, Alexander & Sloan
Stephen Pringle, Wbg

Niki Ross, Forum Support Coordinator (Minutes)

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

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

2. Welcome and apologies

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

The Audit Committee noted that the position of Chair of the Audit Committee is currently vacant. It was proposed and agreed that Jackie Mann would chair the Audit Committee meeting on 11 November 2024.

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

3. Declarations of interests

There were no declarations of interest.

4. Minutes of the last meeting: 3 September 2024

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

5. Review of action tracker

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

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

6. Internal audit: Staff wellbeing

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

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

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

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

7. Internal audit: Audit modernisation project

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

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

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

8. Internal Audit progress report

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

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

9. Internal Audit recommendations progress report

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

The Audit Committee was invited to:

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

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

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

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

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

The Audit Committee was invited to:

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

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

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

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

11. Q2 Financial performance report

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

The Audit Committee was invited to:

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

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

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

12. Review of risk register

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

The Audit Committee was asked to:

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

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

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

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

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

13. 2024-25 Q2 Data incidents/loss report

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

The Audit Committee was invited to:

- Note the report.

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

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

14. Annual review of Audit Committee effectiveness

Graeme Forrester introduced the Annual review of Audit Committee effectiveness, copies of which had been previously circulated.

The Audit Committee was invited to:

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

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

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

15. Annual report on procurement and contract management

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

The Audit Committee was invited to:

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

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

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

16. Audit Committee Terms of Reference

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

The Audit Committee was invited to:

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

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

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

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

17. 2024 Audit Quality Interim Report

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

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

The Audit Committee was invited to note:

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

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

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

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

18. Audit Quality Framework

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

The Audit Committee was invited to:

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

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

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

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

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

19. Any other business

There were no other items of business.

20. Review of meeting

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

21. Date of next meeting

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

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

2025 Board action tracker



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

Q3 2024/25 Corporate Performance Report

Director of Corporate Support & Head of Performance and Corporate Governance

Purpose

This report provides the Board with a review of organisational performance as at quarter three (Q3) 2024/25.

Recommendations

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

Background

2. The Performance framework and the quarterly report is aligned to the [Audit Scotland Corporate Plan 2023-2028](#) published in June 2023.
3. The sections in the slide deck attached as appendix 1 are:

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

Performance overview

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

Audit Scotland Corporate Plan 2023-28: Strategic Priorities

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

Developing our people and our business

Insights driving innovation and improvement

Delivery

Resources

Innovation and learning

Objective	Status	Objective	Status	Objective	Status
Audits delivered on time	Amber →	Our finances: Spend against budget	Green →	Innovation driving audit transformation	Amber →
Audits delivered on budget	Amber →	Our people: capacity to delivery - Establishment	Amber →	Application of insights to decision-making, audit delivery & organisational change	Green →
Audits delivered on time and on budget - Audit focus	Amber →	Our people: capacity to delivery - Cost	Green →		
Audit quality assurance results	Green →	Our people: capacity to delivery - Wellbeing	Amber →		
Impact through our work	Green →	Our people: capacity to delivery - Working across business groups	Green →		
Progress towards net zero and climate resilience targets	Green →	Our people: right skills - Learning & Development	Amber →		
Progress against our equality outcomes	Green →				
Not progressing/ significant additional management action required		Progressing and additional management action planned		On target/ no need for additional management action	
				Measures under development	

Notes:

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

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

Financial audit delivery

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

Performance audit/ statutory reports/ other reports delivery

11. We delivered 11 performance audits and two Audit Scotland corporate reports in Q3. Links to these reports are included below:

Accounts Commission:

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

Auditor General for Scotland:

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

Joint reports:

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

Audit Scotland:

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

Resources and capacity

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

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

Innovation & Learning

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

Developments in Audit delivery

19. The tables below show anticipated delivery for all sectors for both ASG and Firms for the 2023/24 audits.

Firms					
Expected delivery by Sector	NHS	LG	CG	FE	Total
Number of audits met or expected to meet target date	9	14	11	7	41
Total audits in sector	11	49	24	12	96
Total audits delivered to date	11	28	24	7	70
Percentage of audits met or expected to meet target sign-off date in 2023/24	82%	29%	46%	92%	50%
Percentage of audits meeting target sign off date in 2022/23	64%	27%	50%	54%	42%
Delivery on time performance against prior year	↑	↑	↓	↑	↑

ASG					
Expected delivery by Sector	NHS	LG	CG	FE	Total
Number of audits met or expected to meet target date	12	38	40	6	97
Total audits in sector	12	75	61	8	156
Total audits delivered to date	12	70	61	6	149
Percentage of audits met or expected to meet target sign-off date in 2023/24	100%	51%	66%	75%	62%
Percentage of audits meeting target sign off date in 2022/23	83%	32%	57%	88%	48%
Delivery on time performance against prior year	↑	↑	↑	↓	↑

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

Ongoing Performance Management Framework Development

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

Q3 2024/25 Corporate Performance Report

Appendix 1

Summary | Key Measures

Audit Scotland Corporate Plan 2023-28: Strategic Priorities

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

Developing our people and our business

Insights driving innovation and improvement

Delivery

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 & 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 by 31 December 2024 was 87% compared to 78% in the same period last year
- Audits delivered on time is 55% this year compared to 46% last year.
- Eleven Performance Audit, statutory, or other reports delivered in Q3.

Resources

- Proportion of time spent on Audit is 4% higher for ASG and 3% higher for PABV than previous year.
- At the end of December 2024 Audit Scotland's net operating expenditure was £8,194k, which was £499k (5.3%) less than budget.
- Staff turnover YTD for all leavers was 6.44% -total turnover is forecast to be 9.62%, up from 9.33% in 2023/24.
- Absence for Q3 was 1.25 days (reduced from 1.74 days in Q3 last year)
- The percentage of colleagues with greater than 14.5 hours flexi continues to trend downwards. In Q1 2023/24 the average across the business groups was 31% - by Q3 2024/25 the average across business groups has reduced to 12%.
- The Executive Team has agreed to constitute a Recruitment Board to be responsible for the strategic oversight and management of vacancies based on the agreed vacancy rate for 2025/26.

Challenges

Delivery

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

Resources

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

Actions

Delivery

- Delivery, including outstanding 2022/23 financial audits - this is monitored on an ongoing basis by AQA and through meetings with the Firms. Delivery is reported to the Executive Team, Audit Committee and the Board through the quarterly performance reports and the risk register updates. The Executive Team also now receive a monthly Audit Delivery Update report.

Resources

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

Delivery

Objective

Audits delivered on time and on budget

KPQ

Are audits delivered on **time**?

Target

95% of audits delivered on time



OVERVIEW **Amber**

Financial audit

Financial Accounts:

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

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

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

For the Auditor General for Scotland Year to date:

Accounts

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

For the Accounts Commission Year to date :

Accounts

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

Performance and statutory audits

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

Accounts Commission:

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

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

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

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

Auditor General for Scotland:

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

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

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

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

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

Joint reports

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

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

Audit Scotland

[Annual diversity report 2023/24](#)

[Climate change annual report](#)

Objective

Audits delivered on time and on budget

KPQ

Are audits delivered on **time**?

Target

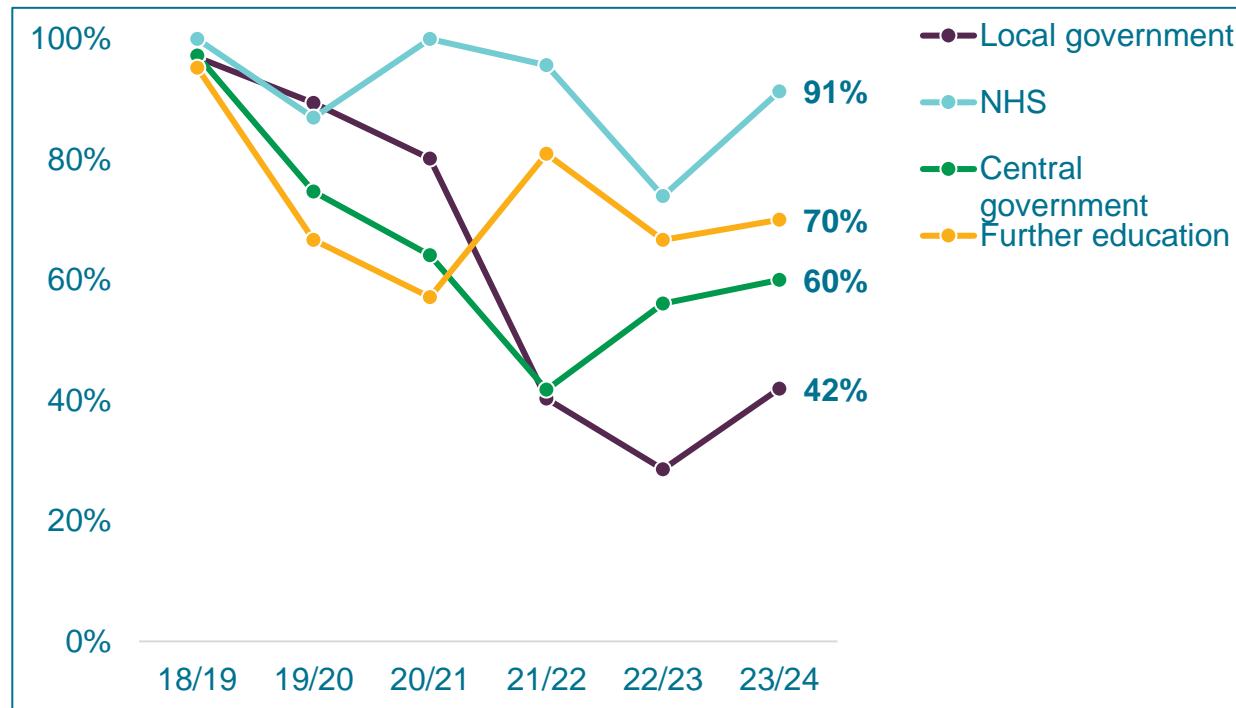
95% of audits delivered on time



OVERVIEW **Amber**

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

Audits completed on time: percentage for each sector



Objective

Audits delivered on time and on budget

KPQ

Are audits delivered on **time**?

