

# Agenda

10.15 Wednesday 23 November 2022  
Audit Scotland, 102 West Port and  
Microsoft TEAMS



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 draft minutes:                                    |                 |
| • Remuneration and Human Resources Committee 11 May 2022       | For information |
| • Audit Committee 7 September 2022                             | For information |
| • Board meeting: 28 September 2022                             | For approval    |
| • Remuneration and Human Resources Committee 28 September 2022 | For information |
| 9. Review of action tracker                                    | For information |
| 10. Covid-19 – verbal update                                   | For information |

---

## Business planning, performance and governance

- |                                     |                 |
|-------------------------------------|-----------------|
| 11. Q2 Corporate performance report | For information |
| 12. Q2 Financial performance report | For information |
| 13. Corporate Governance Documents  | For approval    |
| • Standing Orders                   |                 |
| • Financial Regulations             |                 |
| 14. Bullying and harassment policy  | For approval    |

---

## Conclusion

- |  |                 |
|--|-----------------|
| <b>15. Any other business</b>                    | For discussion  |
| <b>16. Review of meeting</b>                     | For discussion  |
| <b>17. Date of next meeting: 24 January 2023</b> | For information |
- 

## Items to be taken in private

- |  |                |
|--|----------------|
| <b>18. Our purpose workstream: Update on Public Audit in Scotland and the new Audit Scotland corporate plan</b><br>[Item to be taken in private to support the effective conduct of business, intended for future publication] | For discussion |
| <b>19. SCPA budget proposal 2023/24</b><br>[Item to be taken in private to support the effective conduct of business, intended for future publication]   | For approval   |
| <b>20. Spring Budget Revision 2022/23</b><br>[Item to be taken in private to support the effective conduct of business, intended for future publication]   | For approval   |
| <b>21. Environment, Sustainability and Biodiversity Annual Report 2021/22</b><br>[Item to be taken in private to support the effective conduct of business, intended for future publication]                                   | For approval   |
| <b>22. Procuring External Quality Assurance 2022-28</b><br>[Item to be taken in private to support the effective conduct of business, commercial sensitivity]  | For approval   |

# Minutes

## Audit Committee



Wednesday 7 September 2022, 10.00am  
Microsoft Teams

---

### Present:

C Crosby (Chair)  
J Mann

### Apologies:

W Moyes, Chair of the Accounts Commission

### In attendance:

A Alexander, Chair, Audit Scotland Board  
S Boyle, Accountable Officer and Auditor General for Scotland  
V Bibby, Chief Operating Officer  
M Walker, Director of Corporate Support  
D Jeffcoat, Alexander Sloan  
G Gillespie, Wylie & Bisset LLP  
S Pringle, Wylie & Bisset LLP  
G Fitzpatrick, Corporate Governance Manager  
S Dennis, Corporate Finance Manager  
D Robertson, Digital Services Manager

### 1. Private meeting with Wylie & Bisset LLP

A private meeting was held with Audit Committee members, internal auditors, Wylie & Bisset LLP and external auditors, Alexander Sloan.

### 2. Welcome and apologies

The Chair opened the meeting, welcomed everyone, and noted no issues arising from the private meeting. The chair welcomed Vicki Bibby, Chief Operating Officer to her first Audit Committee meeting.

### 3. Declarations of interests

There were no declarations of interest.

### 4. Minutes of the last meeting: 1 June 2022

The Audit Committee members reviewed the minutes of the meeting of 1 June 2022, copies of which had previously been circulated. David Jeffcoat, External Auditor at Alexander Sloan advised he attended the meeting and requested an amendment to reflect this.

No other amendments were requested.

***The Audit Committee approved the minutes of the previous meeting.***

**ACTION AC147: Add D Jeffcoat into the attendees for 1 June 2022 meeting minute.**

## 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 that the tracker had been updated and was for noting.

The members noted risk 133AC on having a Board session on lessons learned from the pandemic has still not been closed off. While interim reviews have taken place members agreed that a separate session be held in the autumn. Pathways to future emergencies should also be considered at this session.

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

**ACTION AC148: Martin Walker/Gayle Fitzpatrick to schedule a session to consider the lessons learned from the organisational response to Covid-19. (Autumn 2022)**

## 6. Q1 Financial report

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

Stuart provided details of variances to budget and highlighted the risks. Future financial planning will be impacted by the outcome of the pay award, the cost-of-living challenges and the impact of the new audit appointment fees. The members reflected on the outcome of the pay award negotiations having significant implications for the budget and consideration was given to reflecting this within the risk register.

The members noted the variance in staffing costs. Stuart advised this was a phasing issue given vacancies in the digital team and senior positions not yet filled in quarter one.

*The Audit Committee noted the Q1 Financial report.*

## 7. Review of risk register

Gayle Fitzpatrick, Corporate Governance Manager introduced the Review of Risk Register report, copies of which had been previously circulated.

Gayle advised that the risk profile has been modified since the register was last considered by the Committee on 1 June 2022 and following the risk session with Board and internal auditors, Wylie & Bisset in August.

Gayle advised that two new risks had been added to the register, Successful Cyber Attack (A2) and Climate Change (M9). Risks A10 (failure of capacity – skills) and M2 (Audit Scotland infrastructure) have been reframed to reflect the emphasis on Covid-19 to hybrid working.

The members reflected on the risk session and discussed the definition of a red risk, organisational risk appetite and tolerance. They noted that some red risks cannot be

reduced but that the impact could be mitigated to some degree. The members agreed that risk A10 be rearticulated to reference IT systems, hardware and development.

***The Audit Committee noted the review of the risk register.***

**ACTION AC149:**        **Gayle Fitzpatrick to amend the risk register to explicitly refer to ‘IT systems, hardware and development’. (30 September 2022)**

## **8. Internal audit plan 2022/23 verbal update**

Graham Gillespie, Wylie & Bissett LLP provided an update on the Internal Audit Plan 2022/23.

Graham advised that following Audit Committee on 1 June 2022 where the draft plan had been considered, a resequencing of reviews had been agreed. The first internal audit review will focus on Risk Management and commence week beginning 26 September. An update will be provided at the Audit Committee meeting on 9 November 2022.

Graham advised that the internal audit plan will be completed within the current year.

***The Audit Committee welcomed the re-sequencing and noted the update.***

## **9. Annual review of Corporate Governance policies**

Gayle Fitzpatrick, Corporate Governance Manager, introduced the annual review of corporate governance policies, copies of which had been previously circulated.

Gayle advised minor amendments relating to recent structural changes had been applied to all policies with the exception of the Code of Conduct for Members. The latter had received more significant augmentation due to the Scottish Government updating guidance in this area during December 2021.

The Chair invited comments from members on the substantial changes to the following policies:

- Standing Orders
- Scheme of Delegation
- Financial Regulations
- Code of Conduct for members
- Code of Conduct for Employees

The members had a comprehensive discussion around the clarity of purpose of the Board and Committees. The members present were satisfied that the purpose is clear within the body of the governance documents and that further discussion would take place when the documents are considered at the Board at its meeting on 28 September.

The Chair advised that Bill Moyes had contacted him in advance of the meeting to seek clarification on the purpose of the Board and its committees as expressed in the governance documents. It was agreed that Martin Walker would liaise with Bill on this.

The members thanked the Corporate Governance Manager for presenting the policies with tracked changes, noting that the policies need to be proofed once the changes have been considered by the Board.

***The Audit Committee recommended the policies be approved by the Board.***

**Action AC150: Martin Walker to liaise with Bill Moyes on the articulation of the Board and its committees purpose in the governance documents (September 2022)**

## 10. Q1 Data Incidents / Loss report

Gayle Fitzpatrick, Corporate Governance Manager, introduced the Q1 data incidents/loss report, copies of which had been previously circulated.

Gayle advised that there had been five data incidents recorded during quarter one and that none required reporting to the Information Commissioner's Office (ICO) given the risk level associated with the incidents and swift action undertaken.

The members discussed the probability of similar incidents happening again. Gayle provided assurance that measures have been implemented to help ensure similar incidents should not happen again.

***The Audit Committee noted the data incidents/loss report.***

## 11. Digital Security

*David Robertson, Digital Services Manager, joined the meeting.*

David Robertson, Digital Services Manager, introduced the Digital Security report, copies of which had been previously circulated.

David advised that team resources continue to be a challenge with the team currently running at 80% due to difficulties in recruitment and as a result some development work has been paused to ensure resources are directed towards the high-risk area of cyber security and core business continuity. The members noted that the recruitment campaigns are UK wide which would extend the field of candidates. Members also recognised that there are some digital roles, including the Network Security Specialist that would require an onsite presence, for example actioning systems recovery.

David provided a summary of the successful outcome of the ISO re-certification audit and results of from a recent organisational phishing test. Members discussed the lessons learned from cyber incidents in other organisations and noted the continued need for digital vigilance. They also welcomed the inclusion of cyber security as part of the induction programme for staff.

***The Audit Committee noted the Digital Security update.***

## 12. Any other business

There were no items of other business

## 13. 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.***

#### **14. Date of next meeting**

The next meeting of the Audit Committee is scheduled for 9 November 2022.

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

# Minutes Board



Wednesday 28 September 2022, 10.00am  
Audit Scotland, 102 West Port and Microsoft Teams

---

## Present:

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

## Apologies:

There were no apologies.

## In attendance:

Vicki Bibby, Chief Operating Officer  
Martin Walker, Director of Corporate Support  
Gayle Fitzpatrick, Corporate Governance Manager  
Ian Metcalfe, Corporate Performance Officer  
Stuart Dennis, Corporate Finance Manager  
Susan Burgess, Assistant HR Manager  
Michelle Borland, Business Manager, Performance Audit and Best Value  
Simon Ebbett, Communications Manager  
Michael Oliphant, Audit Director, Audit Services Group  
Stephanie Harold, Senior Audit Manager, Audit Services Group

## 1. Private meeting of Board members

The Board met privately and there were no matters arising.

## 2. Welcome and apologies

*Vicki Bibby, Chief Operating Officer, and Martin Walker, Director of Corporate Support, joined the meeting.*

The Chair welcomed attendees to the meeting.

## 3. Declarations of interest

The following declarations of interest were noted:

Colin Crosby, in relation to item 25 is a member of ICAS.

Stephen Boyle, in relation to item 25 is a member of CIPFA.



#### **4. Items to be taken in private**

The Chair invited members to agree that items 21, 22, 23, 24 and 25 of the agenda be considered in private for the reasons stated on the agenda. The members agreed.

#### **5. Chair's report – verbal update**

The Chair advised of regular meetings with Stephen Boyle, Auditor General for Scotland and Accountable Officer, William Moyes, the Chair of the Accounts Commission, and Martin Walker, Director of Corporate Support on various operational matters, including more recent introductory meetings with Vicki Bibby, Chief Operating Officer, John Cornett, Executive Director of Audit Services and Kenny Oliver, Executive Director of Innovation and Quality.

The Chair highlighted his attendance at the engagement session with Richard Leonard, Chair of the Public Audit Committee (PAC) in June.

The Chair invited members to note his attendance at the Scottish Commission for Public Audit (SCPA) at the end of June, alongside the Auditor General, Director of Corporate Support and Corporate Finance Manager to present the annual report and accounts. The Chair also noted the constructive SCPA informal business planning day in August.

The Chair noted the great value in both the recent Board Strategic session, and the Audit Committee's Risk Management and Digital Security session in August.

The Chair advised of regular informal meetings with other Non-Executive Board members as and when the need arises and advised that he will have concluded all appraisals by the end of today.

The Chair noted his recent engagement with Judith Strange, facilitator, for the agenda for the Audit Scotland Board Development session on 31 October 2022.

The Chair invited members to note his involvement as an external member of the panel for the appointment of the Wales Audit Office Chair and Non-Executive Board Members.

In addition, the Chair advised of his attendance at the Audit Committee meeting on 7 September.

Following discussion, the Board welcomed the update.

#### **6. Accountable Officer's report – verbal update**

Stephen Boyle invited the Board to note some of his engagements had been covered under the Chair's report, as well as regular engagement with the Chair, the Chair of the Accounts Commission, and monthly Joint Work Programme meetings.

Stephen confirmed Audit Scotland's Executive Team is now at full capacity and the main priorities are considering the delivery of the audit work and working with the Auditor General, the Board and the Accounts Commission in the coming months to progress the Partnership Framework, Corporate Plan, and the values for the organisation.

Stephen invited members to note the keynote session he delivered as part of the Audit Scotland 2022 programme: 200 colleagues attended and the session explored a range of

themes and reflections from Stephen now that's he is two years into the role, and the challenges facing Scotland's public bodies.

In relation to Parliamentary engagement, Stephen invited members to note attendance with the Chair at SCPA and Richard Leonard's meet and greet, Stephen continues to have regular engagement with the Chief Executive of the Scottish Parliament. Stephen advised that planning is underway for PAC members to visit Audit Scotland and engage with colleagues. Since Parliament has reconvened, Stephen highlighted his recent evidence to PAC on Scotland's Colleges report, attendance at the Finance and Public Administration Committee (FPAC) as part of their pre-budget scrutiny 2023/24 and will attend the Social Justice & Social Security Committee next week on the Social Security report. Regular engagement continues MSPs, most recently Daniel Johnson MSP on the governance of Scotland's public bodies and Pam Duncan Glancy on social security matters.

Turning to external engagement, Stephen invited members to note his engagement with the Institute Chartered Accountants of England & Wales to discuss their approaches and developments in accounting standards and digital auditing. Stephen was joined by Antony Clark in meeting the Head of the Royal Society of Arts in Scotland and gave an interview to Holyrood Magazine on his work two years into the role, the challenges facing Scotland's public bodies and highlighted the commentary from the AGS and Accounts Commission on the 10<sup>th</sup> anniversary of the Christie Commission report.

Stephen noted ongoing engagement with the Scottish Government's Permanent Secretary and that he had met the new Chair & Deputy Chair of Scottish Government's Audit Committee.

In relation to the other audit agencies, Stephen continues regular engagement with the Controller & Auditor General at National Audit Office and has an introductory meeting with the new Comptroller and Auditor General at NIAO in the next fortnight, ahead of the biannual UK&I Auditors General & Chief Operating Officers meeting in December in Edinburgh.

Following discussion, the Board welcomed the update.

## **7. Accounts Commission Chair's report – verbal update**

William Moyes invited the Board to note that the new Controller of Audit has been appointed and will join end December 2022/early 2023. He also confirmed that the recruitment process for four Accounts Commission members had been completed and the induction will commence once Ministerial approval has been confirmed. He also advised that further recruitment would commence in December for a further three Accounts Commission members and a Deputy Chair.

William advised that the Accounts Commission Change Programme is progressing and will follow up with the Chief Operating Officer to progress the Partnership Working Framework. It was further noted that the Child Poverty media coverage was Audit Scotland focussed, rather than a focus on local government and that he would follow up on this separately.

Following discussion, the Board welcomed the update.

## 8. Review of minutes

### Audit Committee meeting: 1 June 2022

The Board noted the minutes of the Audit Committee meeting of 1 June 2022, copies of which had been previously circulated.

The Board noted the minutes were an accurate record of the meeting, having been approved at Audit Committee on 7 September 2022.

Colin Crosby gave thanks to those involved in the 'deep dive' risk assessment sessions.

### Board meeting: 1 June 2022

The Board considered the minutes of the meeting of 1 June 2022, copies of which had been previously circulated.

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

## 9. Review of action tracker

The Board noted the updates provided on the action tracker and agreed no further updates were required at the meeting.

Martin Walker invited the Board to note under action ASB167 in relation to external review of international work that audit work was undertaken in compliance with international standards and that the focus of the work was largely around shared learning. On this basis it was considered that additional external assessment may not be proportionate.

***Action ASB171: International Manager to examine any work undertaken on evaluation processes in relation to international work by other audit agencies (November 2022).***

The Board noted the updated action tracker.

## 10. Covid-19 – verbal update

Martin Walker provided a verbal update on matters related to Covid-19, noting in relation to the external environment, the most recent statistics are going in the right direction despite numbers in Scotland being slightly higher than elsewhere in the UK. He advised that Executive Team continue to monitor and discuss this at its weekly meeting.

In relation to the internal environment, the Board were invited to note that one colleague posted time to sickness absence due to Covid-19 in the last week, confirming the impact to business is minimal.

Martin advised that Public Health Scotland were changing reporting arrangements around Covid-19 highlighting this will be reflected in internal reporting and subsequent Board update reporting.

Vicki Bibby invited the Board to note that the November Board meeting will consider whether to continue with Covid-19 as a standing item going into the winter period, potentially to be covered more widely under a Health and Safety item.

Following discussion, the Board noted the update.

## 11. Strategic Improvement Programme update

Martin Walker introduced the Strategic Improvement Programme update report, copies of which had been previously circulated. He invited the Board to note the key milestones at paragraph 4 since the last report in June and highlighted paragraph 7 relating to the review of the Strategic Improvement Programme (SIP) mainly involving streamlining and the consolidation of projects.

Martin invited the Board to note the progress reported on the Strategic Improvement Programme and next steps.

During discussion, the members noted it would be helpful for the Board to receive an update on the future of the audit profession generally, to include an update on progress since the Innovation and Quality team was established drawing out the specifics on quality and connecting to the Corporate Plan.

In relation to the Estate Strategy (paragraph 17), members agreed to ask Stuart Dennis for an update when he joins the meeting at item 13.

In relation to the People Strategy (paragraph 12), members were invited to note that the People Strategy will not go to November Remco as stated. Work is ongoing and the updated People Strategy document will be considered at a future RemCo meeting.

