

Wednesday 30 September 2020 at 10.00am

By Teams

1. Private meeting of Board members
 2. Welcome and apologies
 3. Declarations of interests
-

Standing items

- | | |
|---|-----------------|
| 4. Chair's report – verbal update | For information |
| 5. Accountable Officer's report – verbal update | For information |
| 6. Accounts Commission Chair's report – verbal update | For information |
| 7. Review of minutes: Board meeting 19 August 2020 | For approval |
| 8. Governance arrangements: Review of Standing Orders | For information |
| 9. Review of action tracker | For information |
-

Business planning and performance

- | | |
|--|-----------------|
| 10. Covid-19 update | For information |
| 11. 2020/21 Q1 Corporate performance update | For information |
| 12. 2020/21 Q1 Strategic improvement programme update | For information |
| 13. Remuneration and Human Resources Committee performance and future priorities | For approval |
| 14. Scottish Commission for Public Audit: Official report of meeting on 22 June 2020 | For information |
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Strategic priorities

- | | |
|---|-----------------|
| 15. 2021/22 Draft budget submission | For approval |
| 16. European Union withdrawal update | For information |
| 17. Financial devolution and constitutional change update | For information |
| 18. New audit appointments update | For information |
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Governance

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| 19. Annual review of Corporate governance policies | For approval |
| 20. Annual policy review of records management policies | For approval |
| 21. Annual policy review of freedom of information and environmental information requests | For approval |
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| 22. Complaints handling procedure | For approval |
| 23. Proposed meeting dates for 2021 | For approval |
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Conclusion

- | | |
|---|--------------|
| 24. Any other business | |
| 25. Publication of papers | For approval |
| 26. Review of meeting | |
| 27. Date of next meeting: 25 November 2020 | |

Wednesday 19 August 2020, 10.00am

Audit Scotland by Videoconference

Present:

Alan Alexander (Chair)
Stephen Boyle
Heather Logan
Elma Murray
Jackie Mann

Apologies:

Martin Walker, Associate Director, Corporate Performance and Risk

In attendance:

Diane McGiffen, Chief Operating Officer
Gayle Fitzpatrick, Corporate Governance Manager
David Blattman, HR&OD Manager
Stuart Dennis, Corporate Finance Manager
Brian Howarth, Audit Director, Audit Services
Fiona Kordiak, Director, Audit Services
Fraser McKinlay, Director, Performance Audit and Best Value
Colin Crosby, Non-executive board member designate (Observing)

1. Welcome and apologies

The Chair welcomed Stephen Boyle, Auditor General for Scotland to his first Board meeting in his new role and Elma Murray in her new role as Interim Chair of the Accounts Commission. The Chair also welcomed Jackie Mann, new member of the Board from 10 July 2020, and Colin Crosby, new member of the Board from 1 October 2020, who had been invited to observe today's meeting.

The Chair advised of apologies received from Martin Walker, Associate Director, Corporate Performance and Risk, due to a family bereavement and members extended their condolences.

The Chair thanked members for accommodating today's additional meeting of the Board to consider Audit Scotland's response to the impact of Covid-19.

2. Declarations of interest

There were no declarations of interest.

3. Chair's report – verbal update

The Chair advised of meetings and discussions with the Scottish Commission for Public Audit (SCPA) in relation to the recruitment of Board members as well as initial induction meetings with both new members Jackie Mann and Colin Crosby. The Chair also advised the Board of the useful evidence session with the SCPA to consider Audit Scotland's Annual report and accounts on 22 June 2020.

Alan invited members to note regular meetings with Diane McGiffen, Chief Operating Officer in relation to the preparation for the session with the SCPA, member recruitment and induction and with David Blattman, HR & OD manager. He noted that the annual report of Remco performance and priorities will come to the next meeting of the Board on 30 September 2020, and that Jackie Mann had agreed to chair the Remco.

Alan also advised members of his own Chair's induction programme which had involved meeting with members of Management Team, Stuart Dennis and the scheduling of ongoing monthly meetings with Stephen Boyle as Accountable Officer, and Diane McGiffen.

The Board welcomed the update.

4. Accountable Officer's report – verbal update

Stephen Boyle advised he was delighted to be attending his first Board meeting as Accountable Officer and Auditor General for Scotland, he extended a warm welcome to Elma Murray and Jackie Mann to their first formal Board meetings. Stephen advised of initial meetings with both and one planned shortly with Colin Crosby. Stephen advised of meetings with Elma Murray to discuss their shared roles and responsibilities, as recipients of services from Audit Scotland, and also to discuss how public audit responds to the challenges arising from the current operating environment.

Stephen recorded his thanks for the support for his own induction, particularly from Diane McGiffen, Fraser McKinlay and Fiona Kordiak as members of Management Team and advised of meetings with colleagues from across Audit Scotland since his appointment.

Stephen highlighted the impact of Covid-19 on the fundamental shape of work and personal lives and welcomed today's discussions on how Audit Scotland responds to the challenges for the future of public audit in Scotland.

Stephen advised of a range of external introductory meetings as Auditor General for Scotland: with the Cabinet Secretary for Finance, the Chair of the Scottish Government Audit and Assurance Committee and the Chief Executive of the Scottish Parliament. Stephen advised that he had attended the Public Audit and Post Legislative Scrutiny Committee (PAPLS) for the first time as Auditor General for Scotland. He invited members to note that this had been a private session with the Committee at which he had welcomed the opportunity to introduce himself as the new Auditor General and also to hear their areas of interest. Stephen advised that the PAPLS had restated its commitment to, support for and the value of the work received from Audit Scotland.

Stephen advised of initial considerations underway on the forward work programme for the Auditor General and Accounts Commission in advance of formal consultation to help shape the public audit response.

Stephen advised that Audit Scotland's Management Team had met with the Audit Partners on 17 August 2020 and discussed the experience of deliverability of public audit in light of the pandemic. He advised that the experience of the audit firms is similar to that of Audit Scotland: managing the wellbeing of colleagues, understanding the challenges of delivering audit work remotely and awareness of what this means for the current and longer term financial implications for public audit.

Stephen reported that annual audit work is progressing variably, with some audits in the NHS and Central Government completed but with others taking longer as audited bodies face challenges to meeting audit deadlines. He also drew attention to the potential impact on fee income and statutory reporting deadlines which may lead to a delay in the certification of the Scottish Government's consolidated accounts.

Stephen advised that Management Team and the Incident Management Team have rightly prioritised the wellbeing of our colleagues and that Audit Scotland offices have remained closed since March 2020, with colleagues working from home. He noted colleagues' experiences had been varied depending on their own circumstances, particularly those with caring responsibilities and those in shared housing. He went on to note that as progress on the Scottish Government's routemap is achieved, Audit Scotland is looking at how to provide some limited access to Covid-secure offices in exceptional circumstances.

Stephen advised of his appreciation and support from colleagues and teams from across the organisation in the past few weeks and paid tribute to their resilience in delivering quality audit work.

The Chair asked about the impact of remote auditing. Stephen advised that where bodies had been less able to invest in IT to support remote working there were challenges, but that this varied between

organisations. Stephen advised that auditors and audited bodies have responded well generally and audit teams are liaising as appropriate to track and monitor those risks.

Following discussion, the Board welcomed the update.

5. Accounts Commission Chair's report – verbal update

Elma Murray welcomed Jackie Mann and Colin Crosby to the Board.

Elma advised that the previous Chair of the Accounts Commission had retired at the end of July and that Scottish Ministers have now appointed Tim Mackay as the Interim Deputy Chair.

Elma advised that the Accounts Commission had published four reports since the last meeting, an Equal Pay in Councils Impact Report, the Local Government Overview: Performances and Challenges for 2020 Report, a Best Value Report on North Ayrshire Council and the Commission's Annual Report for 2020.

Elma advised that the Accounts Commission held its strategy session on 12 August 2020 with the Auditor General for Scotland as the keynote speaker. She advised that the session also considered the key messages from the Accounts Commission support review which will be taken to the Remuneration and Human Resources Committee meeting on 2 September 2020. She advised that the Commission is exploring its core purpose and focus over the coming months and reviewing its immediate work programme with further discussion at its meeting on 10 September 2020, together with consideration of the longer term work programme. Elma advised that the Commission is creating an Insight Programme to invite external stakeholders to share their experiences and challenges arising from the Covid-19 pandemic. Elma expressed appreciation for the work of Audit Scotland colleagues in supporting the strategy session.

Elma also advised members of recent meetings with the Auditor General for Scotland, Alan Alexander and Jackie Mann as part of her induction programme.

Elma invited members to note the work underway with Audit Scotland colleagues to explore the Accounts Commission's future approach to the Local Government Overview reports and advised she will be attending the Local Government and Communities Committee on 28 August 2020 to give evidence on the Local Government Overview Report published at the beginning of July 2020 and also to talk about emerging risks from Covid-19 for audit practice.

Elma advised she has also been working with the team taking forward the new audit appointments to consider how to develop the Code of Audit Practice further and that this was progressing very well.

In terms of external engagement, Elma advised of meetings with COSLA, the Improvement Service, SOLACE, The Carnegie Trust and SCVO, highlighting the importance of strong relationships with the Commission and opportunities for further engagement, including critical areas for local government and IJBs and partners as they emerge from the pandemic. She also advised of Best Value reports on North Ayrshire and Moray Councils and follow up discussions with Argyll and Bute Council.

Elma noted that the Commission is keen to return to meeting in person when that is possible.

Finally, Elma expressed her thanks to Audit Scotland colleagues for their support since her appointment.

The Board welcomed the update.

6. Review of minutes: Board meeting 1 June 2020

The Board considered the minutes of the meeting of 1 June 2020, which had been previously circulated.

The Chair invited any comments and, there being none, the Board approved the minutes as an accurate record of the meeting.

7. Governance arrangements: Review of Standing Orders

Gayle Fitzpatrick introduced the Governance arrangements: Review of Standing Orders paper, copies of which were previously circulated.

Gayle invited the Board to confirm that its meetings will continue to take place via videoconference and that attendance is limited to members and those presenting reports and that the variations to the Standing Orders are kept under review and considered at each Board meeting until further notice. Gayle also invited the Board to note that the annual review of the corporate governance policies were scheduled to come to the Audit Committee on 2 September 2020 and the Board on 30 September 2020.

The Board discussed and agreed that the governance arrangements for virtual Board members remain in place and members agreed the ability to open up meetings to the public should be considered further as part of the annual review of the corporate governance policies to ensure inclusivity, openness and transparency. Diane McGiffen agreed to report back to the Board at its next meeting on the options available.

Following discussion, the Board approved the recommendations.

Action ASB18: Diane McGiffen to report back on the options available to support public meetings of the Board. (September 2020)

8. Review of action tracker

The Board noted the updates provided on the action tracker.

Gayle noted that the wider scope governance review was originally scheduled to come to the Board on 30 September 2020 (Action ASB114), but suggested that with new members joining the Board this be rescheduled to the Board meeting scheduled for 25 November 2020. The Board recognised the value of new members having the opportunity to complete their respective induction programmes and participate in meetings prior to the review and following discussion agreed that this would come to its meeting in November 2020.

Elma Murray requested sight of the Chair's letter to the Chair of the Scottish Commission for Public Audit referred to at Action ASB116 and the Chair agreed to share a copy of the letter with Board members.

Action ASB19: The Chair to share a copy of the letter to the Chair of the Scottish Commission for Public Audit. (August 2020)

9. Covid-19 update

David Blattman, HR and OD Manager, Stuart Dennis, Corporate Finance Manager, Fraser McKinlay, Director, Performance Audit and Best Value, Brian Howarth, Audit Director and Fiona Kordiak, Director, Audit Services, joined the meeting.

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

Diane welcomed the opportunity to discuss Audit Scotland's response to Covid-19 with the Board given the fast moving nature of the pandemic and provided a summary of the known operational issues for Audit Scotland. She invited the Board to consider some of the short term issues and future implications and risks highlighted.

