

Agenda

10.00 Tuesday 21 November 2023
Audit Scotland, 102 West Port, Edinburgh



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: 26 September 2023• Audit Committee: 5 September 2023• Remuneration and Human Resources Committee 29 August 2023 | For approval
For noting
For noting |
| 9. Review of action tracker | For assurance |

Business planning, performance and governance

- | | |
|---------------------------------------|---------------|
| 10. Q2 Corporate performance report | For assurance |
| 11. Q2 Financial performance report | For assurance |
| 12. Board and committee meetings 2024 | For approval |

Comfort Break

Items to be taken in private

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| 13. SCPA Budget proposal 2024/25
[Item to be taken in private to support the effective conduct of business, intended for future publication] | For approval |
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| 14. Partnership Working Framework
[Item to be taken in private to support the effective conduct of business, intended for future publication] | For approval |
| 15. Environment, Sustainability and Biodiversity Annual Report 2022/23 and Green Future Strategy
[Item to be taken in private to support the effective conduct of business, intended for future publication] | For approval |
| 16. Interim audit quality report
[Item to be taken in private to support the effective conduct of business] | For assurance |
| 17. Quality Update
[Item to be taken in private to support the effective conduct of business] | For assurance |
| 18. Edinburgh Trams Inquiry
[Item to be taken in private to support the effective conduct of business] | For assurance |
| 19. Edinburgh office development
[Item to be taken in private to support the effective conduct of business, commercial sensitivity] | For approval |

Conclusion

- | | |
|--|-----------------|
| 20. Any other business | For discussion |
| 21. Review of meeting | For discussion |
| 22. Date of next meeting: 23 January 2024 | For information |

Minutes Board



Tuesday 26 September 2023, 10.00am
Audit Scotland, 102 West Port and Microsoft Teams

Present:

Alan Alexander (chair)
Colin Crosby
Stephen Boyle
Jackie Mann
Ronnie Hinds

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
Helena Gray, Controller of Audit
Gemma Diamond, Director of Innovation and Transformation (items 10, 11, 18 and 20)
Michelle Borland, Head of Organisational Improvement (items 10 and 18)
Jillian Matthew, Senior Manager (item 11)
Ian Metcalfe, Corporate Performance Manager (item 12)
Stuart Dennis, Corporate Finance Manager (items 13, 17 and 19)
Sharon Kewley, Business Support Manager (item 17)
Andrew Reilly, Space Solution (item 17)
Howard Brooke, Space Solution (Item 17)

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, Quality and Antony Clark, Executive Director of Performance Audit and Best Value and Helena Gray, Controller of Audit joined the meeting.

There were no apologies to note.

The Chair welcomed attendees to the meeting, especially Ronnie Hinds to his first Board meeting in his role as Interim Chair of the Accounts Commission.

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 items 17 to 20 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, Vicki Bibby, Chief Operating Officer and Ronnie Hinds, Interim Chair of the Accounts Commission.

The Chair advised of his attendance at two of the Executive Team Keynote sessions: Stephen Boyle's 'Challenge, influence and impact - How can public audit in Scotland help services work better together?' and Kenny Oliver's 'Continuing our journey of innovation and improvement'.

The Chair advised of his attendance at an additional Remuneration and Human Resources Committee meeting on Audit Scotland's pay award.

In addition, the Chair noted correspondence and meetings in relation to the Partnership Working Framework (PWF) refresh noting the agreement to defer conclusion of the PWF until November 2023.

The Chair advised of his attendance at the Audit Committee meeting earlier this month along with a deep dive of Audit Scotland's risk register.

In relation to Parliamentary Business, the Chair advised of his attendance at the Scottish Commission for Public Audit (SCPA) session on our Annual Report and Accounts on 28 June 2023.

The Chair advised there has been no external engagement since the last update report.

The Chair confirmed the reappointment of Jackie Mann and Colin Crosby for a further three year term as Board members. Annual appraisal meetings for Jackie and Colin have been held and reported to SCPA.

The Chair advised that the new Board Chair and the Auditor General for Audit Wales are visiting in November: Alan, Stephen and Vicki will meet them for dinner 20 November before they join the November Board meeting as Observers. The Chair will also have a private meeting with the Chair before the Board meeting.

6. Accountable Officer's report – verbal update

Stephen Boyle advised of his regular and ongoing engagement with the Chair and the Chair of the Accounts Commission.

Stephen noted the publication of Lord Hardie's report on the public inquiry into the Edinburgh Tram project, Audit Scotland having had sight of the report through the clearance process. Internal discussions are ongoing in relation to the findings and further updates will be brought to the Board as and when required.

In relation to parliamentary business, the Board noted Stephen's attendance at Public Audit Committee (PAC) for sessions on Early Learning and Childcare, South Lanarkshire Council section 22 and Scottish Government Climate Change delivery arrangements as well as an evidence session on the Courts Backlogs report.

In addition to PAC sessions, Stephen invited the Board to note his regular meeting with the PAC Convener. PAC has concluded its consultation on our work programme with the subject committees, Stephen also reported on engagement with the Chief Executive, Scottish Parliament.

Stephen invited the Board to note that Audit Scotland hosted a PAC business planning session at the end of August to discuss our work programme and impact reporting.

In relation to external engagement, Stephen advised of meetings with the Chief Executive, HMIPS, Director-General Economy, Permanent Secretary regular catch up, Comptroller & Auditor General, NAO, and Chair, The Promise.

Stephen noted his attendance at CIPFA's annual conference to speak on the subject of the impact public audit can have in improving the lives of people in Scotland.

Following discussion, the Board welcomed the update.

7. Accounts Commission Chair's report – verbal update

Ronnie Hinds invited the Board to note the four new Commission members joining from 1 October 2023 bring a breadth of experience and skills and reported that their induction programme is underway.

Ronnie noted that the recruitment for the Commission Chair has commenced with the advert out yesterday. The timeline runs to end December 2023 with the Ministerial announcement planned before the festive break.

Ronnie advised that the Partnership Working Framework (PWF) was deferred from the September Commission meeting and will be presented to the November Commission meeting instead, before being presented to the Audit Scotland November Board meeting.

Ronnie invited the Board to note the Best Value in Scotland report published today, providing assurance to the public on services delivered.

Following discussion, the Board welcomed the update.

Ronnie Hinds left the meeting.

8. Review of minutes

Board meeting: 6 June 2023

The Board noted the minutes of the Board meeting of 6 June 2023, copies of which had been previously circulated.

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

Audit Committee: 6 June 2023

The Board noted the minutes of the Audit Committee meeting of 6 June 2023, copies of which had been previously circulated.

9. Review of action tracker

The Board noted the updated action tracker.

Martin Walker confirmed action ASB212 is now complete, having shared the relevant information with Executive Team yesterday. The action tracker will be updated to reflect this.

10. Strategic Improvement Programme Update

Gemma Diamond and Michelle Borland joined the meeting.

Gemma Diamond and Michelle Borland introduced the Strategic Improvement Programme: Update, copies of which had been previously circulated.

The Board was invited to:

- Note decisions the SIP Board has taken on the mix of projects in the SIP and alignment of the SIP with the new corporate plan, with Public Audit in Scotland (PAIS) and with the emerging business plan.
- Note the programme update provided in Appendix 1 and ambitions to improve the overall project and programme management approach for the SIP.

During discussion, the Board noted management contingency would be used to bring in short-term project management expertise to develop a business case to present to the Board as part of the 2025/26 budget considerations to SCPA.

During discussion, the Board suggested that a timeline alongside the report would be helpful to gauge progress. Given the clarity on organisational priorities and commitment from staff to invest time, it is anticipated that there will be fewer delays in future.

Following discussion, the Board noted the decisions the SIP Board has taken and the programme update and are assured of progress and look forward to the next iteration of the report to include some approximate timelines.

Michelle Borland left the meeting.

11. Human Rights Based Approach Update

Jillian Matthew joined the meeting.

Gemma Diamond and Jillian Matthew introduced the Human Rights Based Approach Update, copies of which had been previously circulated.

The Board was invited to:

- Note the activity we have completed since March and current priorities.

- Note the Scottish Government consultation on a new Human Rights Bill for Scotland, the areas of focus for Audit Scotland, and what it might mean in practice.

Following discussion, the Board noted the activity completed since March and current priorities and the Scottish Government consultation.

Gemma Diamond and Jillian Matthew left the meeting.

12. Q1 Corporate performance report

Ian Metcalfe joined the meeting.

Martin Walker and Ian Metcalfe introduced the Q1 Corporate performance report, copies of which had been previously circulated.

The Board was invited to:

- Review the performance in Q1 set out below and in appendix 1.
- Consider the issues affecting performance, the actions identified and whether any additional management action is required.

During discussion, the Board noted the progress reported against audit delivery. Some audits will still be delivered late but improved from last year's sign off dates. John Cornett confirmed that the one outstanding financial audit from 2021/22 is now complete.

During discussion, the Board noted that work is ongoing to explore and benchmark the current target of 70% delivery of audits within planning timescales.

Following discussion, the Board reviewed the Q1 Corporate performance and noted work is ongoing to further develop reporting in this area.

Ian Metcalfe left the meeting.

13. Q1 Financial performance report

Stuart Dennis joined the meeting.

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

The Board was invited to:

- note the financial results for the three months to 30 June 2023.

During discussion, the Board noted that this report had already been presented and discussed at the Audit Committee meeting on 5 September 2023.

Following discussion, the Board noted the Q1 Financial performance report.

Stuart Dennis left the meeting.

14. Annual review of corporate governance policies

Martin Walker introduced the Annual review of corporate governance policies, copies of which had been previously circulated.

The Board was invited to:

- Note the annual review of the corporate governance documents
- Note they were reviewed and recommended to the Board by the Audit Committee at its meeting on 5 September 2023
- Approve the suite of corporate governance documents.

During discussion, the Board noted the potential for the Board to co-opt individuals to committees if a skill shortage were to be identified.

Following discussion, the Board approved the corporate governance policies.

15. Annual policy review of records management policies

Martin Walker introduced the Annual policy review of records management policies, copies of which had been previously circulated.

The Board was invited to:

- to approve the updated records management policy.

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

16. 2024 Proposed Board and Committee meeting schedule

Vicki Bibby introduced the 2024 Proposed Board and Committee meeting schedule, copies of which had been previously circulated.

The Board was invited to:

- Approve the proposed meeting dates for 2024.
- Approve the option of holding a meeting in the Glasgow office annually.

During discussion, the Board advised they wish to broaden their geographical reach within Audit Scotland. Stephen will bring a proposal to the November Board meeting on visits to Aberdeen, Inverness and Glasgow offices.

Following discussion, the Board approved the proposed Board and Committee meeting schedule.

ASB221: *Stephen Boyle to bring a paper to the November Board meeting with proposals for visiting Aberdeen, Inverness & Glasgow.*

ASB222: *Miranda Nicoll to check and confirm June 2024 Board meeting and confirm via correspondence.*

Items taken in private

17. Estate Update

Stuart Dennis, Sharon Kewley, and Andrew Reilly and Howard Brooke from Space Solutions joined the meeting.

Stuart Dennis, Sharon Kewley, Andrew Reilly and Howard Brooke introduced the Estate Update, copies of which had been previously circulated.

The Board was invited to:

- Note the implications of the length of office leases.
- Note the progress on the extension of the Glasgow office and actions to mitigate associated increases in carbon emissions.
- Approve the proposal to reduce the office capacity in Edinburgh to generate financial and carbon savings earlier than the lease termination on 31 March 2025.

During the discussion, the Board noted the work on audit modernisation presumes hybrid working will continue and would not result in a need to increase office space again in future.

Following discussion, the Board noted the implications of the length of office leases and the progress on the extension of the Glasgow office and approved the proposal to reduce office capacity in Edinburgh.

Stuart Dennis, Sharon Kewley, Andrew Reilly and Howard Brooke left the meeting.

18. Operational planning: Draft Audit Scotland Business Plan 2023-2025

Gemma Diamond and Michelle Borland joined the meeting.

Gemma Diamond and Michelle Borland introduced Operational planning: Draft Audit Scotland Business Plan 2023-2025, copies of which had been previously circulated.

The Board was invited to:

- to discuss the draft Audit Scotland Business Plan 2023-2025 and advise on any further developments it would like to see before we finalise and publish the plan.

During discussion, the Board noted that the report contains more detail than future reports will, to give the Board assurance on the new approach. Consideration will be given to the focus of detail in the plan over the rolling three year period.

During discussion, the Board was invited to note that the 2024/25 budget proposals are integrated into the planning but the 2024/25 workforce plan is yet to be developed. The 2024/25 workforce plan will be presented to the Board in January and work will continue to integrate organisational values into next year's planning.

Following discussion, the Board were content with progress and recognised that future reports would be less detailed and more high level.

Gemma Diamond and Michelle Borland left the meeting.

19. 2024/25 Draft Budget Submission

Stuart Dennis joined the meeting.

Stuart Dennis introduced 2024/25 Draft Budget Submission, copies of which had been previously circulated.

The Board was invited to:

- to discuss and note the current position in respect of the 2024/25 Draft Budget Proposal.
- to note the intention to bring a more detailed proposal to the Board in November to request additional funding from SCPA for specialist skills to support the audit modernisation project.
- to note the potential for a request in the final proposal for some additional non-chargeable audit work funding in respect of the replacement for EAFA.

Following discussion, the Board noted the current position in respect of the 2024/25 Draft Budget and issues raised by members of the Board and agreed any further consultation ahead of the November Board meeting can be done via correspondence.

Stuart Dennis left the meeting.

20. Stakeholder research

Gemma Diamond joined the meeting.

Gemma Diamond and Martin Walker introduced the Stakeholder research report, copies of which had been previously circulated.

The Board was invited to:

- Note the paper's analyses of data needs, stakeholders and research approaches.
- Approve the recommendations set out in paragraphs 36-59, and below:
 - Conduct an annual quantitative telephone or online survey of the general public.
 - Conduct an annual quantitative survey of councillors, subject to Accounts Commission confirming that this is needed.
 - Host annual roundtables with third sector representatives as a form of focus group.
 - Use the existing Strategic Scrutiny Group meetings and structure to get feedback from that stakeholder group.
- Note the attached paper on the local government survey, in **Appendix One**, which was reported to the AS Executive Team and the Commission earlier this month. The survey finds very high awareness and regard for both AS and the Commission among council

leaders and chief executives. It also gives useful information on how to better communicate and engage with council leadership.

During discussion, the Board noted the data will be useful and would dedicate some specific time to focus on it as and when received.

Following discussion, the Board noted the analyses of data needs, stakeholders and research approaches and approved the recommendations set out in paragraphs 36-59.

Gemma Diamond left the meeting.

21. Any other business

There was no other business for discussion.

22. 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.

23. Date of next meeting: 21 November 2023

The members noted the next meeting of the Audit Scotland Board is scheduled for 21 November 2023.

