

Agenda

Tuesday 5 April 2022 at 10.00am

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

Standing items

- | | |
|---|-----------------|
| 5. Chair's report - verbal update | For information |
| 6. Accountable Officer's report - verbal update | For information |
| 7. Accounts Commission Chair's report - verbal update | For information |
| 8. Review of minutes: <ul style="list-style-type: none">• Board meeting: 26 January 2022• Audit Committee meeting: 10 November 2021• Remuneration and Human Resources Committee meeting: 10 November 2021 | For approval |
| 9. Review of action tracker | For information |
| 10. Covid-19 update | For information |

Strategic priorities

- | | |
|--|-----------------|
| 11. Strategic Improvement Programme update | For information |
|--|-----------------|

Business planning, performance and governance

- | | |
|---|-----------------|
| 12. 2022/23 Operational budget | For approval |
| 13. Q3 Financial performance report | For information |
| 14. Q3 Corporate performance report | For information |
| 15. Best Companies survey results | For information |
| 16. Annual policy review of Freedom of Information and Environmental Information requests | For approval |

17. Data Protection Policy

For approval

18. Scheme of Delegation and Management Team quorum

For information

Conclusion

19. Any other business

For discussion

20. Review of meeting

For discussion

21. Date of next meeting

For information

Items to be taken in private

22. New Audit Appointments – Lessons learned

For discussion

[Item to be taken in private to support the effective conduct of business and commercial sensitivity]

23. Audit Scotland Annual Report and Accounts 2021/22

For discussion

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

24. Internal audit procurement

For approval

[Item to be taken in private to support the effective conduct of business, commercial]

Minutes Board

Wednesday 26 January 2022, 10.00am
Audit Scotland by Video conference

Present:

Alan Alexander (Chair)
Stephen Boyle
Colin Crosby
Jackie Mann
William Moyes

Apologies:

There were no apologies.

In attendance:

Martin Walker, Acting Director of Corporate Services
Stuart Dennis, Corporate Finance Manager
Simon Ebbett, Communications Manager
Michelle Borland, Business Manager, Performance Audit and Best Value
Elaine Boyd, Associate Director, Audit Quality and Appointments
Owen Smith, Senior Manager, Audit Quality and Appointments
John Gilchrist, Manager, Audit Quality and Appointments
Mark Roberts, Audit Director, Performance Audit and Best Value

1. Private meeting of Board members

The Board met privately and there were no matters arising.

2. Welcome and apologies

Martin Walker, Acting Director of Corporate Services, Stuart Dennis, Corporate Finance Manager, Simon Ebbett, Communications Manager, joined the meeting.

The Chair welcomed attendees to the meeting and formally welcomed William Moyes to his first meeting as a member of the Board following his appointment at Chair of the Accounts Commission. The members recorded their thanks to Elma Murray, the former Interim Chair of the Accounts Commission for her contribution to the Board during her appointment.

3. Declarations of interest

There were no declarations of interest.

4. Items to be taken in private

The Chair invited members to agree that the reports at items 16, 17, 18 and 19 of the agenda be considered in private based on the reasons set out on the agenda. The Board agreed.

5. Chair's report – verbal update

The Chair invited members to note he had joined the tender interview panel for the new audit appointments which had been held on 10, 11 and 17 January. He advised of regular meetings with Stephen Boyle, Auditor General for Scotland and Accountable Officer on a range of operational matters including the reshaping of Audit Scotland's management structure and of an introductory meeting with William Moyes following his appointment as Chair of the Accounts Commission.

The Chair referred to his attendance, with Stephen Boyle and colleagues, at the evidence session with the Scottish Commission for Public Audit on Audit Scotland's 2021/22 Spring Budget Revision and 2022/23 Budget Submission, noting an update on which will be considered at item 11 of today's agenda.

The Chair expressed his thanks to Stephen Boyle and the UK Auditors General for hosting the insightful keynote session on 25 January 2022, 'Audit without borders'.

The Chair advised members of engagement with Judith Strange on the agenda for the Board's next development session proposed to be held on 5 April 2022.

The Board welcomed the update.

6. Accountable Officer's report – verbal update

Stephen Boyle welcomed William Moyes to the Board and that he was looking forward to working with him both on this forum and in his capacity as Chair of the Accounts Commission.

Stephen advised the Board of regular meetings with the Chair and reflected on the level of activity across the organisation as Audit Scotland progresses the delivery of the dynamic work programme and financial audits and he recorded his thanks to colleagues for their continued dedication and commitment.

Stephen invited the Board to note the recent publication of five section 22 reports and two further pending reports on the 2020/21 audit of public bodies in Scotland. The Board also noted the publication of an additional assurance report on Public Income Tax alongside the audit of the Scottish Income Tax which is conducted by the Controller and Auditor General of the NAO as part of his audit of HMRC, and the publication of a section 23 report on skills planning arrangements in Scotland.

Turning to Parliamentary engagement, Stephen invited members to note a range of activity including briefings and attendance at evidence sessions with the Public Audit Committee throughout November, December 2021 and January 2022.

Stephen invited members to note the culmination of Audit Scotland's 2021 Conference series with a keynote session 'Audit without borders' when he was joined by the Auditors General from the National Audit Office, Audit Wales and Northern Ireland Audit Office. The members noted the session was joined by more than 400 colleagues from the respective agencies and noted ongoing engagement with the UK and Ireland Auditors General as part of the Public Audit Forum.

Stephen advised members of an introductory meeting with the National Statistician Professor Sir Ian Diamond to hear more of the work of the Office for National Statistics.

The members also noted the communication to all staff on increased access to offices following the latest announcement by the Scottish Government and welcomed the continued engagement with colleagues by way of pulse surveys, drop in sessions and the forthcoming Best Companies Survey.

The Board welcomed the update.

7. Accounts Commission Chair's report – verbal update

William Moyes, Chair of the Accounts Commission, advised members that since his appointment on 1 January 2022 he had engaged with colleagues through a series of introductory meetings and expressed his thanks to colleagues for their time.

William invited the Board to note Andy Cowie's blog in November 2021 on assurance and scrutiny on Scotland Housing benefits services and advised that the Commission had published its Statutory Performance Information Direction for Councils on 21 December 2021, a Best Value report on Falkirk Council on 13 January 2022 and that a briefing on Social Care is scheduled for 27 January 2022.

On future publications, the Board noted plans to publish a newsletter for councillors, the Best Value report on Moray Council (scheduled for 3 March 2022), the Local Government Overview (10 March 2022) and a report on Orkney and Shetland Joint Valuation Board (end of March 2022). In addition, William advised of joint briefings with Auditor General for Scotland on supporting business through the pandemic and planning Scotland's economic recovery and a publication on Drug and Alcohol Services (March 2022).

The Board welcomed the update.

8. Review of minutes

Board meeting: 22 November 2021

The Board considered the minutes of the meeting of 22 November 2021, which had been previously circulated.

The Board approved the minutes as an accurate record of the meeting, subject to the correction of a minor typographical error.

9. Review of action tracker

The Board noted the updates provided on the action tracker.

The Chair sought Board approval to close action ASB152 following Stuart Dennis' update to the Accounts Commission's Financial Assurance Audit Committee on 25 November 2021. The Board agreed the closing of this action.

Martin Walker clarified the position in relation to ASB149, advising this will come to the Board meeting on 5 April 2022 as part of Q3 corporate performance reporting.

10. Covid-19 update

Martin Walker introduced the Covid-19 update report, copies of which had been previously circulated.

Martin invited the Board to consider the report, the actions taken to date in response to the Covid-19 pandemic, the ongoing actions and next steps.

The Board noted the First Minister's announcement on 25 January 2022 indicating the likelihood of a move to hybrid working for businesses and the forthcoming publication of guidance by the Scottish Government.

Martin invited members to note that Audit Scotland would return to Phase 3 of the 'our workplaces' plan this week and that there is a review of measures planned to enable Phase 4 access. The Board noted further consideration of the formulation of a hybrid operating model and that colleague engagement was underway to inform both expectations and the future needs of business. In addition, the Board noted that additional KPIs will be developed as appropriate.

The Board welcomed the update on the completion of financial audits, noted the relatively low completion rate for Colleges at this stage and welcomed assurance that Audit Scotland are able to distinguish those audits which have been directly impacted by Covid-19 and those where issues pre-date the pandemic.

Following discussion, the Board welcomed the update and noted the actions taken to date in response to the Covid-19 pandemic, the ongoing actions and the next steps.

11. 2021/22 Spring Budget Revision and 2022/23 Budget proposal – verbal update

Martin Walker provided a verbal update on the 2021/22 Spring Budget Revision and 2022/23 Budget proposal and the evidence session with the Scottish Commission for Public Audit held on 22 December 2021. The Board were invited to note the SCPA's subsequent recommendation to the Public Finance Committee of Audit Scotland's budget submission which is being considered in Parliament later today.

The Board noted the forthcoming SCPA business planning day on 23 February 2022 and discussed the proposed agenda and format for that meeting.

Stuart Dennis advised the Board that planning is underway in relation to new audits and associated costs together and of the development of the Medium Term Financial Plan which is scheduled to come to the Board in April 2022.

The Board welcomed the update.

12. Our purpose – Workstream update

Michelle Borland, Business Manager, Performance Audit and Best Value, joined the meeting.

Simon Ebbett introduced the Our purpose – Workstream update report, copies of which had been previously circulated.

Simon invited the Board to note the scope and outline of the project and the existing resources which the project will draw from. He also highlighted the links between the core components and the proposed timeline for engagement with stakeholders, the Auditor General for Scotland, Accounts Commission, Leadership Group, colleagues, and advised of the development of proposals for engagement with the public.

During discussion, the Board considered the development of the strategic plan, proposed engagement and timing of publication of Public Audit in Scotland and Audit Scotland's Corporate Plan. Turning to the Partnership Working Framework, the Board noted that the respective responsibilities of the Auditor General for Scotland, Accounts Commission, and Audit Scotland are set in statute and agreed that there was merit in the Framework forming part of our suite of external publications.

Following discussion, the Board welcomed the update, noted the scope and outline of the project and plans for stakeholder engagement and agreed a further detailed discussion be scheduled for June 2022.

ASB160: A Board meeting to be scheduled for discussion and formal approval. (June 2022)

Michelle Borland, Business Manager, Performance Audit and Best Value, left the meeting

13. Any other business

There was no other business for discussion.

14. Review of meeting

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

The Chair thanked everyone for their contributions.

15. Date of next meeting: 5 April 2022

The members noted the next meeting of the Audit Scotland Board is scheduled for 5 April 2022.

Items taken in private

16. Building strategic capacity

Martin Walker left the meeting.

Alan Alexander introduced the Building strategic capacity report, copies of which had been previously circulated.

The Chair reflected on the meeting of 7 January 2022 and the overall support by Board members subject to points of clarification on the proposed structure and invited Stephen to provide an update.

Stephen thanked members for their feedback and reported further consideration of the balance of reporting lines for the Executive Director of Innovation and Quality. The direct reports to this Executive Director will include the Head of Learning and Development and Head of Organisational Improvement.

The Board noted engagement with executive search organisations to support the forthcoming recruitment campaigns and, following consideration of the bids, Stephen confirmed an appointment had been made.

During discussion, the Board noted the anticipated timing of the appointments, confirmed departure date of the Director of Audit Services and reflected on the impact and risk for managing this business group until appointments have been made. In addition, the Board sought clarification on the responsibility for training and trainees and the strategic scope of the Chief Operating Officer's role.

The Board noted the engagement with Leadership Group, Corporate Services Manager and Professional Support on the proposed structure and noted the forthcoming engagement with the Accounts Commission at its meeting on 10 February 2022.

On role profiles, Stephen advised that he had met with the external consultant to benchmark spot rates for these roles and will further report on this and the respective role profiles by correspondence, with a further update to be provided at the meeting of the Remuneration and Human Resources Committee on 2 March 2022.

Following discussion, the Board welcomed the update and endorsed its support for the proposals as agreed by the Board at its informal meeting on 7 January 2022.

Action ASB161: **An update to be scheduled for the Remuneration and Human Resources Committee meeting on 2 March. (March 2022)**

17. New audit appointments – verbal update

Elaine Boyd, Associate Director, Owen Smith, Senior Manager, John Gilchrist, Manager, and Kathrine Sibbald, Project Manager, Audit Quality and Appointments, joined the meeting. Martin Walker re-joined the meeting.

The Chair provided a verbal update on the legal advice on the draft Audit Quality complaints procedure for the Auditor General for Scotland and the Accounts Commission which had confirmed the process was fit for purpose in relation to the new audit appointments.

The Chair advised members of the process for the procurement of audit appointments. This included a desk-based evaluation of the tenders, interviews with the selected firms followed by a moderation meeting to agree the proposed appointments. In addition, a further meeting had been held to assess the affordability of the appointments, a report on which appears at Item 18 of today's agenda.

The Chair advised the Board of his intention to stand down the New Audit Appointments Steering Group after its next meeting on 22 February 2022 as its work had been completed. The members noted a lessons learned review exercise by the New Audit Appointments Steering Group was scheduled for that meeting and an update would come to the Board at its meeting on 5 April 2022.

Following discussion, the members welcomed the update and supported the Chair's proposal to dissolve the New Audit Appointments Steering Group following conclusion of its meeting on 22 February 2022.

Action ASB162: **An update report from the New Audit Appointments Steering Group to be scheduled for the next meeting of the Board. (April 2022)**

18. New audit appointments – affordability

Elaine Boyd introduced the New Audit Appointments – Affordability Report, copies of which had been previously circulated.

Elaine advised the Board of the consideration of the affordability of the bids received from the procurement exercise and invited the Board to consider whether the bids are affordable, the risks in relation to capacity if the number of appointments was reduced and sought the Board's approval for the contracts to be awarded.

During detailed discussion, the Board reflected on the internal and external challenges overcome as part of the project and welcomed the compliance with best practice for the procurement exercise.

Elaine invited the Board to note all audits with the exception of one had received bids and advised of the option to run a mini competition tender. She also advised of the process to review any potential conflicts of providers and highlighted a market review in relation to one bid received which was in excess of the anticipated fee. The Board considered the number of bids, ability to rotate auditors, and likely future public sector reform over the course of these appointments and welcomed the flexibility of the clarity and assurance provided.

Following discussion, the Board accepted the conclusions on affordability and approved the recommendation to appoint six audit firms and noted the issue of letters to the successful firms early next week following which there would be a 10 day quarantine period prior to the award of those contracts.

The Board reflected on the overall project and expressed its thanks to the Audit Quality and Appointments team.

Elaine Boyd, Owen Smith, John Gilchrist and Kathrine Sibbald left the meeting.

19. Stakeholder engagement update

Mark Roberts, Audit Director, Performance Audit and Best Value joined the meeting and Simon Ebbett, Communications Manager, re-joined the meeting.

Simon Ebbett introduced the Stakeholder engagement update report, copies of which had been previously circulated.

Simon invited the Board to note the results from the recent engagement undertaken on behalf of Audit Scotland, the key findings reported and areas for further consideration.

During discussion, the Board welcomed the engagement and reported levels of awareness and considered engagement and feedback from other groups which could be developed.

Following discussion, the Board noted the report and welcomed a suggestion that the Board have a further discussion on stakeholder engagement at a later date.

Action ASB163: A further discussion on stakeholder engagement to be scheduled.

Mark Roberts and Simon Ebbett left the meeting.

Minutes

Audit Committee

Wednesday 10 November 2021, 10.30am
Microsoft Teams



Present:

C Crosby (Chair)
J Mann

Apologies:

E Murray, Interim Chair of the Accounts Commission

In attendance:

A Alexander, Chair, Audit Scotland Board
S Boyle, Accountable Officer and Auditor General for Scotland
D McGiffen, Chief Operating Officer
C Robertson (BDO)
M Walker, Associate Director, Corporate Performance and Risk
S Dennis, Corporate Finance Manager
E Boyd, Associate Director, Audit Quality and Appointments
G Woolman, Audit Director, Audit Services
O Smith, Senior Manager, Audit Quality and Appointments
J Gilchrist, Manager, Audit Quality and Appointments
I Metcalfe, Corporate Performance Officer

1. Private meeting with BDO

A private meeting was held with Audit Committee members and internal auditors, BDO.

2. Welcome and apologies

The Chair opened the meeting, welcomed everyone, and noted that there were no issues arising from the private meeting. The Chair acknowledged that this would be the last meeting of the Audit Committee that Diane would attend before she takes up her new role as Chief Executive of the Law Society in January 2021. The Chair thanked Diane for her much valued contribution to the Audit Committee over many years and wished her success in her new role.

3. Declarations of interests

There were no declarations of interest.

4. Minutes of the last meeting: 1 September 2021

The Audit Committee members reviewed the minutes of the meeting of 1 September 2021, copies of which had previously been circulated.

The Audit Committee approved the minutes of the previous meeting.

5. Review of action tracker

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

The Chair asked if there were any questions or comments, and invited Martin Walker, Associate Director to provide any additional updates.

Martin provided an update on action 137AC. He advised that he is working with David Robertson, Digital Services Manager, on a future focussed report on the medium to longer term digital challenges, threats and opportunities.

The Audit Committee members noted the progress on the actions in the tracker.

6. Audit Committee Terms of Reference

Martin Walker, Associate Director, introduced the Audit Committee Terms of Reference (TOR) report, copies of which had been previously circulated.

The Audit Committee members discussed the frequency of reviewing the TOR and agreed that, in line with good governance principles, the TOR should continue to be formally reviewed annually.

The Audit Committee members discussed the Risk Interrogation reports, noting that these are currently suspended due to competing priorities and pressures, and noted the intention to reinstate them. The Audit Committee members considered the value in carrying out an annual 'deep dive' risk interrogation exercise and recognised that both wider consideration of risk and a deep dive on individual risks were valuable.

Martin advised that risk interrogations are one of a broad range of methods of reporting risk to the Committee. These include the reviews of the risk register, the programme of internal audit reviews, the six monthly digital security updates and the regular reporting on data incidents.

The Audit Committee members noted the review of the Terms of Reference

7. Audit Quality Interim Report and Audit Quality Framework update

Elaine Boyd, Gillian Woolman, Owen Smith and John Gilchrist joined the meeting.

Elaine Boyd, Associate Director, introduced the Audit Quality interim report and Audit Quality Framework update report, copies of which had been previously circulated.

Elaine provided an update on the work of the Audit Quality and Appointments team from April to September 2021. She advised that the risks of material misstatement for two audited bodies identified through the external quality reviews had now been resolved. She also advised that the review of Annual Audit Plans (AAP) had identified some gaps in relation to the coverage of Best Value and that amendments to the templates were being considered.

Elaine advised that audit delivery has been good to date overall. Challenging circumstances for audited bodies and audit teams mean that some audits will be later than planned and

that the regular progress updates from audit teams regarding audit completion had been valuable.

Elaine noted that this is the first full year that accounts and audits have been prepared in a remote environment. Consequently, audits started later and have taken longer.

The Audit Committee members discussed the challenges facing the audited bodies, the audit teams and noted the wider challenges facing the audit profession.

In response to a question on the factors impacting on different sectors, Elaine advised that she would share supplementary information with the members of the committee.

The Chair advised that he attends the Audit Quality Committee as an observer to obtain a more detailed insight into the issues and actions taking place.

Gillian Woolman, Audit Director noted the ongoing need for vigilance and to be alert to audit quality across the board. Gillian noted that it is a challenging time for audit teams and there is a need to build capacity in teams to backfill colleagues who have moved onto audit quality work.

