

Monday 18 March 2019 at 10.45am

Audit Scotland offices, 102 West Port, Edinburgh EH3 9DN

1. Welcome and apologies
 2. Declarations of interests
 3. Decision on items to be taken in private For approval
-

Standing items

4. Chair's report – verbal update
 5. Accountable Officer's report – verbal update
 6. Accounts Commission Chair's report – verbal update
 7. Review of minutes: Board meeting 29 January 2019
 8. Review of action tracker
-

Strategy and planning

9. Q3 Financial performance report For information
 10. Q3 Corporate performance report For information
 11. Q3 Becoming world class improvement programme report For information
 12. 2018/19 Audit Scotland Annual report For information
 13. 2018/19 Operational budget For approval
 14. Business continuity planning: EU withdrawal For information
 15. Work programme and publication schedule For information
-

Conclusion

16. Any other business
17. Review of meeting
18. Date of next meeting: 1 May 2019

Items to be taken in private

- | | |
|--|----------------|
| 19. Medium term financial plan 2019-20 to 2023-24
[Item to be taken in private to support the effective conduct of business] | For discussion |
| 20. Preparations for audit procurement: Key milestones and context
[Item to be taken in private due to commercial sensitivity] | For approval |
| 21. Corporate plan update 2019/20
[Item to be taken in private to support the effective conduct of business] | For discussion |

Tuesday 29 January 2019, 10.15am

Audit Scotland offices, 102 West Port, Edinburgh EH3 9DN

Present:

I Leitch (Chair)
C Gardner
G Sharp
H Logan
A Alexander

Apologies:

None

In attendance:

D McGiffen, Chief Operating Officer
M Walker, Assistant Director, Corporate Performance and Risk
J Webber, Senior Executive Assistant
F Kordiak, Director, Audit Services (item 10)
G Smail, Audit Director (items 10 and 11)
P O'Brien, Senior Manager, Professional Support (items 10 and 11)
E Barrowman, Senior Manager, Professional Support (item 11)
M Roberts, Senior Manager, Performance Audit and Best Value (item 12)
R Seidel, Audit Manager, Performance Audit and Best Value (item 12)
D Blattman, HR & OD Manager (item 13)
C Sweeney, Audit Director, Performance Audit and Best Value (item 13)
F Diggie, Auditor, Performance Audit and Best Value (item 13)
S Dennis, Corporate Finance Manager (item 18)
S Ebbett, Communications Manager (item 19)
A Clark, Audit Director, Performance Audit and Best Value (item 19)

1. Welcome and apologies

The Chair welcomed members and attendees to the meeting of the Audit Scotland Board, the agenda and papers for which had been published on Audit Scotland's website on Friday 25 January 2019.

2. Declarations of interest

There were no declarations of interest.

3. Decision on items to be taken in private

The members noted that items 18 and 19 would be taken in private to support the effective conduct of business and as the information in relation to the leased cars procurement is commercially sensitive.

4. Chair's report

Ian Leitch provided a verbal update on regular meetings with Diane McGiffen and Caroline Gardner on general business matters, the Budget meeting with Scottish Commission for Public Audit on 19 December 2018 and meetings in preparation for the forthcoming Board development session on Friday 8 February 2019.

The members welcomed the update.

5. Accountable Officer's report

Caroline invited the Board to note the large number of Section 22 reports towards the end of 2018 which in turn had led to a busy period of sessions at the Public Audit and Post Legislative Scrutiny Committee.

Caroline advised of forthcoming reporting on Scottish Income tax and of continuing discussions about the audit and accountability framework.

Caroline advised of a recent meeting with the Convenor of the Equality and Human Rights Committee, continued engagement with MSPs and her attendance at the Scottish Government Executive leader meeting on 8 January 2019.

Caroline welcomed the achievement of the Best Companies Survey results reported at Item 13 and highlighted the Audit Scotland Conference on 30 January 2018 which would be discussed at Item 14.

Caroline informed the Board of the announcement of the appointment of Gareth Davies as the new Comptroller and Auditor General at the National Audit Office.

Heather Logan asked whether the increase number of Section 22 reports had led to an increased workload for Audit Scotland and the firms and to what extent this would inform the next audit appointment procurement round. Caroline confirmed more work was required, however there was currently flexibility in the work programme to accommodate the work. She also advised that consideration would be given to assessing how statutory reporting should be reflected in the next procurement round.

The Board welcomed the update.

6. Accounts Commission Chair's report

Graham Sharp invited the Board to note that the Accounts Commission's first meeting of the year on 10 January 2019 had considered the Annual Review and Assurance report from the Controller of Audit and proposed changes to the focus and work of the Strategic Scrutiny Group. Graham advised that the next Accounts Commission meeting on Thursday 7 February 2019 would consider the draft Local Government Overview and the five year rolling work programme.

Graham invited the Board to note the recent publication of the Local Government Financial Overview report in November 2018 and the forthcoming follow up report on Social work in Scotland.

Graham advised of engagement with MSPs, attendance at the Local Government and Communities Committee and a meeting with Dumfries and Galloway Council following the publication of the Best Value report.

The Board welcomed the update.

7. Review of minutes

Board meeting, 28 November 2018

The Board considered the minutes of the meeting of 28 November 2018, which had been previously circulated, and agreed that these were an accurate record.

8. Review of actions tracker

The Board noted the updates provided by the action tracker.

9. **SCPA report on Audit Scotland's 2019/20 budget proposal**

Diane McGiffen, Chief Operating Officer, introduced the Scottish Commission for Public Audit (SCPA) report on Audit Scotland's 2018/19 budget paper, which had been previously circulated.

Diane invited the Board to note the fair and supportive report from the SCPA which set out support for the increased staff resourcing and management contingency in light of the new audit responsibilities and continued uncertainty in the operating environment.

The Board noted the report and welcomed the support of the budget proposal expressed by the SCPA.

10. **Review of regulator / audit market study update.**

Fiona Kordiak, Director, Gordon Smail, Audit Director, Audit Services and Paul O'Brien, Senior Manager, Professional Support, joined the meeting

Fiona Kordiak introduced the report which summarised the review of the Financial Reporting Council (FRC) carried out by Sir John Kingman on behalf of the Department for Business, Energy and Industrial Strategy (the Kingman Review), and the review undertaken by the Competition and Markets Authority (CMA).

Fiona invited the Board to note key points for consideration for the model of Public Audit in Scotland and proposed consultation with other audit agencies on the specific recommendations to consider and inform next year's audit quality activity and reporting.

Alan Alexander welcomed the report and invited consideration of increased openness and transparency by sharing the ICAS quality reports with the audited body and publishing the findings or reports. Fiona advised that this would require further development and discussion with ICAS.

During detailed discussion, the Board agreed there was a need to be alert to complacency in any audit model but noted a number of safeguards in the Public Audit Model in Scotland.

Heather Logan highlighted the need to ensure the consistency and clarity of reporting on audit quality, the need to be alert to any potential conflict issues arising from audit appointments and sought assurance around control mechanisms for additional work and fees. Fiona advised that the Audit Quality and Appointments team summarise the independent ICAS reports which are then referenced in the annual quality report and the quarterly reporting to the Audit Committee and the Accounts Commission. Fiona advised appointments are made by the Auditor General for Scotland or the Accounts Commission, that audit fees are set centrally and where there is additional work there is negotiation with the audited body to agree any additional fee.

Following discussion, Fiona advised that Professional Support will continue to monitor developments to identify any additional measures required as part of the quality review work. She also noted that the rotation, independence and audit fees were all core considerations in the preparation for the next procurement and appointments process which would be taking place over the next two years.

The Board discussed the potential changes to the audit market in light of the reviews and noted the very low levels of non audit work carried out in the public sector in Scotland.

Following discussion, the Board welcomed the update and recognised the need to remain vigilant with continued focus on audit quality and independence.

Fiona Kordiak left the meeting.

11. Professional Support update

Elaine Barrowman, Senior Manager, Professional Support, joined the meeting.

Gordon Smail, Audit Director introduced the Professional Support update paper, which had been previously circulated.

Gordon invited the Board to consider the report which reflected on achievements over the past year and future priorities for the team.

The Board welcomed the report and acknowledged the demand from the organisation to demonstrate audit quality through auditing standards.

Gordon advised that there is a core team of eight in the Professional Support team providing technical support and training to auditors. The Professional Support team work closely with the Audit Quality and Appointments (AQA) team on audit quality through the development of the Code of Audit Practice which auditors have to follow, while respecting AQA's independent role in providing assurance and reporting on audit quality to the Auditor General and Accounts Commission.

The Board explored the professional and contractual requirements for auditors in respect of professional codes, the Code of Audit Practice and supplementary guidance.

Following discussion, the Board acknowledged the development and work of the team in delivering support, advice and guidance and welcomed its future focus on continued team and service development.

Gordon Smail, Paul O'Brien and Elaine Barrowman left the meeting.

12. New financial powers and constitutional change update

Mark Roberts, Senior Manager and Rebecca Seidel, Audit Manager, Performance Audit and Best Value, joined the meeting.

Mark Roberts and Rebecca Seidel, introduced the New financial powers and constitutional change update report, which had been previously circulated.

Rebecca Seidel provided a verbal update of further developments following the issue of the report including confidence in the positive identification of tax payers.

Ian Leitch asked about the sense of general preparedness or otherwise of organisations for a no deal EU withdrawal. Mark Roberts advised that audit intelligence coming back from auditors was that the Scottish Government, COSLA and other individual audit bodies demonstrated that contingency planning for a no deal EU withdrawal was underway, in many bodies, and that in some cases this was displacing other work.

Following discussion, the Board welcomed the update.

Mark Roberts, Senior Manager and Rebecca Seidel, Audit Manager, Performance Audit and Best Value left the meeting.

13. Best Companies survey results

David Blattman, Human Resources & Organisational Development Manager, joined the meeting.

Diane McGiffen, Chief Operating Officer, introduced the Best Companies survey results, a copy of which had been previously circulated.

Diane invited the Board to note these were the highest scoring set of results in the ten years Audit Scotland colleagues have participated in the survey. She commented on the 84%

response rate giving the results high reliability. Despite the positive messages overall, initial consideration of the results showed some signs about the impact of pressures of work and resourcing and Diane advised that these would be explored further.

Heather Logan noted the gap between Audit Scotland and 1-star companies and asked what Audit Scotland could learn from others and do differently. Diane advised there is not a single answer and that the Leadership Group recognised that there are a number of areas to improve that individuals, teams, managers are supported and recognising the impact of the ambition and pace of change. Diane also advised of progress on fair deal and increased levels of engagement with trainees following their work to restructure training. On 'giving something back' Audit Scotland's commitment to supporting charitable activity has increased and Diane advised that £14,000 had been raised for the Brain Tumour Charity. Following nominations for Audit Scotland's next corporate charity, colleagues voted and Audit Scotland will be supporting the Scottish Association for Mental Health (SAMH) in 2019.

Following discussion, the Board welcomed the survey results and next steps.

David Blattman, HR & OD Manager, left the meeting.

14. Audit Scotland conference 2019 update

Claire Sweeney, Audit Director and Fiona Diggle, Auditor, Performance Audit and Best Value, joined the meeting.

Claire Sweeney, Audit Director, Performance Audit and Best Value provided a verbal update on the Audit Scotland 2019 conference.

Claire invited the Board to note that the theme of the conference was trust. She advised that the programme included Professor Sir John Curtice speaking about trust in public services and Sarah Howard the President of CIPFA speaking about trust on public audit in the afternoon.

The Board welcomed the update and acknowledged the appetite of contributors to participate in the conference and breakout sessions.

Claire Sweeney, Audit Director and Fiona Diggle, Auditor, Performance Audit and Best Value, left the meeting.

15. Any other business

There was no further business.

16. Review of meeting

The members agreed that items of business had been carefully considered and the Chair thanked everyone for their contributions.

17. Date of next meeting

It was noted that the next Audit Scotland Board meeting was scheduled for 10.15am on Monday 18 March 2019 in the offices of Audit Scotland, 102 West Port, Edinburgh.

Items taken in private

18. Leased cars procurement

Stuart Dennis, Corporate Finance Manager, joined the meeting.

Stuart Dennis, Corporate Finance Manager, introduced the Leased Cars Procurement report, a copy of which had previously been circulated.

Stuart invited the Board to consider and approve the recommendation to award the lease car contract to Ogilvie for an initial three year period with the potential to extend for a further three years, as well as approval to discuss additional services that may be required with that supplier. Stuart invited the Board to note that the current contract had been extended as an interim measure in light of the retendering which had been required.

The Board acknowledged the reason for retendering the contract and discussed the merits of closing the scheme at some point in the future. Diane McGiffen advised that this will be reviewed again at key points but noted that affordability would be key.

Following discussion, the Board approved the award of the contract to Ogilvie and agreed additional services could be discussed.

Stuart Dennis, Corporate Finance Manager, left the meeting.

19. Stakeholder engagement update

Simon Ebbett, Communications Manager and Antony Clark, Audit Director, Performance Audit and Best Value, joined the meeting.

Simon Ebbett, Communications Manager, introduced the report and presentation and invited the Board to consider the feedback and the future priorities around parliamentary engagement.

The Board considered the positive feedback and the progress made in engaging with Parliament.

Antony Clark advised the stocktake of activity had provided a degree of assurance in terms of the engagement with and support for the Parliament.

Following discussion, the Board welcomed the report and future priorities.

Simon Ebbett, Communications Manager and Antony Clark, Audit Director, Performance Audit and Best Value, left the meeting.

Ref	FORUM	Agenda Item No	Item Title	Action Description	Meeting Date	Due Date	Responsible	Assigned to	Complete/Ongoing	Reported Yes/No	Progress Notes
ASB64	Board	5	Accountable Officer's Report	An update report on developments within the Appointments and Assurance and Professional Support teams to be scheduled.	29/11/2017	30/11/2018	Diane McGiffen/Fiona Kordiak	Diane McGiffen/Fiona Kordiak	Complete	Yes	The Board considered a report at its meeting on 30/11/2018.
ASB86	Board	17	Discussion on proposals for Board development activity 2019	Diane McGiffen to liaise with Judith Strange to take forward arrangements for an early 2019 Board development session.	31/10/2018	28/11/2018	Diane McGiffen	Diane McGiffen	Complete	Yes	The Board development session took place on 8 February 2019.

Purpose

1. This report presents the financial results for the nine months to 31 December 2018.

Background

2. The detailed finance performance report for the nine months to 31 December 2018 is provided in Appendix 1 to this paper.

Discussion

3. In the nine months to 31 December 2018, Audit Scotland's Net Operating Expenditure was £4,467k which was £119k less than budget.
4. In-house income was in total £84k better than budget. 2017-18 audits were £87k better than budget with the positive price variance of £90k being reduced by a negative volume variance of £3k. 2018-19 audits were £9k worse than budget due to a small negative volume variance. Prior year income of £6k is related to charitable trust fees within the local government sector.
5. Fee income earned for audits carried out by external firms net of fees and expenses paid to the firms was £24k better than budget. Income recognition was £232k higher than budget and this was offset by fees and expenses payable to the external firms being £208k higher than budget.
6. Staff costs including agency expenditure was £43k more than budget due to the recruitment of staff to cover new financial powers demands. Current projections indicate that the year-end outturn will be within the allocated budget.
7. Other expenditure £41k better than budget. The main positive variances were recorded in travel and subsistence (£39k), property costs (£25k) and legal, professional and consultancy (£21k) with the main adverse variances appearing in recruitment (£21k), printing and office costs (£19k) and information technology (£17k).
8. More detailed variance analysis and explanation is provided in Appendix 1 attached to this report.

Recommendation

9. The Board is invited to note the financial results for the 9 months to 31 December 2018.

Headline Results

The summary financial position to 31 December 2018:

£000	Annual Budget	Actual	Budget	Var.	% Var.	Prior Year	Note
Fee Income - In House	7,589	5,759	5,675	84	1.5%	5,687	1
Fee Income - Audit Firms	4,603	3,803	3,571	232	6.5%	3,996	2
Central Charges	5,453	4,090	4,090	0	0.0%	4,096	
Rebate	0	0	0	0	-	0	
Interest	0	3	0	3	-	7	
Other Income	0	10	0	10	-	59	3
IAS 19 Income	0	0	0	0	-	0	
TOTAL INCOME	17,645	13,665	13,336	329	2.5%	13,845	
Approved auditors	4,125	3,403	3,195	(208)	-6.5%	3,526	2
Staff salaries and oncosts	15,737	11,746	11,762	16	0.1%	11,277	4
Payroll provisions incl. severance	0	0	0	0	-	0	
Agency and secondment costs	70	126	67	(59)	-88.1%	340	4
IAS 19 Pension costs	100	0	0	0	-	0	
Property costs	936	618	643	25	3.9%	640	
Travel and subsistence	906	635	674	39	5.8%	653	5
Legal, professional and consultancy	919	258	279	21	7.5%	218	6
Training	483	349	348	(1)	-0.3%	312	
Recruitment	105	96	75	(21)	-28.0%	93	7
Printing and office costs	271	199	180	(19)	-10.6%	170	8
Information technology	458	358	341	(17)	-5.0%	285	
Audit	60	44	45	1	2.2%	45	
Depreciation	383	277	288	11	3.8%	276	
Other costs	65	23	25	2	8.0%	23	
EXPENDITURE	24,618	18,132	17,922	(210)	-1.2%	17,858	
NET OPERATING (EXPENDITURE)	(6,973)	(4,467)	(4,586)	119	2.6%	(4,013)	

Income and Expenditure Summary

1. Fee Income – In House

Variances arise in fee income as a result of volume and price differences. Volume variances occur when audit work is carried out at different times and/or durations than the previous year. Price variances reflect the difference in actual fees to expected fees originally budgeted and is based on additional work undertaken and agreed with the audited body.