Minutes

Audit Committee



Tuesday 5 September 2023, 10.00am
Audit Scotland, 102 West Port, Edinburgh / MS Teams

Present:

C Crosby (Chair)
J Mann
A Alexander

Apologies:

Ronnie Hinds, Interim Chair of the Accounts Commission
J So, Alexander Sloan

In attendance:

S Boyle, Accountable Officer and Auditor General for Scotland
V Bibby, Chief Operating Officer
M Walker, Director of Corporate Support
G Fitzpatrick, Corporate Governance Manager
S Dennis, Corporate Finance Manager
D Jeffcoat, Alexander Sloan
S Pringle, Wylie & Bisset
K Oliver, Executive Director of Innovation & Quality
P O'Brien, Director of Quality and Support
M MacPherson, Audit Director, PABV
C Calder, Audit Director, PABV
G Miller, Senior Manager, Innovation & Quality
E Bayne, Digital Security Specialist
N Paton, Digital Project Manager

1. Private meeting with Wylie & Bisset LLP

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

2. Welcome and apologies

The Chair opened the meeting, welcomed everyone, and noted that there no issues arising from the private meeting.

Apologies were noted from Ronnie Hinds, Interim Chair of the Accounts Commission and Jillian So, Alexander Sloan.

The Chair of the Audit Committee and the Chair of the Board noted that this would be last meeting attended by Gayle Fitzpatrick, Corporate Governance Manager. Both noted thanks to Gayle for valued contribution to the committee and for the invaluable help Gayle had provided the members. They expressed their thanks and wished Gayle good luck in her new role.

Martin Walker, Director of Corporate Support advised that a recruitment campaign to fill the Corporate Governance Manager role would be underway soon and in the interim period he and the wider Corporate Governance team would cover the responsibilities. He also advised that David Robertson, Digital Services Manager would be responsible for the Data Protection Officer elements of the role during the interim period.

3. Declarations of interests

There were no declarations of interest.

4. Minutes of the last meeting: 6 June 2023

The Audit Committee members reviewed and agreed the minutes of the 6 June 2023 meeting, copies of which had previously been circulated.

The Audit Committee approved the minutes of the previous meeting.

5. Review of action tracker

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

Gayle Fitzpatrick, Corporate Governance Manager advised there were no issues to highlight and noted that discussions around the Covid19 lessons learned were still to take place.

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

6. Q1 Financial report

Stuart Dennis, Corporate Finance Manager, introduced the Q1 financial performance report, copies of which had been previously circulated.

Stuart highlighted the change in the format and presentation of the report and welcomed any feedback from the members.

Stuart advised that the key financial risks currently were the implications of the ongoing pay award negotiations and that the closing work in progress figure were being managed in line with expectations.

The members discussed the content of the report noting the risks and how they are being managed.

The Audit Committee welcomed the discussion and noted the Q1 Financial report.

7. Review of risk register

Martin Walker, Director of Corporate Support, introduced the Review of Risk Register report, copies of which had been previously circulated.

Martin advised the risk register had been reviewed by the Executive Team on 15 August and had been aligned with the new strategic priorities set out in the Corporate Plan.

Martin noted that risk A9 has been escalated from the risk for monitoring register to the risk for action register in light of the recent stress survey results.

Risks A1 and A2 relating to cyber security remain the highest risks on the register. The members received an update on the Incident Management Team's recent simulated cyber incident, noting that it went well, and that the principles Cyber Incident Response plan had held good, and that the session provided the level of assurance required. Some practical steps for consideration were identified and the exercise was beneficial to the attendees.

The Audit Committee members welcomed the discussion and noted the review of the risk register.

Kenneth Oliver and Paul O'Brien joined the meeting.

8. Audit Quality update

Kenneth Oliver, Executive Director of Innovation & Quality and Paul O'Brien, Director of Quality & Support introduced the Audit quality update, copies of which had been previously circulated.

Kenneth advised the purpose of the paper was to provide assurance to the Audit Committee that quality improvements are being planned and managed. He noted the shift from previous years, with actions now being SMARTer and having evidence of completion. He also advised that root cause analyses inform the actions, with the focus being on the underlying causes rather than the symptoms.

The Committee noted that the action plan is a live document and that the timetable of priorities is being driven by reports from Audit Quality & Assurance (AQA) and the Institute of Chartered Accountants in England and Wales (ICAEW).

The members discussed the plan, they welcomed the joined-up approach with I&Q and AQA and noted how comprehensive the document was.

The Audit Committee noted the audit quality update.

Kenneth Oliver and Paul O'Brien left the meeting.

9. Internal audit annual report 2023/24

Stephen Pringle, Wylie & Bisset introduced the internal audit annual report 2022/23, copies of which had been previously circulated.

Stephen provided a summary of the audit work undertaken in 2023/24 to date. He advised that two audits had been completed with a further seven scheduled to be concluded by March 2024. Stephen confirmed that progress is on track to deliver all audits as planned for 2023/24.

The Audit Committee noted the internal audit progress report for 2023/24.

Mark MacPherson, Carol Calder and Gill Miller joined the meeting.

10. Internal audit report: Performance Audits and Best Value audits

Stephen Pringle, Wylie & Bisset, introduced the Performance Audits and Best Value report, copies of which had been previously circulated.

Stephen advised the audit provided a strong level of assurance surrounding Performance Audits and Best Value audit work, no risks or weaknesses had been identified and that 18 good practice points were highlighted with no recommendations for improvement made.

The members discussed the impact of external events on the timetable for performance and best value audits and were advised that the dynamic work programme has flexibility to accelerate or de-prioritise items on the timetable as required.

The members noted the audit was a useful experience for Audit Scotland colleagues and noted thanks to Wylie & Bisset.

The Audit Committee members noted the IAR on Performance Audits and Best Value audits.

Mark MacPherson, Carol Calder and Gill Miller left the meeting.

11. Internal audit report: GDPR

Stephen Pringle, Wylie & Bisset introduced the General Data Protection Regulations report, copies of which had been previously circulated.

Stephen advised the audit provided a strong level of assurance over the controls and systems in place around Data Protection and compliance with GDPR. 28 areas of good practice and two low graded recommendations for improvement were noted during the review.

Gayle Fitzpatrick advised that both recommendations had already been actioned.

The members noted the strong and positive report and welcomed the reassurance the report provided.

The Audit Committee members noted the IAR on General Data Protection regulations.

12. Internal Audit recommendations progress report

Gayle Fitzpatrick, Corporate Governance Manager introduced the progress with Internal Audit recommendations report, copies of which had been previously circulated.

Gayle advised the report provides members with an update on the implementation of internal audit report recommendations. Following the final Wylie & Bisset Internal Audit report for 2022/23, published in May 2023, there are 19 recommendations to be concluded. Of these, eight are complete and eleven are in progress.

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

13. Annual review of Corporate Governance policies

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

Gayle provided a summary of the non-material amendments relating to the policies and noted that the Audit Committee are to review and recommend updates, as appropriate, to the Board.

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

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

The members thanked the Corporate Governance Manager for presenting the policies with tracked changes. They noted in particular that the code of conduct for employee policy needs to be proofed once the changes have been accepted in advance of submission to Board on 26 September 2023 for approval.

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

14. Q1 Data incidents / loss report

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

Gayle advised that there were six data incidents recorded during quarter one. All six incidents did not require reporting to the Information Commissioner's Office (ICO) given the low risk level associated with the incidents and swift action undertaken.

The members noted that the incidents were low level and were due to human error.

The Audit Committee noted the data incidents/loss report.

Ethan Bayne and Nicola Paton joined the meeting.

15. Digital Security

Ethan Bayne, Digital Security Specialist and Nicola Paton, Digital Project Manager introduced the Digital security update report, copies of which had been previously circulated.

Nicola noted the benefits of the recent simulated cyber incident noting the preparedness of Audit Scotland to respond as effectively as possible to any cyber incident. The plan will be to carry out tests regularly to ensure we identify and strengthen any responses required. Nicola advised that the recent procurement of a cyber training system had been effective in delivering short, specialised cyber training to all staff. Email phishing testing is now being carried out by Ethan on a rolling basis.

Ethan updated the members on the progress of working through the network since March. Improvements have been made to the core switches and the network configuration to ensure a more secure and efficient network. Ethan advised he is currently reviewing how laptops connections are made with the aim of automatically connecting at logon rather than via AS Primary.

The members discussed the benefits of the cyber training and noted the importance of ensuring all staff completed the training. The members noted the comprehensive report and agreed less detail in future reports would be appropriate for the Audit Committee.

The Audit Committee noted the Digital security update.

Ethan Bayne and Nicola Paton left the meeting.

16. Any other business

There were no items of other business.

17. Review of meeting

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

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

18. Date of next meeting

The next meeting of the Audit Committee is scheduled for 14 November 2023.

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

Board actions

Tracker 2023

Item 9

Ref	Forum	Agenda item no	Item title	Action description	Meeting date	Due date	Responsible	Assigned to	Complete/ongoing	Reported Yes/No	Progress notes
ASB203	Board	11	Strategic Improvement Programme Review	additional indicative timelines and metrics detail for next report	04/04/2023	01/09/2023	Kenny Oliver	Gemma Diamond	Ongoing		Noted for the next update report due to September Board meeting. Raised again at Sept 23 Board meeting To be included in paper for January Board meeting
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	01/06/2023	Martin Walker	Martin Walker	Complete		Data sources considered by Executive in w/c 25/09/23
ASB221	Board	16	2024 Proposed Board and Committee meeting schedule	Stephen Boyle to submit a proposal to the November Board for Board members visiting Aberdeen, Glasgow and Inverness offices.	25/09/2023	21/11/2023	Stephen Boyle	Stephen Boyle	Ongoing		Paper included in November Board agenda
ASB222	Board	16	2024 Proposed Board and Committee meeting schedule	Miranda Nicoll to check and confirm June 2024 Board meeting via correspondence	25/09/2023	09/10/2023	Nicola Constable	Nicola Constable	Complete		Emailed Board members 11 October 2023

Q2 Corporate performance report

Director of Corporate Support

Item 10
Meeting date: 21 November 2023

Purpose

1. This report provides the Board with a review of organisational performance as at quarter two (Q2) 2023/24.

Recommendations

2. The Board is invited to:
 - Review the performance in Q2 as 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. The performance framework and the performance reporting are aligned to the [Audit Scotland corporate plan 2023-2028](#) published in June 2023.
4. The four sections in the slide deck attached as appendix one are:

Section	Strategic Priorities
Summary	
Delivery	Timely and impactful annual audit Dynamic performance audit programme Enhanced audit approaches
Resources	Developing our people and our business
Innovation and learning	Insights driving innovation

Performance overview

5. The infographic below provides a summary of performance as at Q2.

Audit Scotland Corporate Plan 2023-28: Strategic Priorities

Timely & impactful annual audit
Dynamic performance audit programme
Enhanced audit approaches

Developing our people and our business

Insights driving innovation and
improvement

Delivery		Resources		Innovation and learning	
Objective	Status	Objective	Status	Objective	Status
Audits delivered on time	RED 	Our finances: Spend against budget	AMBER 	Innovation driving audit transformation	- 
Audits delivered on budget	AMBER 	Our people: capacity to delivery - Establishment	AMBER 	Application of insights to decision-making, audit delivery & organisational change	- 
Audits delivered on time and on budget - Audit focus	AMBER 	Our people: capacity to delivery - Cost	GREEN 		
Audit quality assurance results	GREEN 	Our people: capacity to delivery - Wellbeing	AMBER 		
Impact through our work	GREEN 	Our people: capacity to delivery - Working across business groups	GREEN 		
Progress towards net zero and climate resilience targets	GREEN 	Our people: right skills - Learning & Development	AMBER 		
Progress against our equality outcomes	- 				

Not progressing/ significant additional management action required	Progressing and additional management action planned	On target/ no need for additional management action	Measures under development
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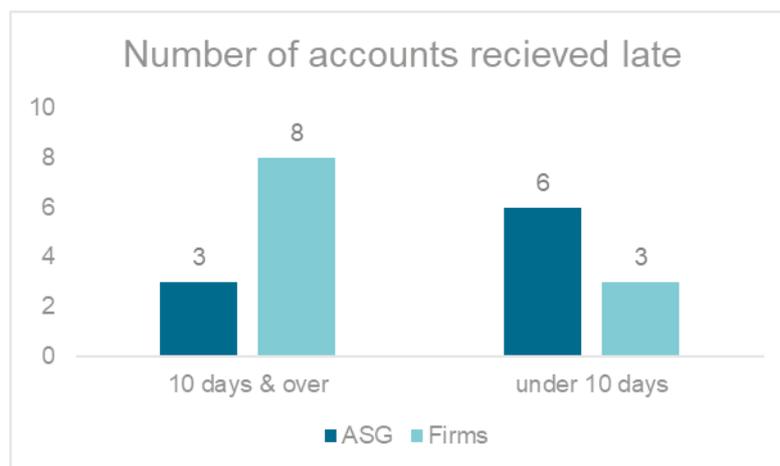
Note some measures are reported annually and do not feature in this report. The Board will consider the annual environment, sustainability, and biodiversity report at its meeting on 21 November 2023 and progress towards Net Zero will be reported in the Q3 report.

Audit delivery

Financial audits

- In quarter two we focussed on the delivery of the outstanding NHS accounts, Local Government (LG) accounts and some Central Government (CG) agency accounts.
 - In the year to date 94 per cent of annual audit plans have been delivered (57% to schedule)
 - 48% of Annual Accounts have been delivered. There are two outstanding deadline dates for CSG and Further education Audits and these will be reported in Q3.
 - All of the NHS audits are now complete (the last being signed off on 24 August 2023)
 - 33% of the Local Government (LG) accounts were delivered to the planning guidance deadline of 30 September (40% have been delivered at the time of writing)
 - 44% of the Central Government - agencies (CG - A) accounts were delivered to the planning guidance deadline of 31 August are complete. (76% have been delivered at the time of writing)
 - 45% of the Central Government – NDPBs (CG - NDPB) accounts were delivered to the planning guidance deadline of 31 October are complete. (45% have been delivered at the time of writing). The deadline for this is not passed at time of writing and will be updated in the Q3 report.
 - At the time of writing, there is one financial audit outstanding from 2021/22. A verbal update on the most up to date position will be provided at the meeting.

7. The delayed delivery of the 2021/22 audits meant that the planning and delivery of the 2022/23 audits commenced later than it would have in pre covid years.
8. The deadline dates for the financial audits have returned to the pre covid dates. This means that the time available to complete the NHS and Local Government audits is shorter than it was for the 2021/22 audit year.
9. An analysis of the audits that have been delayed indicates that:
 - 55% of delayed audits are due to audited body (including Board sign off date after deadline, availability of finance staff, body late providing evidence and audit amendments)
 - 25% due to auditor (including phasing to accommodate scaling up, availability of staff, necessary prioritisation of other audits)
 - 20% other (including late sign off of 2021/22 audits and Pension Fund auditor assurances not being available)
10. There is some variation in how late the reports (year to date) are:



ASG delivery

11. The Audit Services Group (ASG) portfolio of audits for this appointment round is larger than in the last appointment round (159 compared to 139 previously). The portfolio also contains some large and complex audits, as well as more audits of Further Education (FE) colleges, these have a later sign-off deadline of 31 December 2023.
12. The change in deadline dates mean that direct year-on-year comparisons are more complex than in previous years. An analysis of delivery using rebased target dates for ASG is attached as **annexe 1** at pages 6 and 7. This indicates that timeliness of audit delivery against planned sign-off dates is improving for ASG audits.
13. As outlined within our [Audit Scotland Business Plan 2023-25](#), approved by the Board in September 2023, our aim remains to use 2022/23 audits as the baseline, and to improve the timeliness in delivery of the annual audit of 159 public bodies against the timescales specified by the Auditor General and Accounts Commission in the planning guidance, through focused, risk-based improvements over the remaining four years of the current appointment round that maintain audit quality.

