Agenda
Tuesday 17 May 2022 at 10.00am

AUDIT SCOTLAND

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:**   For approval
   - Board meeting: 5 April 2022
   - Audit Committee meeting: 2 March 2022
   - Remuneration and Human Resources Committee meeting: 2 March 2022

9. **Review of action tracker**   For information

10. **Covid-19 update**   For information

Strategic priorities

11. **Mainstreaming equality and equality outcomes: Interim   For information/approval
    progress report**

Annual reporting

12. **2021/22 Annual report on information governance and   For information
    security**

13. **Annual report on complaints 2021/22**   For information

14. **Annual report on Freedom of Information and Environmental For information
    Information 2021/22**

Business planning, performance and governance

15. **Q4 Financial performance report**

For information

16. **Information Security Management Policy review**

For approval

17. **Review of staff handbook policies**
- Counter Fraud
- Diversity and Equality

For approval

Conclusion

18. **Any other business**

For discussion

19. **Review of meeting**

For discussion

20. **Date of next meeting: 1 June 2022**

For information

Items to be taken in private

21. **New audit appointments – verbal update**

For discussion

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

Minutes
Board

Tuesday 5 April 2022, 10.00am
Audit Scotland by Microsoft Teams

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
Gayle Fitzpatrick, Corporate Governance Manager
Ian Metcalfe, Corporate Governance Officer
Elaine Boyd, Associate Director, Audit Quality and Appointments
Kathrine Sibbald, Project Manager, Audit Quality and Appointments
Judith Strange, Cyan2 Limited

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, Gayle Fitzpatrick, Corporate Governance Manager and Judith Strange, Board development facilitator, Cyan2 Limited, joined the meeting.

The Chair welcomed attendees to the meeting.

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 22, 23 and 24 of the agenda be considered in private based for the reasons stated on the agenda. The members agreed.

5. Chair's report – verbal update

The Chair advised of regular meetings with Stephen Boyle, Auditor General for Scotland and Accountable Officer, with the Chair of the Accounts Commission and with Martin Walker on various corporate matters. The Chair reflected on the informal business planning session with the Scottish Commission for Public Audit on 23 February 2022 and the consensus to schedule a further discussion on Audit Scotland's corporate priorities, resources, and fees and funding model to be scheduled in late Summer 2022.

The Chair invited members to note the report at item 22 which provides an update on the lessons learned exercise agreed to be undertaken at the final meeting of the New Audit Appointments Steering Group on 22 February 2022.

The members were also invited to note the Chair's attendance at a meeting, with the Auditor General for Scotland, with the UK Public Accounts Commission held on 28 February 2022 and noted the focus of discussion was in relation to the quality of public audit.

In addition, the Chair advised of his attendance at the Audit Committee and Remuneration and Human Resources Committee meetings in March, an informal meeting with the non-executive members of the Board and advised of an informative meeting between himself, Colin Crosby and Stuart Dennis on financial matters.

Following discussion, the Board welcomed the update.

6. Accountable Officer's report – verbal update

Stephen Boyle advised of his regular engagement with the Chair and the Chair of the Accounts Commission and noted his appreciation of Board members' engagement and input to the ongoing executive recruitment campaigns.

Stephen invited members to note the level of activity in relation to publications including Covid funding for business, Social Care briefing, the National Health Service Overview and of attendance at the Public Audit Committee on these and Section 22 reports arising from 2021/22 audits.

Stephen invited members to note his external engagements, including a meeting with the Permanent Secretary to the Scottish Government and joint engagement lead for the bi-annual event with public sector non-executive directors. In addition, the members noted Stephen had joined Antony Clark, Director of Performance Audit and Best Value and Controller of Audit with Scottish Government representatives at a session on the implementation of the Christie Commission recommendations.

During discussion, the Board welcomed the extensive coverage of publications and agreed they would welcome sight of the regular communications digest prepared for Audit Scotland's Management Team.

7. Accounts Commission Chair's report – verbal update

William Moyes invited the Board to note that his onboarding programme continues.

William advised the Board of Accounts Commission reporting in relation to Orkney and Shetland Joint Valuation Board and advised of a meeting with elected members from Moray Council.

The members noted the Accounts Commission had undertaken a contingency business planning exercise and advised of ongoing engagement with the Communications Team to develop outputs and review the overall publication programme.

William provided a summary of the agenda for the Accounts Commission strategy session held on 29 and 30 March 2022.

Following discussion, the Board welcomed the update.

8. Review of minutes

Board meeting: 26 January 2022

The Board considered the minutes of the meeting of 26 January 2022, which had been previously circulated.

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

Audit Committee meeting: 10 November 2021

The Board noted the minutes of the Audit Committee meeting of 10 November 2021, which had been previously circulated.

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

Remuneration and Human Resources Committee meeting: 10 November 2021

(Considered in the *private section of the Board meeting)*

The Board noted the minutes of the Remuneration and Human Resources Committee meeting of 10 November 2021, which had been previously circulated.

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

9. Review of action tracker

The Board noted the updates provided on the action tracker.

The Chair invited the Board to note an amendment to Action ASB150 and ASB151 to reflect that both items were complete and, in relation to ASB149, Simon Ebbett would provide a verbal update under item 14 of today's agenda.

The Board welcomed the update.

10. Covid-19 update

Simon Ebbett joined the meeting.

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 a number of positive cases confirmed by colleagues and welcomed the ongoing colleague engagement by way of Pulse Surveys, the Best Companies survey and the ongoing programme of drop-in sessions with colleagues. Martin invited members to note that feedback from colleagues indicated that they are comfortable with, and reassured by, the Covid safe arrangements in Audit Scotland offices and with further consideration of longer-term arrangements for access to audit sites. The Board discussed the balance of the longer-term arrangements and managing expectations around the balance between attending workplaces, wellbeing, our carbon footprint and productivity.

The Board noted the decision to stand down the separate weekly Incident Management Team meeting and welcomed the move to incorporate this as part of routine Management Team meetings with a commitment to share a communication with colleagues each week.

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 engagement and next steps.

Simon Ebbett left the meeting.

11.   Strategic Improvement Programme update

Martin Walker introduced the Strategic Improvement Programme update report, copies of which had been previously circulated.

Martin invited the Board to note the progress reported on the Strategic Improvement Programme including key milestones for the New Audit Appointments (NAA), Building Capacity Phases 2 and 3, the go live of the new business management system and the next steps, including a review of workstreams and the overall programme in the Autumn.

During discussion, the Board noted the key milestones set out and welcomed the continued focus on quality, Audit Scotland's climate change obligations (and also noted both the Auditor General for Scotland and Accounts Commission's interest in this area) and noted that a further update on Audit Scotland's medium term financial plan was scheduled to come to the Board.

Following discussion, the Board welcomed the update and noted the progress reported together with next steps.

12.   2022/23 Operational budget

Stuart Dennis introduced the 2022/23 Operational budget report, copies of which had been previously circulated.

Stuart invited the Board to approve the 2022/23 operational budget and to note that any in-year budget adjustments will be scrutinised as part of the quarterly financial monitoring process going forward.

During discussion, the Board considered the operational budget in detail, noted the adjustment for the rent review of offices, recognised that the changes in the new audit appointments and pay award negotiations would be factored into the budget planning process. The members agreed there was a need to ensure that the management contingency is sufficient, recognising that the current level required careful management with a fully committed budget and that any increase in this for future years would need to be recovered through audit fees or Parliamentary funding.

The members noted the Accounts Commission request for engagement as the proposed budget and longer-term financial plan was developed as well as plans underway to develop the secretariat support for the Accounts Commission which may require additional funding and have implication for decisions on the allocation of funds held to meet contingencies.

Following discussion, the Board approved the 2022/23 operational budget and noted that any in-year budget adjustments will be scrutinised as part of the quarterly financial monitoring process.

13.   Q3 Financial performance report

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

Stuart invited the Board to note the financial results for the nine months to 31 December 2021 which had been scrutinised by the Audit Committee at its meeting on 2 March 2022.

During discussion, the Board noted the updated work in progress levels were broadly in line with forecast.

Following discussion, the Board noted the financial results for the nine months to 31 December 2021.

14.   Q3 Corporate performance report

Simon Ebbett re-joined the meeting and Ian Metcalfe joined the meeting.

Gayle Fitzpatrick introduced the Q3 Corporate performance report, copies of which had been previously circulated.

Gayle invited the Board to review the performance in quarter three and consider whether any additional management action is required.

During discussion, the Board welcomed the reformatting of the report to support Audit Scotland's accessibility obligations and the strong performance and impact reported.

In relation to the level of turnover reported, the members noted there was no sustained trend identified and in terms of the reported increase of 8.8% in audit costs noted that this is being monitored and will be reported further as part of the Q4 report. In addition, the Board welcomed the assurance around the process underpinning the quarterly review by the Performance Risk and Management Group and Management Team to ensure appropriate challenge and assessment, with an annual review of targets each year.

Simon Ebbett provided an update in relation to Action ASB149 on the action tracker and provided the Board with a summary of the impact of reporting through visits to Audit Scotland's website and downloads. Simon advised that download statistics showed a reduction of approximately 10% over the past six years and that this reflected a societal trend in how people access information, with increased social media engagement, the development of new products over that time and greater use of animations and videos which are easier to access. The members welcomed the overview and noted further development and innovation continues alongside consideration of metrics to measure impact.

Following discussion, the Board agreed a further discussion be scheduled in the Autumn.

Action ASB164: **A further discussion to form part of a future Board strategic discussion. (August 2022)**

15.   Best Companies survey results

Martin Walker introduced the Best Companies survey results report, copies of which had been previously circulated.

Martin invited the Board to consider the high-level results presented following this year's colleague engagement survey.

During detailed discussion, the Board welcomed both the strong response rate and Audit Scotland's retention of being a 'One star organisation', which is defined as a 'Very Good' organisation to work for.

The members reflected on the overall results, key messages and engagement scores across all eight factors and welcomed the further engagement planned with the Leadership Group and within business groups, noted the proposal to develop actions to respond to some of the emerging messages and, recognising forthcoming changes to the leadership of the organisation, the value in restating organisational values and supporting wellbeing. The Board agreed a further update be scheduled.

Following discussion, the Board welcomed the overall results and the assurance that these were comparable to and consistent with other organisations as the country emerges from the pandemic.

16.   Annual policy review of Freedom of Information and Environmental Information requests

Gayle Fitzpatrick introduced the Annual policy review of Freedom of Information and Environmental Information requests report, copies of which had been previously circulated.

Gayle invited the Board to approve Audit Scotland's Freedom of Information and Environmental Information Policy for a further year.

During discussion, the Board noted the proposed amendments to incorporate minor changes to operational arrangements and to comply with accessibility requirements.

Following discussion, the Board approved Audit Scotland's Freedom of Information and Environmental Information Policy for a further year.

17. Data Protection Policy

Gayle Fitzpatrick introduced the Data Protection Policy report, copies of which had been previously circulated.

Gayle invited the Board to approve the revised Data Protection Policy.

During discussion, the Board noted the minor amendments and compliance with accessibility requirements.

Following discussion, the Board approved the revised Data Protection Policy.

18. Scheme of Delegation and Management Team quorum

Martin Walker introduced the Scheme of Delegation and Management Team quorum report, copies of which had been previously circulated.

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

Following discussion, the Board agreed to ratify its decision taken on 9 March 2022 via correspondence to amend the Scheme of Delegation.

19. Any other business

There was no other business for discussion.

20. Review of meeting

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

The Board noted the experience of colleagues joining the meeting virtually and received assurance of upgrades to be implemented.