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

**Action ASB172:** *Martin Walker and Vicki Bibby and Stephen to consider timings for an item on the audit profession and to include an update on Innovation & Quality in relation to the SIP review. (January 2023).*

**Action ASB173:** *Martin Walker agreed to liaise with the Audit Quality and Appointments (AQA) team for timescales on the New Audit Appointments lessons learned exercise being presented to the Board (October 2022).*

## 12. Q1 Corporate performance report

*Gayle Fitzpatrick, Corporate Governance Manager, and Ian Metcalfe, Corporate Performance Officer, joined the meeting.*

Gayle Fitzpatrick introduced the Q1 Corporate performance report, copies of which had been previously circulated. Gayle invited the Board to note key highlights in the report: there are four objectives rated amber: relevant and timely audits, management of resources, maximise efficiency and audit quality. Gayle also highlighted the significant media coverage on recent reports: Covid-19, Local Government Overview and Social Security; and the 12% budget variance, which is primarily due to a phasing issue in relation to recruitment and vacant posts (now filled) and the phasing of audits.

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

During discussion, the Board recognised the content of the report was useful but that the future presentation of reports should be considered to provide clarity to the Board in governance terms on key issues for decisions and where appropriate, clearer delineation between the reporting of work for the Accounts Commission and the Auditor General.

The Board was invited to note that work is ongoing towards developing and refining a set of indicators more useful to the Board, linking with the Corporate Plan working group and that the intention is to revise the performance management framework which will be reflected in Board reports in due course.

Following discussion, the Board welcomed the update.

**Action ASB174:** *Gayle Fitzpatrick and Ian Metcalfe agreed to present proposals on revised corporate performance reporting in November with a view to a more detailed report in January 2023 (November 2022).*

*Gayle Fitzpatrick and Ian Metcalfe left the meeting.*

### 13. Q1 Financial performance report

*Stuart Dennis, Corporate Finance Manager, joined the meeting.*

Stuart Dennis introduced the Q1 Financial performance report, copies of which had been previously circulated.

Stuart invited the Board to note the financial results for the three months to 30 June 2022, recognising the expectation to be in a similar financial position by the end of quarter two with no significant further changes expected.

During discussion, the Board noted an update on the estate strategy with an update to be presented at the November Board meeting with options on the current office space in Edinburgh. The Board were invited to note that the estate strategy should be finalised and in place by March 2023.

During discussion, the Board members considered the factors which may impact on the estate strategy including hybrid working patterns, potential changes to working practices and cost implications as well as ensuring there is robust data on any decision resulting in major changes.

Following discussion, the Board noted the financial results for the three months to 30 June 2022.

**Action ASB175:** *Estate strategy update report to be presented to the November Board (November 2022).*

*Stuart Dennis left the meeting.*

## 14. Annual review of corporate governance policies

*Gayle Fitzpatrick, Corporate Governance Manager, and Ian Metcalfe, Corporate Performance Officer, re-joined the meeting.*

Gayle Fitzpatrick introduced the Annual review of corporate governance policies report, copies of which had been previously circulated. Gayle invited Board members to note that all documents presented today had been recommended to the Board by the Audit Committee on 7 September 2022, noting an action in relation to the articulation of the purpose of the Board and its committees that Martin Walker agreed to progress with William Moyes.

The Board noted a request to include excerpts from the legislation into the Standing Orders and Financial regulations relating to resourcing.

Following discussion in relation to the Standing Orders, members noted the query on paragraph 18 that the Auditor General and Chair of the Accounts Commission must be present for a quorum to be constituted and whether this was in legislation. Subject to confirmation of the legislative requirements, members noted that paragraph 21 would be deleted.

Following discussion, the Board noted the update and approved the policies for a further year, subject to the amendments agreed during discussion and clarification required in relation to the Standing Orders and Financial Regulations.

**Action ASB 176:** *Gayle Fitzpatrick and Ian Metcalfe agreed to check legislation in relation to paragraph 18 and delete paragraph 21 accordingly, sharing with the Board for approval by correspondence with updated tracked changes for reference.*

## 15. Annual policy review of records management policies

Gayle Fitzpatrick introduced the Annual policy review of records management policies report, copies of which had been previously circulated.

Gayle invited the Board to approve the updated records management policy, which is reviewed on an annual basis, highlighting the only minor change is that the new five-year records management plan has been approved by the National Records for Scotland, resulting in a considerable amount of development work around that.

During discussion, the Board noted the statutory obligations around records management that Audit Scotland must fulfil, resulting in the requirement for Board approval of this policy.

Following discussion, the Board approved the updated records management policy.

*Gayle Fitzpatrick and Ian Metcalfe left the meeting.*

## 16. Staff handbook policy review

*Susan Burgess, Assistant HR Manager, joined the meeting.*

Susan Burgess introduced the Whistleblowing Policy, copies of which had been previously circulated.



Susan invited the Board to note the report and approve the proposed changes to the Whistleblowing Policy, highlighting that only minor changes are proposed at this point, recognising there is more to do regarding supplementing this with further guidance.

During discussion, the Board requested consideration be given to potential wording to clarify alternative routes for staff to raise concerns externally and consider whether paragraph 9 on anonymity is robust enough.

Following discussion, the Board noted the report and approved the proposed changes to the Whistleblowing policy, recognising that further clarification and development work is in underway. Any further advice/approval required out with the usual policy review cycle will be done via correspondence with the Board.

*Susan Burgess left the meeting.*

## **17. 2023 Proposed Board and Committee meeting schedule**

Martin Walker introduced the 2023 Proposed Board and Committee meeting schedule report, copies of which had been previously circulated.

Martin invited the Board to approve the proposed meeting dates for 2023 and to approve the option of holding a meeting in the Glasgow office.

Following discussion, the Board approved the proposed meeting dates for 2023 and agreed the proposal to hold a meeting in the Glasgow office annually.

## **18. Any other business**

There was no other business for discussion.

## **19. Review of meeting**

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

The Chair thanked everyone for their contributions.

## **20. Date of next meeting: 23 November 2022**

The members noted the next meeting of the Audit Scotland Board is scheduled for 23 November 2022.

## **Items taken in private**

## **21. HSE stress survey results and action plan**

Martin Walker introduced the HSE stress survey results and action plan report, copies of which had been previously circulated.

Martin invited the Board to consider the survey results and the planned actions and next steps.

During discussion, the Board noted the open and transparent approach to sharing the results with the organisation noting that this involved engaging with different forums across the organisation.

Martin invited the Board to note a verbal update on the more recent Pulse survey results, checking awareness in relation to the HSE stress survey results and the existing bullying and harassment policy and invited comments on the findings of the survey.

During discussion, the Board noted the survey response rate was generally similar to other surveys, with the exception of Best Companies survey.

During discussion, the Board were advised that Executive Team will work with the Health, Safety & Wellbeing Committee (which includes union and staff representation) on the wider culture in the organisation, values and behaviours as part of the Corporate Plan and being explicit for what good looks like.

Following discussion, the Board welcomed the report and welcomed the immediate actions and medium-term actions (for further update at November Board), noting Executive Team will keep the Board informed via correspondence if required, between meetings.

**Action ASB177:** *Executive Team to consider more regular surveys to inform trends and further data for future comparisons (June 2023).*

## **22. Our purpose workstream: Update on Public Audit in Scotland and the new Audit Scotland corporate plan**

*Michelle Borland, Business Manager, Performance Audit and Best Value, and Simon Ebbett, Communications Manager, joined the meeting.*

Simon Ebbett introduced the Our purpose workstream: Update on Public Audit in Scotland and new Audit Scotland corporate plan report, copies of which had been previously circulated.

Simon advised the Board that the invitation to tender for external consultancy work to support the project had gone out to tender last week and invited the Board to discuss some key points for feedback including the strategic planning framework, the outcomes-based approach: the balance between audit outcomes and policy outcomes, and the consultation and engagement plans for the Accounts Commission, AGS and Executive Team.

During discussion, the Board noted that the strategic planning framework (fig 2) is a standard model, albeit more complicated due to the tripartite model of public audit in Scotland.

Board members noted that the starting point for this work is to find a shared vision, outcomes and principles between the Accounts Commission, Auditor General and Audit Scotland and look at producing a clearer framework diagram to reflect this.

Following discussion, the Board agreed to consider further information via correspondence.

*Michelle Borland and Simon Ebbett left the meeting.*



## 23. 2023/24 Budget proposal

*Stuart Dennis, Corporate Finance Manager, re-joined the meeting.*

The Chair invited consideration of this item together with the following item on the Medium Term Financial Plan given the links between them.

Stuart Dennis introduced the 2023/24 Budget proposal report, copies of which had been previously circulated.

Stuart invited the Board to note the 2023/24 budget as a work in progress with an updated budget proposal to be presented to the November Board meeting.

During discussion the Board was invited to discuss the 2022/23 proposed fee increase (paragraph 31) and the planned communications to audited bodies.

Stuart invited the Board to discuss and note the current position in respect of the 2023/24 draft budget proposal.

Following discussion, the Board noted the current position in respect of the 2023/24 draft budget proposal.

**Action ASB178:**        *The Board agreed that it might be prudent to issue a joint letter from the Auditor General and Chair of the Accounts Commission to firms regarding the fee increase, particularly those affecting small organisations . (October 2022)*

**Action ASB179:**        *Stuart Dennis will look at options in relation to phasing the fee increase and report back to the November Board with recommendations.*

## 24. Medium Term Financial Plan 2022-23 to 2026-27

Stuart Dennis introduced the Medium Term Financial Plan 2022-23 to 2026-27 report, copies of which had been previously circulated.

Stuart invited the Board to consider and discuss the draft Medium Term Financial Plan, noting this is based on scenarios discussed at the Board Strategic Session and will be updated with all variables at the November Board.

Following discussion, the Board welcomed and noted the report.

*Stuart Dennis left the meeting.*

## 25. 10-year review of trainee scheme provider

*Michael Oliphant, Audit Director, Audit Services Group, and Stephanie Harold, Senior Audit Manager, Audit Services Group, joined the meeting.*

Michael Oliphant introduced the 10-year review of trainee scheme provider report, copies of which had been previously circulated.

Michael invited the Board to discuss the findings from the review, note the anticipated costs over a five-year period, note the recommendations to look at the feasibility of transitioning

college leavers and trainees on modern apprenticeship schemes into audit roles, and approve the recommendation to continue with ICAS as the training scheme provider.

Following discussion, the Board noted the anticipated costs over a five-year period, noted the recommendations to look at the feasibility of college leavers and modern apprentices transitioning into audit roles, and approved the recommendation to continue with the current supplier as the training scheme provider.

*Michael Oliphant and Stephanie Harold left the meeting.*

REF	FORUM	Agenda Item No	Item Title	Action Description	Meeting Date	Due Date	Responsible	Assigned to	Complete/Ongoing	Reported Yes/No	Progress Notes
ASB165	Board	11	Mainstreaming equality and equality outcomes: Interim progress report	Further Board session on HRBA to be arranged.	17/05/2022	TBC	Carolyn McLeod	Carolyn McLeod	Ongoing		Short life working group considering next steps for work on HRBA is meeting on 24 November. At that meeting, consideration will be given to the most appropriate timing for a further session with Board members.
ASB171	Board	9	Review of action tracker	Relating to action update against ASB167, agreed the International Manager examine any work undertaken on evaluation processes in relation to international work by other audit agencies.	28/09/2022	Nov-22	Martin Walker	Mark MacPherson	Ongoing	Yes	Feedback from other agencies indicates that they do not undertake any specific evaluation activity as international work, like in AS, is largely based on 121 engagement, conferences and sharing approaches. Historically, we have deployed a member of staff (part-time) to coordinate international activity. That post is currently vacant and the AD with oversight of International is currently considering how best we manage international activity going forward and will consider the scope for a proportionate approach to evaluation.
ASB172	Board	11	Strategic Improvement Programme update	Martin Walker and Vicki Bibby and Stephen to consider timings for an item on the audit profession and to include an update on Innovation & Quality in relation to the SIP review.	28/09/2022	Jan-23	Martin Walker	Kenny Oliver	Ongoing		Kenny Oliver will bring a paper on both subjects to the Board meeting on 24 January 2023
ASB173	Board	11	Strategic Improvement Programme update	Martin Walker agreed to liaise with the Audit Quality and Appointments (AQA) team for timescales on the New Audit Appointments lessons learned exercise being presented to the Board	28/09/2022	Oct-22	Martin Walker	Martin Walker	Complete		Circulated to the Board by correspondence 10 November 2022.
ASB174	Board	12	Q1 Corporate performance report	Gayle Fitzpatrick and Ian Metcalfe agreed to present proposals on revised corporate performance reporting in November with a view to a more detailed report in January 2023	28/09/2022	Nov-22	Martin Walker	Gayle Fitzpatrick	Ongoing		Update included in Q2 performance report which is on the agenda for today's meeting of the Board.
ASB175	Board	13	Q1 Financial performance report	Estate strategy update report to be presented to the November Board	28/09/2022	Nov-22	Martin Walker	Stuart Dennis	Ongoing		Estate Strategy to be included in SIP update - on January Board agenda.
ASB176	Board	14	Annual review of corporate governance policies	Gayle Fitzpatrick and Ian Metcalfe agreed to check legislation in relation to paragraph 18 and delete paragraph 21 accordingly, sharing with the Board for approval by correspondence with updated tracked changes for reference.	28/09/2022	Oct-22	Martin Walker	Gayle Fitzpatrick	Ongoing		Updates to the Standing Orders and Financial Regulations on the agenda for today's meeting of the Board.
ASB177	Board	21	HSE Stress survey results and action plan	Executive Team to consider more regular surveys to inform trends and further data for future comparisons	28/09/2022	Jun-23	Martin Walker	Martin Walker	Ongoing		Martin to meet Simon (Comms) and Gordon (L&D) soon to discuss the range of survey activity (Best Co, Pulse, HSE etc)
ASB178	Board	23	2023/24 Budget proposal	The Board agreed that it might be prudent to issue a joint letter from the Auditor General and Chair of the Accounts Commission to bodies regarding the fee increase, particularly those affecting small organisations	28/09/2022	Oct-22	Martin Walker	Stuart Dennis	Ongoing		High level letter issued by AGS and AC Chair on 17/10/2022. Detailed individual letter to be issued to all audited bodies on 16/12/22.
ASB179	Board	23	2023/24 Budget proposal	Stuart Dennis will look at options in relation to phasing the fee increase and report back to the November Board with recommendations.	28/09/2022	Nov-22	Martin Walker	Stuart Dennis	Complete		This is incorporated within the 23/24 budget proposal to today's meeting of the Board.

# Q2 Corporate performance report

Corporate Governance Manager

Item 11

Meeting date: 23 November 2022

---

## Purpose

1. This report provides the Board with a review of organisational performance in quarter two (Q2) 2022/23.

## Recommendations

2. The Board is invited to:
  - Note and approve the steps set out in paragraphs 3 to 7 to improve performance reporting to the Board;
  - review the performance in Q2 set out in paragraphs 8 to 22; the position summary in appendix 1 and the detail with actions, as appropriate, in appendix 2;
  - note the performance in relation to audit delivery and agree that a detailed report on mitigating action is brought back to the January Board meeting as set out in paragraph 18; and
  - consider whether any additional management action is required in any other areas.

## Planned performance management developments

3. At the September Board meeting, points were raised about the content and presentation of performance reports. The Executive Team (ET) and the Performance and Risk Management Group (PRMG) considered this feedback and are committed to developing performance reporting at the corporate level to provide more concise, target driven, outcome focused measures.
4. In making the points in September, the Board noted that the development of performance reporting will be informed by a number of projects taking place simultaneously across the organisation. The work underway on the updated model of Public Audit in Scotland, the new Corporate Plan, the refreshed Partnership Working framework, the Accounts Commission Change Programme and the conclusions drawn from the Strategic Improvement Programme project on the improvement of outcome metrics will all shape the performance management framework in the medium to longer term.
5. The creation of Innovation and Quality will also impact on performance reporting. The Corporate Governance team has been working closely with the Executive Director, Innovation and Quality to agree potential key performance measures for this area, and how the data can be collated without duplication of effort. It is recognised this work will be influenced by the timing of the recruitment for the posts in Innovation and Quality.
6. In line with this the Board is asked to agree the approach and timescales for improving performance reporting:

- The Q2 report reflects steps being taken by ASG and PABV to align their reporting structures to report by product type rather than business group. This provides greater clarity and consistency in reporting.
  - For the Q3 and Q4 reports we intend to develop a shorter, action focussed summary report which will more clearly highlight any areas of performance which require attention and action. It is intended that the underlying performance information (appendix 2 to this report) will continue to be available from that report as a link for reporting to the Board.
  - A more fundamental refresh of the performance management framework will take place in parallel with the development of the new corporate plan. This will ensure that the new strategic objectives are underpinned with the relevant performance data. The current PMF and data sets provide sound foundations for this.
  - The development of infographics is also being considered to provide a concise, at a glance snapshot to draw attention to exception areas that require Board focus.
7. At its [strategic session](#) on 11 October 2022 the Executive Team also discussed reviewing and updating its management information requirements. This included a requirement for more frequent dashboard updates on key areas of the business in addition to the current the monthly finance dashboards and the quarterly performance reports on performance, finance and improvement and. The key areas of focus for the dashboard(s) will include:
- Audit delivery
  - Audit and non-audit costs (including greater use of time recording data)
  - People related data

## Q2 performance summary

8. The performance information is reported under the two strategic objectives of: ‘delivering world class public audit’; and ‘being a world class organisation’ in line with the corporate plan.
- Appendix 1 provides a position summary for each strategic objective.
  - Appendix 2 provides the detailed performance information and mitigating action that is being taken to address any areas highlighted as amber.
9. The number of objectives, key performance questions (KPQs) and key performance indicators (KPIs) for each strategic objective is shown in the table below.