14. ASG is developing realistic annual risk based interim milestones to measure progress against this objective. The milestones for the 2023/24 audits will be available in January 2024. Audit delivery is monitored on an ongoing basis and is formally reviewed by the ASG Management Team at its monthly meetings.
15. The objective is to return to delivering 95% of the audits to the planning guidance deadlines by the end of the 2026/27 (the current audit round).

Performance audits

16. Eight performance audits/ other reports were scheduled for Q2. Six were delivered on time and two delivered late. The reports were:

AGS

- [Scotland's Colleges 2023 for the Auditor General](#) – published 7 September 2023
- [Investing in Scotland's infrastructure](#) – Audit Scotland Briefing paper – published 28 September 2023

Accounts Commission

- [The 2021/22 audit of Glasgow City Council Update on equal pay arrangements](#) published 24 August 2023
- [20 years of Best Value auditing in Scotland](#) Blog published 26 September 2023
- [20 years of Best Value auditing in Scotland](#) report published 26 September 2023

Joint

- [Adult Mental Health](#) a joint report for the Auditor General and Accounts Commission – published 13 September 2023

Audit Scotland

- [Approaches to achieving net zero across the UK](#) – Audit Scotland in conjunction with the NAO, Audit Wales, and Northern Ireland Audit Office – published 15 September 2023
- [Fraud and irregularity Annual report 2022/23](#) published 13 July 2023

Resources and capacity

17. The number of WTE at end of September was 329.1, against an establishment level 347.1 WTE. Year to date this equates to 94.8%. The breakdown by business group is included in Appendix 1.
18. We currently have recruitment and selection campaigns under way to fill vacancies of audit officers in PABV, trainee auditors in ASG, a Senior Manager for the financial audit approach in I&Q and a variety of roles within the Business Support team in CSG following a review of the structure of the team and roles.
19. On 9 October we published the new Learning and Development Plan. The plan is based on our strategic priorities, areas identified through quality reviews and engagement with

colleagues. The plan aims to ensure that all colleagues are equipped with the skills they need now and, in the future, and facilitates delivery of our corporate values. It expands mandatory learning to cover professional developments. This will provide the basis for colleagues to meet relevant Continuous Professional Development (CPD) requirements.

20. The sickness absence rate in Q2 was 1.56 days per employee which is still below average benchmarking figures for UK workplaces. The recent CIPD health and well-being at work 2023 report explores health, wellbeing, and absences in UK workplaces. The survey has found the highest absence rate in over a decade, 7.8 days per employee.
21. We are being more flexible in how we deploy the staffing budget. In practical terms this means that any vacancy which arises will not automatically be backfilled. The business group will consider how best the available staffing budget may be used, for example by having additional posts at lower grades, where this is a more effective use of the resources.
22. Audit Scotland operational costs were delivered within 15% of budget.

Innovation & Learning

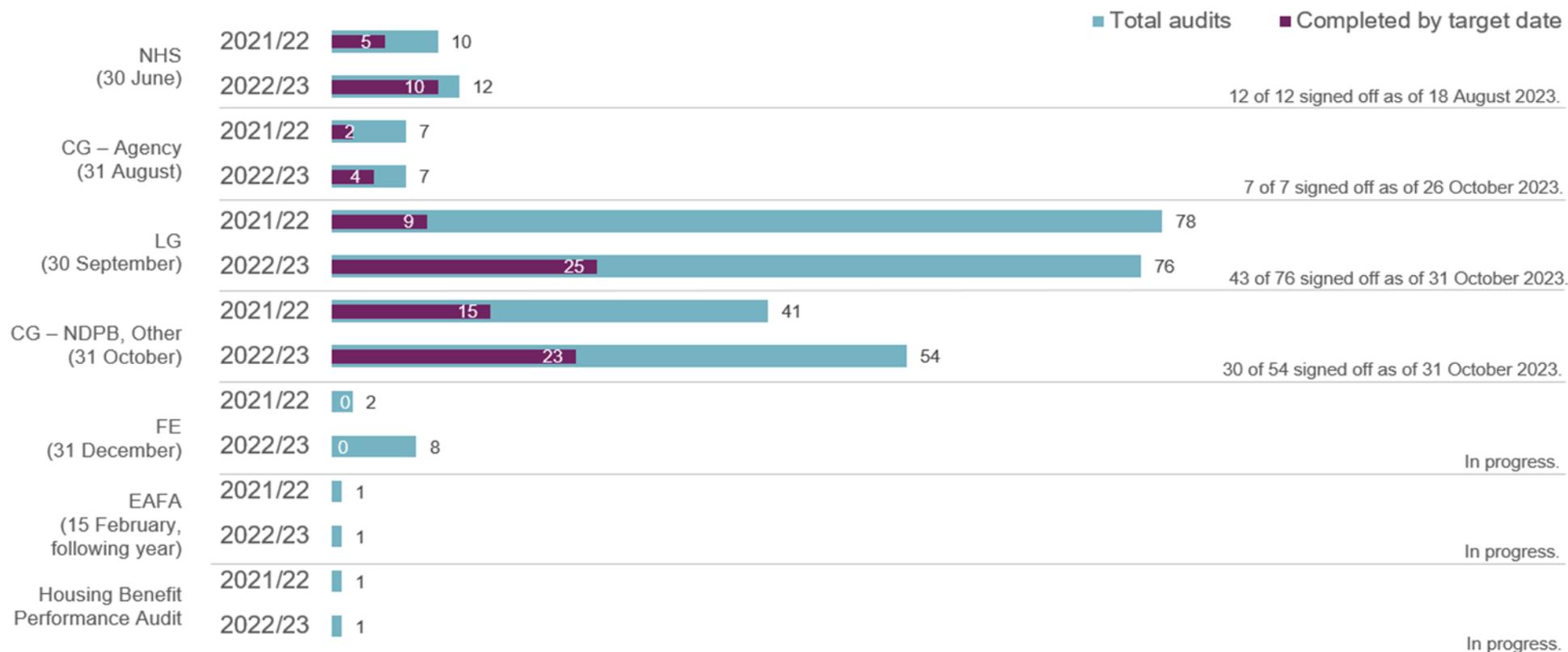
23. Key performance indicators for this area have been developed and data collection is taking place. A large number of the measures will be available in the quarter three report.

Developments in performance reporting

24. We are continuing to develop our data collection, analysis, and reporting arrangements. This includes the increased use of targets, time series data and benchmarking.
25. We have recently initiated a Resourcing and Performance Information project as part of the Strategic Improvement Programme. The purpose of this project is to assess the business need for and market availability of a resourcing and performance management system so that we can deploy our people and analyse and report on performance in a more effective and timely way.
26. The project team held a scoping meeting on 9 October 2023, and we are in the process of procuring some project management support for the project. This will enable the development of the project initiation document and a detailed project plan.
27. Members of the Performance and Risk Management Group are also analysing how we can streamline and optimise our current performance report arrangements while this project is delivered.

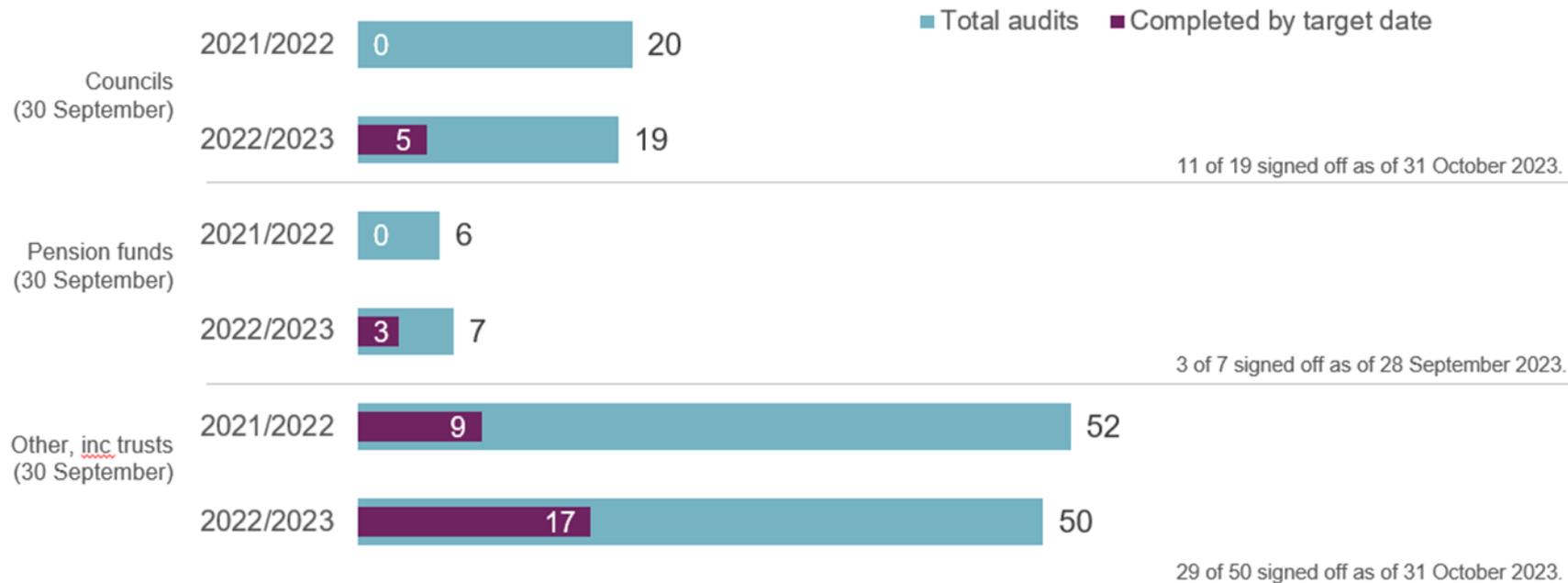
Annex 1: ASG audit progress delivery update

Audit delivery – progress update



2021/2022 has been restated for consistency with 2022/2023 performance reporting. Target date relates to planning guidance target date (rather than the statutory reporting deadlines, which are later).

LG splits – progress update



2021/2022 has been restated for consistency with 2022/2023 performance reporting. Target date relates to planning guidance target date (rather than the statutory reporting deadlines, which are later).

Q2 Corporate Performance Report

Appendix 1

Audit Scotland Corporate Plan 2023-28: Strategic Priorities

Timely & impactful annual audit
Dynamic performance audit programme
Enhanced audit approaches

Developing our people and our business

Insights driving innovation and improvement

Delivery

Objective	Status	
Audits delivered on time	RED	⬅️
Audits delivered on budget	AMBER	➡️
Audits delivered on time and on budget - Audit focus	AMBER	➡️
Audit quality assurance results	GREEN	➡️
Impact through our work	GREEN	➡️
Progress towards net zero and climate resilience targets	GREEN	➡️
Progress against our equality outcomes	-	➡️

Resources

Objective	Status	
Our finances: Spend against budget	AMBER	➡️
Our people: capacity to delivery - Establishment	AMBER	➡️
Our people: capacity to delivery - Cost	GREEN	➡️
Our people: capacity to delivery - Wellbeing	AMBER	➡️
Our people: capacity to delivery - Working across business groups	GREEN	➡️
Our people: right skills - Learning & Development	AMBER	➡️

Innovation and learning

Objective	Status	
Innovation driving audit transformation	-	➡️
Application of insights to decision-making, audit delivery & organisational change	-	➡️

Not progressing/ significant additional management action required

Progressing and additional management action planned

On target/ no need for additional management action

Measures under development

Summary | Highlights, challenges and actions

Highlights

Delivery year to date

- We have delivered 94% of the Annual Audit plans (target 100%).
- All NHS audits have now been delivered

Resources

- In Q2 audits/reports were delivered 10% under budget (target +/-5%%).
- Absence levels remain low at 0.98 days
- Audit Scotland organisational costs delivered within 15.7% of budget (target breakeven by year end)
- We delivered 76 training events with 495 attendees

Actions

- As outlined within our [Audit Scotland Business Plan 2023-25](#), approved by the Board in September 2023, our aim remains to use 2022/23 audits as the baseline, and to improve the timeliness in delivery of the annual audit of 159 public bodies against the timescales specified by the Auditor General and Accounts Commission in the planning guidance, through focused, risk-based improvements over the remaining four years of the current appointment round that maintain audit quality.
- ASG is developing realistic annual risk based interim milestones to measure progress against this objective. The milestones for the 2023/24 audits will be available in January 2024. The objective is to return to delivering 95% of the audits to the planning guidance deadlines by the end of the 2026/27 (the current audit round).
- A new people strategy is being considered by the Remuneration and Human Resources Committee (Remco) on 14 November 2023.
- Ongoing recruitment to fill vacancies

Challenges

Delivery

- We delivered 48% of the financial audits that were due by 30 September
- Delivery on time YTD for PABV is 76% and for ASG is 57% for Annual Audit Plans and 44% for Accounts.

Resources

- The average WTE number of staff year to date is 330.5. This equates to 95.2% of the establishment

Delivery

Objective

Audits delivered on time and on budget

KPQ

Are audits delivered on **time**?

Target

95% of audits delivered on time



OVERVIEW **RED**

Financial Annual Audit plans:

Year to date (YTD) we delivered:

- 213 (94%) of the 228 Annual Audit plans (AAPs), 130 (61%) of the AAPs were on time.
- On time: ASG = 64% Firms = 46%

Financial Accounts: Deadlines for delivery of financial Audit are now in line with pre covid dates. Available time for delivery of both NHS and Local Government audits is shorter than for last year. Therefore, a direct comparison with last year is not comparing like for like but the following is provided for indicative purposes.

YTD delivery of audit, by Audit Scotland and the firms was:

- 109 (48%) of financial audits were completed (52% on time compared to 51% 2021/22).
- 40 (40%) of local government audits were completed (33% on time compared to 43% in 2021/22)
- 23 (100%) of NHS audits were completed (74% were on time compared to 96% in 2021/22)
- 19 (76%) of central government agencies were completed (44% on time compared to 35% 2021/22)
- One 2021/22 audit remains outstanding.

Performance Audit

In Q2 we expected to deliver eight Performance Audits.

Six (75%) were on time:

- Two for the Accounts Commission - both on time
- Two for the AGS - both on time
- Two for Audit Scotland - both on time
- One S102 report and one joint Accounts Commission/AGS reports were delivered late

Year to Date

We have delivered 17 Performance audits/reports with 76% on time.

- Five for the Accounts Commission (80% on time)
- Six for the AGS (67% on time)
- Two for Audit Scotland (100% on time)
- Four Joint reports (75% on time)

Objective

Audits delivered on time and on budget

KPQ

Are audits delivered on **time**?

Target

95% of audits delivered on time



Performance, trend and RAG

Audit delivery is rated as red as the projected performance indicates that delivery by Audit Scotland and the firms will remain below the interim target levels of 70%.

