

Agenda

Tuesday 6 June 2023 at the conclusion of
the Audit Committee
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: <ul style="list-style-type: none">• Board meeting: 23 May 2023 | For approval |
| 9. Review of action tracker | For assurance |
| 10. Health, Safety and Wellbeing – verbal update | For information |

Annual reporting

- | | |
|--|---------------|
| 11. 2022-23 Annual report from the Chair of the Audit Committee to the Board | For assurance |
| 12. Review of Remuneration and Human Resources Committee (Remco) performance | For assurance |
| 13. Policy on the provision of Non-Audit Services by Audit Scotland's external auditor | For assurance |
| 14. Governance statement and certificate of assurance 2022-23 | For approval |
| 15. Audit summary report for the year ended 31 March 2023 | For assurance |

Business planning, performance and governance

- | | |
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| 16. Q4 Corporate performance report | For assurance |
| 17. Review of corporate governance policies | For approval |

Conclusion

- | | |
|--|-----------------|
| 18. Any other business | For discussion |
| 19. Review of meeting | For discussion |
| 20. Date of next meeting: 26 September 2023 | For information |

Items to be taken in private

- | | |
|---|---------------|
| 21. Quality of public audit in Scotland [Item to be taken in private to support the effective conduct of business, intended for future publication] | For assurance |
| 22. Audit Scotland annual report and accounts 2022/23 [Item to be taken in private to support the effective conduct of business, intended for future publication] | For approval |
| 23. Our purpose workstream: Public Audit in Scotland and Corporate Plan [Item to be taken in private to support the effective conduct of business, intended for future publication] | For approval |

Minutes Board

Tuesday 23 May 2023, 10.00am
Audit Scotland, 102 West Port and Microsoft Teams

Present:

Alan Alexander (Chair)
Stephen Boyle
Colin Crosby
Jackie Mann
Tim McKay

Apologies:

There were no apologies.

In attendance:

Vicki Bibby, Chief Operating Officer
Martin Walker, Director of Corporate Support
John Cornett, Executive Director of Audit Services
Kenny Oliver, Executive Director of Innovation and Quality
Antony Clark, Executive Director of Performance Audit and Best Value
Gayle Fitzpatrick, Corporate Governance Manager (items 11, 12 and 13)
David Robertson, Digital Services Manager (item 11)
Ian Metcalfe, Corporate Performance Officer (item 12 and 13)
Stuart Dennis, Corporate Finance Manager (item 14)
Nicola Paton, Digital Project Manager (item 15)
Susan Burgess, Head of Human Resources (item 16)
Gordon Robertson, Learning and Development Assistant Manager (item 17)
Michelle Borland, Business Manager, Performance Audit and Best Value (item 21)
Simon Ebbett, Communications Manager (item 21)
Gemma Diamond, Director of Innovation and Transformation (item 21)

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, John Cornett, Executive Director of Audit Services, Kenny Oliver, Executive Director of Innovation and Quality and Antony Clark, Executive Director of Performance Audit and Best Value joined the meeting.

The Chair welcomed attendees to the meeting, with a specific mention for Helena who was attending her first meeting since joining Executive Team and to Tim in his capacity as Accounts Commission representative at the meeting.

3. Declarations of interest

There were no declarations of interest noted.

4. Items to be taken in private

The Chair invited members to agree that item 21 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 and Vicki Bibby, Chief Operating Officer.

In addition, the Chair advised of his attendance at the Audit Committee and Remuneration and Human Resources Committee meetings in May.

The Chair updated on valuable discussions with colleagues on the draft annual report, noting the comprehensive nature of the report. The Chair will be meeting with the SCPA on 28 June to present the annual report and accounts.

The Chair advised of his delayed introductory meeting with the Controller of Audit.

The Chair had a valedictory meeting with the recently departed Chair of the Accounts Commission noting his thanks for the contributions during his time on the Board. In light of this departure the Chair advised it was sensible to put on hold the Board and Commission resetting work as part of the Partnership Working Framework until a new substantive Commission Chair is in post. The Chair also noted that the next Board development session would be put on hold until a permanent Commission appointment was made. This will likely be the first quarter of 2024 to allow the necessary time for the completion of the appointment process.

Following discussion, the Board welcomed the update.

6. Accountable Officer's report – verbal update

Stephen Boyle advised of his regular engagement with the Chair and the Chair of the Accounts Commission. Stephen noted his thanks to the outgoing Chair of the Commission.

Stephen noted that internal engagement has continued at pace with Audit Scotland hosting the agricultural auditors at the EAFA conference in April and a delegation from the North Macedonia Parliament Bureau earlier this month. There has been engagement with staff on the recent Best Companies survey results and the HSE stress survey was launched. The Controller of Audit joined Executive Team, which Stephen noted was a great addition to the team.

Stephen invited members to note recent publications, including a response on the PAC ferries report. There has been a host of PAC appearances including FMPG S22, NHS Overview AO Session, SIT AO session and Scottish Government Climate Change Delivery. Consultation is ongoing with the Work Programme PAC lead on the Subject Committees to help provide insight into areas of particular interest within those priorities and we are hoping for feedback on this before recess.

Stephen invited the Board to note some of his external engagements which include introductory meetings with both Sir Paul Grice, the Principal at Queen Margaret University and Ian Bruce, the Ethical Standards Commissioner. Stephen attended an event hosted by Carnegie UK with Sophie Howe, the outgoing Future Generations Commissioner for Wales. Earlier in the month Executive Team hosted the Scottish Government Executive Team to discuss shared interests and development opportunities. Stephen noted this was the first meeting of both groups in 20 years.

In terms of upcoming activity, Stephen highlighted that there are a range of publications due before the summer recess with two planned S22 reports for Scottish Canals and South Lanarkshire College. Stephen also noted that he and Vicki Bibby will be in Cardiff on 1st and 2nd June for the UK&I AGs & COOs meeting in Wales.

Following discussion, the Board welcomed the update.

7. Accounts Commission Chair's report – verbal update

Tim McKay paid tribute to the former Commission Chair and the contributions made during his time in post. Tim has had several conversations with Ronnie Hinds, the new incoming Interim Accounts Commission Chair in advance of Ronnie commencing post in early June. The pre planned Commission Strategy Seminar will go ahead with a change of format to allow for introductions from the new Interim Chair.

Tim noted that the recruitment process was underway for a new permanent Commission Chair and four new members. A session will be taking place this evening (23 May) to provide anyone interested in the vacancies with an opportunity to source further information. The recruitment aims to attract individuals with experience of local government, with the campaign scheduled to close on 5 June 2023.

The Accounts Commission released the Local Government Overview report this week with good media coverage generated. Tim advised the report will be presented at the Local Government Committee in two weeks' time.

Tim noted he had participated in a second session with Mark Taylor, Audit Director, discussing the financial information that is made available to the Accounts Commission and others, noting that the final outputs will be really useful to all in helping to plan the joint working programme.

Following discussion, the Board welcomed the update.

8. Review of minutes

Board meeting: 4 April 2023

The Board noted the minutes of the Board meeting of 4 April 2023, copies of which had been previously circulated.

Subject to a minor amendment at item six, the Board noted the minutes were an accurate record of the meeting.

ASB211: *Amendment to be made at item six as highlighted by Stephen Boyle.*

Audit Committee: 7 March 2023

The Board noted the minutes of the Audit Committee meeting of 7 March 2023, copies of which had been previously circulated.

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

Remuneration and Human Resources Committee: 7 March 2023

The Board noted the minutes of the Remuneration and Human Resources Committee meeting of 7 March 2023, copies of which had been previously circulated.

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

9. Review of action tracker

The Board noted and approved the updated action tracker.

10. Health, Safety and Wellbeing – verbal update

Martin Walker provided a verbal update on matters related to Health, Safety and Wellbeing, highlighting that the item has been refocussed to report on broader health, safety and wellbeing issues, drawing on the Public Health Scotland and Office of National Statistics as sources of information around health.

As part of his update, Martin highlighted the milestone reached earlier this year that states Covid is no longer considered a worldwide public health emergency. In light of this Executive Team committed to review how we capture Covid information in our time recording.

Action ASB212: ***Executive Team to review how we capture Covid information in our time recording.***

Following discussion, the Board noted the update.

11. 2022/23 Annual report on information governance and security

Gayle Fitzpatrick, Corporate Governance Manager and David Robertson, Digital Services Manager joined the meeting.

Gayle Fitzpatrick and David Robertson introduced the 2022/23 Annual report on information governance and security, copies of which had been previously circulated.

The Board was invited to note the contents of the report.

During discussion, members noted the positive assurance the report provides and were delighted to hear that ISO 27001 re-certification had been achieved at the most recent audit last month.

During discussion, members were comfortable that good practice has been embedded with colleagues routinely applying necessary security updates. Members were also pleased to note that the provision of a Chief Information Security Officer will be part of the proposal going forward. Members noted the verbal assurance provided on the robustness of our

recovery plan in the event of a cyber security incident. David noted the Cyber Incidents Response Plan is scheduled to be presented to Executive Team and will likely come to the board for noting thereafter.

One minor amendment was identified at paragraph 5 in the paper which Gayle noted for resolution.

Following discussion, the Board noted the content of the report.

Action ASB213: *Gayle Fitzpatrick to make the identified amendment at paragraph 5 in the 2022/23 annual report on information governance and security.*

David Robertson left the meeting.

12. 2022/23 Annual report on complaints

Ian Metcalfe, Corporate Performance Officer joined the meeting.

Gayle Fitzpatrick and Ian Metcalfe introduced the 2022/23 Annual report on complaints, copies of which had been previously circulated.

The Board was invited to note the contents of the report.

During discussion, members noted the positive assurance provided on the complaints process that is in place. The small number of complaints received is reflective of this.

The Board sought clarity on why the Scottish Public Services Ombudsman declined to investigate two of the complaints received and were content with the reasoning for this. The Board queried when the last update was made to the complaints handling process, Gayle advised that the procedure had undergone a significant update during the pandemic with Ian committing to follow up with the confirmed revision date for members information.

Following discussion, the Board noted the content of the report.

Action ASB214: *Ian Metcalfe to confirm to the Board, the date of the last revision to the complaints handling procedure.*

13. 2022/23 Annual report on Freedom of Information and Environmental Information

Gayle Fitzpatrick and Ian Metcalfe introduced the 2022/23 Annual report on Freedom of Information and Environmental Information, copies of which had been previously circulated.

The Board was invited to note the contents of the report.

During discussion, the Chair highlighted that no Environmental Information (EI) requests had been received during his time on the Board. Gayle noted that this had previously been mentioned and following some investigation by the Corporate Governance team it was found that there are a low number of requests of this nature made in general across the UK, with most people choosing to proceed with the Freedom of Information (FOI) route.

However, it was noted that with an increasing spotlight on climate change activity there was potential for an increase in EI requests. Gayle noted that the Corporate Governance team, through their close working relationships with the other business groups, would keep abreast of any information that may help predict subjects of questioning in this area.

The on time response rate for FOI requests of 60% was noted by the Board with Gayle highlighting the increased volume of requests, the complexity of the nature of the requests and the small team in place in Corporate Governance to handle these as the main factors for this. Particular emphasis was given to the instance where a high volume of requests (17 in total) was received in one day, with the Board keen to understand what the reasons for this may have been, particularly if it was cost related. Vicki agreed to take a review of the process for which we reject requests on the basis of cost as an action for further exploration. It was confirmed that we don't regularly decline to respond on this basis. The Board recognised the difficulty in capturing total costs, from a time and money perspective, in responding to FOI requests. Gayle provided assurance that there was work going on in the background to make the time reporting process much clearer to ensure better accuracy in our reporting.

The Board sought clarity on the types of asks made in the requests received with Gayle confirming requests generally sought information about other organisations that we have had responsibility for auditing. Tim asked if going forward the Accounts Commission could receive similar reporting on our FOI statistics for those instances where the requests relate to reports produced in conjunction with the Accounts Commission.

Following discussion, the Board noted the content of the report.

ASB215: *Vicki Bibby to undertake a review of the process by which we reject FOI requests on the basis of cost.*

ASB216: *Gayle Fitzpatrick to ensure the Accounts Commission receive relevant FOI reporting statistics going forward.*

Gayle Fitzpatrick and Ian Metcalfe left the meeting.

14. Q4 Financial Performance Report

Stuart Dennis, Corporate Finance Manager joined the meeting.

Stuart Dennis introduced the Q4 Financial Performance Report, copies of which had been previously circulated.

The Board was invited to note the financial results for the twelve months to 31 March 2023.

During discussion, the Board noted the report had been approved by the Audit Committee at its most recent meeting. Assurance was sought that progress was being made on the delays with the audits of Further Education Colleges. John Cornett confirmed this was the case and these audits have been factored into our delivery plans and are more aligned with where they need to be and thus impact will minimise going forward. Members sought clarity on recruitment overspend and are content budget is in place for recruitment in this current financial year.

Following discussion, the Board noted the financial results for the twelve months to 31 March 2023

Stuart Dennis left the meeting.

15. Information Security Management Policy review

David Robertson, Digital Services Manager joined the meeting.

David Robertson introduced Information Security Management Policy review, copies of which had been previously circulated.

The Board was invited to note the updated policy and provide approval and final sign off.

During discussion, members were content that there had been no substantive changes to the policy since its last review and noted the very minor changes that had been applied.

Following discussion, the Board were happy to approve the policy.

David Robertson left the meeting.

16. Staff handbook policy review

Susan Burgess, Head of Human Resources joined the meeting.

Susan Burgess introduced Staff handbook policy review, specifically the review of the Diversity & Equality and Bullying & Harassment policies, copies of which had been previously circulated.

The Board was invited to note the report and approve the proposed changes to both policies.

During discussion, members welcomed the comprehensive nature of the policies. There was discussion on the internal measures in place to support both policies. Particular mention was given to the Emotional Intelligence training that has been rolled out to all colleagues, with the Board noting they took a lot of assurance from this. I&Q are leading on the development of other future activity. Vicki also highlighted that our values will be embedded in everything we do, which is evident throughout the Corporate Plan.