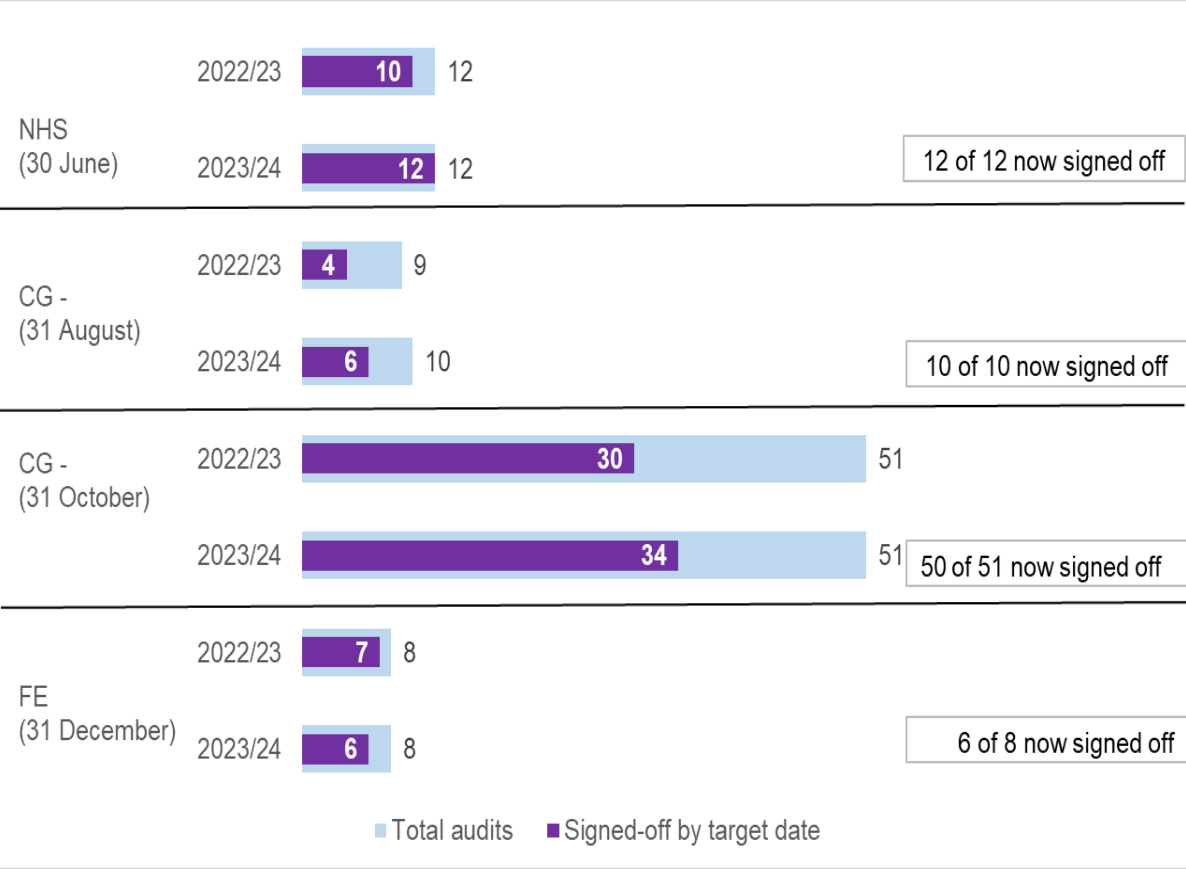
Target

95% of audits delivered on time

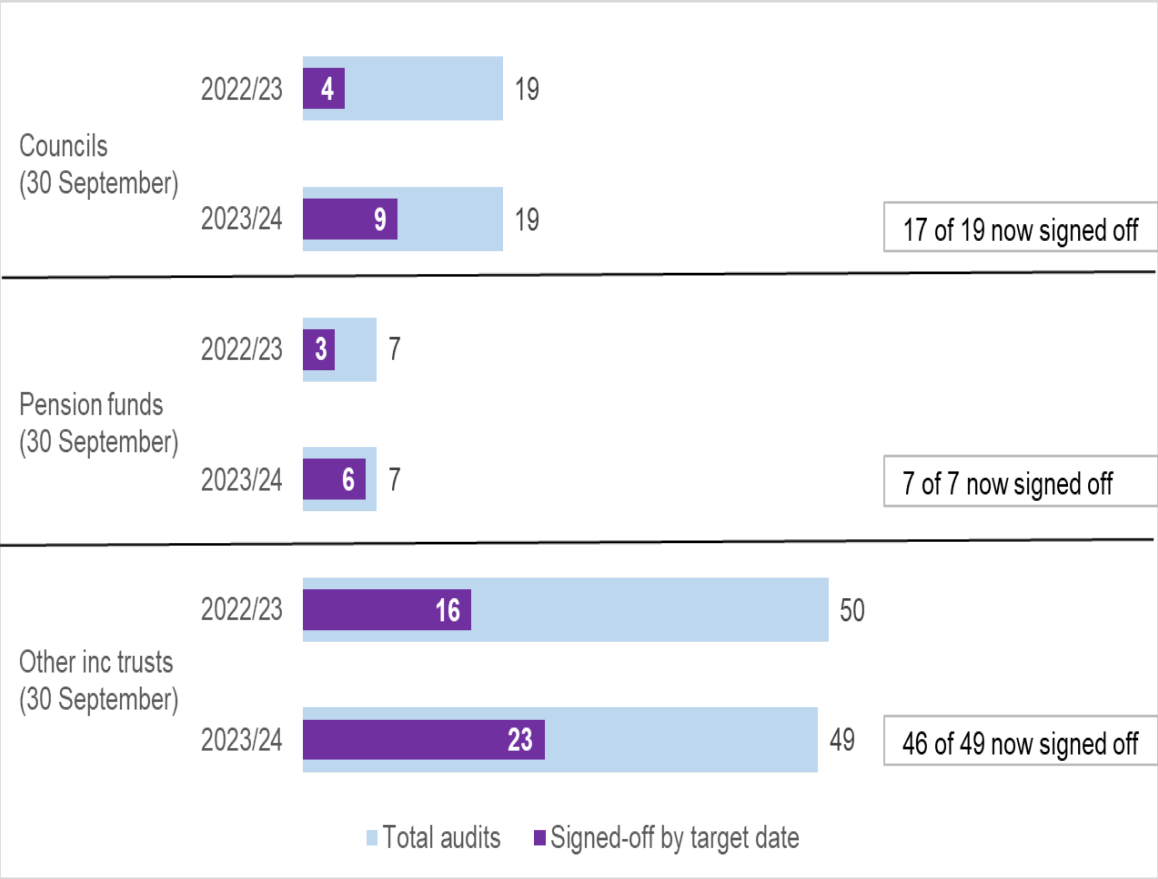


OVERVIEW **Amber** Audit Service Group financial audit progress - as at 31 December 2024 (with time of writing updates)

Audit Sectors



Local Government



Objective

Audits delivered on time and on budget

KPQ

Are audits delivered on **time**?

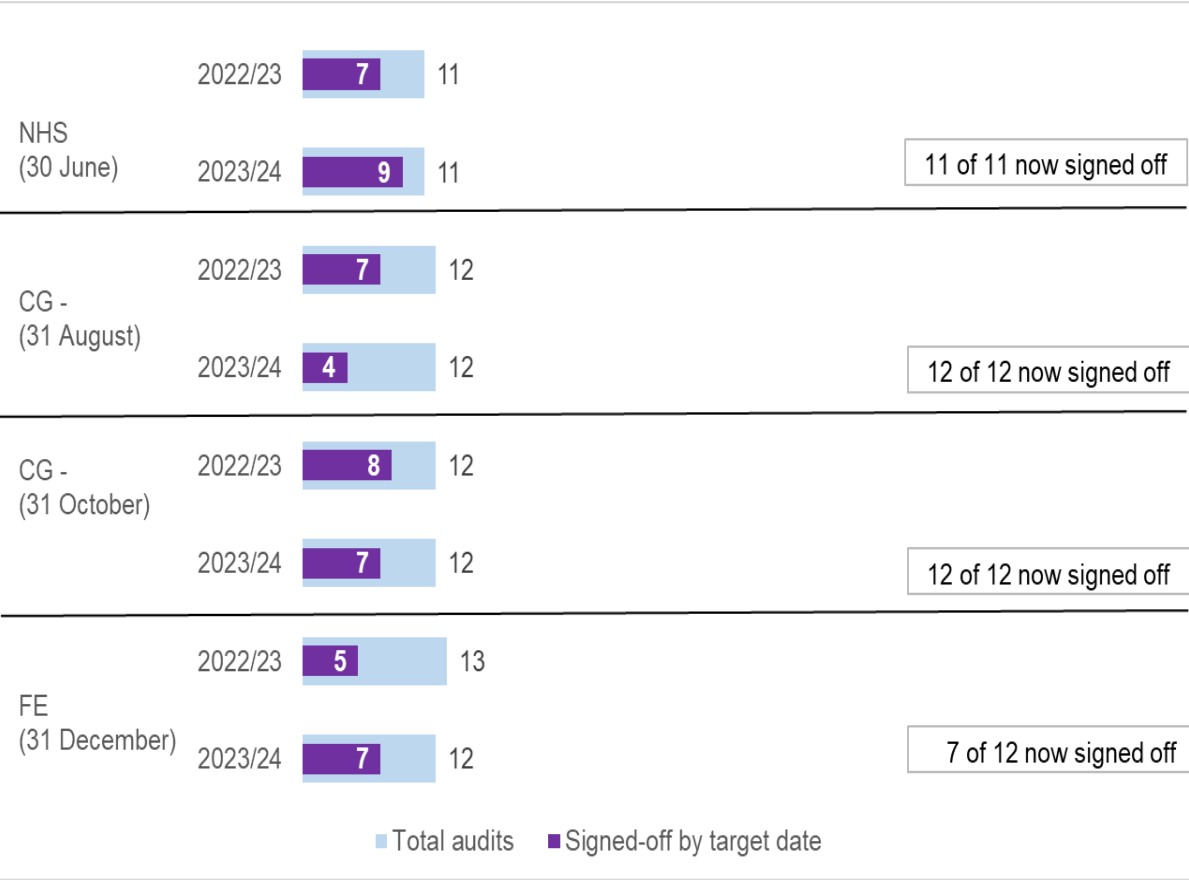
Target

95% of audits delivered on time

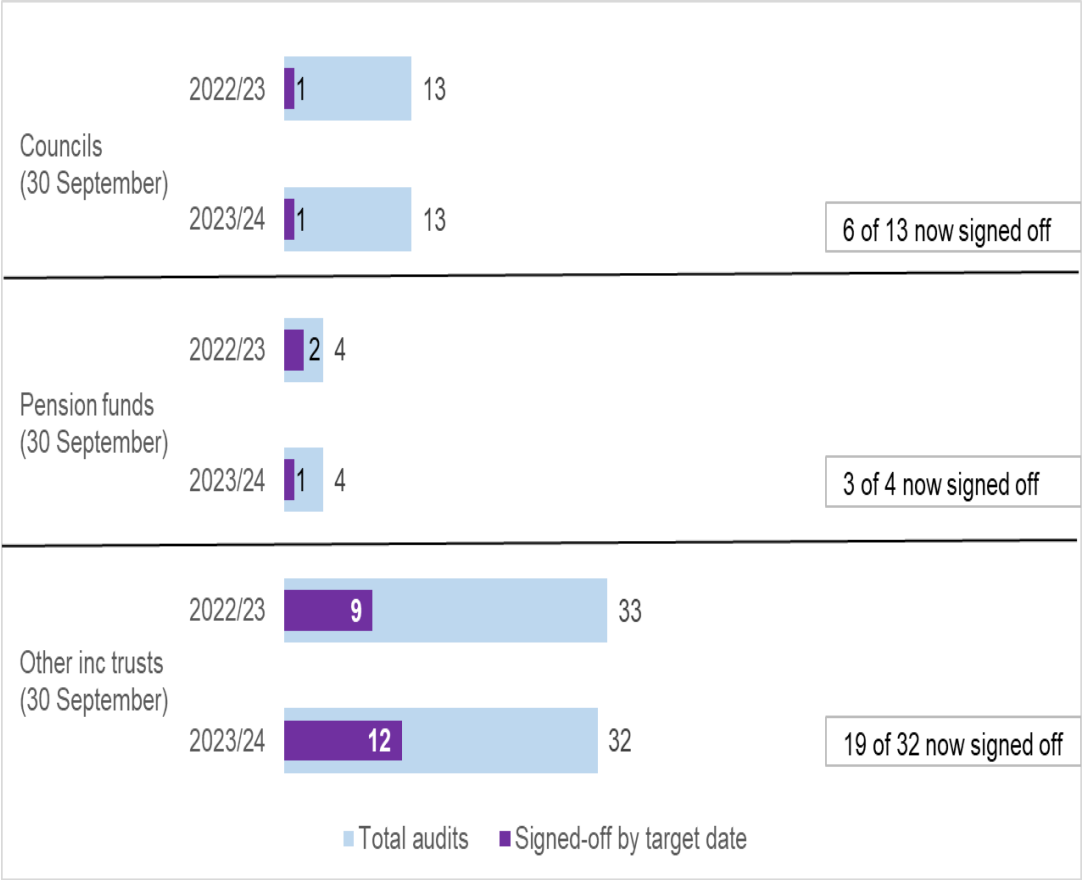


OVERVIEW **Amber** Firms financial audit progress - as at 31 December 2024 (with time of writing updates)

Audit Sectors



Local Government



Objective

Audits delivered on time and on budget

KPQ

Are audits delivered on **budget**?

