

Agenda

Audit Scotland Board

Tuesday 20 May 2025 10.00am

Audit Scotland offices, 102 West Port, Edinburgh

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

Standing items

- | | |
|--|-----------------|
| 5. Chair's report – verbal update | For information |
| 6. Accountable Officer's report – verbal update | For information |
| 7. Accounts Commission Chair's report – verbal update | For information |
| 8. Chief Operating Officer report – verbal update | For information |
| 9. Review of draft minutes: | |
| • Board meeting: 1 April 2025 | For approval |
| • Audit Committee: 4 March 2025 | For information |
| • RemCo: 4 March 2025 | For information |
| 10. Review of action tracker | For assurance |

Business planning, performance and governance

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

Annual reports

- 14. 2024/25 Suite of Annual Assurance Reports**

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

Items to be taken in private

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

Items taken by correspondence

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

Conclusion

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

24. Date of next meeting: 3 June 2025

For information

Minutes

Audit Scotland Board

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



Present:

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

Apologies:

No apologies

In attendance:

Vicki Bibby, Chief Operating Officer
Alison Cumming, Executive Director of Performance Audit & Best Value
John Cornett, Executive Director of Audit Services (*Item 14*)
Martin Walker, Director of Corporate Support (*Item 16*)
Graeme Forrester, Head of Performance & Corporate Governance (*item 11*)
Gemma Diamond, Director of Innovation and Transformation (*Items 13, 14, 15*)
Stuart Dennis, Corporate Finance Manager (*Item 13*)
Susan Burgess, Head of Human Resources (*Item 13, 15*)
Morag Campsie, Head of Digital Audit (*Item 14*)
Bobby Alikhani, Project Manager (*Item 14*)
Daniela Yaneva, Project Manager (*Item 14*)
Gill Miller, Senior Manager (*Item 16*)
Simon Ebbett, Head of Communications (*Item 18*)
Niki Ross, Forum Support Coordinator (Minutes)

1. Private meeting of Board members

The Board met privately and there were no matters arising.

2. Welcome and apologies

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

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

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

3. Declarations of interest

There were no declarations of interest noted.

4. Items to be taken in private

The Chair invited members to agree that item 18 of the agenda be considered in private for the reasons stated on the agenda. The members agreed.

5. Chair's report – verbal update

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

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

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

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

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

Following discussion, the Board welcomed the update.

6. Accountable Officer's report – verbal update

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

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

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

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

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

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

Following discussion, the Board welcomed the update.

7. Accounts Commission Chair's report

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

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

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

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

Following discussion, the Board welcomed the update.

8. Chief Operating Officer – verbal update

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

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

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

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

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

Following discussion, the Board welcomed the update.

9. Review of minutes

Board meeting: 28 January 2025

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

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

Audit Committee meeting: 11 November 2024

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

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

Remuneration and Human Resources meeting: 11 November 2024

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

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

10. Review of action tracker

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

11. 2024-25 Quarter 3 Corporate performance report

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

The Board was invited to:

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

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

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

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

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

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

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

12. 2024-25 Quarter 3 Finance performance report

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

13. 2025-28 Operational planning: progress update

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

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

The Audit Scotland Board is invited to:

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

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

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

Susan Burgess and Stuart Dennis left the meeting.

14. Strategic Improvement Programme update

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

Project Overview

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

The Board was invited to note:

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

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

Resource and Management Information (R&MI)

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

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

Future Public Audit Model (FPAM)

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

Audit Modernisation Project (AMP)

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

The Audit Scotland Board was invited to:

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

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

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

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

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

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

Susan Burgess joined the meeting.

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

The Board was invited to:

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

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

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

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

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

Gemma Diamond and Susan Burgess left the meeting.

16. Statutory reporting fees

Gill Miller joined the meeting.

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

The Board was invited to:

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

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

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

Gill Miller left the meeting.

17. Board/committee meeting locations and engagement

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

The Board was invited to:

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

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

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

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

Items taken in private

18. 2024-25 Annual report and accounts

Simon Ebbett joined the meeting.

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

The Board was invited to:

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

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

Simon Ebbett left the meeting.

Items taken by correspondence

19. R&MI project open tender recommendations

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

20. Occupational Health contract award recommendation

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

21. Any other business

There was no other business for discussion.

22. Review of meeting

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

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

The Chair thanked everyone for their contributions.

23. Date of next meeting

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

Minutes

Audit Committee



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

Present:

Patrick Bartlett (Chair)
Jackie Mann
Jo Armstrong

Apologies:

Graham Gillespie, Wbg

In attendance:

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

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

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

2. Welcome and apologies

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

The Chair formally noted that this was his first Audit Committee meeting and his first meeting in the role as Chair.

3. Declarations of interests

There were no declarations of interest.

4. Minutes of the last meeting: 11 November 2024

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

5. Review of action tracker

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

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

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

6. Internal audit: Internal / external audit cooperation

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

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

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

7. Internal audit: Progress report

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

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

8. Internal Audit: Corporate governance

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

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

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

9. Internal Audit: Performance management

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

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

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

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

10. Internal audit: Internal audit recommendations progress report

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

The Audit Committee was invited to:

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

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

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

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

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

The Audit Committee was invited to:

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

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

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

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

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

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

The Audit Committee was invited to:

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

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

12. 2024-25 External audit plan

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

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

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

13. Q3 Financial performance report

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

Audit Committee was invited to:

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

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

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

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

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

14. 2023-24 Annual procurement report

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

The Audit Committee was asked to:

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

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

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

15. Review of risk management framework

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

The Audit Committee was invited to:

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

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

16. Review of risk register

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

The Audit Committee was invited to:

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

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

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

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

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

17. 2025 Risk deep dive schedule

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

The Audit Committee was invited to:

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

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

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

18. 2024-25 Q3 Data incidents / loss report

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

The Audit Committee was invited to:

- Note the report.

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

19. Digital security update

Nicola Paton and David McGurk joined the meeting.

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

The Audit Committee was invited to:

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

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

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

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

Nicola Paton and David McGurk left the meeting.

20. 2025 Annual assurance and statement of control process

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

The Audit Committee was invited to:

- Note the report.

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

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

21. 2025 Annual review of business continuity arrangements

Graeme Forrester introduced the Annual review of business continuity arrangements, copies of which had been previously circulated.

The Audit Committee was invited to:

- Note the annual review of our Business Continuity arrangements.
- Approve the Policy and Objectives attached as an appendix to this report.
- Note that the detailed incident recovery plans have been updated
- Note that further minor revisions to the plans may take place during the year as appropriate (to reflect updates to team composition, amendments to contact details, or changes to

business practice).

During discussion, the Audit Committee considered whether disruptions to key suppliers should be included in our Business Continuity arrangements.

Following discussion, the Audit Committee was content to note the report and approve the Policy and Objectives attached at appendix 1.

Action: Graeme to look at the practicalities of including the Secretary to the Accounts Commission as a member of the Incident Management Team.

Action: Graeme to assess the inclusion of supplier disruptions and recovery approaches in our business continuity arrangements.

22. Any other business

The Audit Committee agreed that reports they have already reviewed and remain materially unchanged should be listed for the Board to note and ratify, rather than be presented again for discussion; and that any changes to such reports should be highlighted to the Board.

23. Review of meeting

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

24. Date of next meeting

The next meeting of the Audit Committee is scheduled for 6 May 2025.

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

2025 Board action tracker



Meeting date	Item title	Action description	Due date	Responsible	Assigned to	Complete/ongoing	Progress notes
27-Mar-24	Q3 Corporate performance report	Quantify the cost of delayed audits and inform the Board.		Graeme Forrester		Ongoing	<p>09/05/24: Ongoing</p> <p>04/09: Ongoing</p> <p>15/11: progress delayed due to capacity challenges. Due to be progressed during December.</p> <p>16/01: Work now under way with revised target date of Feb 2025.</p> <p>13/03: Report on the Executive Team agenda for 24/03/25 and circulation to the Board thereafter.</p> <p>01/04: At its meeting on 1 April 2025, Board members agreed that this action remains on the action tracker until the new R&MI project, once implemented, can provide the required data.</p>
28-Jan-25	AMP update	Produce a separate plan on activity around automation and AI and how this links into the APEX programme.	Mar-25	Gemma Diamond		Complete	<p>13/03: Discussing with corporate governance the best way to provide this session</p> <p>29/04: The Audit Committee has agreed a risk deep dive on AI and automation, this is yet to be scheduled.</p>
07-Apr-25	Board and committee meeting locations	Schedule Board/committee meeting dates for Glasgow	May-25	Niki Ross/Nic Bryson		Complete	<p>29 April: The 23 September Board meeting will be held in Glasgow. Forum planning for 2026 will take place over the summer and we will ensure that two meetings will be scheduled for Glasgow.</p>

Updated ethics guidance and policies

Item 11.

Meeting date:
20 May 2025

Director of Quality and Support (Deputy Ethics Partner)

Purpose

1. This paper accompanies updated Audit Scotland guidance and policies on the Ethical Standard arising from the issue of a revised Standard by the Financial Reporting Council (FRC) which came into effect in December 2024.

Recommendations

2. The Board is invited to approve the accompanying updated guidance and policies for Audit Scotland staff on the application of the FRC's Ethical Standard.

Background

3. The FRC's Ethical Standard specifies the ethical requirements of auditors. Audit Scotland adopts the principles in the standard in common with all the national audit agencies in the UK.

4. In order to provide specific interpretation to our public audit work, Audit Scotland's ethics function maintains guidance to explain to staff how the principles of the Standard are applied and, where a policy is explicitly required, sets out that policy. The guidance supplements the Standard, where appropriate, rather than attempt to cover all the requirements. However, the guidance is clear that staff are required to be familiar with all of the Standard's requirements.

5. The current Audit Scotland guidance and policies is based on the Ethical Standard issued in December 2019. As the FRC issued a revised standard with effect from December 2024, it is necessary to update the guidance accordingly.

Considerations

6. The main revisions to the Standard, and any impact on our guidance and policies, are briefly summarised in the following table:

Revisions to FRC Ethical Standard	Proposed revisions to our guidance
Simplification and Clarification:	Our current guidance is detailed and comprehensive, but we have made

Revisions to FRC Ethical Standard	Proposed revisions to our guidance
The revised Standard simplifies and clarifies existing ethical requirements, making them easier to understand and apply.	simplifications and clarifications to align with the FRC's emphasis on making ethical requirements easier to understand and apply. In doing so, we have reviewed and streamlined the language and structure of the guidance throughout to ensure clarity and ease of use.
New Restrictions on Fees The Standard introduces new restrictions on fees from entities related by a single controlling party, aiming to reduce conflicts of interest and enhance auditor independence.	Our current guidance addresses fees and remuneration, including the prohibition of contingent fees and the requirement to disclose significant fees. We have not reflected the new restrictions on fees from entities related by a single controlling party as it is not expected to be relevant in practice for Audit Scotland.
Enhanced Guidance Additional guidance is provided to help auditors navigate complex ethical dilemmas and ensure compliance with the revised standards.	Our current guidance covers various ethical dilemmas and compliance requirements, but we have enhanced the content to include more explanations and examples.
Focus on Independence There is a strong emphasis on maintaining auditor independence, with stricter rules around non-audit services and relationships with audit clients	Our current guidance already emphasises auditor independence, including rules on non-audit services and relationships with audited bodies. The updated Standard introduces new restrictions on certain non-audit services (such as tax services) which are not relevant to our circumstances. We have therefore not reflected the change in our guidance.

Consultation and communication

7. The approach to updating the guidance was discussed and agreed at the Quality and Ethics Committee in April and the Executive Team earlier in May.

Conclusion

8. The FRC has issued a revised Ethical Standard. It is necessary to make consequent revisions to our policy on the Standard.

Ethical Standard

Application guidance and policies

Draft for Board approval



Prepared by Audit Scotland's Ethics Function

May 2025

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Foreword from Ethics Partner

- 1 Audit Scotland's vision is that public money is well spent to meet the needs of Scotland's people. In the current challenging environment for the public sector in Scotland, independent audit assurance on how effectively public money is being managed and spent helps to support a strong and effective system of financial accountability and transparency.
- 2 A fundamental objective of public audit is that the intended users trust and have confidence that the opinion on the annual accounts or conclusions on other subject matter is professionally sound and objective. This should enhance the credibility for users of the subject matter, and their understanding of it.
- 3 In order to ensure continued trust in our work, we need to apply the highest professional and ethical standards. The Scottish public audit model provides a high level of safeguards to our independence that go above and beyond the general requirements in the private sector. These include:
 - independent appointment by the Auditor General and Accounts Commission to ensure the auditor is free from any potential or perceived conflict of interest or other pressure that might compromise their judgement
 - rotation of auditors every five to seven years to minimise any 'familiarity' threats
 - arrangements to control non-audit services to minimise 'self-review' and other threats to independence.
- 4 Audit Scotland has chosen to enforce the highest level of protection to our audit work because we believe that the independence of the public auditor is critical to high quality audit. However, high quality audit cannot be assured through rules and standards alone. It relies on each and every one of us embedding ethical behaviours in our day-to-day work.

Kenneth Oliver

Executive Director of Innovation and Quality; and Ethics Partner

Introduction

1. The Financial Reporting Council's Ethical Standard (the Standard) specifies the ethical requirements of auditors in the UK. Audit Scotland adopts the principles in the Standard in common with all the Public Audit Forum audit agencies. The standard is available from the [Ethics page](#) on SharePoint.

2. Fundamentally, ethics is about independence, which means avoiding threats that might compromise integrity or objectivity. If Audit Scotland is to retain the public's trust and confidence – which is imperative - we must be seen to be acting in the interest of the public, and only the interest of the public. If the judgment or actions of Audit Scotland staff could be unduly influenced by interests other than those of the public, that creates a conflict of interest. The principal types of threat are summarised at Appendix 1.

3. A key test of whether there is a conflict of interest is the 'third party test', which involves considering threats to independence from the perspective of a reasonable and informed third party. That involves considering whether the threats are at a level where it is probable that a third party would conclude that independence is compromised. When the threats are above that level, mitigations are necessary either to apply safeguards that reduce the risk to an acceptable level or, if that is not practicable, to remove the threat.

4. The Standard is in two parts:

Part	Content
Part A	Sets out the overarching principles of integrity, objectivity and independence, together with supporting ethical provisions. These establish a framework of ethical outcomes to be met to provide a basis for user trust and confidence in the integrity and objectivity of the auditor.
Part B	Sets out specific requirements relevant to certain circumstances that may arise which are designed to assist in meeting the ethical outcomes.

5. Where requirements of the Standard need specific interpretation in the context of Audit Scotland, this application guidance from Audit Scotland's Ethics Function:

- explains how the requirement is applied

- where a policy is explicitly required, sets out that policy.