The table below shows the performance by sector at 31 December 2018 for the in-house audits:

	2017-18 Audit Year			2018-19 Audit Year			Prior Years	Total
	Volume		Price	Volume		Price		
	WIP %	£	£	WIP %	£	£	£	£
Local Government	-	-	+53	-1.80	-79	-	+6	-20
Health	-	-	-	+0.93	+13	-	-	+13
FE	+8.06	+3	+4	+0.53	+1	-	-	+8
Central Government	-	-	+38	+4.18	+42	-	-	+80
Non-statutory	-0.82	-6	-5	+1.75	+14	-	-	+3
Total – December 18	-	-3	+90	-0.11	-9	-	+6	+84

Local Government

Local Government audits for 2017-18 are complete with a positive variance to budget of £53k. The positive price variance is due to increased fees being applied to local government bodies with the most significant increases being applied to North Lanarkshire Council, Aberdeenshire Council, Angus Council, North East Scotland Pension Fund and Scottish Borders Council. The start of the 2018-19 local government audits is behind the prior year figure, however, this negative volume variance is reduced overall by the positive positions in Health, Central Government and EAFA. The £6k prior year fee income relates to charitable trust fees for 2016-17 audits at Moray and East Lothian councils.

Health

All health audits are complete and within the expected fee. There is a minor positive volume variance for 2018-19 due to being slightly ahead of plan.

Further Education (FE)

ASG audit two FE bodies, Dundee & Angus College and Edinburgh College. The two 2017-18 audits are 8.06% better than phased budget with the accounts recognising positive volume and price variances of £3k and £4k. The price variance is due to the agreed fee with Edinburgh College being higher than the expected fee.

Central Government

2017-18 Central Government chargeable audits are complete. The positive price variance of £38k is attributable to increased fees being applied to a number of audited bodies with the most significant increases allocated to the Scottish Police Authority and Scottish Land Commission. Progress on 2018-19 audits is 4.18% better than budget delivering a volume variance of £42k.

Non-statutory

The European Agricultural Fund Account (EAFA) audits for 2017-18 are slightly behind schedule (0.82%) leading to adverse volume (£6k) and price variances (£5k). Work has started on the 2018-19 audit which is 1.75% ahead of plan leading to a favourable variance of £14k.

2. Fee income and expenditure – Audit Firms

The positive income variance of £232k should be offset with the adverse expenditure variance of £208k for approved auditors. Effectively the position highlights a net favourable variance of £24k on chargeable audits.

Audit firms can negotiate fee increases within set parameters above indicative fees with audited bodies. Primarily increases in fees will relate to increased complexity and additional work undertaken for which the audited body has agreed to pay an additional fee.

The table, below, shows the performance for approved auditors by sector to 31 December 2018:

	2017-18 Audit Year			2018-19 Audit Year			Prior Year	Total
	Volume		Price	Volume		Price	Price	
	WIP %	£	£	WIP %	£	£	£	£
Local Government	-	-	+148	-0.29	-8	-	-	+140
Health	-	-	+35	+1.80	+18	-	+3	+56
Water	-	-	-	+20.23	+28	-	-	+28
FE	-2.26	-9	+3	-0.11	-1	-	+12	+5
Central Government	-	-	+19	-4.05	-16	-	-	+3
Total – December 18	-2.26	-9	+205	-1.30	+21	-	+15	+232

Local Government

2017-18 audits in the local government sector are complete leading to a positive variance of £148k. The audit firms have agreed fees above expected fees with the most significant increases to fees agreed by Aberdeen City Council, City of Edinburgh Council and Midlothian Council. For 2018-19 audits the firms are 0.29% behind plan leading to the recognition of a small negative volume variance of £8k.

Health

All 2017-18 audits are complete which has generated a positive variance of £35k and this is mainly due to agreed fees being higher than expected for 4 health boards (Lothian, Ayrshire & Arran, Highland and Shetland). 2018-19 health audits are 1.80% ahead of plan leading to a positive variance of £18k. The prior year income of £3k is in relation to an additional audit fee for the 2016-17 audit of NHS Health Scotland.

Water

The favourable volume variance for the 2018-19 audit is due to the firm being ahead of the planned trajectory which was based on prior year actual.

Further Education (FE)

Progress on 2017-18 audits is 2.26% behind schedule leading to a £9k volume variance which is being reduced by a £3k positive price variance. The main fee increases have been agreed with Levenshaye College and Moray College. For 2018-19 audits there is a minor adverse variance of £1k. The prior year fee income of £12k relates to fee increases agreed by Moray College and Glasgow Kelvin College.

Central Government

Central government 2017-18 audits are complete leading to a positive variance of £19k which is mainly due to the recognition of agreed fee increases for Crown Estate Scotland and Historic Environment Scotland. 2018-19 audits are currently 4.05% behind plan leading to a £16k negative variance.

3. Other Income

Other income is mainly the recovery of costs for a member of ASG staff on an 18-month secondment with Deloitte.

4. Staff & Agency Costs

Business Group	Annual Budget £000	Actual £000	Budget £000	Variance £000	Actual Average w.t.e.	Budget w.t.e.	Note
ASG staff costs (incl NFP)	8,315	6,318	6,203	(115)	158.6	148.7	a)
ASG agency & secondments	70	67	67	(0)			
PABV (incl Professional Support) staff costs	3,773	2,694	2,830	136	59.9	64.4	b)
PABV agency & secondments	0	8	0	(8)			
CSG (incl Audit Quality & Appointments) staff costs	1,996	1,527	1,497	(30)	36.9	35.3	c)
CSG agency & secondments	0	39	0	(39)			
Business Support staff costs	649	460	487	27	17.7	18.1	d)
Business Support agency & secondments	0	12	0	(12)			
Governance & Other staff costs	1,104	747	745	(2)	19.1	20.0	e)
Governance & Other agency & secondments	0	0	0	0			
Total staff costs	15,837	11,746	11,762	16	292.2	286.5	
Total agency & secondments	70	126	67	(59)			

- a) In the first 9 months of the year the average number of staff employed in ASG has been 9.9 w.t.e. more than the funded budget. The establishment is based on 153.1 w.t.e. with the application of a 3% vacancy/turnover factor reducing the funded w.t.e. to 148.7. Overall the additional cost of employing the increased staffing level (£394k) has been partially funded by the reduction in average actual salary costs per employee (£279k). Current year-end projections indicate that there will be sufficient staff turnover and the receipt of secondment income to deliver within the full year staff budget allocation.
- b) PABV is on average 4.5 w.t.e. below budget (£202k) and this is being reduced by the average actual salary cost being above plan (£66k). The recruitment exercise in May/June led to the majority of vacant positions being filled by September, however, a small vacancy balance together with a small number of leavers since September has led to reduced average w.t.e. The £8k secondment costs relate to a Scottish Government employee working in PABV before they were a successful candidate in the recruitment exercise.
- c) The average staff resource requirement in CSG has been higher than the funded w.t.e. (£66k) mainly due to the application of the 3% vacancy factor. This overspend is currently funded by the favourable variance on actual average salary costs (£36k) and the planned generation of savings within non-payroll expenditure budget headings. Agency costs have been incurred to provide essential cover for a vacancy within Digital Services.
- d) Business support w.t.e. below funded figure (£11k) due to one supernumerary member of staff providing maternity cover to Human Resources from April to October and a manager vacancy at the start of the financial year. In addition to a positive volume variance the actual average salary costs are better than budget (£16k). Agency expenditure covered a vacant post which has now been filled.
- e) The reduced w.t.e. in Governance & Other is due to two non-exec vacancies within the Accounts Commission to the end of July. The overall small overspend is due to the application of spot rate increases effective from April 2018.

5. Travel and subsistence

The main reason for the positive variance is due to the savings generated on car lease expenditure. The budget assumed a reduction following the cessation of the scheme to new staff in 2017. The actual number of eligible staff has reduced quicker than planned.

6. Legal, professional and consultancy

Overall the underspend position of £21k year to date is mainly due to reduced expenditure within PABV. The budget has been phased based on prior year actuals and the year to date variance includes an element of timing difference.

Included within the favourable year to date position are some areas of overspend which are due to specific requirements for legal advice and professional services.

Legal advice has provided guidance on specialist procurement (car lease contract), general update to terms & conditions and a statutory land tax return.

Professional fees include payment for specialist advice to challenge the business rates uplift and a requirement to upgrade the finance system. The professional advice provided on business rates delivered a rebate on 2017-18 charges and a significant reduction for 2018-19 and future years charges.

7. Recruitment

In addition to the recurring annual recruitment of professional trainees and the requirement to fill vacancies as they arise this year has incurred the additional cost of the significant recruitment campaign that was undertaken in May and June. This campaign focused on bringing in a mix of qualified and unqualified staff to backfill vacancies generated through the creation of teams to work on new financial powers.

8. Printing and office costs

The main reason for the overspend is attributable to the contract costs for the mobile telephones. The budget was set based on prior year actual expenditure which included a proportion of credit on the contract. This element of credit on the contract has reduced from previous years leading to the adverse variance. The contract is due for renewal early in the new 2019-20 financial year and negotiations will take place to ensure Audit Scotland receives the best value for money option.

Management Contingency

The 2018-19 budget includes a contingency allocation of £150k which is controlled by the Management Team. The budget is included within the legal, professional and consultancy subjective heading.

To date no direct allocations have been made from the Management Contingency.

Capital Expenditure and Funding

Capital investment is £12k for the nine months to December 2018 with the total available budget for 2018-19 being £175k.

The £12k year to date expenditure is on IT hardware comprising 4 laptops and an Apple Macbook Pro.

Expenditure plans have been discussed with Digital Services and the allocation will be spent in full by the end of the financial year.

Stuart Dennis

Corporate Finance Manager

12 February 2019

Purpose

1. This report provides the Board with an overview of Audit Scotland's performance during quarter three of 2018/19.

Background

2. Performance reports are considered by the Management Team and the Board on a quarterly basis alongside the quarterly financial performance report and Becoming World Class improvement programme update.
3. The quarter two report was considered at meetings of the Management Team and the Board on 6 November and 28 November 2018 respectively.
4. The performance information is reported under the three strategic objectives of Delivering World Class Audit, making a Difference and Being a Better Organisation.
 - Appendix 1 (pages 3 – 5) provides a one-page summary of performance for each strategic objective.
 - Appendix 2 (pages 6 – 24) provides the detailed performance information.

Q3 performance summary

5. The Q3 report demonstrates strong performance over all. Performance headlines include:
 - Delivering World Class Audit - we are conducting relevant, timely and high-quality audits.

Publications in Q3 include:

- 40 annual audit reports
- 7 statutory reports (the largest number ever in any quarter)
- 2 overview reports (NHS and Local Government financial overview)
- 2 Best Value Assurance reports
- 1 Performance audit (Health & Social Care Integration update)

The Q1/Q2 audit quality report provided positive assurance on the quality of the audit work across all auditors.

- Making a Difference - we are getting our messages out effectively and delivering new and improved products:
 - substantial parliamentary, mainstream media and social media interest in reports. Compared to Q3 last year; 27% increase in media mentions, 20% increase in downloads and 98% increase in social media engagements
 - extensive engagement with parliament and its committees

- publication of briefing papers on the operation of the fiscal framework and withdrawal from the EU
- Building a Better Organisation - we are managing our workforce effectively and investing in learning and development.

Financial planning and budget management are effective:

- 101.1% of 279.5 establishment in place at the end of the quarter
- absence rate: 1.41%
- net operating cost: £119k less than budget – variance of 2.6% of net operating expenditure budget.

The Best Companies survey was completed by 84% of staff and the results received in Q3 show:

- highest overall score to date and we are now in the top 100 not for profit organisations
- an increase in five of the eight factors with the largest increases in 'my company' and 'fair deal' groupings
- a small decrease in the 'wellbeing' and 'giving something back' factors.

The environmental and sustainability annual report published in Q3 shows we continue to make good progress in reducing our carbon emissions and have already achieved the 2019/20 target.

Despite being slightly above establishment and sustaining a low absence rate we are conscious that there continues to be pressures on colleagues and limited 'spare capacity' to respond to unplanned demands and the increasingly complex and rapidly changing operating environment.


We are currently reviewing and re-prioritising some areas of the strategic improvement programme, particularly some of the digitally enabled projects. This reflects the need to prioritise some areas of work to support 'business as usual' and digital security and also respond to changes to licensing models by external suppliers and potential changes to the electronic working papers audit system.

As a result, we are reviewing and re-phasing some aspects of the performance management framework (PMF) project. The current performance management reporting arrangements will continue to operate as normal in the meantime.

Recommendations

6. The Board is invited to review the Q3 performance report and consider whether any additional management attention is required.

Summary of 2018-19 Q3 performance


 Delivering world-class audit	Our objective is to ensure that public audit in Scotland applies the highest professional and ethical standards, is efficient, proportionate and risk based. Audit work should be informed by an excellent understanding of the strategic and operational context and respond effectively to changing circumstances and emerging issues. We must report clearly and authoritatively and follow the public pound wherever it is spent. Audit must promote transparency, accountability and Best Value.
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Headline:	Relevant, high quality audits published on or ahead of schedule and within budget.
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Objectives	2017-18				2018-19				Actions
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
We conduct relevant and timely audits and report in public.	G	G	G	G	G	G	G		
We make clear and relevant recommendations for improvement	G	G	G	G	G	G	G		
Audits are of high quality	G	G	G	G	G	G	G		
We systematically improve the quality of our work	G	G	G	G	G	G	G		

Key performance indicators

Annual Audit <ul style="list-style-type: none"> 40 annual audit reports published in Q3 (12 by Audit Scotland, 28 by Firms) Three audit opinions and seven annual audit reports were delivered later than scheduled – largely due to circumstances out-with the auditor's control. No statutory deadlines were missed. 	Performance/ best value/ overviews/housing benefit/Section 22 <ul style="list-style-type: none"> 19 reports published in Q3 including: <ul style="list-style-type: none"> 7 Statutory reports NHS overview and Local Government financial overview reports. 1 Performance audit, 2 BVARs, 3 Housing Benefit reports 4 other reports – including EU withdrawal report
On budget <ul style="list-style-type: none"> Expenditure on audit work was 0.2% above budget in Q3 – this is within the 5% tolerance range. 	Quality: <ul style="list-style-type: none"> Q1/Q2 audit quality report provided positive assurance on the quality of the audit work across all auditors


 Making a difference	Our objective is to maximise the difference our audit work makes to public services in Scotland.
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Headlines:	Substantial interest in reports published in Q3 (in terms of downloads, mainstream and social media) and evidence of national and local impact.
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Objectives	2017-18				2018-19				Actions
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
We get our messages out effectively	G	G	G	G	G	G	G		
We systematically deliver impact through our work	G	G	G	G	G	G	G		PMF project developing further quantitative KPIs to supplement qualitative assessments.
We offer insight and foresight through our audit work	Y	Y	Y	Y	Y	G	G		PMF project developing KPQs/KPIs on this objective
We develop new and improved processes, products and services	G	G	G	G	G	G	G		

Key performance indicators

- 43 Parliamentary engagements including 21 evidence sessions across seven committees.
- 413 media mentions of Audit Scotland and/ or Accounts Commission (a 27% increase on Q3 2017/18).
- 214,509 downloads (an increase of 20% compared to Q3 2017/18).
- 8,571 social media engagements (an increase of 98% compared to Q3 2017/18).
- 95% correspondence responses issued within 30 days, once the ongoing cases are completed this is expected to be 100%.
- Evidence of national impact (actions linked to reports and health and social work) and local impact.
- New products/ services – including; issues paper on EU withdrawal, animations to support key messages on children and young people's mental health report, round table discussions and work with the Youth Panel.