The Chair thanked everyone for their contributions.

21. Date of next meeting: 17 May 2022

The members noted the next meeting of the Audit Scotland Board is scheduled for 17 May 2022.

Items taken in private

22. New Audit Appointments – Lessons learned

Elaine Boyd, Associate Director, and Kathrine Sibbald, Project Manager, Audit Quality and Appointments, joined the meeting.

The Chair introduced the New Audit Appointments – Lessons learned report, copies of which had been previously circulated.

Elaine Boyd advised of engagement with stakeholders, the nature of a complex procurement exercise and welcomed views from the Board in terms of governance, leadership and communication from the Steering Group in order to capture these as part of the lessons learned work exercise.

The Chair advised invited members to consider and share comments with the team.

During discussion, the Board noted the regular updates provided to the Board throughout the project and the substantial assurance on the project arrangements received from BDO, Audit Scotland internal auditors. In terms of the process and approach to developing the Code of Audit Practice as part of the overall project, the members agreed they would welcome consideration of a mid-cycle review of the Code. The Board also welcomed a suggestion that, in future, consideration would be given to undertaking the revision of the Code separately from the procurement exercise for private firm of auditors.

Following discussion, the Board welcomed the report.

Elaine Boyd and Kathrine Sibbald left the meeting.

23. Audit Scotland Annual Report and Accounts 2021/22

Simon Ebbett introduced the Audit Scotland Annual Report and Accounts 2021/22 report, copies of which had been previously circulated.

Simon invited the Board to approve the suggested structure and themes and note the key dates for the drafting, submission and publication of Audit Scotland's Annual report and accounts.

The Board considered the proposed structure and themes of Audit Scotland's Annual report and accounts and following discussion approved the suggested structure and themes proposed.

24. Internal audit procurement

Gayle Fitzpatrick introduced the Internal audit procurement report, copies of which had been previously circulated.

Gayle invited the Board to approve the Audit Committee's recommendation regarding the appointment of internal auditors.

The Board noted the formal recommendation of the appointment from the Audit Committee.

Following discussion, the Board approved the Audit Committee's recommendation to appoint Wylie & Bisset as Audit Scotland's internal auditors following the conclusion of the procurement exercise.

Minutes
Audit Committee

Wednesday 2 March 2022, 10.30am
Microsoft Teams

AUDIT SCOTLAND

Present:

C Crosby (Chair)
J Mann
W Moyes, Chair of the Accounts Commission

Apologies:

None

In attendance:

A Alexander, Chair, Audit Scotland Board
S Boyle, Accountable Officer and Auditor General for Scotland
M Walker, Acting Director, Corporate Services Group
C Robertson (BDO)
J So, Alexander Sloan
D Jeffcoat, Alexander Sloan
G Fitzpatrick, Corporate Governance Manager
S Dennis, Corporate Finance Manager
D Robertson, Digital Services Manager
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 invited all present to introduce themselves. The Chair welcomed Willian Moyes, Chair of the Accounts Commission, noting it was his first attendance at the Audit Committee meeting.

The Chair noted that there were no issues arising from the private meeting.

3.   Declarations of interests

There were no declarations of interest.

4.   Minutes of the last meeting: 10 November 2021

The Audit Committee members reviewed the minutes of the meeting of 10 November 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.

Gayle Fitzpatrick, Corporate Governance Manager, advised there was nothing further to add and invited questions from the members.

The Audit Committee members noted the need for a 'deep dive' into our approach to cyber security and across all digital systems. This would also include a forward look on our approach to Digital Auditing.

The members noted the Board would welcome the early headlines from the Audit Quality Interim Report and Audit Quality Framework update report which is due to be published in June 2022.

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

Action AC141: **Digital Services Manager to schedule a deep dive in cyber security, digital systems future proofing and a forward look into Digital Auditing for a future Audit Committee. (2 May 2022)**

6. Organisational response to Covid-19

Martin Walker, Acting Director of Corporate Services advised that Audit Scotland's Incident Management Team (IMT) continues to monitor on the national level of Covid-19 cases being reported weekly, the impact of isolation periods on colleagues and the broader organisational impact of the virus.

Martin advised that Audit Scotland will move into Phase Four of Accessing our Workplaces plan on Monday 7 March. The main change will be the change from 2 metres distancing to 1 metre. This will increase office capacity of available desks and numbers in meeting rooms. Preparatory work is underway to facilitate the changes.

Martin advised that colleagues who have recently attended our offices were invited to rate the Covid security measures in place. Survey results conveyed a positive view of the measures in providing assurance to colleagues returning to the office. The results of this survey will be shared in the weekly IMT update.

Audit Committee members welcomed the move to Phase Four and agreed that a Covid-19 update should continue to come to the Audit Committee.

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

7. Q3 Financial performance report

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

Stuart highlighted the virement of forecast revenue surplus across to the capital budget. This is to enable Audit Scotland to purchase essential IT equipment to support our digital security strategy. Stuart confirmed that this was not an increase to the budget, and that the Scottish Commission for Public Audit (SCPA) had been advised.

Audit Committee members discussed the longer-term financial risks and the possibility of these issues materialising.

The Audit Committee noted the Q3 Financial report.

8. Review of Risk Register

Martin Walker, Acting Director of Corporate Services, and Gayle Fitzpatrick, Corporate Governance Manager introduced the Review of Risk Register report, copies of which had been previously circulated.

Martin advised that the risk register remains influenced, but less dominated, by the effect of the Covid-19 pandemic. Martin provided details around the four red risks and the six amber risks, noting risk A6 (strategic capacity) is likely to reduce in due course as recruitment for the Chief Operating Officer, and the Director of Audit Services Group roles is underway.

The Audit Committee members discussed the risks and the risk scores noting that many risks are interdependent on each other. It was agreed that a future discussion on risk by the Audit Committee would reappraise some of these risks. Martin advised that all risks are proactively monitored by Management Team regularly. Robust controls are applied in line with the scoring levels and adjusted based on management consideration.

The Audit Committee members recognised the work achieved in relation to risk A1 (Health, Safety and Wellbeing) and risk A4 (Audit delivery) and considered if the red status reflected the achievements. The members agreed the red status indicated the importance of both areas, and in the coming weeks/months the indicator may change.

ACTION AC142: **Acting Director of Corporate Services and Corporate Governance Manager to review the articulation of risks for discussion at next Audit Committee. (30 March 2022)**

The Audit Committee noted the review of the risk register.

9. Digital Security update

David Robertson, Digital Services Manager joined the meeting.

David Robertson, Digital Services Manager provided a summary of the digital threats to the organisation. David outlined the current operational climate, which is heavily influenced by the escalation of cybercrime and the war in Ukraine. In response, Digital Services are enhancing protections within our systems. Two defence measures have been accelerated to provide additional layers of defence.

David advised that critical focus for the next year will be immutable and offline backups to ensure information can be recovered in the event of a cyber attack. Development of a Cyber Incident Response Plan is underway and will require to be actively tested. The plan will incorporate how we protect identity services, how we manage the organisation as well as our communications to the public as we recover, in the event of a cyber-attack.

David advised the digital team' capacity is significantly challenged given current resource capacity of 80%. A Chief Information Security Officer role to take overall responsibility for cyber security is being considered.

The Audit Committee members discussed the options available to secure the right skills into the organisation noting digital is a critical area which requires appropriate developmental capacity.

The Audit Committee members thanked David for the quality of the reporting provided to the corporate forums.

The Audit Committee noted the Digital Security update.

David Robertson, Digital Services Manager left the meeting.

10. Internal audit report: Procurement of Audit Firms

Clare Robertson, BDO introduced the internal audit report: Procurement of Audit Firms, copies of which had been previously circulated.

Clare advised that substantial assurance had been provided for design and operational effectiveness and no recommendations or improvement points had been made.

The Audit Committee members noted the internal audit report: Procurement of audit firms.

11. Internal audit Report: Covid-19: Audit Quality and Delivery

Clare Robertson, BDO introduced the internal audit report: Covid-19: Audit Quality and Delivery, copies of which had been previously circulated.

Clare advised that substantial assurance had been provided for design and operational effectiveness. No recommendations had been made. There was evidence of a number of good practices. Audit Committee members noted the report and noted that it provides assurance that planning in this area are systematic and improvements are in the right place.

The Audit Committee members noted the internal audit report: Covid-19: Audit Quality and Delivery.

12. Internal audit report: Financial Planning

Clare Robertson, BDO introduced the internal audit report: Covid-19: Financial Planning, copies of which had been previously circulated.

Clare advised that substantial assurance had been provided for design and operational effectiveness. No recommendations had been made.

The members noted the observation relating to the time lag of financial management reporting to the corporate forums. Stuart Dennis, Corporate Finance Manager advised that any significant financial issues would be highlighted to the Board outwith the formal reporting cycle and scheduled meetings.

The committee welcomed the report noting the substantial assurances provided around financial planning.

The Audit Committee members noted the internal audit report: Financial Planning.

13. Internal audit report: Progress report 2021-22

Clare Robertson, BDO introduced the internal audit progress report 2021-22, copies of which had been previously circulated.

Clare advised that the report provides an update on the progress made against the plan. The Strategic Improvement Programme governance review is due for completion in March and a follow up audit to review the implementation of recommendations will follow. Clare advised that BDO are on track to complete the plan as per schedule.

The Audit Committee members noted the internal audit progress report 2021-22.

14. Cooperation between External and Internal Auditors

Clare Robertson, BDO and David Jeffcoat, Alexander Sloan introduced the Cooperation between External and Internal auditors report, copies of which had been previously circulated.

David advised that the paper was produced by BDO but discussed with Alexander Sloan.

David advised that there were no issues to comment on regarding the report.

The Audit Committee members noted the Cooperation between External and Internal auditors report.

15. Internal audit recommendations progress report (AS)

Ian Metcalfe, Corporate Performance Officer, joined the meeting.

Gayle Fitzpatrick, Corporate Governance Manager introduced the internal audit recommendations progress report, copies of which had been previously circulated.

Gayle advised that of the 11 recommendations made by BDO in the 2020/21 follow up report, five are complete and six are in progress. Gayle advised that the iTrent payroll & HR system is now available to all staff. Its functionality will allow progress to be made to internal audit recommendations three and four.

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

Ian Metcalfe, Corporate Performance Officer, left the meeting.

16. Q3 Data incidents/loss

Gayle Fitzpatrick, Corporate Governance Manager, introduced the data incidents/loss report, copies of which had been previously circulated.

Gayle highlighted that there were four data incidents during quarter three. All four incidents were of low significance and risk and consequently, they did not require to be reported to the Information Commissioner's Office (ICO).

Gayle advised that as the organisation moves to phase four of hybrid working, there is potential risk for data incidents to increase as colleagues, accustomed to working from home over the last two years, move between working at home and in the office. Gayle

advised that due consideration will need to be taken in the transit of Audit Scotland devices and that this will be monitored closely.

The Audit Committee noted the data incidents/loss report.

17. Annual assurance and statement of control process 2022

Gayle Fitzpatrick, Corporate Governance Manager, introduced the annual assurance and statement of control process 2022, copies of which had been previously circulated.

Gayle advised that the annual assurance and statement of control process 2022 had previously circulated via email on 13 December to Audit Committee members.

Gayle advised that the plan is on track and invited questions.

Audit Committee member noted the comprehensive and robust process in place with no questions arising.

The Audit Committee noted the Annual assurance and statement of control process 2022.