The Audit Committee members discussed the impact of working within and outwith a pandemic environment. They encouraged wider thinking around aligning quality scoring in line with the Financial Reporting Council, and how we report on audit quality on the increasingly diverse range of audit outputs.

The Audit Committee members welcomed the updates and noted the progress made.

Action 138AC: Elaine Boyd to supply supplementary information on the factors impacting on the timing of audits in the different sectors. (February 2022)

Elaine Boyd, Gillian Woolman, Owen Smith and John Gilchrist left the meeting.

8. Q2 Financial performance report

Stuart Dennis, Corporate Finance Manager, introduced the Q2 financial performance report, copies of which had been previously circulated.

Stuart advised that details of variances to budget are explained in the report, and that he continues to phase the budget in line with the way we work and the timing of the audit work.

Stuart provided assurance that there is scope to increase external audit fees if additional work is required.

The Audit Committee noted the Q2 Financial report.

ACTION 139AC: Stuart Dennis to respond to the e-mailed points raised by the Interim Chair of the Accounts Commission via email correspondence. (November 2022)

9. Review of Risk Register

Martin Walker, Associate Director, Corporate Performance and Risk, introduced the Review of risk register report, copies of which had been previously circulated.

Martin advised that the risk register had been updated following its regular review and based on the Audit Committee's risk workshop held in August 2021. He noted that this had informed the three new risks on the register and that other points raised in the workshop discussion would inform the planning processes at business group and corporate level.

Martin advised that a Covid-19 update report would be considered by the Board at its meeting on 22 November 2021.

The Audit Committee members welcomed the comprehensive report and noted the value of devoting time to consider the risk environment outwith the time constraints of the committee and board meetings.

The Audit Committee members noted that some risks are interlinked and that there may be an opportunity to consolidate in some areas and the longevity of some risks should be considered.

The Audit Committee noted the review of the risk register.

10. Organisational response to Covid-19

Diane McGiffen, Chief Operating Officer, advised that Audit Scotland continue to invest in the preparations for colleagues returning to the office under the hybrid working arrangements. She advised that office-based working had been impacted by COP26 and colleagues were advised not to travel unless necessary based on advice received from Police Scotland, building landlords and local authorities.

Diane advised of a slight increase in colleagues contracting Covid-19, and that communications from the Incident Management Team and guidance for colleagues continued to reinforce public health and good practice guidance.

The Audit Committee noted the Audit Scotland response to Covid-19 update.

11. Internal audit report: Financial Controls - Covid-19

Claire Robertson, BDO, introduced the Financial Controls-Covid19 internal audit report, copies of which had been previously circulated.

Claire advised that financial controls were maintained during the Covid-19 period, with adequate controls in place. Claire noted that substantial assurance was provided on both design and operational effectiveness, that a number of areas of good practice had been identified and that no recommendations had been made.

The Audit Committee members recorded their thanks to the Finance team for their work in challenging circumstances.

The Audit Committee members noted the Financial Controls – Covid-19 internal audit report.

12. Internal audit report: Freedom of Information

Claire Robertson, BDO, introduced the Freedom of Information internal audit report, copies of which had been previously circulated.

Claire advised that reasonable assurance had been provided for design and operational effectiveness and that six recommendations had been made. Claire provided details around the three medium risk recommendations and noted that all of the recommendations have been accepted by management.

The Audit Committee members noted the Freedom of Information internal audit report.

13. Internal audit progress report (BDO)

Claire Robertson, BDO, introduced the internal audit report progress report, copies of which had been previously circulated.

Claire advised that work completed this year has provided either substantial or reasonable level of assurance, and that the audit programme is progressing to schedule. She also advised that the audits on audit quality and delivery and audit procurement are under way.

The Audit Committee members noted the internal audit progress report.

14. Internal audit recommendations progress report (AS)

Martin Walker, Associate Director introduced the internal audit recommendations progress report, copies of which had been previously circulated.

Martin advised that, of the six remaining recommendations, one has been completed with five in progress. Martin also advised that the focus and terms of reference of the final audit in the programme would be shared and agreed with members via correspondence.

The Audit Committee noted the progress on the implementation of outstanding audit recommendations.

Action 140AC. Martin Walker to circulate options for the remaining internal audit with members for agreement via e-mail correspondence. (February 2022)

15. Q2 Data incidents/loss

Martin Walker, Associate Director, introduced the data incidents/loss report, copies of which had been previously circulated.

Martin highlighted that there were three data incidents during quarter two. Two were human error and the third, the more significant incident, related to an external sharing folder in SharePoint Online. Martin provided assurance that a check of all such sharing sites had been carried out and immediate remedial action taken. He also advised that additional safeguards were now in place.

The Audit Committee noted the data incidents/loss report.

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

Martin Walker, Associate Director, introduced the external auditor's independence, objectivity and value for money report, copies of which had been previously circulated.

Martin advised that the term of the external auditor had come to an end and that Scottish Commission for Public Audit was currently in the process of appointing an auditor for the next appointment period.

The Audit Committee noted the External Auditor's independence, objectivity and value for money report.

17. Review of Audit Committee effectiveness

Martin Walker, Associate Director, introduced the review of Audit Committee effectiveness report, copies of which had been previously circulated

Martin advised that the survey of Audit Committee members was part of the annual assurance process and noted the proposed deadline of 15 April 2022 for the survey responses.

The Audit Committee members approved the proposed process and timeline for the annual self-evaluation process.

18. Any other business

There were no items of other business

19. Review of meeting

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

The members noted how much they were looking forward to meeting in person in the future.

The Audit Committee members expressed satisfaction with the papers and the focus and pace of the meeting.

20. Date of next meeting

The next meeting of the Audit Committee is scheduled for 2 March 2022.

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

21. Provision of internal audit services from April 2022-25.

This item was taken in private for the purposes of commercial sensitivity and Claire Robertson left the meeting.

Martin Walker, Associate Director, introduced a report on the provision of internal audit services from April 2022-25, copies of which had been previously circulated.

The members discussed the purpose and scope of the internal audit work and sought clarification on the way that the audit programme might be developed at an early stage of the appointment. Members suggested some amendments to the tender documentation prior to issue.

The Audit Committee approved the proposed procurement process for the provision of internal audit services.

REF	FORUM	Agenda Item No	Item Title	Action Description	Meeting Date	Due Date	Responsible	Assigned to	Complete/Ongoing	Reported Yes/No	Progress Notes
ASB147	Board	20	Counter Fraud Policy review	David Blattman to review the policy and provide an update to the Board.	02/06/2021	Jul-21	David Blattman	David Blattman	Ongoing	No	The Counter Fraud Policy and the Diversity and Equalities policies will come to the Board at its meeting on 17 May 2022 following consideration of legal advice on one aspect of the former and the latter informed by the review work undertaken in conjunction with BITC.
ASB149	Board	13	Q1 Corporate performance report	The Communications Manager to provide information to the Board on the impact and measurement of social media engagement with the public.	22/09/2021	Jan-22	Simon Ebbett	Simon Ebbett	Ongoing	No	A verbal update will be provided as part of item 14, Q3 corporate performance report on today's agenda.
ASB150	Board	14	Annual review of corporate governance policies	The Scheme of Delegation to be amended to specify the placing of orders for the New Audit Appointments are reserved to the Auditor General for Scotland and the Accounts Commission.	22/09/2021	Sep-21	Martin Walker	Gayle Fitzpatrick	Complete	Yes	Amendments made and documents shared via e-mail 23/09/21.
ASB151	Board	14	Annual review of corporate governance policies	Final drafts of the policies to be circulated to members prior to publication.	22/09/2021	Sep-21	Martin Walker	Gayle Fitzpatrick	Complete	Yes	Amendments made and documents shared via e-mail 23/09/21.
ASB152	Board	23	2022/23 Draft budget proposal	Elma Murray and Diane McGiffen to discuss Accounts Commission engagement on the budget development.	22/09/2021	Oct-21	Diane McGiffen	Diane McGiffen	Ongoing	Yes	Discussion scheduled on 18 November and a verbal update will be provided at today's meeting.
ASB153	Board	23	2022/23 Draft budget proposal	A further report with the draft Budget proposal to be scheduled for the Board.	22/09/2021	Nov-21	Stuart Dennis	Stuart Dennis	Complete	Yes	Budget proposal report on the agenda for today's meeting.
ASB154	Board	25	Discussion paper - Future funding and fee arrangements	A discussion on strategic financial planning to be scheduled in November 2021.	22/09/2021	Nov-21	Diane McGiffen	Stuart Dennis	Complete	Yes	Strategic workshop discussssion took place on 09/11/21.
ASB155	Board	11	Strategic Improvement Programme update	A discussion to consider Accounts Commission input on the Public Audit in Scotland workstream.	22/11/2021	Dec-21	Martin Walker	Martin Walker	Complete	Yes	A meeting was held on 7 December 2021 and the project scope and timeline is being developed.
ASB156	Board	12	Q2 Financial performance report	Stuart Dennis and Elma Murray to discuss an update for the Accounts Commission Financial Audit Assurance Committee meeting on Thursday 24 November.	22/11/2021	Nov-21	Stuart Dennis	Stuart Dennis	Complete	Yes	Stuart Dennis provided an updated to the Accounts Commission Financial Audit Assurance Committee meeting on Thursday 24 November 2021.
ASB157	Board	17	2022/23 Budget proposal	The 2022/23 Budget proposal to be submitted to the SCPA.	22/11/2021	Dec-21	Martin Walker	Martin Walker	Complete	Yes	Audit Scotland's 2022/23 Budget proposal was submitted and considered by the SCPA on 21 December 2021. A verbal update will be provided at item 11 of today's agenda.
ASB158	Board	18	2021/22 Spring Budget Revision	The 2021/22 Spring Budget revision proposal to be submitted to the SCPA.	22/11/2021	Dec-21	Martin Walker	Martin Walker	Complete	Yes	Audit Scotland's 2021/22 Spring Budget proposal was submitted and considered by the SCPA on 21 December 2021. A verbal update will be provided at item 11 of today's agenda.
ASB159	Board	21	Environment, Sustainability and Biodiversity Annual Report 2020/21	Information on how Audit Scotland calculates home working emissions to be shared with members.	22/11/2021	Jan-22	Graeme Greenhill / Ian Metcalfe	Graeme Greenhill / Ian Metcalfe	Complete	Yes	Information shared by email with members on 19/01/22.
ASB160	Board	12	Our Purpose - Workstream update	A Board meeting to be scheduled for discussion and formal approval.	26/01/2022	Jun-22	Martin Walker	Martin Walker	Ongoing		Member availability being canvassed for a strategic session to be held in June 2022.
ASB161	Board	16	Building strategic capacity	An update to be scheduled for the Remuneration and Human Resources Committee meeting on 2 March.	26/01/2022	Mar-22	Martin Walker	Martin Walker	Complete	No	A verbal update was provided to Remco on 2 March 2022.

REF	FORUM	Agenda Item No	Item Title	Action Description	Meeting Date	Due Date	Responsible	Assigned to	Complete/Ongoing	Reported Yes/No	Progress Notes
ASB162	Board	17	New audit appointments - verbal update	An update report from the New Audit Appointments Steering Group to be scheduled for the next meeting of the Board.	26/01/2022	Apr-22	Alan Alexander	Alan Alexander	Complete	No	The report at item 22 of today's agenda provides an update.
ASB163	Board	19	Stakeholder engagement update	A further discussion on stakeholder engagement to be scheduled.	26/01/2022	Jun-22	Martin Walker	Martin Walker	Ongoing		Member availability being canvassed for a strategic session to be held in June 2022.

Purpose

1. This report provides an update on Audit Scotland's response to the Covid-19 pandemic. It summarises the current position and the implications for Audit Scotland as an organisation and for the audit work. The situation remains dynamic, and a verbal update will accompany this report as appropriate.

Background

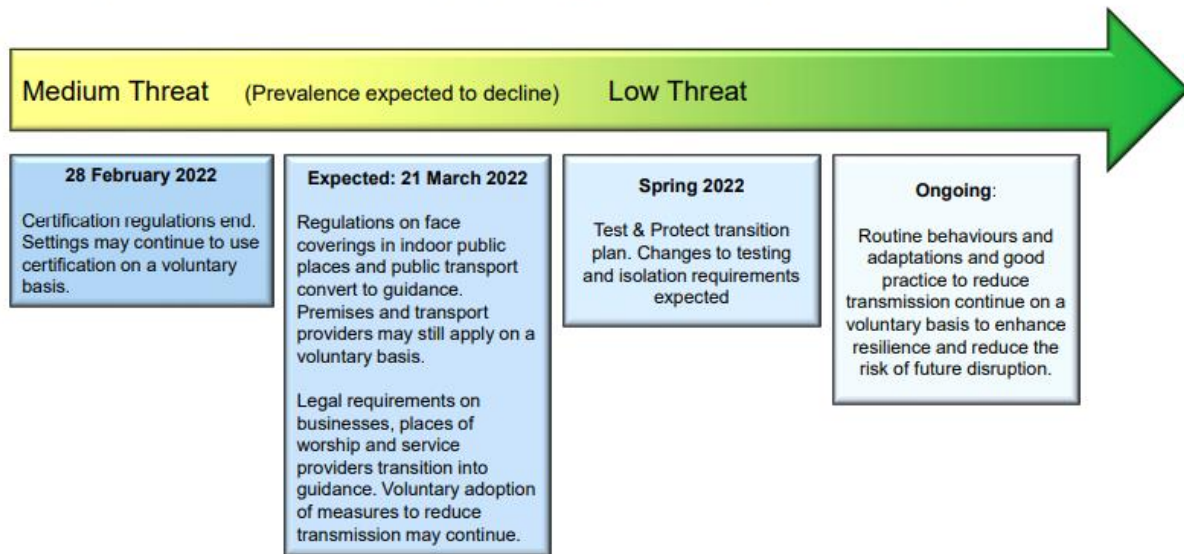
2. The Audit Scotland Board most recently considered a Covid-19 update report at its meeting on 26 January 2022. Board members and Accounts Commission members continue to receive the weekly updates from the Incident Management Team (IMT).
3. Over the course of February and March 2022 the infection rates have remained high and have been rising. While the health impacts have lessened compared to the earlier stages of the pandemic there have been recent increases in the rate of hospitalisations and ICU admissions. As at 25 March 2022, all 32 local authority areas in Scotland had an infection rate of above 800 per 100,000 of the population.
4. On 22 February 2022 the Scottish Government published an updated [Strategic Framework](#). This sets out the proposed approach to managing Covid-19 and its associated harms in the longer-term. The framework covers a broad range of areas including vaccination, testing and surveillance, treatment, the deployment of protective measures, supporting positive behaviours, supporting people at the highest risk, reducing health inequalities and supporting recovery. The strategic framework sets out the revised threat levels and responses (Figure 1 below).

Figure 1: Potential Responses Categories for Future Threat Levels

Assessed Threat	Potential Response Categories (types of protective measure)	
Low threat	Routine Measures: Vigilance, Preparedness and Resilience (no legal measures) <ul style="list-style-type: none"> • High immunity sustained through vaccination programme • Access to effective treatments in line with clinical advice • Behaviours and settings adapted to reduce spread (e.g. improved ventilation, appropriate guidance on face coverings) • Hybrid working when possible and appropriate encouraged • Effective and responsive local outbreak management • Targeted testing and surveillance ongoing • Travel measures may apply (e.g. set by other countries) 	Note: Protective measures would not apply in law but may still be good practice and retained in guidance.
Medium threat	Baseline Protective Measures = Routine plus: <ul style="list-style-type: none"> • Testing guidance in place for people when symptomatic or asymptomatic • Guidance to self isolate when positive in place • Face coverings required in indoor public places and on public transport • Guidance on reasonable measures to reduce risk in premises • Travel measures may apply • Certification required in a narrow range of settings 	Note: Measures would be selected from this response category that were necessary and proportionate – not all may be required at the same time.
High Threat	Targeted Protective Measures = Baseline measures plus: <ul style="list-style-type: none"> • Requirement to work from home where possible • Proportionate restrictions on certain higher risk settings and activities • Protective measures in other higher risk settings. • Guidance to reduce social contacts and increase physical distancing where possible. • International travel requirements and restrictions may apply in relation to some countries. • Certification required in a wider range of settings 	Note: Measures would be selected from this response category that were necessary and proportionate – not all may be required at the same time.
(E.g. variant with significant immune escape that increases disease severity)	Extensive Protective Measures = Baseline and targeted measures plus: <ul style="list-style-type: none"> • Potential closure (or limited opening) of further non-essential settings and services • Legal limits on social gatherings and events. 	Note: 'Extensive protective measures' will only ever be considered as a last resort in the most serious of circumstances

5. The framework also sets out the proposed schedule for changing legal requirements and guidance (Figure 2)

Figure 2: Plans for changing legal requirements to guidance and good practice



6. Supporting guidance has also been updated in recent weeks including the ‘guidance on [offices](#)’ and the ‘[Safer businesses and workplaces](#)’ guidance.
7. On 15 March 2022 the First Minister [announced](#) that, with effect from 21 March 2022:
- some legal Covid-19 requirements would be lifted and replaced by advice to encourage everyone to remain vigilant
 - face coverings (unless exempt) would still be required in most indoor public spaces and on public transport. The face covering requirements are to be reviewed on 4 April 2022.

Organisational implications and responses

8. In light of the status of the pandemic and the framework and guidance referenced above we moved into Phase Four of our workplaces plan on 7 March 2022. This provides for hybrid working in Audit Scotland offices, on site work and site visits as was the case in Phase Three. Phase Four also saw us move from two metre social distancing rule to a ‘one metre rule’. This provides for greater capacity in the Audit Scotland offices.

Our people

9. From the start of the pandemic, we have prioritised the health, safety and wellbeing of our colleagues. This continues to be a key priority. We have worked hard to support colleagues who are currently all dispersed, working from home and juggling sometimes quite difficult home and work responsibilities. This support has taken a variety of forms, including regular communications and engagement, advice and guidance, access to systems and the provision of digital and office equipment.
10. Since the last update:
- In the week ending 25 March 2022 fewer than five colleagues had recorded illness due to Covid-19.

- The HR team are organising a long Covid employee network support group following feedback from others who have returned to work and who are still struggling with some symptoms. This may also support those who have family members or colleagues recovering from the virus.
- Based on the national vaccination statistics as of 24 March 2022 we estimate that 88% of colleagues may have received their first dose, 84% their second and 70% their booster/third jab.
- An analysis of the time logged by colleagues to the C-19 business continuity time recording codes to the end of February 2022 tells us that 2,942 days have been logged to this code since the start of the pandemic in March 2020. This equates to approximately 13 FTE over the 23-month period.

New ways of working

11. We have adopted a principles-based approach to date, focussing on:

- wellbeing and safety
- effectiveness
- equity and inclusion
- sustainability.

12. We will continue to use these principles to guide our thinking.

13. On 15 February 2022 Management Team considered a report on [hybrid working and accessing our workplaces](#). This set out some of the key principles and practical implications of hybrid working.

14. We concluded that effective hybrid working needs to strike a good balance between the needs and aspirations of:

- colleagues (individuals, teams, managers and line reports)
- the organisation as a whole
- clients and stakeholders.