6. However, you should be aware that this guide covers only those requirements where application guidance is necessary; it does not cover all the requirements of the Standard, which you need to be familiar with. Annual training on ethics is mandatory for all staff.

7. A revised Standard was issued in January 2024, effective from 15 December 2024. The Standard has been simplified and provides additional clarity in a number of areas. This application guidance has been updated to reflect the above revisions to the extent they are applicable to the Audit Scotland context.

8. If you are in any doubt about the application of the Standard in particular circumstances, you should discuss it with your line manager in the first instance; the senior colleague in your business group who leads on ethics (Pauline Gillan, Cornilius Chikwama and Graeme Forrester); or the Ethics Partner (Kenny Oliver) or Deputy Ethics Partner (Paul O'Brien).

9. Should any part of the Standard be revised prior to this application guide being updated, the revisions will come into force in line with the effective date stated in the Standard.

10. Compliance with the Standard also represents compliance with the parts of the International Ethics Standards Board for Accountants' (IESBA) Code of Ethics for Professional Accountants covering audit work that has been adopted by most UK accountancy institutes (see appendix 2) and therefore applicable to a significant number of Audit Scotland staff.

11. The remaining chapters of this guide provide relevant extracts from the Standard along with guidance on how each requirement is applied in Audit Scotland. Throughout the guidance, the term used in the Standard as the 'firm' should be read as Audit Scotland.

Section 1. General requirements and guidance

Introduction

12. Section 1 of the Standard sets out the general requirements for auditors to act with integrity, objectivity and independence. It is important you understand the meaning of those three terms which are fundamental to ethical conduct:

- **Integrity** – this means you need to be trustworthy, straightforward, honest, fair and candid; complying with the spirit as well as the letter of applicable ethical principles, laws and regulations; behaving so as to maintain the public's trust in the auditing profession; and respecting confidentiality except where disclosure is in the public interest or is required to adhere to legal and professional responsibilities.
- **Objectivity** – this means acting and making decisions and judgments impartially, fairly and on merit (having regard to all considerations relevant to the task in hand but no other), without discrimination, bias, or compromise because of commercial or personal self-interest, conflicts of interest or the undue influence of others, and having given due consideration to the best available evidence.
- **Independence** – you must be free from conditions and relationships which would compromise the integrity or objectivity of Audit Scotland or you.

13. Audits in the Scottish public sector are carried out under appointment by either the Auditor General or the Accounts Commission. This provides a strong safeguard against the threats to integrity, objectivity and independence that all auditors must consider before accepting an audit appointment.

Compliance

Exhibit 1

Paragraph	Ethical Standard requirement
1.1	The firm shall establish appropriate policies and procedures to ensure that its owners or shareholders, as well as the members of the administrative, management and supervisory bodies of the firm, or of an affiliate firm, do not intervene in the carrying-out of an engagement in any way which jeopardises the integrity, objectivity or independence of the firm or covered persons.

Paragraph	Ethical Standard requirement
1.2	<p>The firm shall establish appropriate and effective organisational and administrative arrangements:</p> <p>(a) that are designed to prevent, identify, eliminate or manage and disclose any threats to its independence;</p> <p>(b) for dealing with and recording incidents which have, or may have, serious consequences for the integrity of its audit or other public interest assurance activities.</p>

Source: Ethical Standard (2024)

14. All Audit Scotland staff must:

- comply with Audit Scotland's [Staff Code of Conduct](#) and any further application guidance in this guide
- notify any potential conflicts of interest to the Ethics Function
- make an annual declaration of compliance with the staff Code through the [Fit and Proper self-assessment form](#).

Ethics Partner

Exhibit 2

Paragraph	Ethical Standard requirement
1.12	<p>The senior management of the firm shall designate a partner in the firm possessing the necessary seniority, relevant experience, authority and leadership levels (the 'Ethics Partner') as having responsibility for ensuring the firm's compliance with supporting ethical provision A1.1. The Ethics Partner is supported, where appropriate, by other persons with relevant experience in the firm, comprising an Ethics Function.</p>
1.20	<p>To be able to discharge their responsibilities, the Ethics Partner shall be provided with sufficient, appropriately skilled and experienced staff support and other resources (the Ethics Function), commensurate with the size of the firm.</p>

Source: Ethical Standard (2024)

15. The Executive Director of Innovation and Quality has been designated as Audit Scotland's Ethics Partner. In order to support the Ethics Partner, Audit Scotland's Ethics Function also includes the Director of Quality and Support in the role of Deputy Ethics Partner. There is also the Quality and

Ethics Committee that promotes compliance with the standard and this guidance.

16. Supporting ethical provision A1.1 requires the necessary culture and behaviours to be instilled throughout Audit Scotland to ensure that all staff behaving with integrity and objectivity is paramount and overrides all other interests. The Ethics Partner, supported by the Ethics Function, is responsible for ensuring Audit Scotland meets that requirement.

Identification and assessment of threats

Exhibit 3

Paragraph	Ethical Standard requirement
1.32	When complying with supporting ethical provisions A2.1–A2.3, conditions and relationship that could give rise to threats to the integrity, objectivity or independence of the firm or covered persons are communicated to the appropriate person, having regard to the nature of the threats and to the part of the firm and the identity of any person involved.

Source: Ethical Standard (2024)

17. You must report all threats to integrity, objectivity or perceived loss of independence to the Ethics Function, and provide all information relevant to consideration of the issue. This requirement applies to all aspects of Audit Scotland work.

18. You should consider the ‘Third Party Test’ when considering any potential independence or ethical threats. This involves evaluating the threat from the perspective of a reasonable person who is informed about the respective roles and responsibilities of an auditor, those charged with governance and management of a body, but who is not another auditor.

Non involvement in management decision-taking

Exhibit 4

Paragraph	Ethical Standard requirement
A2.1	The firm and each covered person, shall ensure (in the case of a covered person, insofar as they are able to do so) that the independence of the firm and each covered person is not compromised with respect to each entity relevant to the engagement. This includes ensuring that the firm and each covered person is not involved in management decision-taking.

Paragraph	Ethical Standard requirement
1.28	It is not possible to specify all types of decision that are the responsibility of management, but they typically involve leading and directing the entity, including making significant judgments and taking decisions regarding the acquisition, deployment and control of human, financial, physical and intangible resources.

Source: Ethical Standard (2024)

19. An 'entity relevant to an engagement' means:

- For annual audits, the audited body
- For performance audits, any public body responsible for the subject matter of the audit.

20. The threat to independence and objectivity arising from management decision making is so great that it cannot be safeguarded.

21. Audit Scotland staff must not take decisions that are the responsibility of management of the audited/responsible body.

Exhibit 5

Paragraph	Ethical Standard requirement
1.37	<p>The firm shall establish policies and procedures to require the engagement partner to identify and assess the significance of threats to the integrity and objectivity of the firm and covered persons on an individual and cumulative basis, including any threats that may compromise independence:</p> <ul style="list-style-type: none"> (a) when considering whether to accept or retain an engagement; (b) when planning the engagement; (c) when forming an opinion and signing the report on the financial statements or other subject matter information; (d) when considering whether to accept or continue to provide non-audit / additional services to an engagement by the firm; and (e) when potential threats are reported to them.

Source: Ethical Standard (2024)

22. The Auditor General or Accounts Commission appoint auditors based on advice from Audit Quality and Appointments (AQA) so the risk to independence in relation to accepting audits is managed by that appointments process. AQA applies the Standard when providing advice

on audit appointments. Auditors are therefore not required to identify threats to objectivity, including perceived loss of independence when considering whether to accept or retain an audit appointment.

23. Audit Scotland normally only provides audit and audit-related services to audited bodies. Occasionally auditors may be asked to undertake other non-audit services for their audited bodies. As explained in Section 5 of this guidance, you must obtain prior approval before undertaking non-audit services.

Identification and Assessment of Safeguards

Exhibit 6

Paragraph	Ethical Standard requirement
1.43	If the engagement partner identifies threats to the integrity or objectivity of the firm or covered persons, including any that could compromise independence, they shall identify and assess the effectiveness of the available safeguards and apply such safeguards as are sufficient to eliminate the threats or reduce them to a level where independence would not be compromised
1.47	The firm shall establish policies and procedures which set out the circumstances in which those additional requirements listed in paragraph 1.46 that apply to public interest entities or to listed entities or both are applied to other engagements.

Source: Ethical Standard (2024)

24. All threats to integrity, objectivity or perceived loss of independence must be reported to the Ethics Function so that appropriate safeguards can be considered.

Overall conclusion

Exhibit 7

Paragraph	Ethical Standard requirement
1.54	At the end of the engagement process, when forming an opinion to be reported, or otherwise reporting on the work undertaken, but before issuing the report, the engagement partner shall reach an overall conclusion that any threats to integrity or objectivity including any that could impair independence on an individual and cumulative basis have been properly addressed in accordance with this Ethical Standard. If the engagement partner cannot make such a conclusion, they shall not report, and the firm shall resign or otherwise withdraw from the engagement unless not permitted to do so by law or regulation.

Source: Ethical Standard (2024)

25. Engagement leads on annual audits and performance audit outputs must consider whether any threats to integrity or objectivity have been addressed.

26. The independent appointment process means that Audit Scotland auditors cannot resign from an annual audit appointment. If the engagement lead is unable to conclude that any threats to integrity, objectivity and independence have been addressed in accordance with the Ethical Standard, the engagement lead must refer the threat to the Ethics function for resolution.

27. Where the threat would result in an equivalent private sector audit being refused, the Ethics Function will consider whether the threats are of such significance that they should be reported formally to the audited body, the Auditor General or the Accounts Commission, or to the Scottish Parliament.

Communication with those Charged with Governance

Exhibit 8

Paragraph	Ethical Standard requirement
1.58	The engagement partner shall ensure that those charged with governance of each entity relevant to an engagement ... are appropriately informed on a timely basis of all significant facts and matters that may bear upon the integrity, objectivity and independence of the firm or covered persons.

Source: Ethical Standard (2024)

28. Engagement leads in Audit Services Group (ASG) must communicate the information required by paragraph 1.58 to those charged with governance through the annual audit plan, the annual audit report and other relevant communications.

29. For Performance Audit and Best Value (PABV), engagement leads should ensure equivalent parties are informed in a timely manner.

Exhibit 9

Paragraph	Ethical Standard requirement
1.62	In the case of public interest entities, and listed entities, relevant to an engagement, the engagement partner shall ensure that the audit committee is provided with:

Paragraph	Ethical Standard requirement
	<p>(a) a written disclosure of relationships (including the provision of non-audit / additional services) that may bear on the integrity, objectivity or independence of the firm or covered persons. This shall have regard to relationships with the entity, its directors and senior management, its affiliates, and its connected parties, and the threats to integrity or objectivity, including those that could compromise independence, that these create. It shall also detail any safeguards that have been put in place and why they address such threats, together with any other information necessary to enable the integrity, objectivity and independence of the firm and each covered person to be assessed;</p> <p>(b) details of non-audit / additional services provided and the fees charged in relation thereto;</p> <p>(c) written confirmation that the firm and each covered person is independent;</p> <p>(d) details of any inconsistencies between this Ethical Standard and the policy of the entity for the provision of non-audit / additional services by the firm and any breach or apparent breach of that policy;</p> <p>(e) details of any breaches of the requirements in this Ethical Standard, and of any safeguards applied and actions taken by the firm to address any threats to independence; and</p> <p>(f) an opportunity to discuss independence issues</p>

Source: Ethical Standard (2024)

30. In Audit Scotland, the requirements of paragraph 1.62 are extended beyond public interest entities to apply to all audited bodies.

31. Engagement leads on annual audits must communicate the information required by paragraph 1.62 to those charged with governance through the annual audit plan, the annual audit report and other relevant communications.

Documentation

Exhibit 10

Paragraph	Ethical Standard requirement
1.67	The firm shall document in the engagement working papers all significant threats to the integrity or objectivity, including any that could impair independence, of the firm and all covered persons as well as the safeguards applied to mitigate those threats and why they mitigate the threats.

Paragraph	Ethical Standard requirement
1.68	The engagement partner shall ensure that their consideration of the integrity, objectivity, and independence of the firm and covered persons is appropriately documented on a timely basis.

Source: Ethical Standard (2024)

32. The audit work programmes must be followed to ensure sufficient documentation of the consideration of potential threats. The engagement lead is responsible for ensuring there is sufficient documentation.

33. Audit documentation should detail sufficient information to demonstrate how the audit team have evaluated any threats, including the Engagement Lead’s conclusion on the safeguards (if any) required.

Section 2. Financial, Business, Employment and Personal Relationships

Introduction

34. Section 2 of the Standard sets out the requirements concerning relationships with audited bodies including transfers of staff in either direction.

35. All staff are required to complete an annual Fit and Proper self-assessment to declare any potential threats from relationships with audited bodies so that appropriate safeguards can be put in place.

Financial considerations

Exhibit 11

Paragraph	Ethical Standard requirement
2.3	<p>Each partner in the firm, and any persons closely associated with a partner in the firm, shall not hold any financial interest, other than an immaterial indirect financial interest, in or engage in any transaction – save for a sale of a prohibited financial interest – in any financial instrument of:</p> <ul style="list-style-type: none"> (a) any entity relevant to an engagement of the firm, or (b) an entity which is an affiliate of such an entity; or (c) any other entity otherwise related to such an entity in circumstances where holding such a financial interest may cause, or may be perceived reasonable and informed third party as causing, a self-interest threat. r
2.4	<p>The firm, each covered person, and any persons closely associated with any such person or the firm shall not:</p> <ul style="list-style-type: none"> (a) hold any financial interest, other than an immaterial indirect financial interest held through a diversified collective investment scheme, in or engage in any transaction - save for a sale of a prohibited financial interest – in any financial instrument of: <ul style="list-style-type: none"> (i) any entity relevant to an engagement for which they (or the person they are closely associated to, where applicable) are a covered person – for the purposes of this requirement, the firm is a covered person for every engagement of the firm; or (ii) an entity which is an affiliate of such an entity; or

Paragraph	Ethical Standard requirement
	(iii) any other entity otherwise related to such an entity in circumstances where holding such a financial interest may cause, or may be perceived by an objective, reasonable and informed third party as causing, a self-interest threat.

Source: Ethical Standard (2024)

36. Audit Scotland staff are not permitted to hold a financial interest in a financial instrument issued by any public body where the auditor is appointed by the Auditor General or Accounts Commission, or issued by any entity in the same group. Financial instruments are assets that can be traded, such as shares and bonds.