18. 2021/22 Accounting policies, key accounting estimates and judgements

Stuart Dennis, Corporate Finance Manager introduced the 2021/22 Accounting policies, key accounting estimates and judgements report, copies of which had been previously circulated.

The Chair of the Audit Committee invited David Jeffcoat to comment on the 2021/22 Accounting policies, key accounting estimates and judgements report. David stated he was satisfied with the report and had no further comments to add at this stage.

The Audit Committee members discussed the write off period for computer equipment and software. It was noted that our approach was consistent with other public sector bodies.

The Audit Committee members approved the 2021/22 Accounting policies, key accounting estimates and judgements.

19. Audit Plan for the year ended 31 March 2022

David Jeffcoat, Alexander Sloan introduced the Audit Plan for the year ended 31 March 2022, copies of which had been previously circulated.

David noted the timetable and advised that the fieldwork will be performed offsite with the clearance meeting potentially face to face. The Audit Committee members discussed the timetable and confirmed that Audit Scotland will meet the timescales as stated.

David advised that there were no other points to note.

The Audit Committee members noted the Audit Plan for the year ended 31 March 2022.

20. Any other business

There were no items of other business

21. Review of meeting

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

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

22. Date of next meeting

The next meeting of the Audit Committee is scheduled for 11 May 2022.

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

Items taken in private

23. Internal audit procurement

This item was taken in private for the purposes of commercial sensitivity. Clare Robertson, BDO LLP and David Jeffcoat, Alexander Sloan left the meeting.

Gayle Fitzpatrick, Corporate Governance Manager outlined the Procurement process undertaken and recommended that Wylie & Bisset LLP be awarded the Internal Audit contract for Audit Scotland for the next 3(+1) years effective from April 2022.

The Audit Committee members discussed the outcome of the procurement of internal audit services. They noted the clarity and robustness of the procurement process and the clear outcome of the tender.

The Audit Committee members acknowledged confidence in the appointment and noted that a new perspective would be welcome.

The Chair advised that the successful supplier will be formally advised after the Board ratifies the Audit Committee's recommendation.

The Audit Committee approved the recommendation of Wylie & Bisset LLP to the Board as internal auditors to Audit Scotland for the next three years until 31 March 2025 (with the option to extend for one further year if necessary).

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	Susan Burgess	Complete	No	The Counter Fraud Policy and the Diversity and Equalities policies will come to the Board at its meeting on 17 May 2022. This appears at item 17 of today's agenda.
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	Complete	Yes	A verbal update was provided as part of item 14, Q3 corporate performance report at the Board meeting on 05/04/2022.
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 to br canvassed for a strategic session to be held in August 2022.
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	Yes	A report was considered at item 22 of theagenda for the Board meeting on 05/04/2022.
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 tp be canvassed for a strategic session to be held in August 2022.
ASB164	Board	14	Q3 Corporate performance report	A further discussion on Communications resource, innovation and impact to form part of a future Board strategic discussion.	05/04/2022	Aug-22	Martin Walker	Simon Ebbett	Ongoing		Member availability to be canvassed for a strategic session to be held in August 2022.

Covid-19 update

Acting Director, Corporate Services Group

AUDIT SCOTLAND

Item 10
Meeting date: 17 May 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 5 April 2022. Board members and Accounts Commission members continue to receive the weekly updates from Management Team.

3. Over the course of April and May 2022 the reported infection rates in Scotland have fallen (although this may in part be due to the reduction in testing). As at 5 May 2022, no local authority areas in Scotland had an infection rate of above 800 per 100,000 of the population (compared to all 32 at the time of the last report). Two areas have infection rates of 400-799/100K, 29 areas are in the range 200-399/100K and one is in the range 100-199/100K.

4. The health impacts have lessened compared to the earlier stages of the pandemic and there have been reductions in the rates of hospitalisations, ICU admissions and Covid related deaths.

5. On 21 April 2022 the Scottish Government removed the last of the legal restrictions while still strongly recommending that face coverings are still worn in indoor public settings and on public transport.

6. On 28 April 2022 the Scottish Government published 'stay at home' guidance. This announcement advised:

   'From Sunday 1 May public health advice will change to a 'stay at home' message replacing self-isolation for people who have symptoms or have tested positive for Covid-19'.

   People who have symptoms of Covid-19 and who have a fever or are too unwell to carry out normal activities will be asked to 'stay at home' while they are unwell or have a fever. They will no longer be advised to take a PCR test'.

   The changes, part of the Test and Protect Transition Plan which was published last month, will also see all contact tracing ending.

   As previously announced, testing for the general population will end on 30 April with test sites closing at that point too. However, testing will remain available to certain groups in order to protect high risk settings, support clinical care and for surveillance purposes'.

7. The Scottish Government's Strategic Framework sets out the proposed approach to managing Covid-19 and its associated harms in the longer-term. 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
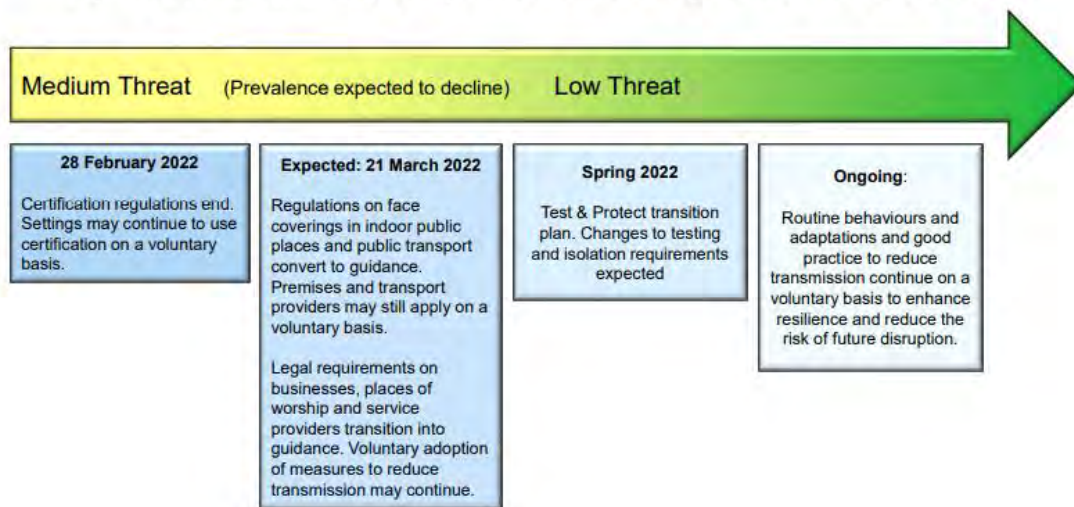
8. Supporting guidance has also been updated in recent weeks including the guidance on staying safe and protecting others and the safer workplaces and public settings guidance.

Organisational implications and responses

9. 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 a two-metre social distancing rule to a 'one metre rule'. This provides for greater capacity in the Audit Scotland offices.

Our people

10. 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.

11. Since the last update:

- From 1 January 2022 to 29 April 2022, 28 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 29 April 2022 we estimate that 88.1% of colleagues may have received their first dose, 84.2% their second and 70.1% 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 April 2022 tells us that 2,988 days have been logged to this code since the start of the pandemic in March 2020. This equates to approximately 13.6 FTE over the 25-month period.

New ways of working

12. We continue to use a principles-based approach to date, focussing on:

- wellbeing and safety

- effectiveness

- equity and inclusion

- sustainability.

13. We have 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.

14. 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.

- Developing hybrid working drop-in/ coaching sessions for managers (four sessions in May).

- Drop-in sessions on hybrid working.

- Communications in relation to the above.

Colleague engagement

15. 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 a weekly update communication from Management Team (MT). This provides a rich source of information to inform the development of our new ways of working.

16. The most recent 'pulse survey' took place in early April 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). The next pulse survey will take place on 17 June 2022.

17. We ran a 'How we work' drop-in session on 4 April 2022, 146 colleagues attended this session to discuss the practical implications of hybrid working and share their experiences to date.

18. We continue to update the information and guidance on our workplaces hub.

19. We have also been re-promoting 'the kitchen' (our virtual meeting space for non-work chat, takes the form of a Teams video chat for all staff to join at any point in the day or week).

20. 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.

21. 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

22. 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.

23. We have also issued 552 items of digital equipment to colleagues. These items have mainly been screens, keyboards and mice. The total cost to date has been £34,391.34, an average of £84.49 per colleague who has needed equipment.

24. We have also issued 398 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 £20,973.80, an average of £67 per person who has needed equipment.

Financial management

25. The financial situation has been monitored very closely with senior leadership being regularly updated during the financial year.

26. The final quarter un-audited outturn is the subject of a separate report on today's Board agenda at item 15.

27. At the end of the financial year Audit Scotland's Net Operating Expenditure of £15,296k was £1,168k (7.1%) better than budget. Excluding the IAS 19 pension surplus the operating result was £719k (6.9%) better than budget. In-house fee income was £319k (4.0%) worse than budget and the net position on audits carried out by external firms was £870k (15.6% on income and 1.6% on expenditure) better than budget. Other income, expenditure on staff and administration costs were £617k (2.5%) better than budget.

28. 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 outstanding balance as at 31 March 2022 is £527k.

Audit implications and responses

29. 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

30. All of the 2020/21 financial audit work has been completed.

31. The submission deadlines and outturn as at 6 April 2022 is summarised below:

Sector	Pre pandemic deadline	Revised 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	100%
Colleges	31/12/21	31/12/21	100%

Covid-19 audit work

32. Since the last update in April, there have not been any publications by the Auditor General for Scotland/Accounts Commission/Audit Scotland which directly consider or make connection to the pandemic.

33. Future publications in the coming months which will include some relevant commentary include:

- Children and young people with additional support needs blog (17 May)

- Social Security performance audit (19 May)

- Local Government Overview (25 May)

- Scotland's financial response to Covid-19 (9 June)

- Financial analysis of Integration Joint Boards (IJBs) (scheduled for 30 June).

Recommendations

34. 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.

Mainstreaming equality and equality outcomes: Interim progress report

Audit Director, Performance Audit and Best Value

AUDIT SCOTLAND

Item 11
Meeting date: 17 May 2022

Purpose

1. This report provides an update on delivery of the equality outcomes that Audit Scotland and the Accounts Commission published in April 2021.

Background

2. Audit Scotland and the Accounts Commission must adhere to the Public Sector Equality Duty, which was introduced by the Equality Act 2010 and came into force in April 2011. This general duty is underpinned by a number of specific duties, including the requirement to publish equality outcomes at least every four years and report progress on equality outcomes and mainstreaming the equality duty every two years.

3. In April 2021 Audit Scotland and the Accounts Commission set out three equality outcomes to support our public sector equality duty:

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

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

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

Mainstreaming equality and equality outcomes: Interim progress report

4. In response to our statutory obligations, we publish an external mainstreaming equality and equality outcomes progress report every two years, and the next report is due in April 2023.

5. We published our Mainstreaming equality and equality outcomes: Interim progress report, which provides an update on progress in the intervening year, on Audit Scotland's SharePoint site on 29 April 2022.

6. The interim report summarises progress against each of the three equality outcomes over the last year. It includes links to a wide variety of reports and resources that provide more detailed information.

7. A new interactive format has been used to enhance the visual appeal and accessibility of the report. Please note some links in the report relate to internal Audit Scotland documents. Copies can be shared with Board members on request.

Oversight and delivery of mainstreaming equality activity

8. Work to progress the audit-focused outcome and develop our mainstreaming equality report is overseen by the Equalities and Human Rights Steering Group (EHRSG). The EHRSG includes members from across Audit Scotland and the Accounts Commission support team.