Following discussion, the Board noted the report and approved the proposed changes to both policies subject to a minor amendment on P6 of the Bullying and Harassment policy.

ASB217: Susan Burgess to make the minor amendment identified on P6 of the Bullying and Harassment policy.

Susan Burgess left the meeting.

17. Best Companies survey 2023

Gordon Robertson, Learning and Development Assistant Manager joined the meeting.

Gordon Robertson introduced Best Companies survey 2023, copies of which had been previously circulated.

The Board was invited to consider and comment on the results of the Best Companies Survey.

During discussion, members were assured by the positive results but recognised that there were some areas where improvement was required. Kenny provided assurance, that he and Gordon have been in dialogue on the specifics of delivering any identified training at the appropriate time for colleagues. The Board were assured by the overview of activity that has taken place, particularly the vlog from Stephen Boyle and Vicki Bibby to all staff, and those highlighted in the next steps section of the paper that outlines how staff will be engaged in direct response to the areas identified for improvement.

Gordon confirmed that an abridged survey would be carried out in the autumn, which will cover 25 key questions. The expectation is that the survey results will be available for Executive Team review fairly quickly after the survey closure.

Following discussion, the Board noted the survey results and were content with the proposed next steps as outlined.

Gordon Robertson left the meeting.

18. Any other business

There was no other business for discussion.

19. Review of meeting

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

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

The Chair thanked everyone for their contributions.

20. Date of next meeting: 6 June 2023

The members noted the next meeting of the Audit Scotland Board is scheduled for 6 June 2023.

Items taken in private

21. Our purpose workstream: Public Audit in Scotland and Corporate Plan

Michelle Borland, Business Manager, Performance Audit and Best Value, Simon Ebbett, Communications Manager and Gemma Diamond, Director of Innovation and Transformation joined the meeting.

Michelle Borland, Simon Ebbett and Gemma Diamond introduced Our purpose workstream: Public Audit in Scotland (PAIS) and Corporate Plan (CP), copies of which had been previously circulated.

The Board was invited to review and feedback on the draft Audit Scotland Corporate Plan 2023-2028, attached at Appendix One, noting the discussion points summarised in paragraph 10.

The Board considered each discussion item in turn, focusing on 'audience' first. The Board were in agreement that the content, tone and style were appropriate for the intended target audience. It was agreed that there should be a focus on accessible language and the team agreed to review this again.

The second discussion point on the relationship between PAIS and the corporate plan was discussed with the Board content that there were no inconsistencies between both documents. The board then discussed the 'how we will do it' point, considering the three horizons model that has been used to frame the plans to deliver the strategic priorities. The board were content with the approach taken.

Finally, consideration was given to 'performance measurement', currently 17 KPI's have been identified. The general consensus across the Board is that this feels like too many and there is scope for these to be reduced. The Board asked that the team take this as an action and examine the existing KPI's in the context of the discussions today with a view to achieving a reduction.

Following discussion, the Board agreed that a revised version of the Corporate Plan should come back to the next board meeting on 6 June to further explore the discussion on the KPI element of the paper. There was a recognition that this would result in a slight delay to the publication of the Corporate Plan. Given the short timescales to turn this around for the next meeting, the Board noted they would be content to receive this as a late paper.

ASB218: *Michelle Borland, Gemma Diamond and Simon Ebbett to give consideration to the use of language to ensure fully accessible.*

ASB219: *Michelle Borland, Gemma Diamond and Simon Ebbett to review the existing KPI's in the Corporate Plan with a view to reducing these for further discussion and approval at the 6 June board meeting.*

Michelle Borland, Gemma Diamond and Simon Ebbett left the meeting.

AUDIT SCOTLAND BOARD ACTION TRACKER 2023

ITEM 9

| REF | FORUM | Agenda | | Action Description | Meeting Date | Due Date | Responsible | Assigned to | Complete/Ongoing | Reported | |
|--------|-------|---------|---|--|--------------|----------|-------------------|-------------------|------------------|----------|---|
| | | Item No | Item Title | | | | | | | 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 | Sep-23 | Jillian Matthew | Jillian Matthew | 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. 6/2/23 - update paper issued to Board Members by correspondence in March. Further discussion at Board September 2023 (TBC) |
| ASB200 | Board | 8 | Review of Minutes: Audit Committee meeting: 9 November 2022 | Produce a report a COVID 19 lessons learnt report for consideration by correspondence, and option to discuss at later Board meeting | 04/04/2023 | May-23 | Martin Walker | Martin Walker | Ongoing | | Lessons Learned report will be issued to Board members late May 2023. |
| ASB203 | Board | 11 | Strategic Improvement Programme Review | additional indicative timelines and metrics detail for next report | 04/04/2023 | Sep-23 | Kenny Oliver | Gemma Diamond | Ongoing | | Noted for the next update report due to September Board meeting. |
| ASB208 | Board | 20 | External Engagement | Provide alternative options on survey options | 04/04/2023 | Sep-23 | Kenny Oliver | Simon Ebbett | Ongoing | | Confirmed September Board meeting for proposal |
| ASB209 | Board | 20 | External Engagement | Accounts Commission stakeholder survey results to a future meeting | 04/04/2023 | Sep-23 | Kenny Oliver | Simon Ebbett | Ongoing | | Confirmed September Board meeting to share results |
| ASB210 | Board | 21 | Estates Strategy Update | Detailed costings on length of Glasgow lease | 04/04/2023 | Sep-23 | Martin Walker | Stuart Dennis | Ongoing | | Scheduled for September Board meeting in planner |
| ASB211 | Board | 8 | Review of draft minutes: Board meeting: 4 April 2023 | Amendment to be made at item 6 as highlighted by Stephen Boyle. | 23/05/2023 | May-23 | Stephen Boyle | Stephen Boyle | Complete | | Minutes updated |
| ASB212 | Board | 10 | Health, Safety and Wellbeing - verbal update | Executive team to review how we capture Covid information in our time recording. | 23/05/2023 | Jun-23 | Martin Walker | Martin Walker | Ongoing | | |
| ASB213 | Board | 11 | 2022/23 Annual report on information governance and security | Gayle Fitzpatrick to make the identified amendment at paragraph 5 in the 2022/23 annual report on information governance and security. | 23/05/2023 | May-23 | Gayle Fitzpatrick | Gayle Fitzpatrick | Complete | | Report updated and finalised for publication |
| ASB214 | Board | 12 | 2022/23 Annual report on complaints | Ian Metcalfe to confirm to the Board, the date of the last revision to the complaints handling procedure. | 23/05/2023 | May-23 | Gayle Fitzpatrick | Ian Metcalfe | Ongoing | | |
| ASB215 | Board | 13 | 2022/23 Annual report on Freedom of Information and Environmental Information | Vicki Bibby to undertake a review of the process by which we reject FOI requests on the basis of cost. | 23/05/2023 | Sep-23 | Vicki Bibby | Gayle Fitzpatrick | Ongoing | | |
| ASB216 | Board | 13 | 2022/23 Annual report on Freedom of Information and Environmental Information | Gayle Fitzpatrick to ensure the Accounts Commission receive relevant FOI reporting statistics going forward. | 23/05/2023 | Jun-23 | Gayle Fitzpatrick | Gayle Fitzpatrick | Ongoing | | |
| ASB217 | Board | 16 | Staff handbook policy review | Susan Burgess to make the minor amendment identified on P6 of the Bullying & Harassment Policy | 23/05/2023 | May-23 | Susan Burgess | Susan Burgess | Complete | | Report updated and finalised for publication |
| ASB218 | Board | 21 | Our purpose workstream: Public Audit in Scotland and Corporate Plan | Michelle Borland, Gemma Diamond and Simon Ebbett to give consideration of the use of language to ensure fully accessible. | 23/05/2023 | Jun-23 | Michelle Borland | Michelle Borland | Ongoing | | |
| ASB219 | Board | 21 | Our purpose workstream: Public Audit in Scotland and Corporate Plan | Michelle Borland, Gemma Diamond and Simon Ebbett to review the existing KPI's in the Corporate Plan with a view to reducing these for further discussion and approval at the 6 June Board meeting. | 23/05/2023 | Jun-23 | Michelle Borland | Michelle Borland | Complete | | Amended Corporate Plan at June 2023 Board meeting |

2022-23 Annual report from the Chair of the Audit Committee to the Board

Chair of the Audit Committee

Item 11
Meeting date: 6 June 2023

Purpose

1. This report presents the annual report from the Audit Committee Chair to the Audit Scotland Board.

Recommendation

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

Background

3. The Audit Committee is a standing Committee of the Board established under Audit Scotland's Standing Orders. The Audit Committee consists of the members of the Board, other than the Chair of the Board and the Accountable Officer. In practice the Chair of the Board and the Accountable Officer attend the meetings as observers.
4. In May 2023, William Moyes resigned as Chair of the Accounts Commission. Tim McKay took over as Interim Chair until 6 June when Ronnie Hinds will become the Interim Chair of the Accounts Commission.

Programme of work

5. The Audit Committee met five times in 2022/23 at Audit Scotland's Offices and via Microsoft Teams. In accordance with its Terms of Reference and the Audit Committee Planner the committee considered a broad range of work across 87 agenda items, including 63 papers. This included reports and updates on/from:
 - Information security and governance.
 - Financial management.
 - Governance, including the annual assurance and statement of control process.
 - Internal and external audit.
 - Audit quality.
 - Organisational risk.
 - Business continuity.
 - The annual report and accounts.

6. The Audit Committee reviewed the rolling action tracker at each of its meetings.
7. The Audit Committee carries out an annual review of its effectiveness based on a self-assessment checklist completed by members. A report on the outcome of the review and the actions arising was presented to the meeting of the Audit Committee on 16 May 2023.

The annual report and accounts and financial management

8. The Audit Committee approved the timetable to facilitate the completion of the Statutory Accounts for the Year ended 31 March 2022 at its meeting on 7 March 2022.
9. The audit of the 2022/23 accounts has concluded and will be reported to the Audit Committee on 6 June 2023.
10. The Audit Committee considered financial performance reports each quarter.

Governance

11. The annual review of Audit Scotland's principal governance policies (Standing Orders, Financial Regulations and Scheme of Delegation) was undertaken between the September and November 2022 Audit Committee and Board meetings. The review resulted in minor changes.
12. In addition, the Audit Committee considered its Terms of Reference at the November meeting in line with the agreed annual review. No amendments were made. The next review will be reported to the Audit Committee on 14 November 2023.
13. The Code of Conduct for members and employees was reviewed by the Board in September 2022 to ensure it remained up to date and in line with the model code published by the Scottish Government. The Code is published on the Audit Scotland website along with the annual declaration of members' interests.
14. The Audit Committee reviewed and approved the Business Continuity Plan and its supporting arrangements in May 2023. The Business Continuity Plan, which is subject to annual review, received minor amendments to reflect changes to the Audit Scotland executive structure.
15. The Audit Committee considered a suite of annual assurance reports in accordance with the annual assurance and statement of control process. The reports were on:
 - Information Governance and Security.
 - Data Incidents.
 - Hospitality and Gifts.
 - Bribery and Fraud.
 - Whistleblowing.
 - Correspondence Handling and Whistleblowing.
 - Audit Quality.

- Health, Safety and Wellbeing.
- Governance statement on internal control and Certificate of Assurance.

Internal and external audit

- 16.** The contract with our previous internal auditors BDO concluded in April 2022. Prior to their contract ending Audit Scotland began a tender process for a new appointment in October 2021. The process concluded in April 2022 with the appointment of Wylie & Bisset.
- 17.** The external auditors and internal auditors have attended all of the Audit Committee meetings during 2022/23.
- 18.** At each meeting there is a private session with both external and internal auditors. This provides the opportunity for the auditors to raise issues with members of the committee and for the committee to ask questions and seek the view of auditors. No material issues were raised during 2022/23.
- 19.** At its meeting in March 2023 the Audit Committee considered a report from the internal and external auditors on their joint working arrangements.
- 20.** The Audit Committee approves the programme of internal audit work each year. Wylie & Bisset carried out seven internal audits and one follow-up review during 2022/23. All reports were presented to the Audit Committee. An overall assurance assessment is given in each internal audit report for the design and operational effectiveness of systems and internal controls.
- 21.** The table below details the audits and overall assurance assessments:

| Audit | Recommendations | Conclusion |
|---|-------------------|-------------|
| Risk Management October 2022 | 2 Low | Strong |
| Digital Strategy November 2022 | 0 | Strong |
| Review of Suitability of Business Management System December 2022 | 1 Low | Strong |
| Green Futures February 2023 | 2 Medium 3 Low | Substantial |
| Hybrid Working March 2023 | 0 | Strong |
| Workforce planning Mar 2023 | 3 Medium 1 Low | Substantial |
| Financial Planning April 2023 | 2 Medium 3 Low | Substantial |

22. There were seventeen recommendations from the seven internal audits. Ten recommendations were classified as low significance and seven of medium significance. Management responses have been provided for all audit recommendations and work is being undertaken to implement them as appropriate.
23. Wylie & Bisset conducted a Follow-up review on progress with recommendations made by our previous internal auditor, BDO. This provided a strong level of assurance that Audit Scotland had implemented the recommendations outstanding, with one recommendation not yet due for implementation.
24. Corporate Governance reports on progress with internal audit recommendations at each Audit Committee.
25. The internal audit service and scrutiny provided by Wylie & Bisset offered substantial assurances in the round for the 2022/23 annual internal audit report.
26. The Audit Committee is satisfied with the performance of our new internal auditors with services delivered to the required standard for the year 22/23. Members were appreciative of the 'benchmarking' section within internal audit reports which provided Audit Scotland with a comparison of current and evolving best practice.
27. The cost of the internal audit work for 2022/23 amounted to £31,116. Wylie & Bisset undertook the bulk of this work at a cost of £25,440. Overall, this was a slight underspend against the £30k budget for our new contract. This was a consequence of the timing of their appointment which impacted on delivery of work in year. The remaining costs of the final figure were attributable to two reviews undertaken by our previous internal auditor BDO which equated to £5,676.
28. Wylie & Bisset completed all audits within the agreed 55 days during 22/23. Ten additional audit days were provided by BDO towards the end of their contract.
29. The internal audit plan for 2023/24 was approved on 16 May 2023 by Audit Committee.