	Red	Amber	Green
<b>Delivering world class audit</b>			
Objectives	0	2	3
KPQs	0	4	6
KPIs	0	2	4
<b>Being a world class organisation</b>			

Objectives	0	1	2
KPQs	0	2	7
KPIs	0	6	6

**10.** The following objectives are ‘amber’. This is defined as ‘progressing and additional management action planned’.

- We conduct relevant and timely audits and report in public (where the main impact is on delivery dates and audit budgets).
- We manage our resources effectively (where the main impact is on organisational costs and income) and maximise our efficiency (where the main impact is on colleague productivity).
- Audit work is of high quality, and we are systematically improving the quality of our work (reflecting the quality review outcomes).

### **Delivering world class public audit**

**11.** The five delivering world class public audit objectives are RAG rated two amber and three are green, the 10 KPQs are four amber and six are green and six KPIs are two amber and four green.

**12.** In Q2 there were 121 publications comprising: five Annual Audit Plans, 106 Annual Reports and accounts, three Performance Reports, and seven other reports.

- All NHS and Local Government audits scheduled for completion in Q2 have been delivered
- 10 of the 66 financial audits scheduled for completion in Q2 have missed the planning guidance target deadline (eight ASG and two firms).

**13.** 75 financial audits are currently expected to be completed after the planning guidance target dates. This was scenario anticipated given the target of moving to pre-pandemic deadlines. It reflects a planned prioritisation on the larger accounts that are key to public sector accounting, for example NHS bodies, agencies and councils. NHS audits have all been delivered earlier than the prior year, reflecting pre-Covid timetables.

**14.** Most audits are currently projected to meet the statutory deadlines however 12 may not be finalised until after the statutory deadlines. The late audits are primarily due to the impact of resourcing and capacity issues at clients, audited body governance timetables, Audit Scotland’s prioritisation of audits and capacity within audit teams.

**15.** The actions to improve timeliness fall into two timeframes – immediate and medium term. Immediate action will focus on ensuring that work delivered is proportionate to identified audit risk, reducing duplication of work, removing unnecessary testing and increasing our client-site presence. This work is based around extensive client engagement and success will depend on reciprocal action by audited bodies.

16. In the medium term a formal reassessment of the audit approach is required to ensure that it is fit for purpose and that it provides sufficient agility to drive local teams to apply a tailored methodology that is proportionate to individual audits and risks. This review will take a more structured and formalised approach to securing greater efficiency in the delivery of audits and encouraging a bespoke application of the methodology. The review will be aligned with work to secure improvements in the electronic working papers system and digital audit including data analytics.
17. A significant challenge remains in reverting to pre pandemic timescales and the later finish this year means a later start next year. There is also the additional pressure of the additional work associated with starting the new audit appointments following the audit rotation.
18. Given this is a significant issue for the organisation it is recommended that a detailed paper be brought back to the Board in January setting out steps to ensure timelines are being managed going forward.

### **Being a world class organisation**

19. The three delivering world class public audit objectives are RAG rated one amber and two green, the nine KPQs are two amber and seven are green and 12 KPIs are six amber and six green.
20. The outturn on core funding was £4,544k which was £5k (0.1%) better than budget. A detailed financial performance report was considered by the Audit Committee on Wednesday 9 November.
21. We had 322.4 (94.3 %) whole time equivalent colleagues in place at the end of the quarter against a budget establishment of 341.4.
22. The absence rate remains low 0.98 days although this is lower than the corresponding period last year (1.55 days). The Remuneration Committee considered the People Plan activity at their meeting on Wednesday 9 November.

## 2022/23: Q2 performance summary

Delivering world class public audit	Measure in Q2	Previous quarter	Same quarter last year	Direction (compared to same quarter last year)
<b>We conduct relevant and timely audits and report in public</b>				
Reports 2021/22 (Q2)	121	109	195	↓
On time (YTD)	65%	100%	81%	↓
Audit Budget (YTD)	-2	-12.25%	-0.2	↓
<b>We get our messages out effectively</b>				
Media mentions (Q2)	226	428	137	↑
Downloads (Q2)	122,489	150,271	112,061	↑
Social media engagements (Q2)	20,473	13,061	4,215	↑

## Key performance messages in Q2:

- We delivered 121 audits/reports.
- 75 financial audits are currently expected to be completed after the planning guidance target dates
- Audits delivered at two percent more than budget.
- The Best Value Assurance Report on Comhairle nan Eilean Siar was published in Q2, this the final report in the current round of BV reporting.
- Communications statistics show we are getting our messages out effectively. These include 122,489 downloads; 20,473 social media engagements and 226 media mentions of Audit Scotland and/ or the Accounts Commission.
- Our work delivered significant impact as evidenced by strong media coverage in Q2. Coverage related to the following reports: Tacking Child Poverty briefing; BVAR Shetland Islands; Councils' approach to climate change.
- We attended 6 Parliamentary Committees, 13 external working groups and responded to 1 consultation.

### Key:

**Red**

Not progressing/significant additional management action required.

**Amber**

Progressing and management action planned.

**Green**

On target/no need for additional management action



Being a world-class organisation	Measure in Q2	Previous quarter	Same quarter last year	Direction compared to same quarter last year
<b>We manage our resources effectively</b>				
Budget Variance (YTD)	0.1%	+11.6%	0.2%	↓
WTE establishment (YTD)	94.3%	94.1%	98.9%	↓
<b>We maximise our efficiency</b>				
Staff costs (YTD)	10,328k	4,765k	9,499k	↑
Agency/secondment costs (YTD)	44k	11k	92k	↓
Average cost per audit day (Q2)	476	485	462	↑
Proportion of audit time (Q2)	51.5%	49%	52.5%	↓
<b>We empower and support our people to be engaged, highly skilled and perform well</b>				
Absence days (YTD)	2.09	1.11	2.58	↓
Staff turnover (YTD)	5.74	3.01	4.25%	↑
Exams pass rate (YTD)	71	78%	63%	↑
Training events (YTD)	112	71	74	↑
Training attendees (YTD)	833	586	1013	↓
IT uptime	99.82%	100%	99.74	↑

### Key performance messages in Q2:

- The outturn on core funding was £4,544k (0.1%) better than budget.
- The number of colleagues at the end of quarter one was 94.3% of the budgeted establishment.
- Absence levels year to date equates 2.09 days, which is slightly lower than last year (2.58 days).
- Staff turnover in the year to date (5.74%) increased compared to (4.25%) last year. We remain well below the Chartered Institute of Personnel and Development (CIPD) benchmark for all leavers.
- The exam pass rate year to date is 71% compared to last year 63%.
- The proportion of audit time was 52%, down from 53% in the same quarter last year
- 99.82% IT uptime.

## Key actions































The key actions relating to organisational strategic objectives are covered by the projects and workstreams in the Strategic Improvement Programme. Projects/ workstreams include:

- audit quality,
- audit methodology,
- capacity and resourcing,
- developing hybrid working,
- learning, development and wellbeing.

## Appendix 2

Performance detail 2022/23: Quarter 2

Delivering world class public audit	We conduct relevant and timely audits and report in public
-------------------------------------	--

Key Performance Questions	2020-21				2021-22				2022-23			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Are relevant audits being delivered?												
Are audits delivered on time?												
Are audits delivered on budget?												

### Key messages

In quarter two, 121 audits/reports were delivered comprising: five Annual Audit Plans, 106 Annual reports and accounts, three Performance reports, and seven other reports.

The Comhairle nan Eilean Siar Best Value Assurance Report was the final report in this current round of BV reporting. From the 2022/23 audit year, BV work in councils will be fully integrated with the annual audit and reported in Annual Audit Reports (AARs), including risk-based, follow up and thematic BV work. AARs for each council will be reviewed by the Accounts Commission at least once over the five-year audit appointment to provide the Accounts Commission with assurance on BV in each local authority. These will be under the cover of a s102 Controller of Audit report with the first report due in Q3 of 2023/24. In Q2 of 2023/24 a legacy thematic summary of BV best practice examples will be developed covering the last six years of BV reporting.

As part of the quarterly work programme update to the AGS and Accounts Commission we continue to analyse data on historical and forecasted delivery of performance audit and Best Value work. We expect the overall number of Performance audit products delivered in 2022/23 to decrease compared to 2021/22, from 49 to 32. During Q2 we agreed the following changes to the programme:

### Delays

- **Data gaps - getting the basics right... what more public sector leaders can do:** We delayed this product from August to September 2022 due to resource capacity and to ensure we secured a suitable date that key panel members could attend. We delivered this on 27 September and plan to publish a follow up product at the end of October.
- **Resourcing the benefit service:** We have delayed this product from October to December 2022 due to issues with data availability.

### Removing

- **Investing in green skills:** After consultation with the AGS we removed this product from the programme due to the recent announcement about the [independent review of the skills delivery landscape](#). This has implications for the scope and timing of our proposed briefing. It is appropriate to wait until the review is published before undertaking any further audit work on skills. This will allow effective engagement with key stakeholders, stay in step with current developments, reduce the audit burden on Skills Development Scotland and ensure our reporting is relevant and timely.
- **Following the pandemic pound:** We propose removing this as a specific area of focus for the work programme. We are now moving into the recovery phase of our approach to following the pandemic pound. This will assess the wider impact on public finances of recovery from the pandemic. Covid-19 response, recovery and renewal will continue to be key contextual factors but no longer frame our audit work.

### Audit/report schedule 2022/23

	Q1	Q2	Q3	Q4
<b>Annual Audit Plans Audit Scotland (120)</b>	2 on time 40 late (due Q4 21/22)	1 late		
<b>Annual Audit Plans Firms (102)</b>	19 on time 9 late (due Q4 21/22)	5 late		

	Q1	Q2	Q3	Q4
	5 outstanding (due Q4 21/22)			
<b>Accounts certified Audit Scotland (124)</b>	5 on time	NHS 5 CG 18 LG 9 8 CG outstanding	CG 30 LG 53 FE 2	
<b>Accounts certified Firms (102)</b>	10 on time	NHS 5 CG 9 LG 10 2 CG outstanding	CG 20 LG 29 FE 19	
<b>Annual Audit Reports Audit Scotland (125)</b>	5 on time	NHS 5 CG 18 LG 7	CG 26 LG 55 FE 2	
<b>Annual Audit Reports Firms (102)</b>	8 on time	NHS 7 CG 7 LG 6	CG 24 LG 33 FE 19	
<b>Performance Audit (3)</b>	Social security: Implementing the devolved benefits ✓  Scotland's financial response to Covid-19 ✓			
<b>Best Value Assurance Report (3)</b>		Angus Council ✓ Shetland Council ✓		

	Q1	Q2	Q3	Q4
		Comhairle nan Eilean Siar ✓		
<b>Overview Report (3)</b>	Local government in Scotland Overview 2022 ✓			NHS in Scotland 2022: Scottish Government's NHS Recovery Plan
<b>Statutory (6-12 tbc)</b>	South Lanarkshire College ✓		Section 22 reports TBC in Q2 report	
<b>Other (20-30)</b> <b>Key:</b> <b>BR</b> = Briefing <b>BL</b> = Blog <b>CS</b> = Case studies <b>RT</b> = Round table <b>OT</b> = Other	The learner journey from school to work <b>OT</b> ✓ NFI pilot report - National entitlement cards <b>OT</b> ✓ NFI pilot report - non-domestic rates <b>OT</b> ✓ Working together to increase collaboration and accelerate improvement <b>BL</b> ✓ Children and young people who need additional support for learning <b>BL</b> ✓ Local bodies continue to face a challenging and uncertain future (LGO promotion) <b>BL</b> ✓ Inequalities in Scotland: A growing crisis of harms (LGO promotion) <b>BL</b> ✓	Scotland's Colleges 2022 <b>BR</b> ✓ Annual fraud and irregularity report 2021/22 <b>OT</b> ✓ National Fraud Initiative in Scotland <b>OT</b> ✓ Scotland's councils' approach to climate change (note name change from Climate change: local government approach and ambitions) <b>BR</b> ✓ Data gaps - getting the basics right... what more public sector leaders can do <b>RT</b> ✓ Tackling child poverty <b>BR</b> ✓	Financial sustainability and implications for the fiscal framework <b>OT</b> Resourcing the benefit service (thematic study) <b>OT</b> Data gaps roundtable output <b>BL</b>	Administration of Scottish Income Tax 2021/22 <b>OT</b> Investing in green skills <b>OT</b> Local government financial bulletin 2021/22 <b>OT</b>

	Q1	Q2	Q3	Q4
	Integration Joint Boards: Financial analysis 2020/21 <b>BR</b> ✓	Joint Accounts Commission / Improvement Service LGO event <b>OT</b> ✓		
<b>Published</b>	109	121		

In Q2 the audit budget and expenditure by product type is as follows:

Product	Total budget £	Total costs £	Variance £	% Variance
<b>Annual audits</b>	2,999,807	3,039,823	40,016	1
<b>Best Value</b>	180,594	196,309	15,714	9
<b>Statutory reporting</b>	16,704	17,287	583	3
<b>Performance audits</b>	1,526,696	1,560,922	34,226	2
<b>Total</b>	4,732,802	4,814,341	90,539	2

The Performance and Risk Management Group (PRMG) reviewed individual audit costs at its meeting on the 27 October 2022 and noted there are no significant issues to report for this quarter. Overall, audit expenditure was 2% above budget.

### Forward look

75 financial audits are currently expected to be completed after the expected dates, (61 as at Q1). Twelve Audits are projected to be finalised post the statutory deadlines. The late audits are primarily due to Audit Scotland prioritisation of audits, the impact of resourcing and capacity issues at clients, audited body governance timetables, and challenging financial reporting issues within the accounts.

The actions to improve timeliness fall into two timeframes. Immediate action will focus on ensuring that work delivered is proportionate to identified audit risk, reducing duplication of work, and removing unnecessary testing. This work is necessarily based around extensive client engagement and success will depend on reciprocal action by audited bodies.

In the medium term a formal reassessment of the audit approach is required to ensure that it is fit for purpose and that it provides sufficient agility to drive local teams to apply a tailored methodology that is proportionate to individual audits and risks. This review will take a more structured and

formalised approach to securing greater efficiency in the delivery of audits and encouraging a bespoke application of the methodology. The review will be aligned with work to secure improvements in the electronic working papers system and digital audit including data analytics.

The challenge of reverting to previous timescales is still significant and the later finish this year, means a later start next year again, with additional work to due to audit rotation.

The deadlines in Q3 for the remaining Central Government, Local Government and Further Education audits are:

Sector	Deadline
Central Government – NDPBs and similar	31/10/21
Local Government	31/10/21
Colleges	31/12/21

During Q2 the following additions to the dynamic work programme were agreed:

- **Four nations climate change:** We are working with the other UK audit agencies to map out the different national legislative frameworks and targets to tackle climate change and identify devolved and reserved powers. We are discussing the timing and logistics for publishing a joint output with the other audit agencies.
- **Covid-19 finances follow-up:** In the spring of 2023, once all the 2021/22 financial audits are completed, we will produce a short follow-up report to the joint performance audit on Scotland's financial response to Covid-19. This will summarise what we know about how reserves levels have changed and the latest position on financial sustainability challenges.
- **Homelessness:** In 2024 we plan to undertake audit work on homelessness, providing an overview across Scotland and highlighting the learning from the pandemic emergency response. This is to replace planned audit work on housing, which we have determined would not add value at this time.

## Risks

The main risk for this objective is our capacity to deliver both a stretching and ambitious programme of audit work alongside resourcing issues and quality requirements pushing up required inputs. Delays in planning for 2020/21 and 2021/22 ASG audits and the continued consequential effects of the pandemic on audit/ audited body capacity, as well as on service demands and capacity of audited bodies also contribute to this risk.



**Delivering world class public audit**

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

Key Performance Questions	2020-21				2021-22				2022-23			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Are we assured about the quality of our work?	↔	↔	↔	✗	↔	↔	↔	↔	↔	↔		
Are we improving the quality of our work?	↔	↔	↔	✗	↔	↔	↔	↔	↔	↔		

## Key messages

In Q2 The 2020/21 internal cold review programme was completed and the findings have been reported to audit teams and the Audit Quality Committee.

A summary of the findings from the hot review programme (reported to the Audit Quality Committee in October) identified:

- Areas for attention - including ISA (UK) 240: The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements, ISA (UK) 500: Audit Evidence, ISA (UK) 540: Auditing Accounting Estimates and Related Disclosures, ISA (UK) 402: Audit Considerations Relating to an Entity Using a Service Organization and ISA (UK) 230: Audit Documentation
- Common areas of good practice - including Engagement lead review, Assertion coverage, RoMM evaluation, Sample size justification, and Substantive testing

We have issued a Quality Bulletin to ASG staff summarising key findings from the hot reviews

A further 5 hot reviews have commenced and will be completed in quarter 3.

In Q2 AQA hosted an inaugural public sector audit quality group meeting including representatives from Public Sector Audit and Appointments, the National Audit Office, Audit Wales, Northern Ireland Audit Office, the Office of the Comptroller and Auditor General of the Republic of Ireland, and the Jersey Audit Office.

The interim quality report 2022/23 has been considered by the Executive Team and will be reported to the Audit Committee on 9 November 2022.