15. We have adopted the following in relation to Phase Four:

- *Purpose* – Hybrid working is how we will achieve an efficient and effective balance between the needs of colleagues (as individuals and teams), the organisation, our clients and stakeholders.
- *Position* – Phase Four sees the social distancing requirement change from two metres to one metre – this would be consistent with what is currently in place at the Scottish Government and retains the principle of caution, while offering more flexibility by increasing capacity.
- *Position* – No one will be compelled to attend the office of a meeting/event where this is detrimental to their health, safety or wellbeing.

- *Practice* – All meetings should be ‘Teams enabled’ to allow colleagues to attend and participate from another location (home or office).
- *Practice* – Retain the requirement for temperature checking and face covering when in common areas and moving around the office, subject to developing external guidance.
- *Practice* – Encourage any colleagues whose home working environment has changed in recent months to undertake a new DSE assessment to check that their set up remains fit for purpose. (All new starts undertake one of these as part of the onboarding process). We may also recommend periodic assessment as a matter of course.

Colleague engagement

16. Over the course of the pandemic, we have undertaken a broad range of engagement and communication with colleagues. This has included pulse surveys, working preference surveys, drop-in sessions with members of Management Team, team meetings and weekly communications from the IMT. This provides a rich source of information to inform the development of our new ways of working.
17. The most recent ‘pulse survey’ took place at the end of February 2022. Colleagues rated how they were feeling as 5.5 on a scale of one to ten (this is the same as the previous survey). Colleagues also rated the Covid secure measures in place in the Audit Scotland Offices as 8.7/10. We will be running the next ‘How we work’ drop-in session on 4 April 2022.
18. The annual Best Companies survey concluded on 11 March 2022 and the results, while not covering Covid-19 directly, provide us with a valuable insight into how our colleagues are feeling. The high-level results indicate that while we have retained ‘one star status’ (a very good company to work for), wellbeing has fallen over the course of the last year. The survey results are the subject of a separate report on today’s agenda at item 15.
19. As we moved into Phase Four we updated our guidance and the accessing our workplaces [hub](#).
20. We have a hybrid working group in place which has been developing a broad range of communications, guidance and support resources including:
 - Adoption and promotion of the Distance Aware scheme.
 - Promotion of the Safer Travel guidance.
 - A how we work hub – for hybrid working related resources and guidance.
 - Guidance for managers on subjects including hybrid working, inclusion and managing performance.
 - Drop-in sessions on hybrid working which will be taking place in April.
 - Communications in relation to the above.
21. As we operate under Phase Four and consider future phases, we will continue to learn from the practical implications of hybrid working in practice. This will continue to be an iterative process and be informed by action learning. The situation remains dynamic, and we will need to continue to use a flexible approach as new ways of working develop.

- 22. We are also planning to consider the implications of hybrid working on our policies and procedures and the longer-term consequences on terms and conditions.
- 23. We will continue to engage with a range of stakeholders and in particular the People Focus Group, the Partnership Forum and PCS.

Digital and office equipment

- 24. We continue to support people with home working. Colleagues have been provided with laptops which can be used both remotely and when people access the offices. All colleagues have access to Audit Scotland laptops.
- 25. We have also issued 363 items of digital equipment to colleagues. These items have mainly been screens, keyboards and mice. The total cost to date has been £32K, an average of £88 per colleague who has needed equipment.
- 26. We have also issued 312 items of office equipment to colleagues. These items have included desks, chairs, footrests and some items have been issued from existing stock in the offices. The number of requests received each week is now down to one or two items per week and these are for new starts. The total cost to date has been £21K, an average of £67 per person who has needed equipment.

Financial management

- 27. We continue to monitor the financial situation very closely with senior leadership being regularly updated on year-end projections based on different scenarios.
- 28. The third quarter outturn is the subject of a separate report on today's agenda at item 13.
- 29. At the end of the third quarter Audit Scotland's Net Operating Expenditure of £6,311k was £234k (3.6%) better than budget. In-house fee income was £93k (1.5%) worse than budget and the net position on audits carried out by external firms was £97k (19.4%) better than budget. Other income, expenditure on staff and administration costs were £230k (1.3%) better than budget.
- 30. In terms of the current cash flow position, we invoiced the final fee instalment for the 2020/21 chargeable audits in September 2021. This totalled £6.5 million and did not include the further education (FE) sector. The outstanding balance is currently £28k and this is being chased for payment. In December 2021 the first instalment invoice for the 2021/22 chargeable audits was issued, totalling £6.3 million. The current outstanding balance is £830k and we expect this position to improve by 31 March 2022.
- 31. On 23 February 2022 members of the Board and Audit Scotland colleagues attended a Business Planning session hosted by the Scottish Commission for Public Audit. Audit Scotland's audit and organisational response to the pandemic featured prominently in discussions and a further session is being arranged, most likely in June 2022.

Audit implications and responses

- 32. Over the course of the pandemic, we have prioritised our statutory audit obligations and, in consultation with the Auditor General for Scotland and the Accounts Commission, adjusted the focus and timescales for the audit work where we have more discretion. We have also been clear that we will do what is achievable, but that we cannot guarantee all deadlines can be met. This is due to the disruption in audited bodies as well as Audit Scotland. We

have also been clear that, while timescales may change, audit quality remains a priority and is even more important at times of significant disruption.

Financial audits 2020/21

33. The submission deadlines and progress on the 2020/21 audits as of 29 March 2022 is summarised below:

Sector	Pre pandemic deadline	New deadline	Completion to date
Health	30/06/21	30/09/21	100%
Central Government – Agencies and Scottish Water	30/06/21	30/09/21	100%
Central Government – NDPBs and similar	31/10/21	31/10/21	
Local Government	30/09/21	30/11/21	99%
Colleges	31/12/21	31/12/21	95%

Covid-19 audit work

34. Since the last update in January, the Auditor General for Scotland/Accounts Commission/Audit Scotland have published further reports which directly consider or make connections to the pandemic:

- a report on [skills investment](#) (January 2022)
- a briefing on the sustainability of [social care](#) (January 2022)
- the [NHS overview report](#) (February 2022)
- financial [overview of Local Government](#) (March 2022)
- an update on the [Scottish Government's R100 programme](#) (broadband) (March 2022)
- a briefing on [Supporting businesses through the Covid-19 pandemic](#) (March 2022).

35. These, along with all of our audit reports, are published on the Audit Scotland [website](#).

36. Future publications in the coming months include:

- the Local Government Overview report (May)
- Social Security performance audit (May)
- Scotland's financial response to Covid-19 (June).

Recommendations

37. The Board is invited to:

- note the actions taken to date in response to the Covid-19 pandemic
- note the ongoing actions and next steps.

Strategic Improvement Programme update

Acting Director, Corporate Services Group

Item 11
Meeting date: 5 April 2022

Purpose

1. This report provides the Board with an update on the Strategic Improvement Programme (SIP).

Background

2. The Audit Scotland Board approved the Strategic Improvement Programme (SIP) at its meeting on 25 November 2020. The key objectives of the SIP are to:
 - drive our organisational transformation and improvement over the next 18 months
 - provide a bridge between the 'recovery phase' and our new longer-term operating model
 - assure and inspire our colleagues
 - ensure we deliver on our core commitments on audit (quality, focus, methodology and value added)
 - ensure we deliver on our commitments on how we run the organisation – being people focused by prioritising the health, safety, wellbeing and development of our people, and by being innovative and efficient.
3. The Audit Scotland Board most recently considered an update [report](#) on the SIP at its meeting on 22 November 2021.

Summary

4. We are making good progress on what is an extensive improvement programme.
5. Since the previous update we have reached significant milestones in some key projects:
 - The New Audit Appointments project – where the procurement process is now complete and the audit appointments are being finalised.
 - Building capacity – where recruitment is under way to implement phase two (specialist and support capacity) and phase three (strategic capacity).
 - Business management system – where the new payroll and HR system went live in February.
6. This progress is being made against a backdrop of significant change both within and outside the organisation. The Covid-19 pandemic continues to impact on how we work and has shaped some aspects of the improvement programme. We are also in a period of significant change in terms of the strategic leadership of the organisation and we will want to review the focus and content of the programme to reflect this and the strategic focus and priorities of the Auditor General for Scotland and the Accounts Commission.

7. The sections below provide an update on progress in key areas of the SIP since the last update report. A detailed list of the projects in the programme is attached at Appendix 1 for completeness.

Delivering world class audit – What we do

8. The refreshed **dynamic work programme** was published in May 2021. A broad range of reports, briefings and blogs have been published since then and these are detailed in the quarter three performance report which is on the agenda for today's meeting of the Board at item 14. The programme is reviewed and updated on a quarterly basis and the most recent update report was considered by the Auditor General for Scotland (AGS) and the Accounts Commission (AC) in March 2022.
9. The **New Audit Appointments (NAA)** project reached a significant milestone in March 2022 with the approval of the provisional audit appointments by the AGS and AC. This is the culmination of a significant programme of work by the NAA Steering Group and the NAA team. The procurement process has been the subject of an [audit](#) by BDO which provided substantial assurance in terms of both design and operational effectiveness.
10. We have written to the relevant firms to advise of their proposed portfolios to confirm that there are no conflicts of interest that would make an appointment inappropriate. We have also written to each audited body to inform them of their proposed auditor and to confirm that there are no conflicts that they know of that would make the appointment inappropriate.
11. The next steps are to amend portfolios if necessary and present final portfolios for approval by the Auditor General for Scotland and the Accounts Commission. The new audit appointments take effect from October 2022.
12. We are continuing to develop our **audit methodology**:
- **Financial audit approach** – The new Audit Planning Tool and the ISA 315 concepts regarding risk assessment have now been rolled out and are being applied in the 2021/22 audits. The development of the new IT audit approach under the revised ISA 315 is in progress and is being piloted, this will be rolled out to the 2022/23 audits. Audit Services Group (ASG) Management Team has agreed that the revised controls approach and the baseline testing pilot should be rescheduled to 2022/23 with a view to rolling out the revised approach to the 2023/24 audits. This approach releases resources to support the ASG recovery plan.
 - **Best Value (BV) in councils** – The proposed approach to scheduling the programme was approved by the Accounts Commission in January 2022. The Controller of Audit's [Annual Assurance and Risks Report](#) was considered by the Accounts Commission at its meeting on 10 March 2022. At that meeting the Commission discussed the proposals for the coverage of the 2022/23 BV thematic work in councils. This will be discussed further at the Commission's strategy seminar in March and will be reflected in the 2022/23 planning guidance.
 - **Best Value in Integration Joint Boards (IJBs)** – The Best Value Working Group (BVWG) considered the second pilot report in December 2021. The BVWG is also considering the implications of the establishment of National Care Services (NCS) with a view to making proposals to the Accounts Commission in May.
13. **Audit Quality** – The Quality Assurance programme included a 15-point action plan, 11 of which have been completed. The internal cold reviews commenced in January 2022; this

programme is in addition to the external cold reviews undertaken by ICAS. Both programmes are expected to be completed by 31 March 2022. The annual survey on quality undertaken by an external firm has concluded. All of these will inform the annual Audit Scotland Transparency Report and the Quality of Public Audit in Scotland report which will be published in June 2022.

14. In March 2022 the Audit Committee considered an internal audit [report](#) by BDO which provided substantial assurance on audit quality and delivery in terms of design and operational effectiveness.
15. **International Standards on Quality Management (ISQM)** – On 22 February 2022 Management Team approved the [scope](#) and approach for the ISQM1 project. The seven workstreams have been making good progress, these include with colleagues from across all of the business groups. The workstreams include a gap analysis of our current arrangements with the new standard and the objective is to use this to inform any revisions to policies, procedures and practices. The project will be completed by December 2022.
16. **Digital audit strategy** – The Asc digital audit tool is being rolled out to colleagues accompanied by training sessions. Phase two of the Northern Ireland Audit Office (NIAO)-led Small Business Research Initiative project closed in March 2022 and a business case for longer-term infrastructure is being developed. Working groups have been established to develop the long-term solutions for the audit planning tool and key systems mapper. In terms of IT digital auditing, the team have begun the audit approach pilots, prior to a full roll-out in 2022/23. The digital auditing team are also planning on providing more in-depth sessions around this workstream for the Board and the Accounts Commission in June 2022.
17. **Electronic Working Papers (EWP)** – Management Team considered an update report on this project at its meeting on 15 March 2022. It agreed that some rescheduling may be required due to capacity constraints and we are currently exploring the option of securing time limited external consultancy capacity to support this project.
18. **Diversity and Equalities** – The Audit Scotland Annual diversity report was [published](#) on 12 November 2021. We have also been working with Business in the Community (BITC) who have been undertaking a holistic review of our approach to equalities and diversity. This review has looked at our policies, procedures and culture across the organisation. The results of the review were considered by the Remuneration and Human Resources Committee in March 2022 and an action plan is being developed.
19. The Human Rights Based Approach organisational self-assessment exercises results are currently being collated. The team are also capturing evidence of equalities in audit work supported by discussions held in ASG in February 2022. The refresh of the Audit Management Framework will begin in April 2022 and an internal interim mainstreaming report will be completed in April/May 2022.
20. **Auditing climate change** – We published a [baseline summary review](#) in March 2022, which summarises the published recommendations. The published reports contain a range of recommendations for public and private sector bodies, policy makers and citizens. We focused the review on the key themes and improvement actions for the public sector in Scotland as they will inform the targeting of our future programme of climate change related audit work.
21. On 1 March 2022 Management Team considered a [report](#) from the climate change team. This summarised the work done to date including awareness raising at ASG Superteam and Performance Audit and Best Value (PABV) cluster meetings; engagement with the other UK

audit agencies, the Scottish Government and COSLA; forthcoming publications from the Accounts Commission (August 2022), the Auditor General for Scotland (later in 2022) and a joint report with the other UK audit agencies; and consideration on how climate change will feature in the work programme for 2023. Management Team also invited the group to develop a proposal/business case setting out options for the scope and resources required for auditing climate change.

Being a world class organisation – How we work

- 22. Hybrid working and our workplaces** – On 15 February 2022 Management Team considered a [report](#) on hybrid working and our workplaces. This included a review of our organisational arrangements with reference to all of the most recent guidance and the principles and practical implications of hybrid working. The report also set out the next steps in terms of site visits and on-site working.
- 23.** We moved to Phase Four of our workplaces plan with effect from 7 March 2022. This provides for greater hybrid working and adopts a one metre social distancing rule which increases our desk and meeting room capacity in the offices. We have set up a ‘developing hybrid working’ working group with representatives from across the business groups, updated the office guides, updated guidance for visitors and contractors and we are promoting guidance around the distance aware and safer travel schemes. We are also providing guidance/ resources for managers and colleagues on hybrid working. More information is available in the Covid-19 update report which is on the agenda for today’s meeting of the Board at item 10.
- 24. People Strategy** – We provided an update on the elements of people strategy for the Remuneration and Human Resources Committee at its meeting on 2 March 2022. We are currently updating our workforce plan in parallel with the ongoing development of the medium term financial plan.
- 25.** The annual Best Companies employee engagement survey is now complete and the high-level results are on the agenda for today’s meeting of the Board at item 15.
- 26. Learning and development** – We have a broad range of learning and development opportunities and resources in place and the quarter three performance report provides details of the courses run recently. We are also currently piloting a leadership insights programme with managers which provides access to short summaries on a range of topics and links to additional resources.
- 27. Building capacity** – The second phase of the building capacity project focused on building capacity in some specialist and support services and on investing in improvement. Under phase two we have made 11 external appointments to date and eight recruitment campaigns are currently live. As at the end of quarter three the HR team and business groups have filled 16 internal vacancies and 43 external vacancies since the beginning of 2021/22.
- 28.** The third phase focuses on building strategic capacity. The Board agreed the new senior management structure at its meeting on 26 January 2022 and the recruitment process for the roles of Chief Operating Officer and the Executive Director positions for Audit Services, Performance Audit and Best Value and Innovation and Quality are live. Interviews for these roles will take place in April and May 2022.
- 29. One Organisation deployment** – We held a number of workshops facilitated by external consultants over the period February to March. The project team provided a report to the

SIP Programme Board on 29 March 2022 which set out a series of proposals on the principles for effective one organisation working, the conditions for its success and drafts of an action plan and an engagement plan. The Programme Board agreed the direction of travel and the project team are now refining the implementation plan.

- 30. Medium term financial plan** – The Board held a strategic planning workshop session on 9 November 2021 and a further strategic planning session is taking place in June. This will inform the 2022/23 budget process, longer-term budgeting and fees and funding considerations and the planned business planning day with the Scottish Commission for Public Audit in June 2022. The 2022/23 budget is the subject of a report on today's agenda at item 12.
- 31. Estate strategy** – This project is being undertaken to ensure we have an estate that meets longer-term organisation and operational requirements while demonstrating value for money. The SIP Programme Board approved the [scope and project approach](#) at its meeting on 18 January 2022. We have secured professional external consultancy services to support this project and we expect options to be available in May 2022.
- 32. Business Management System** – The new HR and payroll system went live in February 2022. The project team are still working on ironing out some minor outstanding issues before moving onto other modules available in the system. All being well, we anticipate the Learning Management and Recruitment modules to be live by the end of 2022.
- 33. Digital Strategy** – The Digital Services team has been particularly focused on mitigating the cyber security threats and the Audit Committee considered a [detailed digital security update](#) at its meeting on 2 March 2022. We published the [first year review of the strategy](#) on SharePoint on 10 March 2022. We have completed the deployment of Audit Scotland secure laptops to all colleagues, provided equipment to support working from home and equipped our offices to support hybrid working. We have also continued to improve our server and networking infrastructure as well as delivering software upgrades to key systems.

Our purpose

- 34. The Business Plans** were finalised and considered by Management Team on 11 January 2022.
- 35.** The project has been engaging with Leadership Group on a range of areas including the external and internal operating environments (using PESTLE and SWOT analyses respectively) and with the Auditor General for Scotland and the Accounts Commission. This engagement will inform the suite of strategic documents and plans covered by this workflow.
- 36.** The project team are also currently reworking the overall project plan and have proposed that we develop an interim **corporate plan** for 2022-23 based on the Strategic Improvement Programme. This will be finalised by the summer.
- 37.** The team are also reviewing the timelines and approach for reviewing **Public Audit in Scotland** and the supporting **Partnership Working Framework** to reflect the current and emerging priorities for the Auditor General for Scotland and the Accounts Commission.




Programme communications and engagement

- 38. Audit Scotland 2021: Shaping our future** was launched on 1 June 2021 as a virtual alternative to the Audit Scotland annual staff conference, which was prohibited due to the restrictions in place during 2021 in response to the Covid-19 pandemic. The primary objective of the programme was to deliver a diverse and ambitious programme of events and activities that would engage different audiences across the business, on topics relevant to their work, and also create opportunities to bring all colleagues together to consider the external environment in which Audit Scotland operates.
- 39.** The Audit Scotland 2021 programme concluded on Tuesday 25 January 2022, having delivered:
- Five *Keynote events* hosted by members of our Management Team and featuring 11 guests as either chairs or panellists. The final Keynote was a joint session with the four Auditors General of the UK, open to all colleagues across the respective audit agencies. This was a first for Audit Scotland and our Public Audit Forum partners.
 - Thirty-two *Insight events* featuring 25 contributors from outwith Audit Scotland, either as guest speakers, panellists or service providers. These events were supported by 20 colleagues and two members of the Accounts Commission.
 - Fourteen *Perspectives* by colleagues, the Auditor General for Scotland and members of the Accounts Commission. This took the form of blogs, quizzes and videos. Podcasts were also recorded during Audit Scotland 2021 and we have published podcasts as part of the Digital Audit project.
- 40.** Feedback on the programme has been very positive.
- 41.** Management Team considered a [review report](#) at its meeting on 8 March 2022 and the report also included options and proposals for the 2022 programme.
- 42.** The [Our Plan SharePoint site](#) continues to be updated as appropriate to provide colleagues with information on the programme.