Target

+/-5% of budget



OVERVIEW **Amber**

Audit Services Group

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

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

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

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

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

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

Performance Audit and Best Value:

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

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

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

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

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

Risk register

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

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

Objective

Audits delivered on time and on budget

KPQ

Are colleagues **audit focused**?

Target

70% of available time on audit



OVERVIEW **Green**

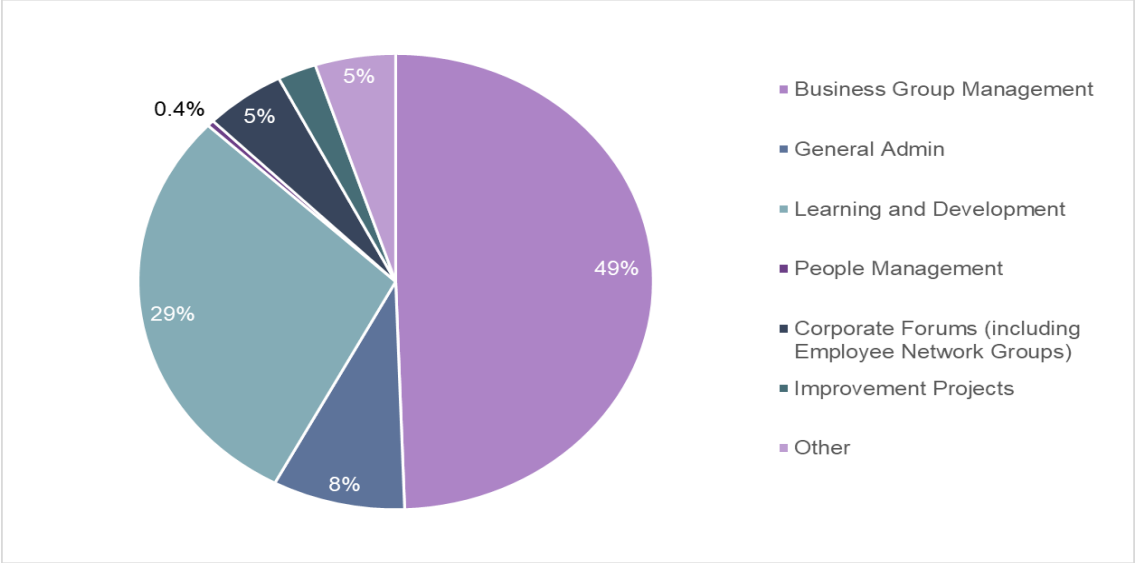
Colleagues are audit focused.

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

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

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

Percentage Breakdown of non-audit activity for ASG & PABV



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

Risk

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

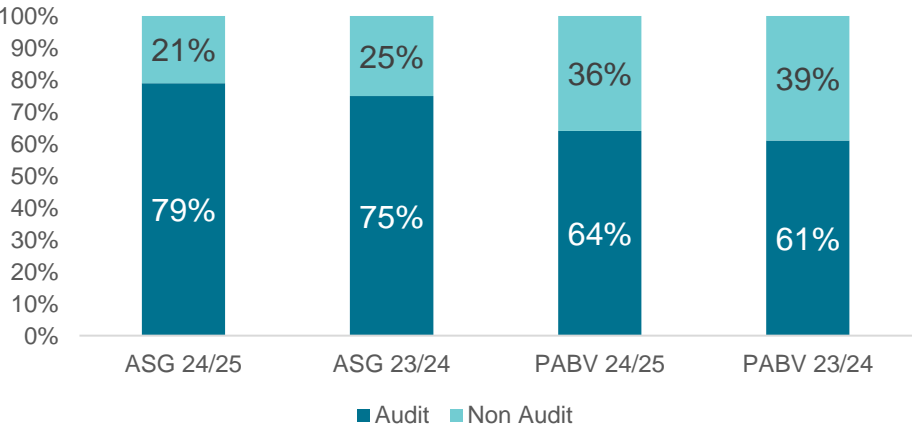
Risk register

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

A5 – Failure of audit quality  

A3 – Failure to deliver audits to deadlines  

Year to date percentage of available time spent on Audit



Objective

Audit quality assurance results

KPQ

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

Target

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



OVERVIEW **Green**

During Q3

Audit Quality Framework (AQA)

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

Risk

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

Risk register

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

A5 – Failure of audit quality ● ➡

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

OVERVIEW

Green

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

Media / broadcast:

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

Social media engagements:

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

Parliament committee attendance:



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



Risk

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

Risk register

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

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

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

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

Objective

We communicate with stakeholders

KPQ

How are we responding to enquiries from the public

Target

Communication - Better than 95% on time

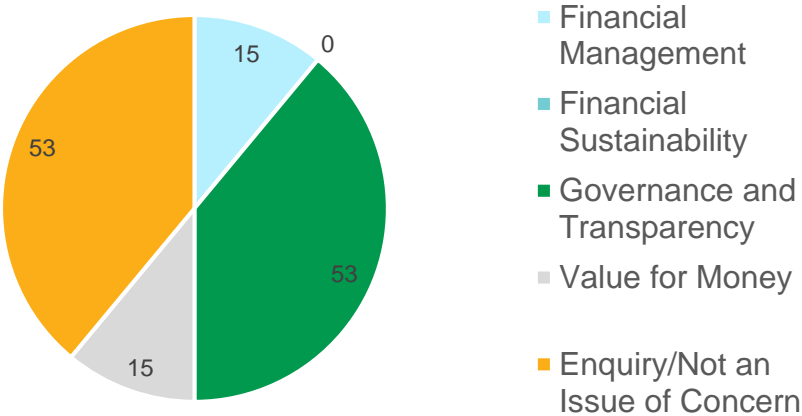


OVERVIEW

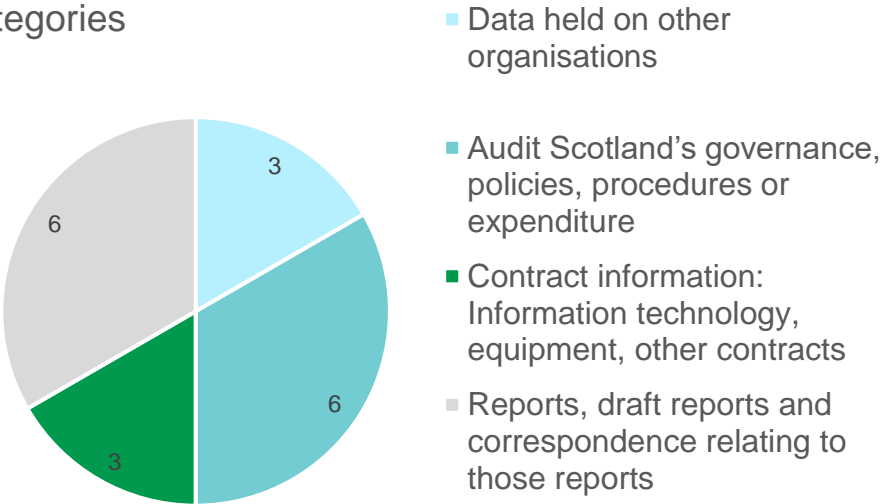
In the year to date we have responded to:

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

Correspondence categories



FOI Categories



Objective

Progress against our **equality outcomes**.

KPQ

Are we progressing towards **our equality outcomes**



OVERVIEW **Green**

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

We are using this review to inform our new DEI strategy and next set of equality outcomes for 2025 to 2029. The key findings of the review are set out below. The DEI Strategy and Mainstreaming Report will be presented to the Board on 1 April 2025.

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

More than 70% of our performance audit products reference social and economic factors and protected characteristics and references in recommendations has increased each year from 8% of products in 2021/22 to 26% in 2023/24. We have expanded our range of publications and tailored them to meet the different communications needs of our audiences.

We undertake significant external engagement on equality and human rights policy and are developing our approaches to integrating service user involvement and human rights into our audit methodology.

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

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

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

We have six active diversity network groups led by colleagues. These groups regularly seek feedback from colleagues who share protected characteristics, support each other and support our organisation to understand their needs and design and deliver policies that take these into account.

Resources

Objective

Our finances: Spend against budget

KPQ

Spend against budget - Organisation

Target

Break even



OVERVIEW Green

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

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

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

Net operating expenditure of £8,194k is £499k (5.3%) less than budget. This is mainly due to the receipt of unbudgeted prior year fee income and savings in pay expenditure with staff turnover being more than planned and the average WTE being less than funded budget.

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

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

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

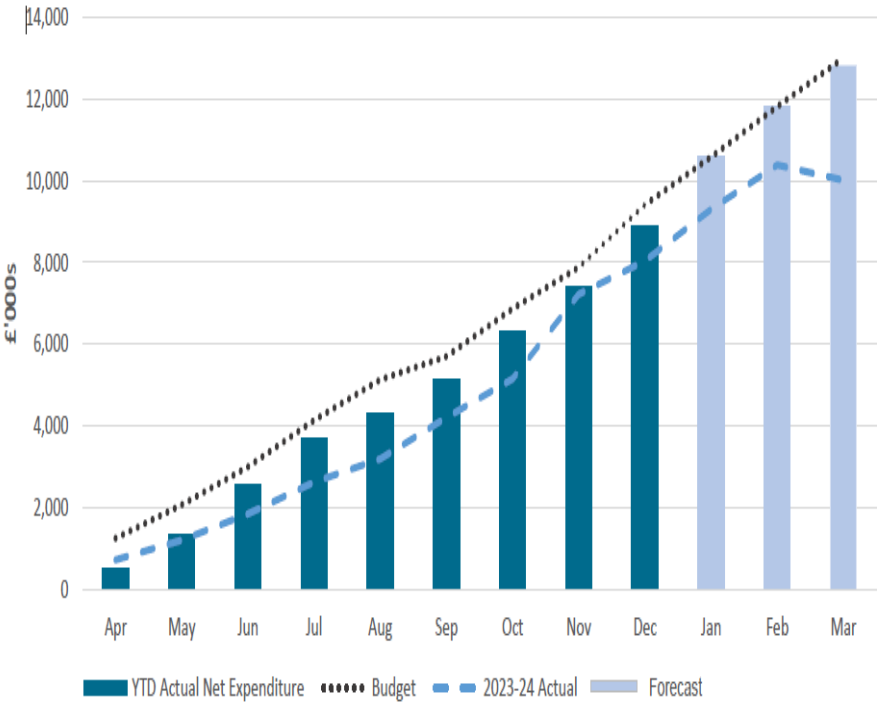
Non-pay - overspends in property, professional services, IT and occupational health costs. The forecast overspend is mainly attributable to firms' payments which will be met from additional fee income while the other forecast overspends will be covered from future savings and budget phasing.

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

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

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

Net expenditure position by month 2024-25



Objective

Our finances: Spend against budget

KPQ

Spend against budget - Organisation

Target

Break even






The current financial risks are:



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

Risk register

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

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

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

M8 – Failure of cashflow to support organisational activities  

Objective

Our people: Right skills and capacity to deliver

KPQ

Capacity to deliver - people establishment

Target

+/-5% of establishment



OVERVIEW **Amber**

Current staffing level vs **establishment**

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

Actions:

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

Vacancy Rate %

- The vacancy rate is defined as 'Vacancy Rate (%) = (Number of Vacant Positions / Total Positions) x 100'. This represents the percentage of unfilled positions within Audit Scotland at a given time
- The Vacancy Rate in Q3 is 6.1%, compared to 6.8% in Q2.
- We will monitor this quarterly and will benchmark against previous quarter going forward.

Risk

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

Risk register

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

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



A13 – Failure of capacity to deliver the transformational change programme

New

OVERVIEW

Green



The year-to-date underspend of £566k (2%) on staff pay is mainly due to:



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



Risk register

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

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

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

 
- M8 – Failure of cashflow to support organisational activities.