	Our objective is to make the best use of our resources so that we can deliver audit work that improves the use of public money. We want to make Audit Scotland a great place to work so that we can attract and retain a highly skilled workforce who provide high- quality audit services.
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Headlines:	Positive Best Company Survey results, staff complement slightly above establishment and low rates of absence. Net operating cost 2.6 below budget. We have achieved the carbon emissions target a year ahead of schedule.
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Objectives	2017-18				2018-19				Actions
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
We manage our resources effectively	G	G	G	G	G	G	G		Audit Director led review of audit resourcing arrangements under way.
We maximise our efficiency	G	G	G	G	G	G	G		
We manage information and intelligence effectively (internal)	A	A	A	A	A	A	A		PMF project will deliver more timely management information and more flexibility re access.
We empower and support our people to be engaged, highly skilled and perform well	A	A	A	A	G	G	G		Best Companies survey results discussions in business groups and teams

Key Performance Indicators

<p>People</p> <ul style="list-style-type: none"> Best Companies survey - highest overall score to date and we are now in the top 100 not for profit UK organisations Staff complement (w.t.e): 101.8% of 279.5 establishment at the end of the quarter (96% of 274.9 in Q3 2017/18). Absence rate:1.41% (1.07% in Q3 2017/18). Resignations YTD: 3.49% (5.32% in Q3 2017/18). L&D events: 46 in-house events covering 455 places. Exams: 78 exams with 85% pass rate for professional trainees. <p>Sustainability</p> <p>The environmental and sustainability annual report published in Q3 shows we continue to make good progress in reducing our carbon emissions and have already achieved the 2019/20 target.</p>	<p>Resources</p> <ul style="list-style-type: none"> Net operating cost: £119k less than budget – variance of -2.6% of net operating expenditure budget. Staff costs: £16k less than budget – variance 0.1%. Agency and secondment costs: £59k more than budget. Capital investment: £12k (ytd) on IT hardware. Property costs: £25 k less than budget – variance of 3.9% on budget. Travel and subsistence expenditure: £39k less than budget – variance of 5.8%. Legal, Professional and consultancy costs £21k less than budget– variance of 7.5%.
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We conduct relevant and timely audits and report in public.

Key Performance Questions	2017-18				2018-19				Actions
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
Are relevant audits being delivered?	G	G	G	G	G	G	G		Q4 and annual reports will provide 2018/19 performance information
Are audits delivered on time?	G	G	G	G	G	G	G		
Are audits delivered on budget?	G	G	G	G	G	G	G		

Relevant

The increased number of statutory reports, whilst linked to issues or concerns in public bodies, indicates that audit intelligence and risk arrangements are effective in identifying areas requiring further focussed reporting.

The Auditor General and Accounts Commission approved the draft five-year rolling work programme in December. The programme is now subject to formal external consultation by the Accounts Commission and will be published in March. This includes internal and external communications to relevant stakeholders. The work programme appears at item 15 of today's agenda.

Additional outputs published in Q3 included:

- Withdrawal from the European Union - a briefing paper highlighting the key audit issues that we think EU withdrawal presents for the public sector. The briefing includes a series of questions that public bodies may want to ask themselves and also sets out our current plans to reflect EU withdrawal in our audit work.
- Scotland's new financial powers: How the Fiscal Framework is operating in practice this report reflects 2017/18, the first full year of operation of income tax, borrowing and reserve powers, and describes the range of risks that are now affecting the Scottish budget.

Timely/ in public

In the year to date we are ahead of schedule due to Central Government reports being delivered earlier. We had planned to publish 281 reports by the end of Q3 and published 282.

Seven statutory reports were completed and laid before Parliament in Q3:

- 3 Health s22s: NHS Ayrshire and Arran; NHS Highland; NHS Tayside
- 3 Central government S22s: Community Justice Scotland; Scottish Police Authority; Scottish Public Pensions Agency
- 1 'other' s22: Scottish Social Services Council.

The performance audit and Best Value audits scheduled for completion during Q3 were all completed on time.

In Q3 there were seven bodies where audit opinions/annual audit reports were submitted to Audit Scotland later than the deadline. None missed any statutory deadlines. Late submissions were due to:

- Two audit bodies (Children's and Young People's Commissioner and Scottish Human Rights Commission) signing the accounts in November, after the deadline.

- Four bodies where the Annual Audit report not agreed by the audited bodies (Scottish Government (SG), SG-NDR, SG-Scottish Consolidated Fund and Scottish Social Services Council) until after the deadline
- One body (Sports Scotland) where the signing date was rescheduled due to identified LGPF valuation errors.
- Two impact reports were not delivered as planned in the quarter. The approach to and subject areas for future impact reports has been agreed as part of the new five-year rolling work programme and detailed timescales are currently being developed.

Audits on budget: In Q3 the expenditure on audit is 0.2% above budget and within our 5 percent budget tolerance.

	2018/19			
	Budget	Actual	£ Variance	% Variance
ASG	10,299,521	10,333,617	34,096	0.33%
PABV	1,720,906	1,710,771	-10,135	-0.59%
Total	£12,020,427	£12,044,388	£23,961	0.20%

In 2018/19, we plan to publish 488 audit plans, audit and performance reports. Variation in the schedule is shown as ✓ = delivered, (XQ) = rescheduled to or from quarter identified in the brackets.

	Q1	Q2	Q3	Q4
Annual Audit Plans – AS (122)	2 FE ✓			10 NHS 66 LG 44 CG
Annual Audit Plans – Firms (99)	19 FE ✓			13 NHS 39 LG 28 CG
Audit – Audit Scotland (123)	10 NHS ✓ 6 CG ✓	66 65 LG ✓ 25 28 CG ✓	1 LG (Q2) ✓ 2 FE ✓ 9 CG ✓	1 CG
Audit – Firms (99)	13 NHS ✓ 5 CG ✓	39 38 LG ✓ 14 CG ✓	1 LG (Q2) ✓ 18 FE ✓ 9 CG ✓	1 FE
Performance Audit (7)	ALEOS ✓ Scottish fire and rescue services ✓	Forth Replacement Crossing ✓ Children & YP mental health ✓ Superfast broadband for Scotland: update ✓	Health and social care integration: update ✓	Scotland's new financial powers: Social security (X Q1)
Best Value Assurance Report (7)	East Ayrshire Council ✓ Fife Council ✓ West Dunbartonshire Council ✓	Glasgow City Council ✓	Dumfries and Galloway Council ✓ East Lothian Council ✓	South Lanarkshire
Overview Report (5)	Local government in Scotland: challenges and performance ✓ Scotland's Colleges ✓		NHS in Scotland ✓ Local Government: financial overview ✓	Local government in Scotland: challenges and performance


Appendix 2 – Performance detail

Housing benefit (8)	✓West Dunbartonshire x City of Edinburgh (Q2)	City of Edinburgh (Q1) ✓ East Renfrewshire (Q3) x Housing benefit annual report(Q3) (Q3) x	East Renfrewshire (Q2) ✓ Renfrewshire✓ Glasgow* Housing benefit annual report(Q2) ✓	Porth* Falkirk* Midlothian Aberdeenshire
Statutory (8)	s102 City of Edinburgh Council ✓ s22 Edinburgh College ✓ s22 New College Lanarkshire ✓	s22 Scottish Government Consolidated Accounts✓	s22 Scottish Police Authority✓ s22 NHS Ayrshire and Arran✓ s22 NHS Highland✓ s22 NHS Tayside✓ s22 Community justice✓ s22 Scottish Public Pensions Agency✓ Scottish Social Services Council✓	
Other (10)	National Scrutiny Plan ✓ Two Impact reports: Modern Apprenticeships ✓ Maintaining Scotland's roads: a follow-up report ✓	National Fraud Initiative ✓ Impact report: Community Planning in Scotland ✓	Impact reports: Efficiency of Sherriff courts x(Q4) Scotland's economic growth Higher education X Social work in Scotland✓ Issues paper: EU Withdrawal✓ Briefing: New financial powers ✓ Environment and sustainability report✓	How Councils Work: managing risk through internal controls Protecting public money
Planned (488)	68	139	74	207
Published	69	153	60	

Housing Benefit – In December the Accounts Commission considered a report on the proposed approach for HB performance audit. The proposal is to continue risk-assessments but with a greater focus on thematic issues (e.g. over-payments, resource models) to allow greater comparison across councils. We are proposing a phased approach where we would do two to three themed audits along with approximately two audits of individual councils.

Forward look:

- The timescale for publication of the Social Security performance audit has been revised from Q4 2018/19 to Q1 2019/20 due to the complexity of auditing a new body and social security arrangements alongside the statutory financial audit.
- The Accounts Commission will consider a further report on the proposed approach for HB in Q4 2018/19 after Audit Scotland discussions with DWP.

 Delivering world-class audit	We make clear and relevant recommendations for improvement
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Key Performance Questions:	2017-18				2018-19				Actions
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
Are there practical, clear and relevant recommendations in everything published?	G	G	G	G	G	G	G		Ongoing collation of the number of recommendations made/accepted in the 2017/18 annual reports.

Audit Quality and Appointments (AQA) coordinated reviews of 45 annual audit reports by Audit Scotland and the Firms (16% of 2017/18 AARs). 40 reviews were carried out by appointed auditors and 5 by ICAS. The reviews considered whether audit the recommendations were

- useful, specific and practicable and focussed on the public interest
- proportionate and take account of the expected costs and challenges of implementation
- included management responses including target dates and responsibility for action where appropriate.

No material areas of concern were identified from the review.

Examples of significant risks identified by the audit process (from the Annual Audit Plan and followed up/ reported on in the Annual Audit Report) include:

Local Government: A council's group accounts had been prepared using the unaudited accounts of most of its subsidiaries and associates in previous years. Following a 2016/17 audit recommendation the council ensured that audited accounts were obtained more promptly from the group entities. The audited 2017/18 group accounts were based on the audited component accounts and this ensured that the group accounts were both accurate and complete.


NHS audit body: The AAR was presented for a second time at the request of the audit committee to consider the wider dimension issues raised in the report. A non-exec member described the report as having 'key messages' (particularly around workforce planning) which she was keen to explore further with the audit body.

Issues/ risks/ actions:

- Continued encouragement of teams to record and report value added impacts in impact logs and annual audit reports.

Forward look:

- A review of the total number of recommendations made and accepted in the 2017/18 annual reports to improve quantitative data Q4 2019/20.

 Delivering world-class audit	Audit work is of high quality and we are systematically improving the quality of our work
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Key Performance Questions:	2017-18				2018-19				Actions
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
Are we assured about the quality of our work?	G	G	G	G	G	G	G		Adoption of INTOSAI standards for non-financial audit work is under way.
Are we improving the quality of our work?	G	G	G	G	G	G	G		Ongoing refinements to the Audit Quality arrangements including client surveys and issues escalation process.

Quality reviews

- The Q1/Q2 quality report was considered by the Audit Quality Committee, the Audit Committee and the Accounts Commission's FAAC & PAC in Q3. It provided positive assurance on the quality of the audit work across all auditors.
- External reviews – 11 ICAS reviews are under way – results will be reported in March 2019.
- Internal reviews – 11 reviews commenced in Q3, three have been completed – results will be reported in March 2019.

We published the 2018/19 Planning Guidance for 2018/19 audits. The Performance Audit Management Framework was updated to include additional formal sign-off processes at various key stages in the audit. This includes improvements to how sign-off is formally documented and recorded in response to ICAS findings.

In addition:

- Agreement from stakeholders on the adoption of INTOSAI standards for performance audit going forward and discussions with the Welsh, Irish and Norwegian audit offices around the standards
- Issued the new Annual Audit Plan template and started work on the Annual Audit Report (AAR) templates.
- Feedback on quality outcomes presented ASGMT in December 2018.
- Publication of the quarterly technical bulletin and technical guidance note on local authority annual accounts.
- We issued four PABV audit reports to other UK audit agencies for peer review.

Training

We delivered three technical training workshops and five technical updates to ASG and six training events for PABV colleagues (inc. finance for non-finance staff).

Forward look:

- A report summarising the key issues emerging from the quality reviews will be completed in Q4.
- Quality reviews a further five financial audits, one performance audit and two BVARs will be starting in Q4.
- Client surveys carried out by external consultants commence in Q1 2019/20.



We get our messages out effectively

Key Performance Questions:	2017-18				2018-19				Actions
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
Are we getting messages getting out effectively?	G	G	G	G	G	G	G		

Getting our messages out

In Q3 we attended 42 Parliamentary engagements including:

- 21 committees (inc. 13 Public Audit and Post Legislative Scrutiny (PAPLS), three Finance and Constitution, one Scottish Commission for Public Audit, one Justice, one Education and Skills, one Health and Sport and one Local government and Communities.
- 13 meetings with MSPs.
- 8 other Parliamentary engagements including meetings with Committee Clerks, the SCPA, SPICe and Inter-Parliamentary Financial Information Network (IPFIN).

The Accounts Commission hosted six engagement events during September and October, with council leaders and chief executives to hear feedback on the audit approach and key issues facing local government. The Commission Secretary met the Equality and Human Rights Advisory Group in October 2018.

Media

	Q1	Q2	Q3	Q4	YTD	17/18
Media	477	268	413		1,158	1,340
Downloads	215,008	191,886	214,509		621,403	690,113
Engagements*	7,286	6,420	8,571		22,277	20,636

*Engagements = not only received but reacted to one of our tweets

The top three reports by media coverage in Q3 were NHS in Scotland, NHS Tayside and NHS Highland/NHS Ayrshire and Arran.

- Other reports that were well received by media outlets were the latest Scottish Police Authority report (21 pieces of coverage) and the Local Government Financial Overview (24).
- In keeping with previous years, a sizeable amount of coverage during the quarter related to multiple ongoing issues within Scotland's NHS and the assertion in the overview that it was 'no longer financially sustainable' – a quote used repeatedly to give subsequent health and social care stories context.
- Other areas that drew media attention and referenced historic Audit Scotland work included nursery staffing and provision (demonstrating the enduring ability of our Early Learning and Childcare report's ability to shape the debate), budget discussions, roads and infrastructure stories and deliberations around the integration of the British Transport Police into Police Scotland.

Month	Broadcast coverage (radio & tv)	Print Coverage: National (newspapers & online)	Print Coverage: Local	Total
Oct	76	77	52	205
Nov	20	54	31	95
Dec	14	72	17	103
Total	110	203	100	413

Downloads

- The health inequalities report from 2012 was, by some way, the highest performing report, receiving around 6000 downloads. Some older reports are also ranking highly on basic Google search results. For example, the health inequalities report appears around 4th or 5th in a Google search for 'health inequality Scotland' or variations of those words, while our report on the overview of the justice system comes in around 9th if you search for 'justice system Scotland'. It's also possible people are following links to some of these reports from other websites or documents.
- Health reports – the NHS Overview 2018, s22 on NHS Highland and our Health and Social care update – all performed strongly in Q3. Both our Early Learning and Childcare (ELC) report and Mental Health report received consistently high levels of downloads each month.
- The ongoing impact of the ELC report is also reflected in podcast downloads as well – in October it received twice as many downloads (133) as the NHS Overview podcast. This potentially reflects the October publication of the Scottish Government's Early learning and childcare service model for 2020: consultation analysis.

Social media activity

- Twitter continues to be the most effective social media platform for generating engagement with online audiences without paying for targeted advertising. By contrast, the value of Facebook remains almost solely in its advertising reach as demonstrated with the Glasgow BVAR report. Using a paid-for post, targeting people in the Greater Glasgow area, we were able to take an additional 237 people to the report page over the course of four weeks. Over 8,000 people saw our Facebook post and it cost us £0.21 for every person who clicked the link in the post to get more information about the Glasgow BVAR findings – a good return on investment.
- LinkedIn continues to be of value, particularly in terms of recruitment campaigns, and our audience on WordPress is steady as we look to increase the number of blogs posted by the AGS and colleagues. We continue to grow our main audience on Twitter, and it remains the best platform for taking users to our website.

Correspondence

Audit Scotland handles a wide range of correspondence from members of the public, elected representatives and organisations. Although we have no statutory duty to investigate issues of concern or respond to correspondence.

New correspondence cases	Q1	Q2	Q3	Q4	YTD	17/18
Number of cases	24	28	22		74	136
Acknowledgement within five working days (%)	100	96	100		99	100
Final response within 30 working days	92 100*	82 89	95		95	97

*Note: change in what was reported in Q2. At the time of submitting data, we achieved 82% of responses within 30 days; two of the remaining four responses were issued within the deadline, so this figure now shows as 89%. Two of the four responses deadline were missed due to the complexity of information to be reviewed before we could issue a response.