Audit quality

30. The Audit Quality Framework approved in November 2019 committed to providing regular reporting to the Audit Committee on audit quality as well as to the Auditor General for Scotland and the Accounts Commission. Over the course of the last four years regular updates have been provided on audit quality to Audit Committee.
31. The framework uses a broad range of tools to assess audit quality including external and internal 'cold' reviews and surveys of audited bodies and auditors. This range of evidence continues to identify good practice and areas for improvement in audit quality.
32. The Quality of Public Audit in Scotland annual report 2022/23 was presented to the May 2023 meeting of the Audit Committee. The Audit Quality and Appointments team concluded that the quality of audit work over the last four years is good in Performance Audit and Best Value audit and accountancy firm and that there has been considerable improvement in Audit Services group quality review results compared to 2020/21.
33. The good and improving quality scores provides a clear indication that high-quality standards are being achieved and that quality improvement plans are taking effect. Further work continues in some areas to ensure that all the audit work meets the standards

expected by all our stakeholders and in particular by the Auditor General for Scotland and the Accounts Commission.

Risk management

34. Audit Scotland's Risk Management Framework was reviewed and approved by the Audit Committee on 07 March 2023. In accordance with the framework the committee reviewed the Risk Register at each of its five meetings.
35. The Audit Committee considered quarterly reports on data incidents and noted the corrective actions proposed by Audit Scotland to reduce and prevent further incidents. It also received detailed six-monthly updates on digital and cyber security risks.
36. A Board development session was held in August 2022 which focused on risk management and digital security. Our internal auditors Wylie & Bisset provided presentations on both areas which led to productive conversations on our strategic direction in both these areas.
37. Prior to the pandemic the Audit Committee agreed an annual schedule of risk interrogations. This allowed the opportunity to consider one or more of the risks on the register in greater detail. In March 2021, the Audit Committee agreed to suspend risk interrogations given the challenges and work pressures of operating amidst a worldwide pandemic. The re-introduction of risk interrogations will be reconsidered during 2023.

Governance statement

38. The Audit Committee considered a report on the effectiveness of the systems of internal control. There were no matters arising from Audit Scotland's business groups which would require to be raised specifically in the Accountable Officer's governance statement.
39. During 2022/23 a new business group, Innovation and Quality (I&Q) was established within Audit Scotland representing a continual drive to keep moving the organisation forward. Given that the recruitment for I&Q was only completed towards the end of 22/23 there was no requirement for a review of their arrangements and operational controls this year. I&Q will be included in next years annual assurance review.
40. Internal auditors provided Audit Scotland with reasonable assurance that there are no major weaknesses in the internal control system for the areas reviewed in 2022/23.
41. It is the Audit Committee's opinion, based on our scrutiny and oversight of the work of Audit Scotland, that the Accountable Officer and Board can take assurance that there are sound systems of internal control in place within Audit Scotland to support the achievement of the organisation's policies, aims and objectives as set out by the Audit Scotland Board.
42. On the basis of the work reviewed and progress made during 2022/23, the Audit Committee can advise the Board that, in its opinion, the internal control systems in Audit Scotland are effective.

Acknowledgements

43. The Chair of the Audit Committee thanks the members of the Audit Committee for their invaluable input during 2022/23, and wished the former Chair of the Accounts Commission, William Moyes well in the future.

Review of Remuneration and Human Resources Committee (Remco) performance

Chair of the Remuneration and Human Resources Committee

Purpose

1. This report is for the Board for their information and assurance.
2. The purpose of this report is to share the review the past 12 months of performance of the Remco and confirm the future priority areas for discussion during 2023/24.

Recommendations

3. The Board is invited to consider the report for their assurance.

Background

4. The Remco Terms of Reference state that a review of past performance of Remco is an annual item of business scheduled to occur at the May meeting. This has taken place on 16 May 2023.
5. This report is shared with the Accountable Officer and Chief Operating Officer following approval by Remco and then onto the Board for assurance. The process follows good practice for the operation of these committees.
6. During 2022/23, Remco have continued to meet as planned, using a combination of MS Teams calls and hybrid in person meetings, where Covid-19 restrictions have allowed.
7. Remco members welcomed Vicki Bibby, new Chief Operating Officer to all Remco meetings from November 2022 onwards and the permanent appointment of Susan Burgess, new Head of Human Resources since February 2023.

Considerations

8. During 2022/23 Audit Scotland's Remco met on four occasions. One of the four meetings was an extraordinary meeting held in September 2022. This was convened to approve an updated pay award proposal which allowed pay negotiations to continue at Audit Scotland.
9. In accordance with its Terms of Reference the committee considered a broad range of work. This has included reports and updates on:
 - approval of the 2022/23 pay award and negotiations with the Public & Commercial Services (PCS), including the latest public sector pay policy in Scotland and the implications of this upon our own pay settlement, budget and fee strategy

Item 12. Review of Remuneration and Human Resources Committee (Remco) performance | 2

- a review and approved change to the Executive Team remuneration structure which takes effect from April 2023
 - annual review and assurance in connection with the expenses of the Auditor General for Scotland
 - planned work around diversity, equality and inclusion. Reviewing Audit Scotland's reports produced throughout the year which includes both the gender pay gap report and annual diversity report
 - consideration of plans for talent management, succession planning and wider workforce plans for 2022/23
 - the introduction of a new employee benefit, Shared Salary Sacrifice Additional Voluntary Contribution scheme for members of the Lothian Pension Fund and an update on the current car lease scheme
 - consideration and discussion of the 2022 employee stress survey results
 - annual review of Remco past performance and the setting of future priorities, and
 - regular updates about our business and workforce as we have managed the continued evolution of a new hybrid operating model of working and the development of a new Innovation and Quality business group.
- 10.** All this work has been effectively achieved in accordance with good employment practice and is consistent with public sector policy guidance affecting organisations such as Audit Scotland.

Future priorities for 2023/24

- 11.** The Head of Human Resources proposed that Remco should consider scheduling in the review of a new people strategy across the upcoming agenda of business for 2023/24. This strategy will incorporate many strands of development work in relation to people at Audit Scotland including:
- a new diversity, equality and inclusion strategy in partnership with [Business in the Community](#) following a successful procurement exercise during 2022/23
 - more regular health and wellbeing updates proposed to support the mental, emotional health and wellbeing across Audit Scotland's workforce in light of our evolving hybrid way of working and stress survey results, and
 - a fully integrated approach to future workforce planning in response to the demands arising from digital auditing, the competitive recruitment market and our early careers widening access ambitions. This will combine business planning, financial planning and people resourcing planning in one.
- 12.** Remco members welcomed and agreed with these priorities as set out.

Policy on the provision of Non-Audit Services by Audit Scotland's external auditor

Director, Audit Quality and Appointments

Item 13
Meeting date: 6 June 2023

Purpose

1. This report invites the Board to approve the Policy on the provision of Non-Audit Services by Audit Scotland's external auditor.

Recommendations

2. The Board is invited to approve the unchanged policy.

Background

3. The Audit Committee is responsible for developing and monitoring a policy on engaging the external auditor to provide non-audit services, taking into account relevant guidance on the provision of non-audit services by the external audit firm. The Audit Committee considered the policy at its meeting on 11 May 2022 and agreed to recommend it to the Board for approval.
4. The Scottish Commission for Public Audit (SCPA) appoints Audit Scotland's external auditors and may impose contractual restrictions/prohibitions on the external auditor providing non-audit services. In the absence of contractual restrictions, the Audit Committee and Audit Scotland Board are responsible for determining in what circumstances Audit Scotland may engage the external auditor to provide non-audit services.
5. The current policy on the provision of Non-Audit Services was approved in June 2021 and is reviewed annually.

Review

6. The Financial Reporting Council's (FRC) Ethical Standard has not been revised since this policy was approved in June 2021. The policy remains appropriate and in line with the FRC's Ethical Standard.
7. The example of audit related services has been changed because the previous example (grant claim certification) is unlikely to arise.
8. AQA will prepare a procedure that sits under the policy that provides further details about the process for Audit Scotland staff to follow to procure Non-Audit Services in line with the policy.

Conclusion

9. The policy remains appropriate and in line with the FRC's Ethical Standard.

Policy on the provision of Non-Audit Services by Audit Scotland's external auditor

| | |
|---------------------------------|--|
| Owned and maintained by: | Director of Audit Quality and Appointments |
| Date checked/ created: | June 2023 |
| Next review date: | June 2024 |

Introduction

1. The Audit Committee is responsible for developing and monitoring a policy on engaging the external auditor to provide non-audit services, taking into account relevant guidance on the provision of non-audit services by the external audit firm.
2. The SCPA appoints Audit Scotland's external auditors and may impose contractual restrictions/prohibitions on the external auditor providing non-audit services. In the absence of contractual restrictions, the Audit Committee and Audit Scotland Board are responsible for determining in what circumstances Audit Scotland may engage the external auditor to provide non-audit services.
3. The Financial Reporting Council's Ethical Standard 2019 categorises non-audit services as "audit related services" (which includes work normally expected to be undertaken by an external auditor such as Extended audit work that is authorised by those charged with governance performed on financial information and/or financial controls where this work is integrated with the audit work and is performed on the same principal terms and conditions) and "other non-audit services" (which includes management consultancy and tax work).

Scope

4. This policy applies to Audit Scotland.

Policy

5. It is important that Audit Scotland's external auditors are independent and seen to be independent in the work that they undertake. It is therefore not appropriate for them to provide any non-audit work that might be perceived to create a conflict of interest with their role as external auditors.

Implementation

6. Audit Scotland may engage the external auditors to provide work classified as "audit related services" by the Ethical Standard.

7. Audit Scotland shall notify the Chair of the Audit Committee before any such work is undertaken and notify the Audit Committee at their next available meeting.

8. Audit Scotland shall not engage the external auditors to provide work classified as “other non-audit services.

Governance statement and certificate of assurance 2022-23

Corporate Governance Manager

Item 14
Meeting date: 6 June 2023

Purpose

1. This report informs the Board of the annual review of our internal controls to support the achievement of the organisation's policies, aims and objectives. It forms part of the suite of assurance reports in support of the Accountable Officer's governance statement in the annual report and accounts.
2. The report also provides the Certificates of Assurance on our internal controls from each of Audit Scotland's business groups.

Recommendations

3. The Board is invited to:
 - Note the Audit Scotland certificate of assurance as part of the annual assurance process.

Background

4. Executive Team agreed to adopt the internal control checklist and certificate of assurance process in 2011 to support the Accountable Officer's governance statement.
5. Executive Team was invited to consider the certificates of assurance to determine whether they raise any issues which should be drawn to the attention of the Audit Committee or the Audit Scotland Board at their meetings on 6 June 2023 with the Annual Accounts and governance statements.

Considerations

6. Business groups reviewed their internal controls between 7-24 March 2023 with the aid of the internal control checklist. Based on the review and checklist findings the business group Directors completed and approved their business group's Certificate of Assurance.
7. Business group Directors reported that generally the controls in their areas have been and are working well. The responses, including evidence and detailed action points where relevant are available on SharePoint.
 - [Audit Services](#)
 - [Corporate Services](#)
 - [Performance and Best Value.](#)
8. Innovation and Quality was not included in the assurance process this year given the bulk of the recruitment had not been concluded. Given the recruitment process is now complete they will be included in next year's assurance process.

Good practice

9. The annual assurance process has demonstrated good practice across the organisation's internal controls including:

- robust governance and performance reporting
- strong communication and collaboration within and across business groups
- a focused internal audit programme on existing and new areas of work.

CERTIFICATE OF ASSURANCE



To Audit Scotland's Accountable Officer

ANNUAL ACCOUNTS 2022/23: ASSURANCE FOR THE GOVERNANCE STATEMENT

- I am aware that, as Executive Director of Audit Services, you are required to sign a governance statement for the annual accounts for 2022/23. To assist you in that process, I can confirm that I have received and reviewed the required assurances from my own Audit Directors/Senior Managers.
- Based on that review, and my own knowledge of internal control matters in my business group I can confirm that these controls have been, and are, working well. There are, in my opinion, no significant matters arising in my area of responsibility which would require to be raised specifically in the governance statement.

Name of Director: John Cornett
Business Group: Audit Services

A handwritten signature in blue ink, appearing to read "John Cornett", with a horizontal line underneath.

Signature:

Date: 28 March 2023

CERTIFICATE OF ASSURANCE**To Audit Scotland's Accountable Officer****ANNUAL ACCOUNTS 2021/22: ASSURANCE FOR THE GOVERNANCE STATEMENT**

- I am aware, as Director of Corporate Support, you are required to sign a governance statement for the annual accounts for 2022/23. To assist you in that process, I can confirm that I have received and reviewed the required assurances from my own Assistant Directors/senior managers.
- Based on that review, and my own knowledge of internal control matters in my business group I can confirm that these controls have been, and are, working well. There are, in my opinion, no significant matters arising in my area of responsibility which would require to be raised specifically in the governance statement.

Name of Director: Martin Walker

Business Group: Corporate Services Group



Signature:

Date: 07 April 2023

CERTIFICATE OF ASSURANCE

To: Audit Scotland's Accountable Officer

ANNUAL ACCOUNTS 2021/22: ASSURANCE FOR THE GOVERNANCE STATEMENT

- I am aware that, as Executive Director of Performance Audit and Best Value, you are required to sign a governance statement for the annual accounts for 2022/23. To assist you in that process, I can confirm that I have received and reviewed the required assurances from my own Assistant Directors/senior managers.
- Based on that review, and my own knowledge of internal control matters in my business group I can confirm that these controls have been, and are, working well. There are, in my opinion, no significant matters arising in my area of responsibility which would require to be raised specifically in the governance statement.

Name of Director: Antony Clark

Business Group: Performance Audit and Best Value

A handwritten signature in black ink, appearing to read "Antony Clark", written over a faint horizontal line.