37. The only exception is membership of a Pension Fund.

Loans and guarantees

Exhibit 12

Paragraph	Ethical Standard requirement
2.23	<p>Covered persons and persons closely associated with them shall not accept a loan from, or have their borrowings guaranteed by, the entity relevant to the engagement, or the affiliates of such an entity, unless:</p> <ul style="list-style-type: none"> (a) the entity is a bank or similar deposit taking institution; (b) the loan or guarantee is made in the ordinary course of business on normal business terms; and (c) the loan or guarantee is not material to the entity <p>Where a covered person or persons closely associated with them have accepted a loan from, or have their borrowings guaranteed by an entity relevant to an engagement, or the affiliates of such an entity, the covered person shall withdraw from the engagement where the loan falls into significant arrears.</p>

Source: Ethical Standard (2024)

38. If you, or anyone in your household, is in debt to an audited body (for example council tax arrears), you must notify your line manager. If an arrestment of earnings order has been made, notification must be made immediately.

39. Engagement leads must ensure that the member of staff takes no further part in any audit work involving that body until the outstanding debt has been repaid.

Management Role with an Entity Relevant to an Engagement

Exhibit 13

Paragraph	Ethical Standard requirement
2.35	A firm shall not admit to the partnership, or employ a person in a position as a covered person, if that person is also employed by any entity relevant to the engagement, or by any affiliate of such an entity.

Source: Ethical Standard (2024)

40. Audit Scotland will not employ, as annual audit staff, individuals who are also employed by an audited body. Members of annual audit staff will not be permitted to commence work for any audited body

41. Staff may be employed to work on performance audit outputs, provided that the work is not focused on their other employer. For example, working on a Best Value report of the employee’s council would not be acceptable.

42. Any incidental work relating to the other employer (e.g. preparing a report from a national survey which includes the other employer) must be subject to specific review by a more senior member of staff.

Loan staff assignments

Exhibit 14

Paragraph	Ethical Standard requirement
2.36	<p>A firm shall not enter into an agreement with an entity relevant to an engagement, or with the affiliates of such an entity, to provide any partner or employee to work for a temporary period as if that individual were an employee of any such entity or its affiliates. An exception applies: in respect of staff employed by a UK national audit agency, in a role with no management responsibilities; for a short period of time²⁶; and where the service to be provided would not be prohibited by this Ethical Standard.</p> <p>²⁶ For the purposes of this Ethical Standard ‘a short period of time’ is considered to be no longer than twelve months.</p>

Source: Ethical Standard (2024)

43. The requirements at paragraph 2.36 cover staff on secondment to audited bodies. Secondments must be considered and planned in accordance with the Secondment Policy. Audit Scotland staff can only be seconded to an audited body where:

- the secondment period is no longer than twelve months (an increase from the 3 months - or 6 months in the case of trainees – required by the previous version of the Standard)
- the role involves no management responsibilities.

44. Although the Standard does not cover the secondment of staff from audited bodies to Audit Scotland, the same conditions apply. Seconded staff should not work on the audit of the body from which they are seconded. The Ethics Partner must authorise any departure from this policy; that may be due to, for example, the previous role of the secondee.

45. Seconded staff may work on other audit work, such as national performance audits, provided that the work is not focussed on their other employer.

46. Any incidental work relating to the other employer (e.g. preparing a report from a national survey which includes the other employer) must be subject to specific review by a more senior member of staff.

Examples

Role	Response
A member of staff at Band 2B requests to go on secondment to an audited body for two months. The role will have management responsibility.	This is not permitted as the role would have management responsibility.
A Band 1C requests to go on secondment to an audited body for 18 months. The role will have no management responsibility.	This is not permitted as the secondment period exceeds twelve months.
A trainee requests to go on secondment to an audited body for nine months. The role will have no management responsibility.	This may be permitted as it is below the maximum secondment period of twelve months, and there is no management responsibility, provided the service is not otherwise prohibited by the Standard. Mitigations may be necessary depending on the role.
A Band 3 requests to go on secondment to a public body audited by a firm for nine months.	This may be permitted as it is not an audited body, provided the service is not otherwise prohibited by the Standard. Mitigations may be necessary depending on the role.

Partners and Engagement Team Members Joining an Entity
Relevant to an Engagement

Exhibit 15

Paragraph	Ethical Standard requirement
2.39	<p>Firms shall establish policies and procedures that require in relation to any entity relevant to an engagement in which an individual is, or was at any time over the previous year (two years in the case of a partner), directly involved:</p> <p>(a) for all such engagements:</p> <p>(i) senior members of the engagement team to notify the firm of any situation involving their potential employment with any such entity; and</p> <p>(ii) other members of the engagement team to notify the firm of any situation involving their probable employment with any such entity; and</p> <p>(iii) all partners in the firm to notify the firm of any situation involving their potential employment with any such entity; and</p> <p>(iv) any other employee of the firm and any other natural person whose services are placed at the disposal of or under the control of the firm, where such employee or other person is personally approved as a statutory auditor under relevant legislation, to notify the firm of any situation involving their probable employment with any such entity;</p> <p>(b) anyone who has given such notice to be removed from the engagement team; and</p> <p>(c) a review of the engagement work performed by any resigning or former engagement team member in the current and, where appropriate, the most recent engagement.</p>

Source: Ethical Standard (2024)

47. Staff must notify the Ethics Partner of applications to join a public body as follows:

Band	Notification to/by Ethics Partner
Band 3 who are engagement leads, all Band 4 and Executive Team	<p>The Ethics Partner must be notified of an application to join an audited body or any public body where the auditor is appointed by the Auditor General or Accounts Commission.</p> <p>The Ethics Partner must notify the Auditor General or Secretary to the Accounts Commission of any application for any such jobs.</p>

Band	Notification to/by Ethics Partner
All other bands	The Ethics Partner must be notified of an application to join an audited body which they have audited in the past twelve months.

48. If the individual is carrying out audit work at the relevant body, they must stop working on the audit immediately pending the outcome of the application/offer.

49. If the application is successful, the engagement lead must ensure that:

- the individual does not return to that audit
- all audit work carried out by the individual at that body is reviewed by a more senior member of staff
- the significance of any self-interest, familiarity and intimidation threats is assessed in consultation with the Ethics Function and appropriate safeguards applied dependant on such factors as:
 - the position that individual had in the audit team or Audit Scotland
 - the position that individual has taken at the body
 - the amount of involvement that individual will have with the audit team (especially where it includes former colleagues with whom they worked)
 - the length of time since that individual was a member of the audit team or employed by Audit Scotland.

50. If the application is unsuccessful, the individual must obtain approval from the Ethics Function to return to the audit; such approval will be provided whenever and wherever it is reasonable and practicable to do so.

Exhibit 16

Paragraph	Ethical Standard requirement
2.45	<p>Where a partner, or another person (including a person whose services are at the disposal or under the control of the firm) who is personally approved as a statutory auditor as described in paragraph 2.40, is appointed as a director, a member of the audit committee or body performing equivalent functions, or to a key management position with an entity relevant to an engagement, having previously been a covered person:</p> <p>(a) in the case of a partner, at any time during the two years prior to such appointment; or</p>

Paragraph	Ethical Standard requirement
	<p>(b) in the case of another person, at any time during the year prior to such appointment;</p> <p>the firm shall resign from the engagement where possible under applicable law or regulation and not accept another engagement for the entity until:</p> <p>(i) in the case of a partner, a two-year period; or</p> <p>(ii) in the case of another person, a one-year period;</p> <p>commencing when the person ceased to be a covered person, or until the person ceases employment with the entity, whichever is the sooner.</p>

Source: Ethical Standard (2024)

51. AQA will normally recommend the Auditor General or Accounts Commission transfer that audit appointment to a firm where an individual in Band 4 leaves Audit Scotland to join an audited body as a director or in a key management position and they carried out the role of engagement lead at that body.

52. The Ethics Function must put in place stringent safeguards if transfer to a firm is not possible (such as in the case of the Scottish Government or other audits where the Auditor General signs the independent auditor's report) to ensure that there is no loss of independence, e.g. independent review by another director or a firm.

53. AQA will take the circumstances of the member of staff leaving into account if the next audit appointments are made within two years of them leaving and will normally not recommend reappointment of Audit Scotland within a two-year period

54. The engagement lead in consultation with the Ethics Function will review the composition of the audit team at an audited body where any other member of the audit team has left Audit Scotland and within two years joins the audited body as a director or in a key management position.

Family Members Employed by an Entity Relevant to an Engagement

Exhibit 15

Paragraph	Ethical Standard requirement
2.51	Where a covered person, or any partner in the firm, becomes aware that a person closely associated with them, or a close family member, is employed by an entity relevant to the engagement and that person is in a position to exercise influence on the accounting records or financial statements or other

Paragraph	Ethical Standard requirement
	<p>subject matter information or subject matter of such an engagement, that covered person or that partner shall either:</p> <p>(a) in the case of a person closely associated with them being employed by the entity in such a position, be excluded from any role in which they would be a covered person; or</p> <p>(b) in the case of a close family member of a covered person or any close family member of any partner in the firm, report the matter to the engagement partner to take appropriate action. If it is a close family member of the engagement partner or if the engagement partner is in doubt as to the action to be taken, the engagement partner shall resolve the matter in consultation with the Ethics Partner/Function</p>

Source: Ethical Standard (2024)

55. Some Audit Scotland staff have family members who are employed by public bodies. Given the wide range of circumstances that may exist, each case is dealt with on its merits. However, the general principles are that:

- the closer to the subject matter of audit work that the family member is employed (e.g. in a finance role), the more likely it is that the member of staff should not take part in the audit
- the more senior the member of staff and/or their family member, the greater the perceived threat to independence and objectivity

56. A family member includes:

- A person closely associated - a spouse or dependent child.
- A close family member - a parent, sibling or non-dependent child.

57. It is unlikely that family members employed in roles such as teachers, doctors or nurses would normally create any threat to independence of staff members.

58. Staff engaged on audit work that covers several audited bodies need to be particularly vigilant in this area. Members of staff should discuss any such relationships with their line manager and if appropriate the Ethics Function.

Examples

Role	Mitigations
The wife of a member of staff works as an assistant director in the finance department of an audited body	A person closely associated works in a senior position in the finance department and therefore would have significant influence over the audit. The member of staff would not be permitted to take part in the audit.
The brother of a senior auditor is a doctor working for an audited body	A close family member but has no influence over the audit, and therefore the senior auditor would be permitted to take part in the audit of the health board without any further safeguards.
The father of an engagement lead works as a project manager	A close family member but has no influence over the audit. However, as the staff member is the engagement lead, they should consult with the ethics function who will decide on appropriate safeguards in the circumstances.

Governance Role with an Entity Relevant to an Engagement

Exhibit 15

Paragraph	Ethical Standard requirement
2.53	<p>The firm or a partner or member of staff of the firm shall not accept appointment or perform a role:</p> <p>(a) as an officer or member of the board of directors of an entity relevant to an engagement of the firm;</p> <p>(b) as a member of any subcommittee of that board; or</p> <p>(c) in such a position in an entity which holds directly or indirectly more than 20% of the voting rights in the entity relevant to an engagement, or in an entity in which the entity relevant to such an engagement holds directly or indirectly more than 20% of the voting rights.</p>

Source: Ethical Standard (2024)

59. Audit Scotland encourages members of staff to take part in voluntary and community bodies, many of which receive substantial public funding. In taking on such roles you need to be aware of the potential for your position to be perceived as creating a conflict of interest which may impair your integrity, independence or objectivity.

60. You must discuss any such roles with your line manager in the first instance and the Ethics Partner or Deputy Ethics Partner. Each case will be considered on its merits, but the following examples may help:

Examples

Role	Potential conflict
An engagement lead on the audit of a council is offered the role of treasurer or chair to a Citizens' Advice Bureau which is 40% funded by that council and the funding is discretionary.	This could create a perception of a conflict between the roles and must be avoided.
An engagement lead on the audit of a council is offered membership of a school board within that area.	While the school will be funded by the council, it is required to provide education as a statutory service. The likely influence of a member of a school board on the level of funding is negligible and the potential for conflict of interest is minimal. It is likely the role would be permitted.
A member of Audit Scotland staff is offered board membership of a body where the Auditor General appoints the auditor	The Standard does not allow any member of staff to be on the board of an audited body. Audit Scotland discourages board membership of any public body where the Auditor General of the Accounts Commission appoints the auditor (even if the auditor is a firm).

61. Staff should not seek board membership of bodies where the Auditor General or the Accounts Commission appoint the auditor as this can limit flexibility in making audit appointments or in the deployment of staff. Any offers for such positions must be agreed with the Ethics Partner.

Employment with the firm

Exhibit 15

Paragraph	Ethical Standard requirement
2.57	Where a former director or a former employee of an entity relevant to an engagement, who was in a position to exert significant influence over the preparation of the financial statements or other subject matter information or subject matter of such an engagement, joins the firm, that individual shall be excluded from any role in which they would be a covered person relevant to that entity or its affiliates for a period of two years following the date of leaving the entity.

Source: Ethical Standard (2024)

62. Paragraph 2.57 applies in full for financial audits. If the individual joining Audit Scotland has ASG management responsibility they must not be involved in the audit of their former employer, and the audit must be subject to an independent review for the first two years irrespective of the size of the body.

63. An individual joining PABV from a management position must not have any involvement in audit work or studies which focus on their former employer for a period of two years after joining. Any incidental work must be subject to specific review by a more senior member of staff.

Family and other personal relationships

Exhibit 15

Paragraph	Ethical Standard requirement
2.62	<p>The firm shall establish policies and procedures that require:</p> <p>(a) partners and professional staff members to report to the firm any persons closely associated with them, any close family, and other personal relationships, where any of those persons is involved with an entity relevant to an engagement of the firm, where the partner or professional staff member considers that the relationship might create a threat to integrity or objectivity or may compromise independence;</p> <p>(b) the relevant engagement partners to be notified promptly of any information reported by partners and other professional staff members as required by paragraph (a).</p>

Source: Ethical Standard (2024)

64. Any member of Audit Scotland must immediately report relationships that would negatively impinge on their independence to their line manager and where necessary to the Ethics function.

65. You must also report any such relationships in the annual Fit and Proper self-assessment form or confirm that there are none.

66. In addition to family relationships, the Standard also makes reference to ‘other personal relationships’. Relationships with individuals which have no status formally recognised by law may be considered as significant as those which do. You must regard such close personal relationships as if they are family relationships.