Objective

Our people: Right skills and capacity to deliver

KPQ

Capacity to deliver - Wellbeing

Target

Per KPI

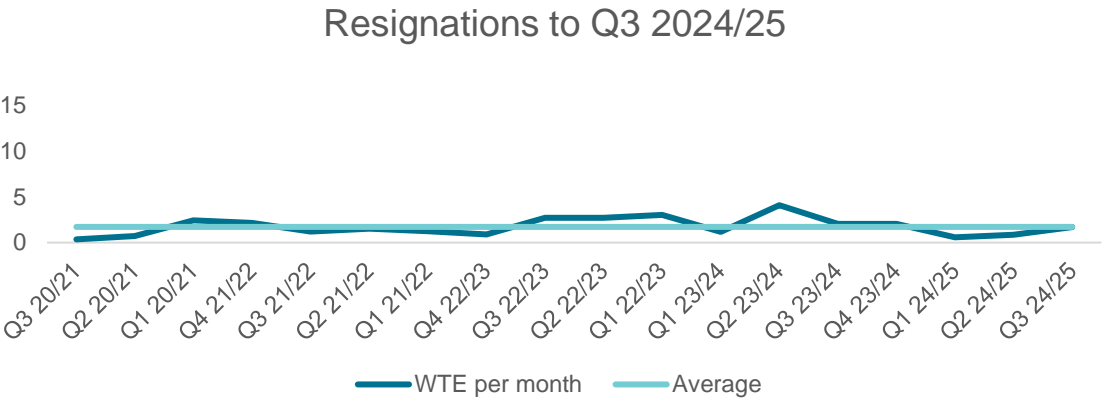


OVERVIEW Green

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

Audit Scotland’s resignation (voluntary) turnover over the past five years has been lower than the current median voluntary turnover for the UK labour market, which is 11.7%

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



OVERVIEW Amber

Sickness absence in Q3 was 1.25 days compared to 1.74 in Q3 2023/24. The 2024/25 breakdown by business group is shown in the table

Average Sickness days by Business group

	Q1	Q2	Q3	Q4	YTD
ASG	2.47	1.76	1.29		5.52
PABV	0.93	0.34	0.63		1.9
I&Q	1.07	0.57	2.35		3.99
CSG	2.20	2.5	1.52		6.22
AS average	1.97	1.50	1.25		4.72

Objective

Our people: Right skills and capacity to deliver

KPQ

Capacity to deliver - Wellbeing

Target

Per KPI



OVERVIEW **Amber**

Flexi Balances

The percentage of colleagues with greater than 14.5 hours flexi continues to trend downwards. In Q1 2023/24 the average across the Business groups was 31% - at Q3 2024/25 the average across business groups is 12%.

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

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

Risk

Wellbeing of colleagues is key to capacity to deliver

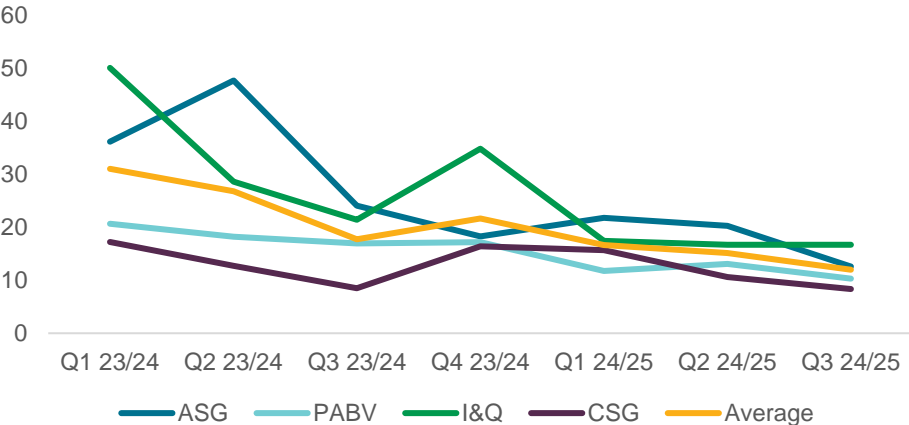
Risk register

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

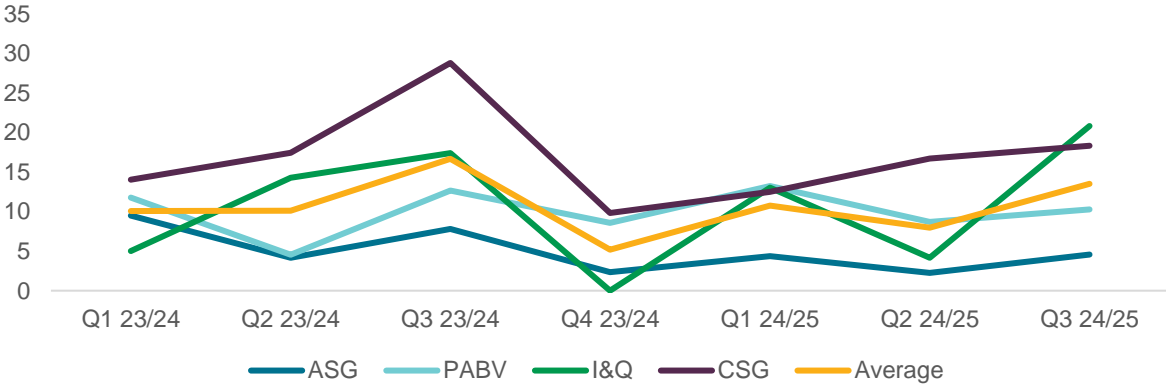
A4 - Failure of capacity –establishment, deployment, skills ● ↓

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

% of colleagues with greater than 14.5 hours flexi



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



Objective

Our people: right skills - Learning & Development

KPQ

Learning (L&D)

Target

Target per KPI



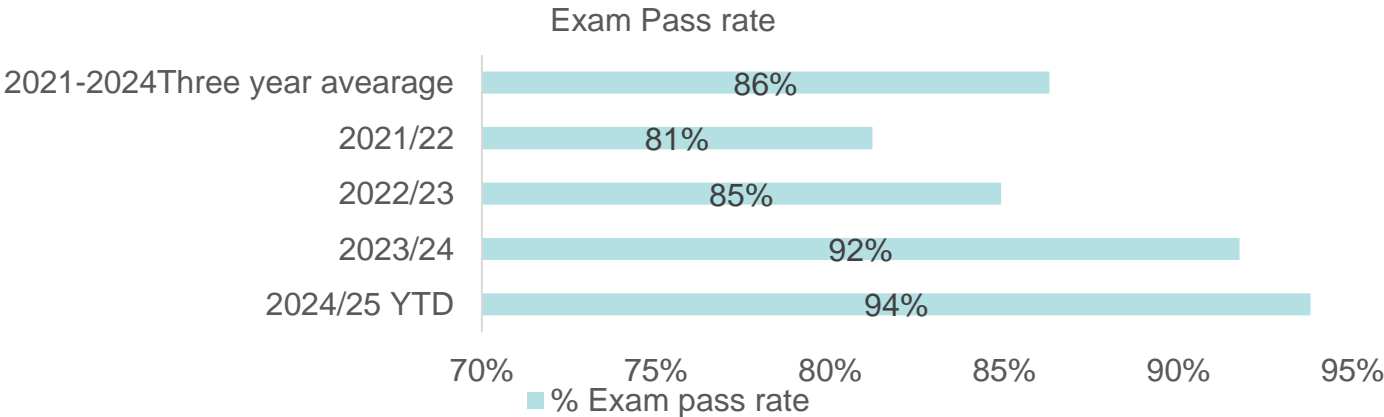
OVERVIEW **Amber**

Learning & Development:

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

In Q3 :

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



Mandatory training	Completed
Data Protection including GDPR	94%
Digital Services Cybersecurity Training (not available on LMS)	87%
Emotional Intelligence (ILT Report)	88%
Hybrid working DSE	87%
Freedom of Information	96%
Protecting Information Part 2	92%
Protecting Information Part 3 (materials)	79%
Trust and Ethics (materials)	99%
Total Mandatory training	91%

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

Innovation & Learning

Objective

Innovation driving audit transformation

KPQ

Target per KPI

Target

Prior year performance



OVERVIEW **Amber**

Performance

In Q3

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

Key messages over last quarter include:

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

Objective

Innovation & Learning - Insights

KPQ

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

Target

TBC



OVERVIEW **Green**

During Q3 we made good progress with the following projects:

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

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

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

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

Q3 Financial performance report

Corporate Finance Manager



Item 12

Meeting date: 1 April 2025

Purpose

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

Recommendation

2. The Board is invited to:
 - Note the financial results for the nine months to 31 December 2024.

Background

3. A Financial Performance Executive Summary is provided in the appendix to support this report.
4. This report was discussed by Audit Committee on 4 March 2025 and has been reviewed by Leadership Group.

Summary position

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

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

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

Income

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

11. In-house audit income £38k (0.4%) less than budget broken down as follows:

- Unbudgeted prior audit year income of £152k recognised for the completion of 2022/23 audits in local government, central government and EAFA.
- Chargeable 2023/24 audit fee income is £15k more than budget. Local government (£43k) is less than budget with central government (£31k), further education (£24k) and EAFA (£3k) more than budget.
- Chargeable audit fee income for the start of 2024/25 audit work is £205k behind plan. Local government (£219k) and health (£52k) sectors are less than budget and central government (£66k) is more than budget.
- Non-chargeable audit work is ahead of plan for 2023/24 in-house audit work (£120k) and ahead of plan for the commencement of 2024/25 audit work (£85k).

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

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

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

14. The balancing favourable variance of £33k is mainly due to bank interest on deposit balances being more than budget. This is due to the deposit account interest rates being higher than prior years.

Pay expenditure

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

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

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

17. Unbudgeted agency and secondment expenditure year to date of £204k is providing additional expert support on the audit modernisation and resourcing projects. There has also been a requirement for additional audit support within Audit Services. The variance will be funded by budget savings, additional fee income and an allocation from management contingency.

Non-pay expenditure

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

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

20. Firms' payments £94k (1.4%) less than budget. Based on the audit firms returns at the end of December the position in respect of 2023/24 audit work highlights an underspend (£555k) which is being offset by the recognition of less fee income than planned. Additional costs (£689k) were paid to the firms to enable them to sign off 2022/23 audit work. This is covered by applying additional fees and was due to a significant number of adjustments, discrepancies in the application of accounting standards and delays in the availability of working papers. There have been no returns from the firms for the commencement of 2024/25 audit work which leads to a budget underspend (£228k).

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

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

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

24. Audit modernisation costs relate to a Gateway Review of the project and these costs will be met from other budget savings within the Innovation & Quality budget allocation.

25. IT expenditure £114k (23.3%) more than budget due to upfront one-off payments for hardware, software and payment of invoices that require prepayment as they cover 12 months or more. On making these adjustments in the next quarter it is projected that we will be on budget by the end of the financial year.

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

Contingency and future financial risks

- 28.** The 2024/25 budget includes a contingency allocation of £500k to meet any unexpected financial pressures that may arise in the year. An allocation of £80k has been made to fund a project manager for the audit modernisation project, £150k to meet the additional capital costs of the Glasgow office project and £147k to fund the minor building adjustments in the Edinburgh office.
- 29.** The current unallocated balance is £123k. Allocations are the responsibility of ET and any further allocations will require a robust business case seeking ET approval.
- 30.** The **financial risks** that have the potential to impact on our ability to deliver a balanced budget include:
- Work in progress position for 2024/25 audit work at 31 March 2025.
 - Impact of 2025/26 budget settlement on 2024/25 budget (recruitment board and delivery of 5% vacancy factor in 2025/26).
 - Timely payment of audit fee invoices and impact on cash flow.
 - Impact of audit modernisation and resourcing system projects.
 - Public sector financial constraints.
 - Planned reduction in IAS 19 holiday pay accrual.
- 31.** There continues to be many external factors that will impact on longer-term financial scenario planning and future budget proposals. Factors being considered include:
- The Scottish Government budget and SCF funding pressures.
 - Fees and funding strategy.
 - Audit delivery, recovery and resourcing (impact of reduction in working week from 36.25 hours to 35 hours).
 - Future pay award settlements from April 2026.
 - Audit modernisation.
 - Resourcing and management information system.