The Chair welcomed the comprehensive report and invited members' questions and comments.

During a detailed and wide ranging discussion the Board considered the changing dynamics of the pandemic following the easing of restrictions for some, new local restrictions being put in place for others, increased flexibility for colleagues who have children returning to school alongside increased risks in other areas.

The Board welcomed Audit Scotland's primary focus on the health, safety and wellbeing of colleagues, the support provided for colleagues through the provision of technical support and equipment, the implementation of home workplace assessments and commended the engagement and communication from Audit Scotland's Management Team. Members also welcomed the work being undertaken by a working group to consider the logistics and limitations of reopening offices to ensure a Covid secure workspace for a small number of colleagues, subject to strict criteria and the appropriate risk assessments being undertaken. David Blattman agreed to provide a note on health and safety responsibilities of home working for information and also to share the link to the homeworking assessment tool. Diane McGiffen advised this work will help inform the considerations on new ways of working as an audit organisation and that further updates will come to the Board as the work progresses. The Board agreed this should be standing agenda item for future meetings of the Board and Remuneration and Human Resources Committee .

The Board noted that Audit Scotland recognises the challenges facing public bodies and the services they provide and the role of audit in scrutinising good financial management and sound decisions on the use of public money. Members also noted recent Covid-19 briefings published by Audit Scotland and considered the need to continue to consider the requirements of best practice in the longer term.

The Board discussed the impact of the pandemic on Audit Scotland's budget for 2020/21, the potential for a Spring Budget Revision being proposed and agreed a further early discussion on the longer term impact on funding was required in order to address issues for future budget years, given the small contingency budget Audit Scotland has together with no ability to hold reserves.

In terms of resourcing and the impact of the rescheduling of audit reporting deadlines, Diane McGiffen advised of work underway on the short and longer term workforce plan and advised that this would feed into the resourcing needs and budget requirements for 2021/22. Fiona Kordiak and Fraser McKinlay advised the respective resource leads in the audit business groups had been working together to redirect resource where required and colleagues had adapted well over all. The Board noted the consultation of the forward work programme was underway with the Auditor General for Scotland and Accounts Commission.

Turning to audit implications and the qualification of accounts, Fiona Kordiak provided an update on the current position and the Board noted that work was underway to consider where Section 22 and Section 102 reports may be required.

Elma Murray welcomed the comprehensive report and discussion by the Board and advised the Accounts Commission would value a session to understand some of the issues arising for Audit Scotland in the medium and longer term. The Chair proposed a consultation be scheduled between himself, Stephen Boyle, Elma Murray and Diane McGiffen in the first instance to consider how best to progress some of the issues discussed today and likely timescale. The Board agreed this was an important first step.

Following discussion, the Board noted the recommendations and actions taken and agreed next steps.

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| Action ASB20: | The Board agreed a standing item on Covid secure workplaces and new ways of working be scheduled for future meetings of the Board and Remco. |
| Action ASB21: | David Blattman to circulate a link to the link to the workplace assessment tool. (September 2020) |
| Action ASB22: | Diane McGiffen to schedule a meeting with the Chair, Stephen Boyle and Elma Murray. (September 2020) |

David Blattman, HR and OD Manager, Fraser McKinlay, Director, Performance Audit and Best Value, Brian Howarth, Audit Director and Fiona Kordiak, Director, Audit Services, left the meeting.

11. Q1 Financial performance report

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

Stuart invited the Board to note the complex issues considered in the previous report were reflected in the in-year financial position for Audit Scotland and the need for a Spring Budget Revision proposal. He advised that this mechanism has typically been used in relation to the non-cash pension adjustments each year to balance any shortfall, and that this year it would include any potential shortfall in income realisation.

Heather Logan sought clarification on the reprofiling of the budget columns and Stuart advised this had been done for health sector audits due to the extension of Health audits to September 2020.

Heather also sought assurance around agency costs and associated risks to budget in year and for 2021/22. Stuart advised the agency costs were expected and principally were to support the EAFA audit work which will be funded and through savings generated in year. Looking ahead to the budget for 2021/22, Stephen Boyle advised the EAFA audit remains a risk in light of the UK's withdrawal from the European Union. The Board noted the UK Government will determine any changes to the EAFA audit and Audit Scotland will have a decision to make at that stage. Stuart also advised of potential risks due to the on-site nature of work of this audit.

The Board noted costs around travel and subsistence and printing have reduced considerably.

In response to a query from Elma Murray, Stuart provided an overview of the process for billing and payment of fees, which are recognised in each audit year and how this differs from the financial performance reporting cycle.

Stuart Dennis, Corporate Finance Manager, left the meeting.

12. Any other business

There was no other business for discussion.

13. Publication of papers

The Board considered and agreed the publication of all the papers considered at today's meeting.

14. Review of meeting

The members welcomed the quality, content and comprehensive nature of the reports which had supported a helpful and detailed discussion. The Chair thanked everyone for their contributions.

15. Date of next meeting: 30 September 2020

The members noted the next meeting of the Audit Scotland Board was scheduled for 30 September 2020.

Purpose

1. This report provides the Board with an opportunity to review its governance arrangements and the Standing Orders in the context of the current Covid-19 pandemic.

Background

2. On 16 March 2020 Audit Scotland's Incident Management Team initiated the Business Continuity Plan in light of the Covid-19 situation. Colleagues were advised to work from home with immediate effect and the offices were closed. On 23 March 2020 the formal 'lockdown' measures introduced by the UK and Scottish Governments took effect.
3. The Board met the following day, the first meeting of the Board to take place via teleconference. At that meeting the Board agreed to temporarily suspend some of the standing orders. These were in relation to; meeting in public, the requirement for papers to be issued to members five days before the meeting and the publication of papers on the website in advance of meetings.
4. The Board also agreed to keep the [Standing Orders](#) under review at each meeting and they are attached as Appendix 2 for ease of access.
5. At its meeting on 13 May 2020 the Board that the temporary suspension of the standing orders in relation to the issue and publication of board papers were no longer required.

Considerations

Public meetings

6. The Board remains committed to openness and transparency and meeting in public forms part of delivering on this commitment. Public interest in attending Board meetings to date, however, has been limited.
7. Holding a virtual public meeting, which is accessible, while having appropriate digital security arrangements in place remains challenging. While practical options are being explored it is recommended that meetings continue to take place via videoconference and that attendance is limited to Board members and those presenting papers.
8. To support the future transparency of Board meetings we are exploring a number of options:
 - live meetings of the Audit Scotland Board using Microsoft Teams which members of the public or colleagues can request to join
 - recordings of meetings to be made available on the Audit Scotland YouTube account after each meeting, and promoted via social media
 - the use of podcasts by the Chair or a board member following each meeting which can be made available on Audit Scotland's website and can also be promoted through social media channels, for example Facebook, Twitter and YouTube.

Future reviews of governance arrangements

9. The Board's standard annual review of key corporate government documents is on the agenda for today's meeting. These were reviewed by the Audit Committee at its meeting on 2 September 2020 and have been recommended to the Board.
10. The Board has also agreed to carry out a broader review of its governance arrangements. The Chair and the Corporate Governance Manager have had preliminary discussions on the scope of this review. The

scope is likely to include consideration of how we define and minute public and private items. A scope of this review will be considered by the Board at its meeting on 25 November 2020.

11. The review is provisionally scheduled to take place between January and February 2021 to provide new board members with the opportunity of experiencing board business and to have completed the induction programme.
12. The review report will be considered by the Board at its March 2021 meeting.

Recommendations

13. The Board is invited to:
 - agree that its meetings continue to take place via videoconference and that attendance is limited to members and those presenting reports
 - note ongoing work to assess options for members of the public to view Board proceedings
 - agree that the variations to the Standing Orders are kept under review and considered at each Board meeting until further notice
 - note the review of governance documents in September 2020 and the broader review of governance in January 2021.

REF	FORUM	Agenda Item No	Item Title	Action Description	Meeting Date	Due Date	Responsible	Assigned to	Complete/Ongoing	Reported Yes/No	Progress Notes
AS888	Board	9	Q3 Financial performance report	Stuart Dennis to liaise with Audit Quality and Appointments to provide a briefing on fee setting as part of the forthcoming procurement strategy. (May 2019)	18/03/2019	31/05/2019	Stuart Dennis	Stuart Dennis	Ongoing	No	This action falls within the procurement strategy for the new audit appointments exercise. Once strategy has been agreed by the project Steering Group, the fees and funding model will be updated.
AS899	Board	17	Proposed schedule of meeting dates 2020	A further discussion on public meetings of the Audit Committee to be scheduled.	18/09/2019	Oct-20	Martin Walker	Martin Walker	Ongoing	No	Outline scope discussed with Chair 26/05/20. Review to be scheduled following the appointment of new Board members (inc Chairs of committees)
AS8106	Board	3	Governance arrangements	The Standing Orders to be reviewed at each meeting.	24/03/2020	May-20	Martin Walker	Martin Walker	Complete	Yes	Two of the three varied orders reinstated on 13/05/20. Public meetings remains under review and is a standing item for each Board meeting.
AS8109	Board	12	2019/20 Q3 Performance report	Additional information on the composition of the cost per audit day in PABV to be circulated.	24/03/2020	May-20	Martin Walker	Martin Walker	Complete	Yes	Information shared by correspondence w/c 25/05/20.

Purpose

1. This report provides an update on Audit Scotland's response to the Covid-19 pandemic. It summarises the current position and the implications for Audit Scotland as an organisation and for the audit work.

Background

2. The Board considered a detailed Covid-19 update at its last meeting on 19 August 2020 and a further update was provided for the Audit Committee on 2 September 2020.
3. All Audit Scotland offices have been closed since 16 March 2020, in line with Scottish Government guidance. As at 30 September 2020 we will have been operating as a virtual organisation for a period of 29 weeks. The Incident Management Team (IMT) has been meeting on a regular basis over that period and regular updates have been issued to all colleagues and Board members.
4. On 21 May 2020 the Scottish Government announced its four phase [route map](#) out of lockdown. Government advice and guidance on the re-opening of non-essential offices, advising that this would be reviewed towards the end of phase three and that working from home would remain the default for those that can.
5. On 17 September 2020 IMT confirmed that the offices would remain closed for the remainder of 2020. The all staff message from the Auditor General is attached as an appendix.
6. On 22 September 2020 statements in the UK and Scottish Parliaments confirmed increased restrictions in response to the increases in the R rate and prevalence of the virus. In Scotland this includes the ban on people from different households meeting indoors being extended across the country.

Our response to Covid-19

7. On 19 March 2020 the Auditor General for Scotland advised the Public Audit and Post Legislative Scrutiny Committee (PAPLS) that Scotland's public services were under exceptional pressure due to Covid-19 and advised that our approach to audit during these circumstances would be pragmatic, flexible and consistent. Our approach was further detailed in [Covid-19: impact on public audit in Scotland](#) in May, [Covid-19: how public audit in Scotland is responding](#) in June and [Covid-19 Financial Impact](#) in August 2020.
8. To date we have prioritised our statutory audit obligations and paused/re-scheduled areas of audit work where we have more discretion, in consultation with the Auditor General for Scotland and the Accounts Commission. We have also been clear that we will do what is achievable, but that cannot guarantee all deadlines can be met. This is due to the disruption in audited bodies as well as to Audit Scotland. We have also been clear that, while timescales may change, audit quality remains an absolute priority and is even more important at times of significant disruption.
9. The disruption has had an impact on productivity and this and other cost pressures mean that the financial situation is also challenging, and it is likely this will be reflected in a Spring Budget revision to the Scottish Commission for Public Audit (SCPA). We are also reviewing the medium-term financial plan and the fees and funding strategy.