- One final response is pending (5%) and still currently within our 30-working day deadline.
- No acknowledgements or final responses have been missed this quarter.
- For the same quarter last year, we reported 25 new cases with 100% acknowledgement and 100% final response targets achieved.
- In addition, we had 28 audit enquiries (compared to 32 in Q3 17/18) - relating to queries about our work (e.g. figures within our reports, guidance and access to materials/reports).

Freedom of Information (FOI), Environmental Information Regulations (EIR)and Complaints

- There were 13 FOI requests, no EIRs and no complaints in Q3. All FOI requests were dealt with within the statutory 20 working days and 54% were dealt with within seven working days.

Issues/ risks/ actions:

- Creation of central resource library for presentations to support efficiency of production and consistency of quality, content and messages.

Forward look:

- The new external Plain English editing contract commences in Q4. This provides external review of our draft reports to ensure clarity of messages and effective use of Plain English principles.
- Work under way to develop a new communications & engagement strategy.



We systematically deliver impact through our work

Key Performance Questions:	2017-18				2018-19				Action
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
Is our work delivering impact?	G	G	G	G	G	G	G		
Are our recommendations leading to improvements?	Y	G	G	G	G	G	G		Further quantitative measures to be developed to supplement qualitative assessments as part of the PMF project.

Examples of where our work has made a positive impact include:

The Impact report for the Accounts Commission's 2016 Social Work in Scotland (SWIS) report was published in December 2018. The impact report highlighted that the SWIS report:

- was considered by a council or IJB committee in 21 council areas
- was well received by stakeholders and gained a good level of media attention which reflected the key messages accurately
- was referenced in nine chief social work officers' reports for 2016/17.

Given the long-term nature of many of the recommendations in the report, progress against these remains ongoing. For example:

- A review of clinical and care governance arrangements in integrated health and social care services is underway.
- The Scottish Government and COSLA have published a national health and social care workforce plan, with recommendations to improve workforce planning. This includes a commitment to produce, workplans for developing workforce planning tools by March 2019.
- There is evidence of some local discussions with communities around the budget setting process, but that more needs to be done to develop longer-term strategies.

The Scottish Government (SG) published its Health and social care medium term financial framework in Q3. This is something our audit reports have been recommending for a number of years. SG also announced changes to the break-even requirements for health boards in line with the recommendations in previous NHS overviews. The SG also published a National Waiting Times Improvement Plan, setting out additional funding to improve waiting times. This again is an area where we have previously focussed audit attention.

Local examples of impact include:

- *Local Government:* The audit team identified that the council had wrongly classified several assets as being 'assets under construction'. Construction of these assets had already been completed and some of the assets had already been sold by the Council. This misclassification led to assets with a total value of £4.6 million being wrongly disclosed in the accounts and which required to be corrected.
- *Local Government:* The audit team recommended that Section 95 Officer regularly attend the Audit and Scrutiny Committee in order to improve scrutiny. The council acted on the audit team's recommendation and the Section 95 Officer is now present at every meeting of the committee.
- *IJB:* Due to a lack experience the audit body had to rewrite the management commentary and annual governance statements. The audit team worked closely with client officers to ensure that the final statements fully complied with the legal requirements.

Feedback received:

In December we received engagement feedback from MSPs which shows a continuation of the positive levels of awareness and regard that MSPs have of Audit Scotland.

The Equality and Human Rights Commission has advised that it will refer to Audit Scotland's Equality and Human rights Advisory Group as an example of good practice when they meet with Social Security Scotland in February 2019.

We received positive feedback from key stakeholders on the Withdrawal from the European Union key issues paper.

As part of the internal quality review of ASG audits, reviewers meet with the Directors of Finance and Chairs of Audit Committees. We received feedback from six audited bodies in Q3 including:

- audit staff are helpful, approachable and professional in the conduct of their work
- audit staff add value through their willingness to engage with senior management and Audit Committee on a regular basis
- the audit teams provide clarity on technical issues
- Annual Audit Reports are easy to read, balanced and help focus attention on key issues
- there is good communication with Audit Committees.

Issues/ risks/ actions:

- Development of quantitative KPIs re recommendations and actions

Forward look:

 Making a difference	We offer insight and foresight through our work
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Key Performance Questions:	2017-18				2018-19				Action
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
Are we making information and intelligence available to others?	G	G	G	G	G	G	G		Development of an assessment framework and more systematic approach to measuring progress on this objective as part of PMF project.

The withdrawal from the European Union key issues paper set out information and intelligence gathered by the EU withdrawal team around this key area of public interest and audit risk.

The Public Accounts Committee Network Event helped key stakeholders in public administration and audit to share knowledge on a range of subjects. Members of the digital audit team attended Paris Digital Week to share learning from our work and gain insights from others across the globe.

We supported insight and foresight by:

- Participating in 19 external working groups/meetings arranged by external organisations.
- Responding to 5 consultations.
- Providing a technical update paper for the Accounts Commission's FAAC.
- Responded to 10 requests for support from other internal business groups e.g. briefing papers (not technical enquiries).

Impact in audited bodies – examples include:

- *Central Government*: Section 22 report on the Scottish Social Services Council's ICT project stated that it 'lacked clarity' and that the ending of a shared services agreement with the Care Inspectorate to pursue a separate ICT strategy lacked good governance and transparent decision-making.
- *Central Government*: Section 22 report on the Scottish Police Authority (SPA) stated that the SPA had improved but that financial concerns remained about its ability to balance its budget and meet longer term strategic objectives.
- *Central Government*: Section 22 report on the Scottish Public Pensions Agency (SPPA) highlighted concerns about a £5.6m million contract to develop an integrated administration and payment system as part of a business transformation programme. The contract was cancelled in 2018 and the SPPA will require additional revenue and capital budget allocations from the Scottish Government over the next five years.
- *NHS*: Section 22 report on NHS Tayside stated that urgent action is needed to address NHS Tayside's financial position amid ongoing changes to its leadership team.
- *NHS*: Section 22 reports on NHS Highland and NHS Ayrshire and Arran highlighted significant financial challenges, which are likely to continue in the years ahead.

Issues/ risks/ actions

Forward look: Client surveys will commence in Q1 2019/20.



We develop new and improved processes, products and services

Key Performance Questions:	2017-18				2018-19				Action
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
Are new processes, products and services being developed?	G	G	G	G	G	G	G		
Are products and study programmes suitable and appropriate for emerging issues?	G	G	G	G	G	G	G		

Examples of new improved processes, products and services in Q3 include:

- The Children and young people's mental health performance audit report (September) was accompanied by an animation of the key facts and a video, as part of a broader effort to improve the accessibility of our reports/ messages using alternative formats.
- The withdrawal from the European Union issues briefing paper (October) was the first such output we have published for sharing our intelligence in an area of broad public and audit concern.
- We revised the audit quality web page bringing together information on the public sector audit model in Scotland, annual quality reports, the Code of Audit Practice, the audit quality framework, blogs and the QA arrangements and resources
- The cross-organisation shorter reporting working group considered options to shorten and refocus performance audit and Best Value reports to ensure they are clear, concise and effectively convey the key messages arising from our audit work. The recommendations of the group will be considered by management and audit teams during Q4.
- The first residential weekend of the Audit Scotland Youth Panel took place in Q3. The aim of 'Inform100' is to help improve how we involve young people more in identifying topics and in our audit work.
- We published our first British Sign Language plan including a video interpretation in October.

Emerging issues:

We hosted a roundtable discussion on financial resilience to discuss the emerging risk areas identified including:

- the expiration of the statutory flexibility on equal pay and severance
- loans fund repayments
- the treatment of equal pay sums as pensionable pay
- the potential understatement of information on leases and reducing the number of section 106 charities.

The Auditor General and Accounts Commission's rolling 5-year programme was provisionally approved in December, the annual refresh ensures the programme continues to reflect areas of key audit risks, as well as the strategic priorities of the AGS and the Accounts Commission.

Issues/ risks/ actions

Forward look:

- Risk interrogation on innovation to Management Team and Audit Committee – Feb 2019
- Assessment of bids on data enabled audit as part of the NIAO led Gov Tech in – Feb 2019



We manage our resources effectively and maximise efficiency

Key Performance Questions:	2017-18				2018-19				Action
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
Are we managing our resources effectively	G	G	G	G	G	G	G		
Are we maximising efficiency?	G	G	G	G	G	G	G		

Resource management

In the nine months to December 2018:

- Audit Scotland's Net Operating Expenditure was £4,467, £119k less than budget.
- Capital investment totalled £12k, with the total available budget for 2018/19 being £175k.
- Staff costs £16K (0.1%) less than budget.

Net operating (expenditure) to December 2018

	Q1	Q2	Q3	Q4	17/18
Actual	(1,180)	(2,165)	(4,467)		(8,514)
Budget	(1,237)	(2,269)	(4,586)		(9,157)
Variance	-4.6%	-4.6%	-2.6%		-7.0%

Staff

The average number of staff in the quarter was 99.5% of the establishment

The number at the end of the quarter was 101.8% of establishment, this is as a result of 14 new starts in Q3 (inc. 10 professional trainees).

	Q1	Q2	Q3	Q4	17/18
2018/9 establishment w.t.e:	279.5	279.5	279.5		274.9
Average number of staff employed in 2018/19 w.t.e:	271.9	274.2	278.0		271.9
No. of staff at end of quarter w.t.e:	270.3	278.3	284.4		272.0

Staff and Agency costs – The total staff costs in the nine months to December 2018 are below budget.

	Annual Budget £000	Actual YTD	Budget YTD	Variance	Actual Average WTE	Budget WTE
Total Staff costs	15,837	11,746	11,762	16	292.2	286.5
Total agency & secondments	70	126	67	(59)		

Expenditure on audit agency staff is slightly below budget. Additional expenditure has primarily been to provide service desk cover in Digital Services.

Legal, professional and consultancy

The underspend position of £21k year to date is mainly due to reduced expenditure within PABV. The budget has been phased based on prior year actuals and the year to date variance includes an element of timing difference.

Estate - costs in the year to December 2018 are £25k (3.9%) lower than budget and lower than previous years spend of £640k.

£000 YTD	Q1	Q2	Q3	Q4	17/18
Actual spend	208	392	618		938
Budget	215	427	643		930
Prior year spend	211	418	640	938	

Costs of travel - Travel costs in the year to December 2018 were £39k lower than budget and 19k lower than last year. The main reason for the positive variance is due to the savings generated on car lease expenditure. The budget assumed a reduction following the cessation of the scheme to new staff in 2017. The actual number of eligible people has reduced more quickly than expected.

£000 YTD	Q1	Q2	Q3	Q4	17/18
Actual spend	227	455	635		866
Budget	230	452	674		922
Prior year spend	204	428	654	866	

Capital Expenditure and Funding - Capital investment for the nine months to December 2018 was £12k on IT hardware. The total available budget is £175k and expenditure plans include purchasing new IT equipment in Q4 to best align with the introduction of the new SharePoint and office 365 software. The allocation will be spent in full by the end of the financial year.

IT network up time

IT Network	Q1	Q2	Q3	Q4	17/18
IT uptime (%)	99.14	99.38	99.73		99.6
Working hours lost	1992.5	1432.1	681.45		3758
Average time lost per person	6.69 hrs	4.77hrs	2.13hrs		660

Most of the downtime this quarter was due to repeated failures of Virtual Host 6 which has been locking up after patching. We have replaced the network card and migrated affected virtual machines to another host to try and resolve this issue.

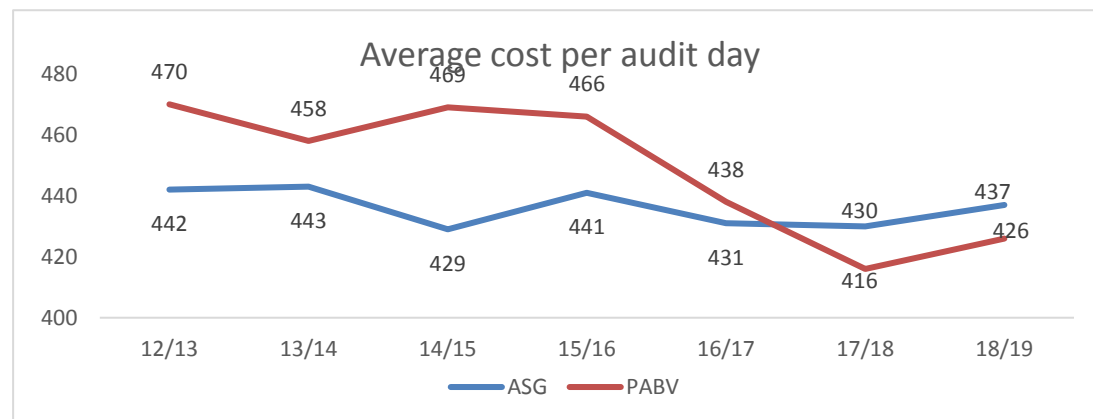
IT Incident management summary

- 99.38% (1459/1450) of incidents were accepted within the response time SLA.
- 95.75% (1459/1397) of requests were closed within the fix time SLA.
- An average of 4.6 incidents were logged per user.

Productivity

Business group productivity remains broadly consistent with productivity/ planning assumptions.

	18/19%				17/18%			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
ASG	60	73	60		57	74	59	67
PABV	70	70	65		76	74	67	76



At the end of Q3 the cost per audit day for ASG is £437 and PABV £426. The average cost per audit day fluctuates between audits and throughout the year. This is due to the timing of audit work, the grade mix deployed and any changes in the daily rate for audit staff made by the finance team at the start of each new financial year.

The **environmental and sustainability annual report** was published in Q3.

We continue to make good progress in reducing our carbon emissions and are ahead of our 2019/20 target to reduce our annual carbon emissions to no more than 292 tCO₂e. We have achieved an overall 32 per cent reduction in our carbon footprint compared to our 2014/15 baseline year, and a 56 per cent reduction against our 2008/09 baseline. We reduced:

- our energy consumption - a 26 per cent reduction in emissions compared to our 2014/15 baseline
- total kilometres travelled by 35 per cent compared to our 2014/15 baseline.
- our waste emissions by 54 per cent compared to our 2014/15 baseline.

Issues/ risks/ actions:

- New car lease contract award – Jan 2019
- Medium Financial Plan (MTFP) drafted and consultation ongoing. MTFP will inform the 2020/21 budget development process.

Forward look:



We manage information and intelligence effectively (internal)

Key Performance Questions:	2017-18				2018-19				Actions
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
Are we managing information and intelligence effectively (Internal)	Y	Y	Y	Y	Y	G	G		PMF project under way

Examples of managing information and intelligence during Q3:

- Extensive internal communications through iShare, Yammer, Abacus on a wide range of subjects including; public audit, audit quality, new financial powers, charitable activity, Best Companies, digital security and the annual staff conference
- Refresh of the five-year rolling work programme
- Programme of Brexit communications - including Brexit information sessions for colleagues in partnership with our employment lawyers Anderson Strathern. The sessions provided an overview of the implications of the latest UK Government proposals for EU nationals living in the UK, as well as helping identify what additional support and advice might be available.

Issues/ risks/ actions:

- Annual conference – Jan 2019
- Introduction of SharePoint online - ongoing
- PMF project being re-phased based on review of options and proposals and as part of a re-prioritisation of the programme of improvement projects.

Forward look:

- Annual Assurance process begins in Q4

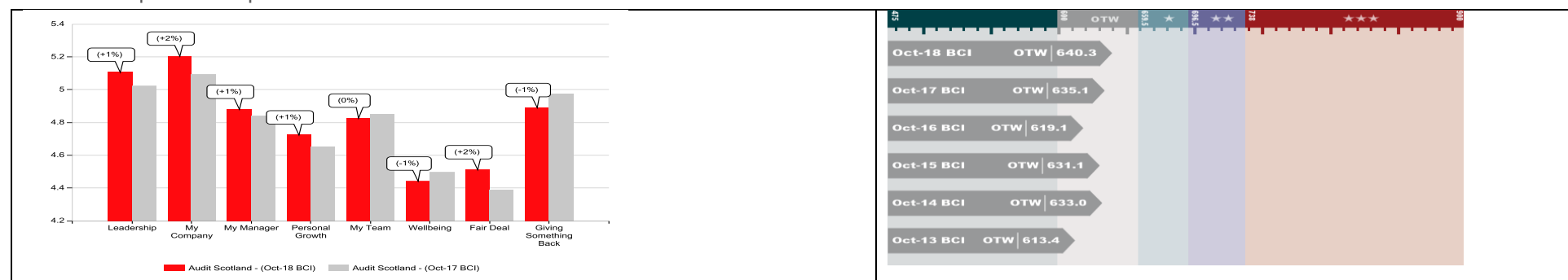


We empower and support our people to be engaged, highly skilled and perform well

Key Performance Questions:	2017-18				2018-19				Actions
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
Are our people empowered and engaged?	G	G	G	G	G	G	G		Team discussions re Best Companies results
Are our people highly skilled?	G	G	G	G	G	G	G		
Are people performing well?	Y	Y	Y	Y	G	G	G		3D discussions Jan - March
How effective is communication and collaboration across the organisation?	G	G	G	G	G	G	G		
Are career paths offered across the organisation?	G	G	G	G	G	G	G		
Do we understand and support diversity within the workforce?	G	G	G	G	G	G	G		

Empowered and engaged During Q3 we:

- The Best Companies survey ran 22 Oct – 9 Nov and the headline factor scores were shared with colleagues before Christmas. Full results were shared at the beginning of Q4 through a special edition abacus. Key messages from the survey are:
 - we are now in the top 100 not for profit UK organisations, achieved our highest overall score to date and maintained 'ones to watch' status
 - an increase in five of the eight factors
 - largest increases are in 'my company' and 'Fair deal' groupings
 - slight decreases in the 'wellbeing' and 'giving something back' factors
 - 84 percent response rate.