- Public sector audit model and impact on future procurement.

Capital expenditure

32. The approved capital programme for 2024/25 originally planned for further investment in IT hardware and software.
33. Due to slippage on the Glasgow office project, the IT capital investment in 2024/25 was brought forward into financial year 2023/24 with the capital budget for 2024/25 now being used to fund the Glasgow project.
34. Total year to date capital expenditure of £273k relates to the minor building work in the Glasgow office.
35. The project completed in mid-November with some additional building compliance work identified. A budget virement will take place for £150k as part of the Spring Budget Revision (SBR) process to meet the additional costs. Any remaining balance will be used to purchase essential IT hardware.

Virement

36. There were no instances of budget virement in excess of £20k in the nine months to 31 December 2024.
37. There will be a budget virement in quarter 4 from revenue to capital as part of the SBR process to meet the additional capital costs of the Glasgow office project.

Financial Position

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

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

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

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

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

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

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

Management Contingency £'000s

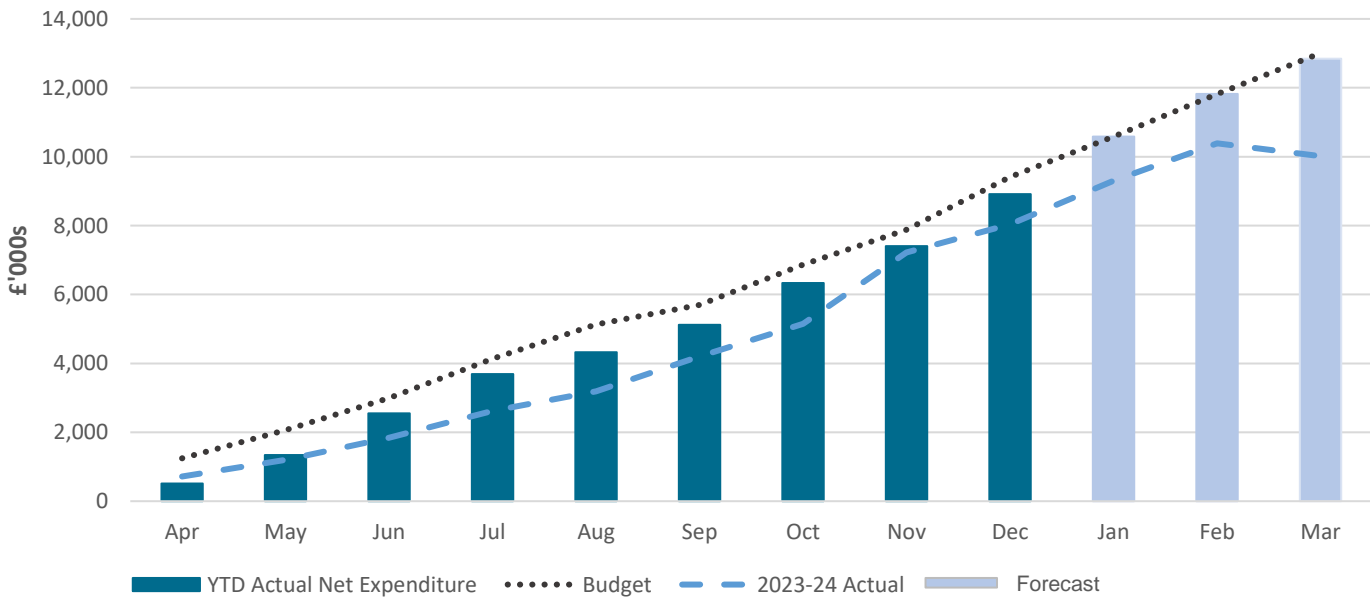
Total Funding	500
Audit Modernisation Project Manager	80
Spring Budget Revision revenue to capital	150
West Port minor building works	147
Balance	123

Financial Risks

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

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

Net expenditure position by month 2024-25



Appendix | Financial Performance Executive Summary – December 2024

Summary Balance Sheet £'000s			Summary Cash Flow £'000s		Capital Expenditure £'000s	
	31/03/2024	31/12/2024				
Total Non Current Assets	6,291	5,956	Net cash outflow from operating activities	(11,332)	Total Funding	300
Total Current Assets	6,092	5,255	Cashflows from investing activities	273	Glasgow minor building work	273
Total Current Liabilities	(7,375)	(4,890)	Drawdown from Consolidated Funds	10,000		
Total Non Current Liabilities	(7,746)	(7,252)	Obligations under leases	(132)		
Assets Less Liabilities	(2,738)	(931)	Net (decrease) in cash/cash equivalents	(1,191)		
Taxpayers Equity	2,738	931	Net Cash requirement	11,191	Balance	27

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

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

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

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

- Draw down from Scottish Consolidated Fund of £10.0 million.
- Net decrease in cash / cash equivalents of £1.191 million from 31 March.
- Final instalment of 23/24 audit fee invoices issued in September 24 with outstanding debt of £0.947 million on 31 December.
- Glasgow minor building works project commenced in June and the £273k represents the valuation payment for the completed work. Capital retention held as per terms of the contract and currently in discussions with the landlord regarding the unplanned electrical compliance work required.
- SBR requested for transfer of £150k revenue to capital to cover the additional unplanned costs of the project with the remaining balance to be used for essential IT hardware purchases.

YTD financial position for each business group

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

- **Overall** - at the end of December the revenue position was £499k less than budget and the full year forecast is an underspend of £209k. The updated forecast is based on assumptions and discussions with budget managers. This will be closely monitored monthly with budget managers.
- **Audit Services Group** - 22/23 audits complete with some residual income recognised this financial year (£152k). Chargeable 23/24 audit work slightly more than budget with fee income of £8,784k recognised compared to budget of £8,769k. Non-chargeable audit work is £205k ahead of plan. Chargeable income recognised for 24/25 audit work £205k less than budget. Pay more than budget due to unbudgeted agency costs of £174k being partially met from staff pay savings of £101k. Non-pay less than budget due to reduced expenditure ytd on professional trainee programme and car leases.
- **Performance Audit and Best Value** - pay costs less than budget with average w.t.e. 2.8 below funded establishment. Non-pay costs less than budget due to reduced expenditure on travel & subsistence. Forecast overspend on non-pay due to payment to a firm for significant unplanned work on a S102 report.
- **Innovation and Quality** - pay costs less than budget due to average w.t.e. being 1.2 below funded establishment. This is being reduced by the agency costs for project management support. Non-pay costs on budget with the overspend on professional fees meeting the costs of the gateway review for the audit modernisation project and i-Trent system support costs for 3D development. This is offset by reduced car lease and corporate training expenditure.
- **Audit Quality and Appointments** - overspend in pay costs due to additional temporary support from ASG and outstanding holiday balance payment for a leaver.
- **Corporate Services Group and Corporate Costs** - pay less than budget due to w.t.e. being 4.1 below funded establishment. Non-pay more than budget with the most significant variances in property, professional services, IT and occupational health costs. The non-pay overspend is mainly due to the implementation of the estates strategy with savings to be generated following during the final quarter of the financial year (service charge, rates, cleaning). Income position reflects central charge adjustment for 24/25 audits.
- **Approved Auditors** – completion of 22/23 audit work in 24/25 financial year leading to fee income recognition being more than budget (£1,170k) and behind plan for 23/24 (£552k) and 24/25 (£236k) audit work. Firms' expenditure £689k more than budget due to completion of additional 22/23 audit work in 24/25 financial year. Expenditure for the 23/24 (£555k) and 24/25 (£228k) audit year work is less than budget.
- **Accounts Commission and Support** - pay expenditure less than budget due to vacant Secretary post June to August.
- **Board, AGS and Exec Team** – minor pay underspend offset by minor non-pay overspend.

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

Operational planning 2025-2028: Progress update



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

Item 13

Meeting date: 1 April 2025

Purpose

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

Recommendation

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

Background

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

Considerations

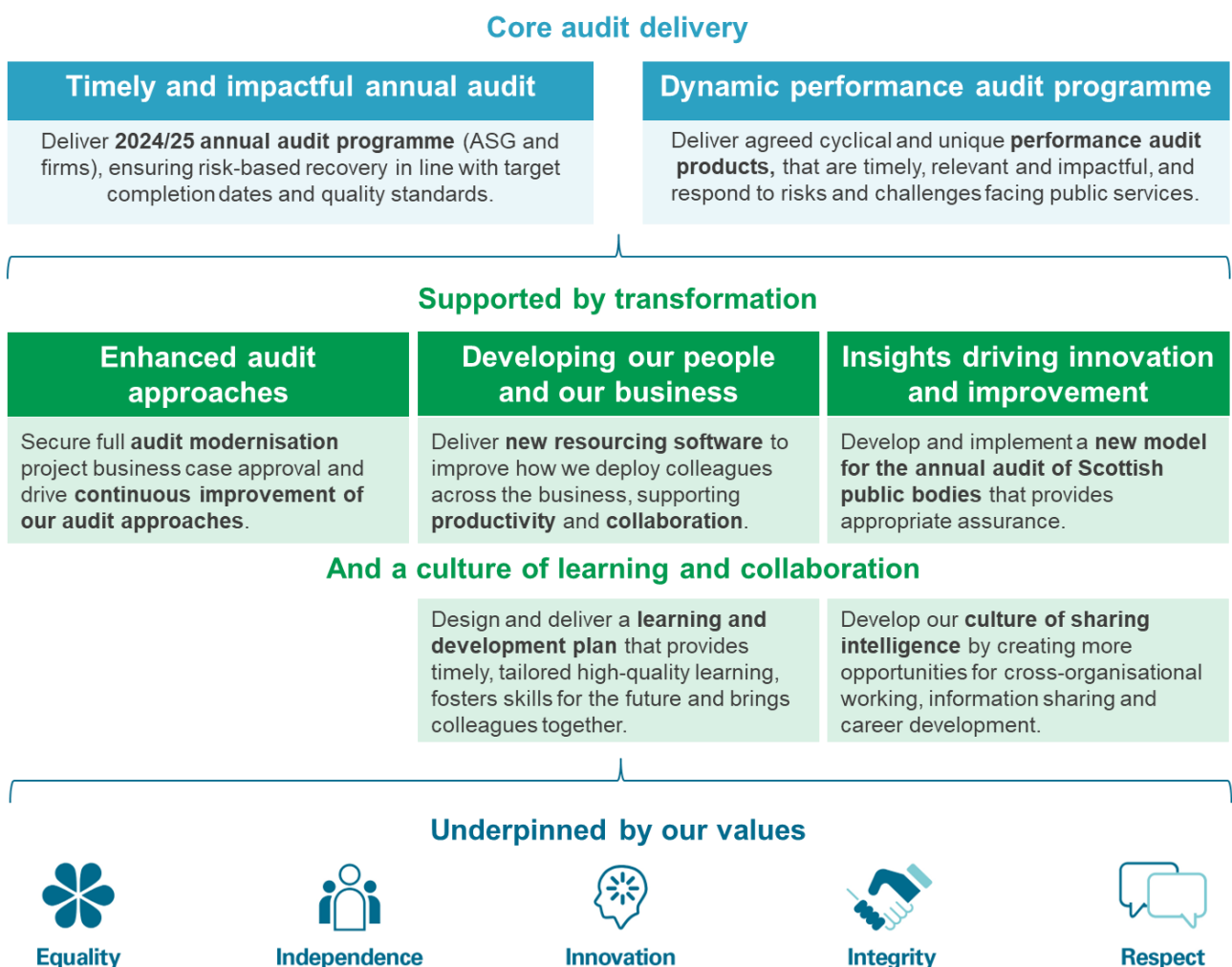
Business Plan 2025-2028

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

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

Exhibit 1

Operational priorities 2025-26



Operational budget 2025-2028

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

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

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

Exhibit 2

Operational budget 2025-26

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

Strategic workforce plan 2025-2028

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

Scenario planning

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

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

Conclusion

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

Strategic Improvement Programme: Update

Director of Innovation and Transformation
and Head of Organisational Improvement

Purpose

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

Recommendations

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

Background

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

Considerations

Status of SIP projects

4. At its March 2025 meeting, the SIP Board considered a programme update report, which set out the status of each project, based on supporting information including project plans, progress with project delivery and project risks. The status of each project is summarised in Table 1.
5. The status of the Future Public Audit Model (FPAM) project is not included in Table 1 because the project initiation document was only signed off by the SIP Board at the March meeting. The project will be the subject of a Board strategic session on 1 April, and it will be included in programme overview reporting from May 2025.