9. Delivery of the second and third outcomes – which relate to organisational considerations – is led by Audit Scotland's People Focus Group (PFG).

Recommendations

10. The Board is invited to:

   - note the interim report and share views on the interactive format

   - comment on the progress being made against the equality outcomes

   - note that a full progress report will be shared for comment ahead of publication in spring 2023.

2021/22 Annual report on information governance and security

Corporate Governance Manager and
Digital Services Manager

Purpose

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

Background

2. The information governance and security management assurance process was introduced in 2009/10 and is an annual process. The assurance process covers a review of our work on information governance, risk and security management, staff surveys, assurance checklists and horizon scanning for changing legislation.

3. The Knowledge, Information and Technology Governance Group (KITGG) oversee the arrangements for information governance, risk and security management within Audit Scotland.

4. This report has been considered by the KITGG and Management Team and it contributes to the Accountable Officer's governance statement for 2021/22.

5. The KITGG met eight times via Microsoft (MS) Teams in 2021/22 to consider and discuss reports on information, knowledge, risk and technology issues. The information risk register was reviewed, discussed and updated on six occasions over the year. In addition, the Information Security Management System (ISMS) Management Review group meet on a quarterly basis and are responsible for evaluating the effectiveness of information security. The group consider any potential weaknesses in information security and ways of implementing improvements.

6. Audit Scotland maintains its commitment to the Information Security Standard ISO 27001:2013 through six-monthly surveillance audits that are led by accredited body British Assessment Bureau (BAAB). A surveillance audit took place on 28 and 29 April 2022 which concluded with our certification being maintained. One opportunity for improvement was recommended, and this related to tweaking our approach to information security mechanisms given the move to hybrid working. We are approaching the end of our current three-year certification cycle and will be required to recertify in autumn 2022. This will be a four-day audit and final dates are yet to be confirmed. A new version of the Standard ISO 27002:2022 is expected to be released in October 2022. Audit Scotland will have a period of 18-24 months to complete the transition and be audited on an updated set of controls.

7. In November 2021 an Information security survey was made available to Audit Scotland staff. The survey was completed by 61.3 per cent of colleagues, an increase of 10.3 per cent on the previous year's survey. The results provide positive assurance about level of awareness and knowledge regarding information security practice throughout the

organisation. There is evidence of good practice in many areas including knowledge and understanding of policies and procedures. The next Information Security Survey will be held again in spring 2023 in line with reverting to the pre-pandemic cycle of 18 monthly surveys.

8. This year, the Information Asset Owners (IAOs) completed the assurance review checklists for Accountable Officers and Boards and Records Management Compliance during March 2022.

9. The findings from the annual assurance review checklists provide positive assurance about our information governance arrangements.

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

- Freedom of Information blog in support of International Right to Know in September 2021.

- Information Management Guidance updated in November 2021.

- Data protection blog in support of Data Protection Day in January 2021.

- Data Protection Policy update in April 2022.

- During 2021-22 the Corporate Governance team posted two blogs on records management and eight Yammer posts on data protection, information security and Freedom of Information (FOI) news.

- During 2021-22 the Digital Services Team posted 39 cyber security Yammer posts and 13 detailed blogs on SharePoint Online including a review of the SEPA ransomware attack, guidance on securing personal devices and improving privacy settings.

Information governance, security and incidents in 2021/22

11. The Information Security Management Policy was reviewed by Management Team review on 3 May 2022 and will be considered by the Audit Scotland Board on 17 May 2022.

12. This year Digital Services have completed on the following actions to improve our information security and governance:

- Replaced all firewalls providing improved Virtual Private Network (VPN) tunnel security and open-source modern robust security features.

- Supplied all colleagues with an Audit Scotland secured laptop and mobile phone and most have requested external displays, keyboards, mice, USB hubs and assorted cabling to make working from home easier. The secured laptops provide secure connections, better vulnerability management and improved cyber defences.

- Maintained an 'air-gapped' backup solution for MKI data to provide an additional level of protection against a successful ransomware attack. Committed financial investment in devices and services to strengthen this process and implement immutable cloud backups.

- Maintained a Cyber Incident Response (CIR) organisation to provide immediate expert advice, malware and phishing analytics, on-site incident response as well as incident response training, exercises, and workshops.

- Deployed Cloud-powered endpoint management and threat protection tools to our mobile devices, and Accounts Commission laptops are in final testing on the Communication team's Macs in terms of security. These allow us to deploy, manage and secure all our devices, as well as remotely monitor for suspicious/malicious behaviour and mitigate in real-time.

- Instigated services to provide greater assurance on the identity of the sender of an email message on both our mail Domains (audit-scotland.gov.uk and accounts-commission.gov.uk). These services check with the sender's domain to verify that the email is real and has been sent from them, if it is not the email is blocked.

- Implemented a series of automated services that look for suspicious activity indicative of an attack, rather than trying to identify specific files or attack vectors. These systems 'learn' what is normal identifying and blocking suspicious/malicious activity.

- Countered the use of sophisticated malware inside office documents and documents in cloud services by introducing a new service that cloud scans a document or link and if it suspects it is malicious it will block access.

- Decommissioned all legacy devices and services including retiring an older Multi Factor Authentication (MFA) service and centralised all our systems to use a single MFA provider for a better user experience and improved maintenance.

- Changed our processes and delivered additional training material to mitigate the risk from incorrect permissions on SharePoint document library exposing sensitive information.

- Successfully performed annual systems recovery testing to test our incident management procedures and ensure we can recover all systems after a simulated incident.

- Completed a remote ISO surveillance audit in October 2021, covering asset management, teleworking, access control, incident management, risk assessment, HR security, physical and environmental security and staff awareness, training and compliance. Across both audits our Information Security Management System (ISMS) was found to meet the requirements of the Standard. There were no Non-Conformances and only two Opportunities for Improvement (OFIs) were identified (OFI-01 Recommendation to include risk references in our Risk Treatment Plan linking back to the Digital Project Risk Register and OFI-02 to consider including a description of how information security objectives are achieved. Both OFI's have been actioned as recommended).

- Completed two independent third party National Cyber Security Centre (NCSC)-certified penetration tests of our network, servers and laptop security. Third-party penetration audits are now scheduled twice a year due to the increasing number, complexity and rapidity of vulnerabilities being used in cyber-attacks.

- Continued with mandatory user training for increased phishing awareness supplemented by regular blogs and short Yammer posts to maintain awareness.

13. Since the last report we have experienced eleven cyber security threats which, while not directly targeting Audit Scotland, proved major risks to Audit Scotland's digital infrastructure and required immediate action/mitigation. There have been no detected successful directed attacks, however, SharePoint Online was subject to an unintended data breach where confidential client and personal information that should only have been available to the audit teams was not adequately secured and potentially exposed to any member of Audit Scotland. Once the breach was identified, we carried out an immediate check of all audit sites with immediate remedial action and additional safeguards are now in place. A data incident report was completed and shared with the client affected.

14. 2021/22 saw a steady increase in phishing attacks with both general emails aimed at all parts of the business and more targeted emails aimed at specific high value roles. We are also experiencing a significant increase in attacks attempting to use system vulnerabilities to gain access to our networks either directly, via client devices or third-party suppliers to deploy malware toolkits.

15. Email continues to be the primary source of both directed and environmental attacks but attacks that attempt to compromise open vulnerabilities are becoming normal. As we have seen from the SEPA attack reports, once 'bad actors' backed by organised crime or state actors have gained access to a secure network they attempt to deliver malware kits designed to silently infiltrate a network. Then, after a period, deploy ransomware and further post-exploitation toolkits.

16. A successful ransomware attack, similar to the SEPA attack, still constitutes the most significant threat to Audit Scotland's digital infrastructure. MKI, our electronic working papers system, is at the greatest risk of being disabled or damaged and this could result in weeks to months of severe disruption to our business processes. Despite mitigations, until we can move critical systems such as MKI to a cloud-based service they are still at significant risk.

17. As existing platforms and devices become better protected, we are seeing 'bad actors' move to attack other platforms which present an easier target. These new platforms require addition expertise and management to maintain and protect.

18. There have been attempts to capture Office 365 login credentials by posing as a known contact and as a 'man in the middle attack' to capture login details even tricking a user into approving access via Multi Factor Authentication.

19. With the advent of Russian invasion of Ukraine and increased hostilities between Russia and NATO countries, the UK and Scottish Government, through the National Cyber Security Centre (NCSC), have called all UK organisations to immediately bolster their online defences.

Key information legislative and governance developments

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

- Maintain ISO 27001:2013 certification.

- Participate in Scottish Government's Public Sector Action Plan (PSAP) achieving the advanced tier of preparedness.

- Participate in the National Cyber Security Centre (NCSC) Cyber Security Information Sharing Partnership (CiSP).

Information governance, risk and security mitigation actions

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

- An established information risk hierarchy, from the Accountable Officer to the Senior Information Risk Officers and through to Information Asset Owners in business groups.

- A KITGG, chaired by the Corporate Governance Manager, overseeing our information management and risk arrangements. The work of the KITGG is raised by IAOs at the leadership teams of all business groups where appropriate.

- Frequent updates occurring at least every month on cyber security between the Digital Services Manager and the Acting Director of Corporate Services.

- The undertaking of data protection impact assessments in the event of policy/procedural changes.

- An information risk register, which is reviewed and updated every two months at KITGG.

- An annual evaluation of our information risk and security, through the completion of assurance checklists.

- Mandatory staff training on information security and data protection.

- Six-monthly reporting on information risk and security to Management Team and the Audit Committee.

Risk management

22. The KITGG maintains an information risk register which is reviewed at each of the meetings taking place over the year. The register shows there are currently twenty-five main information and security risks for Audit Scotland. Fourteen of these are active risks and eleven are for monitoring due to the low net risk scores.

23. The information risk register has fourteen active risks which have a high gross score (red). Of these risks one has a red net risk score and 13 have amber net risk scores defined as 'acceptable level of risk that requires constant active monitoring'.

24. The risk which has a red net risk score relates to Digital Security. It is also captured in the Corporate Risk Register, where it is also rated red. Multiple mitigations (current and future planned enhancements) are in place to prevent a breach of our digital security and these are tracked and monitored via both risk registers.

Conclusion

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

Recommendations

26. The Board is invited to note the contents of this report.

Annual report on complaints 2021/22

AUDIT SCOTLAND

Corporate Governance Manager

Purpose

1. This is the 2021/22 annual report on complaints received by Audit Scotland about its work. This report forms part of a suite of assurance reports in support of the Accountable Officer's governance statement in the annual report and accounts.

Background

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

3. The complaints procedure is a two-stage process, stage one is front line resolution within five working days or if more complex, or are not resolved at stage one, stage two is resolved within 20 working days.

4. Audit Scotland, the Auditor General for Scotland and the Accounts Commission introduced a joint complaint handling process in December 2012. The joint complaints handling process was reviewed and updated in 2014 and again in December 2018.

5. In January 2020 the Scottish Public Services Ombudsman published a revised Model Complaints Handling Procedure (MCHP). The Ombudsman expected the revised MCHP to be fully implemented by 1 April 2021. The updated MCHP was approved by the Board, six months ahead of schedule, in September 2020.

6. The new MCHP requires us to report on four key performance indicators (KPIs):

   - total number of complaints

   - for each complaint stage the number and percentage closed within timescales

   - average working days to respond per stage

   - the outcome of each complaint at each stage.