Signature:

Date: 15 March 2023

Purpose

1. This report provides the Board with a review of organisational performance as at quarter four 2022/23.

Recommendations

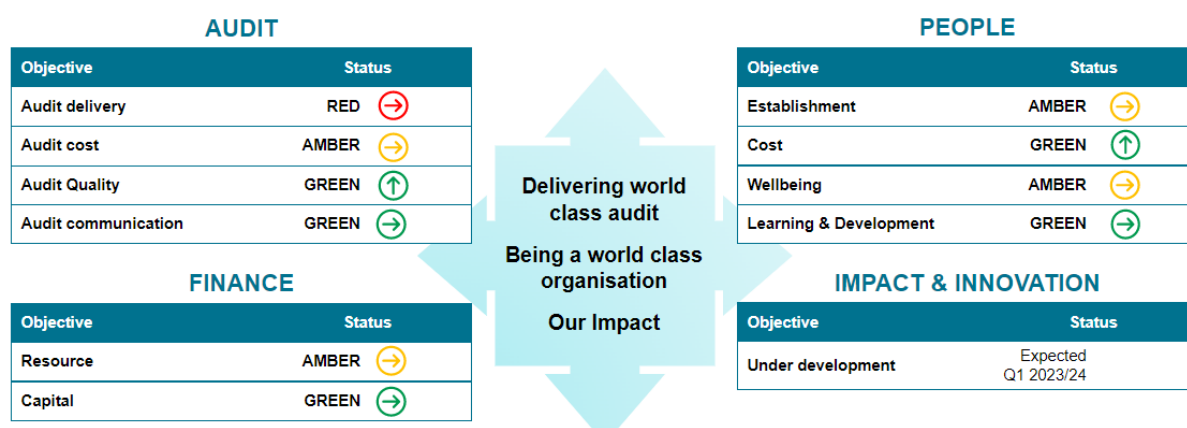
2. The Board is invited to:
 - Review the performance in Q4 set out below and in appendix 1
 - Consider the issues affecting performance, the actions identified and whether any additional management action is required.

Background

3. At its meeting on 4 April 2023 the Board welcomed the new format of the quarterly performance report and noted the plans to refine the reports further on an iterative basis.
4. A variation of the Q3 performance report was also considered by the Accounts Commission at its meeting on 13 April. The Commission provided positive feedback and also identified some areas for further development.
5. The Q4 performance report, attached as appendix 1, is structured as follows:
 - Performance summary/ highlights and challenges (pages 2 to 3).
 - Delivering world class audit – delivery to time and budget, audit focussed time, audit messages and impact and audit quality (pages 4 -17).
 - Being a world class audit organisation – people, finance and services (pages 18 – 32).
 - Impact and innovation – this section is under development (pages 33 – 35).
6. Performance over all in 2022/23 is captured in the Annual Report and Accounts which is also on the agenda for today's meeting of the Board.

Performance overview Q4

7. The graphic below provides a summary of performance.



Audit delivery

8. In 2022/23 we delivered 99% of the all the 2021/22 financial audit and performance reports scheduled for the year.
9. Challenges remain in returning to the pre-pandemic delivery dates for the financial audits. During 2022/23 the delivery of audit has been impacted by a number of factors including:
 - Delays in commencing 2021/22 audit work due to the prior impact of the pandemic
 - Significant technical issues in the accounts under audit, for example, accounting for non-current assets not valued in year
 - Actions taken to safeguard the quality of the audit work and integrity of the Independent Auditors' Report
 - The impact of resourcing and capacity issues for clients and audit teams
 - The governance timetables at audited bodies.
10. The issues affecting the delivery of financial audits were [reported](#) in more detail to the Board at its meeting on the 24 January 2023. The Board noted the report and agreed the recommended actions to address these issues.
11. In 2022/23, 59% of the financial audits for the Auditor General for Scotland (AGS) were delivered to the planning guidance deadline. 44% of the financial audits for the Accounts Commission (AC) were delivered within the deadline.
12. The differential is in part due to how Audit Services Group prioritised the 2021/22 audits to reflect the sequencing of the statutory deadlines. The deadlines are in the following order: NHS Bodies, Local Government, Central Government and Agencies and other bodies and Further Education. Approximately 62% of the AGS portfolio fell within the first three categories compared to approximately 50% of the Accounts Commission portfolio. As a result, a greater proportion of AGS audits were delivered to the target deadlines.
13. Audit Services has now returned to a 'business as usual' approach in the sequencing of audit delivery and moved away from the prioritisation framework that was put in place for the 2021/22 audits. This enables Audit Services to be more agile in resourcing and responding to changing circumstances with a focus on health bodies, Scottish

Government agencies, local authorities involved in year one Best Value work and new group bodies.

14. The objective is to return to pre pandemic deadlines and actions include the phased targets for the Audit Services Group. Audit Services Group have set a target for 2022/23 audits of 72% of all audits within the target sign-off dates (compared to the 51% achieved for the 2021/22 audits).
15. At the time of writing there is one financial audit outstanding and a verbal update on the most up to date position will be provided at the meeting.
16. An update on the impact of the improvement actions will be completed in August and will be reported to Board at its meeting on 26 September 2023.
17. The current measure for audit time and non-audit time in quarter 4 is averaging 52 per cent of time on audit and is showing a slight downward trend as shown in the appendix (slide 21). For the quarter one report in September 2023 the measure will be expanded to provide more detail on time that is being spent on non-audit work the types of work that includes and how this is reflected by grade.

Resourcing the audit work

18. Work is under way to bring the audit delivery groups (ASG and PABV) up to full establishment. This has included recent recruitment campaigns for business managers, senior auditors in both ASG and PABV, a school / college leaver campaign and the finalisation of the graduate recruitment for 2023. Many new external appointments will be joining us from June onwards. We are also planning an upcoming PABV Auditor campaign.

Other key points

19. Key points to note in Q4 are:
 - We delivered 98 per cent of all expected outputs in the year.
 - We delivered 84% of Annual audit plans with 65% on time.
 - Audits/reports were delivered 19% under budget.
 - People costs are below budget.
 - Absence levels remain low.
 - The exam pass rate is 85% compared to 81% in 2021/22.

Developments in performance reporting

20. Work is ongoing in refining the performance data, this includes:
 - the increased use of targets, time series data and benchmarking
 - performance data analysed by customer (AGS and Accounts Commission), provider (ASG and the Firms) and by sector (health, local government, central government and further education)

- the definition of audit and non-audit time (which is an important part of the development of productivity, efficiency and utilisation measures) and the accuracy and timeliness of time recording data
 - the development of performance measures in relation to Impact and Innovation.
- 21.** During March 2023 the Auditor General and the Accounts Commission considered the first six monthly [Impact summary report](#). The New Corporate Plan sets out that we will report on impact six-monthly to the Auditor General and Accounts Commission, and annually to the Audit Scotland Board. We are currently exploring the best mechanism and timing for doing that.
 - 22.** The most significant development work under way is the realignment of the performance reporting to reflect the new Corporate Plan, which is being considered by the Board at its meeting on 6 June 2023.
 - 23.** The next corporate performance report, Q1 2023/24 will be considered by Board on 26 September 2023. The 2023/24 Q1 report will be aligned to the new Corporate Plan and will introduce a range of new performance targets, the inclusion of audit delivery data by customer, sector and audit provider (the Firms and Audit Scotland).
 - 24.** We are also focussing on the measures relating to productivity and the balance between audit and non-audit time. This includes the definition and categorisation of the time recording (TR) codes, the timeliness of the recording of TR data and TR reporting. This will inform an analysis of the current utilisation rates and a review of utilisation targets.
 - 25.** We will also expand the breakdown of the Audit time and non-audit time by business group and by grade. Additional Learning and Development measures are also being developed for inclusion in the Quarter 1 report.

Q4 Corporate Performance Report

Appendix 1

AUDIT

| Objective | Status |
|---------------------|---------|
| Audit cost | AMBER → |
| Audit Quality | GREEN ↑ |
| Audit communication | GREEN → |

PEOPLE

| Objective | Status |
|------------------------|---------|
| Cost | GREEN ↑ |
| Wellbeing | AMBER → |
| Learning & Development | GREEN → |

FINANCE

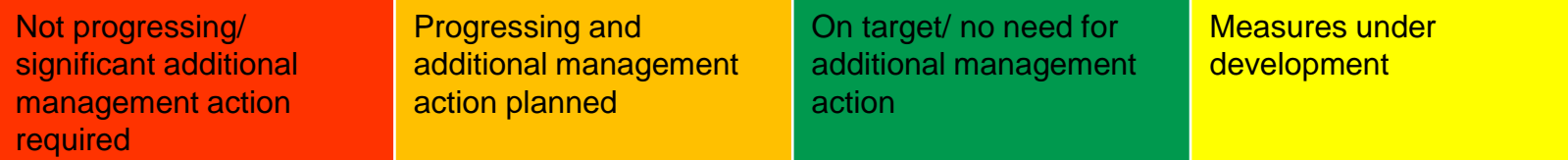
| Objective | Status |
|-----------|---------|
| Capital | GREEN → |

IMPACT & INNOVATION

| Objective | Status |
|-----------|--------|
|-----------|--------|

Delivering world class audit
Being a world class organisation
Our Impact

RAG key



Summary | Highlights, challenges and actions

Highlights

Audit

- We delivered 99% of all expected outputs
- 86% of performance audits have been delivered on time
- In Q4 Audits/reports were delivered 19% under budget
- The quality of Audit is improving
- Double the number of Annual Audit Plans have been delivered compared to this time last year

People

- People costs 2.5% below budget
- Absence levels remain low at 1.27 days
- Exam pass rate year for the year 85%

Finance

Audit Scotland services delivered within budget.

Challenges

Delivery

2021/22 Financial Audits:

- 51% on time against planning guidance
- 44 % AC reports delivered on time
- 59% AGS reports delivered on time

People

- The average number of staff at the end of Q4 was 324 against an establishment of 341.1, equating to 95% of establishment.
- The business group were under establishment:
 - Audit Service 6.3 WTE (3%) below establishment
 - Performance Audit and Best Value 7.4 WTE (9%) below establishment
 - Corporate services 4.2 WTE (7%) below establishment

Finance

- Audit Scotland's Net Operating Expenditure was 6.3% better than budget.

Actions

- Actions taken in relation to 2022/23 financial audits and [medium-term actions](#) for future audit years
- Recruitment to bring ASG and PABV to full establishment

Delivering world class public audit

Objective

We deliver our products on time

KPQ1

Are audits delivered on **time**?

Target

95% of audits delivered on time



OVERVIEW **RED**

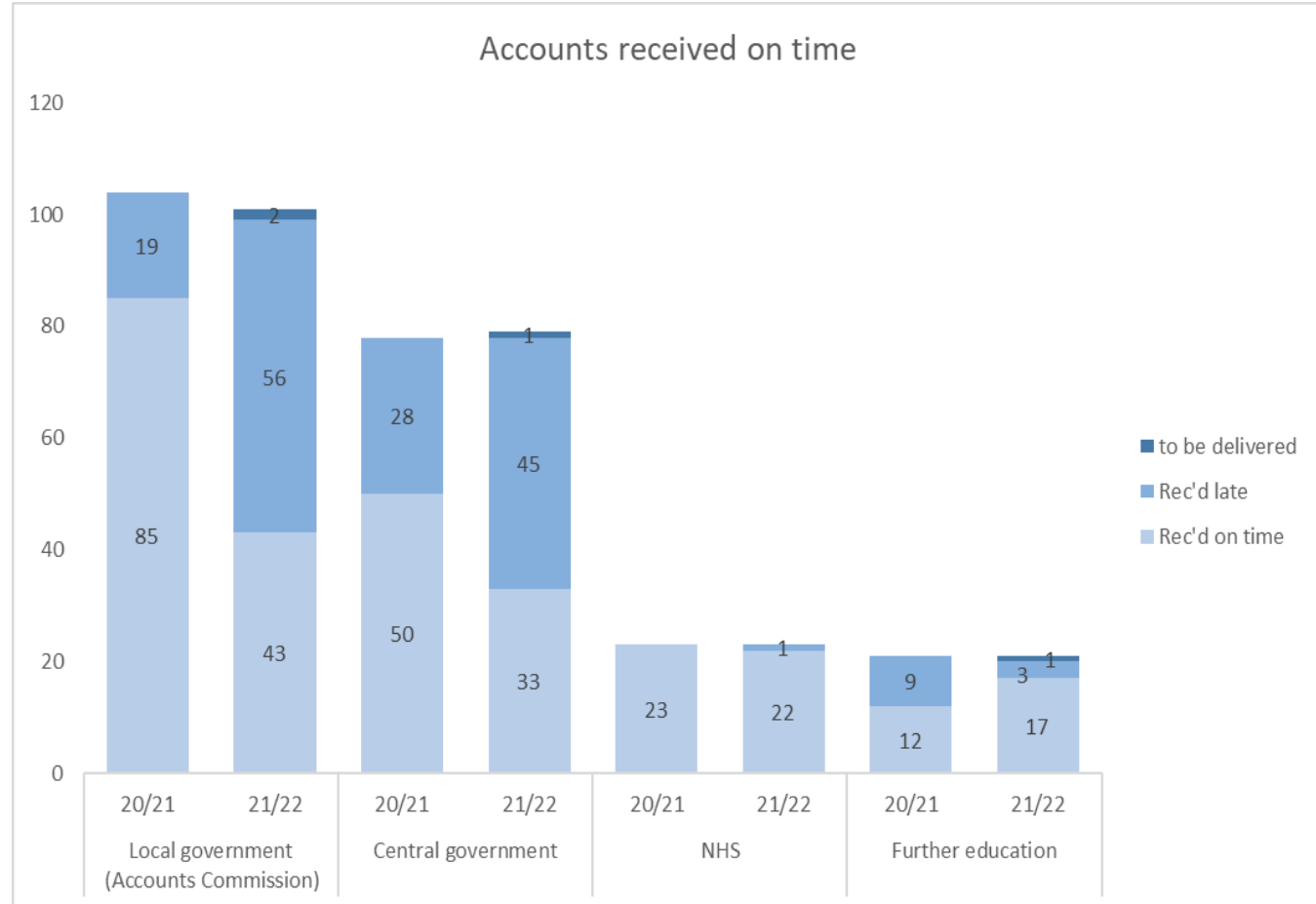
- 51% of the financial audits (delivered by the firms and Audit Scotland) were on time. This is significantly below target of 95%.