Organisational implications and responses

Our people

10. From the start of the pandemic we have adopted a safety-first approach, prioritising the health, safety and wellbeing of our colleagues. This continues to be a key priority. We have worked hard to support colleagues who are now all dispersed, working from home and juggling sometimes quite difficult home and work responsibilities. This support has taken a variety of forms, including regular communications

and engagement, advice and guidance, access to systems and the provision of digital and office equipment.

11. Colleagues across the organisation continue to respond incredibly well to the situation and continue to display a huge amount of flexibility and professionalism. Their experience has varied depending on a range of factors including their personal circumstances, domestic situation and their caring responsibilities etc. For some, this time may have had a positive impact (such as less travelling and a better work/life balance) however for others it has been a really difficult time.
12. We continue to monitor the situation very closely:
 - we currently have one colleague who is sharing a house with family members who have confirmed positive for Covid-19, has some symptoms and is self-isolating
 - fewer than five colleagues are currently shielding
 - the sickness absence rates for quarter 1 of 2019/20 and 2020/21 were almost identical at 1.60 days and 1.63 days per employee respectively.
 - an analysis of the time logged by colleagues to the C-19 business continuity time recording codes tells us that 1,742 days have been logged by 246 colleagues to date. (This equates to an average of 7.08 days per colleague who has used the code and 7.7 FTE over the period).
13. We continue to prioritise colleague's health safety and wellbeing. This has been reinforced in all communications and a broad range of guidance and support has been put in place. Since the last update report, we have:
 - published a dedicated SharePoint page on [maintaining a positive mental health](#)
 - produced a [video update](#) on Yammer about wellbeing, carers and learning and development
 - run several pulse surveys – where the results have been consistent and broadly positive, but which have identified where some colleagues are experiencing difficulties
 - provided individual support for colleagues and managers.
14. We have prioritised communicating and engaging with colleagues across the organisation using a broad range of channels. This includes more formal business messaging, through the regular IMT updates, the Covid-19 yammer channel, the weekly Staying Connected communications and video posts and blogs from members of Management Team. We are also introducing virtual drop-in sessions where colleagues from across the business can engage with members of Management Team outwith formal business meetings.
15. We have also continued to use more informal channels including the '[How we doing](#)' yammer channel, on-line quiz events and virtual tea breaks and check-ins via video conferencing. Most recently we introduced 'The Kitchen' this provides all colleagues with the opportunity to 'drop in' to have an informal video chat with colleagues, to emulate the informal conversations that might typically take place in the business lounges or tea points.

Supporting our colleagues – digital and office services

16. Since the office closure we have been keen to ensure our colleagues have access to the equipment they need to work safely and productively. Initially we invited colleagues to get in touch to make requests and seek advice. We followed this up with a more formal requirement for all colleagues to carry out an on-line workstation assessment to help us support their longer-term needs. 97% of colleagues have completed the assessment.
17. To date we have:
 - issued 330 items of digital equipment to 131 colleagues. These items have mainly been screens, keyboards and mice. (The total cost to date has been £16,509.05, an average of £126 per colleague who has needed equipment)
 - issued 243 items of office equipment to 177 colleagues. These items have included desks, chairs, footrests, some items have been issued from existing stock in the offices. (The total

cost to date has been £11,796.12, an average of £66.64 per person who has needed equipment)

- surveyed colleagues on their home workspace set up and their digital technology set up, the responses were 7/10 and 8/10 respectively.

Office accommodation and on-site work

18. The Audit Scotland offices have been closed with effect from 17 March 2020 and we expect this to be the default position for some time to come. On 17 September the IMT confirmed that the offices would remain closed for the remainder of 2020. This is consistent with the current government guidance and with the Scottish Government's own approach to its offices.
19. Our Covid Secure Workplaces working group is carrying out a detailed risk assessment and planning work on delivering Covid-19 secure workspaces. The working group includes colleagues from the business groups and the PCS Branch Chair, and the risk assessment work is supported by an external Health and Safety Adviser.
20. This may result in providing limited access to office space for a very small number of colleagues for whom this would be conducive to their health, safety and wellbeing or for colleagues who are unable to perform specific tasks which require access to the office. All access requests will be the subject of a risk assessment and approval by a member of the IMT.
21. We are also running a survey to ascertain what colleagues' preferences might be around the balance of time spent working in the office / at home or in other locations.
22. As regards site visits and on-site working, our default position remains that work at audit sites is not permitted. We have however allowed for exceptional circumstances where a site visit may be allowed for a specific business critical reason, for example to review highly sensitive material which cannot be shared electronically. This will not be routine and not is necessary for most audit work.

Financial management

23. At its meeting on 19 August the Board considered the short- and medium-term financial position. The key financial risks we will need to manage in 2020/21 include:
 - a shortfall in closing work in progress at 31 March 2021
 - additional costs to deliver audit
 - resource availability
 - the impact on firms' costs and
 - the completion of the EAFA audit.
24. In the budget proposal to the SCPA we indicated that we aim to manage within our overall budget, however it will be necessary to seek in-year adjustments if significant challenges arise. It is unlikely that the management contingency and savings identified will be sufficient to meet all the financial pressures and an additional in-year adjustment will be required. To comply with the governance process for budget approval the Audit Scotland Board will be requested to approve the proposal of an in-year budget adjustment to the SCPA.
25. The Spring Budget Revision proposals will be prepared for discussion and approval by the Board at its meeting scheduled for 25 November. The proposals will request for the annual additional non-cash AME funding to meet IAS 19 pension costs and for an in-year DEL budget adjustment for the financial consequences of Covid-19.
26. We are currently scenario planning the main areas of financial risk and the likelihood of them crystallising in order to fully justify the additional budget requirement needed to meet the funding shortfall in 2020/21. The draft 2020/21 budget submission is on the agenda for today's meeting.
27. In the longer term there are financial issues that will be considered as part of the 2021/22 budget submission to the SCPA, and we plan to raise these with the SCPA at the Business Planning session on 26 October. These include:

- resourcing pressures and additional cost of audit post Covid-19
- pension fund pressures
- auditing post Covid-19
- audit appointments procurement exercise
- EAFA and
- pay award uncertainty
- the future of the current fees and funding model.

Audit implications and responses

Covid-19 reporting

- 28.** We have worked closely with the Auditor General for Scotland and the Accounts Commission as the commissioners of the audit work to ensure that our audit work reflects their priorities and needs.
- 29.** We have issued two public statements on our approach to audit in the context of Covid-19.
- [Covid-19: impact on public audit in Scotland](#) in May 2020.
 - [Covid-19: how public audit in Scotland is responding](#) in June 2020.
- 30.** We have also set up a [Covid-19 hub](#), this includes further briefings and guidance including:
- a summary of the risks and issues
 - a fiscal events/Covid-19 timeline
 - blogs
 - [Covid-19: Emerging fraud risks](#)
 - [Covid-19: Financial impact](#)
 - [Covid-19: Guide for audit and risk committees](#).
- 31.** Planned future work includes:
- The NHS overview report, which we intend to publish early in 2021, will consider the NHS' response to Covid-19.
 - The local government overview report in spring 2021 will report on how Scotland's 32 councils responded to Covid-19 and how services are changing and adapting.
 - The digital progress in local government performance audit, due in late 2020, which will consider how digital technology has enabled councils to respond to Covid-19; emerging good practices and potential longer-term implications for councils and how they operate.
 - The education outcomes audit, which is currently paused, will be refocused during 2021 to look at the impact on Scotland's education system.

Financial audit

- 32.** Extended audit timetables have been implemented for NHS and local government bodies. A three-month extension applies for NHS audited accounts, which are to be published by 30 September 2020. A two-month extension applies to local government, with accounts expected to be published by 30 November 2020.

33. The deadline for the laying of central government bodies' accounts in the Scottish Parliament is unchanged, at the end of December 2020. College accounts must be signed by 31 December 2020 and laid by 30 April 2021. The Scottish Government Consolidated Accounts and any Section 22 reporting are likely to be concluded and reported later than in previous years.
34. As at 16 September 2020 57 sets of accounts have been signed off, including 83% of the NHS accounts and 36% of the Central Government accounts. This is significantly fewer than we would have completed by this point in a normal year. Delays are expected on 15 sets of accounts, though the situation remains fluid.
35. The delays to the audits this year will delay the start of planning for 2020/21 audits. Over the next few months, we will identify options to mitigate impacts of this on the medium term. The flow of Best Value Assurance Report (BVAR) audits has been considered and will be staggered over 2021 into the additional year of the audit appointments in 2022.

Best value audit work

36. A revised schedule for Best Value Assurance Reporting (BVAR) to the Commission in 2020 has been prepared which reflects the impact of Covid-19 on both auditors and councils. Best Value Assurance Reports (BVARs) on Argyll and Bute, North Ayrshire and Moray were published in May, June and August respectively. The commission considered the BVAR on Dundee City Council at its meeting on 10 September 2020.
37. The extension to the audit appointments to September 2022 provides additional time and flexibility to complete the current Best Value assurance programme. We are currently discussing options with appointed auditors for audit timescales including reporting to the Commission. We are planning to stagger the remaining reports across the two remaining years of the audit appointment cycle. This means three or four BVARs in 2021 with the remainder following in 2022 prior to the end of the audit appointments in September 2022. It's also possible that we may need to accommodate follow-up BVAR reporting (Moray). Recent BVARs are including comment on the impact of Covid-19.

Audit appointments

38. The New Audit Appointments (NAA) Steering Group has proposed an extension of the current audit appointments. The proposal provides continuity at a time of significant disruption and recognises the challenges in running a significant procurement exercise in the current circumstances. The proposal will be considered by the Auditor General and the Accounts Commission in September / October.

Work programme refresh in the context of Covid-19

39. Discussions about the reshaping of the short-term work programme (i.e. audit work that will take place in 2020/21) in response to the impact of Covid-19 took place with the Auditor General for Scotland and Interim Chair and Deputy Chair of the Commission on 11 August. The proposals discussed at that meeting were considered by the Commission at its strategy seminar on 12 August and approved on 10 September.
40. We are currently developing our longer-term programme of Covid-19 related audit work in line with the three-phase strategy we set out in May in [Covid-19: impact on public audit in Scotland](#).
41. This refresh of the work programme is taking place in a volatile and uncertain context. It is very difficult to predict how the next few months and years will unfold, beyond Covid-19 uncertainties remain around the impact of EU departure in December 2020, the Scottish Parliament elections in May 2021, the implementation of the wider financial powers devolved to Scotland and the need to respond to the climate emergency.
42. In this context, we propose that the strategic aims of the work programme should be to ensure that:
 - public money is used as effectively and transparently as possible to support economic and social response, recovery and renewal following the pandemic
 - the public services that affect the lives of the people in Scotland are delivered as effectively as possible. In particular, this will focus on inequalities, climate change and the use of the financial powers devolved to the Scottish Parliament and to local authorities.

43. The work programme is a mix of different types of audit outputs, including overview reports, performance audits, Best Value Assurance reports, and statutory reports arising from annual audit reports (section 22 and section 102 reports). In addition, our programme development activity can often result in briefing papers, blogs, support for parliamentary committees, summaries of roundtable discussions, infographics, podcasts and videos, all of which need to be resourced and delivered to quality standards. We want to be able to respond using all these types of outputs which should allow us to be more agile and make timely contributions.
44. Within this broader context and based on the previously expressed views of the Auditor General for Scotland and the Commission and our wider monitoring and stakeholder engagement, we propose that there should be five themes to frame our future audit work.
- Economic recovery and growth - how public money is being used to support the economy and its response to, and recovery from, Covid-19
 - Policy priorities - progress on key policy commitments and public services' ability to deliver on long-term strategic priorities and outcomes
 - Inequalities - impact of Covid-19 on different groups in society, with a particular focus on the risk of exacerbation of existing inequalities
 - Innovation and transformation- how public bodies are learning lessons and innovating and transforming public services
 - Governance and accountability - how public bodies are ensuring proper and effective use of public money across the public sector and within individual bodies.
45. We have collated our work around these themes, to allow the detail of the exact audit topic, its scope and the nature of the output to be decided nearer the time of the work. This will allow us to respond more dynamically to changes in risks and priorities.
46. Once approved by the Auditor General for Scotland and the interim chair and deputy chair of the Commission, these key themes and proposed areas of audit focus will form the basis of:
- the Auditor General for Scotland's planned consultation with the Public Audit and Post-legislative Scrutiny Committee (PAPLS) in October on his draft work programme
 - engagement with the Scottish Government in November on the Auditor General for Scotland's draft work programme.
 - engagement with the Accounts Commission on how its future strategy and work programme will change to reflect the consequences of Covid-19
 - the Commission's consultation with stakeholders on its future work programme as part of its *Insight* programme.