Programme governance and reporting

- 43.** The SIP Programme Board is responsible for the oversight and delivery of the Strategic Improvement Programme and is comprised of members of Management Team.
- 44.** The SIP Programme Board met most recently on 29 March 2022. At that meeting it considered update reports on the programme overall, the approach to digital auditing, the Our Purpose workstream and the One Organisational Working project.
- 45.** SIP related business also takes place at Management Team to ensure that timely progress is being made and project reports and updates feature regularly on the Management Team agenda.
- 46.** The Board is invited to note the progress update on the SIP and next steps.

SIP Project summary

 What we do	 How we work	 Our purpose
<ul style="list-style-type: none"> • Dynamic work programme • Code of Audit Practice • New audit appointments • Audit approach (including financial audit approach, BV in LG, BV in IJBs, less complex bodies, following the pandemic pound and auditing climate change) • Digital Audit • Audit quality action plan • Electronic working papers • Diversity & equality • Parliamentary engagement 	<ul style="list-style-type: none"> • People strategy (inc workforce plan and learning and development offer) • Building capacity • One organisational deployment • Medium term financial strategy (including fees and funding) • Our workplaces (Covid-secure and longer-term office strategy) • Digital services strategy • Business Management System • Green future • Shaping our future (Audit Scotland 2021) engagement 	<ul style="list-style-type: none"> • Public audit in Scotland • Partnership Framework • Corporate Plan • Business Plans • ISQM

Purpose

1. The purpose of this report is to obtain approval of Audit Scotland's operational budget for 2022/23.

Background

2. Preparation of Audit Scotland's 2022/23 Scottish Commission for Public Audit (SCPA) budget submission commenced in the summer of 2021 with the SCPA taking evidence on our financial plans at a session held on 22 December 2021.
3. The SCPA recommended that the Scottish Parliament approve our budget proposal and this has been incorporated within the 2022/23 Scottish Budget Bill.
4. Appendix 1 details the approved Net expenditure budget proposal compared to the operational budget requiring approval by the Board.
5. The proposed operational budget for 2022/23 is based on the overall net expenditure requirement remaining the same. An adjustment has been made to Rent and Rates to cover the uplift in West Port rent following the outcome of a review as per the terms of the lease. This has been funded from the management contingency budget.
6. Further budget adjustments are expected in the financial year as we incorporate the impact of the new firms' contract award and the recruitment of senior management positions. The Board will be advised of these adjustments as part of the quarterly financial monitoring arrangements.

Net expenditure requirement

7. The net expenditure requirement of £11,387k is a cash increase of £573k from the 2021/22 budget.
8. People costs represent 70% of our expenditure budget and the budget requirement in 2022/23 is an increase of £422k. Our proposal provides for increases to meet annual pay growth, employer pension contributions, employer NI increases and additional staffing for new financial powers work. The additional funding approved in 2021/22 continues with the £500k management contingency transferring back to other expenditure.
9. Fees and expenses paid to external firms have been based on the current contract model as the majority of expenditure and income recognised in 2022/23 will relate to work delivered under the final year of this contractual arrangement (completion of 2021/22 audit year). The new contract and appointments will have an impact on expenditure and fees. On final approval of the new appointments a forecast projection of the budgetary impact on payments to firms and fees will be prepared with a view to identifying any budget adjustments that need to take place during the financial year to reflect the new arrangements.

10. Other expenditure has increased by £662k with the main changes being the transfer of the £500k management contingency budget from people costs and the inclusion of £220k for the costs associated with the biennial National Fraud Initiative exercise.
11. The fees budget for the financial year has increased by 2.5% with the average fee increase for 2021/22 audits increasing by 2% from 2020/21 fees.

Capital requirement

12. The capital budget for 2022/23 is £250k.
13. The investment will continue to support our digital strategy and office re-configuration to meet health and safety guidelines as we develop a future hybrid operating model.

2022/23 uncertainties

14. The budget proposal was developed in the context of significant uncertainties, which included:
 - the resources required to deliver public audit in Scotland to enable a full recovery from the pandemic and development of a future operating model
 - timing of budget statements from the UK and Scottish Government
 - impact of public sector pay policy with initial negotiations having commenced with staff representatives on a proposed pay policy for 2022/23. Any significant deviation from the pay award assumptions in the budget will need to be assessed from an affordability perspective
 - outcome of firms' procurement exercise
 - timing of the implementation of the remaining financial aspects of the Scotland Act 2016
 - the cost of goods/services now that the UK has left the European Union and
 - financial assumptions used to estimate International Accounting Standard 19 (IAS 19) defined benefit pension costs and future employer pension contributions.
15. The 2022/23 budget settlement provides assurance that we can meet our breakeven obligation. However, the expected long-term economic impact of the pandemic will lead to significant pressures on public finances and we will need to develop financial strategies to address future potential issues, which include:
 - fees and funding model
 - resourcing pressures
 - pay awards
 - changes to public sector landscape in Scotland
 - inflationary pressures

- EAFA replacement and
- pension fund pressures.

Recommendation

16. The Board is requested to:

- approve the 2022/23 operational budget based on the information provided in Appendix 1
- note that any in-year budget adjustments will be scrutinised as part of the quarterly financial monitoring process.

Appendix 1



Item 12

Meeting date: 5 April 2022

AUDIT SCOTLAND

NET EXPENDITURE STATEMENT

	Actual		Approved	Approved	Operational
	2019-20	2020-21	2021-22 Budget	2022-23 Budget	2022-23 Budget
	£k	£k	£k	£k	£k
People Costs					
Salaries and temporary staff	13,178	13,854	16,146	16,016	16,016
Employers on costs	3,852	4,162	4,415	4,993	4,993
Pension adjustments	4,871	2,297	126	100	100
	21,901	20,313	20,687	21,109	21,109
Accounts Commission members	171	151	165	165	165
Total people costs	22,072	20,464	20,852	21,274	21,274
Fees and expenses paid to external firms	4,549	5,237	4,554	4,520	4,520
Other operating expenditure					
Rent & Rates	507	730	535	527	612
Other accommodation Costs	436	377	449	434	434
Travel & Subsistence	823	364	707	539	539
Legal & Professional Fees	623	683	590	840	840
Stationery & printing	127	60	129	109	109
Training & organisational development	457	356	483	502	502
Staff recruitment	114	164	138	138	138
Communications (telephone, postage)	49	41	41	40	40
Insurance	75	78	84	85	85
Information technology	501	566	496	526	526
Internal Audit	31	28	30	30	30
External Audit - financial statements	29	31	30	30	30
Other	137	111	154	667	582
Depreciation	356	333	279	340	340
Total other operating expenditure	4,265	3,922	4,145	4,807	4,807
TOTAL OPERATING EXPENDITURE	30,886	29,623	29,551	30,601	30,601
Corporation Tax payable	1	0	0	0	0
Income					
Fees and charges payable	18,597	17,831	18,737	19,214	19,214
Bank Interest	5	1	0	0	0
Miscellaneous income	30	1	0	0	0
Other finance income - pensions related	-924	-768	0	0	0
TOTAL	17,708	17,065	18,737	19,214	19,214
NET EXPENDITURE AFTER TAX	13,179	12,558	10,814	11,387	11,387

Q3 Financial performance report

Corporate Finance Manager

Item 13
Meeting date: 5 April 2022

Purpose

1. This report presents the financial results for the nine months to 31 December 2021.

Background

2. The detailed finance performance report for the nine months to 31 December 2021 is provided in Appendix 1 to this paper.

Discussion

3. At the end of the third quarter of the 2021/22 financial year Audit Scotland's Net Operating Expenditure was £6,311k, which was £234k (3.6%) less than budget.
4. In-house income audits were in total £93k (1.5%) less than budget. Audit year 2020-21 has a minor negative volume variance of £24k (0.12%) and a positive price variance of £25k. Work on 2021-22 audits has commenced and they are currently £94k (0.85%) behind plan.
5. Fee income earned for audits carried out by external firms net of fees and expenses paid to the firms was £97k better than budget. Income recognition was £137k worse than budget with fees and expenses payable to the external firms being £234k less than budget. The savings in expenditure is due to reduced travel and expenses.
6. Staff costs including agency expenditure was £155k (1.1%) less than budget.
7. Other expenditure was £64k (2.4%) better than budget. The main positive variances were recorded in legal, professional and consultancy (£61k); travel and subsistence (£45k); property costs (£40k); and training (£33k). The main adverse variances appear in information technology (£97k) and depreciation (£26k).
8. The detailed variance analysis and explanation is provided in Appendix 1 attached to this report. Appendix 1 also includes a section on the allocation of management contingency and the key financial risks.

Virement

9. Following Management Team discussions, and confirmation from the Scottish Government Finance Directorate, £350k of forecast revenue surplus has been vired across to the capital budget to enable Audit Scotland to purchase essential IT equipment to support our digital security strategy.

Recommendation

10. The Board is invited to note the financial results for the nine months to 31 December 2021.

Headline Results

The summary financial position to 31 December 2021:

£000	Annual Budget	Actual	Budget	Var.	% Var.	Prior Year	Note
Fee Income - In House	7,975	5,914	6,007	(93)	-1.5%	5,308	1
Fee Income - Audit Firms	5,118	4,072	4,209	(137)	-3.3%	3,815	2
Central Charges	5,644	4,233	4,233	0	0.0%	4,235	
Rebate	0	0	0	0	-	0	
Interest	0	0	0	0	-	1	
Other Income	0	11	0	11	-	1	
IAS 19 Income	0	0	0	0	-	0	
TOTAL INCOME	18,737	14,230	14,449	(219)	-1.5%	13,360	
Approved auditors	4,553	3,475	3,709	234	6.3%	3,331	2
Staff salaries and oncosts	19,903	14,351	14,558	207	1.4%	13,183	3
Payroll provisions incl. severance	233	0	0	0	-	0	
Agency and secondment costs	75	117	65	(52)	-80.0%	253	3
IAS 19 Pension costs	100	0	0	0	-	0	
Property costs	984	612	652	40	6.1%	634	
Travel and subsistence	719	235	280	45	16.1%	258	4
Legal, professional and consultancy	733	346	407	61	15.0%	382	5
Training	483	339	372	33	8.9%	288	6
Recruitment	138	101	115	14	12.2%	101	6
Printing and office costs	236	164	154	(10)	-6.5%	127	
Information technology	522	480	383	(97)	-25.3%	423	7
Audit	60	49	45	(4)	-8.9%	46	
Depreciation	279	236	210	(26)	-12.4%	256	8
Other costs	533	36	44	8	18.2%	32	9
EXPENDITURE	29,551	20,541	20,994	453	2.2%	19,314	
NET OPERATING (EXPENDITURE)	(10,814)	(6,311)	(6,545)	234	3.6%	(5,954)	

Funded by Scottish Consolidated Fund 10,814 6,311 6,545 (234) 5,954

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 planned. 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 as at 31 December 2021 for in-house audits:

Sector	2020/21 Audit Year			2021/22 Audit Year			Prior Years	Total
	Volume		Price	Volume		Price		
	WIP %	£	£	WIP %	£	£	£	£
Local Government	-0.51	-24	+77	-1.16	-54	-	-	-1
Health	-	-	+18	-2.26	-35	-	-	-17
FE	-	-	-	-	-	-	-	-
Central Government	-	-	-44	-0.43	-5	-	-	-49
Non-statutory	-	-	-26	-	-	-	-	-26
Total Dec 21	0.12	24	+25	0.85	94			93

Local Government

Local Government audits are 0.51% behind budget leading to an adverse volume variance of £24k. The positive price variance of £77k is due to increased fees being applied to local government bodies with the most significant increases being applied to Aberdeenshire Council, Angus Council, Clackmannanshire Council, Fife Council, Scottish Borders Council and South Lanarkshire Council. The main reason for the increase in fees is due to the additional audit work required for charitable trust accounts. There is an audit sign off delay for a small number of bodies though it is expected they will all be complete by the end of the financial year. Audit work for 2021-22 has started with the current position being 1.16% behind plan leading to a negative volume variance of £54k.

Health

The 2020-21 health audits are complete with the positive price variance due to an increase in the fee for NHS Tayside and NHS National Services Scotland. The 2021-22 audits have commenced and are currently 2.26% behind plan leading to a negative volume variance of £35k.

Further Education (FE)

ASG undertake 2 FE audits, Dundee & Angus College and Edinburgh College. Both these audits are complete meeting our target deadline of the end of December.

Central Government

Central Government chargeable audits are complete with the negative price variance due to the agreed fee for a new body, South of Scotland Enterprise, being less than

the original expected fee. 2021-22 audit work is slightly behind plan by 0.43% leading to a minor negative variance of £5k.

Non-statutory

The European Agricultural Fund Account (EAFA) audit is on schedule with the negative price variance due to an adjustment in the agreed fee following fee discussions with the National Audit Office on the audit work required. Initial planning for the next audit cycle indicates that the fee level could further reduce by £160k.

2. Fee income and expenditure – Audit Firms

The negative income variance of £137k is reduced by the positive expenditure variance of £234k for approved auditors. Effectively this highlights a net favourable variance of £97k on chargeable audits.

Audit firms can negotiate fee increases within set parameters above expected 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 2021:

Sector	2020/21 Audit Year			2021/22 Audit Year			Prior Years	Total
	Volume		Price	Volume		Price		
	WIP %	£	£	WIP %	£	£	£	£
Local Government	-4.65	-136	+149	-0.94	-28	-	-	-15
Health	-	-	+50	-8.74	-94	-	-	-44
Water	-	-	-	-	-	-	-	-
FE	-64.63	-292	+21	-	-	-	+39	-232
Central Government	-12.26	-55	+199	+1.74	+10	-	-	+154
Total Dec 21	10.07	483	+419	2.14	112		+39	137

Local Government

Audits on the local government sector are 4.65% behind estimated plan leading to an adverse volume variance of £136k. Audit firms have agreed fees above expected fees leading to a price variance recognition of £149k with the most significant increases being applied to Aberdeen City Council, Highland Council, City of Edinburgh Council and West Lothian Council. The increases relate to charitable trust audit work as well as additional risk management and assurance work. There is also a 0.94% negative volume variance on 2021-22 audit work.

Health

Health audits for 2020-21 are complete with the £50k price variance arising from agreed fees being higher than expected. The main increases being applied to Public Health Scotland and NHS Lothian. 2021-22 audit work is 8.74% behind plan leading to a volume variance of £94k.

Water

The 2020-21 audit is complete.

Further Education (FE)

Progress on 2020-21 audits is 64.63% behind schedule leading to a negative volume variance of £292k which is being reduced by a positive price variance of £21k. It is expected that all audits will be complete by the end of March 2022. The prior year audit income of £39k relates to the final agreed settlement fees for completion of the 2019-20 audits with the main increases applying to Inverness College, Lews Castle College, North East Scotland College and Perth College.

Central Government

Central government audits are 12.26% behind schedule leading to a negative volume variance of £55k. The £199k price variance is due a new public sector body, Scottish National Investment Bank, requiring audit for an agreed unplanned fee of £84k and there has also been a number of agreed fee increases for other bodies in the sector. The largest increases relate to Scottish Canals, Bord na Gaidhlig and Commissioner for Ethical Standards in Public Life in Scotland.

3. Staff & Agency Costs

Business Group	Annual Budget £000	Actual £000	Budget £000	Variance £000	Actual Average w.t.e.	Average Budget w.t.e.	Note
ASG staff costs	10,565	7,539	7,640	101	170.7	173.6	a)
ASG agency & secondments	75	75	65	(10)			
PABV staff costs	5,139	3,617	3,837	220	79.6	82.1	b)
PABV agency & secondments	0	0	0	0			
CSG staff costs	2,292	1,805	1,711	(94)	38.5	36.1	c)
CSG agency & secondments	0	42	0	(42)			
Business Support staff costs	755	592	566	(26)	20.0	18.8	d)
Business Support agency & secondments	0	0	0	0			
Governance & Other staff costs	1,485	798	804	6	5.1	5.0	e)
Governance & Other agency & secondments	0	0	0	0			
Total staff costs	20,236	14,351	14,558	207	313.9	315.6	
Total agency & secondments	75	117	65	(52)			

- a) There is an underspend (£101k) year to date with the in-year establishment increase of 22 being funded from the new financial powers budget allocation and the contingency increase approved as part of our 2021/22 budget submission. There will be a further budget allocation from contingency in the final quarter following the successful recruitment of specialist resource requirements.

Agency costs are slightly over budget and it is projected that we will be slightly over budget this financial year. This is a significant reduction from prior years and is due to the increase in our permanent staff numbers to meet audit work demands and implement a recovery plan. Some agency staff charged at the start of the year were successful in applying for permanent positions within Audit Scotland.

- b) PABV underspend is due the staggered start dates in May and June of new staff members following the building capacity recruitment campaign and also some vacancies arising as staff leave Audit Scotland. An additional 6 posts were identified as part of the building capacity programme and in addition to these posts there was also a number of vacant positions that PABV looked to fill as part of the overall recruitment exercise. The next recruitment phase is focussing on further additions to establishment as we look to recruit specialist posts (e.g. digital audit, exchequer) and also aim to fill the current vacancies in established posts.

- c) The average staff resource requirement in CSG has been higher than budgeted w.t.e. due to the provision of cover for maternity leave (2 posts) and a secondment from PABV of a temporary project manager in Audit Quality and Appointments (AQA). The AQA post is being funded from savings generated in professional fees. Additional resources have been approved in Digital Services, Communications and HR (4 w.t.e. in total) to meet increased demand. These posts will be funded through the contingency when the additional costs are incurred.

Agency costs relate to temporary HR Advisors as short-term backfill for leavers in the HR department.

- d) Business support variance is due to the extension of a fixed term contract and the approval for additional resources in Business support as part of phase 2 of the building capacity programme. On appointment of the new posts additional budget will be allocated from contingency to meet the increase in cost with the projected year-end outturn being within the revised budget.
- e) The expenditure in Governance & Other is slightly more than budget as we incurred the additional part month costs in April of the outgoing Director of PABV and Controller of Audit.

4. Travel and subsistence

We are incurring very little travel and subsistence expenditure as we have followed Scottish Government recommended guidance to work from home and deliver audit remotely. The budget for travel and subsistence has been phased in line with expenditure year to date and there will be a large underspend by the end of the financial year as the balance of the budget has been allocated in the final quarter.

The primary reason for the current underspend in this expenditure heading is due to reduced car lease expenditure. The underspend is attributable to mileage credits on return of vehicles to the lessor and members of the scheme leaving/retiring from Audit Scotland with there being no further obligation in respect of the lease car.

5. Legal, professional and consultancy fees

Consultancy and Professional services expenditure currently underspent by £60k. As mentioned in the Staff & Agency costs section this underspend is being used to fund the seconded post in AQA for the project management of the New Audit Appointments.

6. Training and Recruitment

Training underspend of £33k is due to timing of expenditure on professional trainees and professional subscriptions. The forecast outturn is expected to be in line with the budget allocation.