Delivery for **Financial Audits**:

- 1 of the 2021/22 accounts are outstanding
- 51% accounts were delivered on time
- 59% Auditor General for Scotland accounts were on time
- 44% Accounts Commission accounts were on time
- To date 170 of the 207 annual audit plans (2022/23) due, were delivered and 65% were on time

Delivery for **Performance Audits**:

- 86% Performance audit reports on time
- 94% Accounts Commission performance reports on time report
- 75% Auditor General for Scotland performance reports on time report
- 50% Joint performance reports on time
- Overall we have delivered 99% of expected outputs



Objective

We deliver our products **on time**

KPQ1

Are audits delivered on **time**?

Target

95% of audits delivered on time



Performance, trend and RAG

Audit delivery is rated as **RED**. Annual audit delivery

- For 2022/23 there is one outstanding 2021/22 annual audits to be delivered in Q1. The auditor is working with the audited body on the last audit to secure a date for completion.

2022/23 Audits

- To date 170 (84%) of the 202 Annual Audit Plans (AAPs) were delivered with 65% delivered on time.
- The 38 Annual audit plans delivered late were due to either the late conclusion of the prior year audit, audit staff resourcing, or ongoing discussions about technical disclosures.

Annual Audit Plans by customer

- Accounts Commission: due 99 reports with 59 (60%) on time.
- Auditor General: due 103 reports with 73 (71%) on time.

Annual Audit Plans by provider

- ASG due 126 with 90 (71%) on time more than double the performance of this time last year.
- Firms due 76 with 42 (55%) on time.


Risk


Audit delivery misses statutory deadline

Delay in delivery this year's audit impacts on the ability to deliver next years audit on time

Risk register

The performance affects the following risk in the corporate risk register.

A4 - Failure to deliver audit to deadlines 

M2 - Failure of independence, reputation, focus and relevance 

Objective

We deliver our products **on time**

KPQ1

Are audits delivered on **time**?

Target

95% of audits delivered on time



Performance, trend and RAG

Delays to Performance Audit

During 2022/23 we delivered 37 of the 43 performance audit products (86%) on time. Of the six products that were delivered later than planned, four of these were statutory reports (Commissioner for Ethical Standards s22, Ferguson Marine Port Glasgow s22, Scottish Canals s22). These were late due to the late sign off of the audited bodies' accounts.

Exception reports for the other three reports that were later than planned are outlined below:

- Tackling child poverty (briefing, September 2022) – joint report
 - We agreed with the AGS and Accounts Commission sponsors to delay this briefing from May until September, after the summer parliamentary recess. It was agreed a shorter gap between publication and the briefing going to the Public Audit Committee would increase its impact. This also allowed the team more time to digest the Scottish Government's new child poverty delivery plan and other key documents.
- Data gaps – getting the basics right...what more public sector leaders can do (other, September 2022) – Audit Scotland report
 - We delayed this product from August to September due to resource capacity and to ensure we secured a suitable date that key panel members could attend.
- Resourcing the benefit service (thematic study) (other, February 2023) – Commission
 - We delayed this product from October to February due to issues with data availability and data validation. This ensured we had a complete and accurate dataset to analyse and inform the final report.

Objective

We deliver our products **on time**

KPQ1

Are audits delivered on **time**?

Target

95% of audits delivered on time



| Issues / Actions | Actions to improve performance | Who | Timescales | Comment / update |
|--|--|---------------|-----------------------|---|
| Late delivery of Audit | Report to Board 24/01/23 summarising issues and actions | EDASG | Jan 2023 | <p>Paper delivered to Board 24 January 2023 including an action plan for improving delivery. An update on the impact of changes planned will be provided to the Board in August 2023.</p> <p>ASG has returned to a business as usual approach in the sequencing of audit delivery and moved away from the prioritisation framework that was applied in 2021/22.</p> |
| | Audit Services Group have set a target for 2022/23 audits of 72% of all audits within the target sign-off dates (compared to the 51% achieved for the 2021/22 audits). | | | This target is contingent of Audit Services Group addressing shortfall of colleagues in post against establishment |
| Audit Time V Non Audit time | Review of KPI to ensure accuracy of information being reported | Chair of PRMG | For 2023/24 Q1 report | The PRMG will review how we record Audit time and non audit time to ensure we have the most accurate picture. |
| | Review of utilisation rates to industry standards | Chair of PRMG | For 2023/24 Q1 report | |
| Breakdown of delivery on time performance by Audit Services and by firms | Will provided further breakdown | | For 2023/24 Q1 report | |

Objective

We deliver our products within **budget**

KPQ2

Are audits delivered on **budget**?

Target

+/-5% of budget



OVERVIEW Amber

- Audits/reports are being delivered on average 19% under budget.
- The Annual Audit variance of 29% is due to a number of factors. The Audit Services Budget cycle does not align to the financial year and the cost of Audit represented here is for the 2022/23 financial audits. Other issues include the phasing of the audit and current capacity to deliver. Overall audits are under-resourced to deliver against budgets.
- In-house income was in total £419k (4.6%) worse than budget.
- Fee income for 2021/22 audits has a negative volume variance of £135k and a positive price variance of £61k. Audit work for 2022/23 has commenced and is currently £387k behind plan. The prior year income of £42k is the balance due on the completion of the 2021 EAFA audit.
- Fee income earned for audits carried out by external firms net of fees and expenses paid to the firms was £57k worse than budget. Income recognition was £818k (13.3%) worse than budget with fees and expenses payable to the external firms being £761k (14.0%) better than budget.

Budget

| Product | Total budget £ | AC budget | AGS budget | Total costs £ | Variance £ | % Variance |
|---------------------------|-------------------|-----------|------------|------------------|---------------|---------------|
| Annual audits | 4,034,988 | 2,270,783 | 1,764,205 | 2,863,452 | -1,171,536 | -29 |
| Performance audits | 3,666,329 | 1,704,924 | 1,923,272 | 3,382,848 | -283,481 | -8 |
| Total | 7,701,317 | 3,975,707 | 3,687,477 | 6,246,301 | -1,455,017 | -19 |

Objective

We deliver our products within **budget**

KPQ2

Are audits delivered on **budget**?

Target

+/-5% of budget

Performance, trend and RAG

In Q4 Audits/reports are being delivered 19% under budget compared to 16% under budget in Q3.

- ASG -29% under budget
- PABV - 8% under budget


Trend is variable throughout the year with some of the variation due to the way budgets are phased for the quarterly reports.

Risk

In Q4 Audits were 19% under budget. This is expected to vary during the year and does not present a significant risk at this time.

Risk register

The performance affects the following risk in the corporate risk register.

A6 – Failure of efficiency and ability to demonstrate value for money 

| Issues / Actions | Actions to improve performance | Who | Timescales | Comment / update |
|--|--------------------------------|-----|------------|------------------|
| PRMG has reviewed the cost break down for individual audits and there are no issues to report in this quarter. | N/A | | | |

Objective

Colleagues focus is on **delivering** our products

KPQ3

Are colleagues **audit focused**?

Target

TBC

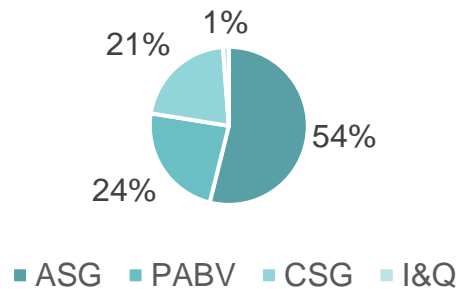


OVERVIEW **AMBER**

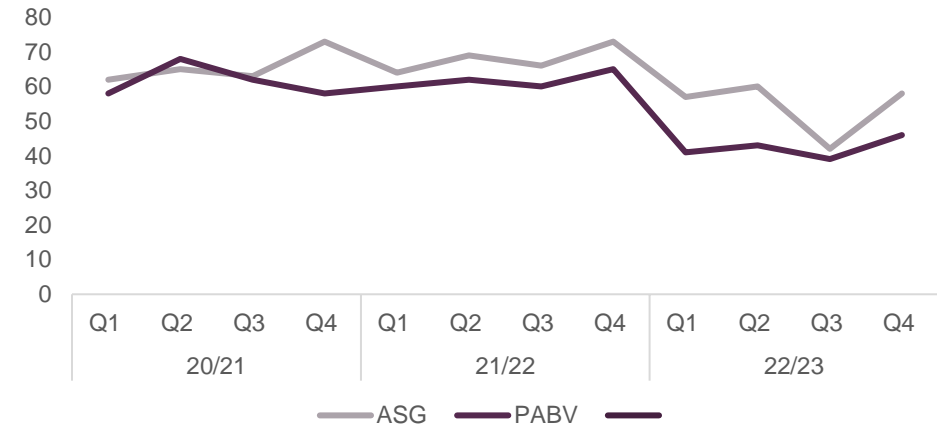
- Average time spent on Audit 52%

Percentage of colleagues delivering Audit:
ASG 95%
PABV 73%

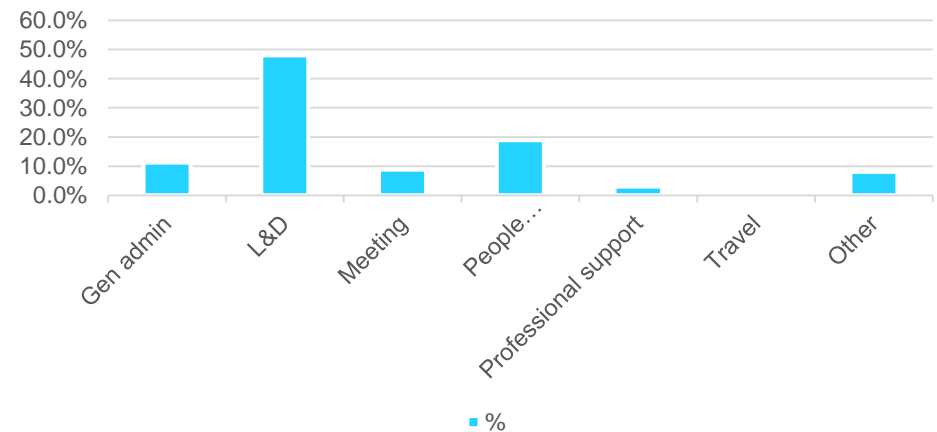
% colleagues by business group delivery



Percentage Audit time



Non Audit Hours (excluding leave)



Objective

Colleagues focus is on delivering our products

KPQ3

Are colleagues **audit focused**?

Target

TBC

Performance, trend and RAG

In Q4 time spent on audit was 52%.

Risk

Not enough resource is available to deliver Audits on time or to sufficient quality.

Risk register

The performance affects the following risk in the corporate risk register.

A3 – Failure of audit quality ● →

A4 – Failure to deliver audits to deadlines ● →

| Issues / Actions | Actions to improve performance | Who | Timescales | Comment / update |
|---|--|------|-----------------------|---|
| Current utilisation rate metrics are not sufficient. | Review and implement new KPIs to provide further insight to the amount of time colleagues are spending on delivering audit. | PRMG | For 2023/24 Q1 report | PRMG will review data available to provide a more detailed picture of performance in this area. |
| New KPI | The Financial Reporting Council (FRC) definition of Staff utilisation rates includes Number of hours worked per week, as a percentage of contracted hours. | PRMG | For 2023/24 Q1 report | |
| Target for percentage of time spent on audit to be agreed | | PRMG | For 2023/24 Q1 report | |

Objective

We deliver high **quality** work

KPQ4

Are we assured about the **quality** of our work?

Target

80% of reviews achieve level 1 or 2 (over a three year period)



OVERVIEW **GREEN**

- All six accountancy firms subject to an independent review in the last four years have met the expected quality standard for financial audit. One financial audit was awarded the highest score available by the independent reviewer.
- Nine of the 11 (82 per cent) ASG financial audits reviewed met the expected standard. This is the first time that ASG, who conduct most financial public sector audits in Scotland has met the expected standard since the AQF arrangements began.
- Three of the four Performance audit and Best Value audits reviewed met the expected standards. One Performance audit was awarded the highest score available by the independent reviewer.
- Stakeholder feedback shows high levels of satisfaction with external audit services provided, the usefulness of the annual audit report, and indicates that the audit work has had impact.
- Auditor surveys provide evidence that there continues to be a strong culture of support for performing high-quality audit and that audit organisations are continuing to invest in staff training.
- Audit staff within most audit providers continue to report concerns they do not feel they have sufficient time and resources to deliver high quality audit work. There is evidence that plans put in place by most audit providers in response to these concerns have improved matters.
- There is increasing evidence of a shortage of skilled and qualified audit staff available in the auditing profession across the UK.

Objective

We deliver high **quality** work

KPQ4

Are we assured about the **quality** of our work?

Target

80% of reviews achieve level 1 or 2 (over a three year period)



Performance, trend and RAG

Performance in this area is **improving**.

The overall scores applied to financial audit quality reviews have improved this year. This provides a clear indication that high-quality standards are being achieved and that quality improvement plans are taking effect. It is important that trend is sustained.

Risk

Not enough resource is available to deliver Audits on time or to sufficient quality.

Risk register

The performance affects the following risk in the corporate risk register.

A3 – Failure of audit quality ● →

A6 - Failure of efficiency and ability to demonstrate value for money ● →

| Issues / Actions | Actions to improve performance | Who | Timescales | Comment / update |
|---|--|-----|------------|------------------|
| All auditors included in the quality reviews have been informed of findings | The improvement actions will be reviewed in Q1/Q2 and reported in Q3 2023/24 | AQA | Q3 2023/23 | |

Objective

Audit impact: we deliver **impact** through our work

KPQ5

Are we assured about the impact of our work?

Target

None

Performance, trend and RAG

Examples of impact recorded in quarter four are available on [SharePoint](#)


The next impact monitoring and evaluation data for Performance Audit will be available in August 2023 and will be reported in the Q2 report.