Next steps

47. The experience to date has demonstrated how flexible and resilient Audit Scotland is as an organisation. As we move beyond the 'response phase' we are keen to learn from what this phase has told us and harness and build on the innovation, creativity and flexibility to develop new ways of working.
48. We are currently developing our thinking on, and response to, the longer-term implications of the Covid-19 pandemic to develop a new longer-term operating model.
49. Key stages in the development of the new strategic improvement programme include:
- 22 September 2020 – Management Team 'People Summit' – including representatives from across business groups – this will inform the new strategic improvement programme
 - 6 October 2020 – Management Team – discussions on the new strategic improvement programme

- ongoing prioritisation and streamlining of improvement work to support new ways of working in the short, medium and longer term.

Recommendations

50. The Board is invited to:

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

**All staff communication from Stephen Boyle, Auditor General and Accountable Officer:
18/09/20**

Dear colleagues,

I would like to update you on the position regarding our offices. I would also like to give you some more information about support and planning work on this significant issue.

Audit Scotland offices

Incident Management Team has agreed that **Audit Scotland will remain working from home for the remainder of the 2020 calendar year.**

In coming to this decision, we have considered a number of factors. The key ones are: safety; developments in the pandemic; and the latest Scottish Government guidance.

We have been clear that our priority is safety and well-being. The situation with our offices is that they are occupied by other organisations as well as us, and have problematic features such as limited and confined entrances and exits. Our Covid-secure workplace working group is currently doing a detailed risk assessment and making arrangements for when we do allow access to the offices. However, we won't do that until it's safe and all necessary measures are in place and agreed with PCS.

As you will have seen over recent days and weeks, the pandemic remains volatile and unpredictable. There have been several local outbreaks and the re-imposition of some restrictions in Scotland, and the picture regarding potential vaccines is unclear. Alongside this, the Scottish Government has unequivocally stated that homeworking is the default and announced in recent days that its own premises will not reopen until next year.

I know this announcement may be disappointing news to some of us. But I do hope that it at least provides you with clarity about the situation over the coming months. As you will appreciate from the statement above about the pandemic, at this stage I'm unable to provide detail or predictions beyond the end of this year.

Further support for colleagues

Working from home under the current circumstances has been difficult for many of us. I can only repeat my thanks to you and my admiration for everything you have done over the past six months: the fast-moving changes and adaptations, the innovative approaches to ensuring we can do our work, and the support and kindness you have shown each other.

We know that for some colleagues this has been particularly hard, for reasons such as the impact on mental health, working conditions and pressures on domestic circumstances.

Given this, we will soon be providing additional support to address these issues. This includes:

- Additional support and coaching for line managers in providing mental health and emotional support
- Increase in the HR&OD's team's capacity for providing support for individuals if they have a preference to speak confidentially to a member of the team – see David Blattman's [Yammer post on this subject](#)
- The roll-out of a 'buddy' scheme across Audit Scotland to provide increased peer contact and support for those who would like to participate in this mutual support
- Additional tailored 1-1 support from Business Services Support and Digital Services to address problematic home workspaces and connectivity issues.

We are also currently assessing options for providing Covid-secure workspaces outside of the home for those colleagues who need to work elsewhere for wellbeing reasons. We will provide more detail on that shortly.

If you are struggling to cope, then please remember that you can turn to our confidential employee assistance and counselling service. You can call on: 0161 930 2477 or 0800 328 8829; or email natalie.turner@wellness.international.co.uk. Audit Scotland meets the cost of this service. It is completely confidential and is providing support quickly.

Planning and preparations

There is a lot of work both underway and about to start on all aspects of how we will operate in future, and shortly I will provide you with more detail on that and how you can participate.

As part of that, we are clear that our approach to working patterns and workplaces will be based on the principles of safety, flexibility and equality. When it is safe to reopen our offices, we will do so on a phased basis, and you will receive more detail about that next week.

In preparation for the longer-term, we want to understand your preferences on working patterns. In particular, we would like you all to complete a survey of preferences. This will go live next week, so please look out for the survey and more detail about our longer terms planning and preparations.

Conclusion

I hope this information provides you all with some clarity about our position and the support that is available.

Lastly, I just want to thank you again for all you have done and are doing. As Diane frequently says in her IMT updates, you are amazing, and I don't think it can be said enough. Thank you.

Stephen

Useful links in case you need them

Please continue monitor [Yammer](#) for further information. This includes updates on [COVID-19](#) and [Digital Services](#), support and conversations in '[How We Doing](#)' and [Home schooling support](#). You can also enter The Kitchen on Teams for chats with colleagues.

- If you develop symptoms of Covid-19, then please get tested quickly. NHS Inform has a [self-help guide for access to testing](#), and tests can be [booked through the NHS](#).
- If you need to self-isolate check the Scottish Government [guide to self-isolating](#) and have a look at the [sources of support](#) within Audit Scotland

For advice about COVID-19 symptoms and safety, check the [NHS Inform website](#).

Advice on managing your mental health and well-being are available on the [SAMH website](#), including [Coronavirus and your Mental Wellbeing](#) and [Seeking Support](#), and a [guide by Mind](#).

Resources and advice on health and alcohol use during lockdown is available at [Drinkaware](#).

Resources and support for anyone concerned about their domestic safety are available at [Scottish Women's Aid](#) and [Men's Aid](#).

For resources for children and young people worried or confused about COVID-19, resources are available on the [Young Scot coronavirus site](#).

Stephen Boyle

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Appendix 2: Performance detail

2020/21: Quarter 1



We conduct relevant and timely audits and report in public.

Key Performance Questions	2018-19				2019- 20				2020-21			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Are relevant audits being delivered?	G	G	G	G	G	G	G	G	A			
Are audits delivered on time?	G	G	G	G	G	G	G	G	A			
Are audits delivered on budget?	G	G	G	G	G	G	G	G	R			

Key messages

We have revised the overall performance assessment RAG status for this objective to red in light of the impact of the Covid-19 pandemic. Red is defined as '*Not progressing/significant additional management action required*'.

- Financial audits are taking longer than in previous years and audit capacity has been reduced across ASG and PABV due to the impact of the pandemic, including changes in personal/caring responsibilities and the impact of the pandemic response on public bodies ability to participate in the audit process.
- In Q1 we delivered 44 audit/reports compared to 108 in Q1 2019/20. (We also published 16 annual audit plans in which had been scheduled for Q4 but which were delayed due to Covid-19).
- Audit expenditure is 14.6 per cent above budget (and significantly outwith the 5% tolerance target).

The dates for delivery of financial audit and Annual reports have revised for 2020-21:

Sector	Total AS	Total Firms	New date	Delay	Scheduled Quarter
LG	66	39	30-Nov	2-month delay	Q3
CG	47	29	31-Oct	no change	Q3
NHS	10	13	30-Sep	3-month delay	Q2
FE	2	19	31-Dec	no change	Q3
Total	125	100			

The rolling audit work programme also faces unprecedented change and uncertainty because of Covid-19. Our initial May 2020 position statement on [the impact of Covid-19 on public audit in Scotland](#) made clear that this uncertainty and fast-paced changes created by Covid-19 means that our work programme will need to be more

dynamic than in the past. This includes changes to existing audits (paused, delayed and rescheduled, scope changes or ultimately audits stopped altogether), but also the use of a wider range of different audit outputs such as blogs, roundtables and briefing papers on key audit themes and issues in future.

Covid-19 update:

In June 2020 we published [Covid-19: how public audit in Scotland is responding](#). This set out the current Covid-19 related audit work and potential themes and areas of focus for future work.

It is clear that the dynamic nature of Covid-19 and the significant uncertainties about its long-term impact, means we will need to keep our work under constant review and adapt the audit work programmes to reflect changing circumstances. The pandemic has significantly impacted the Auditor General and Accounts Commission's rolling work programme, with several audit subject to delays and rescheduling/lengthy pauses/cancellation. The next steps for these audits are being decided during the refresh of the work programme in August/September 2020.

Auditors are being flexible and in a small number of cases will agree to deliver audit beyond the original planned dates to accommodate revised schedules and committee dates in public bodies.

Performance in Q1

We published 44 reports/ outputs including:

- 17 Annual Audit plans
- 8 Annual Accounts
- 7 Annual reports
- 2 Performance
- 2 Best Value Assurance Reports (BVARs) - Argyll and Bute Council and North Ayrshire Council
- 1 Overview
- 1 Statutory Report – S22 City of Glasgow College
- 6 Other – including the annual report and accounts, the Quality of public audit in Scotland.

During Q1 we also published 16 Annual Audit plans that were due to be published by 30 April 2020 but were delayed due to Covid-19.

Delayed publications

In Q4 we advised that number of reports had been delayed.

- The three outstanding LG AAP's (Dundee City Council, East Renfrewshire IJB and Mugdock Country Park) were issued in Q1.
- Four of the five CG AAPs (Architecture & Design, Non-Domestic Rate Account, Scottish Consolidation Fund and Scottish Government) were issued in Q1 (The Scottish Commission on Social Security is a new audit and the AAP is expected to be complete in Q2).
- The performance audit report on The Highlands and Islands: Management of Cairngorms Mountain and funicular railway (originally planned for Q4) was published in June 2020.
- The Moray Council BVAR was due for completion in May 2020 but has been rescheduled to Q2.

Annual Audit Reports

Six Annual Audit Reports were signed off during Q1 (2 NHS and 4 CG), these were NHS Western Isles, NHS Orkney, Skills Development Scotland, QLTR, Education Scotland and Quality Meat Scotland.

Issues/ risks

- There are significant risks around our ability to deliver the financial audits to time and budget. This is a red risk in the risk register.
- There is continued uncertainty about the impact of the pandemic on public bodies and Audit Scotland.
- This impacts on the focus of the work programme and our ability to deliver audits/reports.
- Audit Scotland is working closely with audited bodies to determine their readiness for audit.
- Ongoing uncertainty around workforce capacity (and constraints such as childcare, remote working etc) is affecting auditor availability to undertake core audit work.