Section 3. Long Association with Engagements and with Entities Relevant to Engagements

Introduction

67. Section 3 of the Standard sets out the requirements concerning long association with an audited body.

General requirements

Exhibit 16

Paragraph	Ethical Standard requirement
3.2	The firm shall establish policies and procedures to monitor the length of time and extent of involvement that partners and staff in senior positions, including those from other disciplines, serve as members of the engagement team(s) for recurring engagements for particular entities

Source: Ethical Standard (2024)

68. Audit Scotland adopts robust limits on how long any member of an audit team spends on the audit of a public body; this is not limited to senior staff as required by the Standard.

69. ASG staff must:

- record their involvement in audits on the [annual audit rotation database](#)
- confirm they have updated this every year via the Fit and Proper form.

70. ASG management must monitor the length of time that staff work on audits.

71. In addition, the five year tender includes rotation of about half of Audit Services' audits to the private firms.

Key Audit Partners and Engagement Partners

Exhibit 17

Paragraph	Ethical Standard requirement
3.10	<p>In the case of public interest entities and other listed entities, save where the circumstances contemplated in paragraph 3.13 and 3.14 apply, the firm shall establish policies and procedures to ensure in respect of a recurring engagement that:</p> <p>(a) no one shall act as engagement partner for more than five years, this includes time spent participating in an engagement, where an audit engagement has moved between firms; and</p> <p>(b) anyone who has acted as the engagement partner for a particular entity for a period of five years, shall not subsequently participate in the engagement until a further period of five years has elapsed; and</p> <p>(c) on completing their time in that role, the engagement partner, shall not continue to have significant or frequent interaction with senior management or with those charged with governance of the entity they have previously audited until the cooling off period has elapsed; and</p> <p>(d) once ceasing to be Engagement Partner, after completing the maximum allowed period, that partner shall not act as Engagement Quality Reviewer for the engagement until a period of five years has elapsed.</p>
3.13	<p>When an entity becomes a public interest entity or another listed entity, the length of time the engagement partner has served the entity in that capacity is taken into account in calculating the period before the engagement partner is rotated off the engagement team. However, where the engagement partner has already served for four or more years, that individual may continue to serve as the engagement partner for not more than two years after the entity becomes such a public interest entity or another listed entity</p>
3.14	<p>In circumstances where the audit committee (or equivalent) of an entity that is a public interest entity or another listed entity decide that a degree of flexibility over the timing of rotation is necessary to safeguard the quality of the engagement and the firm agrees, the engagement partner may continue in this position for an additional period of up to two years, so that no longer than seven years in total is spent in the position of engagement partner. An audit committee and the firm may consider that such flexibility safeguards the quality of the engagement, for example, where:</p> <ul style="list-style-type: none"> • substantial change has recently been made or will soon be made to the nature or structure of the entity's business; or • there are unexpected changes in the senior management of the entity; or • the firm, having taken all reasonable succession planning steps, has no other partners with the necessary knowledge and experience who are able to take over as engagement partner.

Paragraph	Ethical Standard requirement
	<p>In these circumstances alternative safeguards are applied to reduce any threats to a level where it is not probable that an objective, reasonable and informed third party would conclude the integrity, objectivity or independence of the firm or covered persons are compromised. Such safeguards may include ensuring that an expanded review of the engagement work is undertaken by the engagement quality reviewer or a partner with relevant expertise, who is not involved in the engagement.</p> <p>If an engagement partner rotates off an engagement after five years, then the option to extend for an additional period of two years is no longer available.</p>

Source: Ethical Standard (2024)

72. The scope of paragraph 3.10 is extended at Audit Scotland to apply to:

- all audited bodies
- all members of an audit team.

73. In the case of the Scottish Government audit, and any other audit where the audit opinion is signed by the Auditor General, it is the relevant Audit Director that is considered to be the engagement lead for the purposes of the time limits.

74. Although Audit Scotland applies the five-year rotation as standard, where circumstances require a degree of flexibility over the timing of rotation to safeguard the quality of the audits, this may be extended for an additional period of up to two years for engagement leads, so that no individual spends longer than seven years in total in the role of engagement lead on the same audit.

Engagement Quality Reviewers and Other Key Partners Involved in the Engagement

Exhibit 18

Paragraph	Ethical Standard requirement
	<p>In the case of public interest entities and other listed entities, the firm shall establish policies and procedures to ensure in respect of a recurring engagement that:</p>
3.19	<p>(a) no one shall act as the engagement quality reviewer or a key partner involved in the engagement for a period longer than seven years;</p> <p>(b) where an engagement quality reviewer or a key partner involved in the engagement becomes the engagement partner, the combined period of service in these positions shall not exceed seven years; and</p>

Paragraph	Ethical Standard requirement
	<p>(c) anyone who has acted:</p> <ul style="list-style-type: none"> (i) as an engagement quality reviewer for a particular entity for a period of seven years, whether continuously or in aggregate, shall not participate in the engagement until a further period of five years has elapsed; (ii) as a key partner involved in the engagement for a particular entity for a period of seven years, whether continuously or in aggregate, shall not participate in the engagement until a further period of two years has elapsed; (iii) in a combination of roles as: <ul style="list-style-type: none"> – the engagement quality reviewer, – a key partner involved in the engagement, or – the engagement partner <p>for a particular entity for a period of seven years, whether continuously or in aggregate, shall not participate in the engagement until a further period of five years has elapsed.</p> <p>The policies and procedures established by the firm shall include, in the application of the requirements in sub paragraphs (a) to (c)(iii) any time spent participating in an engagement where an audit engagement has moved between firms.</p>

Source: Ethical Standard (2024)

75. The scope of paragraph 3.20 is extended at Audit Scotland to apply to all audited bodies.

76. The 'Key partner involved in the engagement' is the group engagement lead responsible under ISA(UK) 600 for key decisions or judgements on significant matters related to group entities.

Other Partners and Staff Involved in the Engagement in Senior Positions

Exhibit 19

Paragraph	Ethical Standard requirement
3.20	<p>In the case of public interest entities and other listed entities, the engagement partner shall review the safeguards put in place to address the threats to the objectivity and independence of the person or persons conducting the engagement arising where partners and staff have been involved in the engagement, or been responsible for the relationship between the audit firm and the entity, including periods prior to the firm's appointment as auditor, in</p>

Paragraph	Ethical Standard requirement
	senior positions for a continuous period longer than seven years and shall discuss those situations with the Ethics Function / Partner.

Source: Ethical Standard (2024)

77. All staff will normally be limited to five years on any one audit, except in exceptional circumstances where the Ethics Partner may allow the limit to be extended by up to two years for the engagement lead.

Section 4. Fees, remuneration and evaluation policies, gifts and hospitality, litigation

Introduction

78. Section 4 of the Standard sets out the requirements concerning fees and remuneration.

79. Expected fees for Audit Scotland's audits are set by AQA independently of auditors. This provides a strong control against threats to independence in combination with the independent appointment.

Fees

Exhibit 20

Paragraph	Ethical Standard requirement
4.1	The engagement partner shall be satisfied and able to demonstrate that the engagement has assigned to it sufficient partners and staff with appropriate time and skill to perform the engagement in accordance with all applicable Engagement and Ethical Standards, irrespective of the engagement fee to be charged.

Source: Ethical Standard (2024)

80. Engagement leads for annual audits and performance audit outputs must be satisfied that each audit is properly resources with sufficient staff with appropriate time and skills for the expected demands of the audit

81. The engagement lead's assessment should not be affected by the audit fee, budget or planned timetable.

Exhibit 21

Paragraph	Ethical Standard requirement
4.5	Fees for the provision of engagements, non-audit and audit-related services to an entity relevant to an engagement shall not be contingent fees.

Source: Ethical Standard (2024)

82. Audit Scotland does not undertake any work on a contingent fee basis.

Exhibit 22

Paragraph	Ethical Standard requirement
4.21	Where it is expected that the total fees for services receivable from a non-listed entity that is not a public interest entity and its subsidiaries or a collection of entities with the same beneficial owner or controlling party (which is not a corporate holding entity) relevant to a recurring engagement by the firm will regularly exceed 15% of the annual fee income of the firm or, where profits are not shared on a firm-wide basis, of the part of the firm by reference to which the engagement partner's profit share is calculated, the firm shall not act as the provider of the engagement for that entity and shall either resign or not stand for reappointment, as appropriate.
4.25	Where it is expected that the total fees for services receivable from a public interest entity or other listed entity and its subsidiaries or a collection of entities with the same beneficial owner or controlling party (which is not a corporate holding entity) relevant to a recurring engagement by the firm will regularly exceed 5% of the annual fee income of the firm or the part of the firm by reference to which the engagement partner's profit share is calculated, but will not regularly exceed 10%, the engagement partner shall disclose that expectation to the Ethics Partner/Function and to those charged with governance of the entity, including the audit committee where there is one, and discusses with both the threat to integrity, objectivity and independence of the firm and covered persons and whether safeguards need to be applied to eliminate or reduce the threat to a level where independence would not be compromised.
4.29	Where it is expected that the total fees for services receivable from a non-listed entity, that is not a public interest entity, and its subsidiaries or a collection of entities with the same beneficial owner or controlling party (which is not a corporate holding entity) relevant to a recurring engagement will regularly exceed 10% of the annual fee income of the firm or the part of the firm by reference to which the engagement partner's profit share is calculated, but will not regularly exceed 15%, the engagement partner shall disclose that expectation to the Ethics Partner/Function and to those charged with governance of the entity and the firm shall arrange an external independent quality control review of the engagement to be undertaken, before the firm's report is finalised.

Source: Ethical Standard (2024)

83. The Scottish Government group audit is the only audit which normally has fees exceeding 10% of ASG's total fee income. However, each group component is audited independently and the engagement lead for the

consolidated account has no direct influence, in that role, over the audit judgements for the components.

84. The threats to objectivity envisaged by the standard are fully mitigated because these audit appointments are made independently of the body by the Auditor General and consequently this requirement does not apply.

Remuneration and Evaluation Policies

Exhibit 23

Paragraph	Ethical Standard requirement
	The firm shall establish policies and procedures to ensure that each of the following is true in relation to each entity relevant to an engagement by the firm:
4.34	<p>(a) a primary criterion for evaluating the performance or promotion of members of the engagement team is how they have contributed to the quality of engagements undertaken;</p> <p>(b) the objectives of the members of the engagement team do not include selling non-audit / additional services to the entity;</p> <p>(c) the criteria for evaluating the performance or promotion of members of the engagement team do not include success in selling non-audit / additional services to the entity; and</p> <p>(d) no specific element of the remuneration of a member of the engagement team is based on their success in selling non-audit / additional services to the entity.</p>

Source: Ethical Standard (2024)

85. The selling of non-audit services is not a feature of either performance appraisal or staff remuneration at Audit Scotland.

Gifts and hospitality

Exhibit 24

Paragraph	Ethical Standard requirement
4.38	A firm, its partners and any covered person, and persons closely associated with them, shall not offer or accept pecuniary and nonpecuniary gifts or favours, including hospitality, from an entity relevant to the engagement, or any other entity related to that entity, unless an objective, reasonable and informed third party would consider the value thereof as trivial or inconsequential

Paragraph	Ethical Standard requirement
4.40	The firm shall establish policies on the nature and value of gifts, favours and hospitality that may be accepted from and offered to other entities, which are likely to subsequently become an entity relevant to an engagement and issue guidance to assist partners and staff to comply with such policies, including on events that would trigger the application of the policy

Source: Ethical Standard (2024)

86. Audit Scotland has a gift and hospitality policy which is consistent with the Standard's requirements and is set out in the Code of Conduct.

87. You must confirm compliance with the policy (or declare any non-compliance) in the annual Fit and Proper self-assessment form.

Section 5. Non-audit / Additional services provided to audited entities

Introduction

- 88.** Section 5 of the Standard sets out the requirements for providing professional services to audited bodies in addition to the core audit work.
- 89.** Audit Scotland's focus is on the delivery of the audit, and there is no incentive to promote non-audit services. Any such work will be carried out only if requested and can be accepted only with approval from the Ethics Partner and AQA.

General Approach to Non-audit / Additional Services

Exhibit 25

Paragraph	Ethical Standard requirement
5.10	The firm shall require others within the firm, when considering whether to provide a non-audit / additional service to an entity relevant to an engagement, or to any of its affiliates, to communicate details of the proposed non-audit / additional service to the engagement partner who considers the implications for the integrity, objectivity and independence of the firm and covered persons before provision of the non-audit / additional service is accepted.

Source: Ethical Standard (2024)

- 90.** Any proposed professional services in addition to the audit to be carried out by Audit Scotland staff at an audited body must be arranged through the engagement lead. All staff need to be alert to any requests from audited body staff for any improvement work or advice and must discuss any proposed work with the engagement lead before it is carried out.
- 91.** Engagement leads must identify and assess the significance of any threats related to the delivery of the requested service, including whether independence would be compromised. This includes considering the:
- likely relevance and impact of the service on the financial statements
 - size of the service and the associated fee

- Audit Scotland staff who would be carrying out the service, and the staff from the audited body who would be involved.

92. If the engagement lead is satisfied that the proposed service does not represent a conflict with Audit Scotland's role as auditor, particularly a self-review threat, they should request approval from the Ethics Partner. Requests should be made in writing and should be accompanied by express assurance from the engagement lead that they have reviewed the proposed work and that they do not consider that it represents a conflict.

93. If the Ethics Partner approves the request, the engagement lead must then seek in writing approval from AQA. AQA will make its decision on any request having regard to the requirements of the Standard and may consult Audit Scotland's Ethics Partner.

94. Audit Scotland staff do not provide professional services to bodies that are not audited bodies.

Approach to Non-audit / Additional Services Provided in any Statutory Audit Engagement

Exhibit 26

Paragraph	Ethical Standard requirement
5.44	In evaluating threats to compliance with the overarching principles of integrity, objectivity and independence arising from the provision of non-audit / additional services, the requirements and guidance below (paragraphs 5.45 to 5.131) apply to all entities as indicated relevant to an engagement.

Source: Ethical Standard (2024)

95. Paragraphs 5.45 to 5.131 of the Standard set out requirements for, and provide guidance relevant to, the following professional services: Internal audit services; Information technology services; Valuation services; Actuarial valuation services; Tax services; Litigation support services; Legal services; Recruitment and remuneration services; Corporate finance services; Transaction related services; Restructuring services; and Accounting Services.

96. The requirements of paragraph 5.44 to 5.131 apply to all audited bodies.

Audit related services

Exhibit 27

Paragraph	Ethical Standard requirement
5.36	<p>Audit related services are:</p> <ul style="list-style-type: none"> • Reporting required by law or regulation to be provided by an auditor; • Reviews of interim financial information; • Reporting on regulatory returns; • Reporting to a regulator on client assets; • Reporting on government grants; • Reporting on internal financial controls when required by law or regulation; • Extended audit work that is authorised by those charged with governance performed on financial information and/or financial controls where this work is integrated with the audit work and is performed on the same principal terms and conditions

Source: Ethical Standard (2024)

97. Audit related services are those non-audit services where the work is:

- largely carried out by the audit team
- closely related to the annual audit.