Risk

Our work is not delivering impact

Risk register

The performance affects the following risk in the corporate risk register.

A6 – Failure of efficiency and ability to demonstrate value for money 

A8 – Failure to maximise the value, impact and influence of public audit 

| Issues / Actions | Actions to improve performance | Who | Timescales | Comment / update |
|---|--------------------------------|-----|------------|------------------|
| No significant issues have been identified in this quarter. | | | | |

Objective

We **communicate** with external stakeholders

KPQ6

Are we open and transparent by **reporting** in public?

Target

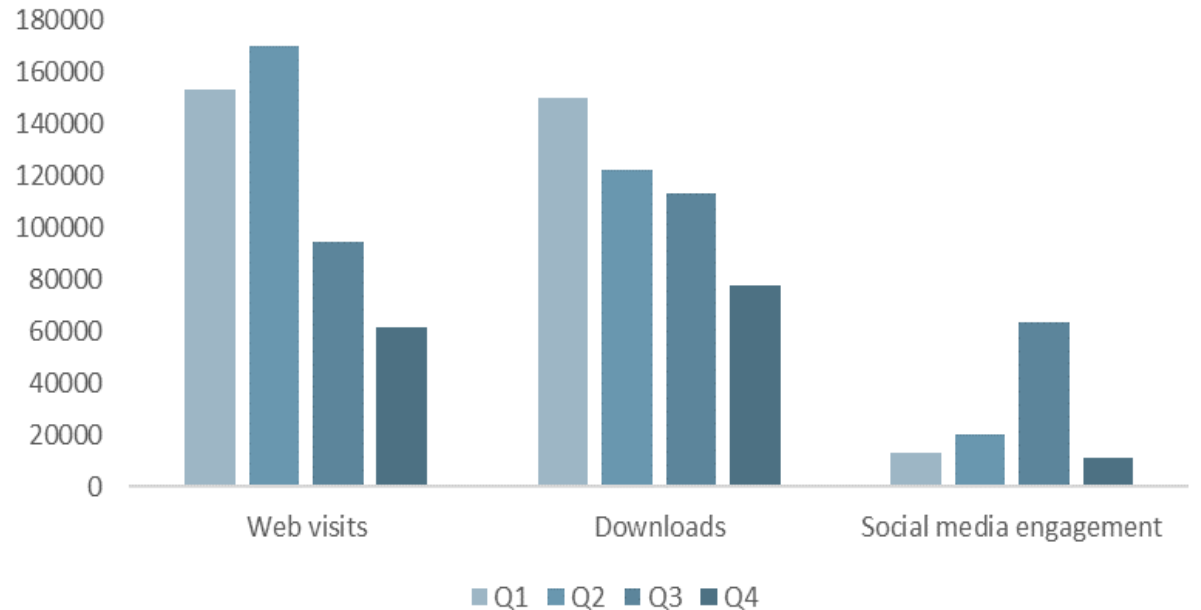
Comparison with previous years performance.



OVERVIEW **GREEN**

- Stakeholder engagement is rated green.
- We continue to get our messages out through a variety of means. We attended 7 Parliament committees and attended 8 external working groups.
- Supporting Covid-19 enquiry response submitted 10 May 2023
- The Auditor General for Scotland top three reports covered by the media included:
 - NHS Overview (56 items);
 - s22: Ferguson Marine Port Glasgow (31 items)
 - s22 Commissioner of Ethical Standards (2 items).
- The Accounts Commission top three media items included:
 - LG financial bulletin 2021/22 (20 items);
 - Thematic: Resourcing the benefit service (4 items)
 - Web: Public sector gender pay gap (Joint) (1 items).
- The Accounts Commission's Twitter account achieved the highest engagement for all our social media accounts in January, due to the LG Financial Bulletin.

Transparent reporting in public - Web stats



Objective

We **communicate** with external stakeholders

KPQ6

Are we open and transparent by **reporting** in public?

Target

Comparison with previous years performance.

Performance, trend and RAG

During this quarter, coverage focussed on:

- Auditor General reports on the NHS, Ferguson Marine and the NHS Overview. The Parliament’s Public Audit Committee report on the two delayed CalMac ferries also allowed the media to make mention of the AGS’s s22 on Ferguson Marine.
- The Accounts Commission’s reports on Local Government Financial Bulletin drew wide local and national commentary on the challenges facing councils. The report was often referenced by the media alongside stories about local authorities raising their council tax levels to try and balance their books.

Risk

The work we carry out is not communicated to key stakeholders.

Risk register

The performance affects the following risk in the corporate risk register.

A8 – Failure to maximise the value, impact and influence of public audit

M2 – Failure of independence, reputation, focus and relevance

| Issues / Actions | Actions to improve performance | Who | Timescales | Comment / update |
|--|---|-----|------------|------------------|
| On 23 March we received a ‘Rule 8 notice’ from the Scottish Covid-19 Inquiry requesting a submission to the Inquiry. | We issued the <u>submission</u> with relevant accompanying documents on 10/05/23. | n/a | Complete | n/a |

Being a world class organisation



Our people

Objective

We manage our resources effectively

KPQ7a

People establishment

Target

tbc



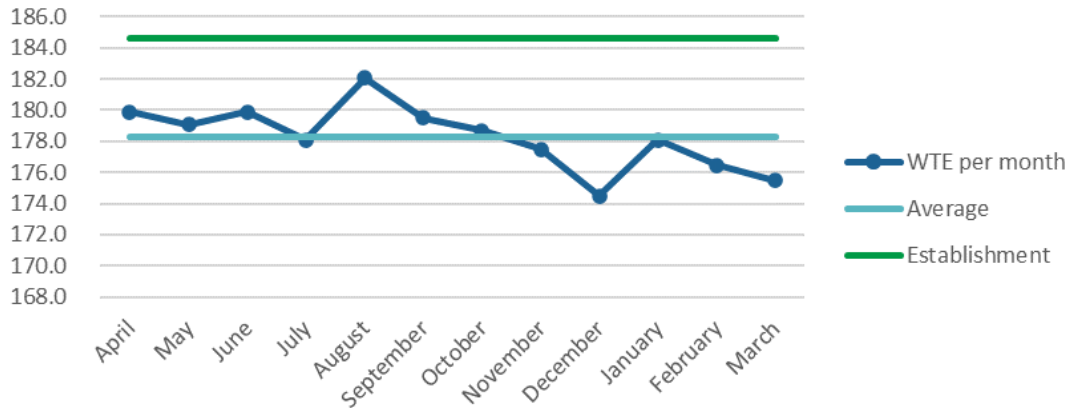
OVERVIEW **AMBER**

- Current staffing level versus establishment.
- The average number of staff in 2022/23 was 324, against an establishment level 341.1 WTE. This equates to 95% - up from Q3 (93.9%).

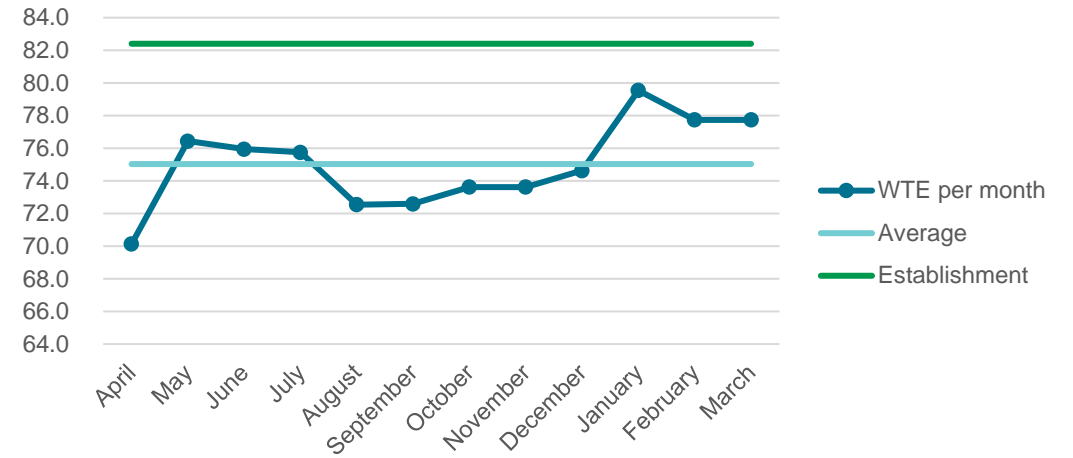
The business groups were under establishment:

- Audit Services 6.3 WTE (3%) below establishment
- Performance Audit and Best Value 7.4 WTE (9%) below establishment
- Corporate services 4.2 WTE (7%) below establishment

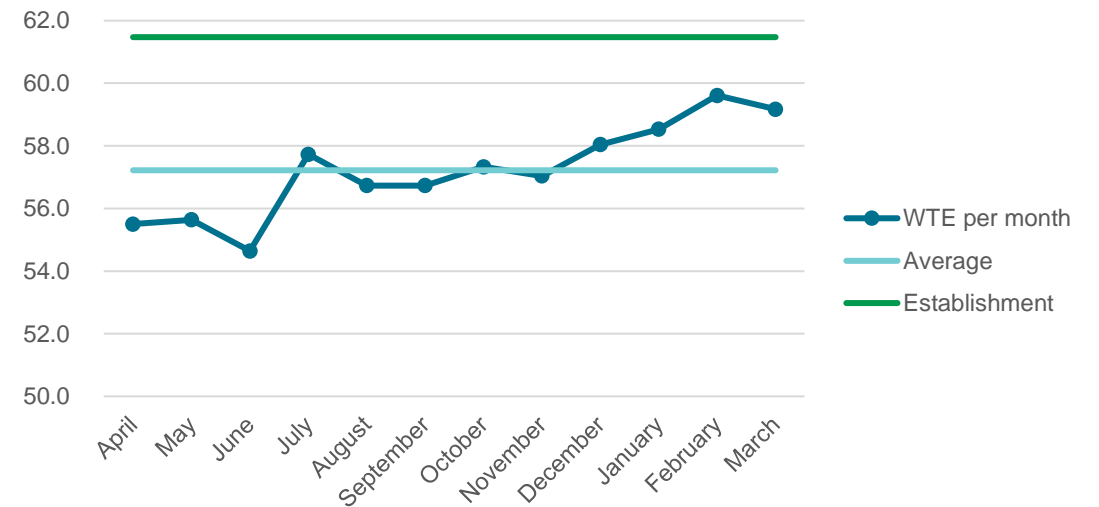
ASG - WTE staff in post 2022/23



PABV - WTE staff in post 2022/23



CSG - WTE staff in post 2022/23



Objective

We manage our resources effectively (**People**)

KPQ7a

People establishment

Target

tbc

Performance, trend and RAG

- Overall this measure is rated amber due to FTE being at 324 which is 95% of establishment (341.4).
- Audit Service 6.3 WTE (3%) below current establishment which is under review to reflect the additional requirements to deliver the new audit allocations.
- The establishment figures for ASG and PABV do not yet recognise the transfers to I&Q which will be reported separately in future reports.
- Following the conclusion of the audit procurement process the ASG establishment has now been reviewed and revised to reflect the audit allocations and requirements of the new Code of Audit Practice (CoAP). A five-year ASG establishment plan has been developed to support the delivery of the audit portfolios and address the short term corporate priority to recover the audit delivery timescales and address the red delivery rating currently being reported.

Risk

If Audit delivery business groups are under establishment this increases the risk of failure to deliver audits/meet deadlines.

Risk register

The performance affects the following risk in the corporate risk register. A5 - Failure of capacity –establishment, deployment, skills.

| Issues / Actions | Actions to improve performance | Who | Timescales | Comment / update |
|-------------------|---|-----|------------|------------------|
| ASG establishment | The ASG establishment has been reviewed in response to the outcome of the audit appointment process and the impact of the new CoAP alongside the short-term priority to recovery audit delivery timescales. | ASG | May 2023 | |

Objective

We manage our **resources** effectively

KPQ7b

Are we managing our people resources effectively

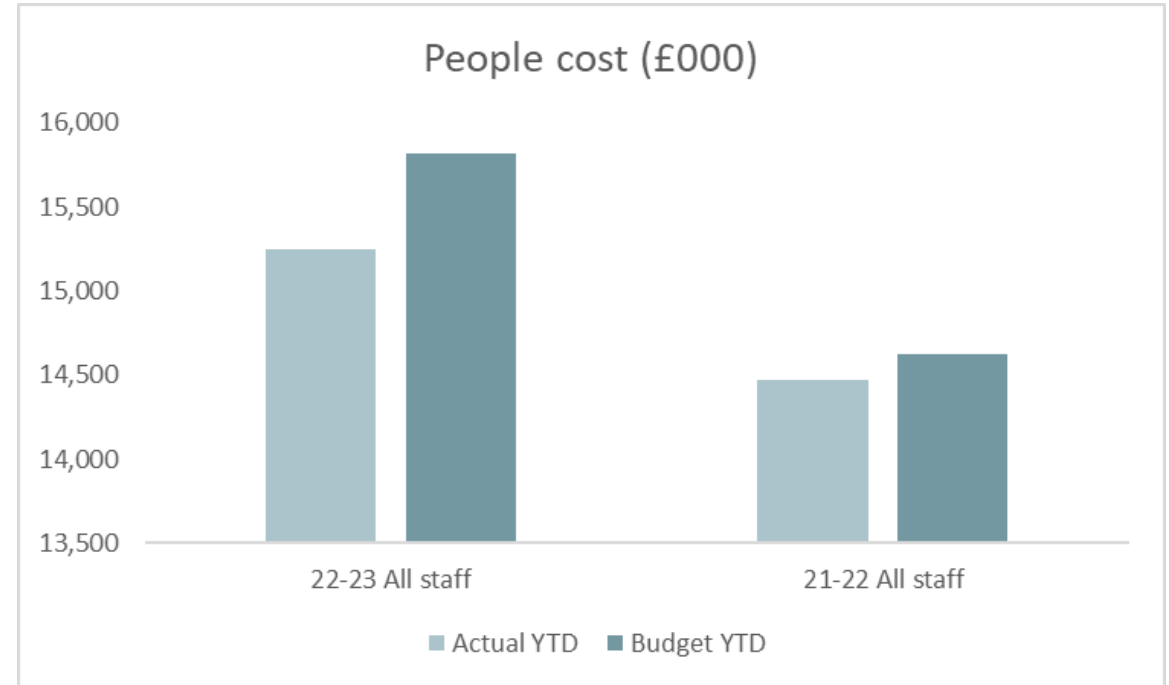
Target

+/- %5 of budget



OVERVIEW **GREEN**

- The cost of Audit Scotland staff in twelve months to 31 March 2023 was 2.5% better than budget year to date.