- We continued delivering information/awareness sessions to the business groups and super teams on the L&D portal and learning opportunities more widely. Discussion groups formed part of these sessions, and feedback generated from the business groups will be shared with the PDGG, and ideas for further improvement progressed where relevant.

Career Paths

- In October 2018 we recruited nine new ICAS trainees and one school leaver.
- One further colleague progressed through a Career Development Gateway in Q3. This takes us to 21 submissions to date, with 13 people progressing through a gate (62%).
- The third CDG panel training session took place on the 5 October (9 colleagues), taking us to a total of 34 trained panellists. There are no further CDG panel training sessions scheduled at the moment, but the HR&OD team will keep this under review and schedule if required.
- Two Manager CDG coaching clinics and three Employee CDG clinics took place between the 13 and 21 November 2018 to support colleagues and increase awareness of the CDG process

Wellbeing

- NHS Healthy Working Lives sessions on mental health training for managers were promoted through the L&D portal and ishare.
- The wellness checks were launched in Q3 and 160 colleagues have booked sessions for January and February 2019.

Absence levels - Absence levels remain low and in line with previous years.

	Q1 days	Q2 days	Q3 days	Q4 days	ytd days
Audit Scotland - 18/19	1.28	0.76	1.41		3.45
Audit Scotland - 17/18	0.69	1.16	1.07	1.12	4.40
Audit Scotland - 16/17	1.03	1.37	1.27	1.28	5.32
Audit Scotland - 15/16	0.89	0.98	1.49	2.05	5.62

Staff turnover - All leavers are lower than the same quarter last year (3.41) but higher (1.08) than in Q1 2018-19

2018/19	Q1	Q2	Q3	Q4	YTD	17/18	CIPD benchmark
Resignations %	1.08	0.70	1.71		3.49	6.75	5.5
All Leavers %	1.08	2.82	3.77		7.67	12.79	13.6

Exam results: In Q3 there were 78 exams taken and 66 passes (85%).

	Q1	Q2	Q3	Q4	YTD	17/18
Exams taken	3	20	78		101	121
Exams passed	3	16	66		85	106
% pass rate	100	80	85		84	88

Career paths and secondments

Vacancies filled	18/19 YTD	17/18
Internal	10	15
External	15	21
Total	25	36

Secondments	18/19 YTD	17/18
New	0	0
Existing	2	7

Highly skilled - L&D events are summarised below.

	Q1		Q2		Q3		Q4		YTD		17/18	
	Events	Attendees	Events	Attendees	Events	Attendees	Events	Attendees	Events	Attendees	Events	Attendees
Health & Safety	1	1	3	15	1	1			5	17	1	25
Knowledge Cafes	2	15	0	0	6	107			8	122	12	266
Learning & Development	1	6	1	7	5	39			7	52	8	64
Management Development	4	41	2	24	2	30			8	95	8	54
Organisational Development	2	20	3	24	16	93			21	137	26	496
Technical Training	12	227	2	33	16	185			30	445	31	469
Total	22	310	11	103	46	455			79	868	86	1,374

Issues/ risks/ actions:**Forward look:**

- Best Companies results will be discussed in business group, management and team meetings during Q4.
- The wellness checks are taking place in Q4 and the aggregated results of these checks will be reported to the HSW Committee in April 2019.
- The PDGG and L&D Consultant will be drafting the L&D Plan for 2019/20 and consulting with a range of colleagues to ensure it captures the business priority development required for the year ahead. Scheduling of development will begin in Q4 and the final plan will be published as part of the Annual L&D Report

Purpose

1. To invite the Board to consider the progress made to date on the Becoming World Class (BWC) improvement programme and the planned actions.

Background

2. The BWC strategic improvement programme is a key enabler for achieving our vision to be a world class audit organisation. On 14 November the Audit Committee considered a report on the [strategic improvement programme](#). The report set out how the development objectives in the [Corporate Plan](#) will be achieved through a combination of core audit work, working groups forums and professional leads and development projects.
3. The quarterly update reports provide a summary of recent activity and the future plans and milestones in key areas of work.

Progress on the BWC improvement programme

4. We continue to make good progress on the programme over all. Headlines since the last report include:
 - Delivering World Class Audit:
 - Audit Quality – further development and delivery of the Audit Quality Framework, including internal and external quality reviews development of the audit quality issues escalation process, adoption of INTOSAI standards for non-financial audit client engagement surveys.
 - New financial powers and constitutional change – development of audit approaches and workplans for fiscal devolution, social security and audit guidance on Brexit preparedness. The Audit and Accountability Framework has now been agreed.
 - Being a Better Organisation:
 - Highest score ever in the Best Companies survey results and we are in the top 100 UK not for profit organisations.
 - Audit Director led development work on improving the flexibility of resourcing.
 - Ongoing support for learning and development and extensive programme of wellness checks.
 - Making a Difference:
 - Revised five year rolling work programme for the Auditor General and the Accounts Commission.
 - Extensive parliamentary engagement and positive feedback from MSPs.
 - Digital audit – assessment of bids for the data enabled audit GovTech project led by the NIAO.
5. The appendix provides more detailed information on each of the BWC workstreams.
6. We are currently reviewing and re-prioritising some areas of the strategic improvement programme, particularly some of the digitally enabled projects. This reflects the need to prioritise some areas of work

to support 'business as usual' and digital security and also respond to changes to licensing models by external suppliers and potential changes to the electronic working papers audit system.

7. Management Team is considering the programme at its meeting on 12 March 2019 and a verbal update will be provided at the Board meeting on 18 March 2019.

Recommendations

8. The Board is invited to note the progress made in Q3 and the next steps and milestones.




Our objective is to ensure that public audit in Scotland: • applies the highest professional and ethical standards • is efficient, proportionate and risk based • is informed by an excellent understanding of the strategic and operational context • responds effectively to changing circumstances and emerging issues • reports clearly and authoritatively • follows the public pound wherever it is spent • promotes transparency, accountability and Best Value.

Project/ initiative/ product	Status update	Next steps
Implementing the Audit Quality Framework	<p>The Audit Quality Committee continues to meet every two months. The last meeting was on 20/12/18.</p> <p>The annual planning guidance for 2017/18 was agreed by Management Team (MT) on 25/09/18.</p> <p>The Q1/Q2 Audit Quality Report was considered by the Audit Committee at its meeting on 14/11/18 and the Accounts Commission's PAC and FAAC meetings on 22/11/18. The report highlighted positive assurance in terms of audit quality, timeliness, compliance with the ethical standards for non-audit services. It also reported that improvements had been made in response to issues identified in the Q1/Q2 report.</p> <p>Ongoing development of the Audit Quality Framework include:</p> <ul style="list-style-type: none"> • Board approval of a revised ethical standards policy • Revised non-audit services policy statement • Revised appointments process • Adoption of INTOSAI standard for non-financial audit work • Revision of the audit quality webpage which brings together information on the public sector audit model in Scotland, annual quality reports, the Code of Audit Practice, the AQF, blogs and the QA arrangements and resources • Staff survey on quality – issued by professional support in February 2019 • Appointment of external consultants carry out the client surveys. 	<p>The key milestones are:</p> <ul style="list-style-type: none"> • Client surveys – survey work commences Q1 2019/20. • Audit issues escalation process the completion date has been revised from January to June 2019 to reflect experience of recent cases and take account of other audit agency working practices. • The Q3/Q4 quality report will be presented to the Audit Committee in May along with the draft Annual Audit Quality Report. • The Audit Quality annual report will be presented to the Audit Scotland Board in June 2019. • KPIs - A revised suite of indicators will be introduced in 2019/20.

Project/ initiative/ product	Status update	Next steps
<p>New financial powers and constitutional change (NFPCC) including EU withdrawal</p>	<p>The Audit Committee considered an internal audit report on how we are preparing for our new audit responsibilities in a changing operating environment at its meeting on 27 February 2019. The audit provided a substantial level of assurance.</p> <p>Workforce planning for 2019/20 is underway, which includes additional funding for work in response to NFP&CC.</p> <p>The Audit and Accountability Framework between the UK and Scottish governments has now been agreed</p> <p>Financial devolution</p> <p>The Scottish Exchequer team is developing its work programme for 2019, which includes work on financial sustainability and fiscal risk in the context of the Scottish Parliament's increasing financial powers. The team produced briefing papers on the 2019/20 Scottish Budget for the AGS and Accounts Commission in January 2019. We also supported the Finance and Constitution Committee's budget scrutiny by participating in a round-table evidence session on 19 December 2018.</p> <p>Social security</p> <p>The social security team continues to develop its audit approach, inc engagement with the new Social Security Scotland agency and the NAO. The part-year annual audit of Social Security Scotland (for 2018/19) will be conducted during 2019. The team expect to publish a performance audit examining how effectively the Scottish Government is managing the delivery of the devolved social security powers in spring 2019. The social security financial audit plan was agreed in February 2019</p> <p>EU withdrawal</p> <p>We continue to assess and plan for the potential organisational implications of EU withdrawal. In December 2018, we issued guidance to auditors to help them assess how audited bodies are preparing. We are using various channels to share up-to-date information and seek the views of colleagues. We are also engaging with external stakeholders, including a round-table discussion with public bodies in November 2018. An update on</p>	<p>The key milestones are:</p> <ul style="list-style-type: none"> • The Social Security and Scottish Exchequer teams continue to develop their audit approaches and work programmes and consider the resource requirements for audit work in 2019/20. Key milestones include: <ul style="list-style-type: none"> ○ Agree assurance arrangements for social security with NAO – ongoing. ○ Agree Scottish Exchequer team work programme – March 2019. ○ Next in the series of our performance audits on the Scotland Act – May 2019. ○ First (1/2 year) Social Security annual audit report – June/July 2019. • To agree what audit work we will do in response to EU withdrawal in 2019/20 – April 2019.


Project/ initiative/ product	Status update	Next steps
	Business Continuity arrangements re EU withdrawal is on the agenda for today's meeting of the Board.	

 <p>Being a better organisation</p>	<p>Our objective is to make Audit Scotland a great place to work so that we can attract and retain a highly skilled workforce. We want to make the best use of our resources so that we can deliver audit work that improves the use of public money.</p>
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Project/ initiative/ product	Status update	Next steps
Resourcing	<p>Key actions since the last report include:</p> <ul style="list-style-type: none"> • Management Team summit discussion on organisational capacity and flexibility – Jan 2019. • Audit Scotland people focus group discussion on resourcing – February 2019. • PABV cluster resourcing work ongoing. • Joint ASG/PABV review work on resourcing models ongoing. 	<p>Key actions/ milestones are:</p> <ul style="list-style-type: none"> • Discussion on updated medium-term financial strategy with Leadership Group and revised strategy to Management Team and Board to inform budget planning process. • Review of work programme cluster resourcing – Dec – March 2019. • Implementation of cluster-led monitoring of work programme delivery – from April 2019. • Engagement with Business Groups re: Joint ASG/PABV review work on corporate resourcing model(s) – March/April 2019. • Review and options appraisal work to improve corporate resourcing– April/May 2019. • Further engagement with MT re: corporate resourcing model(s) – May/June 2019.
<p>How we work together</p> <ul style="list-style-type: none"> • Job Design • Reward & Recognition • Performance Appraisal • Wellbeing 	<p>Management Team summit discussion on our people & Building a Better Organisation took place in Nov 2018 including agreement on priorities for 2019.</p> <p>The Best Companies Survey ran for three weeks in Oct/Nov 2018 and the final response rate was 84% (level with highest rate so far). High level results were shared with colleagues in</p>	<p>The key actions are:</p> <ul style="list-style-type: none"> • Continue to share and discuss Best Companies results in business groups and teams. • Outcomes of 2019 wellness checks shared at the April HSW Committee meeting.

Project/ initiative/ product	Status update	Next steps
	<p>December, and we saw our highest score to date. Audit Scotland is now in the top 100 Not for Profit Best Companies list. Bookings for the Wellness checks went live in Q3 and over 160 colleagues have booked an appointment.</p> <p>Three performance coaching clinics took place in Feb 2019.</p> <p>The Human Resources and Remuneration Committee will consider update reports on pay, BaBO and recruitment and selection at its meeting on 18/03/19.</p>	<ul style="list-style-type: none"> Integrating our approach to wellbeing within our learning and development strategy and plan for 2019/20. Pay negotiations for the April 2019 pay award.
<p>How we learn and develop</p> <ul style="list-style-type: none"> planning careers developing skills professional training scheme 	<p>The 2018/19 L&D Strategy and Plan continues to be implemented, with a final review in March 2019.</p> <p>In Q3 we have promoted L&D/ the L&D portal at Superteam and business group/ team meetings.</p> <p>CDG employee and manager coaching sessions took place in November 2018.</p> <p>3D completion statistics continue to be considered in quarterly meetings between HR and business group people leads.</p>	<p>The key actions/ milestones are:</p> <ul style="list-style-type: none"> Final review of L&D strategy and plan in March 2019. Refreshing the L&D portal to include online learning. Introduction of a new online L&D booking system (to replace Eventbrite). Continuing to make sure our onboarding process is a success, in particular for individual new starters. A second Train the Trainer workshop in March 2019 to support Peer to Peer training in April.
Strategic leadership	<p>Themed MT summit meetings continue to take place as do themed Leadership Group meetings (including site visit to Wheatley Group and guest speakers).</p> <p>Approach to 360 feedback for Leadership Group agreed</p> <p>Review of coverage and alignment of professional lead roles and areas has concluded.</p>	<p>The key milestones are:</p> <ul style="list-style-type: none"> LG 360 roll out to LG – January to June 2019 ongoing Leadership Group meetings.
Performance management and business intelligence	<p>We are currently reviewing the approach to and phasing of this project in light of technical, licensing and resourcing issues. Management Team considered update reports in December 2018 and February 2019. Development work is being re-phased in the context of linked digital project priorities.</p>	<p>The key milestones are:</p> <ul style="list-style-type: none"> Revised improvement programme – March 2019.

Project/ initiative/ product	Status update	Next steps
SharePoint Online	<p>O365 project has delivered cloud-based versions of Outlook, Office 2016 products and OneDrive.</p> <p>Some team sites have been migrated to the cloud.</p> <p>Structure design and build is ongoing (including retention periods, metadata etc.).</p>	<p>The key milestones are:</p> <ul style="list-style-type: none"> • Delivery and file transfer phase Feb – Dec 2019.

	<p>Our objective is to maximise the difference our audit work makes to public services, the people that they serve, the outcomes that those people experience and the use of public money.</p>
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Project/ initiative/ product	Status update	Next steps
World Class Programme Development	<p>The refreshed five year rolling work programme was considered and approved by the AGS and Accounts Commission in December, subject to Accounts Commission consultation with local government stakeholders. The consultation outcome was reported to the Commission in February, with no changes required to the programme.</p>	<p>The key milestones are:</p> <ul style="list-style-type: none"> • Development of internal and external communications material – Feb/March 2019. • Work programme launch – 26 March 2019. • PAPLS briefing on work programme – 28 March 2019. • Internal and external communications – March/April 2019.
Communications and engagement	<p>Communications are currently working with representative groups from Audit Services, Best Value, Performance Audit and Corporate Services to develop a new Communications and Engagement Strategy. Workstreams are looking at: linking with the corporate plan; data and design; publications and formats; the wider public sector communications environment in Scotland; and social media.</p>	<p>The key milestones are:</p> <ul style="list-style-type: none"> • report the analysis/ findings to the board – May 2019. • Draft strategy for Board approval – September 2019.