### Technical Guidance issued in the quarter included:

- Risks of misstatement in the 21/22 annual accounts of colleges (TGN 2022/1 Module 14), model independent auditor reports in colleges. (TGN 2022/6(c)), Auditor Certification of 2021/22 housing benefit subsidy claims and Whole of Government Accounts for 2020/21 (TGN 2021/7).
- The Professional Support 'help-desk' responded to 161 technical enquiries from audit providers in quarter 2. All were responded to within target response times.
- Technical bulletin on technical developments and emerging risks in the quarter, 20 Technical Briefing Notes to provide auditors with a synopsis of new technical documents and three frequently asked questions publications highlighting emerging issues and risks
- two annual audit report templates for IJBs and pension funds and an Audit Appointments Handover checklist for the new audit appointments.
- Contributed to the development of a new corporate strategy for auditing climate change.
- We issued the following revisions to the AMF as follows:
  - The audit review template was updated to encourage compliance with records management requirements.
  - Various updates were made as part of the equalities and human rights refresh.
  - The Review and Approval log was revised to be consistent with the AMF.
  - Clarification has been added to the planning and evidence sections of the AMF in respect of audit scope and emerging messages.

### Forward look

- Five quality hot reviews have commenced and will be completed in quarter 3.

Delivering world class public audit	We get our messages out effectively															
	Key Performance Questions				2020-21				2021-22				2022-23			
					Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Are we getting messages out effectively?				✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		

## Key messages

We continue to get our messages out effectively. Q2 included the Scottish Parliament recess, and the engagement numbers reflect this. Media and Social Media engagements were up compared to the same period last year and downloads were down 7%.

### Engagement: In Q2 we attended/delivered:

- 6 Parliamentary Committees including Public Audit, Covid-19 recovery, Finance and Public Administration, Health, Social Care and Sport and Net Zero, Energy and Transport.
- 13 external working group meetings, including, CIPFA/LASAAC an accounts and audit update to the Accounting and Financial Reporting Forum, The LG forum, The PAC to discuss the National Fraud Initiative 2022, IRRV national conference on data matching non-domestic rates relief in order to identify fraud.
- Responded to 1 consultation issued by the PAF on Practice Note 10.
- We worked with the Scottish Government on the preparation of statutory guidance in local government on Service concession arrangements & Infrastructure assets.

### Parliamentary engagement

- Monthly Parliamentary Engagement summaries are available [here](#) on SharePoint.
- Communications: Media mentions (428) were up on the same period last year (196), Social media engagements (13,061) were up on the same period last year (6,590) and downloads (150,271) were down from (161,730).

	Q1	Q2	Q3	Q4	YTD	21/22
Media	428	226			654	1,059
Downloads	150,271	122,489			272,760	505,670
Engagements*	13,061	20,473			33,534	19,296

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

### Media in Q2:

- The top three published reports by media coverage were: Tacking Child Poverty briefing; BVAR Shetland Islands; Councils' approach to climate change.
- This was a typically quieter quarter over the summer months, particularly in July and August. The ferries report continued to generate significant levels of coverage. Other coverage referenced past reports, including stories about ongoing pressure on the NHS, the attainment gap in Scottish education; and rising costs within the Scottish social security system.

### Downloads in Q2:

- The most downloaded reports were: Scottish Colleges with 685 downloads. The NHS Overview (431) and Educational Outcomes (439), Child Poverty briefing (825), the local government climate change briefing (588), and the ferries report (540). The continued interest in ferries in September coincided with the former Minister for Transport and Islands, Derek Mackay giving evidence to the Parliament's public audit committee.

### Social media activity in Q2:

The social media quarterly update now includes video views and factors in stats from the AGS and Accounts Commission's twitter accounts.

Engagement grew steadily across all of Audit Scotland's social media channels in Q2 and key engagements included:

- Angus BVAR And Colleges. It was a positive report and Angus Council was very active in sharing our posts.
- The video on Scottish Colleges was our most viewed overall (1,734).
- A 'look ahead' video for the Accounts Commission's climate change briefing in September – our most watched video with over 500 views.

- Child Poverty Briefing which has achieved 1,188 engagements across all our channels. We engaged with an extensive list of third sector organisations ahead of the briefing's publication. This saw a wide range of them sharing and liking our posts and sharing their own reactive statements.
- The Commission published its final BVAR on Comhairle nan Eilean Siar. For this we shared English and Gaelic versions of our Social Media posts. While the English posts did do better (123 engagements), Gaelic wasn't far behind (79).

The quarter's full social media stats are available [here](#).

### Consultations in Q2:

We responded to one consultation on the National Care Service Bill.

### Correspondence

New correspondence cases	Q1	Q2	Q3	Q4	YTD	21/22
Number of cases	68	46			114	185
Acknowledgement within five working days	99%	97.7%			98%	97%
Final response within 30 working days	99%	100%			99.5%	97%

### FOI/EIR/Complaints in Q2:

- There were 14 FOI requests and no EIRs. 12 were responded to on time.
- There was 1 complaint received in Q2 and responded to in Q3. The complaint was not upheld.

Delivering world class public audit	We systematically deliver impact through our work											
Key Performance Questions	2020-21				2021-22				2022-23			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Is our work delivering impact?	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		
Are our recommendations leading to improvements?	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		
Are we offering insight and foresight and making information and intelligence available to others?	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		

**Examples of where work has made a positive impact and/or positive feedback received in Q2 include:**

#### Performance reports

[Angus Council BVAR](#), published 5 July 2022

- The council accepted all the BVAR recommendations (and an associated action plan) at the full Council meeting on 8 September. We produced an email newsletter and an animation, which was promoted on social media and posted on our YouTube channel and website. The email newsletter was distributed to the local third sector by Voluntary Action Angus who shared it with their network of over 1,000 contacts.

[Scottish Colleges](#), published 7 July 2022

- Colleges Scotland and the Scottish Government both issued a response to our briefing. The Scottish Government's response included Minister for Higher Education, Further Education, Youth Employment and Training Jamie Hepburn saying that the Scottish Government will consider our recommendations carefully. He went on to say that the Scottish Government is investing nearly £2bn in Scotland's colleges and universities in 2022/23 and will continue to work with the Scottish Funding Council and colleges to ensure funding continues to enable them to deliver high-quality education and training.
- The colleges briefing has a strong focus on equalities. The audit team shared its experience of reporting on equalities issues across the organisation and this was well received with lots of interest from other audit teams in how this can be replicated elsewhere.
- PAC took evidence on the colleges briefing at its meeting on 22 September and engaged in a good discussion of the issues with the AGS and members of the team. Following the session, the PAC has agreed to write to the Education Committee.

[Scotland's councils' approach to addressing climate change](#), published 8 September 2022

- Andrew Burns from Account Commission gave evidence to Net Zero, Energy and Transport parliamentary committee. He was also involved in an event chaired by the Environmental Chair of SOLACE at the SOLACE conference. This was looking at collaboration and next steps and Andrew presented our findings and discussed how to take things forward.
- The team presented the findings to the steering group at the Scottish Sustainability Network (SSN). This was well received, and we received expressions of interest in our further work. We are meeting with SSN and COSLA to discuss how we can further support councils.

## Health

- We identified an accrual of £3 million for pay enhancements which should have been classed as a provision instead of an accrual. The pay enhancements accrual was reclassified as a provision in the audited version of the annual report and accounts.
- £7.5 million of pharmacy rebates were incorrectly added to year end balances instead of being removed, overstating the Trade and Other Payables balance by £15 million. In addition, a further £5.1 million of pharmacy rebates was identified as incorrectly included in Trade and Other Payables. The financial statements were adjusted by £20.2 million to remove the pharmacy rebates from the Statement of Financial Position.
- Following an audit recommendation in 2020/21, the process for compiling the remuneration report was reviewed and strengthened.

## Local Government

- Following an audit recommendation in 2020/21, the medium-term financial plan was revised to take account of the impact of Covid-19 and incorporate plans for generating the revised level of required savings. The body and updated its Integration Scheme to ensure there is a shared understanding between partners that it is undesirable to cut subsequent years' funding allocations by the current year's additional funding (in the event of a deficit) as this would compound any funding gap.

## Central Government

- In our review of legal provisions estimates, we found that a number of legal cases had been provided for at prudent values, contrary to the "best estimate" requirements in the accounting standards. This is now consistent with the accounting standards. The financial statements were adjusted to reflect this improved estimate. The result of this is that both the provisions balance and other expenditure have been reduced by £4.1 million.

- We identified that a number of corrections were required to the Remuneration and Staff Report, the content of which is material by nature. This included amendments to the remuneration of Members and Senior Management within the body. All errors identified have been amended in the Remuneration and Staff Report and we are satisfied that it complies with the Financial Reporting Manual.
- In 2020/21, we identified that as there is no system control preventing self-authorisation of historic journals, a mitigating control should be put in place to prevent this issue from recurring. In 2021/22, we noted the additional controls to prevent self authorisation of historic journals and no issues were identified in year.
- In 2020/21, we recommended changes due to Covid-19 and the publication of refreshed financial and capital strategies. We noted that a number of strategies underpinning financial plans have been developed and approved by the body in year. These include the procurement strategy, the capital strategy and Forensics Services strategy approved in September 2021, and the housing strategy in March 2022.
- In response to our prior year audit recommendation, management completed an extensive review of fully depreciated assets. This resulted in a number of accounting adjustments to reflect the continuing use of these assets. Management have corrected the misstatements in the revised annual report and accounts. As a result, the value of property, plant and equipment has increased by £0.6 million and the value of intangible assets reduced by £1 million. In addition, the depreciation charge for the year has reduced by £1.6 million and the revaluation reserve has reduced by £2 million. The accounts have been adjusted accordingly.
- During our testing we identified a number of errors in relation to prepayments. Management has corrected all identified misstatements in the revised financial statements. The adjustments had the effect of reducing 'other expenditure' by £1.5 million and increasing trade and other receivables by the same amount.
- We recommended in 2020/21 that the transparency of reporting within the performance report could further be improved and update guidance to require close family members interests to be disclosed in registers of interest as required by IAS24. improvements were made to the report for 2021/22.
- We tested a sample of grants provided by the body to third parties. Through this testing they confirmed that one capital grant had not been fully evidenced (in line with the grant conditions) at the point of payment. The recipient had provided an appropriately signed grant claim but had failed to also provide evidence of the reported spend of £1 million. The accounts were adjusted to reflect an appropriate portion of the transaction as a pre-payment.

## Forward look

- **Impact and insight (Strategic Improvement Programme)** – the project scope was agreed in June 2022 and work on this project has begun with the intention of considering how we will demonstrate our impact and insight more effectively.



**Delivering world class  
public audit**
**We develop new and improved processes, products and services**

Key Performance Questions	2020-21				2021-22				2022-23			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Are new processes, products and services being developed?	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		
Are products and study programmes suitable and appropriate for emerging issues?	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		

**Key messages:**
**Improved processes, products and services included:**

We are undertaking a strategic review of the work programme to ensure it reflects current risks and issues facing public services. We will present the findings to the AGS and Commission as part of the December work programme update and then engage with stakeholders, including the Scottish Parliament's Public Audit Committee, early in 2023. In addition we are:

- Implementing the new approach to impact monitoring, evaluation and reporting. We continue to work towards introducing improved reporting about impact aligned to the new framework in March 2023.
- Improving data on resource deployment across the dynamic work programme to support decision making.
- Developing our approach to service user involvement in our audit work.

**Being a world-class organisation**

**We manage our resources effectively and maximise efficiency**

Key Performance Questions	2020-21				2021-22				2022-23			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Are we managing our resources effectively	✗	✗	✗	✗	↔	↔	↔	↔	↔	↔		
Are we maximising efficiency?	✗	✗	✗	✗	↔	↔	↔	↔	↔	↔		

## Key messages

In the six months to 30 September 2022 Audit Scotland's Net Operating Expenditure was £4,544k which was £5k (0.1 %) better than budget. At the end of September 2022, we were at 94.3% of establishment.

## Resource management

In the six months to 30 September 2022 Audit Scotland's Net Operating Expenditure

	Q1	Q2	Q3	Q4	21/22
<b>Actual</b>	(2,166)	(4,544)			(15,296)
<b>Budget</b>	(2,450)	(4,549)			(16,464)
<b>Variance K</b>	284	5			1,168

## Staff

The average number of staff in the quarter was 94.3% of establishment.

	Q1	Q2	Q3	Q4	21/22
2022/23 establishment w.t.e	341.4	341.4			321.8
Average no. of staff employed in 2022/23 w.t.e:	321.2	322			314.0
No. of staff at end of quarter w.t.e:	324.1	322.4			315.2

### Staff and Agency costs

The total staff costs in six months to 30 September 2022 were £4,676k (3%) better than budget.

	Annual Budget £000	Actual YTD	Budget YTD	Variance	Actual Average WTE	Budget WTE
Total Staff costs 2022-23	21,225	9,569	10,328	759	322.1	337.9
Total agency & secondments 2022-23	15	44	8	(36)		
Q1 Staff costs 2021-22	20,272	9,499	9,625	126	310.9	312.3
Q1 agency & secondments 2021-22	75	92	54	(38)		

### Legal, professional and consultancy:

	Q1	Q2	Q3	Q4
Actual	73	222		
Budget	106	208		
Prior year spend	88	175		

**Estate**

	Q1	Q2	Q3	Q4
<b>Actual</b>	223	485		
<b>Budget</b>	236	476		
<b>Prior year spend</b>	194	401		

**Costs of travel**

We have incurred very little travel and subsistence expenditure as we continue to deliver the majority of our audit work remotely. The current position is an underspend of £50k. Savings of £40k have also been generated in this expenditure heading due to reduced car lease expenditure.

	Q1	Q2	Q3	Q4
<b>Actual</b>	73	169		
<b>Budget</b>	123	259		
<b>Prior year spend</b>	75	149		

**Capital Expenditure:**

The capital budget for 2022/23 is £250k with the capital programme focusing on potential office re-configuration and new IT hardware and software.

The total capital expenditure year to date has reduced from £33k at the end of quarter 1 to £3k at the end of quarter 2. The reduction follows a review of the payments made to Midland MHR to ensure the correct allocation of expenditure between capital and revenue in respect of the implementation of the new business management system.

## Digital Services

IT Network	Q1	Q2	Q3	Q4	21/22 average
IT uptime (%)	100%	99.8%			99.8
Working hours lost	0	489			423
Average time lost per person	0	1.39			1.2

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

- 99.75% of the requests were accepted within the response time Service Level Agreement (SLA).
- 94.98% of the requests were closed within the fix time SLA.
- An average of 3.4 incidents were logged per user.

## Business group audit and non-audit time

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

During Q2 business group audit time was 51.5% which is slightly lower than Q1 last year (52.5%). In Q1 we changed the way we calculate this figure to improve consistency between the business groups.

	22/23 (%)				21/22 (%)			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
<b>ASG</b>	57	60			59	64	45	59
<b>PABV</b>	41	43			41	41	36	48

From Q1 2022-23 we have started using the new Time recording reports created by Digital Services, which draw on all audit days, rather than manual calculations, which previously drew on audit delivery costs only rather than all audit time. The Q2 average cost per audit day is:475

Business Group	Q1	Q2	Q3	Q4
ASG	489	484		
PABV	481	468		

The average cost per audit day audits fluctuates between audits and throughout the year. This is due to the timing of audit work, the grade mix deployed and any changes in the daily rate for audit staff made by the finance team each April.

**Being a world-class organisation**

**We manage information and intelligence effectively (internal)**

Key Performance Questions	2020-21				2021-22				2022-23			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Are we managing information and intelligence effectively (Internal)	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		

## Key messages

### During Q2:

The Strategic Improvement Programme update was reported to Audit Scotland's Board on the 28 September 2022. Significant milestones in some key projects include:

- New audit appointments – the appointments have been made by the Auditor General for Scotland and the Accounts Commission and detailed planning is under way to ensure the smooth transition for the new appointments.
- Our purpose – the Interim Corporate Plan 2022/23 this was agreed by the Board at its meeting on 1 June 2022 and work is under way for the refresh of Public Audit in Scotland, the new Corporate Plan and the Partnership Framework.
- Building Capacity – the Phase 3 of this project is now complete, and the Chief Operating Officer and the Executive Director of Innovation and Quality are in post. The Executive Leadership Team is now at full complement.
- Accounts Commission Change programme – integrated into the SIP programme in June 2022.
- Impact and insight – the project scope was agreed in June 2022.
- Auditing Best Value (BV) – the Accounts Commission agreed the Local Government BV schedule at its meeting on 11 August 2022.
- Learning and development – our new Learning Management System was launched on 15 September 2022.

### Issues/risks

- Hybrid working increases the risk on managing information and impacting on how we work given the increased transit of devices between home and office.
- Phishing emails continue to be a risk to Audit Scotland's cyber security

Being a world-class organisation

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

Key Performance Questions	2020-21				2021-22				2022-23			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Are our people empowered and engaged?	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		
Are our people highly skilled?	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		
Are people performing well?	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		
How effective is communication and collaboration across the organisation?	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		
Are career paths offered across the organisation?	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		
Do we understand and support diversity within the workforce?	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		

## Key Messages:

- A new **Learning and development system** – our new Learning Management System was launched on 15 September 2022. This allows the team to have a central place for most of our E-Learning modules to be held and administered within. We are also about to launch communications to colleagues of how to record 3D conversation dates and Continued Professional Development on iTrent.
- **Absence rates** remain low and are lower in Q2 this year compared to Q2 in 2021-22. We did not have many long-term sickness absence cases in Q2 as in previous years during this same quarter which could be why this figure is lower than average. There is also the possibility that individuals are working when they should be recording and taking time off as sickness absence (presenteeism) as we work in our new hybrid way. This may come through in future pulse surveys or the stress survey - but it is difficult to know for certain at this time.
- **All leavers** are slightly higher in Q2 this year (2.71%) compared to the same quarter in 2021-22 (2.69%). The HR team continue to monitor exit interview data. We are still considerably below the CIPD benchmark of 16%.