Table 1: Status of SIP projects

Project	Status	Notes
Audit modernisation (AMP)	Amber	<ul style="list-style-type: none"> Progressing with Outline Business Case and 25/26 budgets being approved and multi-year project funding supported by the SCPA. Budget currently under spent by 46% with a baseline project budget being developed for 2025/26. Six project risks reporting amber including three new risks. SIP Board approved baselined plan for delivery of the Full Business Case and supporting project management approach.
Insights	Green	<ul style="list-style-type: none"> All project milestones are on track and budget currently under spent by 14%. All risks reporting green.
Resource and management information (R&MI)	Green	<ul style="list-style-type: none"> Progressing based on the delivery timeline to August 2025. Project plan in place to support 'go live' date of 1 August 2025, following a second Open Tender Procurement exercise required to formally appoint a supplier.
Employee performance appraisal and development (EPAD)	Green	<ul style="list-style-type: none"> All project milestones are on track and budget variance is within 10%. All risks reporting green.

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

Adopting portfolio and programme management (PPM)

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

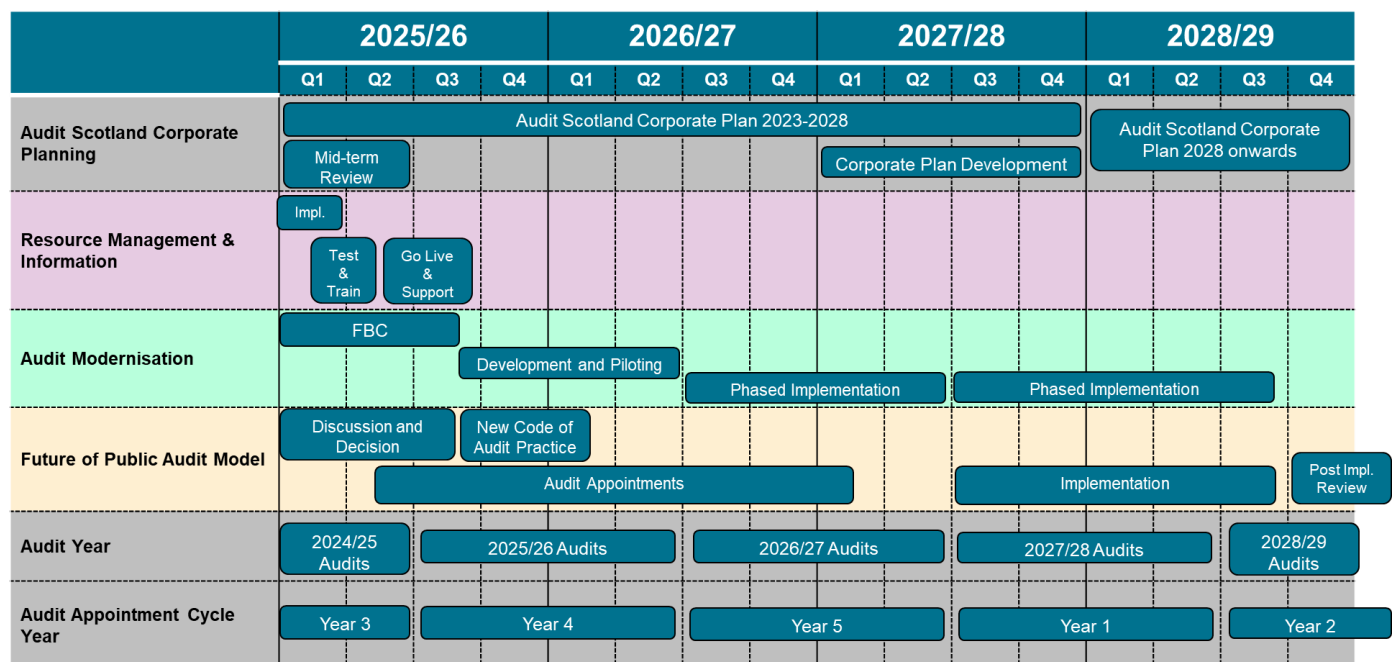
- **Change** – Considering the overall amount of change planned at portfolio level, the impact of that on staff, and improving our approaches to planning for behavioural and cultural change. Using the mid-term review of the corporate plan to clarify strategic priorities and associated measurement so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

Timeline for change

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

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

Figure 1: Timeline for SIP projects



SIP budget overview

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

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

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

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

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

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

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

SIP risk overview

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

Table 4: SIP risk overview

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

Summary of risk	Net score	Mitigation – Controls in place and further planned actions
<p>IF Audit Scotland does not have the available management information to baseline, measure and demonstrate improvements resulting from the implementation of SIP projects</p> <p>THEN projects will be unable to realise proposed benefits and achievement of Audit Scotland's strategic priorities.</p> <p>RESULTING IN a negative reputational impact for Audit Scotland.</p>		<p>Further planned actions</p> <ul style="list-style-type: none"> • Use Corporate Plan mid-term refresh to clarify measurement for strategic priorities (September 2025). • Use AMP benefit profiles and realisation strategy to develop model for other SIP projects to follow (November 2025).
<p>Project planning</p> <p>IF change project stakeholders seek earlier completion of project milestones than are currently proposed</p> <p>THEN project timescales would have to be condensed, with assumptions made to deliver at the pace expected</p> <p>RESULTING IN risks to project quality and increasing likelihood of issues arising within the implementation period that have additional time, resource and cost implications.</p>	12	<p>Controls in place</p> <ul style="list-style-type: none"> • All SIP projects have realistic project plans in place that are signed off by SIP Board and monitored within project governance structures. • Key stakeholder regularly updated on project progress. <p>Further planned actions</p> <ul style="list-style-type: none"> • SIP Board to actively scrutinise slippage against project milestones at each meeting (May 2025).
<p>Change readiness</p> <p>IF Audit Scotland has not identified and planned for changes required to colleague behaviours and ways of working to support change initiatives</p> <p>THEN there is a risk that project implementation is less successful as colleagues are resistant to changes</p> <p>RESULTING IN delays to project delivery and benefits realisation.</p>	8	<p>Controls in place</p> <ul style="list-style-type: none"> • Change management framework developed, agreed and communicated to SIP projects. • Capacity building sessions on change delivered to SIP project teams. <p>Further planned actions</p> <ul style="list-style-type: none"> • Ensure each SIP project has a clear change management plan, alongside or embedded within its communications and engagement plan (May 2025). • Active approach to identifying behaviour / cultural change required within all project teams (September 2025).
<p>Portfolio management discipline</p> <p>IF Audit Scotland are unable to implement a portfolio management discipline for co-ordinating delivery across all Audit</p>	9	<p>Controls in place</p> <ul style="list-style-type: none"> • SIP board managing the interaction between SIP projects.

Summary of risk	Net score	Mitigation – Controls in place and further planned actions
<p>Scotland's change initiatives and other improvement activities</p> <p>THEN there will be a lack of alignment across initiatives, resource conflicts/inefficiencies, missed dependencies, shifting priorities and low levels of collaboration.</p> <p>RESULTING IN delays to ongoing delivery and benefits realisation across all change initiatives, failure to successfully implement change projects, improve services and introduce operational efficiencies and improvements</p>		<ul style="list-style-type: none"> • Priorities agreed with SIP Board for applying PPM principles and timescales associated with key actions. <p>Further planned actions</p> <ul style="list-style-type: none"> • Develop portfolio level reporting on priority areas, including financial and risk management (May 2025).

Conclusion

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

Appendix one - Current SIP projects with agreed goals

Project	Goal
Audit modernisation (AMP)	<p>Transformed audit approaches that are:</p> <ul style="list-style-type: none"> • clearly defined, risk-based and data driven, to ensure compliance, quality and efficiency. • delivered through integrated auditing software and tools that automate and standardise processes. • delivered by confident teams and staff with the right skills in the right structure.
Insights	<p>Deliver coordinated intelligence from impact monitoring and evaluation, stakeholder engagement and horizon scanning to:</p> <ul style="list-style-type: none"> • support us to respond with agility to what's coming in the future • improve the information we have to inform decision making • support continuous improvement and innovation • better understand and report on the impact of public audit • help us promote the value of public audit
Resource and management information (R&MI)	<p>To renew and digitise the system that Audit Scotland uses for resourcing and reporting on all key aspects in the delivery of our work, specifically the outward facing audit work that we undertake with audited bodies across Scotland and also internally focussed corporate projects.</p>
Employee performance appraisal and development (EPAD)	<p>Develop and implement a modern and effective employee performance appraisal and development (EPAD) process that:</p> <ul style="list-style-type: none"> • aligns to our strategic objectives and outcomes and is applied consistently across Audit Scotland. • ensures colleagues are clear on their roles and responsibilities, and we have regular conversations about performance and development, based on good quality feedback.
Future public audit model (FPAM)	<p>The Future Public Audit Model project will support the AGS, AC and AS in fulfilling their joint role as the leader of the public audit system in Scotland. The goal is to enable AS to secure public audit on behalf of the AGS and AC from 2027/28 so that public money is spent well and meets the needs of Scotland's people by:</p> <ul style="list-style-type: none"> • Developing, communicating and implementing a new model for the annual audit of Scottish public bodies that provides appropriate assurances • Securing the supply of resources required by the AGS and the AC to carry out their functions related to the annual audit.