98. The type of audit related service most likely to be undertaken by Audit Scotland staff is work on the certification of government grants and similar returns.

99. Other than the returns expressly set out in each year's guidance on planning the annual audit, engagement leads must seek approval from the Ethics Partner before accepting any requests for audit related services. Approval from AQA is also required.

Appendix 1. Threats to integrity, objectivity and independence

Threat	Meaning
Self-interest	<p>Arises where holding financial or other interests which might cause a member of staff to be perceived to be reluctant to take actions that would be adverse to such interests.</p> <p>In relation to non-audit services, the main self-interest threats concern fees and economic dependence.</p>
Self-review	<p>Arises when the results of non-audit services are reflected in the amounts included in the financial statements or other subject matter information.</p>
Management	<p>Arises where non-audit services are provided and, based on that work, management are required to make judgments and take decisions. The persons conducting the service may become closely aligned with the views and interests of the audited body and this may erode the distinction between the body and Audit Scotland, impairing the ability to apply a proper degree of professional scepticism.</p>
Advocacy	<p>Arises if Audit Scotland undertook work that involves acting as an advocate for an audited body, and supporting a position taken by the audited body in an adversarial or promotional context.</p>
Familiarity	<p>Arises when a member of Audit Scotland staff is predisposed to accept, or is insufficiently questioning of, the point of view of an audited body due to close personal relationships with personnel that have developed because of a long association with the body.</p>
Intimidation	<p>Arises when the conduct of a member of Audit Scotland staff is influenced by fear or threats such as where the audit team encounter an aggressive or dominating individual at an audited body.</p>

Appendix 2. Institute ethics codes

The IESBA develops ethical standards and guidance for use by professional accountants. The [IESBA Code](#) serves as the foundation for codes of ethics developed and enforced by members of the International Federation of Accountants (IFAC). The current edition was issued in August 2024. No member body of IFAC or firm issuing reports in accordance with standards issued by the International Auditing and Assurance Standards Board is allowed to apply less stringent standards than those stated in the IESBA Code. The

Each professional institute in the UK has adopted the IESBA Code as the basis for their own ethics codes.

Members are required to comply with their institute's code. Information on each institute's ethics code is as follows:

- CIPFA - [Standard of Professional Practice on Ethics](#)
- ICAS - [Code of Ethics](#)
- ACCA - [Code of Ethics and Conduct](#)
- ICAEW - [Code of Ethics](#)

Ethical Standard

Application guidance and policies



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Information Security Management Policy

Annual review

Item 12.

Digital Project Manager

Meeting date:
20 May 2025

Purpose

1. This report asks the Audit Scotland Board to approve the refreshed Information Security Management Policy as part of the annual review process.

Recommendations

2. The Board is invited to:

- Note the refreshed policy and provide approval.
- Approve the inclusion of a new objective in the policy for supplier evaluation.

Background

3. The Information Security Management Policy sets out the importance of information security and what it means to Audit Scotland, because as an organisation we are responsible for not only our information but also our client's information.

4. The policy has been refreshed to include requirements of the new ISO 27001:2022 standard, plans to address strengthening security controls and the recommendation to introduce a new objective to address risks associated with supplier evaluation.

5. The visio diagram in Appendix 1 has been updated to reflect documentation changes since the last policy approval in 2024.

6. The policy was approved by the Information Governance Management Group (IGMG) on 4 April 2025 and Executive Team on 28 April 2025. The final stage in the approval process is consideration by the Board.

7. For assurance, the effectiveness of the objectives set out in the policy are monitored by IGMG and evaluated through the IGMG six monthly check in process.

Financial Implications

8. There are no financial implications linked to this report.

Considerations

- Through ISO certification, Audit Scotland is required to comply with the controls set out in the information security standard. Our certification to the ISO standard requires that we have an Information Security Management Policy in place that is approved by top management.
- On 17 April 2025 we completed the transition audit to the new ISO 27001:2022 standard, with no Non-conformances raised and we have since received confirmation that Audit Scotland are now certified to the new standard.
- ISO certification requires that all our ISMS documentation including this policy are subject to ISO surveillance audits by a UKAS accredited body every six months and re-certification every 3 years.
- The policy update proposes a new objective to help improve compliance with internal supplier onboarding processes. Introducing this new objective will help support current challenges in getting Audit Scotland staff to comply with supplier onboarding processes and aligning it to our information classifications.
- Compliance with the Information Security Management policy is a requirement for all Audit Scotland employees and confirmation of this is validated through the annual Fit and Proper process.
- The key changes in the policy that require Board consideration are noted in the table below.

Proposed policy change	Reason for change
Introduction title update and section 5 update on applicable information security requirements.	To meet requirements of ISO 27001:2022 5.1 (a) & (d).
Section 9 new objective for supplier evaluation recommended.	To help improve compliance with internal supplier onboarding processes.
Section 9 ISO update.	Removing reference to ISO 27001:2013 now that Audit Scotland are certified to the new standard.

Consultation and communication

- Once approved, the policy will be published for all interested parties to access, internally on our Staff Handbook and externally on the Audit Scotland website.
- At the Executive Team meeting on 28 April 2025 there was a request that if approved, the Executive Team support the promotion of the new supplier evaluation objective to the wider business. Executive Team is fully committed to this. This message from Executive Team will reaffirm the responsibilities Audit Scotland employees responsible for supplier onboarding have to comply with the internal supplier policies and procedures.

Conclusion

9. The Information Security Management Policy is an integral part of our digital security and information governance processes for compliance with ISO 27001:2022.

Information Security Management Policy

Owned and maintained by:	Digital Services / Head of Digital Services
Date checked/ created:	IGMG approved [04/04/25], Executive Team 28/04/25
Next review date:	Board review 20/05/25

Introduction – What information security means to Audit Scotland

1. This policy sets out that in respect of the information Audit Scotland holds and processes it will have arrangements in place to:
 - protect and maintain the confidentiality, integrity, quality, and availability of all the information it holds and processes
 - manage all the information it holds and processes to meet its contractual, legal, and regulatory obligations.
2. This policy aligns to the Audit Scotland Corporate and Business Plans.
3. This policy is supported by the Information Security Management System documentation shown in the diagram at Appendix 1.

Commented [NP1]: More explicit title to cover ISO 2022 5.1 (a) definition of info sec

Commented [NP2]: ISO 2022 5.1 (c) the principles guiding information security (CIA)

Scope

4. This policy is mandatory for all employees, contractors and consultants employed by Audit Scotland. Failure to comply with this policy and supporting information security policies may result in disciplinary action.
5. This policy covers all regulations, legislation and contracts that affect Audit Scotland's information security and the commitment to satisfy applicable requirements related to information security.
6. This policy is made available to all interested parties.
7. Where appropriate and necessary individual policies state the requirements and processes for handling exemptions and exceptions.

Commented [NP3]: ISO 2022 requirement 5.1 (d)

Information sensitivity classifications

8. Information will be managed in accordance with the Audit Scotland Information classifications as below:
 - Public – Information which has been published or would be readily released under a Freedom of Information (FOI) request

- Controlled – Information that has not yet been published and would require review before sharing with others
- Personal – Information defined as personal data by the UK Data Protection legislation (UK GDPR) and would not be released unless it is lawful to do so. Any information that can identify an individual is defined as Personal.
 - Protected Personal – A sub category of Personal Information that covers sensitive personal information that comprises of:
 - Information classified as “special categories of personal data” under UK GDPR – Race, ethnic origin, political opinions, religious or philosophical beliefs, trade union membership, genetic data, biometric data, health data, sex life or sexual orientation.
 - *Detailed unique financial data*, for example a salary or pension amount and *unique identifiers* used for personal life, for example personal mobile number, NI number, Passport Number or Driving Licence number.

Information Security Objectives

9. Audit Scotland will:

- treat information security as business critical, whether that be for Audit Scotland information or client data managed by Audit Scotland and meet legislative and regulatory requirements (including intellectual property rights)
- seek to ensure the confidentiality, integrity and availability of Audit Scotland's and client owned information, held by, and managed by Audit Scotland
- produce, maintain, and test business continuity plans to ensure the availability of its information and information systems
- ensure that wherever possible its information is open, not restricted by financial or legal agreements
- comply with all relevant data protection regulations and ~~implement-develop~~ privacy by design and zero trust security in all information systems
- identify and implement appropriate controls for information assets proportionate to levels of risk
- manage information security risks to an acceptable level, as defined in the Risk Framework
- minimise risk as much as possible when evaluating new suppliers, taking into consideration Audit Scotland information classifications
- communicate all appropriate information security policies to all employees, contractors, consultants, clients and other stakeholders

Commented [HG4]: Tweaked the wording so it flows from the 'will'

Commented [NP5]: New proposed objective - approved by IGMG and Executive Team

- allocate individual accountability for compliance with all appropriate information security policies, standards, guidance and procedures
- report and investigate all information security breaches, whether actual or suspected and ensure they are reported and investigated in line with approved policies.
- continue to improve information security management and training to raise awareness of the importance of information security regularly to our colleagues,
- develop, implement, and maintain an Information Security Management System (ISMS) in accordance with guidance contained within [ISO/IEC 27001:2013](#) [ISO/IEC 27001:2022](#) standard.

Commented [NP6]: Updated to reflect Audit Scotland certificate transition to the new ISO 27001:2022 standard.

Information Security Management Roles & Responsibilities

10. Audit Scotland's Board through its Audit Committee has oversight of risks, including information risks.
11. Audit Scotland's Accountable Officer, with support from the Executive Team, has overall responsibility for ensuring this policy is effectively implemented and delivered.
12. Audit Scotland's Senior Information Risk Officer (SIRO) is the Chief Operating Officer, who is responsible for the overall management of the organisation's information risks.
13. The Digital Services Management Team (DSMT) ensures the latest updates are provided to Senior Management demonstrating leadership and commitment to ISO 27001.
14. A 6-monthly update on Digital Security is provided to Executive Team and then the Audit Committee.
15. Audit Scotland's Executive Team will implement and manage appropriate controls to enable conformance to information security policies within their own areas of responsibility and will ensure individual accountability for control performance.
16. The ~~Knowledge, Information and Technology~~ Governance ~~Management~~ Group (~~KITGG~~~~IGMG~~) will support the Accountable Officer, Senior Information Risk Officer and Executive Team by assessing and mitigating information security risks and threats through standing agenda items on Digital Security and Corporate Risk Register review, both providing assurance.
17. The ~~IGMG~~~~KITGG~~ will maintain this policy and associated information security policies ensuring they are communicated, reviewed, and updated in response to changes in risks faced by Audit Scotland, legislation, and internal operational working practices.
18. The ~~IGMG~~~~KITGG~~ will review and monitor all information security policies and our performance in meeting their requirements is monitored and reviewed on an annual basis.

19. The DSMT will maintain the Digital Services Strategy, information security standards, guidance and procedures ensuring they are communicated, reviewed, and updated in response to changes in risks faced by Audit Scotland, legislation, and internal operational working practice.
20. The Digital Services Team will deliver the Digital Services Strategy ensuring that all the Audit Scotland's digital systems and services provide an environment that is independent of location, where colleagues can work safely, securely, and effectively, while supporting high quality audit work.
21. The Data Protection Officer for Audit Scotland is responsible for updating Audit Scotland's Data Protection Policy, managing data subject access requests, and providing governance and compliance advice to staff.
22. Information Asset Owners must understand what information is held by their business group/teams, and approve the permissions required to access it.
23. All Managers will be responsible for implementing and communicating appropriate information security policies, guidance, and procedures.
24. All employees, contractors and consultants employed by Audit Scotland are required to play an active role in the protection of Audit Scotland's assets and treat information security appropriately, in order that this purpose can be achieved.

Objectives Evaluation

25. Evaluation of our information security objectives in section ~~940~~ is reported through ~~IGMG~~**KITGG**.

Change Log

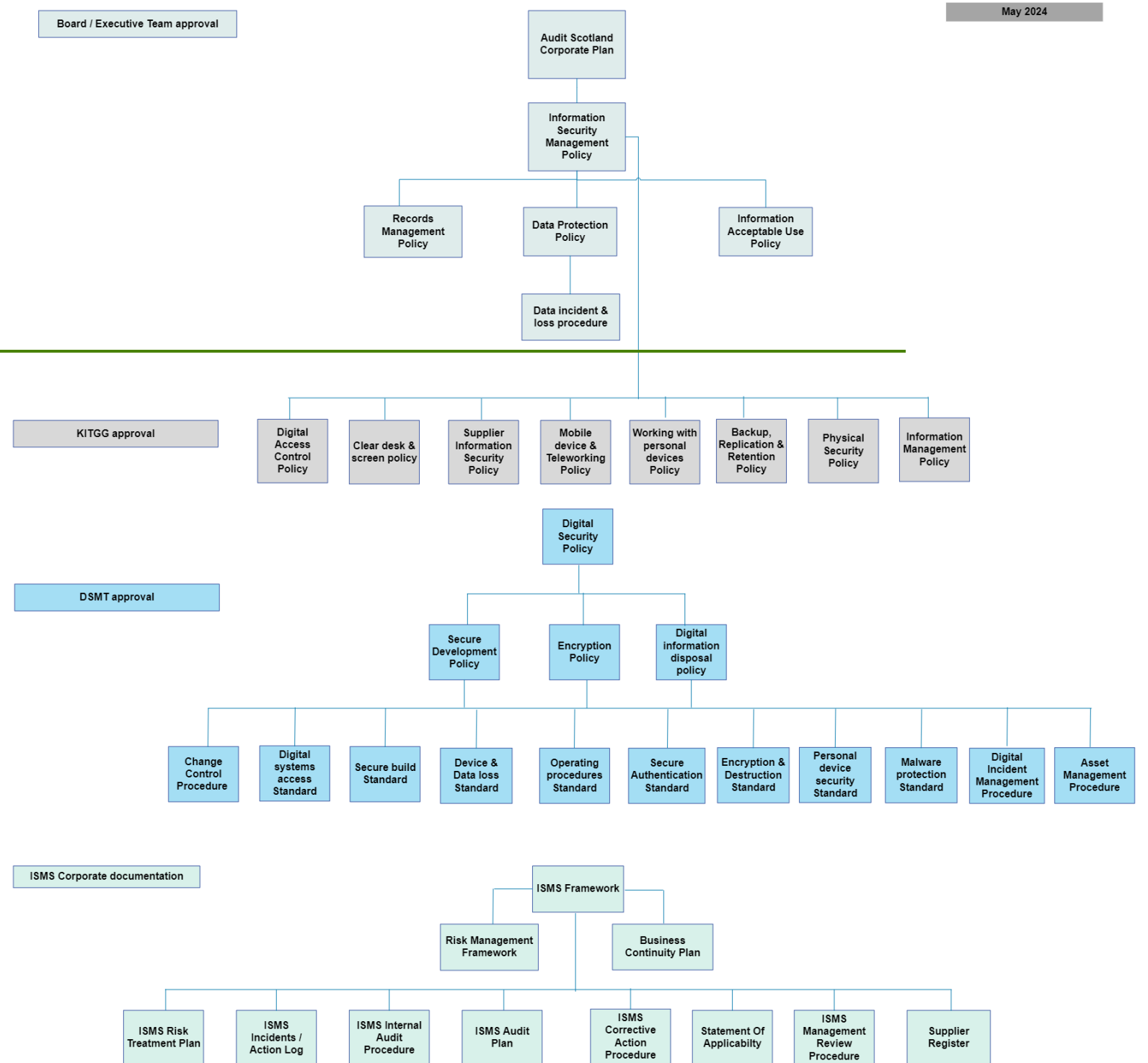
Date	Author	Description
13/05/20	Digital Services Manager	Annual refresh, additional objective included, CGM role updated and removed reference to Cyber Essentials Plus as superseded by ISO 27001. Board approved.
22/09/21	Digital Services Manager	Delayed annual refresh, minor change to responsibilities to include the Digital Services Strategy and Digital Services Team. KITGG and Management Team approved, with final sign off by the Audit Scotland Board on 22/09/21.
17/05/22	Digital Services Manager	Annual effectiveness review of policy and review timing aligned with all other ISMS documentation. Renamed Commitments section to be aligned with ISMS Framework & Scope. Additional objectives included with an emphasis on risk and raising awareness of