Project/ initiative/ product	Status update	Next steps
Strategic approach to Parliamentary Engagement	We continue to work closely with the Parliament and its committees through our audit work and by support the scrutiny of the budget. In addition to our ongoing support for the Public Audit and Post-legislative Scrutiny Committee the key focus of our activity since the last update has been supporting parliamentary committees participate in budget scrutiny in line with the new budget scrutiny process recommended by the Budget Process Review Group (BPRG). We have also received positive feedback from MSPs on the effectiveness of Audit Scotland and the impact that our work has in supporting effective parliamentary scrutiny.	<p>The key milestones are:</p> <ul style="list-style-type: none"> • Evidence sessions and scrutiny support – ongoing • Internal Parliamentary Engagement Group meeting – 27 February 2019. • Joint stocktake on parliamentary scrutiny support with Parliament Clerks and SPICe – 25 and 29 March 2019. • Review of Parliamentary Engagement Strategy – Summer 2019. • Sharing of good practice and development of 2020 budget scrutiny strategy – Autumn 2019. • Second Round BPRG budget scrutiny activity – Autumn/Winter 2019 and then ongoing.
Digital Audit	<p>The Digital Audit Strategy contains a variety of commitments under three main streams of work:</p> <p>Auditing digital</p> <ul style="list-style-type: none"> • New Digital e-Hub published <p>Digital auditing</p> <ul style="list-style-type: none"> • Refinements to audit analytics in ASG and staff workshop on SG technical assurance framework – Dec 2018. • Bid assessments for the NIAO led GovTech audit analytics project. <p>Digital capacity and resilience</p> <ul style="list-style-type: none"> • Ongoing review of digital audit capacity. • Ongoing meetings with the other UK agencies and topics for collaboration and lead agencies agreed. 	<p>The key milestones are:</p> <p>Auditing digital – rolling work programme includes:</p> <ul style="list-style-type: none"> • Digital progress in CG and health (reporting early 2019/20). • Digital progress in LG (reporting early 2020/21). • Digital services (learning or justice tba) (reporting 2021/22). <p>Digital auditing/ capacity - Audit analytics</p> <ul style="list-style-type: none"> • NIAO led GovTech analytics project (phase 1 Dec 2018 – Jul 2019).
Follow -up and impact	In October we received an internal audit report on follow up and impact which concluded substantial assurance re design and operational effectiveness.	<p>The key milestones are:</p> <ul style="list-style-type: none"> • Revised five year rolling work programme to be published March 2019.

Project/ initiative/ product	Status update	Next steps
	Impact reporting formed part of the refresh of the five-year rolling work programme – the timing of impact reports being scheduled	
Innovative audit products	<p>On 27 February 2019 the Audit Committee considered a risk interrogation (RI) on innovation. The RI covered the innovations and improvements introduced over the course of the last three years, the controls in place to mitigate risk and future plans.</p> <p>New products/ services include:</p> <ul style="list-style-type: none"> • Briefing papers on new financial powers and EU withdrawal • Children and young people's mental health – video and key facts animation • Work with the Audit Scotland Youth Panel 	Ongoing delivery of new products and processes.

Purpose

1. This paper invites the Board to consider and approve the proposed structure of the annual report.

Background

2. The Audit Scotland annual report is split into three main sections:
 - Performance Report – narrative about the activities and performance during the year, including case studies and summaries from supporting annual reports about aspects of our operations, such as sustainability and international work.
 - Accountability Report – narrative and data about our governance and remuneration, as well as the independent auditor's report.
 - Financial Statements – our statements and notes to the accounts.
3. In 2017/18, the Performance Report was split into an Overview: containing a welcome and high level performance figures; Performance analysis, Our work; and Financial position. This structure does not mirror the three priorities of our 2018-21 Corporate Plan of: Delivering world-class audit. Making a difference and Being a better organisation. In reviewing the 2017/18 annual report, we've also found that several case studies and summaries of supporting annual reports appeared at points in the narrative that weren't coherent and, in some cases, placed there simply because there was nowhere else for them.

2018/19 report

4. The annual report team have adjusted the report's structure. In particular, we have split the Performance Report section into Introduction and Our Year sections. We recommend the following structure:

Introduction

- Welcome (Chair and AGS)
- Who we are
- Our year (infographic summary – headline facts and figures)
- Our finances (infographic summary – headline facts and figures)

Our Year

- Delivering World Class Audit
- Making A Difference
- Being a Better Organisation

Accountability Report (as 2018/19)

Financial Statements (as 2018/19)

5. This structure will allow narrative content, case studies and summaries in the previous Performance Report to be more coherently placed and aligned with the three organisational priorities. Features such as the welcome and summary graphics will fit well in a short introduction section.
6. The Accountability Report and Financial Statements remains unchanged. However, presentationally, we propose to list only the sections and not the subcontents. This will make the structure more immediately obvious and emphasise the narrative elements.

Recommendations

7. The Board is invited to approve the proposed structure of the of the 2018/19 Audit Scotland annual report.

Purpose

1. This report invites the Board to approval the 2019/20 operational budget.

Background

2. Audit Scotland's 2019/20 SCPA budget submission was prepared in the summer of 2018 and the Commission took evidence on our proposal at a session held on 12 December 2018.
3. The SCPA recommended that the Scottish Parliament approve our budget proposal and that it is incorporated within the 2019/20 Scottish Budget Bill.
4. A review of the original budget submission has resulted in there being no requirement to make any amendments in creating a 2019/20 operational budget.
5. Appendix 1 to this report is the budget proposal approved by the Board on 28 September 2018 for submission to the SCPA.
6. Audit Scotland Management Team discussed this report at their meeting on 5 March 2019.

Net expenditure requirement

7. The total revenue expenditure budget of £25,394k is funded by £17,980k fee income and £7,414k from the Scottish Consolidated Fund (SCF). SCF funding has increased by £441k from the 2018/19 budget, a real terms increase of 4.6%. This increase includes additional funding of £285k to meet new financial powers resourcing requirements.
8. People costs represent 66% of our expenditure budget and the budget requirement in 2019/20 is an increase of £900k. The main reasons for the increase are annual pay growth, employer pension contributions and additional staffing for new financial powers work.
9. Other expenditure has reduced overall by £124k. The main changes are an increase of £150k to management contingency and the removal of £200k for the costs associated with the biennial national fraud initiative exercise.
10. The fee income budget for the financial year has increased by 1.9% with the average fee increase for 2018/19 audits increasing by 1.6% from 2017/18 fees.

Capital requirement

11. The capital budget for 2019/20 is £150k, a reduction of £25k from 2018/19.
12. Investment will continue to support our rolling information technology programme with £75k planned for hardware and £75k for software.

2019/20 uncertainties

13. The budget proposal was developed on the assumption of an orderly UK withdrawal from the European Union on 29 March 2019.
14. At the SCPA evidence session on 12 December 2018 the budget proposal highlighted this fact and that there might be a requirement to seek in-year discussion with the SCPA should there be a disorderly withdrawal.

15. Contingency planning for a disorderly withdrawal has taken place highlighting the possible financial implications detailed below:
- Loss of EAFA fee income.
 - Impact on resources in public sector bodies and slippage in their accounts timetable leading to audit resourcing issues.
 - Cash flow issues if audited bodies focus resources elsewhere leading to fee invoice payment slippage.
 - Increase in cost of goods/services due to supply chain pressures.
16. Negotiations have commenced with staff representatives on a proposed pay policy for 2019/20 and any significant deviation from the pay award assumptions in the budget will need to be assessed from an affordability perspective.
17. Any volatility in the financial assumptions (e.g. discount rates) used to estimate IAS 19 defined benefit pension costs could have a negative impact on the costs to be included in the annual accounts.

Recommendation

18. The Board is requested to approve the 2019/20 operational budget.

Report



2019/20 Budget

Item 16

Corporate Finance Manager

28 September 2018

Purpose

1. This report presents information on the draft budget proposal for 2019/20 and cost projections for the four following financial years.

Background

2. Based on the written agreement between the Scottish Commission for Public Audit (SCPA) and Audit Scotland the submission of detailed budget proposals to the SCPA is required no later than the first week in December.
3. In the past three years the SCPA has taken oral evidence on our budget proposals in late December and it is anticipated that this will be the position for the 2019/20 budget proposal.
4. The impact of New Financial Powers (NFP) and constitutional change continues to be a key element of our budget submission with 2019/20 being year two of our planned increase in staff resources to meet future demand.
5. The Management Team discussed the budget assumptions and proposals on 4 September.

Assumptions

6. **NFP and constitutional change** – this is year 2 of the business case for additional resources to meet the increased audit work arising from NFP and constitutional change. The 2018/19 budget included an allocation of £480k and the budget proposal for 2019/20 increases by £285k to a total of £765k. In total the additional resource required based on mid-point assumptions and on applying cost of living pay awards is projected to increase to £1,273k by 2021/22. Any potential resource implications following the UK's exit from the European Union are being considered and at this stage the budget for 2019/20 does not include any specific allowance for this. Further information on NFP and constitutional change developments is provided in Appendix 1, pages 12 to 22 of this report.
7. **Performance and Best Value Audits** – the programme of work for 2019/20 will be agreed by the Accounts Commission for Scotland and the Auditor General for Scotland. It is assumed that the audit workload will remain the same with the detailed programme and content of work determined through consultation with stakeholders.
8. **Quality** – following the introduction of the new Audit Quality Framework in 2017/18 audit quality is a cornerstone of the work we do. All work needs to be of the highest standard meeting international audit standards as well as the requirements of the Auditor General and the Accounts Commission as set out in the Code of audit practice. The 2018-19 budget allocated an additional £250k to the core Audit Quality and Appointments budget to support the enhanced quality regime. This budget proposal continues to set aside a budget of £250k to meet our audit quality commitment.
9. **Workforce** – the movement in establishment from the 2018/19 budget is 4.5 w.t.e. The increase is attributable to the work arising from NFP and constitutional change and is an increase of 0.5 w.t.e. from the projected 2019/20 figures used in the 2017/18 business case. Further workforce increases are planned in 2020/21 (4 w.t.e.) and 2021/22 (3.5 w.t.e.) to meet the increased demand of NFP and constitutional change. Full details of the proposed changes are provided in schedule 2 of this report.
10. **Pay** – following the removal of the cost of living pay cap in 2018/19 the budget assumes a 2% increase based on long term CPI targets and a scenario used by the Scottish Government in their 5-year Financial Strategy report published in May 2018. Staff who are not at the top of their grades will receive progression

payments as agreed under the reward arrangements introduced in April 2017. A 1% movement in the cost of living pay award alters the pay bill by £160k.

11. **Pensions** - the results of the actuarial valuation were provided to employers in November 2017. The contribution rates have been set for 2018/19 to 2020/21. In addition to contribution rates of 17.7% (2018/19), 18.2% (2019/20) and 18.7% (2020/21) an annual lump sum contribution of £76,800 is required for past service deficits. We continue to be in the employer contribution stability mechanism and the projections for 2021/22 to 2023/24 assume an increase of 0.5% each financial year with the lump sum continuing at the current level.
12. **National Insurance and Apprenticeship Levy** - based on the current employer rates in force for 2018/19.
13. **Vacancy Factor** – the draft budget applies a vacancy/turnover factor of 2% to pay budgets to Audit Services Group, Performance Audit & Best Value, Corporate Services Group and Business Support.
14. **Auditor remuneration (firms)** – increases to auditors' remuneration is linked to the cost of living increases for our own staff and is effective for the next audit year. A 2% increase has been assumed for 2019/20 audits based on the cost of living assumption applied for our staff from April 2019.
15. **Property** – the budget assumes continued occupation of the existing offices in Edinburgh, Glasgow and Inverness. The provision of a budget for a north-east base at Aberdeenshire Council continues. The budget proposal includes the outcome of the rent review negotiations for the office in Glasgow and the Edinburgh office is due a rent review in April 2020.
16. **Travel & Subsistence** – the reduction in budget is mainly due to the cessation of the car lease scheme to new staff in 2017/18. This adjustment reflects the staff that have left the organisation and were members of the car lease scheme. It is projected that there will be small decreases each year within this budget heading.
17. **Legal & Professional Fees** – reduction in budget for 2019/20 mainly due to the removal of the £200k budget allocation to participate in the biennial national fraud initiative exercise.
18. **Information Technology** – the proposed budget assumes that the current levels are sufficient to meet future demands. Additional pressures in respect of data security, software development and time recording system licences will be met from savings identified from existing IT communications budgets. The increased use of cloud technology reduces the demand for capital and miscellaneous revenue hardware requirements have reduced.
19. **Management Contingency** – the contingency budget for 2018/19 is £150k, 0.6% of the total expenditure budget. As we are unable to hold reserves and there is a requirement to break even each year this budget proposal recommends increasing the contingency budget to £300k (1.2% of total expenditure) to mitigate the potential budgetary pressures highlighted in more detail on pages 5 and 6 of this report.
20. **Capital Expenditure** – the proposed £150k in 2019/20 is a reduction of £25k from the 2018/19 allocation as we move to make more use of cloud technology. Adopting this policy reduces the need for hardware, in particular server replacement. Schedule 5 attached to this paper provides further details of capital investment projections for 2019/20 to 2023/24.

Initial Budget Proposals

21. Information on the draft budget, workforce and cost projections is provided in the schedules attached to this report.
22. **Schedule 1** on page 7 provides an analysis of establishment projections for each cost centre. Information is provided on the operational establishment for 2018/19, proposals for the 2019/20 budget and projections each year to 2023/24.
23. **Schedule 2** on page 8 provides an analysis of establishment projections by staff grade.
24. **Schedule 3** on page 9 is an analysis of expenditure to be met from fees and the SCPA.

- 25. Schedule 4** on page 10 analyses the movement from the 2018/19 budget to the draft budget proposals for 2019/20.
- 26. Schedule 5** on page 11 details the capital investment programme for 2019/20 and projections to 2023/24.

Fee Implications

- 27.** Based on the proposed expenditure budget the projected income charges to audited bodies by financial year is provided in Table 1 below:

Table 1 – Proposed Income budget for fees charged to audited bodies

	Actual	Actual	Budget	Budget
	2016/17	2017/18	2018/19	2019/20
	£000	£000	£000	£000
Local Authorities	11,531	11,565	11,372	11,636
NHS bodies	3,584	2,999	2,871	2,866
Further education colleges	540	515	522	541
Scottish Government depts. and sponsored bodies	2,827	2,811	2,880	2,939
Total income from charges to audited bodies	18,482	17,890	17,645	17,982
% cash increase in fees from 2018/19 budget				1.9%