Financial Accounts For Accounts Commission YTD:

33 (33%) of the Local Government accounts due by the end of September were delivered in Q2 (22 Audit Scotland and 11 firms).
On time: AS = 37% and Firms = 27%

Financial Accounts For Auditor General for Scotland YTD:

39 of the 48 (81%) NHS and CG agency accounts due by the end of June and September 2023 respectively were delivered. We have also delivered 25 Central Government NDPB (due 31/10/2023) were delivered in Q2 Audit Scotland were 50% on time and Firms 50% on time

100% NHS accounts have been delivered.

76% of Central Government agencies accounts have been delivered.

44% of Central Government NDPBs accounts have been delivered (these are not yet due until 31 October 2023)

Reasons for late delivery of audits year to date

An analysis of the audits which have been delayed indicates that:

- 33 (55%) are due to audited body (including Board sign off date after deadline, availability of finance staff, body late providing evidence and audit amendments)
- 25% due to auditor (including phasing to accommodate scaling up, availability of staff, prioritisation of other audits)
- 20% other (including late sign off of 2021/22 audits and Pension Fund auditor assurances not being available)

Performance Audit

Eight PABV Audits were delivered with six (75%) on time.

Two reports were delivered late in Q2, a section 102 report for the Accounts Commission (AC) and one joint AGS/ Accounts Commission report.

The S102 report was initially due to go to the AC in June, however, the scope was not agreed until late in April. With no AC meeting in July, the next available meeting was August. Along with the delayed start, this was also the new CoA's first statutory report and therefore involved more engagement than originally anticipated, as well as some extension to the scope. There was also a request from the council to delay our publication as much as possible to allow them to brief elected members on its position around equal pay.

The joint report AC/AGS report was delayed due to sickness absence in the team. In addition, the Scottish Government confirmed that the new mental health and wellbeing strategy, originally expected by the end of 2022, would now not be published until Spring 2023. The team proposed extending the fieldwork timescales to carry out further audit work, and to enable an informed critique of the content of the new strategy and how well it might address the findings of the audit work.

Objective

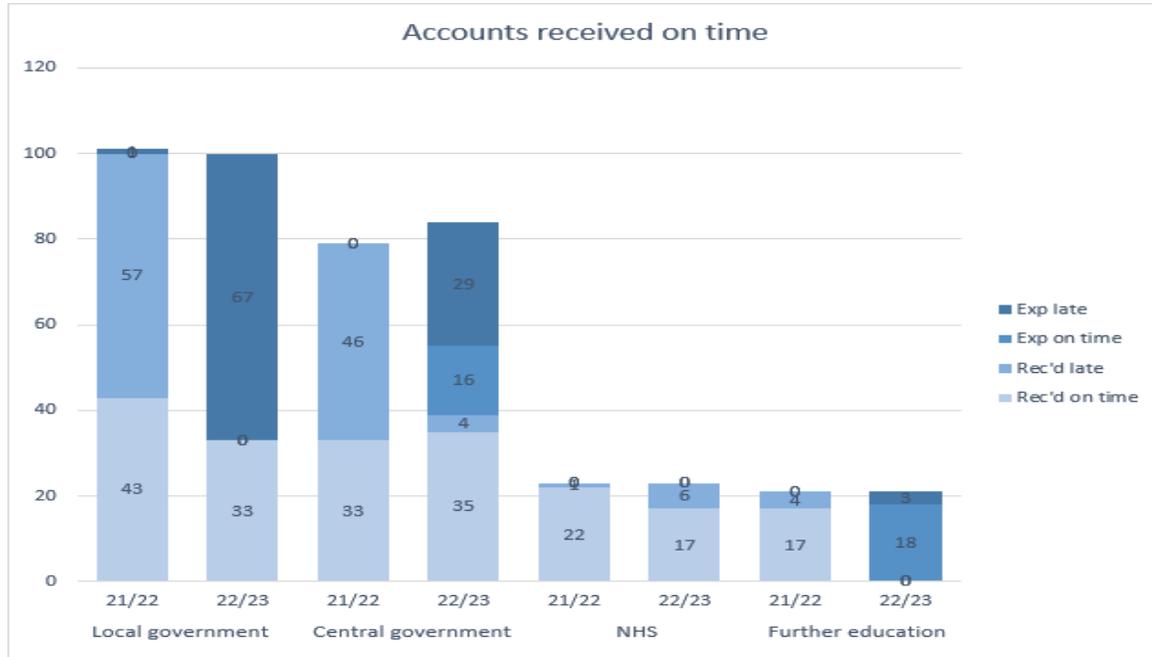
Audits delivered on time and on budget

KPQ

Are audits delivered on **time**?

Target

95% of audits delivered on time



Risk

Audit delivery misses statutory deadline
 Delay in delivery this year's audit impacts on the ability to deliver future year audits on time

Risk register

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

A3 - Failure to deliver audit to deadlines ● ⇨

M2 - Failure of independence, reputation, focus and relevance ● ⇨

Issues / Actions	Actions to improve performance	Who	Timescales	Comment / update
ASG action plan for delivery of financial audits.	The objective is to return to pre-pandemic delivery schedules within the duration of the current audit appointment.	ASG	Appointment period	ASG is developing realistic annual risk based interim milestones to measure progress against this objective. The milestones for the 2023/24 audits will be available in January 2024.).
Audit Scotland Business Plan published September 2023	Use 2022/23 audit delivery as the baseline and apply a risk-based approach to map out how the delivery of the annual audit will improve throughout the current appointment round (to 2026/27).	ASG Supported by I&Q and CSG	Appointment period	

Objective

Audits delivered on time and on budget

KPQ

Are audits delivered on **budget**?

Target

+/-5% of budget

OVERVIEW Amber

The Q2 audit variance of 10% is due to the phasing of the audit costs and staffing levels.

Actual costs do not include the pay award. However, the budgeted costs do include pay award assumptions. The short-term secondment of staff to AC support and I&Q has also impacted on this, reducing the amount of time charged to audits.

The percentage variance is outwith the target of +/-5% and is rated amber as progress is being made on recruitment and the delivery of audit.

Budget

Product	Total budget £	AC budget	AGS budget	Total costs £	Variance £	% Variance
Annual audits	3,899,909	2,127,453	1,772,456	3,701,522	-198,387	-5
Performance audits	1,856,319	834,060	999,254	1,505,947	-350,372	-19
Total	5,756,228	2,961,513	2,771,710	5,207,469	-548,759	-10

Risk

In Q2 Audits were 10% 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 ● ⇨

A9 - Failure of timely & efficient access to performance & business management information ●

Issues / Actions	Actions to improve performance	Who	Timescales	Comment / update
Budget report across quarters and sectors	We are working to identify a more accurate way to capture budget across the quarters and will work closely with the new business managers to further developing the reporting in this area.	CSG/ ASG/ PABV	ongoing	The Resourcing and Performance Information project team met to scope the project on 9 October. This project will help to progress reporting in this area.

Objective

Audits delivered on time and on budget

KPQ

Are colleagues **audit focused**?

Target

70% of available time on audit

OVERVIEW **AMBER**

The graph shows the percentage of available time recorded against audit codes and non-audit codes. Available time does not include leave.

The combined ASG and PABV time spent on Audit (69%) is close to the target.

Across the whole organisation 54% of time was recorded as audit time and 46% recorded as non-audit time. The breakdown by Audit delivery business groups is shown in the graphic.

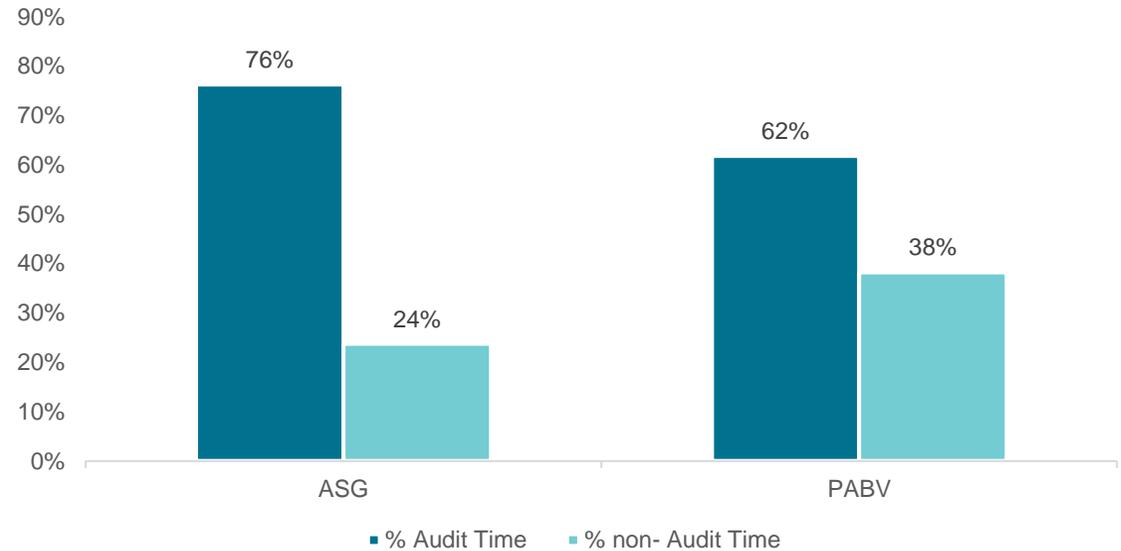
Non audit time includes time codes for:

- Learning & Development
- Improvement Projects
- Business Group Management
- Meetings
- Travel
- Other (including general administration)

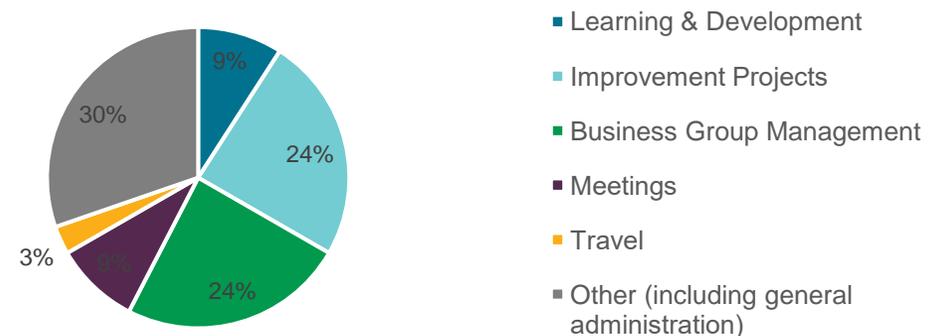
Percentage of colleagues delivering audit in Audit delivery business groups:

- ASG 95%
- PABV 88.8%

Percentage of available time spent on Audit



% Breakdown of non-audit activity for ASG & PABV



Objective

Audits delivered on time and on budget

KPQ

Are colleagues **audit focused**?

Target

70% of available time on audit

Performance, trend and RAG

Non audit time includes time codes for:

Learning & Development, Improvement Projects, Business Group management, meetings, travel and 'other' (including general administration)

Leave time codes include the following:

Annual leave, Public holiday, Flexi leave, Sickness, Medical appointment, Phased return, Maternity/Paternity leave, Compassionate, Secondment, Unpaid leave, Parental, Jury service/ public duties, Career break and Transport disruption.

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.

A5 – Failure of audit quality ● ⇒

A3 – Failure to deliver audits to deadlines ● ⇒

Issues / Actions	Actions to improve performance	Who	Timescales	Comment / update
The target of 70% of available time spent on Audit	Time Codes are being reviewed to assure they are appropriate, and we continue to communicate with colleagues to ensure that time codes are used timeously, consistently and accurately	PRMG/ Business Groups	Q2	Time codes have been reviewed to ensure they reflect need. However, accuracy of data entry is an ongoing issue that all business groups will manage. The Time codes will continue to be monitored to ensure they are fit for purpose.

Objective

Audit quality assurance results

KPQ

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**

The Interim Audit Quality Report will be considered by the Board at its meeting on 21 November 2023.

During Q2:

- ICAEW's final report, 'Audit Scotland 2021-22 QAD report' was received on 8 August 2023. This was ICAEW's first report for Audit Scotland and concluded, 'The quality of audit work reviewed was of a generally good standard' for both ASG and PABV engagements.
- The quality improvement action plan has been extensively revised to reflect the most recent internal and external quality findings and ensure actions are SMART and focused on key areas. Work is underway with improvement actions progressed in Q2 which will continue through to Q3 & Q4.
- To support ASG, the Quality team completed a thematic review of audit work to implement revised ISA (UK) 315. Key findings were shared with ASG colleagues in a Quality Bulletin issued in July 2023. The post implementation review of our ISA (UK) 315 audit approach was carried out in Q2 with some valuable lessons learned, and an action plan for agreement with management is planned for Q3.
- A programme of hot file reviews (HFRs) for ASG has continued throughout Q2 with a focus on supporting new Engagement Leads completing their first sign offs. HFRs will conclude in Q3, and emerging findings will be shared with ASG colleagues.
- To support PABV, we implemented all the actions from the hot and cold reviews, and RCA process, in relation to the AMF and other outputs guidance. I&Q also completed the Peer review and Post-Project reviews exercises and discussed the findings with PABVLT. We have prepared a summary of our quality results and actions and will share with the PABV team imminently.
- To support our whole organisation quality arrangements, we have progressed our monitoring and compliance with ISQM1 in Q2, with a detailed questionnaire returned to our AQA team and Executive Team updated.

Objective

Audit quality assurance results

KPQ

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

I&Q monitor the progress with and impact of audit quality improvement actions. Progress to date is 4 actions completed, 11 in progress, 4 not started. The remaining actions are scheduled for completion in Q3 & Q4.

The action plan is subject to regular review by the Quality & Ethics Committee. We will look at the impact of the actions through next year's quality reviews and report on this in Q4 2023/24 and Q1 2024/25.

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.

A5 – 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
ISQM1 areas for development	ISQM1 action plan	Head of Quality	ISQM1 improvement actions due for completion by December 2023.	The annual review of ISQM1 and revised risk assessment was reviewed by the Quality and Ethics Committee on 26 October. Actions have been progressed in Q2 and an update will be provided to ET in early 2024.

Objective

We engage with stakeholders

KPQ

How are we **engaging** with stakeholders

Target

Engagement - time series comparison



OVERVIEW GREEN

Stakeholder engagement is rated green.

The Parliamentary Summer recess was between 1 July and 2 September 2023. This typically impacts on engagement metrics.

We continue to get our messages out effectively through a variety of means.

- The Auditor General for Scotland's top three reports covered by the media included:
 - PA: Adult Mental Health
 - Briefing: Scotland's Colleges
 - Briefing: Investing in Scotland's InfrastructureEngagements with Auditor General posts = 2,399
- The Accounts Commission top media items included:
 - PA: Adult Mental Health
 - S102 Glasgow City CouncilEngagements with Accounts Commission posts = 2,457

Engagements with Audit Scotland posts =16,516

Measure	Q2 23/24	Q2 22/23
Consultation responses	5	7
PAC attendance	3	6
Web users	34,257	Not available
Downloads	360,179	122,489
Media mentions	172	226
Social media engagement	21,372	20,473

Objective

We engage with stakeholders

KPQ

How are we **engaging** with stakeholders

Target

Engagement - time series comparison

Performance, trend and RAG

Parliament was in recess for much of the summer and there was a smaller number of reports published during the quarter. This impacted on levels of media coverage, as in other years.