Objective

We manage our resources effectively

KPQ7b

Are we managing our people resources effectively

Target

+/- %5 of budget



Performance, trend and RAG

- Pay underspend due to average whole time equivalents (WTE) position being 15.9 (WTE) below funded establishment.

Risk

None

Risk register

The performance affects the following risk in the corporate risk register.

A5 - Failure of capacity –establishment, deployment, skills. ● →

| Issues / Actions | Actions to improve performance | Who | Timescales | Comment / update |
|--------------------|---|----------------|--------------|--|
| Workforce planning | Workforce planning internal audit report underway | Internal Audit | May 2023 | To be considered by Audit Committee in May 2023. |
| | Workforce plan 2023/24 | Head of HR | April 2023 | WFP to Exec Team 21/03/23 |
| | Executive Team People Strategy workshop | Executive Team | 14 June 2023 | |

Objective

We manage our resources effectively

KPQ7c

Wellbeing

Target

TBC

OVERVIEW **AMBER**

- Colleague turnover (1.19%)
- 1.27 days Sickness absence equates to 2% of available days
- Average of 1.27 Days lost to illness

Areas under development

- Annual leave taken/planned
- Time sheet completion
- Flexitime

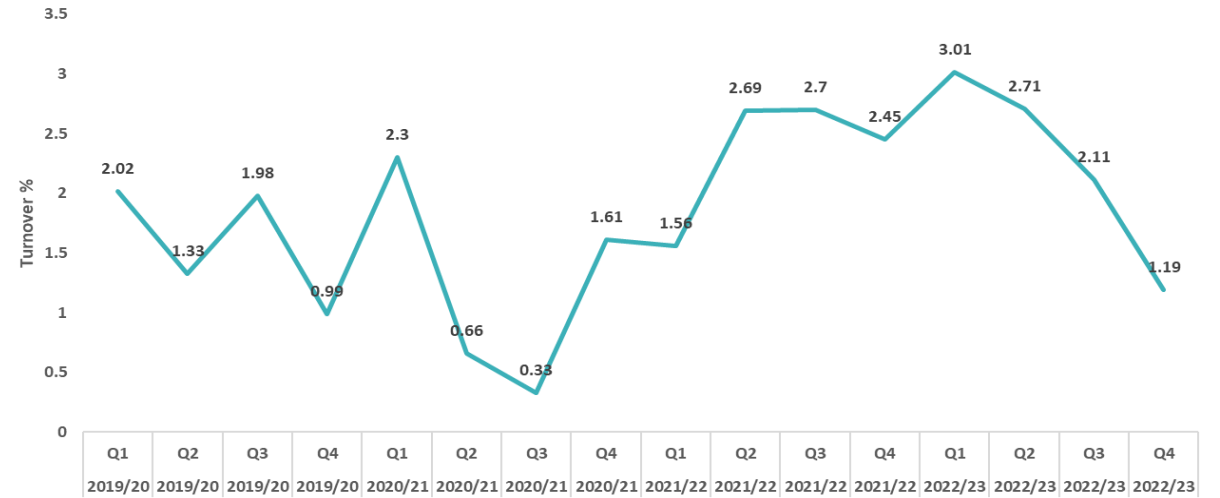


Average of 1.27 days of sickness per employee during Q4

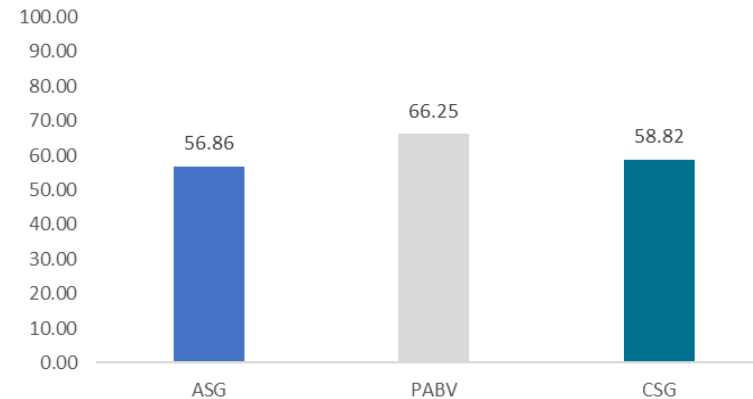


409.02 contracted working days lost to sickness during Q4

Staff turnover Analysis, 2019-2023



% of staff with at least one recorded sickness absence over the last 12 months



Objective

We manage our resources effectively

KPQ7c

Wellbeing

Target

TBC




Performance, trend and RAG


- Overall wellbeing is rated as green with low levels of turnover and absence
- However, recent survey results including best companies indicate further work needs to be done in this area

Risk

Risk register

The performance affects the following risk in the corporate risk register.

A5 - Failure of capacity –establishment, deployment, skills 

M1 - Failure of health, safety and wellbeing 

| Issues / Actions | Actions to improve performance | Who | Timescales | Comment / update |
|---|--------------------------------|---------|------------|--|
| We are developing additional KPIs to support the reporting of this KPQ. | N/A | PRMG/HR | TBC | TBC |
| During Q4 The Best companies survey was completed | | | | An update will be included in the 2023/24 Q1 report. |

Objective

We manage our **resources** effectively

KPQ7d

Learning and development

Target

Prior year performance



OVERVIEW **GREEN**

L&D

- Forty trainees sat 159 Exams with 135 passed (rate 85%)
- 292 Training events with 3,139 attendees

The number of completed 3Ds will be reported in Q1 2023/24

KPIs under development:

- Average L&D days per colleague
- % Mandatory training completed

Objective

We manage our resources effectively

KPQ7d

Learning and development

Target

Prior year performance



Performance, trend and RAG

- Learning and development KPIs are rated green.
- Exam pass rates year to date are 85% compared to 81% in 2021/22
- One KPI is reported annually and will be reported in Q1 2023-24.

Risk register

The performance affects the following risk in the corporate risk register.

A5 – Failure of capacity – establishment, deployment, skills

| Issues / Actions | Actions to improve performance | Who | Timescales | Comment / update |
|------------------|--|--------------------------------------|---------------|------------------|
| KPI development | Two new KPIs have been developed and data to be collected. | Corporate Performance Officer and HR | For Q1 report | |



Our finances and services

Objective

We manage our **financial resources** effectively

KPQ8

Are we managing our financial resources effectively

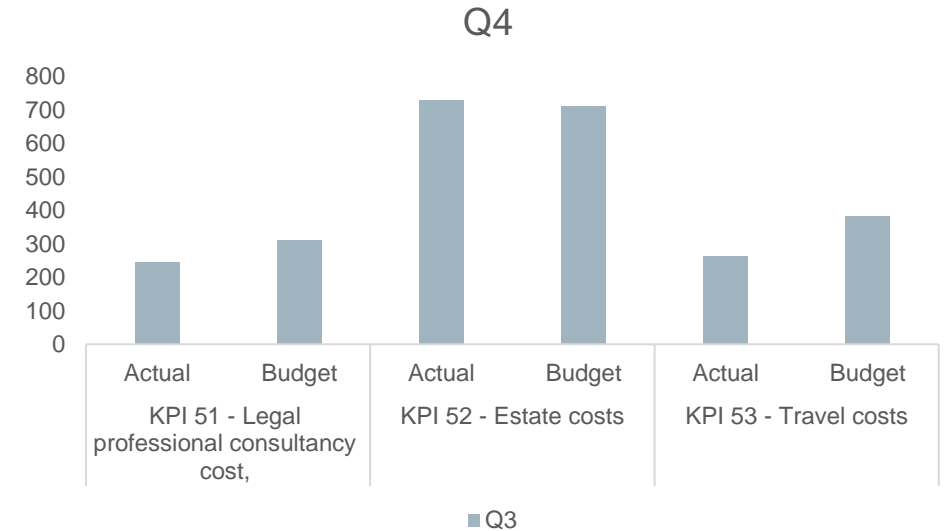
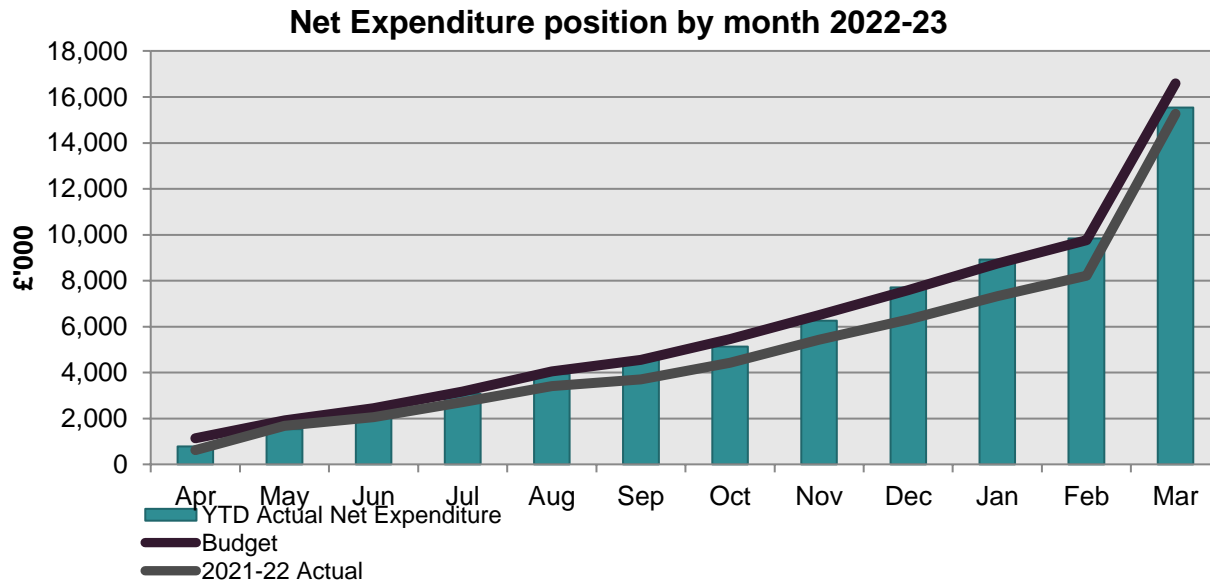
Target

Break even



OVERVIEW **AMBER**

- The Target for Audit Scotland is break even as required by the Public Finance and Accountability (Scotland) Act 2000.
- At the end of the March 2023 Audit Scotland's Net Operating Expenditure was £15,538k which was £1,049k (6.3%) better than budget. Excluding the IAS 19 pension underspend the actual budget underspend for 2022/23 in respect of operational activity was £255k (2.1%).
- The total Capital expenditure for 2022/23 was £203k, £47k less than budget. The budget planned to spend the allocation on potential office re-configuration and new IT hardware and software.



Objective

We manage **our financial resources** effectively

KPQ8

Are we managing our financial resources effectively

Target

TBC

Performance, trend and RAG

At the end of the March 2023 Audit Scotland's net operating expenditure was £15,538k. This was £1,049k (6.3%) better than budget. Excluding the IAS 19 pension underspend the actual budget underspend for 2022/23 in respect of operational activity was £255k (2.1%).

- Income - behind plan on completion of 21/22 audits and commencement of 22/23 audits. Impact of change in central charges approach under new best value regime.
- Pay - underspend broken down into pay (£457k) and IAS 19 pension adjustments (£794k). The pay underspend is due to the average whole time equivalents (WTE) position being 13.9 below funded establishment which has been reduced by the increase in the final pay settlement. The pension position reflects and underspend of £459k in the adjustment for the funded scheme and an underspend of £335k for the unfunded schemes.
- Non-pay - underspend in firms expenses, travel & subsistence, depreciation and other costs reduced by overspends in IT, recruitment and property.
- Capital – expenditure on laptops, furniture, mobiles, office enhancements and business management system.
- Management contingency - £224k allocated to meet increase in Edinburgh office rent, depreciation adjustment and recruitment costs. Unallocated balance £276k.

Risk

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

- Work in progress position for 2022/23 audit work as at 31 March 2023
- Resourcing pressures and additional cost of audit
- Pension fund pressures
- Inflationary pressures

Risk register

The performance affects the following risk in the corporate risk register.

A6 - Failure of efficiency and ability to demonstrate value for money



Objective

We respond to **enquiries** from the public

KPQ10

Are we being efficient in responding to enquiries from the public?

Target

95% of enquiries responded to on time

OVERVIEW **GREEN**

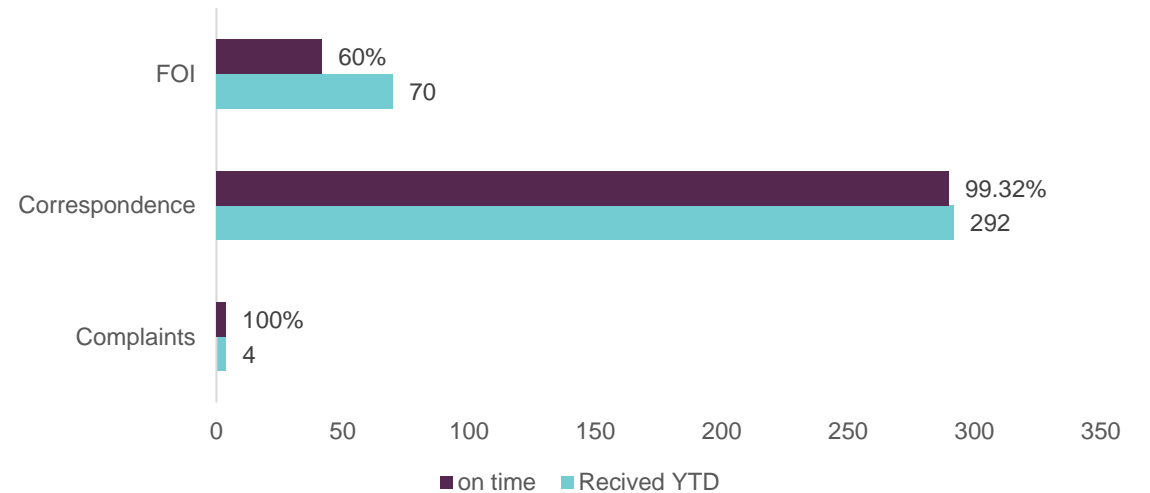
Two of the KPIs are better than target response time and the RAG is rated green.