Audit/report schedule 2020/21

	Q1	Q2	Q3	Q4
Annual Audit Plans Audit Scotland (125)	2020/21 2 FE ✓ <u>Late from 19-20 Q4 return</u> 7 LG ✓ 6 CG ✓	1 CG		66LG 47CG 10 NHS
Annual Audit Plans Firms (100)	2020/21 FE 15 ✓ <u>Late from 19-20 Q4 return</u> LG 1 ✓ CG 2 ✓	FE 4		39 LG 29 CG 13 NHS
Accounts certified Audit Scotland (125)	NHS 3 ✓ CG 1 ✓	NHS10	66 LG 47 CG 2 FE	
Accounts certified Firms (100)	NHS 2 ✓ CG 1 ✓	NHS13	39 LG 29 CG 19 FE	
Annual Audit Reports Audit Scotland (125)	NHS 1 ✓ CG 4 ✓	NHS10	66LG 42CG 2FE	
Annual Audit Reports Firms (100)	NHS 2 ✓ CG 1 ✓	NHS13	39 LG 29 CG 19 FE	
Performance Audit (3)	Affordable Housing ✓ Highlands and Islands Enterprise: Cairngorm Mountain ✓ Education outcomes X (audit paused - now Q1 2021) Social Security X (audit paused, date TBC)		Skills planning and investment X (audit paused – 2021)	Digital in Local Government
Best Value Assurance Report (6)	Argyll and Bute Council ✓ North Ayrshire Council ✓ Moray Council X (now Q2)	Dundee City Council Moray Council (was Q1) City of Edinburgh Council X (now Q3)	Aberdeenshire Council City of Edinburgh Council (was Q2)	

			Falkirk Council X (now 2021 date TBC)	
Overview Report (3)	Local government in Scotland ✓ Scotland's Colleges X (not publishing)			Local government: financial NHS in Scotland
Statutory (1) Numbers to be confirmed during year	S22 City of Glasgow College ✓		Health and central government S22s (as required)	Health and central government S22s (as required) Local government s102s (as required) Scottish Government Consolidated Accounts
Other (10) Numbers to be confirmed during year	Fraud and irregularity report 2019/20 ✓ Quality of Public Audit in Scotland annual report 2019/20 (QPAiS) ✓ Transparency report 2019 ✓ Equal Pay in councils Impact Report ✓ Covid-19: Impact on public audit in Scotland ✓ Covid-19: How public audit in Scotland is responding ✓	National Fraud Initiative Covid-19 Emerging fraud risks Covid-19 Financial impact	Housing Benefit Annual Report Teacher workforce planning briefing X (paused – decision pending on future)	
Published	44			

On time: During Q1:

- 22 committees scheduled to take annual audit plans to had been delayed until after March 2020. 16 of these have now taken place and the AAPs are now complete.
- The Local Government in Scotland: challenges and performance overview was due to publish in April 2020. The Accounts Commission agreed to move publication to June 2020 to enable the audit team to consider Covid-19 related issues affecting local government within the report's findings and messages.
- The Affordable Housing performance audit was sufficiently far advanced to be completed as planned at the start of April 2020. It was decided to publish the report on the website but with less promotion than would normally accompany a major performance audit report.
- The Highlands and Islands Enterprise: Cairngorm Mountain report was subject to several weeks delay but despite this the report was published as planned during Q1.
- The Best Value Assurance Reports on Argyll and Bute and North Ayrshire were published as planned during the quarter. The BVAR on Moray Council BVAR, originally due to be published in May 2020, has been rescheduled to August 2020. The City of Edinburgh BVAR has in turn been moved from Q2 to Q3.
- The Scotland's Colleges overview was initially paused and then put on hold – this was largely due to significant pressures affecting the Scottish Government and Scottish Funding Council that made it impossible to carry on with the audit as planned at this time. The team is exploring options to make use of the work undertaken to the point of stopping the audit, including briefings, additional commentary within Annual Audit Reports and internal programme development audit intelligence sharing.
- The Social Security performance audit has been paused, due to pressures on Social Security Scotland and forthcoming changes to the timetable for further roll-out of social security arrangements in Scotland. The future of this audit is being considered through the work programme refresh.
- We successfully completed all year- end and annual assurance processes to schedule, published the annual report and accounts and gave evidence to the SCPA as planned in June 2020.

On time YTD	Number delivered on time	Number delivered Late	% of planned delivered to date	% on time	Comment
Annual Audit Plans – AS	2	0	2%	100%	Both Annual Audit plans were published on time. All other Annual audit plans are due to be published in Q4. This assessment excludes the 13 plans that were expected in 2019/20 Q4 which were delayed because audit committees were rescheduled as a result of Covid-19.
Annual Audit Plans – Firms	15	4	15%	79%	4 Audit plans were published late because audit committees were rescheduled as a result of Covid-19. All other Annual audit plans are due to be published in Q4. This assessment excludes the 3 plans that were expected in 2019/20 Q4 which were delayed because audit committees were rescheduled as a result of Covid-19.
Accounts certified – Audit Scotland	4	0	3%	100%	The NHS certification deadline has been moved from 30 June (Q1) to 30 September (Q2).
Accounts certified – Firms	3	0	3%	100%	The NHS certification deadline has been moved from 30 June (Q1) to 30 September (Q2).
Annual Audit Reports – Audit Scotland	5	0	4%	100%	The NHS certification deadline has been moved from 30 June (Q1) to 30 September (Q2).
Annual Audit Reports – Firms	3	0	3%	100%	The NHS certification deadline has been moved from 30 June (Q1) to 30 September (Q2).
Performance Audit	2	0	40%	100%	
Best Value Assurance Report	2	0	28.6%	100%	
Overview Report	1	0	25%	100%	
Statutory Reports	1	0		100%	Number varies depending on issues identified.
Other Outputs	6	0		100%	
Total	44				

On budget: In Q1 the expenditure on audit is 14.6 percent over budget and outwith our five percent budget tolerance. The variance is due to it taking considerably longer to complete an audit remotely compared to that of an onsite audit. Response times from the client are also impacted. This is reflected in both the time, cost and productivity. Some staff are working 'out of grade' which is increasing the costs of financial audits - e.g. there are currently some senior managers in ASG picking up files which would normally be completed by senior auditors or auditors.

In May, Budget holders were requested to review their operational budgets with a view to identifying budget savings. This exercise identified savings of £312k and business group operational budgets have been adjusted. The management contingency and savings will enable us to help cover some of the financial pressures we are likely to experience as a result of Covid-19.

	Budget £	Actual £	£ Variance	% Variance
ASG	8,612,470	9,972,959	1,360,489	16%
PABV	637,896	624,058	-13,838	-2.17%
Total	9,250,366	10,597,017	1,346,651	14.56

Forward look:

In Q2 we publish two additional outputs covering Covid-19 fraud risks, and the finances of the Covid-19 response to date.

Annual Audit Plans 2020/21 audits

Annual Audit Plans for 2020-21 audits would normally all be expected in Q4, however with the change in audit deadlines due to ongoing impact of Covid-19 it is likely these will be rescheduled later in the year.

Key Performance Questions	2018-19				2019-20				2020-21			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Are we assured about the quality of our work?	G	G	G	G	G	G	G	G	A			
Are we improving the quality of our work?	G	G	G	G	G	G	G	G	A			

Key messages

- The Quality of public audit in Scotland annual report 2019/20 and the Transparency report 2019 were published in June 2020 and provided positive assurance on the quality of audit.
- We have stressed the importance of audit quality in external and internal communications.
- The impact of Covid-19 means that we are currently operating in unique circumstances, with all audit work being carried out remotely. This increase the risks to the quality of audit work, and we have changed the performance status RAG from green to amber.
- The refresh of the audit methodology has been impacted in terms of capacity and timescales.

The [Quality of Public Audit in Scotland annual report 2019/20](#) (QPAiS) was published in June 2020. Its key messages were:

- The Audit Quality Framework is driving improvement in audit quality.
- The quality of audit work on audits is high and improving.
- Auditors are engaging with the Audit Quality Framework and addressing previous years' findings, leading to improvements in audit quality.

[The Transparency report 2019](#) key messages include eight internal quality reviews were classed as 'good' or 'limited improvements required'. Of the seven external reviews, five were classed as 'limited improvement required' and two were classed as 'improvement required'. This represents a substantial improvement in audit quality during a time of resourcing challenges and is testament to the professionalism of our staff.

Actions

ICAS provided feedback from their inspections as a video which made available to all staff on Yammer and to the Firms. The video focuses on financial audits and includes matters arising from ICAS review of performance audits and Best Value audits. We are taking account of the findings and updating the relevant audit guidance accordingly. ICAS covered some of the financial audit related matters at the spring technical updates for ASG Superteams. The Annual Audit Report Templates and the ISA 580 templates were revised and rolled out to ASG for use in Q1.

Mandatory interactive training on the Audit Management Framework was rolled out to PABV colleagues in Q1.

Covid-19

Professional Support has released 1 SAM and 2 SA's to ASG from 1 July 2020 to complete final accounts audit work until around October/November time. As a result, the refresh of the audit approach which was scheduled to rolled out across ASG for 2020-21 audits will be delayed and delivered in two parts. The B20 controls approach will be rolled out for 2020-21 audit year with training expected early 2021. The A03 Audit Planning Tool will be piloted across a few audit teams in 2020-21 audit year and rolled out for all audits in 2021-22 audit year.

Professional Support, ASG and PABV have developed a suite of guidance, training and on-going support for colleagues involved in this years' annual financial statements final accounts work. The support is for colleagues primarily from PABV who have been assigned to assist Audit Services during this busy and challenging 'peak' period in the audit year.

Quality assurance and improvement during Q1 included:

- a bulletin on technical developments and emerging risks in the quarter
- technical guidance notes on; statutory objections to the 2019/20 local government annual accounts, other statutory information included in central government annual accounts, other statutory information included in local government annual accounts, Independent Auditor's Reports in local government, central government Independent Auditor's Reports and guidance on five grant claim certifications for 2019/20.
- a report to provide auditors with assurances on the Clinical Negligence and Other Risks Indemnity Scheme.
- two revisions to the audit management framework in respect to risk management and records management.
- six frequently asked questions outputs on health audits.
- 20 briefing notes to provide auditors with a synopsis of new technical documents.
- Updated Annual Audit Report templates.
- revised the audit programmes on MKI to reflect recent quality review findings.
- seven training sessions on risks of misstatement in liabilities; performance reports analytical procedures, an introduction to financial statements and professional scepticism.

	We get our messages out effectively
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Key Performance Questions	2018-19				2019-20				2020-21			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Are we getting messages out effectively?	G	G	G	G	G	G	G	G	G			

Key messages

- We scaled back the amount of promotion of the reports we have delivered during Q1.
- We continue to engage with key stakeholders including the Scottish Parliament and the Accounts Commission.
- There were significant number of downloads (262,497) in Q1 and analysis show interests in into Mental Health services for young people, NHS reports and our Covid-19 Impact on Audit briefing.

Covid-19 update:

The Auditor General has briefed the Parliament's Public Audit and Post-legislative Scrutiny Committee on 5 May and on 11 June about the impact of Covid-19 on the work programme and public audit more generally. Similar briefings were provided to the Accounts Commission by the Controller of Audit and the Director of Audit Services.

Audit Scotland joined the Scottish Parliament's Finance and Constitution Committee to discuss the impact of Covid-19 on the public finances and the Fiscal Framework. Representatives from the Institute for Fiscal Studies, Chartered Institution of Taxation, and academia also participated in the discussion.

There is ongoing engagement with audited bodies and key stakeholders (including the firms, scrutiny partners and UK and Ireland audit agencies) about respective experiences of and response to the pandemic. This includes the impact on staff, public bodies and audit programmes.

Engagement: In Q1 we attended:

- Seven Parliamentary Committees.
- Four meetings of the Account Commission and it's committees.
- 31 external working group meetings to ensure Audit Scotland is engaging with relevant standard setters as they prepare and review relevant codes. Manuals, standards and guidance.

Consultations: We responded to four consultations on:

- the National Fraud Initiative work programme and fees.
- the Digital Economy Act.
- the impact this may have on the audit of Accounts (Scottish Government).
- the impact of COVID-19 on the public finances and the Fiscal Framework. (Finance and Constitution Committee - in advance of the SBR being published)

Parliamentary engagement

Month	Parliamentary questions mentioning Audit Scotland	Mentions of Audit Scotland's work across committees	Mentions of Audit Scotland during FMQs	Audit Scotland staff appearances at committees	Total
April	0	4	0	0	4
May	0	9	0	1	10
June	0	7	0	6	13
Quarter Total	0	20	0	7	27

Communications

	Q1	Q2	Q3	Q4	YTD	19/20
Media	101					1,333
Downloads	262,497					1,043,838
Engagements*	2,178					25,901

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

Our media and social media engagements figures are down on last year (Q1 19/20 -Media 304, Downloads 123,448 and engagements 5,881).