7. All KPIs are included in this report.

Complaints received

8. The Corporate Governance team maintains the register of complaints received. The register shows there were three complaints received in 2021/22 (compared to one in 2020/21).

   - Complaint one concerned not providing the complainant with support or assistance in relation to whistleblowing, this was not upheld and the complainant appealed to the Scottish Public Services Ombudsman (SPSO). The SPSO declined to investigate the matter further.

- Complaint two concerned the audit of a public body, claiming that we should have picked up on issues found, earlier than we did. This complaint was not upheld.

- Complaint three concerned dissatisfaction with the outcome of correspondence with Audit Scotland. This complaint was not upheld.

SPSO Complaint KPIs

Stage 1 closed with 5 days	Stage 1 closed with 5 days %	Stage 2 closed with 20 days	Stage 2 closed with 20 days %	Average working days to respond stage 1	Average working days to respond stage 2	Upheld	Partial	Not upheld
2	67%	3	100%	4	13	0	0	3

Appeals to the Scottish Public Services Ombudsman (SPSO)

9. The Scottish Public Services Ombudsman Act 2002 (the Act) provides a framework for matters that can be considered by the SPSO for investigation. During 2021/22 one complainant asked the Scottish Public Services Ombudsman (SPSO) to review their complaint. On investigation, the SPSO concluded the complaint was not one that could be taken further.

Conclusion

10. This report on complaints handling 2021/22 concludes that there are no significant issues that should be brought to the attention of the Board.

Recommendations

11. The Board is invited to note the report.

Annual report on Freedom of Information and Environmental Information 2021/22

Corporate Governance Manager

Item 14
Meeting date: 17 May 2022

Purpose

1. This is the 2021/22 annual report to Board on our Freedom of Information (FOI) and Environmental Information Regulations (EIRs) arrangements, requests and performance. This report forms part of the suite of assurance reports in support of the Accountable Officer's governance statement in the annual report and accounts.

Background

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

3. Audit Scotland developed and implemented suitable joint arrangements for the discharge of FOISA/EIRs in 2005 for all three bodies. These arrangements are reviewed annually.

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

5. Since 1 April 2013 public bodies are required to submit their FOI and EIR handling statistics to the Scottish Information Commissioner (SIC) on a quarterly basis. Audit Scotland has complied timeously with this requirement.

FOI/EIR overview for 2021/22

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

Governance

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

8. The FOI/EIR policy was reviewed by the KITGG and Management Team and re-approved by the Board on 5 April 2022. Staff acknowledged compliance with the policy via the Fit and Proper form in February 2022.

9. We reviewed our FOI publication scheme in August 2021 to ensure it remains up to date.

10. An internal audit review was undertaken by BDO LLP on FOI governance in October 2021. This provided reasonable assurances over the design and operational processes in place. The Corporate Governance team have since undertaken work to implement all six recommendations.

Approach to requests

11. It is our policy to be as open and transparent as possible and our approach to FOI/EIR requests is to treat them as a 'business as usual' activity. This means that we normally supply information to those requesting it in the normal course of business and do so without treating them as FOI/EIR requests.

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

13. Where it is appropriate, we can apply exemptions and exceptions to the information being requested. Audit Scotland has established a group of senior managers (an FOI panel) trained in considering FOI/EIR exemptions and exceptions to complex requests.

14. The following statistics and analysis are based on our recorded FOI/EIR requests for 2021/22.

Statistics and analysis

Number of requests received

15. Audit Scotland recorded 37 FOI and no EIR requests this year (35 requests in 2020/21). These were received in:

Requests received	2021/22		2020/21	
	FOI	EIR	FOI	EIR
Q1 (April – June)	3	0	5	0
Q2 (July – September)	10	0	8	0
Q3 (October – December)	10	0	3	0
Q4 (January – March)	14	0	19	0
Total	37	0	35	0

Type of requestor

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

Requester type	2021/22		2020/21	
	FOI	EIR	FOI	EIR
Media	2	0	5	0

MSP/MP	1	0	0	0
Organisation	22	0	12	0
Members of the public	12	0	18	0
Other	0	0	0	0
Total	37	0	35	0

17. Themes emerging from the information being requested are:

- 16% - Reports, draft reports and correspondence relating to those reports

- 11% - Data held on other organisations

- 41% - Audit Scotland's governance, policies, procedures or expenditure

- 32% - Contract information: Information technology, equipment, other contracts.

Responding to requests

18. Information requested was released in full on 26 (70%) occasions, partially released on four (11%) occasions and the information requested was not held by us on four (11%) occasions. In addition, two requests were refused as repeat requests and one was withdrawn as clarification was not provided.

Cost of administrating and responding to requests

19. The time spent on specific requests is generally recorded to the job code for the audit work concerned. In addition, the time spent on FOI/EIR training is coded to the general learning and development job code.

20. Four members of staff recorded 155 hours (compared to 139 in 2020/21) for administering our FOI systems and procedures, replying to some requests and dealing with complex requests at FOI panels. This equates to approximately £7,650 (compared to £6,792 in 2020/21) using the average hourly rate from the Time Recording System. However, the full cost to Audit Scotland of complying with FOI/EIRs will be higher due to the way some FOI/EIR work and training is recorded.

Time taken to respond

21. FOISA and the EIRs require public bodies to reply to requests within 20 working days and within 40 working days for complex EIRs. Audit Scotland met this requirement for 97 per cent of the requests.

Charging for dealing with requests

22. Public bodies can make charges for dealing with FOI and EIR requests. We issued no fee notices in 2021/22.

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

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

FOI/EIR panels, reviews and appeals

25. No FOI panels met this year to consider applying exemptions to some or all the information being requested.

26. In the two requests where we applied an exemption to the information this was due to the redaction of personal information.

27. Where an applicant is not satisfied with our initial response to their request, they can ask Audit Scotland for a review. In 2021/22 there were no requests for a review.

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

FOI/EIR training

29. Audit Scotland staff undertake basic FOI/EIR training when they join Audit Scotland and refresher training is given as necessary. In addition, staff updates are published when changes to legislation occur.

30. Maintaining training records is a dynamic process due to staff joining and leaving the organisation at any point during the year. As at 7 April 2022 two individuals (less than one per cent of staff) had not completed the FOI/EIR training.

Conclusion

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

Recommendations

32. The Board is invited to note the performance in 2021/22.

Q4 Financial performance report

Corporate Finance Manager

AUDIT SCOTLAND

Purpose

1. This report presents the un-audited financial results for the twelve months to 31 March 2022.

Background

2. The detailed un-audited finance performance report for the twelve months to 31 March 2022 is provided in Appendix 1 to this paper.

3. The report was discussed by Management Team on 3 May 2022 and considered by the Audit Committee at its meeting on 11 May 2022.

Discussion

4. At the end of the 2021/22 financial year Audit Scotland's Net Operating Expenditure was £15,296k which was £1,168k (7.1%) better than budget. Excluding the IAS 19 pension surplus, which is funded separately by Annually Managed Expenditure, the operating result is £719k better than budget.

5. In-house income was in total £319k (4.0%) worse than budget. The fee income for 2020/21 audit years was £23k better than budget. Fee income for 2021/22 audits has a negative volume variance of £349k and a positive price variance of £7k.

6. Fee income earned for audits carried out by external firms net of fees and expenses paid to the firms was £870k better than budget. Income recognition was £797k better than budget with fees and expenses payable to the external firms being £73k better than budget. Included in the expenditure savings is a £257k reduction in expenses and the release of the provision balance from 2020/21 financial year.

7. A provision of £1,320k has been raised to meet potential refunds in respect of savings generated by reduced travel and expenses due to audit work being delivered remotely.

8. Staff costs including agency expenditure was £919k (4.5%) better than budget.

9. Initial IAS 19 estimates from the actuary indicate a net surplus of £449k to budget. This could potentially change when the final return on investment figures are provided by the actuary and a final adjustment is made.

10. Other expenditure £541k (12.5%) better than budget. The main positive variances were recorded in travel and subsistence (£401k); legal, professional and consultancy (£138k); other costs (£91k); and property costs (£70k). The main adverse variances appear in information technology (£129k), recruitment (£42k) and depreciation (£41k).

11. 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

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

Recommendation

13. The Board is invited to note the un-audited financial results for the twelve months to 31 March 2022.

Appendix 1

Headline Results

The summary financial position to 31 March 2022:

£000	Annual Budget	Actual	Budget	Var.	% Var.	Prior Year	Note
Fee Income - In House	7,975	7,656	7,975	(319)	-4.0%	7,312	1
Fee Income - Audit Firms	5,118	5,915	5,118	797	15.6%	5,081	2
Central Charges	5,644	5,659	5,644	15	-0.3%	5,438	
Rebate	0	(1,320)	0	(1,320)	-	0	3
Interest	0	1	0	1	-	1	
Other Income	0	11	0	11	-	1	
IAS 19 Income	(938)	(940)	(938)	(2)	-0.2%	(768)	4
TOTAL INCOME	**17,799**	**16,982**	**17,799**	**(817)**	**-4.6%**	**17,065**	
Approved auditors	4,554	4,481	4,554	73	1.6%	4,351	2
Staff salaries and oncosts	19,903	19,039	19,903	864	4.3%	17,867	5
Payroll provisions incl. severance	233	114	233	119	-51.1%	0	5
Agency and secondment costs	75	139	75	(64)	-85.3%	324	5
IAS 19 Pension costs	5,162	4,711	5,162	451	-8.7%	2,271	4
Property costs	984	914	984	70	7.1%	1,107	
Travel and subsistence	719	318	719	401	55.8%	355	6
Legal, professional and consultancy	733	595	733	138	18.8%	768	7
Training	483	447	483	36	7.5%	367	
Recruitment	193	235	193	(42)	-21.8%	164	8
Printing and office costs	236	223	236	13	5.5%	179	
Information technology	522	651	522	(129)	-24.7%	566	9
Audit	60	55	60	5	8.3%	59	
Depreciation	279	320	279	(41)	-14.7%	333	10
Other costs	127	36	127	91	71.7%	27	11
EXPENDITURE	**34,263**	**32,278**	**34,263**	**1,985**	**5.8%**	**28,738**	
NET OPERATING (EXPENDITURE)	**(16,464)**	**(15,296)**	**(16,464)**	**1,168**	**7.1%**	**(11,673)**	

| **Funded by Scottish Consolidated Fund** | **16,464** | **15,296** | **16,464** | **(1,168)** | | **11,673** | |

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 March 2022 for in-house audits:

Sector	2020/21 Audit Year		Price	2021/22 Audit Year		Price	Prior Years	Total
	Volume		Price	Volume		Price		
	WIP %	£	£	WIP %	£	£	£	£
Local Government	-	-	+89	-4.69	-204	+5	-	-110
Health	-	-	+18	-0.69	-11	+3	-	+10
FE	-	-	-	-5.26	-3	-	-	-3
Central Government	-	-	-44	-8.20	-87	-1	-	-132
Non-statutory	-0.93	-10	-30	-9.28	-44	-	-	-84
Total – Mar 22	**-0.09**	**-10**	**+33**	**-4.44**	**-349**	**+7**	**-**	**-319**

Local Government

Local Government audits for 2020/21 are complete. The positive price variance of £89k 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 and additional assurance work required. Audit work for 2021/22 has started and as expected the current position is 4.69% behind plan leading to a negative volume variance of £204k.

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 0.69% behind plan leading to a negative volume variance of £11k.

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. Audit work for 2021/22 has commenced and is currently 5.26% behind plan.

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 behind plan by 8.20% leading to a negative variance of £87k.