Audit Scotland Audit Modernisation Project

Director of Innovation and Transformation

Item 14
Meeting date: 01 April 2025

Purpose

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

Recommendations

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

Background

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

Financial Implications

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

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

Project budget

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

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

Considerations

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

NAO Collaboration

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

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

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

Audit Approaches and software requirements

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

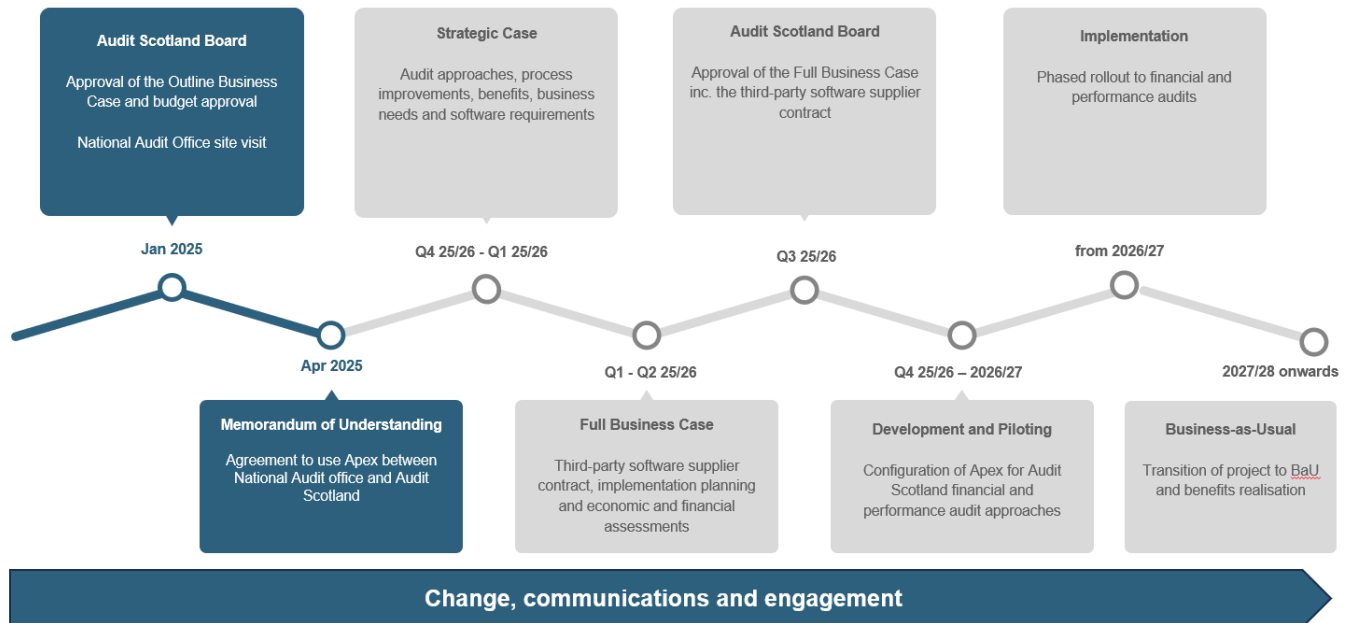
Implementation Planning

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

AMP Roadmap

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

AMP Roadmap



Project Risks and Issues

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

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

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

Conclusion

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

Appendix A – Project Risks and Issues

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

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

RESULTING IN delays to the AM project delivery, ongoing delivery and benefits realisation	
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Diversity, equality and inclusion strategy and mainstreaming equalities progress report 2023-2025

Director of Innovation and Transformation
and Head of Organisational Improvement

Purpose

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

Recommendations

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

Background

3. Audit Scotland and the Accounts Commission are both named bodies under the Public Sector Equality Duty (PSED). In March 2024, the Board's Remuneration Committee agreed proposals to integrate the 2025-2029 equality outcomes for Audit Scotland and the Accounts Commission into a wider DEI strategy. The purpose of this was to recognise the relationship between the external and internal elements of our DEI work. The Audit Scotland Board will have an interest in both the DEI aspects of our audit work and how we are developing a more diverse and inclusive organisation.
4. At its September 2024 meeting the Board provided feedback on the emerging DEI strategy as part of the consultation phase of the strategy development process, which covered:
 - The context and rationale for the strategy.
 - Draft equality outcomes.
 - Delivering the PSED.
5. A summary of the consultation and its outcomes is in an appendix to the draft strategy.
6. Under the PSED we are required to report progress against our equality outcomes and on mainstreaming equality at least every two years. We published our [last progress report in 2023](#).

Considerations

Diversity, equality and inclusion strategy 2025-2029

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

Mainstreaming equality 2023-2025

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

Communications plans

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

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

Conclusion

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

Diversity, equality and inclusion strategy 2025-2029



ACCOUNTS COMMISSION 

 AUDIT SCOTLAND

Prepared by Audit Scotland
April 2025

Contents

Welcome	3
Introduction	4
Strategic context	7
Our journey so far	9
Our vision	11
Equality outcomes	12
Mainstreaming equality and human rights	18
Improving our employee information	23
Assessing the impact of our work	25
Monitoring delivery and performance against this strategy	27
Appendix 1	29
Appendix 2	30
Appendix 3	31

Accessibility

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

Welcome

Foreword

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

Who we are



Auditor General for Scotland

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



Accounts Commission for Scotland

responsibilities under the Local Government (Scotland) Act 1973



Audit Scotland

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

Introduction

What we mean by diversity, equality and inclusion

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

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

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

Why have a diversity, equality and inclusion strategy?

It's the right thing to do

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

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

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

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

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

It will help us in our work

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

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

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

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

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

It's the law

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

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

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

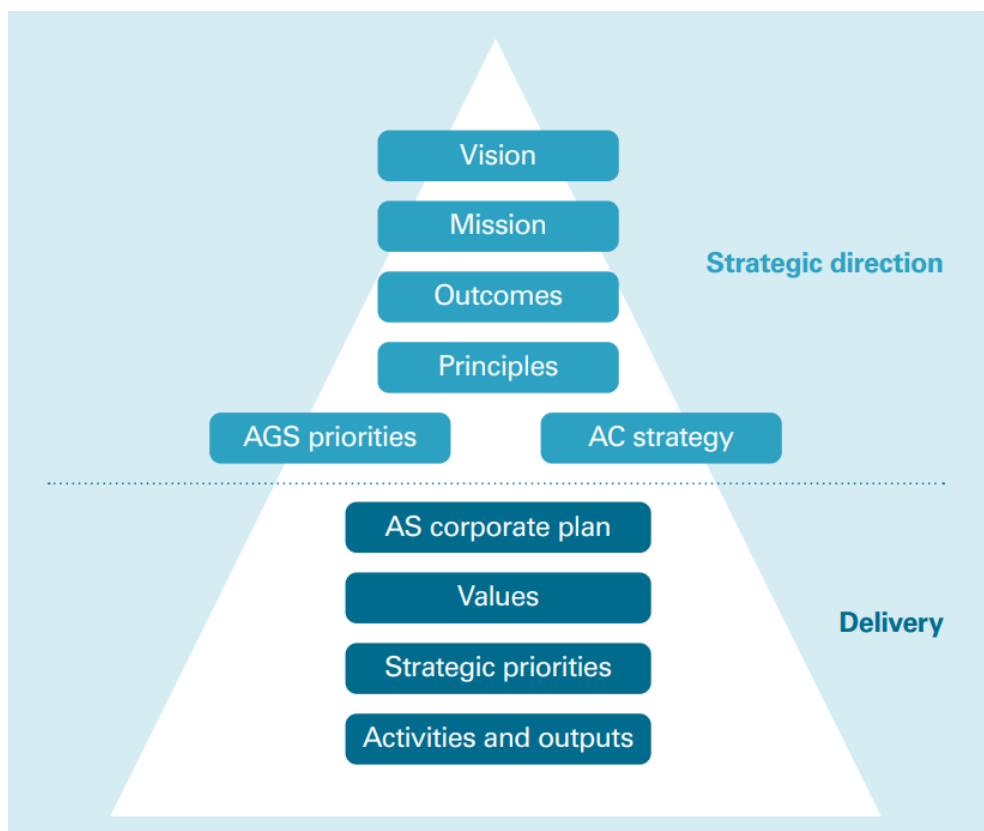
- taking effective action on equality
- making the right decisions, first time around
- developing better policies and practices, based on evidence
- being more transparent, accessible and accountable
- delivering improved outcomes for all.

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

Strategic context

Public audit in Scotland

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



Public audit outcomes

15. Public Audit in Scotland sets out the changes we want to deliver during 2023-28 and the impact we want to have on public services and on the outcomes that people and communities in Scotland experience.

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

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

- **Public services in Scotland work better together to target resources more effectively** – Tackling inequalities requires a whole systems approach and better collaboration. Public audit can play a role in challenging and influencing spending decisions and by sharing good practice and making recommendations.
- **Our recommendations have a positive impact for people in Scotland** – We want our work to make a genuine difference to people, including making progress in policy areas where we know there are persistent inequalities.

Accounts Commission strategy 2021-2026

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

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

Audit Scotland Corporate Plan 2023-2028

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

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

21. This is underpinned by how we want to work, and our values of equality, integrity and respect. Our equality value sets out that we will:

- treat all people fairly and support them to have the best chance to progress and succeed
- broaden our culture of diversity and inclusion, so people are valued and engaged
- apply our standards of quality and professionalism to all our work
- embed equality in all we do and support public bodies to address inequalities.

Our journey so far

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

- Our work supports the public sector to address inequalities including protected characteristics and socio-economic disadvantage, and to protect human rights
- We will increase the diversity of people into Audit Scotland and their progression through every level of our organisation
- We will broaden our culture of diversity and inclusion, so all employees feel valued, engaged and contribute

23. Key progress highlights include:

- More than 70% of performance audit products reference social and economic factors and protected characteristics. References in recommendations has increased each year from 8% in 2021/22 to 26% in 2023/24.
- Expanded publications range, tailored to meet the different communications needs of our audiences.
- Significant external engagement on equality and human rights policy.
- Developing approaches to integrating service user involvement and human rights into our audit methodology.
- Increase in applications from ethnic minorities (13.8% in 2019/20 to 24.6% in 2022/23) and disabled people (3.4% in 2019/20 to 7.1% in 2022/23).
- Gender pay gap decreased from circa 10% in 2020/21 to just over 6% in 2022/23.
- Six active diversity network groups led by colleagues. These regularly seek feedback from colleagues, support each other and support our organisation to understand their needs and design and deliver policies that take these into account.

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

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

Our vision

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

Delivering our vision

Diagram to be refined at design stage.

Setting equality outcomes

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

Mainstreaming equality

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

Improving employee information

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

Impact assessing our work

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

Equality outcomes

What is an equality outcome?

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

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

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

- **Short-term** – Improved service delivery, changes in knowledge, skills and attitudes.
- **Long-term** – Changes in behaviours, decision-making or social and environmental conditions.

Our equality outcomes

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

Equality outcome 1: Disability

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

What are the issues we are trying to address?

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

What actions will we take to address this?

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

What will success look like?

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

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

Equality outcome 2: Ethnicity

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

What are the issues we are trying to address?

- In 2023/24 42.9% of all applicants were from a minority ethnic background. This was an increase from 2022/23 where 25% of applicants were from a minority ethnic background and this has steadily increased from 14% in 2019/20.
- During the same period, the percentage of minority ethnic employees has stayed relatively constant at around 7%, compared to approximately 5.8% of Scotland's working age population (according to the latest official Scottish Government statistics available at the time of producing this strategy).
- While we are attracting an increasing number of applications from minority ethnic people, the proportion of minority ethnic colleagues has remained relatively static. Evidence suggests that people from minority ethnic backgrounds are less likely to be successful through our recruitment process.
- People from minority ethnic backgrounds are under-represented in bands four and Executive Team within Audit Scotland.

What actions will we take to address this?

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

improve cultural awareness and understanding of the barriers to progression.

What will success look like?

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

Equality outcome 3: Women

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

What are the issues we are trying to address?

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

What actions will we take to address this?

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

What will success look like?

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

Equality outcome 4: Audit

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

What are the issues we are trying to address?

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

What actions will we take to address this?

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

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

What will success look like?

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

Mainstreaming equality and human rights

What is equality mainstreaming?

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

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

Our areas of focus for mainstreaming

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

Audit approach and delivery

Why are we focusing on this?

- Auditor guidance should reflect legislation and other relevant developments.
- Our style guide includes guidance on using people first language. The social model of language is used within public sector in Scotland. Better guidance is needed as to when each is most appropriate.
- Annual planning guidance requires auditors to take a risk-based approach to covering equality and fairness, reporting at least once during the five-year audit appointment. However, there is currently limited guidance and support for appointed auditors to ensure consistent coverage of equalities within Annual Audit Reports.

What actions will we take to improve?

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

What will success look like?

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

Accessibility of audit outputs

Why are we focusing on this?

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

What actions will we take to improve?

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

What will success look like?

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

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

Human rights and child rights

Why are we focusing on this?

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

What actions will we take to improve?

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

What will success look like?

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

Learning and development

Why are we focusing on this?