The number of downloads is however 112 percent up on the same quarter last year.

Media

The decision to scale back promotion of our reports in this quarter – mostly just publishing them on the Audit Scotland website with one or two accompanying posts on twitter – meant the levels of media coverage were unusually low. It is also likely the levels of coverage were further reduced by media attention understandably being elsewhere.

The top published report by media coverage in Q1 were the Cairngorm Mountain and BVAR: North Ayrshire Council.

The Covid-19 pandemic meant that only the BVAR reports on Argyll & Bute Council and North Ayrshire Council, plus the performance audit on the management of Cairngorm Mountain, were promoted with press releases during the quarter. This decision was taken because of the pressures the Scottish Government, COSLA and public bodies were under due to the pandemic. The audited bodies in the promoted reports were considered able to respond to the findings.

Downloads

The most popular reports during the quarter were the 2019 NHS Overview (around 4,000 downloads) followed by the 2018 report into Mental Health services for young people (around 2,500). This chimes with the pandemic's impact on the health service and concerns about children's mental health during lockdown. The other notable download figure was for the Covid-19 Impact on Audit paper, which received over 900 downloads in May alone.

Social media activity

We decided that it would be inappropriate to post too much content on our channels while frontline public services were engaged in immediate response to Covid-19. This naturally had a big effect on engagement with our posts. As the quarter progressed, we gradually began to post more content and referenced reports.

Popular posts from the quarter included content on our report on the Impact of Covid-19 on public audit; a goodbye to the outgoing Auditor General and our support for PRIDE 2020 in our role as a Stonewall Scotland Diversity Champion.

Correspondence

Audit Scotland handles a wide range of correspondence from members of the public, elected representatives and organisations. Figures for new and reopened cases are:

New correspondence cases	Q1	Q2	Q3	Q4	YTD	19/20
Number of cases	31					136
Acknowledgement within five working days	100%					99%
Final response within 30 working days	96%					94%

The number of correspondence cases is slightly down from the same quarter last year (36) and the percentage of responses within 30 days is up two percent from 94 per cent last year. One final response was missed because we were waiting for the second Coronavirus Bill to be published.

In addition, we had 10 audit enquiries (compared to 17, Q1 19/20) – relating to queries about our work (e.g. figures within our reports, guidance and access to materials/reports).

FOI/EIR/Complaints

There were five FOI requests, no EIRs and no complaints received in Q1. All FOIs were answered with the 20 Day deadline.

Key Performance Questions	2018-19				2019-20				2020-21			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Is our work delivering impact?	G	G	G	G	G	G	G	G	G			
Are our recommendations leading to improvements?	G	G	G	G	G	G	G	G	G			
Are we offering insight and foresight and making information and intelligence available to others?	Y	G	G	G	G	G	G	G	G			

Examples of where work has made a positive impact or positive feedback received include:

Local Government

- The BVAR report in 2018/19 recommended that the Community Planning Partnership review its reporting structures and report performance against its local outcome's indicators. The BV follow-up work showed the Council/CPP had taken to follow up this recommendation. A review of the reporting structures is complete and there are much more defined reporting lines in place. The CPP has implemented a new structure for reporting performance going forward, ensuring that quarterly updates are provided to the Community Planning & Regeneration Committee prior to the publication of the year end Annual Report.
- We completed an audit on the procurement and contracting practices at the council in 2018/19. The audit identified 10 additional weaknesses, not picked up by Internal Audit and received significant local media attention. All recommendations were accepted and are being addressed.
- In December 2019, the Chief Internal Auditor retired and the post of Internal Audit Manager is now shared between two Councils. The new Internal Audit Manager has met with us to discuss the findings of our reports and implemented several immediate changes. The Audit Committee has noted the positive changes made.

Central government

- A weighted average methodology had been applied for several years when valuing the amount of stock classified as work in progress at the year end. The audit queried the underlying assumptions in this methodology and requested that management carry out a review. Management identified that they had sufficient information within other systems value the stock more accurately. The new methodology will be applied in 2019/20, resulting in a more accurate inventories figures.
- The 2018/19 annual audit report had recommended that a review of the methodology for applying the valuation of biological assets should be carried out upon transition to the new body on 1 April 2019. We recommended that management work with the professional valuer to ensure the process remained appropriate in supporting the valuation of the asset base. This review was undertaken during 2019/20 and resulted in the valuer applying a more up to date and appropriate methodology in valuing the biological assets and a truer representation of the market value of these assets.
- We received positive feedback from the ARC and client staff on our working relationships and our communication. The chair was particularly appreciative of the AD role as the engagement lead of the other related agencies and noted the broader added value to the business.
- The chair of the Audit and Risk Committee (ARC) wrote to the Auditor General to highlight effort and the work involved of the Audit Scotland team. He provided feedback that the maturity of the relationship and the hard work put in from both the executive and the auditors was paying dividends and that this year's achievement was amazing given that the audit work was done during lockdown. He also asked that we share the best practices and real-life challenges that were overcome to facilitate the speed of sign off and efficiency in the audit.

Covid-19 update:

- We have published two additional outputs covering Covid-19 fraud risks, and the finances of the Covid-19 response to date in Q2.

Key Performance Questions	2018-19				2019-20				2020-21			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Are new processes, products and services being developed?	G	G	G	G	G	G	G	G	G			
Are products and study programmes suitable and appropriate for emerging issues?	G	G	G	G	G	G	G	G	G			

Key messages:

All Audit Scotland staff have worked from home from 17 March 2020 and we have been operating as a virtual organisation since then.

The joint Auditor General and Accounts Commission Work programme is being refreshed again in light of the circumstances with an initial focus on the immediate 12-month audit priorities and a more comprehensive review of the longer-term work programme following thereafter. Proposals for the work programme will include increased use of 'other' products and outputs such as blogs, briefings, round tables and data briefings. These will support more 'real-time reporting' on issues arising during this period of ongoing uncertainty.

The Accounts Commission held its first online meeting during May. This allowed Commission business to continue despite the impact of lockdown restrictions.

We have delivered a significant amount of training and guidance using a variety of media including virtual sessions, video and Yammer.

We have introduced a secure electronic signatures package which allows all parties to sign accounts remotely.

Performance dashboards have been rolled out in PABV. The adoption of the Time Recording system in Audit Services has been pushed back to 2021.

Actions

The strategic improvement programme is being refreshed to ensure its focus is on supporting health, safety and wellbeing and effective remote working.

Key Performance Questions	2018-19				2019-20				2020-21			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Are we managing our resources effectively	G	G	G	G	A	A	A	A	R			
Are we maximising efficiency?	G	G	G	G	A	A	A	A	R			

Key messages

We are experiencing resourcing and financial pressures as a result of Covid-19. The key financial risks we will need to manage in 2020/21 include:

- Shortfall in closing work in progress at 31 March 2021
- Additional costs to deliver audit
- Resource availability
- Impact on firms' costs
- EAFA completion

Taking in to account the audit sign off extensions in each sector the completion percentage rates for the start of the 2020/21 audit cycle will be below the planned levels as at 31 March 2021.

Action

The Audit Scotland Board is reviewing the financial position and identifying short and medium term responses and options.

Resource management

In the three months to 30 June 2020 Audit Scotland's Net Operating Expenditure was £202k more than budget.

	Q1	Q2	Q3	Q4	19/20
Actual	(2,049)				(13,715)
Budget	(1,847)				(17,442)
Variance K	(202)				(426)

Staff - 'The average number of staff in the quarter was 288.5 (99.4%) of establishment'

	Q1	Q2	Q3	Q4	19/20
2020/21 establishment w.t.e	290.2				286.4
Average number of staff employed in 2020/21 w.t.e:	288.5				285.9
No. of staff at end of quarter w.t.e:	286.4				291.1

Staff and Agency costs – The total staff costs in the 12 months to 31 March 2020 are 30k below budget.

	Annual Budget £000	Actual YTD	Budget YTD	Variance	Actual Average WTE	Budget WTE
Total Staff costs 2020-21	18,023	4,400	4,369	(31)		
Total agency & secondments 2020-21	75	78	19	(59)		
Q1 Staff costs 2019-20	16,751	12,422	12,484	62	299.8	297.1
Q1 agency & secondments 2019-20	75	412	75	(337)		

Legal, professional and consultancy: the budget this year has increased due to the ongoing Audit appointments process and the NFI which runs every other year.

	Q1	Q2	Q3	Q4
Actual	81			
Budget	101			
Prior year spend	87			

Estate - Estate costs in the three months to 30 June 2020 are the same as budget and slightly above last year's expenditure.

	Q1	Q2	Q3	Q4
Actual	215			
Budget	205			
Prior year spend	202			

Costs of travel - Travel costs in the three months to 30 June 2020 are lower than budget. There is very little personal travel claimed in Q1, the spend is due to the Car lease scheme.

	Q1	Q2	Q3	Q4
Actual	87			
Budget	110			
Prior year spend	207			

Capital Expenditure and Funding – There has been no allocation to capital expenditure in the first quarter of 2020/21. We are currently collating and classifying all the additional IT and furniture expenditure incurred to facilitate improved home working conditions for staff. The classification exercise is required to ensure compliance with our agreed fixed asset accounting policy.

Digital Services

	Q1	Q2	Q3	Q4	19/20
IT Network					
IT uptime (%)	99.91				99.36
Working hours lost	0.09				631.8

Average time lost per person (minutes)	0.67				2hrs
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The majority of the downtime this quarter was due two major outages affected access to Citrix during the quarter. This equates to 631.8 working hours lost. An average of 2 hours per person over the quarter.

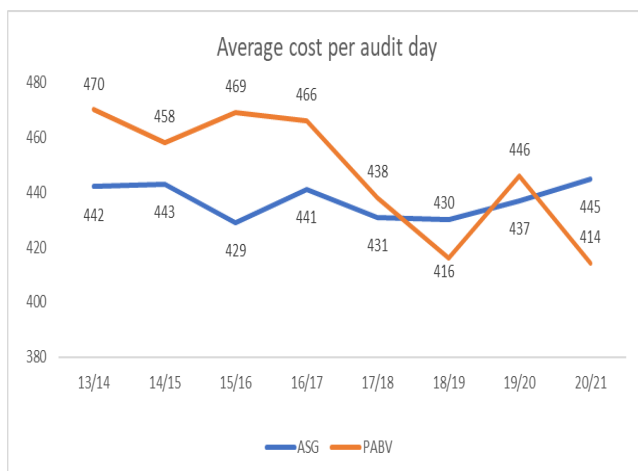
IT Incident management summary (incident targets are expected to achieve 97%)

- 98.84% (854/864) of incidents were accepted within the response time SLA.
- 93.29% (853/893) of requests were closed within the fix time SLA.
- An average of 2.7 incidents were logged per user.

Business group audit and non-audit time: Audit time defined is any time charged through TRS/MKI to a formally approved audit (overviews, performance audit, PABV input to BVARs, HCW, statutory reporting etc). It also includes time logged to programme development, the production of internal and external briefings and other outputs, audit appraisal, policy analysis, stakeholder engagement, correspondence. Non audit time includes time off, corporate forums, improvement projects and learning & development.

	20/21%				19/20%			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
ASG	62				67	71	57	63
PABV	58				72	74	64	73

The reduction in productivity from the same quarter last year is due to the impact of Covid 19 and auditing remotely. The impact of the pandemic on staff working arrangements, capacity, and the pausing of some audit work within the work programme.



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

We manage information and intelligence effectively (internal)

Key Performance Questions	2018-19				2019-20				2020-21			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Are we managing information and intelligence effectively (Internal)	Y	Y	G	G	G	G	G	G	G			

Key messages

Effective communication has been a top priority in response to the Covid-19 pandemic.