Non-statutory

The European Agricultural Fund Account (EAFA) audit is still to complete for 2020/21 and also has a negative price variance due to an adjustment in the agreed fee following discussions with the National Audit Office on the audit work required. The fee level for the new audit cycle has reduced by £160k and we are currently 9.28% behind plan on this audit leading to a volume variance of £44k.

2.   Fee income and expenditure – Audit Firms

The positive income variance of £797k is increased by a positive expenditure variance of £73k for approved auditors. Effectively this highlights a net favourable variance of £870k on chargeable audits. Included in this variance is savings of £257k on expenses due to remote audit and also the credit generated by releasing the £497k provision balance from 2020/21. During 2021/22 we concluded negotiations and agreed a final settlement for the unplanned additional costs incurred by the firms for remote audit delivery.

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 March 2022:

Sector	2020/21 Audit Year			2021/22 Audit Year			Prior Years	Total
	Volume		Price	Volume		Price		
	WIP %	£	£	WIP %	£	£	£	£
Local Government	-	-	+275	+1.70	+50	+18	-	+343
Health	-	-	+50	-2.25	-24	+12	-	+38
Water	-	-	-	+0.32	-	-	-	-
FE	-	-	+80	+1.48	+7	-	+39	+126
Central Government	-	-	+275	+2.41	+14	+1	-	+290
Total – Mar 22	**-**	**-**	**+680**	**+0.93**	**+47**	**+31**	**+39**	**+797**

Local Government

Audits in the local government sector for 2020/21 are complete with audit firms agreeing fees above expected fees leading to a positive price variance of £275k. The most significant increases in the sector were applied to Orkney and Shetland VJB, East Ayrshire Council, Falkirk Council, Midlothian Council and West Lothian Council. In respect of 2021/22 audits there is currently a 1.70% positive volume variance amounting to £50k and a small price variance of £18k.

Health

Health audits for 2020/21 are complete with the £50k price variance arising from agreed fees being higher than expected. The main increases were applied to Public Health Scotland and NHS Lothian. 2021-22 audit work is 2.25% behind plan leading to a volume variance of £24k which is being reduced by a small price variance of £12k.

Water

The 2020/21 audit is complete and the work on the 2021/22 audit is slightly ahead of plan.

Further Education (FE)

2020/21 audits are complete with a positive price variance of £80k. This is mainly due to agreed fee increases being applied to Lews Castle College, North Highland College, Perth College and South Lanarkshire College. 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. There is a small positive volume variance relating to 2021/22 audits.

Central Government

Central government audits for 2020/21 are complete with a final positive price variance of £275k. This is due to two new public sector bodies, Scottish National Investment Bank and Ferguson Marine, requiring audit with the unplanned fees being £84k and £45k. There has also been a number of agreed fee increases for other bodies in the sector. The largest increases relate to Scottish Canals, SEPA, Historic Environment Scotland and Commissioner for Ethical Standards in Public Life in Scotland. Audit work has commenced for 2021/22 and this is slightly ahead of schedule leading to a small volume variance.

3.   Rebate

A provision of £1,320k has been included in the accounts which represents the potential refunds due chargeable and non-chargeable bodies following the significantly reduced travel and subsistence expenditure incurred both in-house and by the firms. During the pandemic there has been huge uncertainty and at the time of setting fees it was difficult to determine when we would start to incur this expenditure again.

Bodies have been invoiced and have paid for this as a pooled cost within the fee invoices. Subsequently there is a refund due as most audit work has been delivered remotely but further work is required to determine the actual amount each body will be refunded.

The provision calculation is based on an estimate of the balance for 2019/20 audit, all of 2020/21 audit and a balance for the start of 2021/22 audit.

4.   IAS 19 Pension Costs

IAS 19 pension costs currently £449k less than budget which is based on forecast projections and is likely to change when the actual return on investment information is available. The main reason for the favourable variance is due to the total paybill figure used to project the additional funding required was higher than the actual figures used by the actuary.

5.   Staff & Agency Costs

Business Group	Annual Budget £000	Actual £000	Budget £000	Variance £000	Note
ASG staff costs	10,565	10,275	10,565	290	a)
ASG agency & secondments	75	75	75	0	
PABV staff costs	5,139	4,628	5,139	511	b)
PABV agency & secondments	0	0	0	0	
CSG staff costs	2,471	2,374	2,471	97	c)
CSG agency & secondments	0	60	0	(60)	
Business Support staff costs	786	782	786	4	d)
Business Support agency & secondments	0	4	0	(4)	
Governance & Other staff costs	1,175	1,094	1,175	81	e)
Governance & Other agency & secondments	0	0	0	0	
Total staff costs	**20,136**	**19,153**	**20,136**	**983**	
Total agency & secondments	**75**	**139**	**75**	**(64)**	

a) There is an underspend (£290k) for the financial year due to the savings generated by the phased recruitment of additional resources. The establishment increase was funded from the new financial powers budget allocation and the contingency increase approved as part of our 2021/22 budget submission.

Agency costs for the year are on budget. This is a significant cost 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 a higher than usual number of 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 planned 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 budget in some departments with 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 have been funded through the contingency allocation.

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

d) Business support on budget following the allocation of additional budget to meet the appointment of the new posts as part of the second phase of the building capacity programme.

e) The expenditure in Governance & Other is less than budget due to a credit being generated in respect of the holiday pay accrual and savings generated by the Chief Operating Officer vacancy from January 2022.

6. Travel and subsistence

We have incurred very little travel and subsistence expenditure as we have followed Scottish Government recommended guidance to work from home and deliver audit remotely.

Savings have also been generated in this expenditure heading 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.

7. Legal, professional and consultancy fees

Consultancy underspend used to fund the seconded post in AQA for the project management of the New Audit Appointments.

8. Recruitment

The recruitment to senior positions, specialist positions under building capacity and also to meet ongoing recruitment demands has meant that the full year outturn is higher than budget. This was projected and savings generated in other budget headings (e.g. salary savings) has enabled us to compensate for this overspend.

9. 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 financial pressure has been funded from savings in other budget headings this financial year but future budgets will need to increase to reflect this increase in demand.

10. 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. Also, the in-year increase in capital budget has had an impact on the amount of depreciation charged. The overspend will be met from savings generated in other budget headings.

11. Other costs

The main reason for the underspend in other costs is reduced expenditure on occupational health requirements and the unallocated balance of the management contingency budget. 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 is scheduled to be re-introduced in 2022/23.

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 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 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 continue to support funding increase
- Impact of firms' procurement exercise
- Review of fees and funding model
- Accounts Commission support
- 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 2021/22 increased from £150k to £250k with our original 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 to support 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 in 2021/22 was £600k with IT hardware purchases totaling £467k (laptops, mobile phones and other IT equipment) and £133k of IT software purchases (business management system).

Stuart Dennis
Corporate Finance Manager

11 May 2022

Information Security Management Policy review

Digital Project Manager

Purpose

1. This report invites the Board to review and, subject to any amendments, approve the updated Information Security Management Policy.

Background

2. The Information Security Management Policy is the overarching policy for the Audit Scotland Information Security Management System (ISMS) and includes a clear set of objectives that we will work to achieve.

3. This policy was reviewed and approved by the Board in September 2021 as part of the annual effectiveness process and is required be approved in parallel with all other ISMS documentation which has recently been refreshed.

4. Management Team approved this version being presented to the Board for final sign off.

5. There is a requirement set out in ISO 27001:2013 to demonstrate compliance, leadership and commitment to the Standard and a review by Management Team and the Board demonstrates that internal process.

6. Audit Scotland ISO certification is set to expire on 13 September 2022 and we are aiming for recertification to be planned for August 2022. This will be an audit of all the controls set out in the Standard and all documentation in the ISM Environment diagram in Appendix 1 of the policy.

Policy updates

7. The following changes have been applied to the policy:

    *   Renaming of the Commitments section to Objectives. This aligns the Information Security Management Policy with all other Information Security Management System (ISMS) documentation.

    *   The inclusion of a new objective specific to the management of information security risks, as per our Risk Management Framework.

    *   Emphasising the importance of raising awareness of information security to our colleagues on a regular basis.

    *   Appendix 1 - ISMS Environment diagram updated to reflect changes to ISMS documentation since the last review.

Recommendations

8. The Board is invited to consider the policy updates and approve the new version of the policy.

Information Security Management Policy

Version:	1.8~~7~~	Status:	~~Approved~~For review
Author/Owner:	Digital Services Manager	Approval/Review:	Audit Scotland Board
Approval Date:		Next review by:	MT 03/05/22 & Board 17/03/22

Introduction

1. This policy sets out that in respect of the information Audit Scotland holds and processes it will have arrangements in place to~~will~~:

    1.1. protect and maintain~~ensure~~ the confidentiality, integrity, quality and availability of all the information it holds and processes

    1.2. manage~~ensure~~ all the information it holds and processes to meet its contractual, legal and regulatory obligations.

2. This policy is supported by policies, standards, procedures and guidance and these are shown in the diagram at Appendix 1.

Scope

3. This policy is mandatory for all employees, contractors and consultants employed by Audit Scotland. Failure to comply with this policy and supporting information security policies may result in disciplinary action.

~~Commitments~~ Information Security Objectives

4. Audit Scotland will:

    4.1. treat information security as business critical, whether that be for Audit Scotland information or client data managed by Audit Scotland

    4.2. seek to ensure the confidentiality, integrity and availability of Audit Scotland's and client owned information, held by and managed by Audit Scotland

    ~~4.2.~~4.3. produce, maintain and test business continuity plans to ensure the availability of its information and information systems

    ~~4.3.~~4.4. ensure that wherever possible its information is open, ~~and wherever possible~~ not restricted by financial or legal agreements

    ~~4.4.~~4.5. meet~~ensure~~ legislative and regulatory requirements ~~are met~~ (including intellectual property rights)

4.5.4.6. comply ~~ensure compliance~~ with all relevant data protection regulations and implement privacy by design in all information systems

4.7. identify and implement appropriate controls for information assets proportionate to levels of risk

4.6.4.8. manage information security risks to an acceptable level, as defined in the Risk Framework

4.7.4.9. communicate all appropriate information security policies to all employees, contractors, consultants, clients and other stakeholders

4.8.4.10. allocate individual accountability for compliance with all appropriate information security policies, standards, guidance and procedures

4.9.4.11. report and investigate all information security breaches whether actual or suspected~~,~~ and ensure they are~~be~~ reported and investigated in line with approved policies.

4.10.4.12. continue to improve information security management and raise awareness of the importance of information security regularly to our colleagues

4.11.4.13. develop, implement and maintain an Information Security Management System (ISMS) in accordance with guidance contained within ISO/IEC 27001:2013 standard.

Responsibilities

1. Audit Scotland's Board through its Audit Committee has oversight of risks, including information risks.

2. Audit Scotland's Accountable Officer, with support from the Management Team, has overall responsibility for ensuring this policy is effectively implemented and delivered.

3. Audit Scotland's Senior Information Risk Officer (SIRO) is the Chief Operating Officer, who is responsible for the overall management of the organisation's information risks.

4. A monthly or if needed more frequent cyber security update is scheduled with the SIRO and a member of the Digital Services Management Team (DSMT) that ensures the latest updates are provided to Senior Management demonstrating leadership and commitment to ISO 27001:2013.

5. In addition to the regular SIRO ~~monthly~~ update, a 6-monthly update on Digital Security is provided to Management Team and then the Audit Committee.