As we look to recruit to senior positions, continue to recruit specialist positions under building capacity and also meet ongoing recruitment demands it is expected that the full year budget will not be sufficient to cover anticipated expenditure commitments. There is flexibility from savings (e.g. travel and subsistence) and management contingency to enable us to meet this overspend.

7. Information technology

The overspend is attributable to IT hardware purchases and software licences. IT hardware expenditure has been incurred to make the workstations in our offices fit for purpose as we return to limited capacity office working. With the

increase in the number of employees we need to ensure that we have sufficient Microsoft and mki licences to enable staff to work remotely in a safe and effective IT environment. This is a financial pressure that will be funded from savings in other budgets this financial year but future budgets will need to increase to reflect this increase in demand.

8. Depreciation

Overspend relates to adjustment required on IT hardware depreciation to reconcile to the fixed asset register and the actual IT hardware purchases having a shorter depreciation period than planned. The overspend will be met from savings generated in other budget headings.

9. Other costs

The main reason for the underspend in other costs is reduced expenditure on occupational health requirements. Annual health checks were previously offered to staff but due to Covid-19 we have been unable to offer this service as staff would be required to attend an appointment in person. This service will be re-introduced when we are able to do so safely.

Contingency and Financial risks

The 2021/22 budget includes a contingency allocation of £2 million with the Management Team (MT) responsible for its allocation. The budget has earmarked £1.5 million for the Strategic Improvement Programme (SIP) with the balance of £0.5 million being set aside to meet any unforeseen financial pressures that may arise during the year.

As at the end of December MT approvals have committed all of the £1.5 million on a full year cost basis. The use of this additional funding has enabled us to build sufficient capacity to deliver our core objectives as outlined in our budget submission to the SCPA. The phasing of the recruitment has led to the generation of in year savings with some of these savings used for one off expenditure requirements (e.g. capital investment to support digital security strategy).

The outbreak of the omicron variant of the pandemic in early December highlights that key financial risks still need to be managed as the environment we are operating in remains extremely uncertain. These include:

- Audit recovery plan and closing work in progress at 31 March 2022
- Additional costs to deliver audit (ongoing implications on audit of additional Covid-19 funding)
- Resource availability to meet audit demand
- Impact on firms' costs
- Inflationary pressures
- Recruitment market conditions (competition, remuneration package and quality of candidates)
- Pension year-end accounting adjustments

The longer-term financial issues considered in the 2022/23 budget proposal to the SCPA and to be applied to our Medium-Term Financial Planning include:

- SCPA will continue to support funding increase
- Impact of firms' procurement exercise
- Review of fees and funding model

- Resourcing pressures and additional cost of audit
- Pension fund pressures
- Auditing post Covid-19 (onsite, remote, hybrid)
- Carbon emission targets
- EAFA audit
- Inflationary pressures
- Pay award uncertainty
- Estate Strategy

Capital Expenditure and Funding

The capital budget for 2022/23 increased from £150k to £250k with our capital programme focusing on office re-configuration to provide a Covid secure environment and new IT hardware and software.

Revenue forecasts highlighted an underspend which resulted in enquiries being made to the Scottish Government Finance Directorate on the viability of transferring some of this saving to capital to enable further investment in essential IT in line with our digital security strategy. MT approved the virement of £350k to capital, increasing the overall budget to £600k this financial year.

The total capital expenditure year to date is £248k with IT hardware purchases totaling £149k (laptops and other IT equipment) and £99k of IT software purchases (business management system).

Stuart Dennis
Corporate Finance Manager
27 January 2022

Q3 Corporate performance report

Corporate Governance Manager

Item 14
Meeting date: 5 April 2022

Purpose

1. This report provides the Board with a review of organisational performance in quarter three (Q3) 2021/22.

Background

2. The performance information is reported under the two strategic objectives of 'delivering world class public audit' and 'being a world class organisation' in line with the corporate plan.
 - Appendix 1 provides a summary of performance for each strategic objective.
 - Appendix 2 provides the detailed performance information.
 - This report was considered by Management Team at its meeting on 15 March 2022.

Q3 performance summary

3. The following objectives are 'amber'. This is defined as 'progressing and additional management action planned'.
 - We conduct relevant and timely audits and report in public (where the main impact is on delivery dates and budgets).
 - We manage our resources effectively (where the main impact is on audit costs and income).
 - We maximise our efficiency (where the main impact is on colleague productivity).
 - Audit work is of high quality, and we are systematically improving the quality of our work (reflecting the quality review outcomes – the next results are due in Q4).
4. We expect to continue to operate in a volatile environment during 2021/22 which may impact performance throughout the year.

Delivering world class public audit

5. There were 222 publications in Q3 comprising: 208 Annual reports and accounts, seven statutory reports, one Best Value Assurance Report, one Annual Audit Plan and five other reports.
6. Media mentions and social media engagements are up on the same quarter last year, but downloads are down on the previous quarter and the same quarter last year.

Being a world class organisation

7. We continued to prioritise communication and engagement with colleagues using a broad range of channels. This includes formal business messaging through the regular Incident

Management Team (IMT) updates, Yammer channels as well as drop-in sessions/meetings with the Auditor General for Scotland and members of Management Team.

8. The outturn on core funding was £6,311k which was £234k (3.6%) less than budget.
9. We had 321.5 (99.9%) whole time equivalent colleagues in place at the end of the quarter against a budget establishment of 321.8.
10. The absence rate 1.55 days is the same as Q2 and slightly lower than same quarter last year (1.66 days).

Forward look

11. Quarter four will include the publication of the remaining annual reports and accounts, annual audit plans for financial year 21/22 audits and some statutory reports.

Recommendations

12. The Board is invited to:
 - review the performance in quarter three
 - consider whether any additional management action is required.

2021/22: Q3 performance summary

Delivering world class public audit	Measure in Q3	Previous quarter	Same quarter last year	Direction compared to same quarter last year
We conduct relevant and timely audits and report in public				
Reports 2021/22 (Q3)	222	195	225	↔
On time (YTD)	75%	81%	91%	↓
Audit Budget (YTD)	+8.6	-0.2	+20	↓
We get our messages out effectively				
Media mentions (Q3)	188	137	150	↑
Downloads (Q3)	87,849	112,061	169,671	↓
Social media engagements (Q3)	3,721	4,215	3,562	↑

Key performance messages in Q3:

- We delivered 222 audits/reports.
- 97 per cent of the 20/21 annual audit plans, accounts and annual reports, have been delivered with 75 per cent on schedule.
- Audits were delivered 8.8 per cent more than budget and outwith the 5 per cent tolerance.
- Communications statistics show we are getting our messages out effectively. These include 87,849 downloads; 3,721 social media engagements and 188 media mentions of Audit Scotland and/or Accounts Commission.
- We attended seven external working groups and responded to nine consultations.

Key actions

The key actions for this strategic objective are covered by the projects and workstreams in the Strategic Improvement Programme. They include development of the Audit Services Group (ASG) audit methodology, the development of digital auditing and the implementation of the audit quality improvement action plan.

Key:

Red	Not progressing/significant additional management action required.
Amber	Progressing and management action planned.

Key:				
Green	On target/no need for additional management action			
Being a world class organisation	Measure in Q3	Previous quarter	Same quarter last year	Direction compared to same quarter last year
We maximise our efficiency				
Budget Variance (YTD)	3.6%	0.2%	+6.2%	↓
WTE establishment (YTD)	99.9%	98.9%	102%	↓
We empower and support our people to be engaged, highly skilled and perform well				
Staff costs (YTD)	14,351k	9,499k	13,183k	↑
Agency/secondment costs (YTD)	117k	92k	253k	↓
Average cost per audit day (Q3)	475	462	446	↑
Proportion of audit time (Q3)	63%	65.5%	63%	↔
Absence days (YTD)	4.13	1.03	4.96	↓
Staff turnover (YTD)	6.95%	4.25%	3.49%	↑
Exams pass rate (YTD)	89%	63%	80%	↑
Training events (YTD)	122	74	22	↑
Training attendees (YTD)	1,601	1,013	214	↑
IT uptime	99.7%	99.74%	99.7%	↔

Key performance messages in Q3:

- The outturn on core funding was £6,311 (3.6%) less than budget.
- The number of colleagues at the end of Q3 was 99.9% of the budgeted establishment.
- Absence levels year to date (4.13 days) is lower than last year (4.96 days).
- Staff turnover (6.95%), for all leavers in the year to date, increased compared to (3.49%) last year, but we remain well below the Chartered Institute of Personnel and Development benchmark (16%). Year to date we are higher than the whole of last year due to low levels of leavers during the pandemic and leavers this year due to end of fixed term contracts or retirement.
- The exam pass rate for Professional Trainees increased significantly in this quarter to 89 per cent.

- The proportion of audit time was 63 per cent, on par with 63 per cent in the same quarter last year.

Key actions

The key actions for this strategic objective are covered by the projects and workstreams in the Strategic Improvement Programme. They include several workstreams on resourcing, learning and development and wellbeing.

Appendix 2

Performance detail 2021/22: Quarter 3

Item 14

Meeting date: 5 April 2022

Delivering world class public audit	We conduct relevant and timely audits and report in public
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Key Performance Questions	2019 20				2020 21				2021 22			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Are relevant audits being delivered?	✓	✓	✓	✓	↔	↔	✓	✓	✓	✓	✓	
Are audits delivered on time?	✓	✓	✓	✓	↔	↔	✓	✓	✓	✓	↔	
Are audits delivered on budget?	✓	✓	✓	✓	✗	✗	✗	✗	↔	↔	↔	

Key messages

The Red/Amber/Green (RAG) status for delivering on time has changed from green to amber which reflects that while we are catching up in our audit delivery there may be a residual impact on next year's audits. The 20/21 audits started later because of the late 19/20 audits, and the completion of audits remains at a similar level to last year which is evidence of progress in catching up.

The resources required to deliver the Q3 Audits has impacted on audit expenditure. In Q3 it is 8.8% more than budget and in turn outwith the 5% tolerance target.

The significant recruitment drive of 2021-22 continues, while this is positive it also means significant time and cost in inducting and supporting new colleagues. Increased resource is expected to deliver greater returns and benefits on audit levels in the next year.

In Quarter 3 we delivered 222 audits/reports comprising, 107 accounts certified, 101 annual audit reports, seven statutory reports, one Best Value Assurance Report, one annual audit plan, two blogs and three other products.

In December 2021 the Auditor General for Scotland and the Accounts Commission agreed the second quarterly update to the dynamic work programme. They recognised the comprehensive and ambitious programme and impressive delivery and impact so far this year. They also noted the resourcing and capacity pressures as well as the risks arising around contingency planning.

The update included eight new products to the programme. This included a web-based product on drug and alcohol services, which will offer a public audit perspective on this key area of policy and service delivery. The report was published in March 2022. There was also consensus on adjusting timescales or the potential to cancel existing planned products to accommodate new and emerging work. As an example, the publication of the social care briefing was changed from November 2021 to January 2022. This allowed resource to focus on responding to the Scottish Government's National Care Service consultation.

Audit/report schedule 2021/22

	Q1	Q2	Q3	Q4
Annual Audit Plans Audit Scotland (120)	37 ✓	1 ✓	0	55
Annual Audit Plans Firms (102)	41 ✓	11 ✓	1 ✓	44
Accounts certified Audit Scotland (124)	4 ✓	51 ✓	67 ✓	6
Accounts certified Firms (102)		51 ✓	40 ✓	11
Annual Audit Reports Audit Scotland (125)	4 ✓	45 ✓	62 ✓	8
Annual Audit Reports Firms (102)	4 ✓	25 ✓	39 ✓	11

	Q1	Q2	Q3	Q4
Performance Audit (3)			Investing in skills X (now Q4)	Planning for skills (note name change from Investing in skills) New ferries for the Clyde and Hebrides Reviewing Scotland's financial response to the Covid-19 pandemic X (now Q1 22/23)
Best Value Assurance Report (5)	Aberdeen City ✓	East Dunbartonshire ✓	South Ayrshire ✓	Falkirk ✓ Moray (follow up) ✓
Overview Report (3)	Challenges and performance LGO 2021 ✓			NHS in Scotland 2021 ✓ Financial overview of local government 2020/21 Financial overview of IJBs 2020/21
Statutory (6-12 tbc)			S22: NHS National Services Scotland ✓ S22: Crofting Commission ✓ S22: National Records of Scotland ✓ S22: Bord na Gaidhlig ✓ S22: NHS Highland ✓	S22: SEPA S22: Scottish Canals S102: Orkney & Shetland Valuation Joint Board

	Q1	Q2	Q3	Q4
			S22: Scottish Government Consolidated accounts ✓	
			S22: Commissioner for Ethical Standards in Public Life ✓	
Other (20-30)	Scotland's Colleges 2020 BI ✓	Sustainable alternatives to custody BR ✓	The impact of Covid-19 on Scottish councils' benefit services OT ✓	Administration of Scottish Income Tax 2020/21 OT
Key:	Cyber security and resilience BI ✓	Scottish Government Provisional Outturn BL ✓	Community empowerment Covid-19 update OT ✓	Social care BR
BR = Briefing	Social care BI ✓	Child & Adolescent Mental Health Services BL ✓	Housing Benefit Performance Audit - Annual Update BL ✓	Climate change baseline review OT ✓
BL = Blog	Personal Protective Equipment (PPE) BR ✓	Tracking the implications of C19 on Scotland's public finances OT ✓	Social care BR X (now Q4)	Drug & alcohol services OT ✓
CS = Case studies	Investing in skills BL ✓	Vaccinations programme BR ✓	Auditing climate change: An update OT ✓	Scotland's economic recovery BR
RT = Round table	Making climate change an audit priority BL ✓	Climate change: RT ✓	Christie 10 years on: Christie - it really is now or never (AC) BL ✓	Data governance & ethics X (now Q2 22/23)
OT = Other	Digital innovation used to respond to the Covid-19 pandemic CS X	Digital innovation used to respond to the Covid-19 pandemic CS ✓		Digital connectivity: R100 update (note name change from digital exclusion and connectivity) BL
	Transparency Report 2020 ✓			

	Q1	Q2	Q3	Q4
		Christie 10 years on: Christie's clarion call can't wait another decade (AGS) BL ✓		
		Digital exclusion BL ✓		
		Annual fraud & irregularity report 2020/21 ✓		
		Risks & issues facing Scottish public sector OT ✓		
Published	100	195	222	

On budget

In Q3 the expenditure on audit is above budget by 8.8 per cent. This reflects the extended final accounts period over autumn/winter and the challenges of remote working resulting in delays to audit work. It also reflects the impact of later commencement of 2020/21 audits. ASG flexi analysis over the period corroborates this.

	Budget £	Actual £	£ Variance	% Variance
ASG	10,845,251	11,932,127	1,086,876	10.02
PABV	1,679,045	1,694,077	15,032	0.90
Total	12,524,296	13,626,204	1,101,908	8.80

As per the Internal Audit recommendation that the Performance, Risk Management Group (PRMG) review the costs for individual audits and report by exception in the quarterly performance report. The PRMG reviewed individual audit costs at its meeting on the 10 February and noted there are no significant issues to report for this quarter.

Forward look

In Q4:

- Due to the Scottish Local Government elections on 5 May 2022, it is expected there will be a publication moratorium between Thursday 24 March and Friday 6 May.
- The AGS and Commission will review their priorities within the dynamic work programme on a quarterly basis. The next review will commence in February/March 2022.
- Quarter four will be a demanding period for performance audit publications. Fifteen products are scheduled during the three-month period between January and the local government election moratorium at the end of March. The moratorium places pressure on the publications schedule between May and the end of June. The impact of the moratorium will be closely monitored.
- As part of the wider development of the work programme (which is now nearly a year in) a stock take is being undertaken to establish the following:
 - What we have achieved, both in terms of product delivery and organisational change;
 - Internal and external feedback on the programme and processes; and
 - How we might continue to evolve the work programme in the future

Issues/risks

The main risk for this objective is our capacity to deliver the dynamic work programme, which is stretching and ambitious. We continue to monitor resources closely and review priorities to ensure we can adjust plans as necessary.

Delivering world class public audit

Audit work is of high quality and we are systematically improving the quality of our work

Key Performance Questions	2019 20				2020 21				2021 22			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Are we assured about the quality of our work?	✓	✓	✓	✓	↔	↔	↔	✗	↔	↔	↔	
Are we improving the quality of our work?	✓	✓	✓	✓	↔	↔	↔	✗	↔	↔	↔	

Key messages

We completed all nine hot reviews of our ASG programme and a data analytics thematic review. Both reviews highlighted a good level of compliance with the Audit Management Framework (AMF) and INTOSAI requirements. During quarter three we issued a quality bulletin to ASG staff summarising key findings from the hot reviews and wider audit quality issues. Technical guidance included:

- Guidance on planning the 2021/22 audits and the Annual Planning Conference was held on 15 November 2021.
- A Technical Guidance Note on Risks of Misstatement in 2021/22 annual accounts of local government bodies.
- We received 177 technical enquiries from audit providers and responded to all within our target response times.
- 10 Technical Briefing Notes to provide auditors with a synopsis of new technical documents.
- One updated frequently asked questions output.
- Annual audit report template for colleges was issued and updated guidance in the AMF.
- Rolled out the implementation of aspects of the revised ISA 315 (identifying and assessing risks of material misstatement).

Forward look

Most audit quality results will be analysed during Q4 and feed into the Quality of Public Audit in Scotland annual report. We deferred publication of a Technical Guidance Note on Whole of Government Accounts to quarter 4 due to continued delays by HM Treasury.

Delivering world class public audit	We get our messages out effectively											
Key Performance Questions	2019 20				2020 21				2021 22			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Are we getting messages out effectively?	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	

Key messages

We continue to get our messages out effectively. Media mentions (188) were up on the same period last year (150), Social media engagements (3,721) were up slightly on Q3 last year (3,562) and downloads (87,849) were down from (169,671). The decrease in downloads is in part due to a change in, September 2020, to the download capture software. The change makes the data gathering more manageable, less time-consuming and is focussed on capturing the most important data.

Engagement: In Q3 we attended/delivered:

- 13 Parliamentary Committees, 7 external working group meetings - including CIPFA/LASAAC Board for the Local Authority Accounting Code and NHS Technical Accounting Group and responded to 9 consultations

Parliamentary engagement

Month	Parliamentary questions mentioning Audit Scotland	Mentions of Audit Scotland's work across committees	Mentions of Audit Scotland during FMQs	Audit Scotland staff appearances at committees	Total
October	2	18	6	3	29
November	2	22	8	5	37
December	5	19	6	5	35
Quarter total	9	59	20	13	101

Communications

	Q1	Q2	Q3	Q4	YTD	20/21
Media	196	137	188		521	678
Downloads	161,730	112,061	87,849		361,640	818,874
Engagements*	6,590	4,215	3,721		14,526	18,963

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

Media in Q3:

The top three published reports by media coverage were: s22 Commissioner for Ethical Standards in Public Life in Scotland, SG Consolidated Accounts and s22 National Record of Scotland. There was ongoing coverage of issues such as children and young people's mental health, the vaccination roll-out scheme and the PPE response to the pandemic. There were stories around Scotland's ferries provision (where the AGS's report is much anticipated) and the Scottish Government's support of private companies continued to make headlines.

Downloads in Q3:

The most downloaded/page-viewed piece of work for a single month was the online Covid-19 update report on Community Empowerment, with 819 views in October.