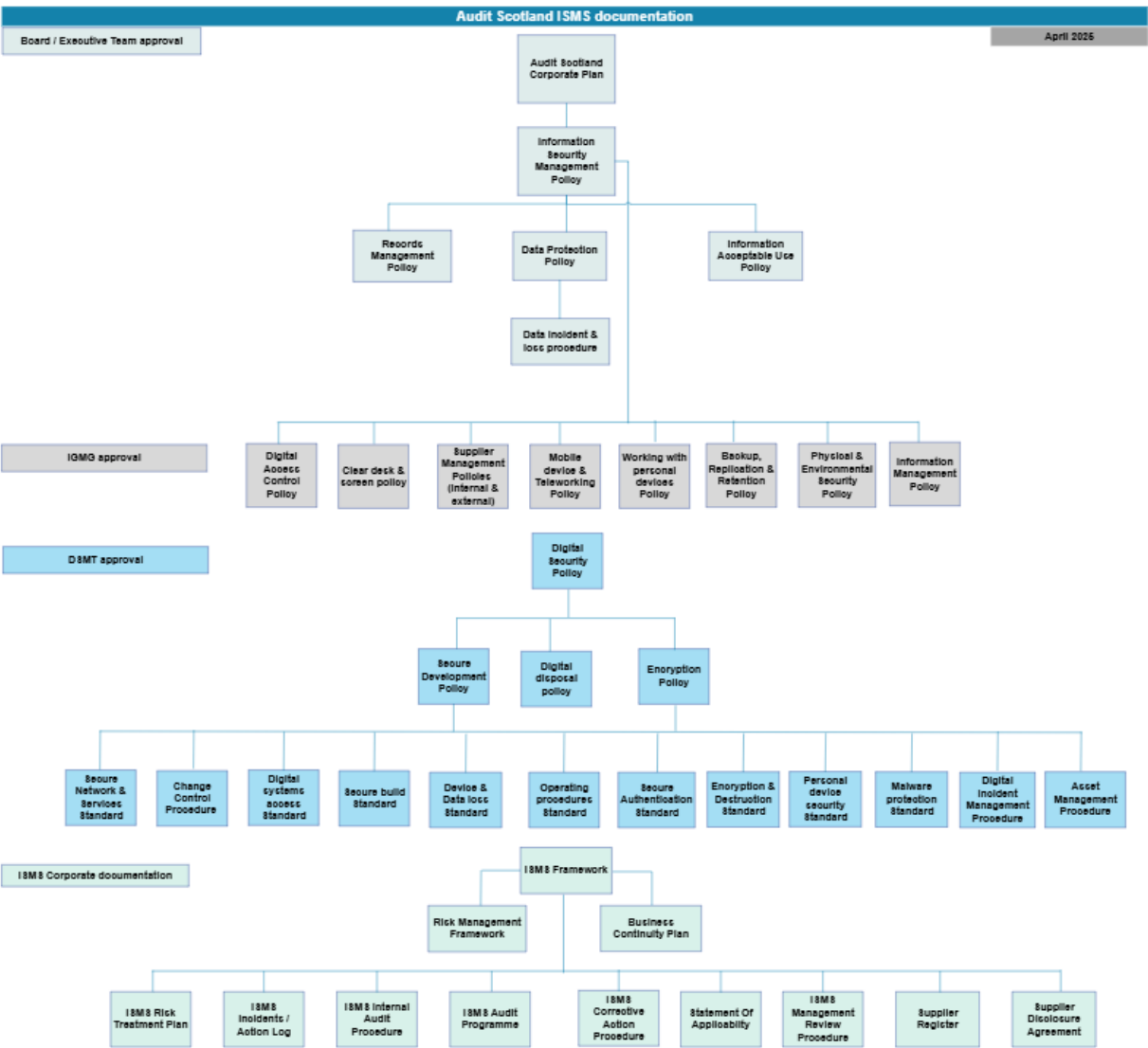
		information security. ISMS environment diagram updated to reflect document changes. Board approved.
23/05/23	Head of Digital Services	Annual review and approval of the policy by KITGG, Executive Team and the Audit Scotland Board. Minor updates made including the addition of a reference to training.
March 2024	Head of Digital Services	Annual review of policy by KITGG in March, then for review and approval by ET and the Board. Updates reflecting compliance with ISO 27001:2013 and the new standard ISO 27001:2022.
May 2024	Head of Digital Services	Approved by Executive Team 08/05/24 and the Audit Scotland Board 21/05/24.
<u>April 2025</u>	<u>Head of Digital Services</u>	<u>IGMG approval 04/04/25, ET 28/04/25 and for Board review 20/05/25.</u>

Appendix 1

Commented [NP7]: See updated visio on next page.

Audit Scotland ISMS documentation





Commented [NP8]: Updates to the diagram as follows:

- KITGG now IGMG
- Physical security policy now Physical and environmental security policy
- Supplier policies - We now have both an internal policy for staff and external policy for sharing with suppliers
- Digital disposal policy added, Digital information policy no longer exists, content merged
- Secure Network & Services Standard ISO 27001:2022 8.15, 8.16, 8.20, 8.21 and 8.22
- Supplier Disclosure Agreement added ISO 27001:2022 6.6.

Staff Handbook policy review 2025

Diversity and Equality Policy

Item 13.

Head of HR

Meeting date:
20 May 2025

Purpose

1. This report is to ask the Board to approve the changes proposed to the Diversity and Equality policy (appendix one).

Recommendations

2. The Board is invited to:

- Consider the changes proposed in the policy attached.
- Note the report and consultation undertaken.
- Approve the revised policy.

Background

3. The Board is invited to consider the policy as part of the annual policy review.

4. The changes made to the policy have been shared with our recognised trade union, PCS, our business group People Leads and our Executive Team for their review and approval.

Considerations

5. An internal audit report on Governance last year identified a low-level recommendation that we should include a version control table on any Corporate Governance documentation. Therefore, an appendix is now being added to all future policy reviews for this purpose.

6. A summary of the changes to the policy is set out in the table below for ease of reference:

Policy description	Review outcome
Diversity and Equality Policy	Minor changes made to include our values, the introduction of our employee passport scheme and the new data collation (carer status and socio-economic status) which will be

Policy description	Review outcome
	<p>reported on from March 2025 in our future Diversity and Equality reporting.</p> <p>The name of the internal equality group has been updated from the Equality and Human Rights Steering Group to the new Equality and Human Rights Strategic Group. This was changed during a review of our Corporate Forums in 2024.</p> <p>Reference to our old performance appraisal scheme, named 3D, has been removed.</p>

Conclusion

7. The Board are asked to approve the revised policy.
8. Following approval, this will be published in our staff handbook and shared with all colleagues for their awareness via Viva Engage, our internal communications channel.

Diversity and Equality policy

Owned and maintained by:	Human Resources
Date checked/ created:	May 2023 April 2025
Next review date:	June 2025 June 2027

Introduction

Audit Scotland is committed to eliminating discrimination, valuing and promoting equality and diversity amongst our workforce and will work towards increasing the diversity of our employees. It is our policy to treat all job applicants and employees fairly and equitably regardless of age, disability, sex, gender reassignment status, marriage or civil partnership status, maternity or pregnancy, race, religion or belief or sexual orientation¹.

[Our organisational values include **equality** and **respect**. We have a values charter which sets out what it looks like when we are getting these right for our colleagues.](#)

We will strive to take a leading role in advancing equal opportunities practices and diversity both as an employer and in our auditing role. In relation to employment, this policy statement applies to recruitment and selection, promotion, training, terms and conditions of employment, pay and benefits and every other aspect of employment, including general treatment at work and the processes involved in the cessation of employment.

This policy applies to all to job applicants (internal and external), employees, secondees, agency staff, clients, suppliers and contractors, whether permanent or temporary.

Audit Scotland will do all it reasonably can to promote good practice in this area in order to eliminate discrimination, harassment and victimisation, advance equality of opportunity and promote good relations.

Audit Scotland aims to be an organisation which is broadly representative of the communities it serves. We will demonstrate our commitment by:

- Ensuring diversity and equality is at the heart of policy-making and taking a lead role in demonstrating best practice.

¹These characteristics are called 'protected characteristics' as defined by The Equality Act 2010. Audit Scotland considers Disability under the social model of disability. We recognise that it is often the barriers in society that exclude people with disabilities, rather than individual impairments and conditions.

- Actively promoting equality of opportunity through circulating recruitment vacancy details as widely as possible and monitoring our recruitment practices.
- Treating all our employees with respect and equality of opportunity in order that their selection and subsequent development is based entirely on merit.
- Creating a working environment that promotes dignity and respect for all. No form of discrimination², bullying, harassment or victimisation will be tolerated against any current or prospective employee on the grounds of their age, disability, sex, gender reassignment, marriage or civil partnership, maternity or pregnancy, race, religion or belief or sexual orientation.
- Raising employee awareness about equality and valuing diversity and enabling managers to promote and be accountable for equality of opportunity through [performance and 3D](#)-developmental discussion and training for all employees.
- Positively valuing the different attributes, perspectives and skills of employees and making full use of these.
- Putting in place any reasonable adjustments to the job or working conditions for a disabled colleague or prospective employee.

Recruitment and selection

We will carefully consider whether vacancies should be advertised internally or externally. Where externally advertised, we are committed to developing and monitoring our recruitment and employment policies to ensure they are accessible to all sections of the community.

When establishing criteria~~on~~^{for} for recruitment into vacant posts, we will consider carefully what is relevant and necessary for the effective performance of the job. Criterion will not be imposed unless there is a proper job-based reason why they are necessary.

All job applicants will be asked to complete an online diversity monitoring section including details of their age, disability, ethnic origin, sex and race, religion or belief, and sexual orientation³. Audit Scotland guarantees the information provided will be used solely for the purposes of monitoring the effectiveness of our diversity and equality policy and will be kept confidential by the Human Resources (HR) team.

² The non-discrimination principle in this policy includes the prohibition of discrimination against an individual because they associate with someone with a protected characteristic, for example, an employee who is married to someone from a minority ethnic group. It applies equally to situations where someone thinks or perceives (rightly or wrongly) that a colleague has a particular protected characteristic e.g. they are undergoing or have undergone gender reassignment or have a disability.

³ This is voluntary and includes a “prefer not to say” option.

All ~~managers~~ colleagues involved in any form of recruitment or selection will first complete recruitment and selection training, which includes the topic of diversity and equality, woven throughout the session, a dedicated diversity and equality module. Our separate on-line diversity ~~training package~~ training package for managers also provides practical examples of diversity and equality issues in relation to recruitment and selection. Members of the HR team work closely with managers at all stages of the recruitment process, advising and supporting them on good practice and helping with individual questions that arise. This training can be found on our Learning Management System.

Monitoring

We are committed to our monitoring requirements under the Equality Act 2010 and meeting our general and specific duties under this act.

To ensure accuracy in our reporting, employees are asked to update their diversity information annually. This includes details of their protected characteristics including disability, religion or belief and sexual orientation.

We also collate information on carer status and socio-economic status.

We guarantee that the information provided will be used solely for the purpose of monitoring the effectiveness of our diversity and equality policy and will be held securely.

All business groups have representatives on the Equality and Human Rights ~~Strategic Steering~~ Group (EHRSG). This group is responsible for our Equality Outcomes and Mainstreaming reporting, a full report is produced every four years. Annual reporting is carried out on equality and diversity across our workforce and recruitment activity by the HR team.

This reporting information is used to promote discussion and inform future policy and enhance business processes.

Further information on what information we ask employees to provide and how we use it can be found in Appendix One.

Our diversity policies and network groups

Audit Scotland has a number of diversity policies in place, including an equal pay policy statement, religion and belief observance policy, gender reassignment policy, and bullying and harassment policy.

Any employee can use the bullying and harassment or grievance policies to complain about discriminatory conduct. Audit Scotland is keen to ensure that all employees feel comfortable about raising such complaints. Employees should be able to raise a concern in the knowledge that their complaint will not be held against them unless it is made in bad faith e.g. out of malice. All diversity policies can be accessed through our staff handbook.

There are also a variety of employee network groups which can provide guidance and support to colleagues where requested. For example, our Disability Confident working group, our Race, Ethnicity and Cultural

Heritage group and our LGBTQ+ group. Details of the groups available can be found on our [intranet site here](#).

Disability Confident employer

Audit Scotland has received accreditation as a Disability Confident employer (Level 2) under the Disability Confident scheme, awarded by the Department for Work and Pensions. We have made an ongoing commitment to recruitment, retention and development of employees with disabilities.

A disability is a physical or mental impairment which has an adverse effect on a person's ability to carry out normal day-to-day activities. A more detailed definition can be found in the Equality Act 2010.

Employees who have a disability or health condition or who become disabled in the course of their employment are encouraged to inform HR. This is voluntary but participation will help Audit Scotland monitor and improve our policies and working practices. Any information provided is held in confidence and cannot be seen by line managers, although sharing this information with line managers is encouraged to ensure the right support is put into place.