- **Graduate recruitment** – we ran an additional campaign in the summer of 2022 to bolster our intake for 2022 and this has been a success, with us making offers to an additional eight new joiners who will be onboard in January 2023. This is positive for the organisation as recruitment has been challenging this year and our graduate recruitment remains our entry pipeline of talent to Audit Scotland and the Audit teams.

#### Career Paths:

Vacancies filled	22/23 YTD	21/22
Internal	18	25
External	24	45
Total	42	70

Absence levels remain low despite a small increase compared to Q1 last year.

	Q1 days	Q2 days	Q3 days	Q4 days	YTD days
Audit Scotland – 22/23	1.11	0.98			2.09
Audit Scotland – 21/22	1.03	1.55	1.55	1.62	5.75
Audit Scotland – 20/21	1.3	1.56	1.66	1.3	5.81
Audit Scotland – 19/20	1.6	0.46	1.33	1.32	4.97

## Staff turnover:

	Q1	Q2	Q3	Q4	YTD	21/22	CIPD benchmark
Resignations %	2.11	2.11			4.22	6.08	n/a
All Leavers %	3.01	2.71			5.72	9.4	16%

## Exam results:

	Q1	Q2	Q3	Q4	YTD	21/22
Exams taken	32	11			43	165
Exams passed	25	7			32	134
% Pass rate	78	64			74	81

## Training:

	Q1		Q2		Q3		Q4		YTD		21/22	
	Events	Attendees	Events	Attendees	Events	Attendees	Events	Attendees	Events	Attendees	Events	Attendees
Health, Safety & Wellbeing	6	6	7	13					13	19	16	61
Knowledge Cafes	0	0	0	0					0	0	1	30
Learning & Development	17	223	2	16					19	239	23	548
Management Development	0	0	0	0					0	0	9	64

	Q1		Q2		Q3	Q4	YTD		21/22	
<b>Organisational Development</b>	30	207	27	183			57	390	65	609
<b>Technical Training</b>	18	150	5	35			23	185	68	1031
<b>Total</b>	71	586	41	247			112	833	<b>181</b>	<b>2313</b>

#### Other training included:

- Professional Scepticism
- Technical update training to audit officers
- Introduction to the AMF
- Developing the scope of a performance audit
- Audit interviewing skills
- Audit methodologies training
- Introduction to the PAC.

#### Forward look

- Roll out of Emotional Intelligence for all managers
- Management Development for 2 Cohorts

#### Issues/ risks

- Currently the recruitment market is challenging. We anticipate more recruitment activity in Q3 – Q4. The circumstances we are in are not unique to Audit Scotland and are recognised widely across the UK, other audit agencies and other firms. At present, we have filled all vacancies to date although we have to use specialist recruitment agencies on some occasions to source candidates and adapt our approach.
- Resource capacity and the increasing volume of business-as-usual work within the HR team remains a challenge to manage. The team are reviewing projects and any work that can be paused or moved forward into 2023 to help with this in the short term until the Head of HR vacancy is filled and subsequent structure of the team can be reviewed. The Learning and Development function will move into the Innovation & Quality business group in January 2023.

# Q2 Financial performance report

Corporate Finance Manager

Item 12

Meeting date: 23 November 2022

---

## Purpose

1. This report presents the financial results for the six months to 30 September 2022.

## Background

2. The detailed finance performance report is provided in Appendix 1 to this paper.
3. The report was discussed by Executive Team on 1 November and Audit Committee on 9 November.

## Discussion

4. At the end of the September 2022 Audit Scotland's Net Operating Expenditure was £4,544k which was £5k (0.1%) better than budget.
5. In-house income was in total £520k (11.9%) worse than budget. Fee income for 2021/22 audits has a negative volume variance of £606k and a positive price variance of £46k. The prior year income of £40k is the balance recognised following the completion of the 2021 EAFA audit.
6. Fee income earned for audits carried out by external firms net of fees and expenses paid to the firms was £18k worse than budget. Income recognition was £274k worse than budget with fees and expenses payable to the external firms being £256k better than budget.
7. Staff costs including agency expenditure was £723k (7.0%) better than budget.
8. Other expenditure £177k (9.8%) worse than budget. The main positive variance was recorded in travel & subsistence (£90k) with the main adverse variances appearing in information technology (£136k), recruitment (£32k) and depreciation (£31k).
9. 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

10. There were no instances of budget virement in excess of £20k in the six months to 30 September 2022.

## Recommendation

11. The Board is invited to note the financial results for the six months to 30 September 2022.

## Headline Results

The summary financial position to 30 September 2022:

£000	Annual Budget	Actual	Budget	Var.	% Var.	Prior Year	Note
Fee Income - In House	8,243	3,862	4,382	(520)	-11.9%	4,187	1
Fee Income - Audit Firms	5,202	2,970	3,244	(274)	-8.4%	3,591	2
Central Charges	5,769	2,854	2,855	(1)	0.0%	2,822	
Rebate	0	0	0	0	-	0	
Interest	0	0	0	0	-	0	
Other Income	0	(2)	0	(2)	-	1	
IAS 19 Income	0	0	0	0	-	0	
<b>TOTAL INCOME</b>	<b>19,214</b>	<b>9,684</b>	<b>10,481</b>	<b>(797)</b>	<b>-7.6%</b>	<b>10,601</b>	
Approved auditors	4,520	2,628	2,884	256	8.9%	3,102	2
Staff salaries and oncosts	21,080	9,569	10,328	759	7.3%	9,499	3
Payroll provisions incl. severance	45	0	0	0	-	0	
Agency and secondment costs	15	44	8	(36)	-450.0%	92	3
IAS 19 Pension costs	100	0	0	0	-	0	
Property costs	1,046	485	476	(9)	-1.9%	401	
Travel and subsistence	525	169	259	90	34.7%	149	4
Legal, professional and consultancy	928	222	208	(14)	-6.7%	175	
Training	523	159	140	(19)	-13.6%	158	5
Recruitment	180	144	112	(32)	-28.6%	88	5
Printing and office costs	235	113	107	(6)	-5.6%	104	
Information technology	526	398	262	(136)	-51.9%	326	6
Audit	60	37	30	(7)	-23.3%	32	7
Depreciation	340	218	187	(31)	-16.6%	150	8
Other costs	478	42	29	(13)	-44.8%	23	9
<b>EXPENDITURE</b>	<b>30,601</b>	<b>14,228</b>	<b>15,030</b>	<b>802</b>	<b>5.3%</b>	<b>14,299</b>	
<b>NET OPERATING (EXPENDITURE)</b>	<b>(11,387)</b>	<b>(4,544)</b>	<b>(4,549)</b>	<b>5</b>	<b>0.1%</b>	<b>(3,698)</b>	

Funded by Scottish Consolidated Fund    11,387    4,544    4,549    (5)    3,698

## 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 30 September 2022 for in-house audits:

Sector	2021/22 Audit Year			Prior Years	Total
	Volume		Price		
	WIP %	£	£	£	£
Local Government	-3.49	-164	+38	-	-126
Health	-14.78	-228	+6	-	-222
FE	-17.38	-9	-	-	-9
Central Government	-9.90	-105	+2	-	-103
Non-statutory	-20.95	-100	-	+40	-60
Total – Sep 22	-7.74	-606	+46	+40	-520

#### Local Government

Local Government audits for 2021/22 are 3.49% behind planned budget leading to a negative volume variance of £164k. There is a positive price variance of £38k with the most significant increases being applied to Aberdeenshire Council, Angus Council, Dundee City Council, Fife Council, Moray Council, Renfrewshire Council, Scottish Borders Council and South Lanarkshire Council. The main reason for the increase in fees at this stage of the audit process is due to the additional audit work required on charitable trust accounts.

#### Health

The 2021/22 health audits are 14.78% behind plan leading to a negative volume variance of £228k. The positive price variance is due to fee increases being applied to NHS National Services Scotland and NHS Tayside.

#### Further Education (FE)

ASG undertake 2 FE audits, Dundee & Angus College and Edinburgh College. Both these audits are in progress but behind the phased plan. It is expected that these audits will be complete by the target deadline of the end of December.

#### Central Government

Central Government chargeable audits are 9.90% behind plan leading to a negative volume variance of £105k. There is a minor positive price variance due to an increase in fee being identified for the new public body, Office of The Scottish Biometrics

Commissioner. Annual audits in this sector are expected to be complete by the statutory deadline.

### Non-statutory

The European Agricultural Fund Account (EAFA) audit for 2020/21 is now complete and is recognised in the prior year adjustment of £40k. The fee level for 2021/22 remains at the prior audit year level of £550k. Currently we are 20.95% behind plan leading to a negative volume variance of £100k. It is projected that the audit will be complete by the target deadline of February 2023.

## **2. Fee income and expenditure – Audit Firms**

The negative income variance of £274k is reduced by the positive expenditure variance of £256k for approved auditors. The overall £18k adverse variance in expenditure is due to the budget phasing of non-chargeable audits and this will correct itself on completion of the audit work.

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 30 September 2022:

Sector	2021/22 Audit Year		Prior Years	Total
	Volume	Price		
	WIP %	£	£	£
Local Government	-8.94	-267	+54	-
Health	-3.68	-40	+40	-
Water	-	-	-	-
FE	-7.44	-34	+19	-
Central Government	-10.56	-62	+16	-
<b>Total – Sep 22</b>	<b>-8.05</b>	<b>-403</b>	<b>+129</b>	<b>-</b>

### Local Government

Audits in the local government sector for 2021/22 are 8.94% worse than budget leading to a negative volume variance of £267k. Currently the audit firms have agreed fees above expected fees leading to a positive price variance of £54k. The most significant increases in the sector have been applied to Aberdeen City Council, Highland Council, City of Edinburgh Council, Lothian Pension Fund and West Lothian Council.

### Health

Health audits for 2021/22 are slightly behind schedule leading to a negative volume variance of £40k. This has been offset by fee increases that recognises £40k additional income. The main increases have been applied to Public Health Scotland and NHS Lothian.

## Water

The 2021/22 audit is complete.

## Further Education (FE)

2021/22 audits are 7.44% behind plan leading to a negative volume variance of £34k. There is also a positive price variance of £19k. This is mainly due to agreed fee increases being applied to Lews Castle College, North Highland College, Perth College and South Lanarkshire College.

## Central Government

Central government chargeable audits for 2021/22 are 10.56% behind plan. The positive price variance relates to agreed fee increases with Crown Estate Scotland, Crofting Commission and SEPA being the bodies with the largest fee increase.

### 3. Staff & Agency Costs

Business Group	Annual Budget £000	Actual £000	Budget £000	Variance £000	Actual Average w.t.e.	Average Budget w.t.e.	Note
ASG staff costs	10,778	5,089	5,366	277	179.8	182.8	a)
ASG agency & secondments	15	0	8	8			
PABV staff costs	5,381	2,409	2,690	281	77.5	85.5	b)
PABV agency & secondments	0	0	0	0			
CSG staff costs	2,547	1,155	1,275	120	37.9	41.2	c)
CSG agency & secondments	0	27	0	(27)			
Business Support staff costs	932	435	466	31	22.1	23.6	d)
Business Support agency & secondments	0	17	0	(17)			
Governance & Other staff costs	1,587	481	531	50	4.8	4.8	e)
Governance & Other agency & secondments	0	0	0	0			
<b>Total staff costs</b>	<b>21,225</b>	<b>9,569</b>	<b>10,328</b>	<b>759</b>	<b>322.1</b>	<b>337.9</b>	
<b>Total agency &amp; secondments</b>	<b>15</b>	<b>44</b>	<b>8</b>	<b>(36)</b>			

- a) There is an underspend (£277k) year to date with the actual average whole time equivalent (w.t.e.) being 3.0 less than budget, which equates to £85k. The price variance of £192k is due to the turnover of staff and the pay scale they are on compared to budget. There is also an element of national insurance and employer pension budgets that includes the impact of the cost of living pay award, which is yet to be agreed. This will reduce on implementation and backdating of the annual pay award.

There have been no agency costs year to date.

- b) PABV underspend of £281k is due to the current level of vacant positions which are currently going through the recruitment process. The w.t.e. saving of 8.0 equates to £249k. The price variance element of £32k is mainly due to the delayed implementation of the 2022 pay award.
- c) The average staff resource in CSG has been 3.3 w.t.e. less than budget leading to year to date underspend of £102k. The price variance of £18k also relates to the delayed 2022 pay award.



Agency costs relate to the requirement for a temporary HR Advisor and a Comms position which are being funded by the savings generated through vacant posts.

- d) Business support underspend generated through vacant posts that we are in the process of recruiting to. There is a w.t.e. saving of £29k and a price variance of £2k.

Agency expenditure of £17k relates to temporary cover for a vacant Executive Assistant post.

- e) The expenditure in Governance & Other is less than budget mainly due to savings generated by the Chief Operating Officer (COO) and Executive Director Audit Services Group (EDASG) vacancies. Both these posts have been filled. There is a new post of Executive Director Innovation & Quality which has been filled and will be funded from savings generated in the first two quarters of the financial year with the balance to be met from management contingency.

#### **4. Travel and subsistence**

We have incurred very little travel and subsistence expenditure as we continue to deliver the majority of our audit work remotely. The current position is an underspend of £50k.

Savings of £40k 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.

#### **5. Training and recruitment**

The overspend in recruitment expenditure is due to the unbudgeted costs incurred for the recruitment of a Controller of Audit for the Accounts Commission (£57k).

The overspend in training is a timing issue in respect of ICAS costs for professional trainees. The budget has been phased based on the prior year expenditure profile which has changed this financial year. Overall training expenditure is on course to be within budget for the full year.

#### **6. Information technology**

The budget overspend relates to increased software support costs for the new business management system and also additional licences, particularly relating to the work being developed on the R-studio digital audit reporting tool. Additional centrally held budget (Govtech) will be allocated to meet the additional licence costs and savings in other budget headings is being used to meet the increase in support costs.

#### **7. Audit costs**

The main reason for the overspend in audit costs is a final BDO invoice being received for work undertaken in the previous year. This is not material and can be met from savings generated in other subjective headings.

#### **8. Depreciation**

Overspend relates to the increased capital investment in 2021/22 which impacts on the future year's depreciation requirement. An in-year budget transfer is being made in the Spring Budget Revision to cover this increase from within existing allocated budgeted.

## 9. Other costs

The main reason for the overspend in other costs is due to the timing of the annual wellness checks. This is the first time since the Covid-19 pandemic that the health checks have been offered to colleagues and they have been delivered in the first six months of this financial year. In the past they were delivered in the final quarter of the financial year.

## Contingency and Financial risks

The 2022/23 budget includes a contingency allocation of £500k with the Executive Team (ET) responsible for its allocation.

As at the end of September budget transfers of £100k have been approved by ET to meet the additional costs of the Edinburgh office rent review and also the balance due in respect of senior management recruitment costs. It is expected that there will be a requirement for further contingency allocations to meet the additional costs of the new posts as part of the management restructuring programme, Accounts Commission change programme and a pay award settlement for 2022/23.

The financial risks that could impact on our ability to deliver within the 2022/23 budget allocation include:

- The final agreed pay award settlement for 2022/23 and cost of living pressures
- Impact of firms' procurement exercise on fees
- Accounts Commission additional support
- Work in progress position for 2022/23 audit work at 31 March 2023
- Resourcing pressures and additional cost of audit
- Pension fund pressures
- Inflationary pressures

Longer-term financial planning and preparation of the 2023/24 budget proposal is considering the implications of the following:

- Future pay award settlements
- SCF funding pressures
- SCPA continue to support funding increase
- Impact on fees and funding
- Accounts Commission change programme
- Auditing post Covid-19 (onsite, remote, hybrid)
- Digital and climate change audit
- Carbon emission targets
- EAFA audit
- Estate Strategy

## Capital Expenditure and Funding

The capital budget for 2022/23 is £250k with the capital programme focusing on potential office re-configuration and new IT hardware and software.

The total capital expenditure year to date has reduced from £33k at the end of quarter 1 to £3k at the end of quarter 2. The reduction follows a review of the payments made to Midland MHR to ensure the correct allocation of expenditure between capital and revenue in respect of the implementation of the new business management system.

**Stuart Dennis**

Corporate Finance Manager

1 November 2022

---

## Purpose

1. This report invites the Board to approve updates to the Standing Orders, the Financial Regulations and the Staff Code of Conduct.

## Recommendations

2. The Board is invited to approve the proposed changes to the
  - Standing Orders
  - Financial Regulations
  - Staff code of conduct.

## Background

3. At its meeting on 28 September 2022 the Board undertook its [annual review](#) of the corporate governance documents. The review covered the Standing Orders, Scheme of Delegation, the Financial Regulations and the codes of conduct for members and for Audit Scotland staff.
4. Following discussion at the meeting and e-mail correspondence further amendments have been made to the Standing Orders and the Financial Regulations. There is also a proposed minor amendment to the Staff Code of Conduct.