One KPI (FOI) is rated amber as this is achieving 60% on time against a target of (95%). The reason for the decrease in performance in responding to Freedom of Information requests is due to the increase in volume, the complexity of requests and in one day we received 17 requests.

Compared to 2021/22:

- Correspondence has increased by 58%
- FOI increased 89%
- One Data Subject Access requests compared to three last year.

Public enquires answered on time



Objective

We respond to **enquiries** from the public

KPQ10

Are we being efficient in responding to enquiries from the public?

Target

95% of enquiries responded to on time



Performance, trend and RAG

- Complaints: There is a slight increase in numbers received and response times are better than target.
- Correspondence: There is an increase in numbers received and response times are above target.
- FOI: There is an increase in numbers received and response times are significantly below target due to the increasing complexity of requests received and in Q4 17 requests from the same requestor were received on the same day.
- DSARS: One DSAR received this year, compared to three last year.

Risk

The risk is to Audit Scotland's reputation if we do not meet statutory targets in responding to stakeholders

Risk register

Performance is part of the Monitoring controls for the following risk in the corporate risk register.

A8 – Failure to maximise the value, impact and influence of public audit

| Issues / Actions | Actions to improve performance | Who | Timescales | Comment / update |
|---|--------------------------------|-----|------------|---|
| The increase in communication from members of the public is being managed and we will monitor to see if this increase is maintained in 2022/23. | N/A | N/A | N/A | We will continue to monitor the increase and its impact on resources available. |

Impact and innovation

Objective

Impact and innovation

KPQX

TBC

Target

TBC

OVERVIEW

- During March 2023 the Auditor General and the Accounts Commission considered the first six monthly [Impact summary report](#) . We plan to report on impact annually to the Board and are currently exploring the best mechanism and timing for doing that.
- Outcome measures are being developed as part of the development of Public Audit in Scotland and the Corporate Plan
- Improvement work is currently reported through the Strategic Improvement Programme update and further KPIS are being developed

Objective

Impact and innovation

KPQX

TBC

Target

TBC



Performance, trend and RAG

- Impact KPIs are under development
- Outcome measures are being developed as part of the development of Public Audit in Scotland and the Corporate Plan
- Improvement work is currently reported through the Strategic Improvement Programme update and further KPIS are being developed

Risk

The risks are that public audit fails to deliver its intended impact and that we fail to innovate and improve how we deliver the audit work.

Risk register

The performance affects the following risk in the corporate risk register.

A6 - Failure of efficiency and ability to demonstrate value for money



A7 - Failure of innovation/ development (of methodology and technology)



A8 - Failure to maximise the value, impact and influence of public audit and meet stakeholder expectations as an independent, trusted and authoritative voice with oversight of the public sector in Scotland and as an agent for change and improvement



| Issues / Actions | Actions to improve performance | Who | Timescales | Comment / update |
|----------------------|-------------------------------------|-----|------------|------------------|
| Assessment of impact | Development work on impact measures | I&Q | Tbc | |

Review of corporate governance policies

Purpose

1. This paper invites the Board to review and approve the updates as appropriate to the Standing Orders, Financial Regulations, Scheme of Delegation for approval.

Recommendations

2. Board is invited to:
 - Approve the updates to the Standing Orders, Financial Regulations, Scheme of Delegation.

Background

3. The Standing Orders, Financial Regulations, Scheme of Delegation and Codes of Conduct for members and staff were most recently reviewed and updated in September and November 2022.
4. This report covers updates to the Standing Orders, Financial Regulations and the Scheme of Delegation, following the Controller of Audit becoming a member of the Audit Scotland Executive Team in May 2023.

Considerations

5. A review of our Standing Orders, Financial Regulations and Scheme of Delegation took place during May 2022. The review found that some amendments were required to reflect the addition of the Controller of Audit to the Audit Scotland Executive Team.
6. The amendments are as follows:
 - Standing Orders – the addition of a footnote to paragraph 60 on page 12 to confirm the membership of the Executive Team
 - Financial Regulations - inclusion of 'Controller of Audit' in paragraph 9.4 on page 5
 - Scheme of Delegation – naming of Executive Team and addition of a footnote to confirm the membership of the Executive Team on page 5 and update to the note on page 10.
7. The documents are attached, and changes are tracked for ease of review.
8. Subject to approval by the Board on 6 June 2023, the policies will come into effect on 7 June 2023.
9. The next review of all corporate governance policies will be submitted to Audit Committee and Board for approval in September 2023 in line with the annual review cycle.

Standing Orders



Audit Scotland Board

~~June 2023~~ ~~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.

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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.
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.
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.
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.
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.

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

Chair

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

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.
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

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.
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.
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

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.

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.
19. The Chair of the meeting will decide all questions of order, relevancy and conduct of business during the meeting.
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.
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.
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.

Minutes

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

Directions

24. Section 10(4) of The Public Finance and Accountability (Scotland) Act 2000 (“the Act”) provides that:-
25. 'Directions may be given to Audit Scotland—
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,
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.'
28. Section 27(4) of the Act provides that:

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.'
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.
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

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

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

Committees

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.
35. The Board will establish an Audit Committee with the terms of reference contained in Appendix 1.
36. The Board will establish a Remuneration & Human Resources Committee with the terms of reference contained in Appendix 2.
37. The Board will establish an Appeals Committee with the terms of reference contained in Appendix 3.
38. Any committee will operate within the terms of remit and any delegation made to it by the Board.

Deeds and Documents

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

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.

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

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

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

Application of Standing Orders

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

Alteration

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

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.
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

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.
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

50. To consider all audit material, in particular:
 - Audit Reports.
 - Annual Reports.
 - Management Letters.
 - Management Reports.
51. To monitor management action taken in response to all external audit recommendations.
52. To hold meetings with the external auditors at least once per year and, as required, without the presence of senior management.
53. To review the extent of co-operation between external and internal audit.
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

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

Standing Orders, Financial Regulations and Scheme of Delegation

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

Other duties

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

Appendix 2: Remuneration & Human Resources Committee remit

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

Remuneration & Human Resources Committee responsibilities

60. In relation to members of Audit Scotland's Executive Team¹, 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.
61. In relation to other staff employed by Audit Scotland, are to:

¹ [Executive Team is comprised of the Accountable Officer, Chief Operating Officer, Controller of Audit, Executive Director of Audit Services Group, Executive Director or Performance Audit and Best Value and the Executive Director of Innovation and Quality](#)

- 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

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

Appendix 3: Appeals Committee remit

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

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

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

Nominations process

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

69. Applicants for co-option should provide a written statement of their relevant skills and a CV.
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.
71. Candidates and interviewers must declare any relationships or potential conflicts of interest to the Chair.
72. The Board should approve the final recommendation from the Chair.

Term of Office

73. Co-option is intended to provide specific skills for a fixed term as determined by the Board.
74. There is potential for renewal, subject to the approval of the Board.

Remuneration

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

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

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:
 - 77.1. the reason for co-opting
 - 77.2. the process by which any appointments will be made.

Financial Regulations



Audit Scotland Board

June 2023

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

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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,
 - 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
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.
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:
 - 6.1. signing the accounts of the expenditure and receipts of Audit Scotland;
 - 6.2. ensuring the propriety and regularity of the finances of Audit Scotland; and
 - 6.3. ensuring that the resources of Audit Scotland are used economically, efficiently and effectively.

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.
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

9. In these Regulations terms will have the following meanings:
 - 9.1. “the 2000 Act” means the Public Finance and Accountability (Scotland) Act 2000
 - 9.2. “the 1973 Act” means the Local Government (Scotland) Act 1973
 - 9.3. “the Board” means the members of Audit Scotland acting together to discharge the functions of Audit Scotland
 - 9.4. “the Executive Team” consists of the Accountable Officer for Audit Scotland, the Chief Operating Officer, [the Controller of Audit](#), 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

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.
11. The Corporate Plan will be approved by the Board.

Budget

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

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)
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

18. Financial performance will be monitored against budget and reported regularly to the Executive Team and at least quarterly to the Board.
19. Systems of budgetary control will be devised and maintained to include:
 - 19.1. Regular financial reports as prescribed above containing -
 - 19.1.1. income and expenditure to date and, when relevant, forecast year end position
 - 19.1.2. explanations of any material variations
 - 19.1.3. details of any corrective action necessary
 - 19.1.4. virement
 - 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
 - 19.3. Arrangements for the authorisation of virement.
20. Each budget holder will be responsible for the management of their budgets within the approved policies of the Board.
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

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.
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.
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)
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

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.
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.
28. No Audit Scotland monies will be held in any bank accounts outwith those approved by the Board.
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:
 - 29.1. The conditions under which each bank account is to be operated.
 - 29.2. The limit to be applied to any overdraft.
 - 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.
30. Banking arrangements will be reviewed at regular intervals to ensure that they reflect best practice and represent best value for money.
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

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.
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

34. Systems will be designed and maintained for the proper recording, invoicing, collection and coding of all monies due to Audit Scotland.
35. All monies received will be banked promptly.
36. Arrangements will be made for appropriate recovery action on all outstanding debts.

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

Investments and borrowings

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.
39. All short term borrowings will be kept to the minimum period of time possible, consistent with the overall cash flow position.
40. Any long term borrowing must be consistent with policies decided by the Board.
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

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

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.
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.
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.
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.

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)
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.
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.
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.
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

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:
 - 53.1. The works, goods or services to which the account relates have been received or carried out satisfactorily.
 - 53.2. Prices, extensions, calculations, trade discounts, other allowances, credits and tax are correct.
 - 53.3. The expenditure has been authorised and is within the relevant estimate provisions.
54. All duly certified invoices shall be authorised for payment by the officer authorised under the Scheme of Delegation. (Scheme of delegation 3.8)
55. An officer shall not add any additional items to an invoice rendered to Audit Scotland by a supplier.
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.

57. The EPO system maintains a list of staff with delegated authority to authorise expenditure, as per para. 51 above.
58. When the goods or services have been received the originator records the receipt through the EPO system.
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)
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)
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

62. The Board will establish an Audit Committee with clearly defined terms of reference under Standing Orders.
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.
64. The internal auditor is appointed by Audit Scotland and reports to the Executive Team and the Audit Committee on systems of internal control.
65. The external and internal auditor are entitled to:
 - 65.1. enter any Audit Scotland establishment at all reasonable times with or without previous notice;
 - 65.2. have access to all records, documents and correspondence (including computer records) relating to financial and other transactions of Audit Scotland;
 - 65.3. require and receive explanations as are necessary concerning any matter under examination;
 - 65.4. require any employee of Audit Scotland to produce cash, equipment or any other property under his/her control; and
 - 65.5. direct access to the Chair of the Audit Committee.

Security and Fraud Prevention

66. Arrangements will be made to develop and document effective policies on:
- 66.1. Prevention of fraud and irregularity.
 - 66.2. IT security.
 - 66.3. Security of assets.
67. Proper security must be maintained, at all times, for all buildings, stores, furniture, equipment, cash, information, etc.
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.
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.
70. The Chief Operating Officer is responsible for maintaining proper security and privacy relative to information held in the computer installations.
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

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.
73. Salaries and other payments will normally be paid by direct transfer to a nominated bank account.
74. A record of all matters affecting the payment of such emoluments shall be kept and in particular the following information will be recorded:
- 74.1. appointments, resignations, dismissals, suspensions, secondments and transfers;
 - 74.2. absences from duty for sickness or other reason, including approved leave;
 - 74.3. changes in remuneration, including those arising from normal increments and pay awards and agreements of special and general application;

- 74.4. information necessary to maintain records of service for superannuation, income tax, national insurance and the like;
- 74.5. particulars of any deduction from salary for loans, subscriptions and the like, and the authority for such deduction.
- 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.
- 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.
- 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

- 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.
- 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.
- 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

- 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.
- 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

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

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.

Scheme of Delegation

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

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Scheme of Delegation

Introduction

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

Conditions of delegation

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

Reservations to the Board

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

- 5.5. Approval of Annual Accounts and Annual Reports.
 - 5.6. Approval of internal audit arrangements.
 - 5.7. Approval of conditions of service affecting all employees.
 - 5.8. Approval of specific matters referred to in the attached Schedule.
6. Approvals can be remotely provided via DocuSign, an electronic signature system which allows for all parties to sign accounts remotely and securely. DocuSign is acceptable for laying accounts in Parliament and complies with all relevant legislative requirements.
 7. In exceptional circumstances where a decision of the Board is required and it is not possible to convene a meeting of the Board, a member of the Executive Team ¹in consultation with the Chair, or another Board member if the Chair is unavailable, may take the necessary decision and report the action taken to the next meeting of the Board.

Quorum for Executive Management Team

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

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

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

Making, revocation and variation

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

¹ Executive Team is comprised of the Accountable Officer, Chief Operating Officer, Controller of Audit, Executive Director of Audit Services Group, Executive Director or Performance Audit and Best Value and the Executive Director of Innovation and Quality

Schedule

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

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

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

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

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

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

Note: Executive Team is defined in section 8 of the Financial Regulations as follows “the Executive Team consists of the Accountable Officer, the Chief Operating Officer, the Controller of Audit, 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”. Decisions can only be made by Executive Team when they are quorate as defined in section 6 of this document as follows “The quorum for the Executive Team is three, comprising of the Accountable Officer or the Chief Operating Officer plus two others”.