- The top performing reports were the PA: Adult Mental Health, the briefing on Scotland's colleges and the briefing on Investing in Scotland's infrastructure.
- Ferries, and the Auditor General's role in investigating how public money was used at Ferguson Marine, continues to feature prominently as a story in wider media coverage mentioning Audit Scotland/the Auditor General.

The Accounts Commission considered the results of the [Local Government Survey](#) at its September meeting. Overall Chief Execs and Leaders regarded the Commission and Audit Scotland favourably.

Accounts Commission members attended the Solace and Cosla conferences in September 2023.

Innovation

Our adult mental health lived experience video was the first time we have put the service user's voice at the front of our social media content. The human aspect of this seemed to go down well with followers.

Risk

The risk is to Audit Scotland's reputation if we do not engage with key stakeholders.

Risk register

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

M1– Failure to maximise the value, impact and influence of public audit 

Issues / Actions	Actions to improve performance	Who	Timescales	Comment / update
Proposals for stakeholder surveys	Reports to Board and Accounts Commission – September 2023	Comms	September 2023	
Revised Comms & Engagement Strategies for Audit Scotland and the Accounts Commission		Comms	AS strategy – Jan 2024 AC strategy – Mar 2024	

Objective

We communicate with stakeholders

KPQ

How are we responding to enquiries from the public

Target

Communication - Better than 95% on time

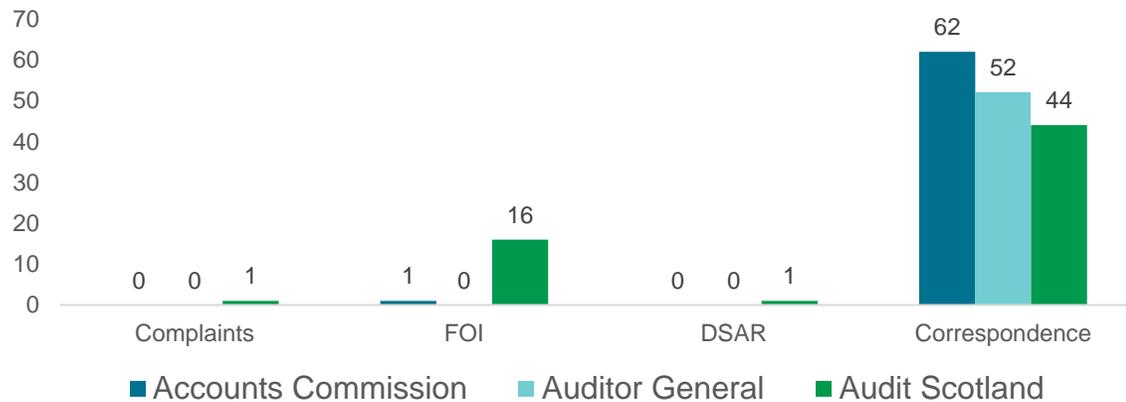


OVERVIEW

In Q2 we responded to:

- 77 items of correspondence/ issues of concern (100% on time)
- 10 FOI/EIRs (100% on time)
- No data subject access requests in Q2
- No complaints in Q2

Stakeholder engagement in YTD



Percentage on time



Objective

Progress against our **equality outcomes**.

KPQ

Are we progressing towards our equality outcomes

Target

TBC

OVERVIEW

During Q2 we published our [2022/23 annual diversity report](#). Key findings includes:

- We have a broader level of ethnic diversity across our workforce than in the Scottish population. We continue to receive an increasing number of recruitment applications from candidates who have declared they are from an ethnic minority.
- We have a higher proportion of females working at Audit Scotland than in the Scottish population. Although the percentage of women transitioning through our Career Development Gateway process has increased, there is still vertical segregation in pay with women under-represented in our highest two pay bands.
- Compared to the Scottish working population, we have fewer colleagues in the 16-24 age group and more in the 25-49 age group. However, we have continued to increase the proportion of colleagues in the 16-24 age group, reflecting our commitment to early career development and progression.
- The percentage of employees reporting a disability has increased but disabled people are still under-represented in Audit Scotland compared to the Scottish population and this remains a key priority for us to address.
- Predominantly employees are heterosexual, however, there have been slight reductions in employees self-identifying as LGBO and preferring not to state their sexual orientation.
- The percentage of employees with no religion is lower than the Scottish population.

We are committed to using data to understand whether our efforts to promote diversity and equality across our workforce are delivering results. While we continue to make good progress improving ethnic diversity within Audit Scotland, we have more work to do to increase the representation of disabled people and young people in our workforce and to address vertical segregation of males and females.

In April 2023 we started working with our new diversity, equality and inclusion (DEI) partner, Business in the Community (BiTC). The aim of this partnership is to support us to deliver on our equality outcomes around increasing the diversity of people into Audit Scotland and their progression through every level of our organisation, and to broaden our culture of diversity and inclusion, so all employees feel valued, engaged and contribute. Through the partnership we are receiving support to develop a new EDI strategy, learning and development support for colleagues and support with benchmarking our progress. Since April 2023, the partnership with BiTC has delivered the following:

- Training for colleagues leading employee networking groups on how to run effective network groups.
- Advice and tools, including on DEI data collection, reasonable adjustments and responsible business.
- Guidance and facilitation support for the project team developing our new DEI strategy.

ObjectiveProgress against our **equality outcomes**.**KPQ**Are we progressing towards our **equality outcomes****Target**

TBC

Data Measure	Source	Comment
Percentage of PABV products that: <ul style="list-style-type: none"> • reference social and economic factors and protected characteristics • reference social and economic factors and protected characteristics in audit recommendations • improve accessibility by producing alternative outputs 	PABV six-monthly monitoring	Aiming to have data collection and reporting in place for Q3 2023/24.
References to equalities across strategy and planning documents, in corporate meetings and in consultation responses	CSG / I&Q annual monitoring	Aiming to have data collection and reporting in place for Q1 2024/25.
Percentage of employees declaring diversity information	HR annual monitoring	Rates of declaration vary by protected characteristic due to data collection methods: <ul style="list-style-type: none"> • Ethnicity – 93.5% • Gender – 100% • Disability – 43.8% • Age – 100% • Sexual orientation – 91.2% • Religion – 94.4% • Marital status – 97.4%

ObjectiveProgress against our **equality outcomes**.**KPQ**

Are we progressing towards our equality outcomes

Target

TBC

Data Measure	Source	Comment
Diversity of our workforce in relation to Scottish population	HR annual monitoring	We published our 2022/23 annual diversity report during Q2. Appendix A on page 26 sets out the diversity of our workforce in relation to the Scottish population.
Topics discussed / progress with actions from internal Equality and Human Rights Steering Group and external Equality and Human Rights Advisory Group	EHRSG quarterly monitoring	<p>YTD position as at end of Q2:</p> <p>Equality and Human Rights Steering Group (Internal)</p> <p>Our internal steering group has progressed a range of areas including:</p> <ul style="list-style-type: none"> • Equality impact assessments (EIAs) – Reviewing and refreshing our EIA guidance, including working with an external specialist and Scottish Government on development and training for colleagues. The EHRSG has also been involved in an EIA on our new occupational health provider. • Human rights-based approach – Developing our organisational response to the Human Rights Bill for Scotland consultation. EHRSG members are active in this area externally including attending think tank events and external advisory and implementation groups. <p>Equality and Human Rights Advisory Group (external)</p> <p>We have engaged with our external advisory group on a range of audit reports and topics, including the following: heat in homes, social care, local government overview, drug and alcohol services, and our response to the Human Rights Bill for Scotland consultation.</p>

Resources

Objective

Our finances: Spend against budget

KPQ

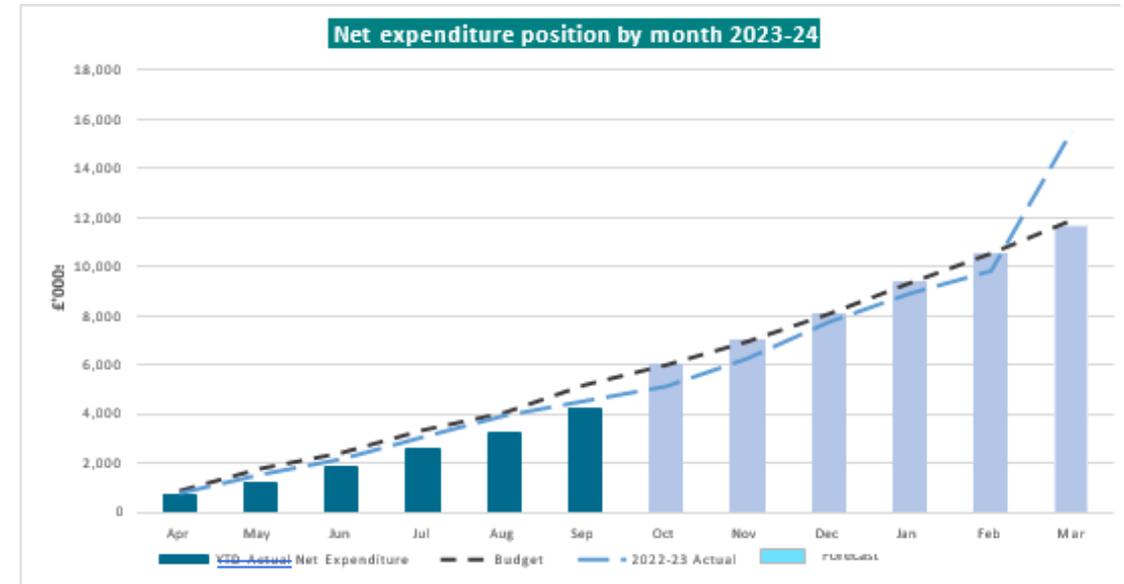
Spend against budget - Organisation

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 September 2023 Audit Scotland's total expenditure funded by the Scottish Consolidated Fund was £4,285.7k which was £780.9k (15.4%) less than budget.
- Net operating expenditure of £4,229.7k was £786.9k (15.7%) less than budget.
- Income – recognition of income on completion of outstanding 21/22 audits for both firms and in-house work. Firms additional income (£225k) offset by increased firms payments (£212k). For 22/23 audits, in-house and firms slightly behind plan with delivery in local government being better than other sectors.
- Pay – budgets include pay award assumption of 3% with the implementation of a pay settlement outstanding. This leads to a favourable price variance year to date. There is also a favourable variance due to the average whole time equivalent (w.t.e.) position being 9.8 below funded establishment which includes a 2% vacancy/turnover factor
- Non-pay - underspends in professional services, travel & subsistence, recruitment and depreciation reduced by overspends in firms' payments, IT, training, property and occupational health costs.
- Management contingency - £500k budget. £150k allocated to capital investment and a further requirement to allocate funds to meet increased accommodation costs and the impact of the final pay award. Forecast - based on June result with the assumption that the current pay offer is accepted. Forecast to be updated following September result.



Objective

Our finances: Spend against budget

KPQ

Spend against budget - Organisation

Target

Break even

The current financial risks are:

- Impact of April 2023 pay award (ballot result expected mid November).
- Firms' payments are linked to April 2023 pay award.
- Uncertainty of 2023/24 audit fee increase.
- Closing work in progress position for 2023/24 audit work at 31 March 2024.
- Planning for loss of EAFA income.
- Resourcing pressures and staff wellbeing.
- Inflationary pressures (utility and service charges).
- Financial implications of Estate strategy.
- Additional audit modernisation pressures (digital audit, climate change).
- Pension fund pressures (IAS 19 implications and outcome of triennial valuation).

Risk

The financial risks that could impact on our ability to deliver within the 2023/24 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

Issues / Actions	Actions to improve performance	Who	Timescales	Comment / update
New integrated business, financial and people planning process	Audit Scotland Business Plan	I&Q	Board 26/09/23	Approved by the Board 26/09/23
Regular budget monitoring	Monthly financial dashboards Quarterly update reports to Audit Committee and Board	Finance	Ongoing	
2024/25 budget proposal		Finance	Board 21/11/23	Budget proposal on the agenda for today's meeting of the Board. SCPA on 11 December 2023

Objective

Our people: Right skills and capacity to deliver

KPQ

Capacity to deliver - people establishment

Target

+/-5%

OVERVIEW **AMBER**

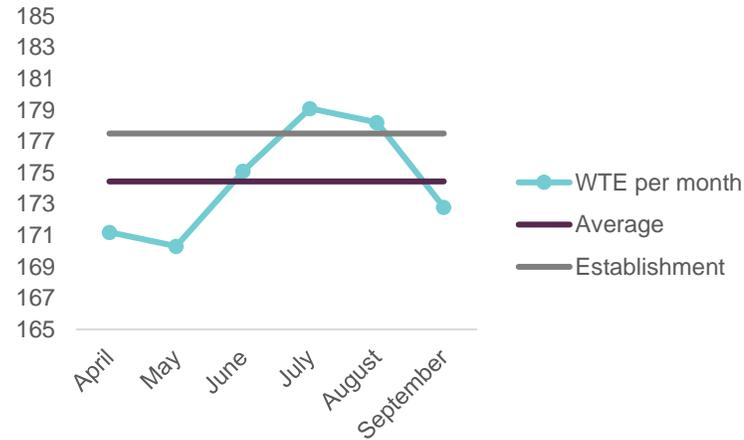
Current staffing level vs establishment

- The number of WTE at the end of September was 329.1, (establishment level 347.1 WTE.)
- This equates to 94.8% - which is slightly lower than Q1 (96.3%).

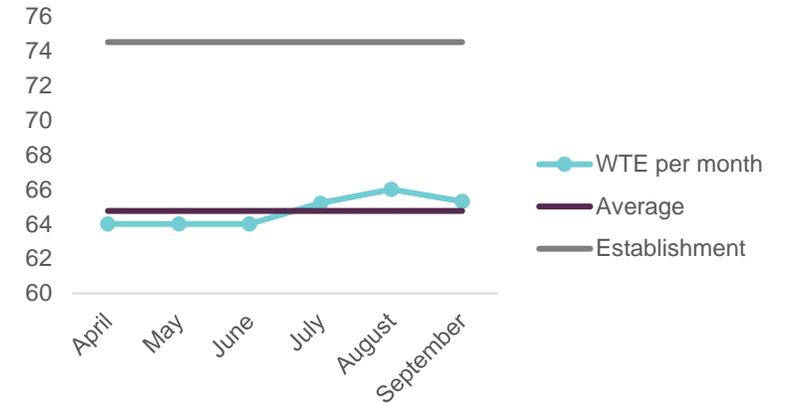
The business groups were under establishment:

- Audit Services = 98.1% of establishment. This excludes six summer interns
- Performance Audit and Best Value = 85.9% of establishment
- Corporate services = 94.88% of establishment
- Innovation and Quality = 93.9% of establishment.