## Considerations

5. The proposed amendments are as follows. All amendments are shown as tracked changes in the appendices to this report.
6. In the [Standing Orders](#):
  - An addition to paragraph 3, referencing the Local Government (Scotland) Act 1973 in relation to the Accounts Commission's power to incur expenses
  - A new paragraph at paragraph 6 referencing the Accountable Officer responsibilities under section 18 of the Public Finance and Accountability (Scotland) Act 2000
  - The deletion of a paragraph (previously paragraph 21) in relation to the suspension of Standing Orders.
7. In the [Financial Regulations](#):
  - An addition to paragraph 3 as per the above in relation to the Accounts Commission's power to incur expenses

- A new section (paragraph 4) in relation to the powers of direction by the Auditor General and the Accounts Commission.
8. The amendments above provide additional clarity by directly referencing the underpinning legislation.
  9. In relation to the Staff Code of Conduct there is [one proposed minor amendment](#). This is in relation to paragraph 18 which covers the submission of Fit and Proper Forms. It is proposed that the review of these for colleagues in the Corporate Services Group is done by the Director of Corporate Support (in the September report this was shown as the Chief Operating Officer). The proposed amendment reflects the new business group structure. Given the minor nature of this change the full Code of Conduct is not appended to this report.

## Conclusion

10. The Board is invited to approve the proposed amendments to the Corporate Governance Documents.

# Standing Orders

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

---

# Contents

<b>Standing orders .....</b>	<b>5</b>
Introduction .....	5
Constitution .....	5
Chair .....	6
Meetings .....	6
Agenda and Papers.....	6
Conduct of Business .....	6
Minutes .....	7
Directions .....	7
Vacancy .....	8
Code of Conduct .....	8
Committees .....	8
Deeds and Documents.....	98
Advisers and Committee Co-optees .....	98
Openness and Transparency .....	9
Board Effectiveness .....	9
Application of Standing Orders.....	9
Alteration.....	9
<b>Appendix 1: Audit Committee remit .....</b>	<b>10</b>
Internal Control and Corporate Governance .....	10
Internal Audit .....	10
External Audit.....	11
Annual Accounts .....	11
Standing Orders, Financial Regulations and Scheme of Delegation .....	11
Other duties.....	11
<b>Appendix 2: Remuneration &amp; Human Resources Committee remit .....</b>	<b>12</b>
Remuneration & Human Resources Committee responsibilities .....	12
Other duties.....	13
<b>Appendix 3: Appeals Committee remit.....</b>	<b>14</b>
<b>Appendix 4: Co-option procedure .....</b>	<b>15</b>



---

Introduction .....	15
Reasons for co-option .....	15
Nominations process.....	15
Application process .....	15
Term of Office .....	15
Remuneration.....	16
Conduct of co-opted members .....	16
Engagement with Scottish Commission for Public Audit.....	16

# Standing orders

## Introduction

1. The Constitution and membership of Audit Scotland is unusual in having both members appointed by the Scottish Parliament and members with or having access to Direction giving powers. The Board will seek to operate on a consensus basis recognising that on occasion a majority decision may be reached and that the Auditor General and the Accounts Commission may issue Directions for the purpose of or in connection with the exercise of Audit Scotland's functions in relation to either or both of them.

## Constitution

2. Audit Scotland is a body corporate established under section 10 of the [Public Finance and Accountability \(Scotland\) Act 2000](#) ("the Act").
3. The function of Audit Scotland is to provide such assistance and support as the Auditor General and the Accounts Commission require in the exercise of their respective functions and, in particular, to provide them, or ensure that they are provided, with the property, staff and services which they require for the exercise of those functions. [Section 98 of the Local Government \(Scotland\) Act 1973 provides that the Commission shall have power to incur such expenses as appear to them to be necessary or expedient for the proper discharge of their functions, and such expenses shall be met by Audit Scotland.](#)
- 3-4. The Auditor General and the Accounts Commission may give directions to Audit Scotland in connection with the exercise of their functions. Detailed provisions about the operation of Audit Scotland are contained in Schedule 2 to the Act as amended by the Public Services Reform (Scotland) Act 2010.
5. The Board remains responsible for the exercise of all functions of Audit Scotland. It exercises its powers and authorities through the Scheme of Delegation, which it determines and approves on an annual basis.
- 4-6. [Under section 18 of the Public Finance and Accountability \(Scotland\) Act 2000 the Accountable Officer is responsible for ensuring the propriety and regularity of the finances of Audit Scotland and ensuring that the resources of Audit Scotland are used economically, efficiently and effectively.](#)
- 5-7. The members of Audit Scotland are the Auditor General, the Chair of the Accounts Commission and three other members appointed by the Scottish Commission for Public Audit.
- 6-8. The three other members will be appointed under terms and conditions, including remuneration, as determined by the Scottish Commission for Public Audit. The Auditor General and the Chair of the Accounts Commission may not receive any remuneration as members of Audit Scotland.

**7-9.** Members of Audit Scotland may terminate their appointments at any time by notifying, in writing, the appropriate appointing body, and following the prescribed period in the letter of engagement.

**8-10.** In these Standing Orders the members of Audit Scotland meeting together to discharge their functions are referred to as the Board.

## Chair

**9-11.** The Scottish Commission for Public Audit will appoint one of the members of Audit Scotland which it has appointed to preside at the meetings of the Board ("the Chair").

## Meetings

**10-12.** Meetings will be held in public at times, dates and places agreed by the members. In addition, a meeting may be called at any time by the Chair or by not less than three members giving the Chief Operating Officer a written request for such a meeting stating the business to be transacted. The use of MS Teams video or telephone conferencing by members will be deemed as attendance at the meeting.

**11-13.** In exceptional circumstances, for example, where office locations are closed and all employees are required to work from home, meetings will take place by MS Teams. To ensure digital security during this time, these meetings may not be open to the public. Meetings will be recorded and shared online alongside the agenda and reports from the meetings. Audit Scotland is currently considering live streaming of Board meetings and investigating options for extending the public access to face to face and hybrid meetings.

## Agenda and Papers

**12-14.** The Chair will approve the Board agenda, including the consideration of items to be taken in private, 10 working days prior to the scheduled meeting, following discussion with the Chief Operating Officer.

**13-15.** At least five clear working days before a meeting of the Board the Chief Operating Officer will send written notice of the approved time and place of the meeting and of the business to be transacted to each member. So far as possible, reports and other papers relating to agenda items will be circulated with the agenda.

**14-16.** At least two clear working days before a meeting of the Board the Chief Operating Officer will publish the meeting agenda and reports and papers to be taken in public on the Audit Scotland website.

## Conduct of Business

**15-17.** The Chair, if present, will preside. If the Chair cannot be present the Board must appoint one of the other members appointed by the Scottish Commission for Public Audit to preside at the meeting.

- ~~16-18.~~ No business other than that stated in the notice of the meeting will be transacted at that meeting other than with the consent of the Chair and a minuted explanation of why the matter had to be conducted without the standard notice.
- ~~17-19.~~ The Chair of the meeting will decide all questions of order, relevancy and conduct of business during the meeting.
- ~~18-20.~~ A quorum for a meeting of the Board is three members including those present by MS Teams. The Auditor General and the Chair of the Accounts Commission must be present for a quorum to be constituted, save that in the event that the Auditor General and/or the Chair of the Accounts Commission are unable to attend a meeting of the Board, either may confirm, by giving notice in writing, by email or where circumstances require verbally by telephone prior to the commencement of the meeting, that (i) they consent to the meeting proceeding in their absence; (ii) that the meeting may be deemed to be quorate notwithstanding their absence provided the other requirements for a quorum to be constituted as set out in paragraphs 18, 19 and 20 are met; and (iii) that any business detailed on the agenda circulated pursuant to paragraph 13 and transacted at the meeting shall be deemed to be transacted validly provided that all other requirements of these Standing Orders are complied with.
- ~~19-21.~~ Where the Auditor General and/or the Chair of the Accounts Commission consents to a meeting proceeding in their absence, they shall, within five working days of the date of the meeting, be provided with a copy of the draft minutes of the meeting produced pursuant to paragraph 22.
- ~~20-22.~~ No business which is not detailed on the agenda circulated pursuant to paragraph 12, and which the Board deems to be material to the operation of Audit Scotland, shall be transacted at a meeting at which either the Auditor General and/or the Chair of the Accounts Commission is not present.
- ~~21.~~ ~~At any meeting the Board may suspend Standing Orders for the duration of the meeting or of any item of business provided a majority of the members present so agree.~~

## Minutes

- ~~22-23.~~ Minutes of every meeting of the Board will be drawn up and will be approved at the following meeting.

## Directions

- ~~23-24.~~ Section 10(4) of The Public Finance and Accountability (Scotland) Act 2000 ("the Act") provides that:-
- ~~24-25.~~ 'Directions may be given to Audit Scotland—
- ~~25-26.~~ (a) by the Auditor General, for the purpose of or in connection with the exercise of Audit Scotland's functions in relation to the Auditor General,

**26-27.** (b) by the Accounts Commission, for the purpose of or in connection with the exercise of Audit Scotland's functions in relation to the Commission.'

**27-28.** Section 27(4) of the Act provides that:

**28-29.** 'Directions under sections 10(4) and 19(4) and paragraph 6 of schedule 3 are to be given in writing and may be varied or revoked by subsequent directions under the same provision.'

**29-30.** In accordance with the provisions of sections 10(4) and 27(4) of the Act any directions given by the Auditor General or the Accounts Commission to Audit Scotland must be given in writing.

**30-31.** Following receipt of any direction given by the Auditor General or the Accounts Commission, Audit Scotland will hold a board meeting to consider the direction with regard to its own response.

## Vacancy

**34-32.** The proceedings of the Board will not be invalidated by any vacancy in membership or by any defect in the appointment of any person.

## Code of Conduct

**32-33.** Each member will abide by the Code of Conduct for Members of the Audit Scotland Board current at any time.

## Committees

**33-34.** The Board may appoint standing or ad hoc committees consisting of such numbers as the Board may determine. Committees may consist of members and other suitable persons chosen by the Board.

**34-35.** The Board will establish an Audit Committee with the terms of reference contained in Appendix 1.

**35-36.** The Board will establish a Remuneration & Human Resources Committee with the terms of reference contained in Appendix 2.

**36-37.** The Board will establish an Appeals Committee with the terms of reference contained in Appendix 3.

**37-38.** Any committee will operate within the terms of remit and any delegation made to it by the Board.

## Deeds and Documents

~~38.~~39. Any deed or document requiring formal execution by Audit Scotland will be signed for and on behalf of Audit Scotland by the Chair of the Accounts Commission or the Auditor General for Scotland and the Chief Operating Officer.

## Advisers and Committee Co-optees

~~39.~~40. The Board may appoint advisers and/or co-optees to Committees and pay them such remuneration and expenses as the Board decide. The co-option appointment procedure is contained in Appendix 4.

~~40.~~41. Employees of Audit Scotland, advisers and others may be present at items taken in private at meetings of the Board at the invitation of the members.

## Openness and Transparency

~~41.~~42. The Board meet in public where possible. Agendae, minutes and papers to be considered will be published on the Audit Scotland website. Meetings may be conducted by video conference. In these instances, meetings may not be held publicly, though in the interests of inclusivity and upholding our commitment to transparency agendas, minutes, reports and recordings of meetings will be published online.

## Board Effectiveness

~~42.~~43. The Board will conduct a self-evaluation of its effectiveness on an annual basis.

## Application of Standing Orders

~~43.~~44. These Standing Orders will apply to meetings of committees of the Board subject to any due modification of details.

## Alteration

~~44.~~45. These Standing Orders may be altered by the Board provided that the alteration is approved by a majority of the members of the Board.

# Appendix 1: Audit Committee remit

**45-46.** The Audit Committee will consist of members of the Board. The Board may appoint persons who are not members of the Board to be members of or advisers to the Audit Committee and may pay them such remuneration and expenses as the Board decides. The Chair of the Board and the Accountable Officer may not be members of the Audit Committee but may attend meetings.

**46-47.** The purposes of the Audit Committee are detailed in the Audit Committee terms of reference. The key points are:

## Internal Control and Corporate Governance

**47-48.** To evaluate the framework of internal control, strategic processes for risk and corporate governance comprising the following components:

- Control Environment.
- Risk Management.
- Information and Communication.
- Control Procedures.
- Monitoring and Corrective Action.
- Audit quality monitoring and arrangements.

**48-49.** To review the system of internal financial control, which includes:

- The safeguarding of assets against unauthorised use and disposal.
- The maintenance of proper accounting policies and records and the reliability of financial information used within the organisation or for publication.
- To ensure that Audit Scotland's activities are within the law and regulations governing them.
- To monitor performance and best value by reviewing the economy, efficiency and effectiveness of operations.
- To present an annual statement of assurance to the Board to support the Accountable Officer's governance statement.

## Internal Audit

- To review the Terms of Reference and appointment of the internal auditors.
- To review and approve the internal audit strategic and annual plans.
- To monitor audit progress and review audit reports.

- To monitor the management action taken in response to the audit recommendations through an appropriate follow up mechanism.
- To consider internal audit's annual report and assurance statement.
- To review the operational effectiveness of internal audit by considering the audit standards, resources, staffing, technical competency and performance measures.
- To ensure that there is direct contact between the Audit Committee and internal audit and that the opportunity is given for discussions with internal audit who should attend every meeting of the Committee.

## External Audit

49-50. To consider all audit material, in particular:

- Audit Reports.
- Annual Reports.
- Management Letters.
- Management Reports.

50-51. To monitor management action taken in response to all external audit recommendations.

51-52. To hold meetings with the external auditors at least once per year and, as required, without the presence of senior management.

52-53. To review the extent of co-operation between external and internal audit.

53-54. The external auditor will be appointed by the Scottish Commission for Public Audit under Section 25 of the 2000 Act. The external auditor will examine and certify the account and report on the account to the Commission. The Commission must lay before the Parliament a copy of the account and the auditor's report and publish the account and that report.

## Annual Accounts

54-55. To review and recommend approval of the Annual Accounts.

## Standing Orders, Financial Regulations and Scheme of Delegation

55-56. To keep under review the Standing Orders, Financial Regulations and Scheme of Delegation and recommend to the Board any amendments.

## Other duties

56-57. The Audit Committee may take on other duties as determined by the Audit Scotland Board.



# Appendix 2: Remuneration & Human Resources Committee remit

**57-58.** The Remuneration & Human Resources Committee (Remco) will consist of members of the Board. The Accountable Officer became a formal member of Remco during 2021. The Board may appoint persons who are not members of the Board to be members of or advisers to the Remuneration & Human Resources Committee and may pay them such remuneration and expenses as the Board decided.

**58-59.** The purposes are detailed in the Remuneration & Human Resources Committee terms of reference.

## Remuneration & Human Resources Committee responsibilities

**59-60.** In relation to members of Audit Scotland's Executive Team, are to:

- Review and approve all terms & conditions of employment, including job descriptions, all pay and benefit reward elements associated with each post.
- Ensure remuneration policy and strategy is aligned to the relevant public sector policies being implemented by the UK and Scottish Governments.
- Set and review the overall reward structure, including the value of pay ranges and general annual pay award strategy.
- Assure itself that effective arrangements are followed for performance assessments in respect of Audit Scotland's Executive Team, including any changes to pay and benefits arising from the assessment of performance during the review period.
- Review talent management and succession planning arrangements.
- Approve remuneration packages for newly appointed members of the Executive Team.
- Recommend appointments and changes affecting Executive Team to the Board.
- Decide on applications for early retirement.
- Determine compensation payments for loss of office.
- Agree, oversee and review the operation of expenses policy.
- Review the expense claims of the Accountable Officer on an annual basis.

**60-61.** In relation to other staff employed by Audit Scotland, are to:

- Determine the remuneration policy governing all terms and conditions of employment, including pay, benefits, retirement policy and other policies relating to compensation for loss of office.

- Ensure remuneration policy and strategy is aligned to the relevant public sector policies being implemented by the UK and Scottish Governments.
- Approve the parameters for the annual pay award cycle.
- Review, not less than annually, the application of remuneration policy.
- Assure itself about any issues relating to the overall performance of employees.

## Other duties

~~64-62.~~ The Remuneration & Human Resources Committee may take on other duties as determined by the Audit Scotland Board.

# Appendix 3: Appeals Committee remit

~~62.63.~~ The Appeals Committee will consist of at least two members of the Board.

~~63.64.~~ The purpose of the Appeals Committee is:

- To consider and dispose of any matters requiring independent deliberation which may be referred to it by the Board.
- To hear and dispose of appeals by members of the Executive Team under the Audit Scotland disciplinary and grievance procedures.

# Appendix 4: Co-option procedure

## Introduction

**64-65.** Audit Scotland's standing orders state that:

- The Board may appoint standing or ad hoc committees consisting of such numbers as the Board may determine. Committees may consist of members and other suitable persons chosen by the Board.
- The Board may appoint advisers and/or co-optees to Committees and pay them such remuneration and expenses as the Board decide. Employees of Audit Scotland, advisers and others may be present at items taken in private at meetings of the Board at the invitation of the members.

## Reasons for co-option

**65-66.** There may be times when specialist expertise is required which the Board may be unable to fulfil, or when the current or future balance of skills available to the Board's committees may need strengthened.

**66-67.** The Board should discuss and agree the specification of skills and experience being sought through co-option.

## Nominations process

**67-68.** If the Board agrees to co-opt to its committees to fulfil requirements identified under 60 above, an advertisement seeking expressions of interest will be placed on Audit Scotland's website.

## Application process

**68-69.** Applicants for co-option should provide a written statement of their relevant skills and a CV.

**69-70.** Following a shortlisting process, applicants will be interviewed by the Chair of the Board and the Chair of the relevant committee, plus one other member of the Board.

**70-71.** Candidates and interviewers must declare any relationships or potential conflicts of interest to the Chair.

**71-72.** The Board should approve the final recommendation from the Chair.

## Term of Office

**72-73.** Co-option is intended to provide specific skills for a fixed term as determined by the Board.

~~73-74.~~ There is potential for renewal, subject to the approval of the Board.