6. Audit Scotland's Management Team will implement and manage appropriate controls to enable conformance to information security policies within their own areas of responsibility and will ensure individual accountability for control performance.
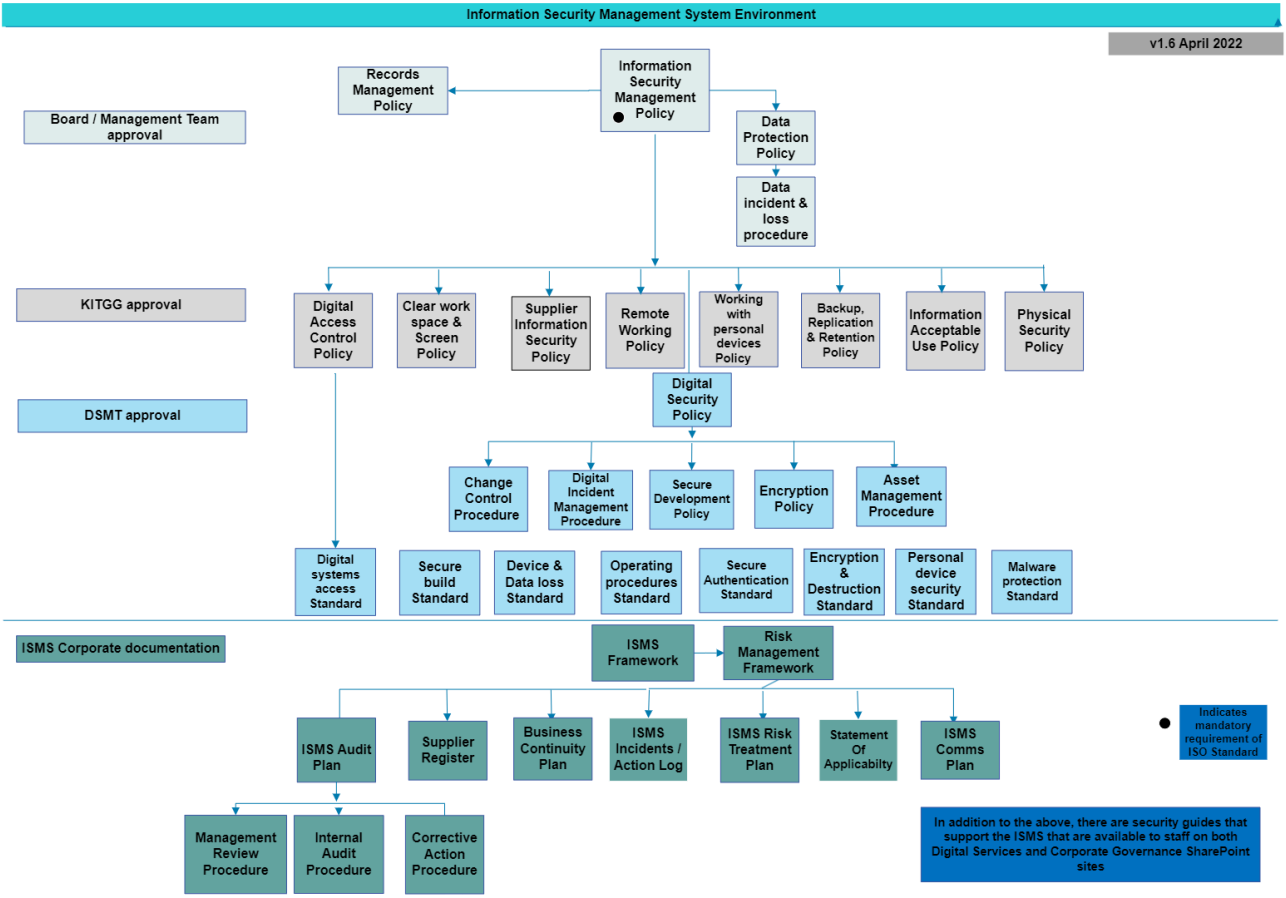
7. The Knowledge, Information and Technology Governance Group (KITGG) will support the Accountable Officer, Senior Information Risk Officer and Management Team by assessing and mitigating information security risks through standing agenda items on Digital Security and Corporate Risk Register review, both providing assurance.

8. The KITGG will maintain this policy and associated information security policies ensuring they are communicated, reviewed and updated in response to changes in risks faced by Audit Scotland, legislation, and internal operational working practices.

9. The KITGG will review and monitor ensure all information security policies and our performance in meeting their requirements is monitored and reviewed on an annual basis.

10. The DSMT will maintain the Digital Services Strategy, information security standards, guidance and procedures ensuring they are communicated, reviewed and updated in response to changes in risks faced by Audit Scotland, legislation, and internal operational working practices.

11. The Digital Services Team will deliver the Digital Services Strategy ensuring that all the Audit Scotland's digital systems and services provide an environment that is independent of location, where colleagues can work safely, securely, and effectively, while supporting high quality audit work.

12. The Corporate Governance Manager (CGM) is the designated Data Protection Officer for Audit Scotland, responsible for updating Audit Scotland's Data Protection Policy. In addition, the CGM is the organisation's Records Manager managing data subject access requests and providing governance and compliance advice to staff.

13. Information Asset Owners must understand what information is held by their business grouparea, and approve the permissions required to access it.

14. All Managers will be responsible for implementing and communicating appropriate information security policies, guidance and procedures.

15. All employees, contractors and consultants employed by Audit Scotland are required to play an active role in the protection of Audit Scotland's assets and treat information security appropriately, in order that this purpose can be achieved.

Change Log

Version	Date	Author	Description
1.0	22/03/16	IT Manager	Information Security Management policy drafted for KITGG approval.
1.1	05/04/16	IT Manager	Some minor changes suggested by the KITGG and policy approved. For submission to the Audit Scotland Management Team for approval.

1.2	15/04/16	IT Manager	Minor changes to reflect Audit Management Team comments. Approved by Management Team and for submission to the Audit Scotland Board.
1.2	05/03/16	IT Manager	Approved by the Audit Scotland Board.
1.3	04/04/17	Digital Services Manager	Minor changes made by KITGG and approved. For submission to Management Team and the Board for final approval.
1.3	05/05/17	Digital Services Manager	Approved by Management Team and Audit Scotland Board.
1.4	12/04/18	Digital Services Manager	Annual effectiveness review and updates made and approved by KITGG. Approved by Management Team on 17/04/18 and Approved by the Board 02/05/18.
1.5	01/05/19	Digital Services Manager	Annual effectiveness review by KITGG, Management Team and the Board. Minor changes made to policy. Appendix 1 diagram updated to reflect current ISMS documentation.
1.6	13/05/20	Digital Services Manager	Annual refresh, additional objective included, CGM role updated and removed reference to Cyber Essentials Plus as superseded by ISO 27001. Board approved.
1.7	22/09/21	Digital Services Manager	Delayed annual refresh, minor change to responsibilities to include the Digital Services Strategy and Digital Services Team. KITGG and Management Team approved, with final sign off by the Audit Scotland Board on 22/09/21.
1.8	26 April 2022	Digital Services Manager	Annual effectiveness review of policy and review timing aligned with all other ISMS documentation. Renamed Commitments section to be aligned with ISMS Framework & Scope. Additional objectives included with an emphasis on risk and raising awareness of information security. ISMS environment diagram updated to reflect document changes.

Appendix 1 - Information Security Management System Environment

Information Security Management System Environment

v1.6 April 2022

Board / Management Team approval

Records Management Policy

Information Security Management ● Policy

Data Protection Policy

Data incident & loss procedure

KITGG approval

Digital Access Control Policy

Clear work space & Screen Policy

Supplier Information Security Policy

Remote Working Policy

Working with personal devices Policy

Backup, Replication & Retention Policy

Information Acceptable Use Policy

Physical Security Policy

DSMT approval

Digital Security Policy

Change Control Procedure

Digital Incident Management Procedure

Secure Development Policy

Encryption Policy

Asset Management Procedure

Digital systems access Standard

Secure build Standard

Device & Data loss Standard

Operating procedures Standard

Secure Authentication Standard

Encryption & Destruction Standard

Personal device security Standard

Malware protection Standard

ISMS Corporate documentation

ISMS Framework

Risk Management Framework

ISMS Audit Plan

Supplier Register

Business Continuity Plan

ISMS Incidents / Action Log

ISMS Risk Treatment Plan

Statement Of Applicabilty

ISMS Comms Plan

● Indicates mandatory requirement of ISO Standard

Management Review Procedure

Internal Audit Procedure

Corrective Action Procedure

In addition to the above, there are security guides that support the ISMS that are available to staff on both Digital Services and Corporate Governance SharePoint sites

Commented [NP1]: ●**KITGG approval section** - Renamed Clear desk & screen Policy to Clear workspace screen Policy

● **DSMT approval section** - Renamed IT systems access Standard to Digital systems access Standard

● **DSMT approval section** - Core systems Standard no longer applicable, content duplicated and reported through recovery times

● **DSMT approval section** - Included Personal device security Standard, Device & Data loss Standard and Operating Procedures Standard.

●**ISMS Corporate documentation section** - Included Risk Management Framework link to ISMS Framework and ISMS Risk Treatment Plan

Review of staff handbook policies

Assistant Human Resources Manager

AUDIT SCOTLAND

Purpose

1. This report is to allow the Board to review the Diversity and Equality and Counter Fraud policies. These are both policies which the Board is required to approve.

2. Management Team approved the tracked suggested changes on 3 May 2022.

Background

3. The Diversity and Equality policy was one of the 41 staff handbook policies due for review in June 2021. This policy was originally shared with Management Team on 12 October 2021 however it was proposed that it was reviewed again following the final version of the Business in the Community (BITC) report which we received on 1 November 2021. This report followed a review of our policies and practices through a Diversity, Equality and Inclusion lens.

4. The Counter Fraud policy was previously considered by the Board at its meeting on 2 June 2021 and further changes were requested.

Considerations

5. The term gender was used throughout the Diversity and Equality policy however as per the protected characteristics detailed within the Equality Act 2010, the term sex should be used. This has now been amended throughout the policy.

6. The BITC report did not include any specific changes to be made to this policy however it was recommended that we review our Bullying and Harassment policy to include microaggressions alongside more explicit behaviour. We have made these amendments to this policy which Management Team approved.

7. The BITC report also covers the recommendation for a Diversity and Equality strategy which is yet to be developed. This policy, therefore, may need to be reviewed again alongside this in due course.

8. The Counter Fraud policy was updated to include reference to the Criminal Finance Act.

Recommendations

9. The Board is invited to:

    *   approve the suggested changes to the policies

    *   note that, subject to Board approval these policies will be uploaded to our staff handbook.

Counter Fraud Policy

Owned and maintained by:	Human Resources & Organisational Development
Date checked/created:	~~June 2021~~April 2022
Next review date:	June 202~~4~~3

1. This policy sets out our approach to preventing, investigating and reporting fraud. All ~~staff~~employees must ensure they are familiar with this policy. Audit Scotland takes a ~~zero tolerance~~zero-tolerance approach to fraud including bribery and corruption.

2. Fraud is a common law offence in Scotland and therefore does not have a legal definition. However, the Fraud Act 2006 provides a useful definition which should be referred to. A person commits a fraud if they intend to make a gain for themselves or another, cause loss to another or to expose another to a risk of loss by:

   - dishonestly making a false representation;

   - dishonestly failing to disclose to another person information which they are under a legal duty to disclose; or

   - dishonestly abusing a position that they occupy in which they are expected to safeguard, or not to act against, the financial interests of another person.