**Please note that our download capture software formerly kept downloads statistics for every single download of a report. This changed in September 2020 to all reports that received 10 downloads or more. This move was to make the data gathering more manageable, less time-consuming and to ensure it was focussed on capturing the most important data.*

Social media activity in Q3:

Twitter engagement in Q3 included: our community empowerment Covid-19 update; tying Audit Scotland's equality report into Human Rights Day; and making public our response to the National Care Service consultation.

The most significant social media engagement came on the Auditor General's twitter account in December. [Video content](#) for the Scottish Government's Consolidated Accounts s22 received 40,000 views. The highest number of views any content has produced in the past was around the 4-5k mark. The subsequent piece of video content, on the Commissioner for Ethical Standards s22, received 35,000 views.

These AGS figures – and indeed Accounts Commission twitter stats - are not currently included in the overall social media engagement numbers but, as of Q4, Communications will factor both sets into reporting to give as rounded a view as possible on our social media impact.

Consultations in Q3:

We responded to nine consultations including: the Prudential Code, Treasury Management Code, Inquiry into the Health and Wellbeing of Children and Young People, independent review education Scotland Scottish qualification authority, safer communities/fire and rescue framework, national strategy community justice review, guidance on collection of data on sex and gender letter to public bodies, the future of Recorded Crime and Police Activity Statistics, A National Care Service for Scotland.

Correspondence

New correspondence cases	Q1	Q2	Q3	Q4	YTD	20/21
Number of cases	34	35	47		117	119
Acknowledgement within five working days	100%	94%	96%		97%	98%
Final response within 30 working days	100%	91%	98%		96%	96%

FOI/EIR/Complaints:

- In Q3 there were 10 FOI requests, no EIRs and all were responded to on time.
- There was one complaint responded to in Q3 and after investigation the complaint was not upheld. The complainant referred this to the Scottish Public Services Ombudsman who also did not uphold the complaint.

Delivering world class public audit	We systematically deliver impact through our work											
Key Performance Questions	2019 20				2020 21				2021 22			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Is our work delivering impact?	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	
Are our recommendations leading to improvements?	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	
Are we offering insight and foresight and making information and intelligence available to others?	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	

Examples of where work has made a positive impact and/or positive feedback received in Q3 include:

Best Value

Progress in relation to Best Value issues had been slow and BV follow up audit work was undertaken by the local audit team in 2017/18, 2018/19 and 2019/20 and we reported that the council had increased the pace of improvement. We were proactive over the term of the audit appointment in making recommendations in relation BV. This has increased the quality of both financial and performance reporting and improved governance and transparency and financial management. The feedback to the Accounts Commission on 2 November 2021 from the client was excellent and they reported that audit team were independent, objective, robust, professional and challenging. The body welcomed the integration of the BV work with the annual audit and noted that the team's knowledge meant that it was able to provide valuable insight on areas for improvement. The council described the process for communicating our approach and findings as 'exemplary'.

Local Government

[Community empowerment: Covid-19 Update](#)

The update had a very good impact on social media with 42,201 impressions, 729 engagements, 1,946 views, 1,333 PDF downloads (fourth best performer on social media in 2021, well above average). Organisations that shared the posts include the Scottish Government, SURF (Scotland's Regeneration Forum), Development Trust Association Scotland (DTAS), Scottish Community Development Centre (SCDC), Scottish Community Alliance, Scottish Council for Voluntary Organisations (SCVO) and the Care Inspectorate. All comments were positive and supportive of the publication. The Public Audit Committee (PAC) held an evidence session in November 2021 with the Auditor General for Scotland and representatives from the SCDC, Carnegie Trust; Scottish Council for Voluntary Organisations; SURF and the centre manager at Collydean Community Centre. Following this session, the convenor agreed to write to the Scottish Government's Director-General (DG)

Communities and to the Local Government, Housing and Planning Committee on issues raised during the meeting. The DG Communities issued a response on 21st January 2022 and the PAC intend to use this information to draft a letter to the Local Government, Housing and Planning Committee.

We reviewed the fixed asset register as part of our non-current assets testing, noting that the vast majority of the council's assets were revalued in 2020/21. The initial fixed asset register did not correctly reflect these changes and the council agreed to adjust the accounts to correctly reflect or remove erroneous amounts. This affected gross book value, accumulated depreciation, the capital adjustment account and revaluation reserve. The errors identified by the audit team resulted in an overall decrease in Personal Protective Equipment (PPE) values of £15.1million.

We reviewed the group boundary as part of the group accounts audit. The council's initial assessment of the group boundary and concluded that the financial results of a group entity should be consolidated on an associate basis within the group statements in the 2020/21 annual accounts. After our review the council agreed to amend the entity's classification within the Group Financial Statements as a subsidiary.

We identified several issues with the council's accounting treatment for its non-current assets. A recommendation was raised to ensure that accounting records are complete and accurate for the annual accounts. Management set up an Asset Valuation Working Group comprising of members of staff from Finance Strategy and Property Services.

In June 2020 the body approved a change in the method used to schedule repayments from the general fund for outstanding debt relating to advances from the loans fund. An element of the accounting treatment for the loans fund review involved profiling a recalculation adjustment. Following discussions the body made a change to the unaudited accounts to ensure the profiling better reflected the remaining asset lives that the borrowing financed. The impact of this was to reduce the 2020/21 loans fund repayments from £6.5 million to £2 million and increase the councils reserves by £4.5 million.

We reviewed the accounting treatment for the HRA appropriations of General Fund assets which had been accounted for incorrectly. We worked with the finance team to ensure that restatements accounted for these transfers correctly. The body accepted our recommendation to develop an accounting policy for these transfers. This ensured that the accounts were not misstated by £1.3m.

Based on an Audit Scotland recommendation in the 2019/20 Annual Audit Report, the body has improved reporting of the capital programme to members and improved arrangements around NFI participation. They identified a small number of SPI's that closely align with their corporate priorities to prioritise on a department-by-department basis. Aspirational targets have been set and scrutinising committees will get progress reports setting out how the services are performing in delivering improvement against these targets.

During 2020/21 we assisted the body in improving the Management Commentary within their accounts. We referred them to guidance and good practice examples and then reviewed and provided feedback on the draft Management Commentary. Amendments were made as appropriate and members commented on the improvement, thanking Audit Scotland for the contribution we had made to the improvement. Our

Annual Audit Report 2020/21 confirmed the body had enhanced the quality of its management commentary and the reporting requirement of the Local Government Finance Circular 10/2020.

Our audit identified that the Annual Governance statement of Assurance did not fully comply with the delivering good governance in Local Government Framework. This was subsequently revised to cover progress made and planned actions to address recommendations made by external audit in the prior year. The revised statement better informs readers of the governance issues that remain to be addressed by the body.

Financial sustainability has been reported as a key risk for the body over several years as reserves were anticipated to run out in 2022/23. Following audit recommendations to 'carry out a comprehensive costed options appraisal for its future operation, including the potential wind-up of the consortium', the Policy Board agreed on 17th November 2021 to disband the entity.

We reviewed the accounting treatment for Covid-19 grant income and identified that the council had treated all grants received from the Scottish Government as if it was the principal in the transaction and therefore recognised the income and expenditure in the unaudited accounts. LASAAC guidance identified that most Covid-19 grants should have been treated as an agency arrangement with the council acting as agent for the Scottish Government. The council agreed to update the accounts to reflect the agency arrangement in accordance with guidance.

Throughout 2020/21 we liaised with the council's finance team regarding the disclosures required in relation to the additional Covid-19 funding and expenditure during the year and the impact of these on the financial performance reported and the level of reserves at 31 March 2021. On receipt of the unaudited accounts, we provided further comments and suggestions to improve these disclosures and they should now assist readers of the accounts in understanding the financial position reported by the council for 2020/21.

Central government

The body was established in October 2019 and prepared its first annual report and accounts for the period to 31 March 2021. We worked closely with management in advance of the accounts preparation and throughout the audit supporting them to ensure the accounts were FReM compliant and contained all required disclosures. This included encouraging sufficient disclosure around Covid-19 business support grants. We identified improvements to the unaudited account including an adjustment to the recognition of set-up grant income and a number of changes to the remuneration report. We also worked with management to enhance the annual report. This resulted in a new format for the statement of resource outturn which more clearly demonstrated performance against budget.

In 2020/21 we used a data analytics model in the audit to aid in our substantive testing. The model provided assurance to over c100,000 low risk transactions and focussed on those with higher risk characteristics and provided assurance over more than 90% of the value of all transactions included in our model. This provided increased assurance over the risk of material misstatement of the account being misstated.

Our 2019/20 Annual Audit Report recommended that the body should establish a process for communicating the identification and response to risks of fraud to the board. Fraud updates to the board are now part of quarterly finance updates and the risk register now contains more information on the risk of fraud.

During 2020/21 the body introduced a new key control reconciliation to address the risk of fraud around a new grant claim. This was outsourced to an external accountancy firm. During our review we identified that the reconciliation control could be strengthened through the consideration of recent audit reports for the biggest claimants. This additional step provides extra assurance regarding the accuracy of internally generated reports provided by the operators as part of the reconciliation.

Health

[NSS s22 on PPE](#) The day of the publication coincided with the UK report on the government's updated response to Covid. Despite this, the s22 report was covered by the Daily Mail, Daily Record, Metro, The Scotsman, The Times, The Herald and Edinburgh Evening News; with the Sunday Mail reporting a few days later. The Scottish Government issued a response welcoming the Auditor General's finding that there was no bias in the award of PPE contracts, or issue with the quality of the goods, despite the very significant supply challenges faced by countries all around the world early in the pandemic. They confirmed that the Scottish Government will continue to work closely with NSS and the wider health service to ensure that frontline services receive the financial support they need. After the follow up session with the Public Audit Committee (PAC), the committee decided to close its scrutiny of the report and briefing and wrote to the Health, Social Care and Sport Committee on issues raised during the meeting. The Committee recognised there may be outstanding issues on the long-term planning and procurement and supply of personal protective equipment that they may return to in the future.

The unaudited accounts included a £48 million accrual relating to an additional allocation from Scottish Government to address the backlog on elective procedures arising from Covid-19. In our view, the expenditure should not be accrued. We worked with senior finance officers and carried out focussed audit procedures which resulted in a £48 million adjustment to the financial statements.

In our 2019/20 annual audit report we made a number of recommendations on the board's accounting processes and annual report and accounts including compliance with IFRS15, accounting for CLO claims post year end, the timing of the performance report and the level of assurance provided by senior officers to support the governance statement. We were able to report good progress against all these recommendations in our 2020/21 annual audit report.

Further Education

Our review of the fixed asset register identified that there were a significant number of assets (182) with a nil carrying value. These had a total initial cost of £5.5 million. It was recommended that assets no longer in use should be removed from the asset register to ensure the cost and accumulated depreciation balances for Property, Plant and Equipment in the financial statements accurately reflect the operational assets of the college. Management agreed to undertake a review in conjunction with the exercise recently begun to review college assets and develop a replacement and acquisition policy.

Delivering world class public audit

We develop new and improved processes, products and services

Key Performance Questions	2019 20				2020 21				2021 22			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Are new processes, products and services being developed?	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	
Are products and study programmes suitable and appropriate for emerging issues?	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	

Key messages:

Further progress has been made in the development of an in-house data analytics tool for financial audit. The vision is to deliver a complete end to end analytics service to support auditors in line with our audit approach. It will allow auditors to explore different classes of transactions and balances, support auditor judgement in sampling, focus effort on material areas, and automate the documentation of decisions at each stage of the analytics process. Documentation is captured throughout the audit journey, and continued engagement with Professional Support and the user groups (in response to ICAS feedback) has helped steer the direction of this.

PABV undertook a review of its budgets and monitors the cost of its audit work. The aim of is to develop a simplified, higher-level cost monitoring approach that is used consistently across the full range of audit products. This supports better understanding and decision-making about the deployment of resources on priorities. The project is now in implementation phase and PABV is forecasting its audit budget over the next 12-24 months.

We continue to make progress on our Strategic Improvement Programme (SIP) in Q3. This is the subject of a separate report on today's agenda for the Board.

Forward look

The PABV Budget/cost project identified inconsistencies in the way budgets and costs are managed and reported across ASG and PABV. This will be taken forward by the PRMG sub-group on cost monitoring to ensure greater consistencies across the organisation.

Being a world-class organisation

We manage our resources effectively and maximise efficiency

Key Performance Questions	2019 20				2020 21				2021 22			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Are we managing our resources effectively	↔	↔	↔	↔	×	×	×	×	↔	↔	↔	
Are we maximising efficiency?	↔	↔	↔	↔	×	×	×	×	↔	↔	↔	

Key messages

In the nine months to 31 December 2021 Audit Scotland's Net Operating Expenditure was £6,311 which was £ 234k (3.6%) less than budget. At the end of December 2021, we were at 99.9% of establishment.

Resource management

In the nine months to 31 December 2021 Audit Scotland's Net Operating Expenditure was £6,311 which was £ 234k (3.6%) less than budget.

	Q1	Q2	Q3	Q4	20/21
Actual	(2,064)	(3,701)	(6,311)		12,429
Budget	(2,006)	(3,709)	(6,545)		13,215
Variance K	(58)	8	(234)		786

Staff

The average number of staff in the quarter was 97.5 per cent of establishment. However, the number in post by the end of quarter three is 99.9 per cent of establishment. New posts will continue to phase in during the year.

	Q1	Q2	Q3	Q4	20/21
2020/21 establishment w.t.e	321.8	321.8	321.8		290.2
Average no. of staff employed in 2021/22 w.t.e:	301.1	310.9	313.9		290.7
No. of staff at end of quarter w.t.e:	312	318.2	321.5		294.3

Staff and Agency costs

The total staff costs in the nine months to 31 December 2021 were £207k (1.4%) less than budget.

	Annual Budget £000	Actual YTD	Budget YTD	Variance	Actual Average WTE	Budget WTE
Total Staff costs 2021-22	20,236	14,351	14,558	207	313.9	315.6
Total agency & secondments 2021-22	75	117	65	(52)		
Q3 Staff costs 2020-21	18,023	13,183	13,245	62	303	309.4
Q3 agency and secondments 2020-21	75	253	56	(197)	7	

Legal, professional and consultancy: Consultancy and Professional services expenditure currently underspent by £60k. As mentioned in the Staff and Agency costs section this underspend is being used to fund the seconded post in Audit Quality and Appointments (AQA) for the project management of the New Audit Appointments.

	Q1	Q2	Q3	Q4
Actual	88	179	346	
Budget	110	192	407	
Prior year spend	81	206	382	768

Estate

	Q1	Q2	Q3	Q4
Actual	194	403	612	
Budget	216	430	652	
Prior year spend	215	425	634	1,117

Costs of travel

We continue to incur very little travel and subsistence expenditure given the Scottish Government guidance to work from home where practicable. The primary reason for the current underspend is due to reduced car lease expenditure including mileage credits on return of vehicles to the lessor as well as members of the scheme leaving/retiring from Audit Scotland.

	Q1	Q2	Q3	Q4
Actual	75	149	235	
Budget	93	186	280	
Prior year spend	87	170	258	355

Capital Expenditure:

The total capital expenditure year to date is £248k with IT hardware purchases totalling £149k (laptops and other IT equipment) and £99k of IT software purchases (business management system).

Digital Services

Downtime was mostly due to Issues caused by the VPN certificate not being updated fully and an outage in the internet connection to 102 Westport. Edinburgh

IT Network	Q1	Q2	Q3	Q4	20/21
IT uptime (%)	99.69	99.74	99.7		99.66
Working hours lost	875	733	86.7		0.34
Average time lost per person	2.42	2.03	0.24		2.63

IT Incident management summary (incident targets are expected to achieve 97%)

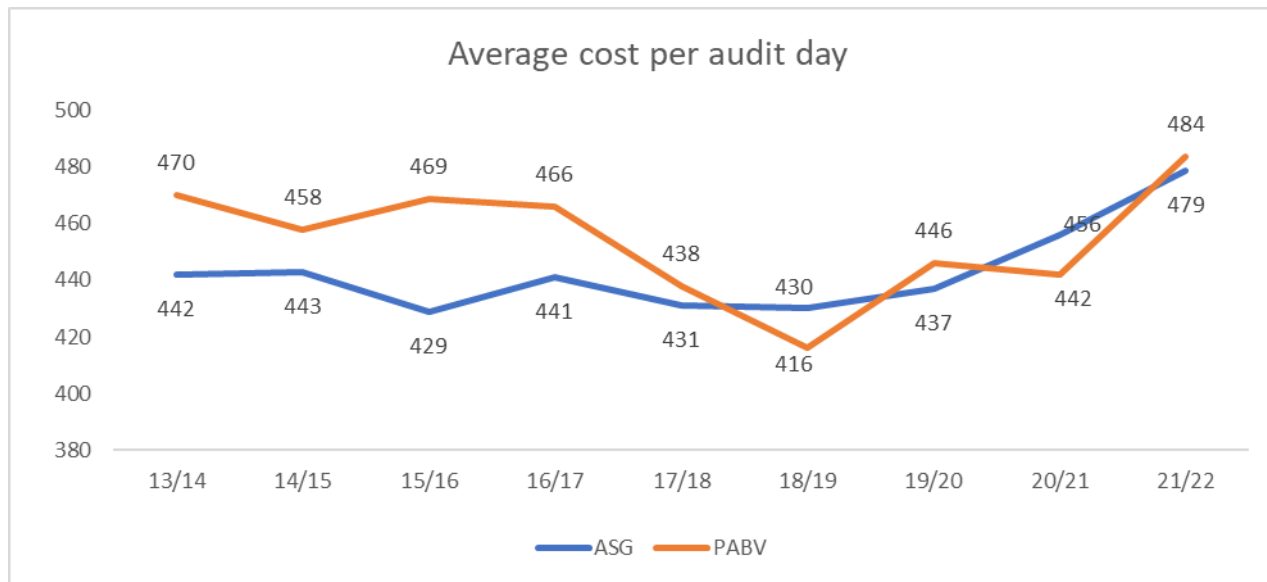
- 93.6% of the requests were accepted within the response time Service Level Agreement (SLA).
- 93.85% of the requests were closed within the fix time SLA.
- An average of 2.3 incidents were logged per user.

Business group audit and non-audit time

Audit time is defined as any time charged through TRS/MKI to an approved audit (overviews, performance audit, BVARs, statutory reporting etc). It also includes time logged to programme development, the production of internal and external briefings and other outputs, audit appraisal, policy analysis, stakeholder engagement and correspondence. Non audit time includes time off, corporate forums, improvement projects and learning and development.

During Q3 business group audit time was 63% same as Q3 last year (63%).

	21/22 (%)				20/21 (%)			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
ASG	64	69	66		62	65	63	73
PABV	60	62	60		58	65	62	58



The average cost per audit day of PABV and ASG audits 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 each April.

Forward Look

Performance and Risk Management Group (PRMG) to review the underlying reasons for the direction of travel for average cost per audit day.

Being a world-class organisation
We manage information and intelligence effectively (internal)

Key Performance Questions	2019 20				2020 21				2021 22			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Are we managing information and intelligence effectively (Internal)	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	

Key messages

- ISO 27001 surveillance Audit on 28 and 29 October and continued certification.
- During November 2021 colleagues took part in the Information Security Survey

During Q3:

- The information security survey received 196 responses (61.3%). The responses indicate generally good working knowledge and understanding around data protection and information security issues across the organisation. Areas that require attention will be jointly targeted by Corporate Governance and Digital Services with awareness raising through Yammer posts, blogs and vlogs. The next Information Security survey will be in summer 2023.
- A two-day surveillance ISO 27001 audit took place on the 28 and 29 October 2021. No significant findings were found and just two opportunities for improvement identified. Both have been implemented following the audit.
- The KITGG continued to meet during the quarter including reviewing the 2022 workplan, Q2 Digital Services Performance, Information Risk Register & ISMS risk treatment plan and information policies.