The Audit Scotland Incident Management Team (IMT) has been in operation since March 2020 in accordance with the Business continuity Plan. The IMT is maintaining oversight of information and intelligence, the impact on financial and performance audit programmes and ensuring the health of colleagues and stakeholders is at the core of its thinking.

We have invested in communicating and engaging with colleagues across the organisation using a broad range of channels. This includes more formal business messaging, through the regular IMT updates, the Covid-19 yammer channel, the weekly Staying Connected communications and video posts and blogs from members of Management Team. We introduced more informal channels including the 'How we doing' yammer channel, on-line quiz events and virtual tea breaks and check-ins via video conferencing.

We have been running regular 'pulse surveys since June. These are to help check in with colleagues and provide them with an opportunity to share how they are and how their experiences of working in the current environment. The response rate has been between 34% and 40% and colleagues score responses between 0 (negative) and 10 (positive). The feedback has been consistent and positive over all over the course of the surveys to date. The average scores have been; well informed (9), supported (8), experience of working at home (7), whether they have the equipment they need (8) and how they are feeling overall (6).

The Annual conference due to be held in April 2020 was reformatted and delivered as a virtual conference with video's/sessions on various subjects and an interactive live event with members of Management Team.

Other projects continue to make progress, including the launch of performance dashboards in PABV.

Key performance questions	2018-19				2019-20				2020-21			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Are our people empowered and engaged?	G	G	G	G	G	G	G	G	G			
Are our people highly skilled?	G	G	G	G	G	G	G	G	G			
Are people performing well?	G	G	G	G	G	G	G	G	G			
How effective is communication and collaboration across the organisation?	G	G	G	G	G	G	G	G	G			
Are career paths offered across the organisation?	G	G	G	G	G	G	G	G	G			
Do we understand and support diversity within the workforce?	G	G	G	G	G	G	G	G	G			

Key messages

- The move to SharePoint online and roll-out of Microsoft Teams has meant audit teams have been able to move quickly to remote working. Teams can access files remotely using secure systems, with modern digital communication tools available.
- Absence levels are the same as quarter 1 2019/20.
- Yammer channels for 'How we doing', 'Carers' and 'Home schooling support' are helping to support colleagues.
- The Covid-19 yammer channel assists with keeping colleagues up to date with the pandemic situation and how Audit Scotland is responding to this and the implications for the organisation.
- We are running regular 'Pulse' surveys (so called as they are designed to 'take the pulse' of an organisation). It is quick and simple, only takes 5-10 minutes to complete and consist of no more than 6-8 questions. The regular 'surveys provide an opportunity to provide feedback or raise issues and these issues are considered by the Management Team/Incident Management Team and inform communications and planning. The feedback is positive over all but also tells us that some colleagues are finding the situation difficult.

Covid-19 update

All staff are working remotely from home, with the annual financial statements audit being undertaken 'off-site'. This is a challenging and significantly different approach for auditors and audited bodies, with audit work taking longer than would be the case in a standard audit. In addition to the standard flow of auditor resource from PABV to ASG to support final accounts work, additional colleagues have been assigned to financial audit this Summer. A package of training and support has been developed jointly by Professional Support, ASG and PABV to ensure colleagues are equipped to undertake this role.

Empowered and engaged:

Highly Skilled

- On 2 April Management Team considered a report outlining our revised approach to L&D in light of the lockdown. This was followed by an L&D newsletter to colleagues on 23 April outlining what virtual and online training was available and the launch of GDPR e-learning. A further L&D newsletter was shared on 30 June signposting online learning material for PABV colleagues undertaking financial audit work, links to bite size learning videos and a feature on the new Data Analytics hub.
- Professional Support has delivered a wide range of technical training workshops virtually over April and May 2020 as well as a number of Superteam Spring technical updates.
- Management Development coaching clinics continued to take place virtually. Topics included engagement, delegation, managing upwards and feedback.
- The third year Trainees delivered a training session on Final Accounts to our first-year trainees on 29 April 2020 and feedback has been very positive.

Wellbeing

Resources have been developed for colleagues to provide support, advice and guidance on managing mental and health and wellbeing during the pandemic. Audit Scotland also participated in Mental Health Awareness Week (18-24 May), with activities for staff including online sessions on topics such as mental wellbeing and mindfulness.

- A SharePoint page dedicated to [maintaining a positive mental health](#) was created.
- The [Wellbeing Infographic](#) was shared with colleagues on 18 May in Staying Connected, alongside a [video update](#) on Yammer about wellbeing, carers and learning and development.
- The Annual HSW Report was shared with colleagues on 25 June.
- All staff were invited to complete a 'Disability Confident' survey. The results of the survey will help Audit Scotland to support colleagues with disabilities or long-term health conditions.

Career Paths – One vacancy was filled by an internal candidate and two colleagues went through a Career Development Gateway in Q1.

Vacancies filled	20/21 YTD	19/20
Internal	1	19
External	0	35
Total	1	54

Absence levels remain low and similar to Q1 last year.

	Q1 days	Q2 days	Q3 days	Q4 days	ytd days
Audit Scotland – 20/21	1.63				
Audit Scotland – 19/20	1.6	0.46	1.33	1.32	4.97
Audit Scotland - 18/19	1.28	0.76	1.41	1.4	4.85
Audit Scotland - 17/18	0.69	1.16	1.07	1.12	4.40

Staff turnover - All leavers for 2020/21 (2.43%) - are slightly higher than the same quarter last year (1.68).

	Q1	Q2	Q3	Q4	YTD	19/20	CIPD benchmark
Resignations %	1.39					3.34	
All Leavers %	2.43					6.32	

Exam results: There were 27 exams with a pass rate of 78 percent. The percentage pass rate is below last years, however the small numbers involved means the percentage rate varies sharply. ICAS have also announced that due to Covid-19 those failing exams in Q1 will not count as an attempt.

	Q1	Q2	Q3	Q4	YTD	19/20
Exams taken	27					122
Exams passed	21					102
% pass rate	78					84

Highly skilled - Due to the higher number of technical training events the total number of events in Q1 is higher than last year (26 events) and the number of Q1 attendees also higher than Q1 last year (263).

	Q1		Q2		Q3		Q4		YTD		19/20	
	Events	Attendees	Events	Attendees	Events	Attendees	Events	Attendees	Events	Attendees	Events	Attendees
Health & Safety	0	0									9	117
Knowledge Cafes	0	0									13	154
Learning & Development	0	0									13	184
Management Development	6	30									16	71
Organisational Development	5	20									19	94
Technical Training	17	355									28	437
Total	28	405									98	1057

Purpose

1. This report provides the Board with a review of organisational performance in quarter one (Q1) 2020/21.

Background

2. The performance information is reported under the two strategic objectives of 'delivering world class audit' and 'being a world class organisation' in line with the Corporate plan.
 - Appendix 1 provides a summary of performance for each strategic objective.
 - Appendix 2 provides the detailed performance information.
3. On 5 May 2020, Audit Scotland published '[Covid-19 What it means for public audit in Scotland](#)'. The key principles are:
 - Our approach to audit will be flexible, pragmatic and consistent, and the briefing paper states that.
 - Sound financial management and effective governance are more important than ever.
 - Audit has a key role in providing assurance and aiding scrutiny during these difficult circumstances, and we will prioritise quality and independence.
 - Our work needs to reflect the impact of Covid-19 on public services but also maintain a focus on the other key challenges facing Scotland's public sector.
 - We will safeguard the health and wellbeing of our colleagues at all times.

Q1 performance summary

4. All Audit Scotland office locations have been closed since 16 March 2020, in line with Scottish Government guidance. Since then we have operated as a virtual organisation. Colleagues across the organisation have responded well to the situation, they have displayed a huge amount of flexibility and professionalism throughout.
5. The Covid-19 pandemic impacts both Audit Scotland and the bodies we audit. The pandemic is affecting on our ability to deliver audits and our financial position. This can be seen most clearly in our RAG assessment on three of our performance objectives.
6. The following objectives are now 'red', this is defined as 'Not progressing/significant additional management action required':
 - We conduct relevant and timely audits and report in public (where the main impact is on delivery dates and budgets).
 - We manage our resources effectively (where the main impact is on audit costs and income).
 - We maximise our efficiency (where the main impact is on colleague productivity).
7. We expect a negative impact on performance to continue to show in the quarterly reports for 2020/21.

Delivering World Class Audit

8. Local Government and NHS audit deadlines have been rescheduled and at this moment Central Government and Further Education dates remain the same as previous years. We have advised audited bodies and stakeholders that it may not be possible to meet the deadlines in all cases.
9. We have reviewed the rolling work programme and have made proposals to the Auditor General and the Accounts Commission.
10. Audits were delivered at 14.56% above budget in Q1. In May, budget holders were requested to review their operational budgets with a view to identifying budget savings. This exercise identified savings of £312k and business group operational budgets have been adjusted to reflect these. The management contingency and savings will enable us to meet some of the financial pressures we are likely to experience as a result of Covid-19. Discussions are under way on other options to meet the short-term budget pressures and the longer-term funding model.
11. There were 44 publications in Q1 including; 17 Annual Audit plans, seven annual accounts, eight annual reports, two2 Performance, two Best Value Assurance Reports, one Overview report, one statutory report and six other publications.
12. The Quality of Public Audit in Scotland annual report 2019/20 2020 provided positive assurance on the quality of the audit work across all auditors. 71% of annual audit files reviewed by ICAS over the last three years were assessed as requiring 'limited improvement'. Positive assurance can also be gained from the Audit Scotland Transparency Report, 2019. Both reports were published in June 2020.
13. We continue to get our messages out although the promotion of reports has been scaled back. Despite this, the number of downloads has increased significantly compared to Q1 last year. The focus of downloads was on NHS and Children's mental health reports as well as Audit Scotland's impact of Covid-19 on public audit report.

Being a world class organisation

14. We have prioritised communication and engagement with colleagues across the organisation using a broad range of channels. This includes more formal business messaging, through the regular Incident Management Team (IMT) updates, the Covid-19 yammer channel, the weekly Staying Connected communications and video posts and blogs from members of Management Team. We have also introduced more informal channels including the 'How we doing' yammer channel, on-line quiz events, virtual tea breaks and check-ins via video conferencing.
15. Since June we have been running regular 'pulse surveys'. These are designed to help check in with colleagues and provide them with an opportunity to share how they are and their experiences of working in the current environment. The responses overall are positive however some colleagues are finding the situation difficult; and are concerned about the impact that caring/home schooling responsibilities have on their productivity. Some have also expressed concerns about impending work pressures as deadlines approach.
16. We continue to monitor and manage our resources closely:
 - The outturn on core funding was £202k (10.9%) above budget in Q1.
 - We had 286.4 whole time equivalent colleagues in place at the end of the quarter (against an establishment 290.2).
 - The absence rate remained low at 1.63 days.
17. We maintained strong corporate governance during Q1, including the facilitation of virtual meetings of the Board and the Accounts Commission and their respective committees, the management team, business group management teams and other corporate forums. We successfully completed all the year-end and annual assurance processes to schedule, published the annual report and accounts and gave evidence to the SCPA as normal in June 2020.

Recommendations


18. The Board is invited to:

- review the performance in quarter one
- consider whether any additional management action is required.