3. Audit Scotland requires a standard of absolute honesty and integrity from its ~~staff~~employees. Trust is an essential part of this process and there is no room for dishonesty, either within Audit Scotland or with its clients or stakeholders. This approach has been endorsed strongly by Audit Scotland's Board, which requires that all fraud investigations be reported to it via the Audit Committee.

4. Audit Scotland subscribes to the principles outlined in the Scottish National Fraud Initiative (NFI) instructions and the associated privacy notices. We will include data on our ~~staff~~employees as part of the NFI exercise. Further information on the National Fraud Initiative is available from the Counter fraud hub on our intranet and external website. This policy should be read in conjunction with:

   - Audit Scotland's Code of Conduct

   - Scheme of Delegation and Financial regulations

   - Information security management policy and Information Acceptable Use policy

   - Whistleblowing Policy

   - Disciplinary Policy

   - Grievance Policy

   - Ethical Standards Policy.

5. Copies of these documents are located in Audit Scotland's Staff Handbook within ~~ishare~~SharePoint and are also available from the Human Resources & Organisational Development team.

5.6. Audit Scotland employees should be aware of the Criminal Finances Act 2017 and are expected to comply with the law as set out in legislation. This Act targets corruption, money laundering and tax evasion and affects all UK organisations. The Act builds on existing legislation to offer greater enforcement powers and additional measures to protect the public purse. Under section 52(1) tax is stated to include "duty and any other form of taxation (however described)". All government levies, excises, tariffs, as well as VAT, national insurance contributions, capital gains tax, income tax, corporation tax, inheritance tax and all other taxes are covered.

6.7. This policy requires Audit Scotland employees to report any instance of suspected fraud to their Director or Audit Director. Where ~~staff~~employees do not understand any aspect of the policy, they should seek clarification from their Director or Audit Director.

7.8. All ~~staff~~employees are required to read and agree to Audit Scotland's Code of Conduct annually. This includes disclosing any potential conflicts of interest. The Compliance Partner/Compliance Manager is responsible for reviewing all disclosures and addressing any conflicts that arise.

8.9. Educational information may be issued to ~~staff~~employees from time to time by Audit Scotland concerning fraud prevention by way of briefing notes, training programmes or ad-hoc advice. The Board and Management Team strongly support the counter fraud efforts of Audit Scotland. Please ensure you take note of any guidance issued and raise any queries or concerns with your line manager.

9.10. It is important to be clear that, as an employee of Audit Scotland, you have stewardship responsibilities for any property and information of Audit Scotland and/or the bodies we audit entrusted to you and under your control. This property and information must be safeguarded from inappropriate access, loss or theft.

10.11. It must also be recognised and accepted that fraud is possible in our organisation. If this is not recognised or accepted, then it is unlikely that fraud will be identified even if it is evident. Symptoms of fraud are frequently viewed as administrative errors because ~~staff~~employees cannot believe that a colleague could possibly have committed such an act, particularly where affiliation has developed over a long period of time. Therefore, you should consider the following to help reduce the risk of any impropriety:

- Identify property for which you have responsibility e.g. computers, flashdrives, audit files (including those in archive), departmental expenditure, credit cards, Audit Scotland mobile phones, supplies and leased company cars.
- Identify risks associated with safeguarding this property and information. Ask yourself:
  - How could this property or information be misused or improperly used?
  - If this property or information were misused or misappropriated, how would I know?

- What controls exist to prevent or detect inappropriate use or loss of property or information?
- What additional controls are necessary to ensure the property or information is adequately protected from loss?
- Is the cost of these additional controls reasonable in relation to the risk involved?

- Establish a positive control environment in your department. It is important to demonstrate control consciousness – interest and concern for internal control should be communicated to all ~~staff~~employees ~~members~~. ~~~~Ensure that an adequate system of internal control exists within your department. The key points to consider are:
  - separation of duties
  - physical safeguards over property, ~~both~~ in the office, on Audited body sites, at home or whilst travelling on business
  - proper documentation and authorisations, with consideration of any remote or virtual processes and procedures
  - adequate supervision e.g. independent checking of key transactions.

~~11.~~12.   Audit Scotland aims to recruit honest employees. The degree of background checking is depend~~ea~~nt on the level of accessibility to significant Audit Scotland assets. Certain information available from background and security checks is classified as personal, sensitive and / or confidential. This means that access to this information is restricted and it must be held in a secure manner. Human Resources lead on security and background checks[1] which is why you should speak with them prior to any formal checks being undertaken.

What should you do if you suspect fraud or corruption, or that 'something is wrong'?

~~12.~~13.   ~~Staff~~Employees are often the first to realise there may be something seriously wrong. However, they may not express their concerns because they feel to speak up would be disloyal to colleagues or to Audit Scotland. ~~Staff~~Employees may also fear harassment or victimisation so feel it is easier to ignore the concern rather than report what may just be a suspicion of malpractice. See Audit Scotland's Red Flags (Procurement) document for examples of situations where flags may be identified.

~~13.~~14.   Audit Scotland's Whistleblowing Policy is intended to encourage ~~staff~~employees to report concerns via Audit Scotland's procedures rather than overlooking a problem. The Board is committed to acting on all reports of suspected fraud and corruption both from within Audit Scotland and across the public sector.

~~14.~~15.   Be assured that there will be no recriminations against ~~staff~~employees who report reasonably held suspicions. Victimising or deterring ~~staff~~employees from reporting any

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[1] All Audit Scotland employees are subject to a Basic Disclosure Scotland check. Those who are accountants or training to become accountants are subject to a Standard Disclosure Scotland check. Further enhanced~~Some~~ security vetting and background checks for employees involved with certain clients or work are undertaken by external bodies instead of our HR team. ~~~~Senior management in each business group should liaise with the ~~HR & OD Manager~~Head of HR prior to any such checks being commissioned.

concerns is a serious disciplinary matter. Any contravention of this policy should be reported in accordance with Audit Scotland's Disciplinary and Grievance Policies.

15.16.   Abuse of this policy by raising malicious allegations could be regarded as a disciplinary matter.

16.17.   If you have good reason to suspect a colleague, contractor or other person of fraud or an offence involving Audit Scotland or an audited body you should discuss it first with your manager. If you suspect your manager, you should go to the next most senior person above them in accordance with Audit Scotland's approach in the Disciplinary and Grievance Policies. AlternativelyAlternatively, you have the option to:

- Discuss the matter confidentially with the Chief Operating Officer; or
- Advise the Chief Operating Officer anonymously of your concerns.

17.18.   You may find it helpful to read Audit Scotland's Whistleblowing Policy which provides further information.

18.19.   If you and your manager decide between you that your suspicion may be justified, the matter must be reported to the Chief Operating Officer. Audit Scotland will then take the appropriate action, as follows:

- Implement its Fraud Response Plan.
- Refer the matter to the Audit Committee.
- Refer the matter to the Police, if appropriate.
- Report back to the Audit Committee in all cases.

19.20.   Do not approach the individual(s) about whom you have concerns and do not discuss the matter with anyone else.

AUDIT SCOTLAND

Diversity and Equality policy

Owned and maintained by:	Human Resources
Date checked/created:	~~June 2021~~June 2021~~19~~
Next review date:	June 202~~33~~~~1~~

Introduction

Audit Scotland is committed to eliminating discrimination, valuing and promoting equality and diversity amongst our workforce and will work towards increasing the diversity of our employees~~staff~~. It is our policy to treat all job applicants and employees fairly and equitably regardless of age, disability, sex~~gender~~, gender reassignment status, marriage or civil partnership status, maternity or pregnancy, race, religion or belief or sexual orientation[1].

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

This policy applies to all to job applicants (internal and external), employees, secondees, agency staff, clients, suppliers and contractors, whether permanent or temporary. ~~The policy applies to all processes relating to employment and training and to any dealings with customers and clients~~ .

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

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

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

- Actively promoting equality of opportunity through circulating recruitment vacancy details as widely as possible and monitoring our recruitment practices.

- Treating all our employees ~~staff~~ with respect and equality of opportunity in order that their selection and subsequent development is based entirely on merit.

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

- Creating a working environment that promotes dignity and respect for all. No form of discrimination[2], bullying, harassment or victimisation will be tolerated against any current or prospective ~~member of staff~~employee on the grounds of their age, disability, ~~sex~~gender, gender reassignment, marriage or civil partnership, maternity or pregnancy, race, religion or belief or sexual orientation.

- Raising employee ~~staff~~ awareness about equality and valuing diversity and enabling managers to promote and be accountable for equality of opportunity through 3D developmental discussion and training for all ~~staff.~~employees.

- Positively valuing the different attributes, perspectives and skills of ~~staff~~ employees and making full use of these.

Recruitment and selection

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

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

All job applicants will be asked to complete an online diversity monitoring section including details of their age, disability, ethnic origin, ~~sex~~gender and race, religion or belief, and sexual orientation[3]. Audit Scotland guarantees the information provided will be used solely for the purposes of monitoring the effectiveness of our diversity and equality policy and will be kept confidential by the Human Resources team.

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

Monitoring

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

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

[3] This is voluntary and includes a "prefer not to say" option.

To ensure accuracy in our reporting, employees are asked to update their diversity information annually. This includes details of their protected characteristics including ~~gender~~ disability~~reassignment status~~, religion or belief and sexual orientation. We guarantee that the information provided will be used solely for the purpose of monitoring the effectiveness of our diversity and equality policy and will be held securely.

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

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

Further information on what information we ask employees to provide and how we use it can be found in Appendix 1.

Our diversity policies

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

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

Disability Confident employer

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

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

Employees who have a disability or health condition or who become disabled in the course of their employment are encouraged to inform HR. This can be done in person or by email. This is voluntary but participation will help Audit Scotland monitor and improve our policies and working practices. Any information provided is held in confidence and cannot be seen by line managers.

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

- adjustments to the workplace to improve access or layout; moving tasks to more accessible areas;

- giving some of the disabled person's duties to another person;

- getting new or adapting existing equipment, eg chairs, desks, computers;

- modifying instructions or procedures, eg by providing in bigger text or Braille;

- improving communication, eg providing a reader or interpreter, having visual as well as audible alarms; and

- changes to working hours or working patterns.

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

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

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

Staff Employee Training

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

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

Retirement

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

Appendix 1

Why do you want my diversity information and what information do Audit Scotland ask for?
We currently ask you to provide information on your:

- Age

- Disability

- Ethnicity

- ~~Gender~~Sex

- ~~Gender re assignment status~~

- Marital or civil partnership status

- Nationality

- Race

- Religion or belief

- Sexual orientation.

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

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

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

We must use the information to better perform the equality duty[4] and publish a report to show a breakdown of information and details of the progress we have made in gathering and using this information.

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

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

Why should I tell you about my religion or sexual orientation? It has nothing to do with my job.
We understand that this information is particularly personal and sensitive and you may not want to share it with us. However, we want to ensure our practices, systems and policies are fair are non-

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

discriminatory. If we want to be able to do this, we need your information. Therefore, we encourage you to share your details.

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

Who will see the information you hold about me?
Only you and the Human Resources team will be able to access your diversity information. Line managers will not have access. You complete and update the information confidentially on Cascade and it is protected by the General Data Protection Act 2018 Data Protection Act 1998. We actively encourage you to review and update this information at least annually to ensure any changes are made.

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

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

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

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

Who can I go to if I have a question?
You can discuss with your line manager in the first instance or contact a member of the HR team. Alternatively, the Equality and Human Rights Steering Group (EHRSG), will be happy to answer any questions. A list of current members is on SharePoint (Working Groups - Equality and Human Rights - Steering Group). All discussions will be treated confidentially.