## Remuneration

~~74-75.~~ Remuneration, where applicable, will be determined by the Board and will be no greater than the rate set by the SCPA for Board members.

## Conduct of co-opted members

~~75-76.~~ Co-opted members will be required to follow the Audit Scotland Code of Conduct for Board members, and the associated disclosure requirements, and their appointment may be terminated by the Chair, subject to the approval of the Board.

## Engagement with Scottish Commission for Public Audit

~~76-77.~~ The Board will write to the Scottish Commission for Public Audit in advance of the co-option of members to a Committee, setting out:

~~76.1-77.1.~~ the reason for co-opting

~~76.2-77.2.~~ the process by which any appointments will be made.

# Financial Regulations



Audit Scotland Board  
October 2022

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

---

# Contents

<b>Financial regulations .....</b>	<b>4</b>
Introduction .....	4
Definitions and interpretation .....	<u>54</u>
Corporate Plan .....	5
Budget.....	5
Budgetary control and reporting .....	<u>65</u>
Accounting .....	6
Bank accounts.....	<u>76</u>
Credit Cards .....	7
Income .....	7
Investments and borrowings.....	<u>87</u>
Insurance .....	8
Tendering procedures .....	8
Payment of accounts.....	9
Audit.....	10
Security and Fraud Prevention .....	<u>114</u> <del>10</del>
Salaries, wages and pensions.....	11
Travelling, subsistence, expenses and other allowances.....	12
Observance of Financial Regulations .....	12
Variation of Financial Regulations .....	<u>13</u> <del>12</del>



# Financial regulations

## Introduction

1. Audit Scotland is a body corporate established under section 10 of the Public Finance and Accountability (Scotland) Act 2000. It came into existence on 1 April 2000 under the Public Finance and Accountability (Scotland) Act 2000 (Commencement) Order 2000 (SSI 2000 Number 10(c.1)).
2. The Board of Audit Scotland consists of the Auditor General for Scotland (AGS), the Chair of the Accounts Commission and three other members appointed by the Scottish Commission for Public Audit, one of which will be appointed as Chair.
3. Audit Scotland's function is to provide such assistance and support as the AGS and the Accounts Commission require in the exercise of their respective functions and, in particular, is to provide them, or ensure that they are provided, with the property, staff and services which they require for the exercise of those functions. [The Accounts Commission shall have power to incur such expenses as appear to them to be necessary or expedient for the proper discharge of their functions, and such expenses shall be met by Audit Scotland.](#)
4. Directions may be given to Audit Scotland by:
  - 4.1. The Auditor General, for the purpose of, or in connection with the exercise of Audit Scotland's functions in relation to the Auditor General,
  - 2.1.4.2. The Accounts Commission, for the purpose of, or in connection with the exercise of Audit Scotland's functions in relation to the Accounts Commission
- 3-5. Audit Scotland may impose reasonable charges in respect of the exercise of its functions. In determining the amounts of the charges Audit Scotland must seek to ensure that the total sum received in respect of the charges is, taking one year with another, broadly equivalent to its expenditure. Any expenditure not met out of sums received is payable out of the Consolidated Fund.
- 4.6. The Scottish Commission for Public Audit (SCPA), established under section 12 of the Public Finance and Accountability (Scotland) Act 2000, has the duty to designate an accountable officer for Audit Scotland. The SCPA has designated the Auditor General as the Accountable Officer. The responsibilities of the Accountable Officer are set out in section 18 of the 2000 Act. They are:
  - 4.1-6.1. signing the accounts of the expenditure and receipts of Audit Scotland;
  - 4.2-6.2. ensuring the propriety and regularity of the finances of Audit Scotland; and
  - 4.3-6.3. ensuring that the resources of Audit Scotland are used economically, efficiently and effectively.

**5-7.** All members of the Board and all employees, shall conduct their business with diligence and with a view to the security of the property of Audit Scotland, avoiding loss, exercising economy and efficiency in the use of resources and conforming with the requirements of Standing Orders, Financial Regulations and the Scheme of Delegation.

**6-8.** The Board has made Standing Orders, these Regulations and a Scheme of Delegation to govern the operation of Audit Scotland. They should be read together.

## Definitions and interpretation

**7-9.** In these Regulations terms will have the following meanings:

**7-1-9.1.** “the 2000 Act” means the Public Finance and Accountability (Scotland) Act 2000

**7-2-9.2.** “the 1973 Act” means the Local Government (Scotland) Act 1973

**7-3-9.3.** “the Board” means the members of Audit Scotland acting together to discharge the functions of Audit Scotland

**7-4-9.4.** “the Executive Team” consists of the Auditor General for Scotland, the Chief Operating Officer, the Executive Director of Audit Services, the Executive Director of Performance Audit and Best Value and the Executive Director of Innovation and Quality, or such other combination of officers as may be determined from time to time by the Board.

## Corporate Plan

**8-10.** A Corporate Plan will be prepared and will be reviewed annually by the Board. It will set out the strategic approach to be adopted by Audit Scotland in performing its functions. So far as possible, it will outline the financial consequences of proposals contained in it.

**9-11.** The Corporate Plan will be approved by the Board.

## Budget

**10-12.** The financial year of Audit Scotland is 1 April to 31 March.

**11-13.** Proposals for the use of resources and expenditure for each financial year will be submitted to the SCPA at such times as the Commission requires to enable it to examine the proposals and report to the Parliament under section 11(9) of the 2000 Act.

**12-14.** Estimates of expenditure and income will be submitted as budget proposals to the Board for approval prior to the submission to the SCPA. Provided the SCPA report has been submitted to and approved by Parliament, a final version of the budget will be submitted to the Board not later than 31 March in the year preceding the financial year to which it relates.

**13-15.** In the event that Parliament has not approved the budget, a version of the budget that includes our best estimate of operational changes will be submitted to the Board by 31 March. A final version to be submitted when the Scottish Government budget is passed.

~~14.16.~~ No expenditure will be incurred unless there is provision for the expenditure within the overall budget approved by the Board. Approval of expenditure where there is no provision within the overall budget will be made by the Board. (Scheme of delegation 3.1)

~~15.17.~~ There may be virement within the budget, in accordance with the Scheme of Delegation. (Scheme of delegation 3.2 and 3.3)

## Budgetary control and reporting

~~16.18.~~ Financial performance will be monitored against budget and reported regularly to the Executive Team and at least quarterly to the Board.

~~17.19.~~ Systems of budgetary control will be devised and maintained to include:

~~17.1.19.1.~~ Regular financial reports as prescribed above containing -

~~17.1.1.19.1.1.~~ income and expenditure to date and, when relevant, forecast year end position

~~17.1.2.19.1.2.~~ explanations of any material variations

~~17.1.3.19.1.3.~~ details of any corrective action necessary

~~17.1.4.19.1.4.~~ virement

~~17.2.19.2.~~ The issue of timely, accurate and comprehensible advice on financial reports to each budget holder covering the areas for which they are responsible

~~17.3.19.3.~~ Arrangements for the authorisation of virement.

~~18.20.~~ Each budget holder will be responsible for the management of their budgets within the approved policies of the Board.

~~19.21.~~ In exceptional circumstances, for example, a national pandemic increased reporting on financial performance may be required by the Incident Management Team, Audit Committee and Board.

## Accounting

~~20.22.~~ An effective system of internal financial control will be maintained including detailed financial procedures and systems incorporating the principles of separation of duties and internal checks. These will be documented and maintained.

~~24.23.~~ Proper records will be maintained to show and explain Audit Scotland's transactions in order to disclose, with reasonable accuracy, the financial position of Audit Scotland at any time.

~~22.24.~~ Accounting policies will be set consistent with appropriate guidance and all accounting procedures and records will be consistent with any form of accounts prescribed. Accounting policies will be approved by the Board. (Scheme of delegation 3.4)

[23-25.](#) Annual Accounts will be prepared and submitted to the Board for approval no later than 31 August in respect of the financial year finishing on the 31 March.

## Bank accounts

[24-26.](#) HM Treasury require public bodies to operate a bank account through the Government Banking Service (GBS), to allow the transfer of monies from central accounts to public bodies and vice-versa.

[25-27.](#) Apart from the requirement to use a bank specified by the GBS for the transfer of central funds, Audit Scotland will, for day to day banking and transactions, make arrangements for the appointment of bankers in accordance with the provisions for the letting of contracts set out in these Regulations.

[26-28.](#) No Audit Scotland monies will be held in any bank accounts outwith those approved by the Board.

[27-29.](#) Detailed arrangements and instructions on the operation of bank accounts will be prepared and maintained as Treasury Management Procedures by the finance department, and will include:

[27-1-29.1.](#) The conditions under which each bank account is to be operated.

[27-2-29.2.](#) The limit to be applied to any overdraft.

[27-3-29.3.](#) Those authorised to sign cheques or other orders drawn on Audit Scotland's bank accounts, and the limits of their authority in accordance with the Scheme of Delegation.

[28-30.](#) Banking arrangements will be reviewed at regular intervals to ensure that they reflect best practice and represent best value for money.

[29-31.](#) Controlled stationery (e.g. cheques) will be held securely at all times and proper records will be maintained in relation to such stationery.

## Credit Cards

[30-32.](#) Credit cards will be offered to members of the Executive Team automatically. Credit cards will also be offered to other members of staff, with the specific approval of the Accountable Officer, the Chief Operating Officer, and/or Incident Management Team where there is an on-going requirement for credit card use.

[31-33.](#) The default credit limit for all cards will be set in the Scheme of Delegation and variations for individual cards will be approved by the Executive Team and/or the Incident Management Team. (Scheme of delegation 3.5)

## Income

[32-34.](#) Systems will be designed and maintained for the proper recording, invoicing, collection and coding of all monies due to Audit Scotland.

~~33-35.~~ All monies received will be banked promptly.

~~34-36.~~ Arrangements will be made for appropriate recovery action on all outstanding debts.

~~35-37.~~ Fees and charges, including fees to audited bodies, will be determined in accordance with policies decided by the Board.

## Investments and borrowings

~~36-38.~~ No borrowing or investments will be made without the expressed agreement of the Board. In exceptional circumstances the Accountable Officer may consult with the Chair of the Board and agree a short term borrowing strategy, but this must be reported to, and ratified by the full Board at the earliest opportunity.

~~37-39.~~ All short term borrowings will be kept to the minimum period of time possible, consistent with the overall cash flow position.

~~38-40.~~ Any long term borrowing must be consistent with policies decided by the Board.

~~39-41.~~ Detailed procedural instructions will be prepared on the operation of investment accounts and regular reports will be made to the Board on the performance of any investments held.

## Insurance

~~40-42.~~ Arrangements will be made to ensure that all insurance cover is effected, periodically reviewed and adjusted as necessary.

~~41-43.~~ Insurance arrangements will be reviewed regularly and the market will be competitively tested and costs will be sought for insurance services in accordance with the provisions set out in these Regulations at least every three years.

## Tendering procedures

~~42-44.~~ Tendering procedures are contained in the Procurement Handbook, which is published on SharePoint. This document provides information on the procedures to be adopted by Audit Scotland staff when purchasing any goods and services and the need to follow value for money principles when carrying out this activity.

~~43-45.~~ No contract for the supply of goods and materials, the provision of services or for the execution of works will be made where the probable cost, over the contract period, exceeds £50,000 unless tenders have been invited by advertisement on Public Contracts Scotland, the Scottish Government procurement system.

~~44-46.~~ In exceptional circumstances the Chair of the Board, on a report by the Accountable Officer, may except a contract from the above provisions and direct adoption of such other procedure for the letting of the contract as seems appropriate. The decision will be notified to the full Board at the earliest opportunity.

- 45-47.** Standing contracts for the provision of goods, materials, services or works will be kept under review and competitive tenders for such standing contracts will be sought at least every three years, or later if the contract has been extended under the terms of the original contract. No extension will be greater than three additional years before retendering.
- 46-48.** The overall value of the tender will determine who is required to approve the acceptance of the tender and place the order for the goods, materials or service. The Scheme of Delegation will list those authorised to accept and place orders. (Scheme of delegation 3.6)
- 47-49.** All orders will be generated through the electronic ordering system. Orders will be sent for authorisation in accordance with the procedure contained within the Scheme of Delegation (Scheme of Delegation 3.10). All orders must be made in accordance with the procedures and controls and within the terms of the Scheme of Delegation.
- 48-50.** Official orders will be issued for all work, goods or services to be supplied to Audit Scotland except for supplies of public utility services or periodical payments such as rent or rates or such other exceptions as may be approved by the Executive Team.
- 49-51.** Government directives prescribing procedures for awarding forms of contracts shall have effect as if incorporated in these Regulations and Audit Scotland's Procurement Handbook should be followed as appropriate.
- 50-52.** The appointment of auditors under section 97(6) of the 1973 Act and section 21(3) of the 2000 Act will be recommended to the Accounts Commission and the Auditor General for Scotland respectively at such intervals as they require. With the exception of the interval between awards (see paras 42-44), the procedure relating to these contracts should follow the procedure set out in these Regulations.

## Payment of accounts

- 51-53.** Before an invoice is paid the certifying officers will satisfy themselves that the account has not been previously passed for payment and is a proper liability of Audit Scotland and that:
- 51.1-53.1.** The works, goods or services to which the account relates have been received or carried out satisfactorily.
- 51.2-53.2.** Prices, extensions, calculations, trade discounts, other allowances, credits and tax are correct.
- 51.3-53.3.** The expenditure has been authorised and is within the relevant estimate provisions.
- 52-54.** All duly certified invoices shall be authorised for payment by the officer authorised under the Scheme of Delegation. (Scheme of delegation 3.8)
- 53-55.** An officer shall not add any additional items to an invoice rendered to Audit Scotland by a supplier.
- 54-56.** When an order has been placed using the electronic purchase ordering (EPO) system, this process incorporates authorisation of the payment prior to an order being placed. In these

circumstances the authoriser will be advised of the cost of the goods or services, or an estimate if a firm cost is not available, at the time they receive the EPO. Authorisers are required to satisfy themselves that the cost displayed is reasonable and represents value for money, before they electronically sign the order. Once an EPO is signed the system will not allow any changes to the order by the authoriser or the originator.

55-57. The EPO system maintains a list of staff with delegated authority to authorise expenditure, as per para. 51 above.

56-58. When the goods or services have been received the originator records the receipt through the EPO system.

57-59. On receipt of the invoice, Finance will check whether the goods or services have been marked as received. The invoiced amount charged will be checked against the EPO submitted and, if the amount is within the parameters agreed by the Executive Team, the invoice will be accepted and paid. (Scheme of delegation 3.10)

58-60. Executive Team will set agreed parameters and if the value of the invoice is outwith the agreed parameters it will be sent back to the authoriser for an additional manual authorisation. The invoice will not be paid until the second authorisation has been received. (Scheme of delegation 3.11)

59-61. The receipt, certification and payment of accounts to approved auditors are subject to separate arrangements under the Scheme of Delegation. (Scheme of delegation 3.12)

## Audit

60-62. The Board will establish an Audit Committee with clearly defined terms of reference under Standing Orders.

61-63. The external auditor is appointed by the SCPA to report on whether expenditure and income have been applied lawfully and the accounts comply with the accounts direction. The external auditor will report to the SCPA who must lay the report and accounts before Parliament and publish them.

62-64. The internal auditor is appointed by Audit Scotland and reports to the Executive Team and the Audit Committee on systems of internal control.

63-65. The external and internal auditor are entitled to:

63.1-65.1. enter any Audit Scotland establishment at all reasonable times with or without previous notice;

63.2-65.2. have access to all records, documents and correspondence (including computer records) relating to financial and other transactions of Audit Scotland;

63.3-65.3. require and receive explanations as are necessary concerning any matter under examination;



[63.4-65.4.](#) require any employee of Audit Scotland to produce cash, equipment or any other property under his/her control; and

[63.5-65.5.](#) direct access to the Chair of the Audit Committee.

## Security and Fraud Prevention

[64-66.](#) Arrangements will be made to develop and document effective policies on:

[64.1-66.1.](#) Prevention of fraud and irregularity.

[64.2-66.2.](#) IT security.

[64.3-66.3.](#) Security of assets.

[65-67.](#) Proper security must be maintained, at all times, for all buildings, stores, furniture, equipment, cash, information, etc.

[66-68.](#) A register of secure key containers will be maintained by Business Support and kept under review by the Chief Operating Officer. Keys removed from the secure key containers will be signed for and are to be kept safe at all times until returned. The loss of any such keys must be reported immediately to Business Support staff.

[67-69.](#) A register of staff ID (office access) badges and building access fobs will be maintained by Business Support. The loss of ID badges will be reported immediately to Business Support and the Corporate Governance Manager. The ID badges will be deactivated immediately.

[68-70.](#) The Chief Operating Officer is responsible for maintaining proper security and privacy relative to information held in the computer installations.

[69-71.](#) Under the terms of the Counter Fraud Policy, employees are required to notify their Business Group Executive Director or Director of any financial irregularity or suspected irregularity. Such concerns may be raised under the terms of the Whistleblowing Policy if considered appropriate. The employee, or senior management to whom the concerns are reported, must also advise the Chief Operating Officer. Details of these policies are available to all staff through the staff handbook.

## Salaries, wages and pensions

[70-72.](#) Arrangements will be made for the payment of all salaries, wages, pensions, compensation and other emoluments due to all employees or former employees of Audit Scotland or the Accounts Commission, the Auditor General for Scotland, appropriate members of the Board and to members of the Accounts Commission.

[71-73.](#) Salaries and other payments will normally be paid by direct transfer to a nominated bank account.