ASG - WTE staff in post 2023/24



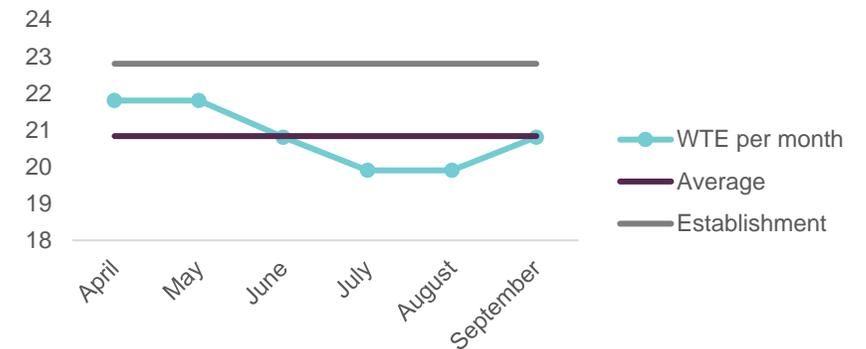
PABV - WTE staff in post 2023/24



CSG - WTE staff in post 2023/24



I&Q - WTE staff in post 2023/24



Objective

Our people: Right skills and capacity to deliver

KPQ

Capacity to deliver - People establishment

Target

+/-5%

Performance, trend and RAG

Overall, this measure is rated amber due to FTE being at 330.5 which is 95.2% of establishment (347.1).

Actions include:

- Current recruitment campaigns
- Focus on resourcing flexibilities within current budget envelope
- Review of ASG job sizing and structures
- Closer coordination between ASG and I&Q to understand the workload and resourcing impact of changes in audit requirements & expectations.
- Closer coordination implemented between ASG and PABV in relation to the resourcing and delivery of Best Value requirements.
- Monitoring and reporting to ET, Board and AC
- Scenario planning and development of a new Target Operating Model

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.

A4 - Failure of capacity –establishment, deployment, skills.

Issues / Actions	Actions to improve performance	Who	Timescales	Comment / update
Capacity to deliver.	Integrated business, workforce and budget planning processes	I&Q/CSG/LG	AS Business Plan Board 26/09/23	
	People Strategy	CSG	RemCo 14/11/23	

Objective

Our people: Right skills and capacity to deliver

KPQ

People spend against budget.

Target

+/- %5 of budget

OVERVIEW **GREEN**

- Expenditure on pay and agency costs of £10,621.6k is £743.9k (6.5%) less than budget.
- The year-to-date underspend on staff pay is mainly due to:
 - A volume variance of £526.7k with the average vacancy level for the period being 9.8 whole time equivalents (2.9%) less than funded establishment.
 - A favourable price variance of £223.0k which is due to the inclusion of a pay award assumption in the budget that is still subject to ongoing negotiation and final agreement with staff representatives.
- Agency expenditure YTD of £11.2k is £3.7k (48.8%) more than budget and is providing cover for vacant positions in Corporate Support. This is being funded by the volume savings within the Corporate Support staff pay budget.

Risk

None

Risk register

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

A4 - Failure of capacity – establishment, deployment, skills ● ⇨

A9 - Failure of timely & efficient access to performance & business management information ●

Issues / Actions	Actions to improve performance	Who	Timescales	Comment / update
Capacity	People Strategy	CSG	14 November 2023	Remuneration Committee 14 November 2023

Objective

Our people: Right skills and capacity to deliver

KPQ

Capacity to deliver - **Wellbeing**

Target

Per KPI



OVERVIEW Amber

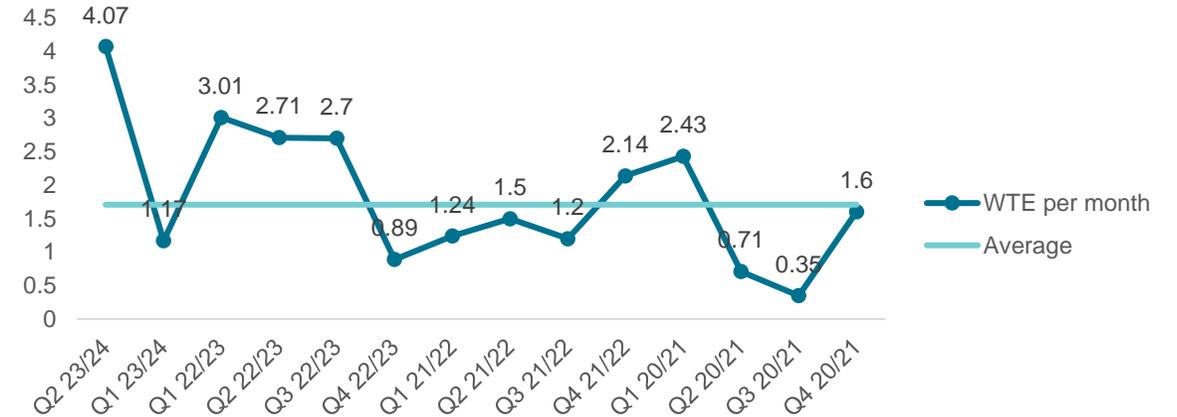
Staff turnover YTD for all leavers in Q2 was 4.07% (2.71% in Q1 last year). The increase in leavers is due to the number of temporary summer interns leaving on completion of their contract.

Sickness absence YTD was 1.56 days compared to 0.98 days in Q2 Last year.

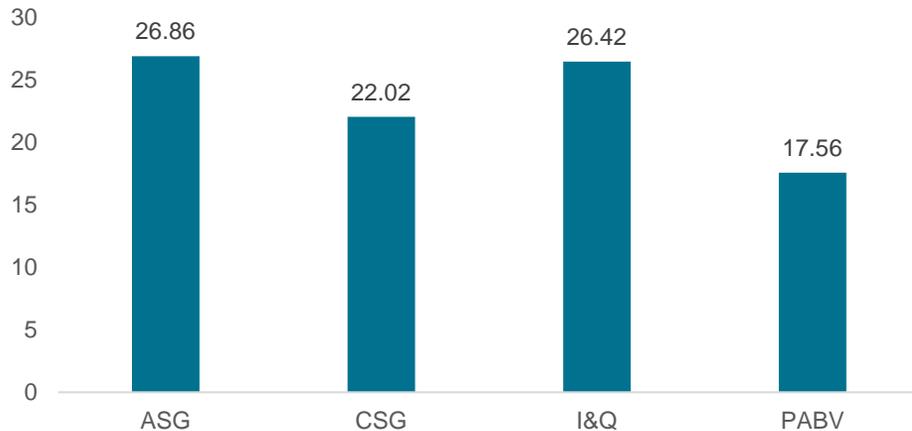
Flexitime balances include flexitime to date and which may have been accrued over a significant time period. Some individuals who moved across business groups will have carried their flexi balances with them.

Flexi balances in ASG increased in Q2 by 11.5% and there were decreases in the other business groups.

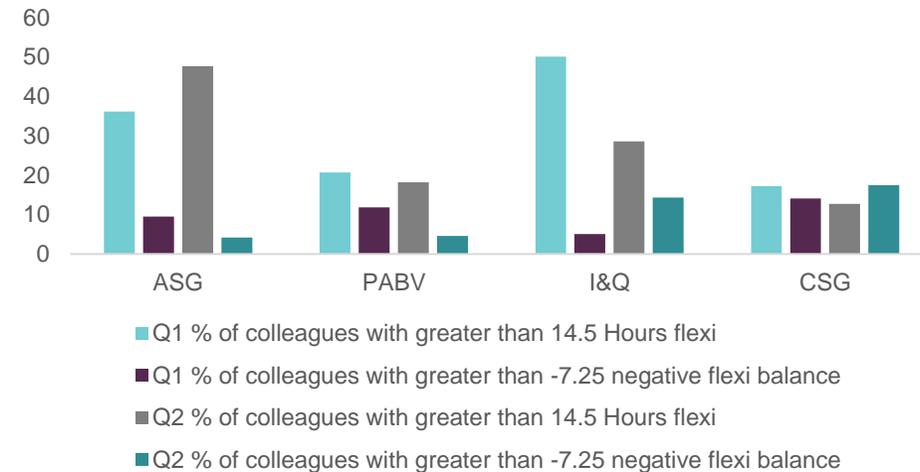
All Leavers 2021 to Q1 2023/24



% Days leave outstanding



Flexitime balances



Objective

Our people: Right skills and capacity to deliver

KPQ

Capacity to deliver - **Wellbeing**

Target

Per KPI

Performance, trend and RAG

We are implementing an action plan in response to the stress survey results and further action will take place under the new People Strategy.

Monitoring will take place through the Best Companies and future stress surveys.

We have introduced new measures for leave taken and flexi balances. Managing down balances formed part of the pay and negotiations process. There is no comparative data for these, and we will monitor in future reports to establish a baseline benchmark.

We expect it will take four quarters to give a balanced view for comparison going forward.

Risk

Wellbeing of colleagues is key to capacity to deliver

Risk register

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

A4 - Failure of capacity –establishment, deployment, skills ● ⇨

Issues / Actions	Actions to improve performance	Who	Timescales	Comment / update
Stress survey action plan	Various actions including communications and training	CSG	Ongoing	Update report to RemCo 14/11/23
People Strategy	Actions being taken forward under the People Strategy	HR	RemCo 14/11/23	
Annual leave and flexi leave balances	Actions being taken in business groups and through 121s to manage down balances	All	Ongoing	Quarterly monitoring by People Leads

Objective

Our people: right skills - Learning & Development

KPQ

Learning (L&D)

Target

Target per KPI

OVERVIEW **AMBER**

We have respected how busy people were and limited the volume of face-to-face delivery and added additional online content to LMS. This allowed 330 attendees to access 57 online events when it best suited them.

I&Q undertook a root cause analysis to identify the reasons for a decline in the satisfaction with learning activities provided in 2022. This work will be used to inform the development and delivery of future learning events. A summary of the findings was reported to the Executive Team on 24th October.

I&Q have built the Learning & Development plan and Line Managers programme for 2023 /24. Events as part of the 2023/24 plan have started to be delivered including 29 colleagues attending Emotional Intelligence learning events.

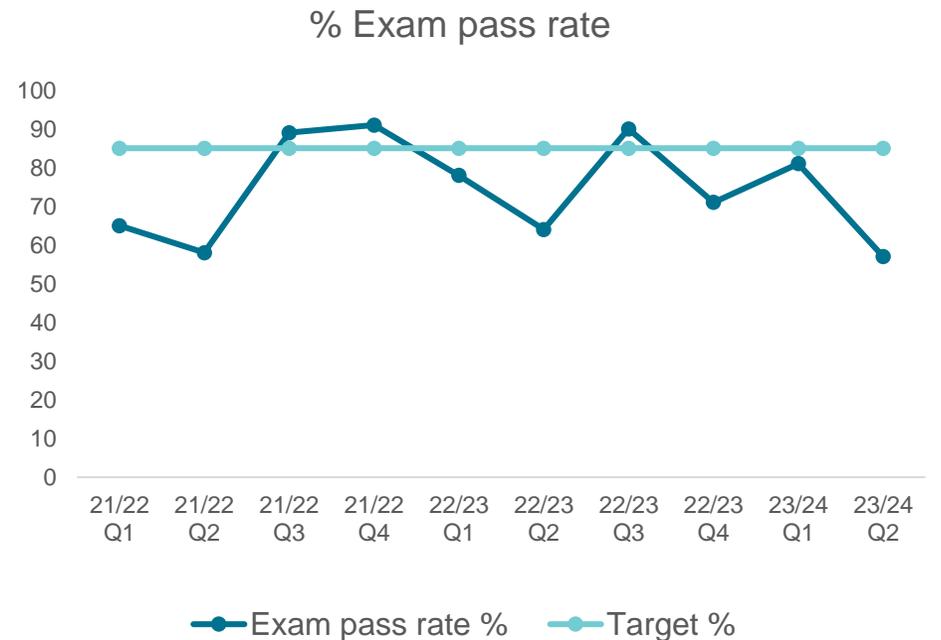
L&D

- In Q2 six trainees sat 7 exams with four exams passed (57%) against a Target of 85%. YTD the pass rate is 77%.
- 76 training events with 495 attendees (Target N/A)
- Average L&D days per Colleague xx (Target N/A)
- Percentage of mandatory training Days completed 60% (Target 95%)

Risk register

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

A4 – Failure of capacity – establishment, deployment, skills  



Note due to the small numbers of exams in Q2 the percentage pass rate is significantly impacted by a small number of exams not being passed.

Objective

Our people: right skills - Learning & Development

KPQ

Learning (L&D)

Target

Target per KPI

Issues / Actions	Actions to improve performance	Who	Timescales	Comment / update
On 9 October we publish the new Learning and Development Plan.	Further guidance on mandatory training to be included in communications on the 2023-24 L&D plan in Q2. We will continue to review the data sources and definitions.	I&Q	Q3 2023/24	The plan is based on our strategic priorities, areas identified through quality reviews and engagement with colleagues. The plan aims to ensure that all colleagues are equipped with the skills they need now and in the future and facilitates delivery of our corporate values. It expands mandatory learning to cover professional developments. This will provide the basis for colleagues to meet relevant Continuous Professional Development (CPD) requirements.
Rolling 3Ds	Data collection for this measure has changed And there has been a series of communications on this.	People leads	Ongoing	We are aware there is still under-recording and will take further action to increase recording.

Innovation & Learning

Objective

Innovation driving audit transformation

KPQ

TBC

Target

TBC

OVERVIEW

Note most KPIs are due to be reported from Q3.

The Audit Modernisation Project was discussed at Leadership Group, SIP Board and the AS Board during September 2023. A formal PID and milestones are being developed for the December SIP Board meeting. Capacity remains an issue and we are looking at bringing in specialist project management resource for this project.

The Ideas board was launched 26th September by I&Q. This is designed to be an electronic suggestions box where staff can suggest processes/ or things they'd like to change. I&Q will work with relevant business groups to identify or develop solutions to address suggested idea. Suggested ideas will also help inform the audit modernisation programme. We will start reporting on outcomes from the ideas board in Q3.

We continued to roll out Asc for ASG audit teams and develop new tools to support some PABV audit teams. Good progress was made on the development of our Scottish Budget dashboard and our DataClipper prototype, with some teams starting to test these in Q2. Both of these tools will formally launch in Q3.

We will collect user feedback on Asc during Q3. The Digital Audit team is developing an analytics package which will help to collect data on what tools have been used and how. I&Q is developing a plan for user engagement/auditor feedback so that any surveys are timely and coordinated. This may impact the proposed reporting on some measures set out below.