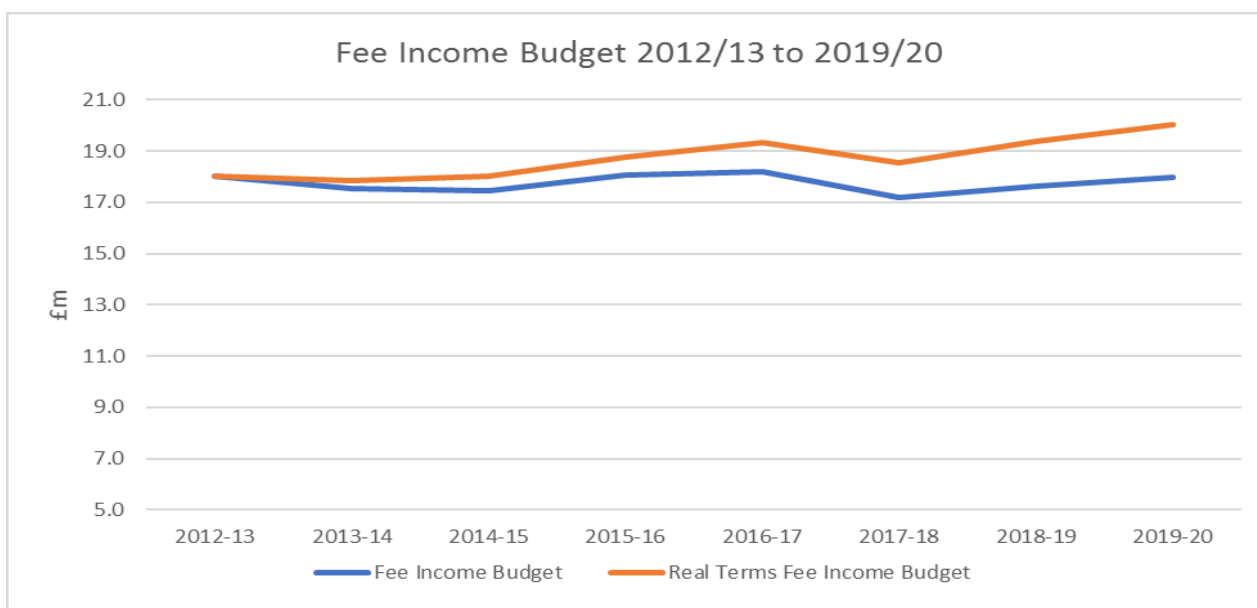
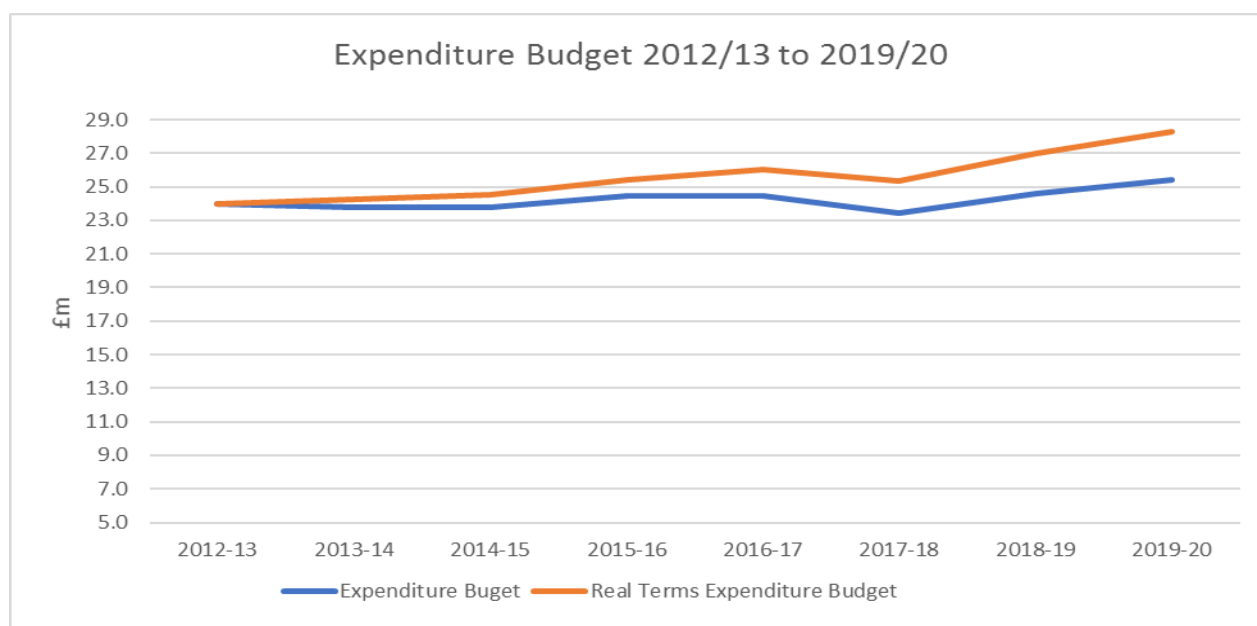
- 28.** The fee income budget represents an average increase of 1.9% in the fees budget for the financial year 2019/20 when compared to the 2018/19 budget, an overall increase in real terms of 0.3%. When compared to the 2016/17 actual income there is an average cash decrease of 2.7%, a real terms reduction of 7.6%.
- 29.** Table 2 details the proposed fees for 2018/19 audits which is an overall increase in average fees of 1.6%, a small real terms increase of 0.1% on 2017/18 charges.
- 30.** The fee movements shown in Table 2 are based on achieving a break-even position for the 2019/20 financial year in all sectors. There is a variation in the increases applied to sectors due to the application of the agreed cost apportionment methods across sectors because of the funding and fee review carried out in 2016.

Table 2 – Proposed Audit fees for 2018/19 audits

	Average change on 2017/18 charges	Real terms change
Local Authorities	+2.0%	+0.5%
NHS bodies	0.0%	-1.5%
Further education colleges	+2.0%	+0.5%
Scottish Government depts. and sponsored bodies	+1.9%	+0.5%
Overall average	+1.6%	+0.1%

Budget Comparison

- 31.** Assuming a base year of 2012/13 the 2019/20 expenditure budget proposal effectively represents a real terms budget reduction of £2.9 million (11%). From 2012/13 to 2019/20 expenditure budgets have experienced total cumulative reductions in real terms of £10.9 million over this period.
- 32.** Efficiencies have enabled the delivery of cash and real terms reductions in fees to audited bodies with the proposal for 2019/20 based on a fee income budget of £18.0 million, which in real terms is a budget reduction of £2.0 million (11%) from a base year of 2012/13. In real terms from 2012/13 to 2019/20 the fee income budgets have experienced total cumulative reductions of £7.9 million.
- 33.** These figures provide a general indication of the current budget proposal compared to 2012/13, however, during this period there have been public sector pay award caps and numerous changes to the public sector landscape that will have influenced expenditure and fee budgets. Examples include the merger of Police Boards and Fire Boards, creation of Integrated Joint Boards and merger of Further Education colleges.
- 34.** The graphs below highlight the actual budgets compared to real terms figures.



35. Parliamentary funding required in the 2019/20 budget proposal is £7.4 million, an increase of £0.4 million from 2018/19. The main reasons for the increase relate to year 2 of NFP and constitutional change funding and an increase to management contingency. These increases are partially offset by the removal of the national fraud initiative funding, which is a biennial exercise undertaken on behalf of the public sector in Scotland.
36. The Parliamentary funding requirement in the 2012/13 budget was £7.0 million and in real terms the 2019/20 budget proposal is effectively a reduction of £0.9 million (11%).
37. During the period 2012/13 to 2019/20 significant efficiencies have been identified and delivered while maintaining high quality service delivery. Examples include the external audit firms' procurement, property rationalisation and business re-structuring to meet the demands of an agile organisation. There has been significant change in the public sector landscape from 2012/13 and we will continue to identify opportunities to deliver efficiencies that demonstrate value for money as part of the annual budget process.

Potential Short/Medium Term Budgetary Pressures

38. Pay Awards

The budget assumes cost of living pay awards at 2% per annum. Pay awards will reflect the market conditions in the public sector and are a key component in the proposed fees that are charged to public bodies. Expected fees are issued in December each year based on the budget assumptions and if the actual pay award is more than the budget assumption we will need to find savings from within the approved budget to break even.

39. UK withdrawal from EU

The uncertainty surrounding the UK's withdrawal from the European Union is likely to have an impact on the budget. It is difficult to quantify at this stage but in the short term it is possible that the cost of goods/services might increase putting pressure on budgets. It is expected that the EU withdrawal will affect public sector workforce planning, funding streams and lead to regulatory uncertainty in certain areas. Audits could therefore become more challenging which could lead to resourcing issues to successfully complete audits within the required deadlines. In the longer term there could be recruitment issues as well as financial market volatility that could lead to employer pension contributions increasing above assumed levels.

40. Audit firms' discounts

The discounts currently received from the firms for audit work is contracted to continue until the 2020/21 audit year. Based on 2017/18 audits the average discounts received by sector are as follows:

- | | |
|----------------------|------|
| • Local Government | 0.86 |
| • Health | 0.85 |
| • Central Government | 0.88 |
| • Further Education | 0.97 |

Approximately two thirds of financial audit work are undertaken in-house with one third undertaken by audit firms. The procurement strategy for the next award exercise will determine any change in the current allocation of work. If there are changes then this will have a potential impact on in-house staff resources. Also, there is the possibility of changes to the discounts offered, which will have significant implications on fees to audited bodies. Based on the discounts highlighted above the budget projection for 2019/20 assumes a total discount of £615k. The full impact of any changes will appear in the 2021/22 financial year.

41. EAFA Fee Income

Currently the European Agricultural Fund Account (EAFA) audits require significant resource which generates fee income of £874k. This budget proposal predicts that following EU withdrawal the requirement

to audit EAFA will continue in the short to medium term. In the longer term it is assumed that any UK/Scottish replacement scheme will require audit though at this stage it is too early to determine the level of resource required though it is expected that any new arrangement will be less labour intensive. Depending on the timing of any change it is possible that there could be a period where we have excess staff resource for which no or reduced fee income is being received. At this stage we are not able to quantify this within the future projections though the situation will be closely monitored and assessed.

If the UK Government is unable to negotiate a deal on leaving the EU this is likely to change the position in the short term leading to a significant impact on the scope of the audit and ultimately a risk in achieving the projected fee income in 2019/20. This is a significant budget risk and we will continually monitor the situation. In the short term we will need to identify how we will fund this pressure until staff turnover brings us to an affordable establishment. Included in the £874k EAFA funding is an allocation of overheads and pooled costs totalling £97k, which will impact on the next round of fees as they will need to be allocated across other bodies.

42. IAS 19 Pension costs

The requirement to account for IAS 19 pension liabilities as at the end of the financial year leads to uncertainty as the funding requested by us in the Spring Budget Revision is based on the Actuary's projections included in their IAS 19 pension calculation report for the previous year's annual accounts. Every effort is made to minimise this risk, however, as the funding required is agreed in December each year this leaves a 3-month period subject to uncertainty with potential discount rate changes resulting in increased costs with no matched funding.

43. Early closure of accounts

If in the longer term, there are proposals to change the current statutory deadlines for laying of annual accounts this will have significant resource implications for us and it is also anticipated that there will be an impact on the recognition of work in progress in the first year of implementation. We will need to ensure that we highlight the issues prior to any proposals being taken further forward.

Next Steps

44. Subject to Board approval a budget proposal report will be prepared for the SCPA.

Action

45. The Board is asked to review and discuss the contents of this paper and approve the budget proposal for submission to the SCPA.

2019/20 Draft Budget

Establishment by Cost Centre

	18/19 Operational Budget	19/20 Draft Budget	20/21 Projection	21/22 Projection	22/23 Projection	23/24 Projection
Commission Members	12.00	12.00	12.00	12.00	12.00	12.00
Board	3.00	3.00	3.00	3.00	3.00	3.00
Auditor General	1.00	1.00	1.00	1.00	1.00	1.00
Commission Secretary	1.00	1.00	1.00	1.00	1.00	1.00
Management Team	2.96	2.96	2.96	2.96	2.96	2.96
Audit Services Group	146.10	146.10	146.10	146.10	146.10	146.10
PABV (incl Professional Support)	66.40	66.40	66.40	66.40	66.40	66.40
Corporate Services (incl Audit Assurance)	36.60	36.60	36.60	36.60	36.60	36.60
Facilities & Business Support	18.62	18.62	18.62	18.62	18.62	18.62
NFP & constitutional change	8.00	12.50	16.50	20.00	20.00	20.00
Total	295.68	300.18	304.18	307.68	307.68	307.68

2019/20 Draft Budget

Establishment by Grade

	18/19 Operational Budget	19/20 Draft Budget	20/21 Projection	21/22 Projection	22/23 Projection	23/24 Projection
Commission Members	12.00	12.00	12.00	12.00	12.00	12.00
Board	3.00	3.00	3.00	3.00	3.00	3.00
Auditor General	1.00	1.00	1.00	1.00	1.00	1.00
Commission Secretary	1.00	1.00	1.00	1.00	1.00	1.00
Directors	2.96	2.96	2.96	2.96	2.96	2.96
Assistant Directors	13.00	13.00	13.00	13.00	13.00	13.00
Band 3	36.40	36.40	36.40	36.40	36.40	36.40
Band 2B	31.12	31.12	31.12	31.12	31.12	31.12
Band 2A	74.10	78.60	82.60	86.10	86.10	86.10
Band 1C	57.48	57.48	57.48	57.48	57.48	57.48
Band 1B	19.00	19.00	19.00	19.00	19.00	19.00
Band 1A	8.62	8.62	8.62	8.62	8.62	8.62
Trainees	34.00	34.00	34.00	34.00	34.00	34.00
Modern Apprentice / Student Trainee	2.00	2.00	2.00	2.00	2.00	2.00
Total	295.68	300.18	304.18	307.68	307.68	307.68

2019/20 DRAFT BUDGET - YEAR ON YEAR COMPARISON

EXPENDITURE TO BE MET FROM FEES AND SCPA

	Actual		Operational	Draft	Projection				
	2016~17	2017~18	2018-19 Budget	2019-20 Budget	2020-21	2021-22	2022-23	2023-24	
	£k	£k	£k	£k	£k	£k	£k	£k	£k
Direct Costs									
Salaries and on costs	14,824	15,037	15,232	15,839	16,383	16,852	17,294	17,712	
Pensions in payment	23	27	25	25	25	26	27	27	
Pension adjustments	871	1,831	100	100	100	100	100	100	
	15,718	16,894	15,357	15,964	16,508	16,978	17,420	17,839	
Agency Staff	176	256	70	75	80	80	80	80	
Secondments to Audit Scotland	205	132	0	0	0	0	0	0	
VERA provision	177	1	0	0	0	0	0	0	
NFP & constitutional change			480	765	1,030	1,273	1,299	1,325	
TOTAL	16,276	17,282	15,907	16,804	17,618	18,331	18,799	19,244	
Approved Auditors									
Fees	4,760	4,039	3,851	3,909	3,987	4,067	4,148	4,231	
Expenses	226	316	275	280	286	291	297	303	
TOTAL	4,987	4,355	4,125	4,189	4,273	4,358	4,445	4,534	
Indirect Costs									
Rent & Rates	550	519	525	511	532	537	544	551	
Accommodation Costs	346	419	410	393	420	406	410	417	
Travel & Subsistence	863	866	906	867	861	849	837	825	
Legal & Professional Fees	614	445	771	579	779	579	779	579	
Management Contingency	0	0	150	300	300	300	300	300	
Printing & Stationery	141	121	148	132	132	132	132	132	
Training incl. conferences	484	430	483	481	482	483	483	483	
Recruitment	109	128	105	130	130	130	130	130	
Postage & Distribution (Comms)	37	26	44	38	38	38	38	38	
Insurance	72	80	79	79	79	79	79	79	
Information technology	413	414	458	444	444	444	444	444	
Audit Fees - Internal	29	28	30	30	30	30	30	30	
Audit Fees - External	27	27	30	30	30	30	30	30	
Other	80	65	63	65	65	65	65	65	
Depreciation	354	372	383	323	286	258	248	219	
TOTAL	4,120	3,939	4,586	4,401	4,607	4,360	4,549	4,322	
Other Income									
Bank Interest	36	7	0	0	0	0	0	0	
Secondment Income	136	57	0	0	0	0	0	0	
Pension fund income (IAS19)	-626	-893	0	0	0	0	0	0	
Other income	4	1	0	0	0	0	0	0	
TOTAL	-450	-828	0	0	0	0	0	0	
Amount to be met from fees and SCPA	25,832	26,404	24,618	25,394	26,499	27,050	27,793	28,100	
Movement from prior year budget £k				776	1,105	551	744	307	
Movement from prior year budget %				3.2%	4.5%	2.2%	3.0%	1.2%	

ANALYSIS OF BUDGET MOVEMENT FROM 2018/19 TO DRAFT 2019/20

	£k	£k
2018/19 Budget met from Fees and SCPA		24,618
Analysis of budget change		
2% Pay Award	323	
Incremental Progression	80	
Employer Pension Contribution increase	62	
Vacancy factor reduction	102	
Other Direct Costs	37	
New Financial Powers	285	
NFI	-200	
Management Contingency	150	
Depreciation	-60	
Approved Auditors	64	
Travel & Subsistence	-39	
Accommodation	-31	
Recruitment	25	
Miscellaneous	-22	
Total budget change		776
2019/20 Proposal to be met from Fees and SCPA		25,394

2019/20 DRAFT BUDGET - CAPITAL PROJECTIONS

	2018/19 £k	2019/20 £k	2020/21 £k	2021/22 £k	2022/23 £k	2023/24 £k
<u>IT investments</u>						
Chrome books	25					
Mobile Phones	100			100		
Firewall box	25					
Software	25	75	40	25	75	75
Printers			70			
Hardware		75	40	25	75	75
	175	150	150	150	150	150

Purpose

1. This report provides an update on the business continuity planning arrangements for potential disruption arising from EU withdrawal and in particular a 'no deal' exit.

Background

2. By common consent the current uncertainty surrounding the departure from the EU is significant and unprecedented and the situation is changing on almost a daily basis. Management Team and the Board have received regular updates on how EU withdrawal might impact on public sector bodies and on Audit Scotland.
3. The magnitude and nature of any disruption cannot be accurately predicted at this stage however, this does not negate the need to put plans in place to deal with different scenarios. In the event of severe disruption Audit Scotland will implement its Business Continuity (BC) arrangements.
4. Each year the Audit Committee reviews and approves Audit Scotland's BC arrangements. These consist of a business continuity policy and guide, major incident plan and recovery plans, all of which are revised and updated regularly. The BC arrangements were last reviewed and approved by the Audit Committee in November 2018.
5. The BC arrangements cover a range of scenarios, including loss of building or services for a period. We have been building on these arrangements to plan for potential disruption arising from EU withdrawal, including a 'no deal' departure.