[72-74.](#) A record of all matters affecting the payment of such emoluments shall be kept and in particular the following information will be recorded:



~~72.1-74.1.~~ appointments, resignations, dismissals, suspensions, secondments and transfers;

~~72.2-74.2.~~ absences from duty for sickness or other reason, including approved leave;

~~72.3-74.3.~~ changes in remuneration, including those arising from normal increments and pay awards and agreements of special and general application;

~~72.4-74.4.~~ information necessary to maintain records of service for superannuation, income tax, national insurance and the like;

~~72.5-74.5.~~ particulars of any deduction from salary for loans, subscriptions and the like, and the authority for such deduction.

~~73-75.~~ All deductions and changes in gross pay entitlement will be certified by Human Resources or other appropriate person and checked by a second officer prior to payment.

~~74-76.~~ Pension payments are paid to former staff through the appropriate pension agency. Audit Scotland's role is to make the required deductions from salary and to provide the information which is required from time to time by the pension supplier to allow them to maintain their records, provide information about pensions and make payments.

~~75-77.~~ There are special arrangements in place relating to pensions for former Ombudsman staff and the former Auditors General, which are separate from the arrangements for Audit Scotland.

## Travelling, subsistence, expenses and other allowances

~~76-78.~~ The Secretary to the Accounts Commission shall review, authorise and ensure all travelling or other allowances are paid to Commission Members and advisers who are entitled to claim them upon receipt of a fully completed expense claim form.

~~77-79.~~ The Chief Operating Officer shall review, authorise and ensure all travelling or other allowances are paid to Board members and advisers who are entitled to claim them upon receipt of a fully completed expense claim form.

~~78-80.~~ All claims by staff for payment of car mileage allowances, subsistence allowances, travelling and incidental expenses and any advances shall be submitted duly certified and made up to the end of each month and in accordance with the current travel and subsistence policy, published in the staff handbook, and the expenses procedures published on the intranet. The officers authorised to certify such records shall be determined by the Scheme of Delegation. Initial delegation is £2,000. (Scheme of delegation 3.13)

## Observance of Financial Regulations

~~79-81.~~ It shall be the duty of the Accountable Officer to ensure that these regulations are made known to the appropriate Audit Scotland staff and to ensure that they are adhered to.

~~80-82.~~ Any breach or non-compliance with these Regulations must, on discovery, be reported immediately to the Chief Operating Officer who will discuss the matter with the Accountable

Officer in order to determine the proper action to be taken. Such concerns may be raised under the terms of the Whistleblowing Policy if considered appropriate.

## Variation of Financial Regulations

~~81-83.~~ These Regulations may be varied from time to time by the Board on receipt of a report and recommendations from the Accountable Officer.

~~82-84.~~ The Chair of the Board may authorise, on a report from the Accountable Officer, exceptional treatment of a matter covered by these Regulations. Any such exceptions will be reported in writing to the next available meeting of the Board.

# Bullying and harassment policy

Director of Corporate Support and Assistant  
Human Resources Manager

## Purpose

1. This report invites the Board to review and approve the Bullying and Harassment Policy.

## Recommendations

2. The Board is invited to approve the Bullying and Harassment Policy.

## Background

3. On 28 September 2022 the Board considered a [report](#) on the outcome of the Health and Safety Executive (HSE) stress survey results.
4. On 9 November the Remuneration and Human Resources Committee (Remco) considered an [update report](#). This included an update on the actions being taken to address the findings from the survey. At that meeting the Remco agreed the recommendation that the Bullying and Harassment policy be approved at Board level to reinforce the importance attached to it and signal Board level commitment.
5. The HSE report included a number of recommendations in relation to a bullying and harassment policy. All of these are covered by the policy which is appended to this report.

## Considerations

6. The update report for the Remco covered the broad range of actions being undertaken. These include clear communications, further analysis of the results, the outcome of a follow-up pulse survey, discussions at various forums across the organisation (including the Health, Safety and Wellbeing Committee, the People Focus Group and the Partnership forum).
7. The report also provided information on the current schedule of training under way which includes in-person emotional intelligence training and e-learning on harassment and discrimination.

## Conclusion

8. We want Audit Scotland to be a great place to work. Any form of bullying and harassment is not acceptable, and we want to ensure that there is a clear message from the top that this is the case and that we have a 'zero tolerance' approach in place.
9. Approval of the Bullying and Harassment Policy at Board level forms one part of our broad range of activity under way to deliver on this objective.

# Bullying and Harassment Policy

<b>Owned and maintained by:</b>	<b>Audit Scotland Board/</b> Human Resources
<b>Date checked/ created:</b>	November 2022
<b>Next review date:</b>	November 2023

## Statement of intent

Audit Scotland is committed to providing a working environment that is free from bullying and harassment of any nature. We will take a zero-tolerance approach to non-inclusive behaviours.

Our values include:

Employees have the right to be treated with dignity and respect irrespective of their age, disability, sex, gender re-assignment, marriage or civil partnership, maternity or pregnancy, race, religion or belief and sexual orientation. No form of bullying and harassment will be condoned at work or outside work if it has a bearing on the working relationship. Any such action will be treated as a serious disciplinary offence.

All managers have a duty to establish and maintain a working environment free from bullying and harassment. All employees must comply with these guidelines and take steps to ensure that bullying and harassment does not occur. Disciplinary action, including dismissal, will be taken against those failing to fulfil their responsibilities.

Audit Scotland welcomes the support of PCS in seeking to secure a working environment free from bullying and harassment.

## Principles

This policy has been designed to inform employees about the type of behaviour that is unacceptable and sets out the procedure for dealing with bullying and harassment.

Audit Scotland will not tolerate harassment or bullying of:

- job applicants and new recruits
- employees
- contractors
- agency workers
- clients

This policy also applies to work-related functions held outside of normal working hours, either on

or off the organisation's premises, such as office parties, celebrations, working lunches, etc. The organisation will also not tolerate harassment of staff by third parties, for example, by clients, and will take appropriate action to deal with all instances which are reported.

## Definitions of Bullying and Harassment

Bullying and harassment often take place with no witnesses. Research suggests that bullying and harassment is just as likely to be perpetrated by females as by males and that bullying and harassment happens equally to men and women.

Victims may not always recognise what is happening and end up feeling trapped, isolated and powerless. They often believe their concerns will not be taken seriously and that further retribution will follow if they do complain. Individuals may have problems facing up to what is going on and employees need to be aware of a checklist of early warning signs. These include feeling persistently "got at", being criticised for work that has always been acceptable to previous bosses and feeling blamed for other people's mistakes.

### **Bullying**

- The Dignity at Work Partnership's definition of bullying states, "Bullying can take many forms. It is generally accepted as unwanted behaviour that offends, persecutes or excludes someone. It includes treating individuals in a demeaning and unacceptable way and can be intimidating, malicious or insulting, or a misuse of power to undermine, humiliate, threaten or cause injury."

### **Harassment**

- is unwanted conduct that intentionally or unintentionally violates an individual's dignity or creates an intimidating, hostile, degrading, humiliating or offensive environment for that individual.
- can take many forms, occur on a variety of grounds and may be directed at one person or a group of people. People can be subjected to harassment on a wide variety of grounds, for example, because of their sex, age or disability.

### **Victimisation**

- Victimisation is subjecting a person to a detriment because they have, in good faith, complained (whether formally or otherwise) that someone has been bullying or harassing them or someone else, or supported someone to make a complaint or given evidence in relation to a complaint. This would include isolating someone because they have made a complaint or giving them a heavier or more difficult workload.

### **Microaggression**

- A microaggression is a subtle verbal or non-verbal behaviour, committed consciously or not, that is directed at a member of a marginalised group, and has a harmful, derogatory effect.

- Microaggressions cause others to feel dismissed, alienated, insulted, or invalidated. They make differences in power and privilege more apparent and perpetuate stereotypes and racism.
- Examples of these can include continued mispronunciation of names, asking someone who is a visible minority, "where are you really from" or a situation where someone tells a colleague who is LGBTQ that they "don't seem gay" or some other similar phrase.

Provided that you act in good faith, i.e. you genuinely believe that what you are saying is true, you have a right not to be victimised for making a complaint or doing anything in relation to a complaint of bullying or harassment and the organisation will take appropriate action to deal with any alleged victimisation, which may include disciplinary action against anyone found to have victimised you.

Making a complaint that you know to be untrue, or giving evidence that you know to be untrue, may lead to disciplinary action being taken against you.

In cases of bullying and harassment one incidence is sufficient for harassment to be deemed to have taken place. The test of whether the harasser ought to have known that the behaviour amounted to harassment is whether a reasonable person in possession of the same information would have known it did. Therefore, harassment can be an offence even if it is not intentional.

## Legal Considerations

Audit Scotland has a legal and ethical responsibility as an employer to ensure that staff are not subjected to behaviour which may affect either their performance or, more importantly, their health and well-being.

An employer's responsibilities under the Health and Safety at Work Act 1974 include the provision of a safe and healthy working environment. Bullying and harassment is a cause of stress, which amounts to a serious health and safety issue. The Health and Safety Executive has published guidelines on stress at work, which include a section on dealing with bullying and harassment.

Under the Equalities Act 2010, employees are able to complain of behaviour that they find offensive even if it is not directed at them. In addition, the complainant need not themselves possess the relevant characteristic (for example, race or religion or belief) - it can be because of a perception or association with a person who has a particular characteristic.

Audit Scotland, together with any managers who fail to take steps to prevent harassment or investigate complaints, may be held liable for their unlawful actions. The intention of the perpetrator is irrelevant; it is the impact on the individual that determines whether bullying or harassment has taken place.

## Effects of Bullying and Harassment

Bullying and harassment in the workplace can cause stress and anxiety, and affect the personal lives of those who suffer, as well as undermining morale and productivity. It can also lead to

accidents, illness, and poor performance.

The symptoms of bullying and harassment include absenteeism, underperformance and high staff turnover. Preoccupied and anxious employees may become unwilling to make decisions or take the initiative, and may become quietly disruptive and demoralised. For examples of what might constitute bullying and/or harassment see appendix one.

## Making a Complaint

In the event of any member of staff being bullied or harassed, they have a right to, and are encouraged to, raise the matter informally with their line manager/a member of Human Resources or formally using the grievance procedure. It is the responsibility of all managers to take seriously, treat confidentially and thoroughly and speedily investigate any complaint of bullying or harassment.

There are two procedures by which an employee can make a complaint of bullying or harassment –  
informal and formal. The employee must decide which procedure to use and whether to ask for

confidential counselling. When appropriate, every effort will be made to resolve the situation informally. Some incidents, however, by virtue of their serious nature will need to be dealt with immediately under the formal procedure.

## 1. Informal Procedure

- Employees are encouraged to keep a written record of any incidents of bullying or harassment, including the date, time, nature of incident(s), the names of those involved and the names of any witnesses.
- If possible, the person who is bullying or harassing should be told by the individual who is being bullied or harassed that the behaviour is offensive and unwanted and must stop. A colleague, manager or union representative can act as a witness when this statement is made. Alternatively, an appropriate manager or a member of the Human Resources team can be asked to speak to the alleged bully or harasser.
- Whenever possible, any complaint of bullying or harassment should be made in the first instance to the immediate line manager. Alternatively, you should speak with another appropriate member of the Executive Management team.
- Human Resources will give confidential support and advice to all parties as requested.
- Mediation provisions can also be considered to encourage early resolution.

Where informal methods fail, or the employee chooses not to use them or considers that the problem is sufficiently serious, a formal complaint can be made.

## 2. Formal Procedure

- The complaint should be made in writing, describing the incident(s) as fully as possible<sup>1</sup> to the Human Resources & Organisational Development Manager, the Chief Operating Officer or another appropriate member of the Executive Management Team.
- A senior manager, from another business group (to ensure impartiality), will be appointed to investigate the complaint. They will interview the complainant<sup>2</sup>, the person against whom the allegations are made and any relevant witnesses. These interviews will be conducted in confidence. All parties to these proceedings can be accompanied by a colleague or trade union representative.
- In some cases, an external investigator may be appointed at this stage to ensure impartiality, for example if the complaint is about a senior manager, member of the Executive Management team or a member of the HR team.
- All complaints will be handled and investigated in a timely manner. Wherever possible, the investigation will be concluded within two weeks of the complaint being received. If this is not possible, the complainant and the person against whom the allegations are being made will be advised of this and when the investigation is likely to be completed. Employees shall be guaranteed a fair and impartial hearing whether they are the alleged bully or the bullied.

<sup>1</sup> The employee may consult with Human resources if they are unsure how to present a written complaint.

<sup>2</sup> The aim is to establish all the evidence and employees who raise a complaint will be asked to disclose: the name of the person alleged to have breached this policy; what they personally observed, including words said, tone of voice, manner and other surrounding circumstances (as far as the employee can remember); the times and dates of alleged incidents and the names of anyone else present.



- It may be necessary for one or both parties to be temporarily transferred to different teams while the investigation is carried out or for working from home to be considered. Only in the most serious cases of bullying or harassment will suspension be considered necessary.
- The investigating manager's report, indicating whether there is evidence to support the claim of bullying or harassment will be submitted to Human Resources and to the complainant and the person(s) against whom the allegation has been made.
- If the complainant is dissatisfied with the outcome, or with the way in which the complaint was handled, then a written request for reconsideration should be made to the Human Resources & Organisational Development Manager within seven days of receiving the investigating manager's decision.
- If disciplinary action is justified, a disciplinary hearing will be arranged within ten working days of either the decision of the investigating manager, or if the matter was referred for reconsideration, the decision of the Human Resources & Organisational Development Manager.
- The employee against whom the allegation has been made will have the right to be accompanied at this hearing by a work colleague or trade union representative and will have the opportunity to challenge the evidence and to state their case. The hearing will be conducted in accordance with Audit Scotland's disciplinary policy.
- Any disciplinary action taken will reflect the severity of the offence and may include the transfer of the employee accused of bullying or harassment, on a temporary or permanent basis, or dismissal. The employee may appeal against the penalty or warning in accordance with the appeals procedure.
- Where the outcome of the investigation is that the complaint is not founded, or the nature of the complaint justifies counselling/advice, this will be discussed with all parties and Human Resources.

Confidentiality will be maintained as far as possible. However, if an employee decides not to take any action to deal with the problem and the circumstances are very serious, Audit Scotland reserves the right to investigate the situation since it has an overall duty of care to ensure the safety of all employees who may be adversely affected by the alleged behaviour of others.

**Note:** if a claim of bullying or harassment is made by a member of Audit Scotland staff against a member of staff who works for an audited body whilst on a non – Audit Scotland site then the policy of the hosting organisation will apply. Any complaint made by non-Audit Scotland staff whilst on Audit Scotland premises, will be dealt with under this policy. Audit Scotland staff should therefore make themselves aware of the host organisation's policy in this respect.

Employees who experience bullying and harassment by a member of an audited body on a non-Audit Scotland site, however, should inform their line manager and/or a member of the Human Resources team. While the matter may be formally dealt with by the host organisation's policy, all reasonable efforts will be made to reduce an employee's exposure to bullying or harassing behaviours. In such circumstances, alternative arrangements will be explored.

Any complaints found to be false and malicious may result in disciplinary action being taken against the complainant.

## Employee Training

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

Every person working for Audit Scotland has a personal responsibility for implementing and promoting diversity and equality principles in their dealings with clients and with each other. This includes consistently conducting ourselves in line with our values as an organisation of:

## Additional support

Information on the following areas of relevant training can be obtained from Human Resources:

- implementing and clearly communicating these guidelines
- corporate induction training
- diversity and equality (including bullying and harassment)
- assertiveness skills
- time management
- personal development
- stress management

Access to a professional counsellor through our Occupational Health & Wellbeing partners may be appropriate. This could help victims prepare their case and recover self-confidence.

Informal contacts in the form of someone designated to lend a sympathetic ear and provide support if needed can be colleagues, Human Resources, trade union representatives or occupational health staff.

## Appendix one

### Examples of bullying and harassment

#### Bullying

- Derogatory remarks.
- Insensitive jokes or pranks.
- Insulting or aggressive behaviour, both verbal and physical.
- Ignoring or excluding an individual.
- Setting unrealistic deadlines.
- Public criticism.
- Substituting responsible tasks with menial or trivial ones.
- Withholding necessary information.
- Constantly undervaluing effort.

#### Harassment

- Unwanted non-accidental contact ranging from unnecessary touching to assault and coercing sexual relations.
- The display of pornographic or sexually suggestive pictures.
- Conduct that denigrates or ridicules a colleague because of their race.
- Making fun of disability and use of inappropriate terms e.g. 'cripple'.

These lists are not exhaustive. The actions listed above must be viewed in terms of the distress they cause the individual. It is the perceptions of the recipient that determine whether any action or statement can be viewed as bullying or harassment.

#### What is not generally considered to constitute bullying and harassment?

Line managers are responsible for ensuring that staff who report to them perform to an acceptable standard. Legitimate, justifiable, appropriately conducted monitoring of an employee's behaviour or job performance does not therefore constitute bullying and harassment. Managers must carry out these functions in a fair, effective and consistent manner. It is important to differentiate between fair and effective management and bullying and harassing behaviour.

Fair and effective management	Bullying and harassing behaviour
Consistent and fair.	Aggressive and inconsistent.
Results focused but reasonable and flexible.	Unreasonable and inflexible.

Clear about their plans but willing to consult before drawing up proposals.	Believes they are always right and are not prepared to listen to others.
Will discuss in private, any problems with a member of the team or the team itself.	Loses temper when things go wrong.
Respects other colleagues	Degrades colleagues in front of others.