Issues / Actions	Actions to improve performance	Who	Timescales	Comment / update
Audit Modernisation	SIP project	I&Q	tbc	PID under development for SIP Board December 2023

Objective

Innovation driving audit transformation

KPQ

Target per KPI

Target

Prior year performance



Data Measure	Source	Comment
Progress with audit modernisation project	I&Q quarterly monitoring	<p>The Strategic Improvement Programme Board discussed a paper at its September meeting which provided an overview of the programme, provisional timescales, and an update on work to date. A PID will be presented to the December SIP Board meeting to formally start the project. Project management resource is being identified with formal governance arrangements being scoped and team put in place. We continue to engage with other audit organisations and firms to learn from experience and explore what is on the market.</p> <p>Incremental improvements are being made to the audit approaches for 2023/24 which are captured in the quality improvement action plan.</p>
Innovative behaviour identified in audit approach, learning shared and impact as a result (quality reviews, data analytics groups, impact evaluation)	I&Q quarterly monitoring	Reporting on this KPI was originally proposed for Q2. I&Q are currently reviewing this measure and how we will collect meaningful data on this in a timely manner. An update will be provided in Q3.
Information and advice shared to drive innovation and improvement	I&Q quarterly monitoring	Reporting on this KPI was originally proposed for Q2. I&Q are reviewing this measure and how we will collect meaningful data on this in a timely manner. An update will be provided in Q3.
Number of suggestions that have led to products	I&Q quarterly monitoring	Aiming to have data collection and reporting in place for Q3 2023/24.
Use of new products / analysis	I&Q quarterly monitoring	Aiming to have data collection and reporting in place for Q3 2023/24.
Colleague feedback on data analytics tools (Asc, etc)	I&Q six monthly monitoring	Aiming to have data collection and reporting in place for Q3 2023/24.
Colleague feedback on audit approach (programmes / templates / audit guide / AMF revisions)	I&Q six monthly monitoring	Aiming to have data collection and reporting in place for Q3 2023/24.
Auditors' feedback on technical documents and helpdesk responses (technical support)	I&Q six monthly monitoring	Aiming to have data collection and reporting in place for Q3 2023/24.

Objective

Innovation & Learning - Insights

KPQ

Application of insights to decision making, audit delivery and organisational change

Target

TBC



OVERVIEW

The main project in this area is the insights project, which is part of the Strategic Improvement Programme. The project aims to achieve the following outcomes:

- We have a holistic approach to impact monitoring, evaluation and reporting in place, looking at all audit work as well as stakeholder perceptions and awareness of public audit.
- We have better coordinated intelligence from impact evaluation, horizon scanning and stakeholder engagement driving our decision-making, innovation and improvement.

The insights project continues to experience resourcing challenges and slippage with the stakeholder engagement and horizon scanning strands of the project. We have prioritised available resources on the impact strand of the project and are due to start the planned impact evaluation pilot in ASG during Q3. This was delayed from Q2. We have assessed the performance measure as amber due to these issues and given the level of maturity of the overall measure and the work required to set up new data collection to adequately measure performance. Management action during Q3 will focus on ensuring adequate resources in place to deliver the impact strand of the project.

Issues / Actions	Actions to improve performance	Who	Timescales	Comment / update
Resource availability	Discussions to be taken forward with PABV and ASG about allocating some dedicated Band 2B (business managers) and Band 2A (PABV policy and information officer) resource to supporting insights project.	Kenny / Antony / John	During Q3	

Data Measure	Source	Comment
Progress with Insights project	I&Q quarterly monitoring	<p>During Q2 we:</p> <ul style="list-style-type: none"> developed the first impact evaluation report for the Public Audit Committee developed the second six-monthly impact report for the AGS and Commission prepared proposals on our approach to stakeholder research, which were agreed by ET and Board. <p>We paused planned activity related to the stakeholder engagement and horizon scanning strands due to resource constraints, which allowed us to prioritise the resource we have on key milestones related to impact.</p>
Percentage of audit products applying new impact evaluation approaches	I&Q quarterly monitoring	Aiming to have data collection and reporting in place for Q3 2023/24.
Number of insights events delivered internally / feedback on impact of these	I&Q quarterly monitoring	<p>YTD position as at end of Q2:</p> <p>7 insights events</p> <ul style="list-style-type: none"> Average attendance: 40 people Topics covered: Human rights, United Nations Convention on the Rights of the Child, Audit quality, Data science, External networking, Climate change <p>3 keynotes</p> <ul style="list-style-type: none"> Average attendance: 210 people Topics covered: Public audit in Scotland outcomes, Values-based culture, Innovation and improvement

Objective

Innovation & Learning

KPQ

TBC

Target

TBC

Data Measure	Source	Comment
Number of events we contribute to externally and learning shared	I&Q quarterly monitoring	YTD position as at end of Q2: 4 external engagements with learning shared internally, covering topics including: <ul style="list-style-type: none"> • Strengthening integrity, building trust and fighting corruption in government organisations • Performance audit methodologies and how they are changing • Audit modernisation and audit software • Audit quality
Stakeholder feedback on how well public audit responds to key risks and issues	TBC	Aiming to have data collection and reporting in place for Q4 2023/24.
Colleague satisfaction with levels and effectiveness of intelligence sharing	I&Q annual monitoring	Aiming to have data collection and reporting in place for Q4 2023/24.

Q2 Financial performance report

Corporate Finance Manager

Item 11
Meeting date: 21 November 2023

Purpose

1. This report presents the financial results for the six months to 30 September 2023.

Recommendation

2. The Board is invited to:
 - note the financial results for the six months to 30 September 2023.

Background

3. A Financial Performance Executive Summary is provided in the appendix to support this report.
4. The report was discussed by Audit Scotland's Leadership Group on 31 October and Audit Committee on 14 November 2023.

Summary position

Financial Position as at end of September 2023						
	Actual YTD £'000s	Budget YTD £'000s	Variance YTD £'000s	FY Forecast £'000s	FY Budget £'000s	Variance YTD £'000s
Income	(12,779.4)	(12,939.2)	(159.8)	(23,323.5)	(22,942.5)	381.0
Pay	10,621.6	11,365.5	743.9	23,264.1	23,060.9	(203.2)
Non-pay	6,387.5	6,590.3	202.8	11,673.2	11,781.7	108.5
Capital Expenditure	56.0	50.0	(6.0)	300.0	300.0	0.0
Funded by Scottish Consolidated Fund	4,285.7	5,066.6	780.9	11,913.8	12,200.0	286.2

5. At the end of September 2023 Audit Scotland's total expenditure funded by the Scottish Consolidated Fund was £4,285.7k which was £780.9k (15.4%) less than budget.
6. Net operating expenditure of £4,229.7k was £786.9k (15.7%) less than budget.
7. The main reason for the underspend is pay related. The budget includes a 3% uplift for a pay award from 1 April 2023 and this has not been implemented. Staff representatives are currently considering a revised offer. We have also been running at a higher vacancy level than planned.

8. Total capital expenditure year to date is £56k, which is £6k (12.0%) more than phased budget.
9. At this stage of the new financial year the current forecast is £286.2k (2.3%) less than the budget allocation. The biggest financial risks are:
 - the final April 2023 pay award settlement compared to the forecast assumption.
 - the closing work in progress position on 31 March 2024 as we start the 2023/24 audit work.
10. Variance analysis is provided in the main body of this report.

Income

11. Income recognition year to date of £12,779.4k is £159.8k (1.2%) less than budget.
12. In-house audit income £124.5k (1.9%) more than budget broken down as follows:
 - Unbudgeted prior audit year income of £118.1k recognised for the completion of 2021/22 audits in the local government sector.
 - 2022/23 audit fee income in local government (£323.6k) and health (£5.0k) more than budget with central government (£151.0k), EAFA (£146.0k) and further education (£25.2k) less than budget.
13. Income recognition for the firms is £307.4k (6.5%) less than budget due to:
 - Unbudgeted prior year audit income of £223.8k recognised for completion of 2021/22 audits in local government (£85.0k), central government (£134.4k) and further education (£4.4k).
 - Fee income recognition for 2022/23 audits is less than budget in local government (£841.3k), further education (£71.9k) and water (£4.2k). Central government (£173.1k) and health (£213.1k) income is more than budget.
14. The completion of all 2022/23 audits is planned in this financial year and the position is being closely monitored on a monthly basis.
15. The balancing variance of £23.1k is mainly due to unbudgeted bank interest on deposit balances.

Pay expenditure

16. Expenditure on pay and agency costs of £10,621.6k is £743.9k (6.5%) less than budget.
17. The year-to-date underspend on staff pay is mainly due to:
 - A volume variance of £526.7k with the average vacancy level for the period being 9.8 whole time equivalents (2.9%) less than funded establishment.

- There is also a favourable price variance of £223.0k which is due to the inclusion of a pay award assumption in the budget that is still subject to ongoing negotiation and final agreement with staff representatives.

18. Agency expenditure year to date of £11.2k is £3.7k (48.8%) more than budget and is providing cover for vacant positions in Corporate Support. This is being funded by the volume savings within the Corporate Support staff pay budget.

Non-pay expenditure

19. Non-pay expenditure includes the payments to firms under the audit appointments contract and other operating expenditure. Year to date expenditure of £6,387.5k is £202.8k (3.1%) less than budget.

20. The main variances appear in Firms payments, professional services, travel & subsistence, IT, depreciation, property and health & wellbeing.

21. Firms payments £135.2k (2.9%) less than budget with £213.0k relating to the completion of 2021/22 audit work, which is offset by the recognition of additional unbudgeted income. The position in respect of 2022/23 audit work being behind plan leads to payments for work being less than budget which leads to income recognition also being less than budget. The expenditure for 2022/23 audit work includes the additional savings generated through local government VAT recovery and expenses.

22. Professional services £87.7k (38.7%) less than budget due to timing of expenditure in Innovation & Quality and PABV business groups. The budget in Innovation and Quality relates to the digital audit project. PABV use their budget allocation for any independent expert support required to deliver on work programme commitments.

23. Travel & subsistence £50.3k (21.2%) less than budget mainly due to savings generated in the car lease scheme with the number of eligible drivers decreasing at a faster pace than planned due to promotions and leavers.

24. IT expenditure £25.0k (7.9%) more than budget due to one off payments for cyber security training and penetration testing. It is projected that IT expenditure for the full year will be within the budget allocated.

25. Depreciation is £45.8k (20.5%) less than budget due to the budget phasing assumption being different from the timing of in year capital expenditure. This leads to a delay in the commencement of depreciation following the purchase of new assets.

26. Property expenditure £38.5k (7.9%) more than budget due to increase in property service charges and business rates. The rates increases are being challenged with the valuation boards and the outcome of this will not be known until later in the financial year. The financial impact of the lease for the increased floor space in Glasgow also leads to the overspend.

27. Health & wellbeing relates to the cost of the annual health checks offered to staff. The cost of this contract increased and the take up by staff also increased leading to an overspend of £18.5k (61.6%) which will be funded by savings within other Human Resources budgets.

Contingency and financial risks

- 28.** The 2023/24 budget includes a contingency allocation of £500k to meet any unexpected financial pressures that may arise in the year. An allocation of £150k has been made to capital. Allocations are the responsibility of the Executive Team and it is anticipated that further allocations will need to be made to meet pay award pressures and the running costs of the additional floor space acquired in the Glasgow office.
- 29.** The financial risks that have the potential to impact on our ability to deliver a balanced budget include:
- April 2023 pay award settlement (budget 3%).
 - Work in progress position for 2023/24 audit work at 31 March 2024.
 - Inflationary pressures.
 - 2023/24 audit fees.
- 30.** We continue to operate in an extremely unpredictable and volatile environment which will impact on longer-term financial planning and future budget proposals. Factors that need to be considered include:
- Future pay award settlements.
 - SCF funding pressures.
 - Audit delivery and resourcing.
 - Future direction of fees and funding.
 - Audit modernisation.
 - Electronic working papers system.
 - EAFA audit.
 - Implementation of estate strategy.

Capital expenditure

- 31.** The capital programme for 2023/24 plans to invest in IT hardware and software. The revised total budget allocation is £300k.
- 32.** Year to date capital expenditure of £56k has been spent on furniture for Glasgow and Edinburgh offices (£14k) and audio equipment for meeting room EH1/2 in Edinburgh (£42k).
- 33.** The balance of £244k will be spent on building work on the Glasgow office extension and IT hardware and software.

Virement

34. Executive Team approved the virement of £150k revenue budget from management contingency to the capital investment budget. This will enable us to complete the building work required in Glasgow this financial year.

Appendix | Financial Performance Executive Summary – September 2023

Financial Position

Income – recognition of income on completion of outstanding 21/22 audits for both firms and in-house work. Firms additional income (£225k) offset by increased firms payments (£212k). For 22/23 audits, in-house and firms slightly behind plan with delivery in local government being better than other sectors.

Pay – budgets include pay award assumption of 3% with the implementation of a pay settlement outstanding. This leads to a favourable price variance year to date. There is also a favourable variance due to the average whole time equivalent (w.t.e.) position being 9.8 below funded establishment which includes a 2% vacancy/turnover factor.

Non-pay - underspends in professional services, travel & subsistence, recruitment and depreciation reduced by overspends in firms' payments, IT, training, property and occupational health costs.

Capital – £56k expenditure this financial year.

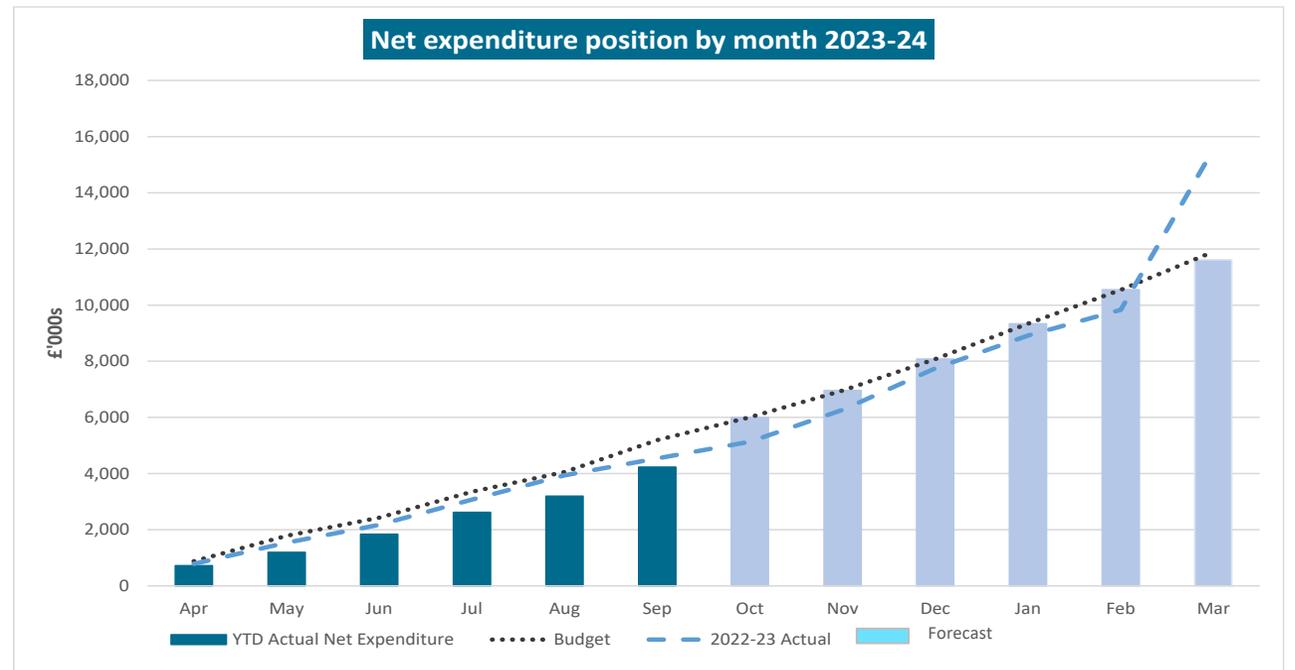
Management contingency - £500k budget. £150k allocated to capital investment and a further requirement to allocate funds to meet increased accommodation costs and the impact of the final pay award.