Business continuity planning arrangements

6. EU withdrawal is currently a standing item on the agenda for the weekly Management Team meetings. A working group has been carrying out planning and development work to support Management Team's considerations.
7. The main areas of focus have been:
 - Scenario planning, including identifying a range of scenarios and responses, in terms of:
 - disruption to the public bodies we audit
 - disruption to Audit Scotland's operations
 - the nature, scale and duration of disruption
 - 'trigger points' which might require action in terms of audit work and organisational priorities.
 - Preparedness planning, with a particular focus on the potential for short term disruption:
 - internal and external communications -where a communications plan is in place covering key messages, key stakeholders and communications channels
 - maximising flexibility, including enhanced digital services to support remote working and effective communication
 - engagement with key stakeholders
 - ensuring core support functions can operate effectively including, the Comptroller and Auditor General function, Finance, Communications, Human Resources and Digital Services

- how colleagues can use their time productively in the event of significant disruption.
- Reviewing and refining the arrangements in place to support Management Team, should the Business Continuity Plan (BCP) be activated and the Disaster Management Team (DMT) come into operation. The BCP defines a disaster as: ‘any incident which seriously affects business operations, to the detriment of the services that Audit Scotland delivers to its clients’. Here our focus has been on:
 - reviewing and updating membership of the DMT (DMT comprises Management Team and the Communications Manager)
 - establishing two support teams; one focussed on external monitoring and engagement with public sector organisations and one to support internal operational arrangements
 - ensuring resilient and flexible digital communications to support effective DMT discussion and decision making where members of the DMT are in different locations.
- 8. The BCP states that ‘it is the responsibility of the DMT member to decide whether the plan should be activated and, if necessary, to do so. On activation of the plan a member of the DMT is to notify the Audit Scotland Board members.’
- 9. The DMT is responsible for providing overall direction of the recovery operations . It must ascertain the extent of the problem or damage, activate the plan and monitor and report recovery progress. Specific responsibilities include:
 - Activation and deactivation of the BCP.
 - Liaising with emergency services.
 - The management of other Business Continuity Teams.
 - Evaluation of the extent of the problem and the potential consequences.
 - External public relations.
 - Monitoring recovery and assuring achievement of the plan.
 - Control of emergency expenditure.

Recommendation

10. The Board is invited to consider and discuss the business continuity arrangements in place and those under development.

Purpose

1. This report updates the Board on the reports and other outputs that we plan to publish during 2019/20 and 2020/21 on behalf of the Auditor General and the Accounts Commission. It also provides a summary of the longer-term five-year rolling work programme.

Background

2. The Auditor General for Scotland (AGS) and Accounts Commission (AC) recently agreed the refreshed rolling work programme for the next five years. This includes a two-year programme of confirmed work and a further three years of indicative work. Further information on the programme including the high level scope of the audits planned for 2019/20 and 2020/21 can be found on our website: www.audit-scotland.gov.uk/our-work/future-work/our-work-programme¹.

Rolling work programme 2019/20 to 2023/24

3. The programme includes overview reporting, performance audit, Best Value, How Councils Work, impact reporting, statutory reporting and the Shared Risk Assessment of councils. All of these pieces of work either build on or complement the core annual audit work that takes place in each audited body every year. Flexibility has been built into the programme to allow Audit Scotland to undertake investigatory work and respond quickly to new and emerging audit risks on behalf of the AGS and AC, working where appropriate with partner audit firms.
4. In developing and refreshing the programme, careful consideration has been given to ensure that the audit work reflects:
 - the Auditor General and Accounts Commission strategic audit priorities
 - Audit Scotland's four audit dimensions as outlined in the Code of Audit Practice: value for money; governance and transparency; financial management; and financial sustainability
 - significant changes in the public sector policy environment, such as Scotland's New Financial Powers, changes to education governance, the Scottish Government's Enterprise and Skills Review, and the UK's decision to leave the European Union
 - new and emerging risks and issues informed by our audit intelligence and monitoring of public sector audit risks
 - the need to balance ongoing areas of interest (including follow-up work) with potential new pieces of audit work.
5. Within the programme we have sought to provide a balance of work that provides coverage across the areas outlined in paragraph 4. This includes a mixture of one-off pieces of work (e.g. revenue financing of assets and waste management), longer-term audit programmes (e.g. new financial powers; health and social care, early learning and childcare), thematic work (e.g. digital; prevention; and workforce planning) and audit activity to follow up on the impact of previous audits.

¹ Please note: the content and layout of the website will be updated with details of the refreshed work programme when it is 'launched' on the 26th March.

6. The programme includes several additional outputs linked to the ongoing programme development work undertaken by our three policy clusters – Health, care and communities (HCC); Justice, education and lifelong learning (JELL); and Public finances, investment and economic development (PIE). These are being taken forward during 2019/20 and 2020/21 and take the form of internal briefings, published public briefings, and round tables. This programme development work covers areas such as:
- Community empowerment;
 - Cybersecurity;
 - Drug and alcohol services
 - Scottish Government Enterprise and Skills Review
 - Local economic development
 - Teacher workforce planning
7. The five-year rolling programme is set out within appendix 1. Arrangements are in place for regular engagement with both the AGS and AC to ensure the programme is in line with their expectations. The AGS and AC consult with key stakeholders as part of the annual refresh of the programme, with this engagement informing the final proposals. Audit Scotland also consults its Equality and Human Rights Advisory Group (EHRAG) to ensure that equality considerations are taken into account appropriately when planning and delivering our audit work. Ongoing engagement with the EHRAG will take place with individual teams as audits are scoped to ensure that equality issues are reflected in the delivery of the work programme. The feedback from the most recent consultation and engagement process was positive, providing assurance that the programme is proportionate and focussed on the right areas.



Publication schedule 2019/20 through to 2020/21




8. Audit Scotland plans to publish in the region of 60 outputs over the course of the next two years on behalf of the AGS and AC, plus any additional statutory reports as required. The outputs are listed in appendix 2 along with indicative publication dates. The list does not include any corporate publications, impact reports or Annual Audit Reports arising from the financial audit of public bodies. It does not at this stage include any public outputs arising from our programme development work, such as the areas listed at paragraph 6 of this report. Should any of this work progress to published outputs they will be added into the overall publication schedule as appropriate.

Recommendations

9. The Board is invited to note the approved five-year work programme and indicative publication schedule for the next two years.

Appendix 1- Rolling work programme 2019/20 to 2023/24

	2019/20	2020/21	2021/22	2022/23	2023/24
	<ul style="list-style-type: none"> NHS in Scotland (AGS) Scotland's colleges (AGS) Local government financial overview (AC) Local government overview: challenges and performance (AC) 	<ul style="list-style-type: none"> NHS in Scotland (AGS) Scotland's colleges (AGS) Local government financial overview (AC) Local government overview: challenges and performance (AC) 	<ul style="list-style-type: none"> NHS in Scotland (AGS) Scotland's colleges (AGS) Local government financial overview (AC) Local government overview: challenges and performance (AC) 	<ul style="list-style-type: none"> NHS in Scotland (AGS) Scotland's colleges (AGS) Local government financial overview (AC) Local government overview: challenges and performance (AC) 	<ul style="list-style-type: none"> NHS in Scotland (AGS) Scotland's colleges (AGS) Local government financial overview (AC) Local government overview: challenges and performance (AC)
	<ul style="list-style-type: none"> Enabling digital government (AGS) Finances of Scottish universities (AGS) NHS workforce 2: community-based workforce (AGS) Social Security (AGS) City Deals (Joint) Early learning and childcare (Joint) – impact and follow up EU withdrawal * Revenue financing of assets: the NPD and Hub models (Joint) Scottish Public Pensions Agency follow-up (AGS) <p>*scope and timing of work still to be agreed.</p>	<ul style="list-style-type: none"> Social Security (AGS) Skills – planning and investment (ASG) Commonwealth Games legacy (Joint) Waste management (Joint) Outcomes for children with additional support needs (Joint) Social care sustainability (Joint) Digital progress in local government (AC) Supporting economic growth: the role of local authorities (AC) 	<ul style="list-style-type: none"> Development of Scotland's new agriculture and fishing policy (AGS) Fair access to higher education (AGS) Social Security (AGS) City Deals 2 (Joint) Community justice (Joint) Digital services: learning or justice (Joint OR AGS) Early learning and childcare series (Joint) Improving outcomes for looked after children & young people (Joint) Workforce planning post-EU withdrawal (joint) Local government (AC)*** 	<ul style="list-style-type: none"> Digital in health (AGS) Social Security (AGS) Supporting economic growth: Enterprise and Skills Review (AGS) Housing for an older population (Joint) Mental health (Joint) Progress in addressing child poverty (Joint) Replacing Structural Funds (Joint) Strategic capital investment (Joint or AGS) Local government (AC)*** 	<ul style="list-style-type: none"> Climate change plan (AGS) Digital: progress against digital strategy (AGS) Public energy company (AGS) Scottish investment bank (AGS) Social Security (AGS) Support to rail services (AGS) Health and social care 3 (Joint) Local government (AC)***
	<ul style="list-style-type: none"> Educational outcomes (Joint)** Affordable housing (Joint)** <p>**report early 20/21</p>		<p>*** programme of audits focusing on 'core' local government services (e.g. leisure, libraries, burials, regulatory services, community transport)</p>		

	2019/20	2020/21	2021/22	2022/23	2023/24
	<p>7 Best Value Assurance Reports (BVARs):</p> <ul style="list-style-type: none"> • Clackmannanshire Council Progress • Highland Council • Midlothian Council • North Lanarkshire Council • Perth and Kinross Council • Scottish Borders Council • South Lanarkshire Council • Stirling Council 	<p>7 Best Value Assurance Reports (BVARs):</p> <p>To be confirmed following the 2019/20 shared risk assessment process.</p> <p>Best Value assessments also feature in the annual audit reports of the remaining 25 councils.</p>	<p>6 Best Value Assurance Reports (BVARs):</p> <p>To be confirmed following the 2020/21 shared risk assessment process.</p> <p>Best Value assessments also feature in the annual audit reports of the remaining 26 councils.</p>	<p>End of five-year audit appointment cycle.</p> <p>Next steps to be confirmed in 2021.</p>	<p>New appointment cycle.</p> <p>Approach to Best Value audit in councils to be agreed.</p>
	<p>There will be no How Councils Work in 2019/20</p>	<p>It is assumed that one HCW audit will take place in 2020/21.</p>	<p>The approach to How Councils Work beyond 2020/21 is to be agreed by the Accounts Commission.</p>	<p>The approach to How Councils Work beyond 2020/21 is to be agreed by the Accounts Commission.</p>	<p>The approach to How Councils Work beyond 2020/21 is to be agreed by the Accounts Commission.</p>
	<ul style="list-style-type: none"> • NHS workforce planning (AGS) • Transport Scotland's ferry services (AGS) • Self-Directed Support follow up (Joint) • Equal Pay in councils (AC) • Roads Maintenance (Joint) 	<ul style="list-style-type: none"> • Forth replacement crossing (AGS) • Scottish Fire and Rescue Service: an update (AGS) • Superfast Broadband for Scotland (AGS) • Children and young people's mental health (Joint) • Councils' use of arms-length organisations (AC) 	<ul style="list-style-type: none"> • Enabling digital government (AGS) • Finances of Scottish universities (AGS) • NHS workforce 2: community-based workforce (AGS) • Skills: planning and investment (ASG) • Scotland's City Region and Growth Deals (Joint) • EU withdrawal • Revenue financing of assets: the Non-profit distributing (NPD) and Hub models (Joint) 	<ul style="list-style-type: none"> • Commonwealth Games (Joint) • Educational Outcomes (Joint) • Waste management (Joint) • Housing (Joint) • Outcomes for children with additional support needs (Joint) • Social care sustainability (Joint) • Digital progress in local government (AC) • Supporting economic growth: the role of local authorities (AC) 	<ul style="list-style-type: none"> • Development of Scotland's new agriculture and fishing policy (AGS) • Fair access to higher education (AGS) • City Deals 2 (Joint) • Community justice (Joint) • Digital services: learning or justice (TBC) • Early learning and childcare series (Joint) • Improving outcomes for looked after children & young people (Joint) • Workforce planning post-EU withdrawal (Joint) • Accounts Commission performance audit (AC)

Appendix 2- Indicative publication schedule 2019/20 through 2020/21

The table below summarises reports and other outputs that we plan to publish during the next two years. Indicative publication timescales are included.

Publication	AGS / AC / Joint	Indicative publication
Local government overview – performance and challenges	AC	21 March 2019
South Lanarkshire Council BVAR	AC	28 March 2019
Public health briefing	Joint	April 2019
Scottish Government Enterprise and Skills review – briefing paper	AGS	4 April 2019
How Councils Work: Safeguarding Public Money	AC	11 April 2019
Stirling Council BVAR	AC	25 April 2019
<i>Provisional</i> – College s22 statutory reports	AGS	April 2019
Social Security 2019	AGS	2 May 2019
A guide to the GMS contract in Scotland	AGS	9 May 2019
North Lanarkshire Council BVAR	AC	23 May 2019
Scotland's colleges 2019	AGS	30 May 2019
Scottish Public Pensions Agency (SPPA) update	AGS	18 June 2019
Enabling Digital Government	AGS	20 June 2019
Clackmannanshire Council BVAR follow-up	AC	27 June 2019
Midlothian Council BVAR	AC	4 July 2019
National scrutiny plan	AC	11 July 2019
Community Empowerment briefing	Joint	July 2019
Cyber security briefing	AGS	July 2019
Revenue financing of assets: the Non-profit distributing (NPD) and Hub models	Joint	8 August 2019
Perth and Kinross Council BVAR	AC	22 August 2019
NHS Workforce 2	AGS	29 August 2019
S22 Scottish Government (SG) Consolidated Accounts	AGS	September 2019
Finances of Scottish Universities	AGS	19 September 2019
<i>Provisional</i> – Health s22 statutory reports	AGS	October 2019
Scottish Borders Council BVAR	AC	24 October 2019
NHS in Scotland 2019 overview	AGS	31 October 2019
Scotland's City Region and Growth Deals	Joint	14 November 2019
Local government in Scotland – a financial overview	AC	28 November 2019
Highland Council BVAR	AC	5 December 2019
<i>Provisional</i> Central government S22 Statutory reports	AGS	Throughout 2019

Publication	AGS / AC / Joint	Indicative publication
<i>Provisional</i> Local government S102 Statutory reports	AC/CoA	Throughout 2019
Early learning and childcare impact and follow-up	Joint	January 2020
Local government in Scotland 2019 – challenges and performance	AC	Spring 2020
New financial powers and constitutional change – Social Security 2020	AGS	
<i>Provisional</i> – Colleges s22 statutory reports	AGS	
Educational outcomes	Joint	Summer 2020
Affordable Housing	Joint	
Commonwealth games follow-up	Joint	
National Scrutiny Plan	AC	
Economic growth: the role of local authorities	AC	
Digital in local government	AC	
Scotland's colleges overview 2020	AGS	
National Fraud Initiative in Scotland	Audit Scotland	
Social Care sustainability	Joint	Autumn 2020
S22 Scottish Government Consolidated accounts	AGS	
<i>Provisional</i> – Health S22 Statutory reports	AGS	
NHS in Scotland overview	AGS	
Skills planning and investment	AGS	Winter 2020
Local government in Scotland – a financial overview	AC	
Improving outcomes for children with additional support needs	Joint	
Waste management	Joint	
Teacher workforce briefing	Joint	
<i>Provisional</i> Central government S22 Statutory reports	AGS	Throughout 2020/21
<i>Provisional</i> Local government S102 Statutory reports	AC	
7 Best Value Assurance Reports (BVARs): To be confirmed following the 2019/20 shared risk assessment process.	AC	
How Councils Work (topic and timing tbc)	AC	

Wednesday 1 May 2019 at 10.15am

Audit Scotland offices, 102 West Port, Edinburgh EH3 9DN

1. Welcome and apologies
 2. Declarations of interests
 3. Decision on items to be taken in private For approval
-

Standing items

4. Chair's report – verbal update
 5. Accountable Officer's report – verbal update
 6. Accounts Commission Chair's report – verbal update
 7. Review of minutes: Board meeting 18 March 2019
 8. Review of action tracker
-

Strategy and planning

9. Information security management policy For approval
 10. Data protection policy For approval
-

Conclusion

11. Any other business
 12. Review of meeting
 13. Date of next meeting: 5 June 2019
-

Items to be taken in private

14. Draft 2018/19 Annual report and accounts For approval
[Item to be taken in private to support the effective conduct of business, intended for future publication]
 15. Equality outcomes and mainstreaming progress report For approval
[Item to be taken in private to support the effective conduct of business, intended for future publication]
-

- | | |
|--|----------------|
| 16. Corporate plan update 2019/20
[Item to be taken in private to support the effective conduct of business,
intended for future publication] | For approval |
| 17. Draft Communication and engagement strategy TBC
[Item to be taken in private to support the effective conduct of
business] | For discussion |
| 18. Preparations for audit procurement: Outline project approach
[Item to be taken in private due to commercial sensitivity] | For discussion |