[A new employee passport scheme was introduced in April 2025 to further support those who require adjustments in their role to deliver their work. This includes those with a disability. A copy of the relevant section of the passport can be shared and held with HR as a record of formally agreed adjustments. Information on the scheme can found on the intranet site here.](#)

Under the Equality Act 2010, we have a duty to make reasonable adjustments to the job or working conditions for a disabled colleague or prospective employee. Some examples include:

- adjustments to the workplace to improve access or layout; moving tasks to more accessible areas;
- giving some of the disabled person's duties to another person;
- getting new or adapting existing equipment, e.g., chairs, desks, computers;
- modifying instructions or procedures, e.g., by providing in bigger text or Braille;
- improving communication, e.g., providing a reader or interpreter, having visual as well as audible alarms; and
- changes to working hours, location or working patterns.

Employees can discuss any reasonable adjustments they require with HR or their line manager and are encouraged to suggest any adjustments that they believe would be helpful. Careful consideration will be given to any proposals and, where reasonable, such adjustments will be made.

Personal counselling is also available to all Audit Scotland employees. This can help with a broad range of individual and/or social situations, for example, dealing with physical pain, depression or stress. More details can be found in our Occupational Health and Wellbeing policy.

Audit Scotland is committed to supporting employees who become disabled in the course of their employment to enable them to continue in their current job or a suitable alternative post.

Employee Training

All employees will receive training in diversity and equality of opportunity as a part of their induction. Further training and development is available to all employees as part of our rolling programme of learning across Audit Scotland.

Every person working for Audit Scotland has a personal responsibility for implementing and promoting diversity and equality principles in their day to day dealings with clients and with each other.

Retirement

Audit Scotland does not operate any compulsory retirement age, and each employee may choose for themselves when to stop working, subject to them continuing to be fit to perform their job to a satisfactory standard.

Appendix One

Why do you want my diversity information and what information do Audit Scotland ask for?

We currently ask you to provide information on your:

- Age
- Disability
- Ethnicity
- Sex
- Marital or civil partnership status
- Nationality
- Race
- Religion or belief
- Sexual orientation.

These characteristics (alongside maternity or pregnancy) are covered under the Equality Act 2010 as protected characteristics. The Act bans unfair treatment of people because of a protected characteristic they have.

From 2025, we also ask you to confirm if you are a carer.

We also ask what the occupation of your main house-hold earner was when you were 14 to measure the socio-economic demographic of our workforce.

Why do you want my information and how will you use it?

We want to ensure our practices, systems and policies are not directly or indirectly treating people unfairly. Therefore, each year we produce a report which includes an analysis of employee information (the latest report is available from the Audit Scotland website).

We also produce an equal pay review showing pay gap differences (our latest report is also available on our website). Under the public sector equality duty, we have a legal obligation to gather information on our employees, particularly in relation to recruitment, development and retention across all of the protected characteristics.

We must use the information to better perform the equality duty⁴ and publish a report to show a breakdown of information and details of the progress we have made in gathering and using this information.

We are also required to produce gender pay gap information showing the percentage difference between male and female average pay.

Example:

If our analysis showed a significant difference in the pay between men and women doing work of equal value or a lower proportion of minority ethnic group applicants were making it through our selection processes, then we would examine this further and take action as appropriate.

Why should I tell you about my religion or sexual orientation? It has nothing to do with my job.

We understand that this information is particularly personal and sensitive and you may not want to share it with us. However, we want to ensure our practices, systems and policies are fair and non-discriminatory. If we want to be able to do this, we need your information. Therefore, we encourage you to share your details.

What will happen if I disclose a disability?

If you indicate you have a disability, HR will work with you to determine your particular circumstances and discuss any reasonable adjustment(s) that could be made to support you in your role. However, we acknowledge that often those with a disability don't need or want additional support or assistance. We will not make any assumptions, but will listen to you and agree what, if any, support is required.

⁴ to eliminate discrimination, victimisation, harassment and other prohibited conduct; advance equality of opportunity and foster good relations across the nine protected characteristics.

Who will see the information you hold about me?

Only you and the HR team will be able to access your diversity information. Line managers will not have access. You complete and update the information confidentially on the HR system and it is protected by the General Data Protection Act 2018. We actively encourage you to review and update this information at least annually to ensure any changes are made.

When employee information is reported and published, it is not possible to identify individuals. For example, a report will show the percentage/number of LGBTQ+ employees compared to the percentage of those who are heterosexual. However, no breakdown is provided where fewer than five employees are in a particular category.

We take confidentiality very seriously and you can be assured we will keep your information safe and secure.

Do I have to disclose my information?

No. It is absolutely up to you. However, we would urge you to seriously consider sharing it with us, as it will help us ensure we are not treating people unfairly.

There is some information we need you to provide e.g. date of birth (age) and marital/civil partnership status for payroll / pension purposes and nationality for establishing your right to work in the UK.

Who can I go to if I have a question?

You can approach your line manager in the first instance or contact a member of the HR team. Alternatively, the employee network groups or the Equality and Human Rights [Strategic Steering Group](#) (EHRSG), will be happy to answer any questions. [A list of current members is on SharePoint \(Equality and Human Rights – Steering Group\).](#)

All discussions will be treated confidentially.

[Appendix One](#)

[Review and version control](#)

Date	Action	Comments
April 2025	Policy updated	Minor changes made to include our values, the introduction of our employee passport scheme and the new data collation (carer status and socio economic status).

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Annual assurance reports 2024/25

Item 14.

Meeting date:
20 May 2025

Head of Performance and Corporate Governance

Purpose

1. This report invites the Board to review the annual assurance reports and in accordance with the annual assurance process.

Recommendations

2. The Board is invited to:

- Note the suite of reports set out in the tables below.

Background

3. The governance of crucial business processes and procedures across the organisation is reviewed annually to provide the Audit Committee and Board with assurance and inform the signing of Audit Scotland's annual report and accounts.

Financial Implications

4. There are no financial implications in relation to the reports beyond the person time to prepare the reports and Board time to consider them.

Considerations

5. A suite of annual assurance reports was considered by the Executive Team (ET) at its meetings and via the correspondence process between 03 April and 19 May 2025.

6. The following annual assurance reports was considered by the Audit Committee on 06 May 2025:

- Whistleblowing
- Review of performance management arrangements
- Data Protection and data incidents / loss
- Hospitality and gifts
- Bribery and Fraud

7. The table below summarises the reports, key messages and next steps for reports to be considered by the Board on 20 May.

Report	Date/ summary
a) Information governance and security	Provides positive assurance on information governance and security
b) Complaints	Seven complaints in 2024/25 (compared to four in 2023/24)
c) FOI / EIR	38 requests in 2024/2025 of which 92% dealt within target (compared to 46 requests in 2023/24 of which 93% dealt within target)

8. The table below sets out the dates and next steps for the remaining reports.

Report	Date/ summary	Next steps
d) Correspondence & whistleblowing	Via correspondence, 15 May 2025.	Audit Committee: 03 June
e) Governance Statement and Certificate of Assurance	Scheduled for Executive Team, 19 May 2025.	Audit Committee & Board: 03 June

Annual report: Information governance and security 2024/25

Item 14.

Head of Performance and Corporate Governance and Head of Digital Services

Meeting date:
20 May 2025

Purpose

1. This report provides assurance on our annual assessment of information governance and security management at Audit Scotland. This report forms part of a suite of assurance reports in support of the Accountable Officer's governance statement in the annual report and accounts.

Recommendations

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

Background

3. The information governance and security management assurance process was introduced in 2009/10 and is an annual process.
4. The assurance process covers a review of our work on information governance, risk and security management, staff surveys, assurance checklists and horizon scanning for changing legislation.
5. The Information Governance Management Group (IGMG) oversee the arrangements for information governance, information risk, and security management within Audit Scotland. The IGMG includes colleagues from all business groups.
6. This report has been considered by the IGMG, and it contributes to the Accountable Officer's governance statement for 2024/25.

Assurance and controls

7. The IGMG met six times in 2024/25 to consider and discuss reports on information, knowledge, risk and technology issues. The information risk register was reviewed, discussed and updated on six occasions over the year.
8. In addition, the Information Security Management System (ISMS) Management Review group meet on a quarterly basis and is responsible for evaluating the effectiveness of information security. The group

consider any potential weaknesses in information security arrangements and opportunities to implement improvements.

9. Audit Scotland maintains its commitment to the Information Security Standard ISO 27001:2013 with Digital Services leading a project to transition to the new ISO 27001:2022 standard. A transition audit to certify Audit Scotland to the new standard is scheduled for 17 April 2025 and this will be led by an external accredited body LRQA. Following transition to the new standard we will be audited as part of a 3-year cycle process on all controls in the new standard.

10. In November 2024 an Information Security Survey was issued to Audit Scotland staff. The survey was completed by 41 per cent of colleagues, which is a reduction from the 59.5% who responded to the preceding survey in 2023. The responses to the survey indicate generally good working knowledge and understanding around data protection and information security issues across the organisation. There have been some notable improvements based on previous surveys including in the areas of awareness of policies and procedures, locking laptops, use of secure sharing networks, encrypting personal information and remaining cautious about opening external links or emails. Areas for improvement will be targeted through additional awareness raising via planned Viva Engage posts and blogs.

11. The information security survey will be refined in consultation with Digital Services recognising that the frequency of the KnowB4 training, which has received very positive response rates, provides a good level of assurance on engagement with information security and risks but may have negatively impacted engagement with the information security survey. A further, revised, survey will be scheduled for 2026.

12. The annual assurance process was completed in March 2025. Each Business group completed the assurance review checklists for Accountable Officers and Boards, and for Records Management Compliance. The findings from the annual assurance review checklists provide positive assurance about our information governance arrangements.

13. We produced several briefing papers and blogs during the year to remind colleagues of our information and data security arrangements. This year they included:

- The Data Protection Policy and the Freedom of Information and Environmental Information Policy update in April 2024.
- Freedom of Information blog in support of International Right to Know in September 2024.

14. During 2024-25 the Corporate Governance team posted three detailed blogs on the News page, and nine Viva Engage posts on data protection, information security and data incidents, posting on the 'All Company'

board and also dedicated Group boards to promote awareness and raise the profile of these issues.

15. During 2024-25 the Digital Services Team posted 78 Cyber Security Viva Engage posts and 15 detailed blogs on SharePoint Online, targeting awareness of phishing attacks, guidance on securing personal devices, and improving privacy settings.

Information governance, security and incidents in 2024/25

16. The Information Security Management Policy is scheduled for Executive Team on 28 April and the Audit Scotland Board on 20 May.

17. Digital Services produce digital security update reports on a six-monthly basis, and these are considered by the Executive Team and the Audit Committee.

18. In early August 2024, an Audit Scotland colleague's personal email was compromised and used to create highly credible Business Email Compromise (BEC) phishing emails sent to members of the Executive Team, Board and Audit Committee. Audit Scotland colleagues immediately identified the email as suspicious and once reported all email variants were destroyed and external parties notified.

19. In September 2024, Digital Services successfully contained a phishing incident involving a malicious URL within a phishing email targeting 9 inboxes. One colleague clicked the link, which created an alert, but did not download the file after suspecting it. The remaining eight emails were deleted before any staff interaction.

20. In December 2024, Deloitte UK experienced a significant ransomware attack by the Brain Cipher group, which claimed to have stolen over 1TB of data. The incident highlighted potential vulnerabilities in Deloitte's cybersecurity measures and raised concerns about the potential impact on their clients, including communication and data belonging to Audit Scotland and audited bodies. This was treated as a potential cyber incident but later it was confirmed that our data and data belonging to our audited bodies was not affected.

21. A cyber-attack in April 2024 affecting Dumfries & Galloway NHS occurred during an audit requiring heightened scrutiny and monitoring

22. The Digital Services Team is now at 90% establishment, with Ethan Bayne appointed to the role of Infrastructure and Security Manager in August 2024 and two Infrastructure Security Specialist roles being filled in December 2024 and March 2025 respectively. As these new roles complete onboarding there should be a significant improvement to Digital Services project backlog and the delivery of future projects. Two recruitment campaigns for the SQL Developer have been unsuccessful and DSMT are now reviewing the job description and title in line with ongoing projects and future service needs to attract the right skills. There

is the potential to replace the role with two skilled modern apprentices to support the delivery of APEX and our reporting platforms. The Executive Team will be asked to consider proposals for this outstanding vacant post at its meeting in June as part of the new Digital Strategy.

23. David Robertson took on the role of Chief Information Security Officer (CISO) with overall responsibility for cyber security and resilience. The Digital Services Strategy and improvements to the Cyber Incident Response Plan (CIRP), which has two outstanding Internal Audit medium recommendations for improvement, continue to be delayed but with the increase in establishment we anticipate these will be complete in June 2025.

24. Ransomware attacks continue to be the most significant risk to our business functions, with substantial financial implications for system restoration, data recovery and potential fines, together with reputational damage impacting public and audited entities' trust. Cybercriminals are increasingly employing effective toolkits to compromise devices through successful phishing attacks. We are currently reviewing and enhancing our technical protections on devices and providing essential cybersecurity training designed to increase staff awareness of these emerging threats.

25. Data exfiltration involves cybercriminals stealing sensitive information from our network via malware or phishing. Both external cybercriminals and insiders pose risks, necessitating robust detection and prevention mechanisms to protect Audit Scotland data. In the past six months, our network defences successfully blocked two unusual data transfers, both found to be benign. We continue to closely monitor for abnormal transfers and reinforce acceptable use policies as an additional safeguard.

26. We continue to observe an increase in phishing emails that appear to have been created using Artificial Intelligence (AI) tools. These AI assisted phishing emails are more believable as they are crafted with collected information about the individual or organisation from open-source information (social media, news channels, etc). Outside of email, we are expecting to see more communication channels where AI may be employed to create and imitate someone's appearance, persona, or voice, such as Teams phishing or phone calls ('vishing'). Cybersecurity training has been deployed to raise awareness of this emerging threat with staff.

27. Cyber-attacks continue to originate from criminal organisations, notably from Russia, North Korea, China, and Iran. North Korea continues to use crypto currency from Cyber Crime to fund its weapon program. UK public sector organisations are still actively targeted by state-sponsored actors and hacktivists because of Russia's invasion of Ukraine. This risk is expected to increase as the UK takes a more significant role in supporting Ukraine and the United States Government reduces investment in its cyber defences.