Forecast - based on June result with the assumption that the current pay offer is accepted. Forecast to be updated following September result.

Financial Risks

- Impact of April 2023 pay award settlement.
- Firms' contractual payments linked to April 2023 pay award.
- Uncertainty of 2023/24 audit fee increase.
- Closing work in progress position for 2023/24 audit work at 31 March 2024.
- Planning for loss of EAFA income.
- Resourcing pressures and staff wellbeing.
- Inflationary pressures (utility and service charges).
- Financial implications of Estate strategy.
- Additional audit modernisation pressures (digital audit, climate change).
- Pension fund pressures (IAS 19 implications and outcome of triennial valuation).

Financial Position as at end of September 2023						
	Actual YTD £'000s	Budget YTD £'000s	Variance YTD £'000s	FY Forecast £'000s	FY Budget £'000s	Variance YTD £'000s
Income	(12,779.4)	(12,939.2)	(159.8)	(23,323.5)	(22,942.5)	381.0
Pay	10,621.6	11,365.5	743.9	23,264.1	23,060.9	(203.2)
Non-pay	6,387.5	6,590.3	202.8	11,673.2	11,781.7	108.5
Capital Expenditure	56.0	50.0	(6.0)	300.0	300.0	0.0
Funded by Scottish Consolidated Fund	4,285.7	5,066.6	780.9	11,913.8	12,200.0	286.2



Appendix | Financial Performance Executive Summary – September 2023



Summary Balance Sheet £'000s

	31/03/2023	30/09/2023
Total Non Current Assets	2,083	3,010
Total Current Assets	6,528	14,350
Total Current Liabilities	(8,649)	(11,465)
Total Non Current Liabilities	(2,751)	(4,074)
Assets Less Liabilities	(2,789)	1,821
Taxpayers Equity	2,789	(1,821)

Non-current assets – increase in right-of-use assets (Glasgow lease and cars) and capital investment being reduced by year-to-date depreciation of assets.

Current assets – increase in debtors, cash and work in progress levels.

Current liabilities – increase in deferred income, balance due to SCF and monthly payroll payments due to HMRC and Lothian Pension Fund.

Non-current liabilities – adjustments reflect movement in unfunded pension provision and remeasurement of obligations under leases for Glasgow office.

Summary Cash Flow £'000s

Net cash outflow from operating activities	(7,333)
Cashflows from investing activities	56
Obligations under leases	1,113
Drawdown from Consolidated Funds	6,000
Net increase/(decrease) in cash/cash equivalents	(164)
Net Cash requirement	6,164

- Draw down from Scottish Consolidated Fund of £6 million.
- Net decrease in cash / cash equivalents of £0.2 million from 31 March.
- Next instalment of fee invoicing issued in September with current outstanding debt of £1.7 million.

Capital Expenditure £'000s

Total Funding	300
Glasgow meeting room furniture	4
Audio equipment EH1/2	42
40 office chairs	10
Balance	244

- Year to date spend on upgrading audio equipment in Board meeting room at WP, chairs and meeting room furniture for the Glasgow office extension.
- Virement of £150k from Revenue to Capital approved by ET to undertake Glasgow office building work.
- Remainder of spend to be used for upgrade to Glasgow office (digital and furniture) and digital service requirements.

Appendix | Financial Performance by Business Group – September 2023



YTD financial position for each business group

The current YTD financial position for each business group is detailed here.

- **Overall** - at the end of September the revenue financial position was £787k less than budget. The forecast is based on the acceptance of the current pay award offer.
- **Audit Services Group** - 21/22 audits complete with some residual income recognised this financial year. 22/23 audit work behind plan in central government and EAFA compensated by audits being ahead of trajectory in local government. Pay less than budget with lower than planned average w.t.e and 2023 pay award included in budget which is yet to be agreed. Non-pay less than budget mainly due to reduced travel and lease car expenditure.
- **Performance Audit and Best Value** - pay costs less than budget with average w.t.e. 8.3 below funded establishment and a price variance due to the pay award being included in budget allocation. Vacant posts in the process of being filled. Non-pay costs less than budget due to timing of expenditure on professional services.
- **Innovation and Quality** - pay costs less than budget with average w.t.e. 1.5 below funded establishment and pay award included in budget allocation. Non-pay costs less than budget due to expenditure on professional fees (digital audit project) being less than budget with training costs being more than budget.
- **Audit Quality and Appointments** - pay costs less than budget due to pay award included in budget allocation and non-pay costs budget phasing of professional fees.
- **Corporate Services Group and Corporate Costs** - Pay less than budget due to pay award included in budget and an average 2.3 w.t.e. below plan. Non-pay less than budget with the most significant favourable variance in depreciation. This is being reduced by property, occupational health and IT costs being more than budget.
- **Approved Auditors** – completion of some 21/22 audit work in 23/24 financial year and 22/23 audit work behind trajectory leading to fee income recognition being less than budget. Firm expenditure being more than budget due to prior year work.
- **Accounts Commission and Support** - pay less than budget due to vacant Commission Chair post in May. Non-pay expenditure less than budget due to budget phasing of change programme.
- **Board, AGS and Exec Team** - pay costs more than budget due to impact of pay progression for AGS and Exec Team for which no budget was allocated. This will be corrected with a budget virement as part of the budget adjustments required on agreement of the pay award for 2023. Non-pay more than budget due to travel and subsistence and training expenditure.

Business Group	Cost type	Actual YTD £'000s	Budget YTD £'000s	Variance YTD £'000s	FY Forecast £'000s	FY Budget £'000s	Variance YTD £'000s
Audit Services Group	Income	(6,583.1)	(6,458.6)	124.5	(12,062.3)	(11,851.9)	210.4
	Pay	5,163.1	5,365.6	202.5	11,142.0	10,846.4	(295.6)
	Non-pay	209.2	238.8	29.6	391.7	554.2	162.5
	Total	(1,210.9)	(854.2)	356.6	(528.6)	(451.3)	77.3
Performance Audit and Best Value	Income	0.0	0.0	0.0	0.0	0.0	0.0
	Pay	2,165.3	2,508.4	343.1	4,898.0	5,040.9	142.9
	Non-pay	32.1	81.3	49.2	144.6	179.4	34.8
	Total	2,197.4	2,589.7	392.3	5,042.6	5,220.3	177.7
Innovation and Quality	Income	0.0	0.0	0.0	0.0	0.0	0.0
	Pay	818.1	904.7	86.6	1,800.4	1,809.5	9.1
	Non-pay	192.6	234.6	42.0	530.7	617.2	86.5
	Total	1,010.8	1,139.4	128.6	2,331.1	2,426.7	95.6
Audit Quality and Appointments	Income	0.0	0.0	0.0	0.0	0.0	0.0
	Pay	177.1	180.0	2.9	375.6	360.1	(15.5)
	Non-pay	5.1	29.1	23.9	146.2	142.5	(3.7)
	Total	182.3	209.1	26.8	521.8	502.5	(19.3)
Corporate Services Group and Corporate costs	Income	(1,757.3)	(1,734.1)	23.2	(3,522.9)	(3,492.7)	30.2
	Pay	1,605.9	1,715.1	109.1	3,632.3	3,644.7	12.4
	Non-pay	1,387.3	1,296.3	(91.0)	2,945.1	3,058.7	113.6
	Total	1,235.9	1,277.2	41.3	3,054.5	3,210.8	156.3
Approved Auditors	Income	(4,438.9)	(4,746.4)	(307.4)	(7,738.3)	(7,597.9)	140.4
	Pay	0.0	0.0	0.0	0.0	0.0	0.0
	Non-pay	4,520.5	4,655.8	135.2	7,405.5	7,070.0	(335.5)
	Total	81.6	(90.6)	(172.2)	(332.8)	(527.9)	(195.1)
Accounts Commission and Support	Income	0.0	0.0	0.0	0.0	0.0	0.0
	Pay	225.9	233.3	7.5	443.7	442.5	(1.2)
	Non-pay	24.6	44.7	20.1	97.4	137.5	40.1
	Total	250.4	278.0	27.6	541.1	580.0	38.9
Board, AGS and Exec Team	Income	0.0	0.0	0.0	0.0	0.0	0.0
	Pay	466.2	458.4	(7.8)	972.1	916.8	(55.3)
	Non-pay	16.0	9.7	(6.3)	12.0	22.1	10.1
	Total	482.2	468.1	(14.1)	984.1	938.9	(45.2)
Funded by Scottish Consolidated Fund		4,229.7	5,016.6	786.9	11,613.8	11,900.0	286.2

Board and committee meetings 2024

Director of Corporate Support

Item 12
Meeting date: 21 November 2023

Purpose

1. This report sets out some options on the location for Board and committee meetings in 2024.

Recommendations

2. The Board is invited to:
 - Note the report
 - Consider the options outlined below
 - Decide on the venues for the 2024 meetings of the Board/ its committees.

Background

3. At its meeting on 26 September the Board approved the [schedule](#) of Board and committee meetings for 2024. Board typically meets six to eight times a year at the Edinburgh office. The meeting schedule for 2024 is attached as appendix 1.
4. 102 West Port is the primary location for Board and committee meetings. In discussion on the 2024 schedule of meetings the Board members noted the benefits of holding some of its meetings at locations other than 102 Westport in Edinburgh. Although that discussion focussed on meetings of the Board this report includes options in relation to the Board's committees. The benefits of meeting in locations other than 102 West port include:
 - Reinforcing the message that Audit Scotland is a national organisation and not solely based in Edinburgh/ the central belt
 - Demonstrating a one organisation approach in that one office not the primary/ sole location for conducting business
 - Improving the visibility of Board - providing an opportunity to engage with colleagues based in the other offices who they would not typically come into contact with.
5. This report provides options for, and considers the practical implications of, meeting in other locations.

Considerations

6. In developing options a range of factors have been considered. These include:
 - The facilities at the office locations – including meeting space and technology

- Base locations, travel and accommodation – where meeting attendees will be travelling from and to
- Time and diary commitments/ constraints and the impact of travel
- The principle of meetings being open to the public
- The financial implications of meetings in other locations.

Office locations

7. The Board and its committees typically meet in West Port in Edinburgh. This office has all of the necessary facilities in terms of space and technology. Meetings in Inverness and Aberdeen will incur additional costs, these are outlined below.

Glasgow

8. The office at Nelson Mandel Place (NMP) in Glasgow has been used for meetings in the past. Before the pandemic NMP office has been used on a number of occasions for meetings of the Audit Committee and the Remuneration and Human Resources Committee.
9. The office has the necessary meeting space and technology in place.
10. This makes it a viable and simple option and meetings of the Leadership Group and other meetings have been/ are hosted at NMP.
11. The only issue to consider in relation to NMP will be the timing of the meeting. Given the work is under way to expand the office it would make sense for a meeting to be hosted later in the year. This means that members will be able to see the new accommodation and use the enhanced meeting space. We anticipate that the fit out of the additional space in Glasgow, which includes additional and upgraded meeting space will be completed by between April and June 2024.

Inverness

12. The Inverness Office is located at The Green House. This is located at the [Beechwood Business Park, Inverness, IV2 3B](#). The business park is approximately 2 miles from the train station and just off the A9 and A96.
13. We currently rent desk space only for the 8 colleagues based from this office. Meeting rooms, with the required technology, are available to rent at the Green House for between £100 - £150 per day.

Aberdeen

14. The Aberdeen office is located at the [Summerhill Community Education Centre](#), Aberdeen. This forms part of Aberdeenshire Council property estate and is situated on Stronsay Drive, Aberdeen, AB15 6JA. The office is approximately 2.7 miles from the train station and just off the A944.
15. We currently rent desk space for the 9 colleagues based from this office. Meeting rooms, with the required technology, are available at the office location, though there are no standard rates. We anticipate the rates would be similar to those at the Inverness office.

Travel and accommodation

16. Two of the five Board members are based in Aberdeen and the other Board members are currently based in the broader central belt. (This may change based on the outcome of the recruitment process for the Chair of the Accounts Commission). Board meetings are typically attended by members of the Executive Team, the officers presenting reports and the secretariat.
17. If we were to replicate this in other locations this could involve around 10 – 15 travelling. It may be that for financial and logistical considerations more people attend any meetings held in Aberdeen or Inverness virtually.
18. Using the rail fare from Edinburgh as a proxy travel costs to Inverness and Aberdeen are approximately £65 per person. If an overnight stay was required there is accommodation available near each of the offices at a rate of between £70 - £100 per person.
19. Shared car travel is of course another option. Using Edinburgh as a proxy starting point this would be approximately £160 per car (return) for Inverness and £130 (per car) to Aberdeen.

Time and diary commitments

20. In holding a meeting elsewhere we would want to be mindful of the other diary commitments of those attending. The Board and its committees typically meet on a Tuesday and the Public Audit Committee and the Accounts Commission typically meet on a Thursday.
21. The volume and focus of business for the June meetings (around the annual reporting process) means that these dates do not lend themselves to holding meetings elsewhere.
22. A proportion of the travel time is likely to be 'unproductive'.

Accessibility

23. The Board meetings are held in public, though to date very few members of the public have attended.
24. There is technology in place for the meetings to be accessible to any member of the public who wishes to observe a Board meeting virtually, as is the case currently.
25. The meeting spaces in both Inverness and Aberdeen are smaller and there may be some limitations here, depending on the number of Board members and officers attending and if members of the public wanted to attend the meeting in person.

Financial Implications

26. The financial implications vary depending on the location of the meeting and the numbers attending.
27. A meeting in Glasgow would be considered business as usual and the additional costs would be marginal.
28. The indicative costing for a meeting in Inverness or Aberdeen would be in the following range.

- 'Minimum option' - hybrid enabled meeting, 10 people in person, shared travel by car, one day return trip = £350 – 500.
- 'Maximum option' – in person, 15 people, travelling by train, overnight stay = £3,000 - £3,500.

Options

29. Taking into consideration the factors above the most appropriate meeting date options appear to be:

- 27 March 2024 – Board meeting in Inverness or Aberdeen
- 24 September 2024 – Board meeting in Glasgow (post completion of the fit out).
- Board/ committee meetings in 2025 in Glasgow and Aberdeen or Inverness in addition to Edinburgh.

30. Members may wish to defer making the final decision until its meeting in January 2024 when the appointment of the new Chair of the Accounts Commission has been made.

Conclusion

31. This report provides options for holding Board/ Committee meetings at other Audit Scotland offices and identifies the practical and cost implications associated with those options.

Appendix 1



Item 12

Meeting date: 21 November 2023

Meeting schedule 2024

Audit Committee*	Human Resources and Remuneration Committee*	Board+
		23 January 2024
19 March 2024	19 March 2024	
		27 March 2024
7 May 2024	7 May 2024	21 May 2024
7 June 2024 (AR&Accs)		7 June 2024 (AR&Accs)
3 September 2024		24 September 2024
11 November 2024	11 November 2024	26 November 2024