Forward look

- The next ISO27001 Surveillance audit will take place in April 2022 and re certification Audit will take place in September 2022. Issues/risks
- The move to hybrid working increases the risk managing information and impacting on how we work given the increased transit of devices between home and office.

Being a world-class organisation
We empower and support our people to be engaged, highly skilled and perform well

Key Performance Questions	2019 20				2020 21				2021 22			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Are our people empowered and engaged?	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	
Are our people highly skilled?	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	
Are people performing well?	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	
How effective is communication and collaboration across the organisation?	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	
Are career paths offered across the organisation?	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	
Do we understand and support diversity within the workforce?	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	

Key messages:

- Exam pass rates have significantly improved and in Q3 rose to 89%
- During Q3 absence levels remain similar to the same quarter last year.
- Learning and development has continued throughout Q3, and we have already delivered more training to more colleagues than we did in 2020-21 in total.
- Recruitment activity year to date is significantly higher than in previous years.

Highly skilled:

Learning and Development activity has continued and the number of events increased from Q3 in 2020-21. We have also rolled out Managing Diversity online training to all colleagues to ensure a greater awareness of diversity and inclusion.

Wellbeing:

Absence levels remain low. While the number of long-term absence cases have lowered there is an increase in the volume of short-term absence. 31% of the total absence days in Q3 are time posted against Covid-19. A proportion of colleagues are impacted by Long Covid and the HR team are organising an employee support group for those affected in conjunction with support from our occupational health provider.

Career Paths:

Vacancies filled	21/22 YTD	20/21
Internal	16	6
External	43	34
Total	59	40

Absence levels: remain low and are the same as Q3 last year.

	Q1 days	Q2 days	Q3 days	Q4 days	YTD days
Audit Scotland – 21/22	1.03	1.55	1.55		4.13
Audit Scotland – 20/21	1.3	1.56	1.66	1.3	5.81
Audit Scotland – 19/20	1.6	0.46	1.33	1.32	4.97
Audit Scotland - 18/19	1.28	0.76	1.41	1.4	4.85

Staff turnover:

We remain well below the Chartered Institute of Personnel and Development (CIPD) benchmark for all leavers. Year to date we are already higher than the whole of last year. In part this is to do with low levels of leavers during the pandemic combined with a number of leavers due to end of fixed term contracts or retirement.

	Q1	Q2	Q3	Q4	YTD	20/21	CIPD benchmark
Resignations %	1.24	1.5	1.2		3.94	2.94	n/a
All Leavers %	1.56	2.69	2.70		6.95	4.9	16%

Exam results: In Q3 there has been a significant improvement in Exam success. We will continue to monitor to see if this is a sustained improvement.

	Q1	Q2	Q3	Q4	YTD	20/21
Exams taken	37	12	105		128	163
Exams passed	24	7	93		104	145
% Pass rate	65	58	89		81	89

Highly skilled:

In the year to date the number of events (122) events is greater than last year (90) and the number of attendees (1601) is also greater than last year (1,387).

	Q1		Q2		Q3		Q4		YTD		20/21	
	Events	Attendees	Events	Attendees	Events	Attendees	Events	Attendees	Events	Attendees	Events	Attendees
Health, Safety and Wellbeing	1	8	1	1	3	6			5	15	4	30
Knowledge Cafes	0	0	0	0	0	0			0	0	1	25
Learning and Development	2	24	2	21	3	23			7	68	15	459

	Q1		Q2		Q3		Q4	YTD		20/21	
Management Development	4	30	3	14	2	20		9	64	18	109
Organisational Development	20	300	8	78	19	159		47	537	24	135
Technical Training	17	466	16	71	23	380		56	917	28	629
Total	42	828	30	185	50	588		122	1601	90	1387

Other training included:

- Mandatory training for ASG on an enhanced approach to risk assessment and audit planning under revised ISA 315 and the new Audit Planning Tool. 10 of 12 scheduled training events delivered by 31 December 2021.
- Introduction to the Public Audit Committee.
- Understanding the quality arrangements and our individual responsibilities.
- Introduction to PABV Audit Methodologies and how to scope a performance audit and record evidence and judgements.

During Q3 we established further recruitment and selection training to increase the number of trained panel members across the business. This has also included a refresher for those who last received training three years ago, this is following the recommendation in our last recruitment internal audit.

Forward look

- Recruitment activity during Q4 will continue to increase, given the impact of Building Capacity phase 2. This will also be in part due to the recruitment at Management Team following the departure of our Chief Operating Officer, upcoming departure of our Director of ASG and interim arrangements for the PABV Director and Interim Controller of Audit coming to a close.
- The HR & OD team have also been working closely with Finance to build the new Business Management System went live in February 2022.
- Best Companies launched in February and results are due in March 2022.
- Q4 technical learning will focus on quality feedback

- Continued evaluation of pilot programmes in a variety of areas
- A new on-line training course for Interview Skills will be accessible to colleagues through the L&D portal in early 2022.

Issues/risks

There is a risk that we may not fill specialist roles as candidate numbers are low in the market. The HR team are advertising the Cloud Application Developer role for the Digital team for the third attempt in Q4. There has been significant time invested in seeking agency support with the role and advertising at the same time for the Data and Development Manager.

Recruitment spending will be increased due to the volume of campaigns. The Assistant HR Manager has requested additional budget via the Finance Manager to ensure this is available and it has been agreed.

Best Companies survey results

Acting Director, Corporate Services Group

Item 15
Meeting date: 5 April 2022

Purpose

1. This report updates the Board on the latest results of the Best Companies Survey and highlights next steps.
2. Audit Scotland has been accredited as a One-Star organisation for the second year in a row with a score of 670.2 which represents a slight reduction across seven engagement factors measured by the survey. This is a significant result particularly in the context of working arrangements and strategic developments across the organisation during 2021.
3. This report invites the Board to consider and comment on the results.

Background

4. We first took part in the Best Companies survey in 2009, reporting the results in early 2010. This is our thirteenth year taking part in Best Companies. The survey is one way in which we assess levels of engagement and listen to feedback from colleagues. The results help to support dialogue, exploration and discussion about how to make Audit Scotland a better place to work and deliver world-class public audit in a sustainable manner.
5. Colleagues participate anonymously and this latest survey was completed in February/March 2022.

Context

6. The year 2021/22 saw a continuation of the Covid-19 pandemic and the Board has received regular updates on the impact of Covid-19 for colleagues, our business and clients. Audit Scotland's leadership team has continued to prioritise the safety and wellbeing of colleagues, adjusted our audit delivery programme and invested in building capacity across the organisation.
7. Colleagues have continued to demonstrate their incredible commitment and professionalism, adjusting to new hybrid ways of working, recruiting and onboarding colleagues virtually, continuing to work from home and delivering our audits despite the disruption and anxiety caused by Covid-19 and amidst changing and necessary public health restrictions.

Best Companies results summary

8. We have sustained an exceptionally high participation rate – 80 per cent of colleagues took part (263 out of 328 colleagues). Our participation rate is well above the Best Companies average of around 68.8 per cent.
9. After eleven years of being 'Ones to Watch', last year saw Audit Scotland being accredited as a One-Star organisation for the first time with a Best Company Index (BCI) score of 693.5 which was our highest score to date by a considerable margin.

- 10.** The latest result retains our One-Star status of ‘a very good organisation to work for’. However, the overall score has shown a reduction to 670.2 which is still above our 2019 score. There may be several factors that have influenced the scores including resource challenges, uncertainties linked to the pending changes in leadership and other external factors.
- 11.** In addition to sharing Audit Scotland’s high-level results with colleagues in March, this data will be shared and discussed with the PCS union on 25 March 2022. The local PCS Branch is supportive of our work in this area and each year works collaboratively with us to understand, explore and make the most of the learning we can take from the results.
- 12.** Our accreditation will be shared at a high level on 23 March 2022 with colleagues and more detail will be shared in April. Best Companies will present further insights to Leadership Group on 6 April 2022.

Conclusion

- 13.** The results reflect the significant efforts of colleagues at Audit Scotland over the last twelve months to support each other, maintain wellbeing and work through considerable uncertainty. In other reports to the Board the significant delivery of audit work is reported.
- 14.** Using the rich data set from our Best Companies survey we intend to look to build on the strengths identified and develop a strategy around areas requiring improvement. This will form part of how we develop our approach to hybrid working.

Next steps

- 15.** Management Team will be working with Leadership Group members as we consider this data alongside other intelligence we already have about our people and the running of our business. The data will be used by local business groups and individual teams to help inform areas of continuous development during 2022.
- 16.** The Best Companies data will also be used to inform Our plan, including the supporting people strategy for 2022.

Recommendations

- 17.** The Board is invited to consider and comment on the results of the Best Companies Survey.

Annual policy review of Freedom of Information and Environmental Information requests

Corporate Governance Manager

Item 16
Meeting date: 5 April 2022

Purpose

1. This report invites the Board to note the review of Audit Scotland's Freedom of Information and Environmental Information Policy and approve the revised policy for a further year.

Background

2. Audit Scotland has in place policy and procedures to ensure compliance with the Freedom of Information (Scotland) Act 2002 (FOISA) and the Environmental Information (Scotland) Regulations 2004.
3. The policy is reviewed each year to ensure it is up to date and submitted to the Knowledge, Information and Technology Governance Group (KITGG), Management Team and the Board for approval. Its review also forms part of the annual assurance process leading to the Accountable Officer's Governance Statement in June 2022.

Annual review of FOI and EIR policy

4. The Corporate Governance Manager and KITGG carried out a review of the Freedom of Information (FOI) and Environmental Information Regulations (EIR) in March 2022. The review has taken place six months earlier than scheduled to reflect recommendations arising from the FOI Internal Audit Review in October 2021. The corporate governance review found the policy was up to date with minor amendments required to reflect internal audit recommendation from October/November 2021 and to reflect new accessibility legislation.
5. A review of our FOI panel arrangements which form part of the KITGG terms of reference at annex 2 was also reviewed and it remains up to date with no changes required this year.
6. The Freedom of Information (Scotland) Act 2002 (the FOI Act) requires Scottish public authorities to produce and maintain a publication scheme. Authorities are under a legal obligation to:
 - publish the classes of information that they make routinely available
 - tell the public how to access the information and what it might cost.
7. The publication scheme for Audit Scotland is published on our website following internal review during August 2021. It has been updated to reflect new accessibility legislation. The main impact of this change is to increase the font size from 11 to 12 and reflect a new, more user-friendly template.

8. In June 2021, the European Union formally ratified two adequacy decisions on the UK's data protection regime. The arrangement includes a clause to review the adequacy decisions every four years, or if changes have been made to the UK GDPR which varies significantly from the EU GDPR. Currently within the UK no significant changes have been made to data protection legislation and regulations. This has and will ensure the continued smooth flow of data transfers between data centres in the EU and the UK.

Recommendations

9. The Board is invited approve Audit Scotland's Freedom of Information and Environmental Information Policy for a further year.

Freedom of Information and Environmental Information Policy

Owned and maintained by:	Corporate Governance Manager
Date checked/ created:	<u>March 2022</u> September 2021
Next review date:	<u>March 2023</u> September 2022

Introduction

The Freedom of Information (Scotland) Act 2002 (FOISA) and the Environmental Information (Scotland) Regulations 2004 (EIRs) places a duty on us to prepare and implement systems and processes to comply with the legislation. Under these Acts a person who requests information from a Scottish public authority which holds it is entitled to be given it by the authority.

Our approach

Reporting in public is a principle of the public audit model. It contributes to openness and transparency in the conduct of public bodies in Scotland. Our audit work is carried out in the public interest and we believe that it is enhanced by the principles of the Freedom of Information and Environmental Information legislation. We embrace the legislation and are committed to its continued successful implementation.

There are some special considerations which relate to the audit process and these are recognised in the legislation. We will make use of relevant exemptions and exceptions only where we consider that this is necessary in the public interest.

We have one Publication Scheme covering the Auditor General, the Accounts Commission and Audit Scotland and we will follow a consistent approach to information handling and requests.

A professional relationship with the bodies we audit and other stakeholders is very important. If a request is made to us for disclosure of information obtained from a public body as part of our audit work we will, where reasonably practical, consult the body before complying with the request. We will also continue to liaise with other audit and scrutiny bodies in developing best practice in this area.

Scope

This policy applies to the Auditor General, the Accounts Commission and Audit Scotland.

Roles and responsibilities

Audit Scotland provides support to the Auditor General and the Accounts Commission and therefore we have established clear information management roles and responsibilities. ~~The Auditor General is Audit Scotland's Accountable Officer and to support his duties under this legislation we have established the Knowledge, Information & Technology Governance Group (KITGG).~~

The Corporate Governance Manager and Corporate Performance Officer are responsible for the operational processing of requests.

The Auditor General is Audit Scotland's Accountable Officer and to support his duties under this legislation we have established the Knowledge, Information & Technology Governance Group (KITGG).

It is the KITGG's remit to ensure that information risks are assessed and mitigated to an acceptable level by having in place robust policies, procedures and processes.

The KITGG have established an Information Requests Panel to meet and decide on using exemptions in complex FOI requests and exceptions in EIR requests.

The Panels are convened by Corporate Governance and are composed of senior level staff from across the main business groups. The Panels are not always composed of the same representatives to ensure independence and objectivity.

Information we hold

We are committed to openness and transparency in our work. We are committed to supplying information to a request unless there is a valid reason for withholding it under the legislation.

When a request is received for information you must not alter, deface, block, erase, destroy or conceal applicable information with intent to prevent disclosure. To do so is an offence under the Act and will result in action under Audit Scotland's disciplinary policy and could incur a risk of personal prosecution.

Training and awareness

We are committed to full staff awareness and training in Freedom of Information, Environmental Information and Data Protection legislation and its implications for our work. We are committed to maintaining effective systems for information requests to meet our obligations under this legislation.

Guidance on the application of FOISA and the EIRs are available on SharePoint.

Annual newsletters are shared with colleagues across Audit Scotland outlining our performance on FOI and EIRs, which covers the types of requests that have been received and the timescales in which we responded.

Charges

Audit Scotland may invoke a charge for providing information, which is not contained in our publication scheme, in accordance with the costing threshold within FOISA and the EIRs.

When a request is estimated to exceed £600 to fulfil, we will, whenever possible, attempt to narrow its scope and provide what we can within the threshold rather than refusing it outright.

Supplementary documentation

The following documents should be used to support and supplement this policy:

- Freedom of Information (Scotland) Act 2002
- Freedom of Information (Scotland) Act 2002 section 60 and 61 codes of practice
- Environmental Information (Scotland) Regulations 2004

Purpose

1. This report updates the Board on the annual review of our Data Protection Policy and proposes amendments to the policy for their approval.

Background

2. During April 2018, the Data Protection Policy was updated to reflect the introduction of the EU General Data Protection Regulations (GDPR). The Board agreed this would be reviewed on an annual basis.
3. Since the approval of the policy the Information Commissioner's Office (ICO) continues to issue regular guidance updates and clarifications in respect of the legislation. The Corporate Governance team closely monitors these with the aim of informing staff of any significant changes which would impact on operational practice.
4. In line with review timescales, the Data Protection Policy was reviewed during March 2022 and updated to reflect new ICO guidance. The refreshed draft policy is appended to this report and changes have been tracked.
5. The review and approval process of the policy demonstrates our continued commitment to ensure our policies comply with standards. The policy will next be subject to review in March 2023 to ensure it remains fit for purpose.
6. The UK is no longer part of the European Union having formally left on 31 January 2020. From this period, until 31 December 2020, the UK was in a 'transition period' to allow for negotiations on additional arrangements on trade, travel and business between the UK and EU to be concluded. During this period the GDPR still applied and given the Data Protection Act (2018) enshrined the GDPR, the UK government began to refer to the UK GDPR.
7. As part of the terms of the exit agreement reached on 24 December 2020, the EU agreed to a four-six month data bridge to allow the European Data Protection Board (EDPB) to assess the adequacy of the UK data protection regime in terms of compliance with the EU GDPR.
8. In June 2021, the EU issued an adequacy decision in respect of the UK. This provides assurance about the continuing flow of data between the EU and the UK without needing additional safeguards or authorisation from a supervisory authority. The adequacy agreement is subject to review every four years, and sooner if any changes are made to the UK GDPR which significantly differ from the EU GDPR.

Policy changes

9. The following changes have been applied to the policy:
 - An update on the adequacy agreement following the end of transition arrangements between the United Kingdom and the European Union.

- References to the GDPR have been updated to UK GDPR to reflect the post EU exit position.
- Additional information on how Corporate Governance maintain levels of data protection knowledge and best practice across Audit Scotland.
- The policy has been reformatted from font size 11 to 12 to reflect new accessibility legislation.

Recommendations

10. The Board is invited to approve the revised Data Protection Policy.

Data Protection Policy

Owned and maintained by:	Corporate Governance Manager
Date checked/ created:	April 202 2 ⁴
Next review date:	April 202 3 ²

Introduction

1. The Data Protection Act (DPA) 2018 sets out the framework for data protection law in the UK. It updates and replaces the Data Protection Act 1998 and came into effect on 25 May 2018.
2. It sits alongside the ~~UK~~European Union (EU) General Data Protection Regulations (UK GDPR), ~~and tailors how the GDPR applies in the UK—for example by providing exemptions. The regulations~~It also set out ~~separate~~ data protection rules for law enforcement authorities, extends data protection to some other areas such as national security and defence, and sets out the Information Commissioner's functions and powers.
3. The frameworks are comprehensive and apply tough punishments for non-compliance with rules around the storage and handling of personal data.

UK GDPR

4. The United Kingdom (UK) officially exited the EU on 31 January 2020, and thereafter entered a 'transition period' which ended on 31 December 2020. During this time, statutory obligations around Data Protection remained the same to ensure the continued smooth flow of data between the UK and the EU. Within the UK, the DPA (2018) became known as the UK GDPR.
5. ~~As at June 2021, the UK and the EU reached an 'Adequacy' agreement agreed the terms of an exit agreement on 24 December 2020. As part of this, a four month 'data bridge' was established (with the potential for extending this to six months), which would allow the EU to assess the adequacy of the UK data protection regime to ensure for the continues smooth flow of data between the UK and the EU. This agreement is subject to review every four years. Under the agreement, if any significant diversion from the EU GDPR occurred in the UK GDPR there would be an immediate review of transfer agreements. There are positive indications that the EU will provide an adequacy decision on the UK GDPR and that this will be formalised by June 2022.~~
6. This Data Protection Policy applies to the Auditor General, the Accounts Commission and Audit Scotland. Throughout this policy the terms 'we' and 'us'

are used to refer to the Auditor General, the Accounts Commission and Audit Scotland collectively.

7. As Data Controllers, we are committed to processing personal data (information) lawfully, fairly and in a transparent manner.

8. To discharge our statutory functions we collect, process, store and delete personal information covered by data protection legislation. Examples include information on current, past, and prospective employees, Accounts Commission members' and previous Auditors General, clients, suppliers, correspondents, complainants, people covered by the audit process and others with whom we communicate.