- Our annual wellbeing survey results indicate stress levels have been rising. Absence data supports this.
- During 2023/24 there were 129 attendances at instructor-led DEI training opportunities and 262 attendances at e-learning opportunities with a DEI focus.
- There were 240 attendances at corporate induction sessions for our diversity network groups and 232 attendances at workshops that focused on designing our new values charter.
- We want to broaden the range of DEI learning and development opportunities and increase engagement with these.

What actions will we take to improve?

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

What will success look like?

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

Widening access to careers at Audit Scotland

Why are we focusing on this?

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

What actions will we take to improve?

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

What will success look like?

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

Fostering a culture of inclusion in Audit Scotland

Why are we focusing on this?

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

What actions will we take to improve?

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

What will success look like?

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

Improving our employee information

Why we collect information

30. Under the Public Sector Equality Duty, we must gather information on the composition of our employees and the recruitment, development and retention of our employees. This includes the number of and relevant protected characteristics of our employees. We should use this information to help us better perform the Duty.

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

How we want to improve our information

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

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

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

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

What actions we will take

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

Assessing the impact of our work

Why we assess our impact

33. Under the Public Sector Equality Duty, we are expected to assess the impact of applying any proposed new or revised policy or practice against the needs of the Duty. We should also take account of the results of impact assessments and publish our assessments.

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

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

How we want to improve our impact assessment approach

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

- These are more open, transparent and evidence based. We do not consistently publish our EIAs.
- We more routinely monitor delivery against impact assessment action plans and implement agreed improvements. We do not currently have corporate oversight of the number of EIAs that have been completed, when they are due to be reviewed or of progress against EIA action plans.
- Our activity is more directly linked to the Public Sector Equality Duty. It is not always clear through our existing EIA approach and process how the actions we set out help fulfil the Duty.

What actions we will take

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

Monitoring delivery and performance against this strategy

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

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

Table one: Performance measurement framework

Ref	Performance measure	Direction	Frequency
01	Number of colleagues attending disability awareness training	Majority	Annually
02	Feedback from colleagues: <ul style="list-style-type: none"> on the support they receive and their opportunities for progression (disabled colleagues and women) on their levels of cultural awareness and their understanding about challenges faced by disabled colleagues and ethnic minority colleagues / how well supported they are to take action to support inclusion (all colleagues) on their levels of awareness about human rights and child rights (all colleagues) 	Improved	Annually
03	Proportion of applicants to Audit Scotland: Disability / Young people	Increase	Annually

04	Percentage of colleagues disclosing whether they have a disability	Increase	Annually
05	Proportion of employees at Audit Scotland: Race / Young people	Increase	Annually
06	Proportion of people in more senior roles: Disability / Race / Women	Increase	Annually
07	Feedback from our Equality and Human Rights Advisory Group, other stakeholders and people with lived experience on the effectiveness of our coverage and impact of our recommendations.	Positive	Annually
08	Proportion of performance audit reports that: <ul style="list-style-type: none"> consider the impact of spending decisions by public bodies on equalities and human rights include recommendations which support public bodies to tackle inequalities reflect lived experience cover human rights and child rights 	Increase	Annually
09	Number of quality reviews reporting effective application of guidance on equality and human rights in scoping documents and reports.	Increase	Annually
10	Number of Annual Audit Reports identifying good practice / making recommendations about equality and human rights	Increase	Annually
11	Downloads of alternative formats of our audit products	Increase	Six-monthly
12	Awareness of our audit products among target audiences	Increase	Six-monthly
13	Number of attendees and attendances at training opportunities related to equality and human rights	Increase	Six-monthly
14	Number of colleagues reporting bullying and harassment	Reduce	Annually
15	Number of entry routes available for roles across all departments of Audit Scotland	Increase	Annual
16	Feedback from staff network groups on their levels of influence and engagement with organisational policy development and decision-making	Positive	Annual

Appendix 1

Risks and opportunities

Risks of not having a DEI strategy

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

Opportunities for having a DEI strategy

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

Appendix 2

Consultation on the draft strategy

We consulted widely on the draft strategy, including with:

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

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

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

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

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

Appendix 3

Further reading

Research

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

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

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

Other references

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

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

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

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

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

Diversity, equality and inclusion strategy 2025-2029



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Mainstreaming equality

Progress report 2023-2025



ACCOUNTS COMMISSION 

 AUDIT SCOTLAND

Prepared by Audit Scotland
April 2025

Contents

Welcome	3
Outcome 1	4
Outcome 2	10
Outcome 3	13
Looking ahead	16

Accessibility

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

Welcome

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

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

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

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

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

Outcome 1

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

Our Reporting

Our commitments:

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

Equalities in our annual audit cycle

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

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

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

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

Findings and recommendations

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

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

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

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

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

Local government in Scotland
Overview 2023



Criminal courts backlog



Early learning and childcare
Progress on delivery of the 1565 hours requirement



Fiscal sustainability and reform in Scotland





Case studies

[Adult mental health](#)

[Additional support for learning](#)

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

Formatted Table

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

Our commitment:

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

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

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



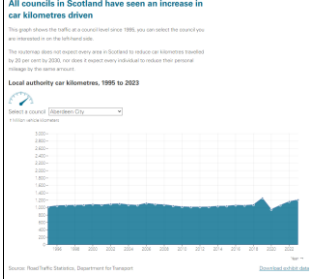
We meet accessibility requirements, including ensuring that all outputs can be read using assistive technology, and where possible provide sufficient colour contrast. We upgraded our [website](#) in March 2024 to enhance our compliance with accessibility standards for web content.

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

Commented [NC5R4]: All figures now updated

Examples of alternative outputs

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

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

External influence and engagement

Our commitment:

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

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

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

Equalities and Human Rights Advisory Group (EHRAG)

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

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

Sustainable Transport Audit engagement with the EHRAG

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

Lived experience and public participation

Our commitment:

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

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

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

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

Taking a Human Rights based approach

Audit methodology: lived experience work and human rights-based approach

This audit used the PANEL principles to take a human rights-based approach (HRBA). PANEL principles include:


- **Participation:** Involve groups and individuals with lived experience of digital exclusion throughout the audit.
- **Accountability:** Ensure that the scope of the audit and findings considers how people's rights are affected by digital exclusion and use these findings to inform interventions with public bodies.
- **Non-discrimination:** Ensure that people most affected by digital exclusion are participants in the feedback.
- **Empowerment:** Ensure people participating in the audit are supported to do so at all stages, are provided with information on the audit and the use of audit findings, and are supported to know and understand what their rights are.
- **Legality:** Ensure that the scope and focus of the feedback adequately takes account of legal rights and frameworks.

audit work. This allowed people with experience of digital exclusion to participate in and inform the audit. People with lived experience formed a reference group, providing insight and feedback, helping to improve the accessibility of the findings. Various alternative outputs were used alongside

Our Tackling Digital Exclusion audit used the PANEL principles to take a human-rights based approach to our

Youth Advisory Group

Alcohol and drug services



We are engaging with our Youth Advisory Group (YAG) on a wide range of audit work to help us think about how we consider the views of children and young people's and how best to get our messages out to them. For our **Alcohol and Drug Services audit** the team worked with the YAG from early scoping through to post-publication. The audit team used feedback from the young people to help inform some fieldwork questions, with evidence

the main report to ensure it was as accessible as possible. We will reflect and take learning to inform future work.	gathered leading to recommendations. The young people also produced a youth-led promo video about their contribution to the audit.
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Commented [NC7]: Drop down

Outcome 2

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

Our people strategy 2023-2028

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

Recruitment and selection

We committed to:

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

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

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

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

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

Employee information

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

We have:

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

Career pathways

We committed to:

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

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

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

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

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

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

Our people



Commented [MB8]: Design point:

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

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

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

Outcome 3

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

Our values

3. As part of developing our new [corporate plan 2023-2028](#) we agreed new organisational values. Our equality value sets out that we will:

- treat all people fairly and support them to have the best chance to progress and succeed
- broaden our culture of diversity and inclusion, so people are valued and engaged
- apply our standards of quality and professionalism to all our work
- embed equality in all we do and support public bodies to address inequalities.



Equality



Independence



Innovation



Integrity



Respect

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

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

Staff diversity network groups

We committed to:

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

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

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

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

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

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

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

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

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

Commented [MB9]: Design point: Use network group icons for bullet points.

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

Learning and development

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

We provided:

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

Looking ahead

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

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

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

Mainstreaming equality

Progress report 2023-2025



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AS.5.0

Purpose

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

Recommendations

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

Background

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

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

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

Principles for charging audit bodies a fee for statutory reporting

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

Table 1 1

Principles for charging audited bodies a statutory reporting fee

<p>Circumstances in which it may be appropriate to recover the cost by charging the audited body:</p> <ul style="list-style-type: none"> • To report a significant failure. • To report an issue of public concern or interest. • To report limited progress since a previous statutory report.
<p>Circumstances in which we may not charge the audited body:</p> <ul style="list-style-type: none"> • When a statutory report is determined to be the most appropriate way to report an issue quickly (ie, rather than using a performance audit report). • To report good progress since a previous statutory report.

Determining the statutory reporting fee

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

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

Where a statutory reporting fee is not charged

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

Communicating the statutory reporting fee to audited bodies

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

Conclusion

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

Board/ committee meeting locations and engagement

Director of Corporate Support

Item 17
Meeting date: 1 April 2025

Purpose

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

Recommendations

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

Background

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

Financial Implications

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

Considerations

Purpose and objectives

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

Logistics and practicalities

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

Board members

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

Regular attendees

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

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

Audit Scotland offices

Edinburgh

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

Glasgow

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

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

Inverness

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

Aberdeen

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

Other options/ meeting locations

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

- Scheduled corporate forum meetings (for example the Chair's recent attendance at Leadership Group and the Audit Committee Chair's attendance as an observer at meetings of the Quality and Ethics Committee).
- Annual events (for example the Financial Audit update event).
- Business group meetings (for example all PABV/CSG meetings and ASG 'superteam' meetings).
- The annual audit planning conference (which was attended by the Chair, the Auditor General and the Chair of the Accounts Commission in October 2024).

23. The Board/ its committees also have the option to meet in other locations/ premises. Many places will have suitable meeting spaces. The costs will vary depending on location, quality and the facilities on offer.

24. The Accounts Commission recently considered this for its meetings and the Commission Support Team explored a number of options. The report is available [here](#).

Wider engagement

25. Board members have indicated an interest in considering engagement with other stakeholders. This could take place to coincide with scheduled meeting dates (including meeting in locations other than Edinburgh) or outside the meeting cycle.

26. Such engagement would take place within the context of:

- the [Communications and Engagement Strategy 2024-28](#).
- The Accounts Commission [strategy](#) and [approach](#) to engagement.

27. When considering such engagement opportunities it will be important to be clear on:

- The purpose of such engagement and value added for all parties.
- Recognition and respect of the respective roles of the Auditor General, the Chair of the Accounts Commission and members of the Board – to ensure that engagement helps support clarity and does not cause confusion.

28. Potential external stakeholders include:

- The Public sector – leaders in other public sector organisations.
- The audit profession.
- The private sector.
- The third sector.

29. The Board will consider the annual report on stakeholder engagement (and the results of the most recent MSP survey) at its meeting on 6 May 2025. It is recommended that options for wider Board engagement is considered at that point.

Conclusion and next steps

30. There are a range of options and opportunities for the Board and its committees to engage more widely within and outwith the organisation.

31. Subject to the Board's discussion and decisions the next steps would be:

- Corporate Support to review diaries and identify the most suitable locations for at least two Board/Committee meeting dates in 2025 (Glasgow & Inverness).
- Identification of dates for Board member attendance at other scheduled meetings (events/ business group meetings etc).
- Further discussion on wider engagement at the Board meeting on 6 May informed by the Annual Report on Stakeholder engagement.

Appendix

Board and Committee meetings 2025



Item **XX**

Meeting date: By correspondence

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