28. Our approach continues to be not ‘if’ we will be subject to a successful cyber-attack, but ‘when’ and to counter these increasing threats Digital Services has completed on the following actions to improve our information security and governance:

- As Windows 10 support is scheduled to conclude in October 2025, Digital Services have completed the successful testing of Windows 11, which includes substantial security improvements. Therefore, the wider rollout of Windows 11 to all Dell laptops has commenced. Concurrently, Windows Server 2025 will be deployed to key servers to enhance cybersecurity resilience. In addition to Windows 11 Digital Services are deploying new laptops that strengthen our ability to mitigate and recover from cyberattacks. All HP laptops will be replaced in the coming months and these will already have Windows 11 deployed.
- Our Infrastructure Security Team has grown in capacity allowing it to better monitor, review, and enact improvements to our devices and network security. The increased capacity also strengthens our ability to detect and mitigate cyberattacks.
- Completed deployment of cloud immutable backups for key business data. These backups are in addition to the ‘air-gapped’ immutable backup solution. Together they provide multiple levels of protection against a successful ransomware, preventing any alteration or deletion of our information, and are more efficient for recovery of data and services.
- Deployed a new proxy service which filters out internet-based malware, phishing, and various attacks. As well as providing enhanced protection against malicious sites and web apps the new advanced proxy service has also delivered a significant reduction in browser-based issues and unclassified websites.
- Digital services continue to rapidly update system vulnerabilities as appropriate and replace legacy systems with current more secure solutions.
- Digital Services monthly cybersecurity training continues with 90%+ monthly completion rate, the January 2025 phishing test logged 1.2% of staff incorrectly clicking on test phishing links, a reduction from 2.3% in for January 2024.
- In January 2025 Digital Services performed an annual systems recovery testing to test our recovery procedures. This identified a significant failure in the backup VPN that reduced the recovery time from an automated two hours to a manual procedure that would take up to one day. This is currently being addressed and will be retested in July 2025

- Completion of a thorough review of all our digital policies to ensure they conform to the new ISO 27001:2022 guidance.
- For compliance with ISO 27001:2022 significant improvements to the ISMS internal audit process, with regular internal audits being completed and evidence of an effective process available for upcoming audits.
- The next NCSC accredited penetration test is preliminary scheduled for May 2025. This has been delayed until after the ISO 27001:2022 transition audit and test the completion of the new Windows 11 deployment test phase and to provide a simulated internal attack for the new Infrastructure Security team.

Key information legislative and governance developments

29. There have been developments to the information governance regulatory and legislative frameworks during the year, including work to improve our internal processes through certification and membership of information security workgroups to:

- transfer to the ISO 27001:2022 certification with assessment audits in April and July 2025.
- participate in the revised Scottish Government Public Sector Action Plan version 2 (PSAP) achieving the advanced tier of preparedness
- prepare for Cyber Essentials Plus accreditation
- participate in the National Cyber Security Centre (NCSC) Cyber Security Information Sharing Partnership (CiSP).

Information governance, risk and security mitigation actions

30. We continue to make good progress in embedding information management and security into our corporate culture with:

- an established information risk hierarchy, from the Accountable Officer to the Senior Information Risk Officers and through to Information Asset Owners in business groups
- an IGMG, chaired by the Director of Corporate Support, overseeing our information management and risk arrangements. The work of the IGMG is raised by members at the leadership teams of all business groups where appropriate
- timely updates on any active or possible cyber security threats between the Digital Services Management Team and the Head of Performance and Corporate Governance

- the undertaking of data protection impact assessments in the event of policy/procedural changes.
- an information risk register, which is reviewed and updated every two months at IGMG
- an annual evaluation of our information risk and security, through the completion of assurance checklists
- mandatory staff training and awareness on information security and data protection
- provision of cyber incident management training for the Executive Team
- provision of a Chief Information Security Officer (CISO) role
- six monthly reporting on information risk and security to Executive Team and the Audit Committee.

Risk management

31. The IGMG maintains an information risk register which is reviewed at each of the meetings taking place over the year.

32. The register shows there are currently twenty-three main information and security risks for Audit Scotland. Sixteen of these are active risks and seven are for monitoring due to the low net risk scores.

33. One of the active risks has a high gross risk score (red), fourteen have amber net risk scores defined as 'acceptable level of risk that requires constant active monitoring' and one green net risk score defined as 'acceptable level of exposure subject to regular active monitoring'.

34. The 'red' risk is described as 'a successful malware/ransomware attack prevents access to our data and/or exposes our data', and this issue has been escalated to the corporate risk register, in accordance with the Risk Management Framework, where this issue is recognised within risk A1 'failure to protect digital infrastructure, systems and information'.

Conclusion

35. The arrangements and results summarised above provide positive assurance on Audit Scotland's information governance and security.

Annual report on complaints 2024/25

Item 14.

Meeting date:
20 May 2025

Head of Performance and Corporate Governance

Purpose

1. This is the 2024/25 annual report on complaints received by Audit Scotland about its work. This report forms part of a suite of assurance reports in support of the Accountable Officer's governance statement in the annual report and accounts.

Recommendations

2. The Board is invited to:

- Note the report.

Background

3. The [Public Services Reform \(Scotland\) Act 2010](#) (the Act) required the Scottish Public Services Ombudsman to introduce a set of complaint handling principles to which all public bodies must adhere.

4. The Model Complaints Handling Procedure (MCHP) requires all public bodies to have a two stage complaints procedure. Stage one is front line resolution, allowing an opportunity for complaints to be quickly resolved, perhaps by explaining a process which was followed or by providing more detail on how a decision was taken. Stage 2 is for complex complaints or those not resolved at stage one. Handling a complaint at stage two involves more detailed investigation and a formal written response providing information on the investigation and detailed grounds for its determination. Stage one complaints are to be resolved within 5 days, and stage two complaints are to be resolved within 20 working days.

5. Audit Scotland, the Auditor General and the Accounts Commission introduced a joint complaint handling process in December 2012.

6. In January 2020 the Scottish Public Services Ombudsman (SPSO) published a revised Model Complaints Handling Procedure (MCHP). The updated [Audit Scotland MCHP](#) was approved by the Board in September 2020.

7. The four key performance indicators (KPIs) required under the MCHP are included in this report:

- Total number of complaints.
- For each complaint stage the number and percentage closed within time scales.
- Average working days to respond per stage.
- The outcome of each complaint at each stage.

Complaints received

8. Complaints received about Audit Scotland are managed by the Corporate Governance Team (CGT). For those complaints dealt with at stage two the CGT will investigate the complaint. In some instances, to ensure independence or where specialist knowledge is required, the complaint is investigated at Director level. The Corporate Governance team maintains the register of complaints received.

9. The register shows there were seven complaints received in 2024/25 (compared to four in 2023/24). One Complaint was upheld, one was partially upheld, and five complaints were not upheld. A summary of the complaints are:

- Complaint one - timeliness following correspondence – Partially upheld – The original correspondence started in 2021/22 and some work took significantly longer to complete than originally identified. A full explanation was given to the complainant that the work was deprioritised due to the Auditor's responsibility to certify the accounts to a statutory deadline and the priority is to return to pre covid delivery dates for all public Bodies.
- Complaint two - complaint about recruitment process - Not upheld.
- Complaint three - treatment by a member of staff – Upheld – additional support provided for Front of House colleague in recognising and responding to complaints raised by telephone
- Complaints four and five - complaints about AGS - Not upheld.
- Complaint six - complaint re handling of correspondence - Not upheld.
- Complaint seven – complaint related to a complaint to a local authority and a complaint about the Audit of that local authority – Not upheld.

SPSO Complaint KPIs

Stage 1 closed with 5 days	Stage 1 closed with 5 days %	Stage 2 closed with 20 days	Stage 2 closed with 20 days %	Average working days to respond stage 1	Average working days to respond stage 2	Upheld	Partial	Not upheld
7	100%	4	100%	2	13	1	1	5

10. We received seven complaints, four were dealt with at stage one and a further four were handled at stage two of the complaints process. All complaints were dealt with within the specified deadlines.

Appeals to the Scottish Public Services Ombudsmen (SPSO)

11. The Scottish Public Services Ombudsman Act 2002 (the Act) provides a framework for matters that can be considered by the SPSO for investigation.

12. During 2024/25 no complainant asked the Scottish Public Services Ombudsman (SPSO) to review their complaint.

Conclusion

13. Board is invited to note the complaints made in 2024/25, the outcomes of those complaints and the management arrangements in place.

Annual report: Freedom of information and environmental information 2024/25

Item 14.

Meeting date:
20 May 2025

Head of Performance and Corporate Governance

Purpose

1. This is the 2024/25 annual report on our Freedom of Information (FOI) and Environmental Information Regulations (EIRs) arrangements, requests and performance. This report forms part of the suite of assurance reports in support of the Accountable Officer's governance statement in the annual report and accounts.

Recommendations

2. The Board is invited to:
- Note the performance in 2024/25.

Background

3. Audit Scotland, the Auditor General and the Accounts Commission are subject to the Freedom of Information (Scotland) Act 2002 (FOISA) and the Environmental Information (Scotland) Regulations 2004 (EIRs).

4. Audit Scotland developed and implemented suitable joint arrangements, in 2005, for the discharge of FOISA/EIRs for all three bodies. These arrangements are reviewed on an annual basis.

5. The Scottish Ministers' Code of Practice on the discharge of functions by Scottish public authorities under FOISA and the EIRs require us to monitor our handling of information requests.

6. This annual report has been prepared to fulfil our FOI/EIR good practice requirements under the Scottish Ministers section 60 Code of Practice and incorporates our Scottish Information Commissioner (SIC) quarterly returns.

7. Since 1 April 2013 public bodies have been required to submit their FOI and EIR handling statistics to the SIC on a quarterly basis. Audit Scotland has complied timeously with this requirement.

FOI/EIR overview for 2024/25

Governance

8. The Information Governance Management Group (IGMG) provides oversight of our FOI/EIR arrangements and reports its activity to Executive Team, the Audit Committee and the Board as necessary. The Corporate Governance Team is responsible for day-to-day management of our FOI/EIR arrangements.

9. The FOI/EIR policy was reviewed by IGMG and Executive Team and re-approved by the Board via correspondence on 04 April 2025.

10. Staff acknowledged compliance with the extant policy via the Fit and Proper form in January 2025.

11. We reviewed our FOI publication scheme in September 2024, to ensure it remains up to date.

Approach to requests

12. It is our policy to be as open and transparent as possible and our approach to FOI/EIR requests recognises provision of information as 'business as usual' activity. This means that we commonly supply information to those requesting as part of our normal course of business.

13. More complex 'business as usual' requests, all requests expressly submitted as FOI/EIR request, and those which may have to be considered by a FOI panel, are recorded in our FOI/EIR system.

14. Where it is appropriate, we may apply exemptions and exceptions to the information being requested. Audit Scotland has established a group of colleagues trained in considering FOI/EIR exemptions and exceptions to complex requests. Members from this group convene as a Freedom of Information Panel of three members. The membership of each panel varies to ensure independence and objectivity.

Statistics and Analysis

Number of requests received

15. Audit Scotland recorded 38 FOI and no EIR requests this year (compared to 46 FOI requests in 2023/24). These were received as follows:

Requests received	2024/25		2023/24	
	FOI	EIR	FOI	EIR
Q1 (April – June)	8	0	7	0
Q2 (July – September)	10	0	10	0

Q3 (October – December)	8	0	8	0
Q4 (January – March)	12	0	21	0
Total	38	0	46	0

Type of requester

16. We categorise the requests we receive for analysis purposes. This year we received requests from the following sources:

Requester type	2024/25		2023/24	
	FOI	EIR	FOI	EIR
Media	0	0	3	0
MSP/MP	7	0	1	0
Organisation / Commercial	11	0	23	0
Members of the public	15	0	15	0
Public Body	5	0	4	0
Total	38	0	46	0

Focus of requests

17. Themes emerging from the information being requested are:

- 39% - Audit Scotland's governance, policies, procedures or expenditure
- 24% - Contract information: Information technology, equipment, other contracts
- 24% - Reports, draft reports and correspondence relating to those reports
- 13% - Data held on other organisations

Responding to requests

18. FOISA and the EIRs require public bodies to reply to requests within 20 working days and within 40 working days for complex EIRs.

19. Audit Scotland met this requirement for 92 per cent of the requests. Three requests were late, all by one day. This was a complicated request involving sensitive information from a public body. The three requests were from one requestor and the response included significant discussions with the source of information and a large number of redactions to 29 documents.

20. Information requested was released in full on 18 (47%) occasions, partially released on 12 (32%) occasions and the information requested was not held by us on eight (21%) occasions.

Cost of administering and responding to requests

21. The time spent on specific requests is generally recorded to the job code for the audit work concerned. In addition, the time spent on FOI/EIR training is coded to the general learning and development job code. These arrangements will continue subsequent to the introduction of the R&MI system.

22. We have a dedicated time recording code to cover administering our FOI systems and procedures, replying to some requests and dealing with complex requests at FOI panels.

23. In 2024/25 11 colleagues recorded 261 hours to this code (compared to 305 hours in 2023/24). This equates to approximately £7,554 (compared to £7,467 in 2023/24) using the average hourly rate from the Time Recording System.

24. It is acknowledged that the full cost to Audit Scotland of complying with FOI/EIRs will be higher due to the way some FOI/EIR work and training is recorded.

Charging for dealing with requests

25. Public bodies can make charges for dealing with FOI and EIR requests.

26. We issued no fee notices in 2024/25.

27. Public bodies are also able to refuse a request where it will cost more than £600 to process. Where public bodies estimate the cost to be greater than £600, they are to inform the requester that they may be able to supply some information if they narrow their request.

28. No requests were refused on excessive cost of compliance this year.

FOI/EIR panels, reviews, and appeals

29. Two FOI Panels were convened in 2024/25 to consider applying exemptions to some or all the information being requested.

30. During the course of the year, we applied exemptions to 11 requests. These included exemptions relating to Commercial interests and the economy, Prejudice to effective conduct of public affairs, Law enforcement, Confidentiality and Personal information.

31. Where an applicant is not satisfied with our initial response to their request, they can ask Audit Scotland for a review. In 2024/25 there were no requests for a review.

32. If an applicant remains dissatisfied with how we dealt with their request after a review they can make an appeal to the Scottish Information Commissioner (SIC). There were no appeals to the SIC this year.

FOI/EIR Training

33. Audit Scotland staff undertake basic FOI/EIR training when they join Audit Scotland and training is now being issued through Audit Scotland Learning Management System, with certification on a two –yearly cycle. All colleagues were asked to complete FOI training in March/April 2024 and the next round will be 2026. During 2025 we are refreshing and revising the Freedom of Information training. This will be issued through the Learning Management system from April 2025.

Conclusion

34. The report concludes that our FOI/EIR arrangements are working well and that there are no significant issues which require to be brought to the attention of the Board.