9. We recognise the benefits of protecting an individual's fundamental rights and freedoms and in particular their right to the protection of their personal information. We also recognise the seriousness of failing to comply with data protection legislation and the resulting risk to our reputation. Therefore, we are committed to:

- 9.1.** ensuring that all personal information is processed lawfully and in compliance with current data protection legislation;
- 9.2.** ensuring that our digital systems are secure, and that personal information will be stored securely;
- 9.3.** implementing effective systems for ensuring the rights of individuals, such as systems for handling and responding to data subject access requests within one month or receipt (requests from individuals to access their personal information);
- 9.4.** designing systems, processes and methods of working that protect personal information entrusted to us (privacy by design and default);
- 9.5.** undertaking data protection impact assessments as necessary for major new projects or when considering new software;
- 9.6.** full awareness of and on-going training in data protection legislation, its implications for our work, our data protection arrangements and our data loss/incident process;
- 9.7.** implementing effective systems for handling security breaches and data losses;
- 9.8.** ensuring that when we use a data processor that a written contract is in place so that both parties understand their responsibilities and liabilities;
- 9.9.** ensuring that any data processor we use also implements appropriate technical and organisational measures;
- 9.10.** conducting regular testing and reviews of our measures to ensure they remain effective, and act on the results of those tests where they highlight areas for improvement;

9.11. understanding that encryption can be an appropriate technical measure to ensure that we process personal data securely;

9.12. ensuring that we keep our encryption solution(s) under review in the light of technological developments.

10. Data-matching exercises as part of the National Fraud Initiative are subject to a detailed Code of Data-Matching Practice which complies with this policy.

Definition

11. Personal data is defined as *'any information relating to an identified or identifiable natural person (data subject); an identifiable natural person is one who can be identified, directly or indirectly, in particular by reference to an identifier such as a name, an identification number, location data, an online identifier or to one or more factors specific to the physical, physiological, genetic, mental, economic, cultural or social identity of that natural person'*.

12. It applies only to living individuals and covers their personal information held on physical or digital medium.

Data protection principles

13. The UK General Data Protection Regulation (UK GDPR) contains seven principles for processing personal information. They specify the standards that must be met when obtaining, handling, processing, transporting, and storing personal information. The seven data protection principles are listed below:

13.1. Lawfulness, fairness and transparency;

13.2. Purpose limitation;

13.3. Data minimisation;

13.4. Accuracy;

13.5. Storage limitation;

13.6. Integrity and confidentiality (security); and

13.7. Accountability

14. In line with these principles, we will only process personal information where we have a lawful purpose for doing so and be cognisant of rules relating to exemptions that apply.

15. To comply with the seven data protection principles, we will:

15.1. process personal information lawfully, fairly and in a transparent manner in relation to the data subject;

15.2. only collect personal information for specified, explicit and legitimate purposes and not further process it in a manner that is incompatible with those purposes;

- 15.3. ensure that the personal information we collect is adequate, relevant and limited to what is necessary in relation to the purposes for which they are processed;
- 15.4. ensure the accuracy of personal information and, where necessary, keep the information up to date; personal information that is inaccurate will be erased or rectified without delay;
- 15.5. only keep personal information in a form which permits identification of data subjects for no longer than is necessary for the purposes for which the personal data are processed; personal data may be stored for longer periods insofar as the personal data will be processed solely for archiving purposes in the public interest, scientific or historical research purposes;
- 15.6. ensure personal information is only processed in a manner that ensures appropriate security of the personal information, including protection against unauthorised or unlawful processing and against accidental loss, destruction, or damage, using appropriate technical or organisational measures ('integrity and confidentiality'); and
- 15.7. ensure that we can demonstrate compliance with UK GDPR regulations by being able to evidence the steps we have taken to secure personal data including removal / redaction. We require to have a process in place to manage any requests, but also need to have a full audit trail to prove that we undertook the proper actions.

Disclosure of personal information

- 16. We will only disclose personal information to:
 - 16.1. those who are entitled to the information;
 - 16.2. any authority we are required to do so by law e.g. HMRC; and
 - 16.3. anyone to whom we are required to disclose it, such as individuals seeking to access their own personal data

Rights of the individual

- 17. The UK GDPR provides the following rights for individuals which we as an organisation must be cognisant of:

- 17.1. The right to be informed - this covers some of the key transparency requirements of the UK GDPR. It is about providing individuals with clear and concise information about what you do with their personal data. Articles 13 and 14 of the UK GDPR specify what individuals have the right to be informed about.
- 17.2. The right of access - this is commonly referred to as subject access and gives individuals the right to obtain a copy of their personal data as well as other supplementary information. It helps individuals to understand how and why you are using their data, and check you are doing it lawfully.

- 17.3. The right to rectification - Under Article 16 of the UK GDPR individuals have the right to have inaccurate personal data rectified. An individual may also be able to have incomplete personal data completed – although this will depend on the purposes for the processing. This may involve providing a supplementary statement to the incomplete data.
- 17.4. The right to erasure - Under Article 17 of the UK GDPR individuals have the right to have personal data erased. This is also known as the ‘right to be forgotten’. The right is not absolute and only applies in certain circumstances.
- 17.5. The right to restrict processing - Article 18 of the UK GDPR gives individuals the right to restrict the processing of their personal data in certain circumstances. This means that an individual can limit the way that an organisation uses their data. This is an alternative to requesting the erasure of their data. Individuals have the right to restrict the processing of their personal data where they have a particular reason for wanting the restriction. This may be because they have issues with the content of the information you hold or how you have processed their data. In most cases you will not be required to restrict an individual’s personal data indefinitely but will need to have the restriction in place for a certain period of time.
- 17.6. The right to data portability - The right to data portability gives individuals the right to receive personal data they have provided to a controller in a structured, commonly used and machine-readable format. It also gives them the right to request that a controller transmits this data directly to another controller.
- 17.7. The right to object - Article 21 of the UK GDPR gives individuals the right to object to the processing of their personal data. This effectively allows individuals to ask you to stop processing their personal data. The right to object only applies in certain circumstances. Whether it applies depends on your purposes for processing and your lawful basis for processing.
- 17.8. Rights in relation to automated decision making and profiling - Under Article 4 (4) any form of automated processing of personal data consisting of the use of personal data to evaluate certain personal aspects relating to a natural person, in particular to analyse or predict aspects concerning that natural person’s performance at work, economic situation, health, personal preferences, interests, reliability, behaviour, location or movements.

Data protection officer

18. The Corporate Governance Manager is our designated data protection officer and is to be involved appropriately and in a timely manner, in all issues which relate to the protection of personal information.

Personal responsibility

19. Data protection is the responsibility of everyone, and this principle is embedded in our Code of Conduct. We are all expected to ensure that we collect, process, store, share and dispose of personal data in a fair and lawful manner, in accordance with this policy and data protection legislation, and to undergo training as required.

Training and awareness

20. We are committed to ensuring full staff awareness of our statutory obligations around Data Protection, Information Security and Environmental Information Regulations. All staff receive mandatory training on the pertinent legislation and its implications for our work.

21. The training of staff is regularly tracked and monitored to maintain organisational compliance. We are committed to maintaining effective systems for handling personal data to meet our obligations under this legislation.

22. Audit Scotland recognises the annual International Data Protection Day on 28 January each year. To mark this date, a blog is shared with all colleagues on any updates to internal data protection practices and our performance on compliance with the legislation.

20-23. Corporate Governance ensure that any relevant updates to legislation and practice is shared via the internal Knowledge, Information and Technology Governance Group (KITGG) and all colleague Yammer channels.

21-24. Guidance on the application of data protection is available on SharePoint.

Misuse of personal information

22-25. Failure of staff to comply with this policy and the data protection principles may result in action under Audit Scotland's disciplinary policy.

Change log

Version	Date	Author	Description
13	12/04/2018	Corporate Governance Manager	Data protection policy changed to include GDPR requirements and the commencement of this change log.
14	26/03/2019	Corporate Governance Manager	Updated to reflect the further guidance updates on GDPR since April 2018
15	01/05/19	Corporate Governance Manager	Revised policy approved by Audit Scotland Board

16	24/03/20	Corporate Governance Manager	Revised policy for the approval of KITGG (4 March) and Board (25/03/2020)
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17	24/03/2021	Corporate Governance Manager	Revised policy for the approval of KITGG (March) and Board (24/03/2021)
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<u>18</u>	<u>15/03/2022</u>	<u>Corporate Governance Manager</u>	<u>Revised policy for the approval of Board (5 April 2022)</u>
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Scheme of Delegation and Management Team quorum

Acting Director, Corporate Services Group

Item 18
Meeting date: 5 April 2022

Purpose

1. This report provides the Board with the opportunity to ratify its agreement to temporarily vary the Audit Scotland Scheme of Delegation, in light of the vacant posts of the Chief Operating Officer and Director of Audit Services.

Background

2. The Audit Scotland Scheme of Delegation states:

Quorum for Management Team

8. The quorum for the Management Team is three, comprising of the Accountable Officer or the Chief Operating Officer plus two others.

and that

10. This Scheme of Delegation may be varied or revoked by the Board.
3. The Chief Operating Officer left Audit Scotland with effect from January 2022 and the Director of the Audit Services Group left in March 2022. The recruitment and selection process for these roles is currently under way.
4. The Acting Director, Corporate Services Group has been attending Management Team meetings since December 2021.
5. On 9 March 2022 I circulated a report via correspondence proposing that the Scheme of Delegation be temporarily amended, in order to support the effective conduct of business.
6. It was proposed that an Audit Director from Audit Services Group attends meetings of the Management Team with effect from March 2022 and that their attendance, along with that of the Acting Director, Corporate Services Group, fulfilled the quorum requirements for Management Team meetings.
7. All Board members agreed the proposal via email that same day on 9 March 2022.
8. It was also proposed that the temporary arrangements will be superseded when the new appointments for the two posts take effect.

Amendments to the Scheme of Delegation

9. As agreed, the Scheme of Delegation has been updated to include the following:

‘8.1 In the event of a vacancy at Management Team level, a member of staff at Audit Director or Associate Director level may attend Management Team and will count towards the quorum.

8.2 In the event of a vacancy in the role of Chief Operating Officer a member of staff nominated by the Accountable Officer and approved by the Board may take their place for the purposes of Management Team quorum.’

10. The full Scheme of Delegation, as updated, is attached as an appendix.

Recommendations

11. The Board is invited to consider this report and ratify its decision taken on 9 March 2022 via correspondence to amend the Scheme of Delegation.

Scheme of Delegation

Audit Scotland is a statutory body set up in April 2000 under the Public Finance and Accountability (Scotland) Act 2000. It provides services to the Auditor General for Scotland and the Accounts Commission. Together they ensure that the Scottish Government and public sector bodies in Scotland are held to account for the proper, efficient and effective use of public funds.

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Scheme of Delegation

Introduction

1. The Board remains responsible for the exercise of all the functions of Audit Scotland. Regardless of the provisions of this Scheme of Delegation the Board may at any time determine any matter within the competence of Audit Scotland either at the Board's initiative or on the recommendation of an officer to whom the matter is delegated.
2. This Scheme sets out the matters reserved for determination by the Board. All powers which have not been retained as reserved to the Board or specifically delegated in this Scheme will be exercised by the Management Team or their nominees.
3. The following areas are matters reserved for the Auditor General for Scotland and the Accounts Commission under the provisions of the Local Government (Scotland) Act 1973 and the Public Finance and Accountability (Scotland) Act 2000:
 - 3.1. Appointment of auditors
 - 3.2. Approval of audit work programme

Conditions of delegation

4. The delegations made in this Scheme are subject to the following conditions:
 - 4.1. All delegated powers will be exercised in accordance with the relevant policies decided by the Board.
 - 4.2. Before exercising any delegated function, all appropriate consultations will be undertaken and, in particular, decisions with financial or personnel consequences will be the subject of consultation with the Chief Operating Officer.
 - 4.3. Delegated powers will not be exercised in a manner which is likely to be a cause for public concern.

Reservations to the Board

5. The following matters are reserved for determination by the Board:
 - 5.1. Approval of the Corporate Plan.
 - 5.2. Approval of annual estimates of expenditure and income.
 - 5.3. Approvals of strategic policies relating to the governance of Audit Scotland are a matter for the Board. (Approval of operational policies of Audit Scotland are a matter for the Accountable Officer and the Management Team).
 - 5.4. Approval of Standing Orders, Financial Regulations and Scheme of Delegation.

- 5.5. Approval of Annual Accounts and Annual Reports.
 - 5.6. Approval of internal audit arrangements.
 - 5.7. Approval of conditions of service affecting all employees.
 - 5.8. Approval of specific matters referred to in the attached Schedule.
- 6. Approvals can be remotely provided via DocuSign, an electronic signature system which allows for all parties to sign accounts remotely and securely. DocuSign is acceptable for laying accounts in Parliament and complies with all relevant legislative requirements.
 - 7. In exceptional circumstances where a decision of the Board is required and it is not possible to convene a meeting of the Board, a member of the Management Team in consultation with the Chair, or another Board member if the Chair is unavailable, may take the necessary decision and report the action taken to the next meeting of the Board.

Quorum for Management Team

- 8. The quorum for the Management Team is three, comprising of the Accountable Officer or the Chief Operating Officer plus two others.
 - 8.1 In the event of a vacancy at Management Team level, a member of staff at Audit Director or Associate Director level may attend Management Team and will count towards the quorum.
 - 8.2 In the event of a vacancy in the role of Chief Operating Officer a member of staff nominated by the Accountable Officer and approved by the Board may take their place for the purposes of Management Team quorum.

Making, revocation and variation

- 9. The matters reserved to the Board and delegated to officers of Audit Scotland are as detailed above and as shown in the Schedule.
- 10. This Scheme of Delegation may be varied or revoked by the Board.

Schedule

	Matter	Reserved or delegated to	Comment
1	Appointment of employees		
1.1	Appointment of Management Team	Board	
1.2	Appointment of Associate/Audit Directors	Management Team	
1.3	All other appointments	Management Team, Directors or their nominees	The Accounts Commission Chair/members will select for appointment the Secretary to the Accounts Commission
1.4	Appointment of Controller of Audit	Not applicable	The Board does not have a role here. The Controller of Audit is appointed by the Accounts Commission
2	Personnel matters		
2.1	Disciplinary action, including dismissal	Appeals Committee and as per approved disciplinary procedure	See Discipline Policy in staff handbook
2.2	Grading of Management Team posts	Board	See also Job Evaluation procedure in staff handbook
2.3	Grading of Associate/Audit Director posts and all other posts	Management Team	See also Job Evaluation procedure in staff handbook
2.4	Changes to Management Team	Board	
2.5	Changes to approved establishment below Management Team	Management Team	
2.6	Variation of conditions of service for members of the Management Team	Board	

2.7	Variation of conditions of service for Associate/Audit Directors and all other staff	Management Team	All staff have a right of appeal to the Remuneration & Human Resources Committee or the Board following discussion by the Remuneration & Human Resources Committee
2.8	Decisions on applications for early retirement: <ul style="list-style-type: none"> • Management Team • All other employees 	Board Management Team	
3	Financial matters		
3.1	Approval of expenditure for which there is no provision in the overall budget.	Board	Financial Regulations 15
3.2	Approval of virement within agreed budget: <ul style="list-style-type: none"> • Virement between budget groups • Virement between budget heads • Virement between budget lines 	Management Team Relevant Directors Budget Holders	Financial Regulations 16
3.3	Virement of salary budget over £250,000, cumulatively in one year	Board	Financial Regulations 16
3.4	Approval of Accounting Policies	Board	Financial Regulation 23
3.5	Approval for the issue of credit cards to members of staff and credit limit to be applied. (To be reported at next Management Team meeting) Credit Card default limits: <ul style="list-style-type: none"> • Management Team £1,500 • Other staff £1,000 	Accountable Officer and Chief Operating Officer	Financial Regulation 31 – 32 See also Credit Card Procedures. Default amounts may be varied by Management Team, Incident Management Team (IMT) for individuals on either a

			permanent or temporary basis.
3.6	<p>Acceptance of tenders and placing of orders:</p> <ul style="list-style-type: none"> • Above £250,000 • Between £100,000 and £250,000 • Up to £100,000 • Below £50,000 	<p>Board</p> <p>Accountable Officer and Chief Operating Officer</p> <p>Management Team</p> <p>Budget Holders</p>	<p>Financial Regulations 47</p> <p>Financial Regulations 51 (appointment of auditors)</p> <p>See also the Procurement Handbook</p>
3.7	Acceptance of offers for disposal of assets	As for acceptance of tenders and placing of orders	
3.8	<p>Approval of expenditure within agreed budget:</p> <ul style="list-style-type: none"> • Any budget group • Specific budget group • Specific cost centre budget 	<p>Management Team</p> <p>Relevant Director</p> <p>Budget Holder</p>	Financial Regulations 53
3.9	<p>Payment of accounts other than to approved auditors:</p> <ul style="list-style-type: none"> • Above £50,000 • Below £50,000 	<p>Management Team</p> <p>Member of Management Team or as delegated</p>	<p>Financial Regulations 52 – 58</p> <p>Delegated signatories are approved by Management Team and are responsible for the expenditure approved. As evidence a delegated purchasing authority letter will be issued. Those with delegated authority may request authority to be passed to members of their staff, but the limit of authority granted must be notified to Management Team and Finance who will maintain a list of those approved.</p>

3.10	Payment of accounts for orders placed using electronic purchase orders.	Member of Management Team or as delegated	Electronic purchase orders are sent, via email, to be authorised. The process requires the authoriser to be selected from a list, maintained within the finance system, of signatories delegated to sign for the cost centre and for the value of goods or services being ordered. The signatories are the same as those delegated in the previous section.
3.11	Parameters for automatic payment of electronic purchase orders.	Management Team	<p>Financial Regulations 59</p> <p>Where an invoice is received as the result of an order placed using the electronic purchase order system it can be processed by Finance for payment if:</p> <ul style="list-style-type: none"> • The order has been marked as received in the electronic purchase order system, • The value shown on the invoice is within the parameters of +5% or - 10% of the value authorised for that order. <p>Any invoice where the value is outwith these parameters must be sent for an additional, manual, authorisation before payment can be made.</p>
3.12	Certification of accounts for payment to approved auditors:	A member of the Audit Quality and Appointments team	Financial Regulations 60

	<ul style="list-style-type: none"> Interim invoices up to £50,000 and final invoices up to £10,000 Interim invoices over £50,000 and final invoices over £10,000 	Associate Director, Audit Quality and Appointments or member of Management Team	
3.13	Miscellaneous expenditure (including travel & subsistence)	The Chief Operating Officer, Secretary to the Accounts Commission, senior managers & other line managers as appropriate. (Details available in Finance)	<p>Financial Regulations 77 - 79</p> <p>Delegation requires appropriate Director approval and notification to Finance. The initial delegation is £2,000. Variations from this amount may be agreed by the Budget Holder and notified to the Management Team and Finance who will maintain a list of those approved.</p>

Budget Holders comprise: Management Team members, and Corporate Services managers.

Note: Management Team is defined in section 8 of the Financial Regulations as follows “the Management Team consists of the Auditor General, the Chief Operating Officer, the Director of Audit Services and the Director of Performance Audit and Best Value, or such other combination of officers as may be determined from time to time by the Board”. Decisions can only be made by Management Team when they are quorate as defined in section 6 of this document as follows “The quorum for the Management Team is three, comprising of the Accountable Officer or the Chief Operating Officer plus two others”.