Appendix 1

30 September 2020

2020/21: Q1 performance summary

 Delivering world-class audit	Measure in Q1	Previous quarter	Same quarter last year	Direction of travel in Q1 this year compared to Q1 last year
We conduct relevant and timely audits and report in public.				
Reports 2021(YTD)	44	713	108	↓
On time (YTD)	100%	91%	100%	→
Audit Budget (YTD)	+14.56%	+4%	-5.95%	↑
We get our messages out effectively				
Media mentions (Q1)	101	335	304	↓
Downloads (Q1)	262,497	320,410	123,448	↑
Social media engagements (Q1)	2,178	5,441	5,881	↓

Key performance messages in Q1

- We have changed the RAG for the 'relevant and timeliness' objective to red. This reflects the impact of Covid-19 on both Audit Scotland and the bodies we audit. This is having an impact on the timeliness compared to previous years. The significant increase in cost in Q1 and the potential impact of delaying audits are also reason for the RAG change.
- We delivered 44 audits/reports. This is less than Q1 in previous years as all NHS reports have been rescheduled to Q2 and in previous years some Central and local government reports were published ahead of schedule.
- The reports delivered were on time, however audits are taking longer, and this may impact on timeliness of the remaining audits.
- Audits were delivered at 14.56% above budget and out with our 5% tolerance for this measure.
- Communications statistics show we are getting our messages out, but we have scaled back the promotion of reports and this is reflected in media mentions and social media figures. Nonetheless, downloads (262,497) are significantly up on last year.
- There were 101 media mentions of Audit Scotland and/or Accounts Commission.
- We continue to engage with the Scottish Parliament with seven parliamentary engagements and 20 mentions in the Scottish Parliament. We supported four meetings of the Accounts Commission.
- We continue to respond to correspondence and Freedom of Information (FOI) requests on time, with 31 correspondence cases and five FOIs and responded to four consultations.

Key actions

The key actions for this strategic objective are covered by the projects and workstreams in the Strategic Improvement Programme. This programme is currently being refocussed to prioritise improvements and projects which best respond to the current situation and support remote/ virtual working.














Key:

Red = Not progressing/significant additional management action required.

Amber = Progressing and management action planned.

Green = On target/no need for additional management action

2020/21: Q1 performance summary

 Being a world-class organisation	Measure in Q1	Previous quarter	Same quarter last year	Direction of travel in Q1 this year compared to Q1 last year
We manage our resources effectively				
Budget Variance (YTD)	+10.9%	+24.5%	-13.3%	
WTE establishment (YTD)	98.6%	99.8%	99.4%	
We maximise our efficiency				
Staff costs (YTD)	4,400k	16,684k	4,124k	
Agency/secondment costs (YTD)	78k	521k	20k	
Average cost per audit day (Q1)	429.8	441	441	
Proportion of audit time (Q1)	60%	68%	64.5%	
We empower and support our people to be engaged, highly skilled and perform well				
Absence (YTD)	1.63 days	4.97 days	1.6 days	
Staff turnover (YTD)	2.43%	6.32%	1.68%	
Exams pass rate (YTD)	78%	84%	75%	
Training events (YTD)	28	98	26	
Training attendees (YTD)	405	1057	257	
IT uptime	99.91%	99.36%	99.36%	

Key performance messages in Q1:

- The outturn on core funding was £202k (10.9%) above budget. There was no capital spend in Q1.
- The average number of colleagues employed in the quarter were 98.6% of the establishment which is slightly lower than the same quarter last year.
- Absence levels remain low and are consistent with previous years. We remain below the 2019 CIPD benchmark (5.9%).
- The proportion of audit time was 60%, which is down from 64.5% in the same quarter last year.
- There have been 28 training events and 405 attendees, which is up on the same quarter last year.

- IT up time remains consistently high considering all staff are working at home.

Key actions

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

Purpose

1. This report invites the Board to consider an update on the strategic improvement programme.

Background

2. The strategic improvement programme is a key enabler for achieving our vision of being a world class audit organisation. The programme includes a broad range of improvement work which supports the delivery of the two main organisational objectives: Delivering world class audit and Being a world class organisation.
3. The quarterly update reports provide updates on recent activity and the future plans in key areas of work. Management Team and the Board considered the Q4 update at their meetings on 17 May and 1 June 2020 respectively. This report considers the progress made in delivering the strategic improvement programme in 2020/21 and provides an update on the programme going forward in the context of the Covid-19 pandemic.

Strategic improvement planning 2020/21

4. On 16 March 2020 the Incident Management Team initiated the Business continuity Plan in response to the Covid-19 pandemic. On 19 March 2020, at the meeting of the Public Audit and Post Legislative Scrutiny Committee (PAPLS), the Auditor General noted that Scotland's public services are under exceptional pressure due to Covid-19 and advised that our approach to audit during these circumstances would be pragmatic, flexible and consistent. Our approach was further detailed in [Covid-19: impact on public audit in Scotland](#) in May and [Covid-19: how public audit in Scotland is responding](#) in June 2020.
5. Our response to the pandemic and maintaining business continuity has been the main priority for our improvement work in recent months. The first phase of our response focussed on the health, safety and wellbeing of colleagues and core business continuity. This included closing the offices, the adoption of non-contact audit work, regular multi-channel communications (internally and externally) and supporting remote working for auditors and support services.
6. We are now focussing on the medium and longer term, to develop a new operating model in an uncertain and changing environment. This will require the prioritisation of development work which supports new ways of working. This will result in a new streamlined strategic improvement programme. As the shape and focus of the new priorities and developments are confirmed the focus, format and content of these quarterly update reports will be adjusted accordingly.

Delivering world class audit

7. We developed a prioritisation framework to help ensure that the audit work meets statutory and regulatory requirements and is focused where it can add the most value. Our ability to do the audit work depends on the ability of the audited body/subject area to be audited and our own capacity to deliver that audit work.
8. Audit deadlines for financial audit work have been extended through a combination of legislation and guidance from the Scottish Government, by professional bodies and regulatory bodies. Audited bodies are taking different approaches, with some intending to stay with the original timescales and others working to the new deadlines. This situation is very fluid, and some bodies have changed their view on which approach to take.
9. The new five-year rolling work programme had been agreed by the Auditor General for Scotland and the Accounts Commission in March 2020. However, given the unprecedented changes created by Covid-19 pandemic a major review of the priorities and focus of the work programme has taken place and proposals are being considered by the Auditor General and the Accounts Commission during September and October 2020. The Accounts Commission agreed its short-term work programme at its meeting on

10 September 2020. The Auditor General for Scotland will engage with PAPLS on the programme in October/early November 2020 and the new long-term work programme will be finalised by March 2021.

10. We are also refocusing cluster activities to monitor the impact on and response from public bodies to Covid-19 to help inform our future work.
11. The new audit appointments Steering Group has proposed an extension of the current audit appointments. This will be considered by the Auditor General for Scotland and the Accounts Commission in September/October 2020. The project workstreams are being re-scheduled to provide for this. This rescheduling has a consequential impact on the timing of the development work for the new approach to best value auditing in councils and Integration Joint Boards (IJBs).
12. The development of a revised Audit Services audit methodology is currently on hold as resources are being deployed to support the delivery of the financial audit work.
13. The development of a new Digital Audit Strategy is progressing. The current situation reframes the context for this, with auditing digitally likely to be an increasing feature under the social distancing requirements. The strategy will be considered by the Management Team in November 2020.

Being a world class organisation

14. We continue to prioritise the health, safety and wellbeing of our colleagues and supporting effective working from home. We continue to issue regular and clear communications, support and guidance and have facilitated a broad range of engagement activity.
15. We have a working group under way developing the options and arrangements for Covid secure workplaces.
16. Financial systems and services have been sustained well, including payroll, payments, the comptroller function, accounting and budgeting. We are currently focussing on the budget management for 2020/21 and the medium-term financial plan, including the fees and funding model.
17. Digital systems and services have also been effective, and we continue to supply equipment and support to colleagues. Digital improvement projects are focussing on digital security and flexible working and the new Digital Services Strategy will be finalised in October/ November 2020.
18. The appendix provides more detailed information on key projects in the improvement programme.

Next steps

19. Key stages in the development of the new strategic improvement programme are:
 - 22 September 2020 – Management Team ‘People Summit’ – including representative from across business groups – this will inform the new strategic improvement programme
 - 6 October 2020 – Management Team – discussions on the new programme
 - ongoing review of improvement work to support new ways of working in the short, medium and longer term.

Recommendations

20. The Board is invited to note:
 - the progress made on the strategic work programme to date and
 - the ongoing review of improvement work to support new ways of working in the short, medium and longer term.

Appendix

22 September 2020



Project/ initiative/ workstream	Status update	Next steps
Audit Quality Framework	<p>The Audit Scotland Transparency report 2019 and the 2019/20 Quality of Public Audit in Scotland reports were published on 12 June 2020.</p> <p>There are ongoing refinements to parts of the AQF including; KPIs, stakeholder surveys and the revised audit quality complaints procedure.</p>	<ul style="list-style-type: none"> Interim audit quality report to Management Team 29 September 2020
New Code of Audit Practice and procurement strategy for the next round of audit appointments	<p>In September/ October the Auditor General and the Accounts Commission for Scotland will consider proposals that the current audit appointments should be extended as permitted in the contracts.</p> <p>The Steering Group meets on 23 September and will consider an interim project review, the project risk register, updated project timelines and plans for further engagement on the draft Code of Audit Practice.</p>	<ul style="list-style-type: none"> The Steering Group meets on 23 September 2020 and will consider an interim project review, the project risk register, updated project timelines and plans for further engagement on the draft Code of Audit Practice.
ASG Audit approach	<p>Refresh of ASG financial audit approach based on audit quality findings and developments in the auditing profession, including; audit planning and risk assessment, controls auditing and audit sampling. The Audit Quality Committee considered the improvement plan update report at its meeting on 22 July 2020.</p> <p>The project has been on hold as resources are being deployed to support the delivery of the financial audit work.</p>	<ul style="list-style-type: none"> This is a priority for discussion at the Audit Services Group Management Team away day October 2020.
Auditing Best Value	<p>The revised Accounts Commission's BV Working Group (BVWG) agreed its terms of reference and initial priorities in August 2020.</p>	<ul style="list-style-type: none"> BVWG will consider an update on the development of BV in IJBs – October/November 2020.

Project/ initiative/ workflow	Status update	Next steps
Digital auditing	<ul style="list-style-type: none"> The Digital audit team are working on ensuring the underlying infrastructure is sustainable and fit for growth and the team is working with new software to test and showcase possible outputs. GovTech – we are working with the NAO and AW on bid assessments, with assessments in September for a prototype in March 2021. 	<ul style="list-style-type: none"> Draft Digital audit strategy to be considered by the Management Team in November 2020.
Electronic working papers (EWP)	<ul style="list-style-type: none"> This project is currently on hold as a result of the Covid-19 pandemic and resources being deployed on other priorities. Updating to the new release of the existing software being considered in the short term. 	<ul style="list-style-type: none"> This is a priority for discussion at the Audit Services Group Management Team away day October 2020.
Communications and engagement	<ul style="list-style-type: none"> The Board agreed the new Communications and Engagement Strategy at its meeting in January 2020. A broad range of alternative outputs are being developed including report summaries, briefings, updates, round table discussions to provide more timely and flexible channels for audit messages. 	<ul style="list-style-type: none"> Implementation of the strategy activation plan (six strands of implementation: planning and scoping; engagement; outputs and products; dissemination; measuring effectiveness; and learning and development).
Diversity and equality	<ul style="list-style-type: none"> Gender pay gap report – published August 2020 Equality Impact Assessment: Covid-19 working at home published August 2020 Equal Pay Review 2020 – published September 2020 	<ul style="list-style-type: none"> Implementation of actions in report including developments to audit approach, organisational arrangements and approach to human rights and socio-economic equality.



Being a world-class organisation



Wellbeing



Resourcing



Learning and development



Harnessing digital technology



Leadership and managerial development



Sustainability

Project/ initiative/ workflow	Status update	Next steps
Wellbeing	<ul style="list-style-type: none"> We participated in Mental Health Awareness Week (18-24 May), with activities for staff including online sessions on topics such as mental wellbeing and mindfulness. The Annual HSW Report was shared with colleagues on 25 June. Major focus on wellbeing in the context of Covid-19 and remote working. In addition to issuing IT equipment and workstation equipment we developed a dedicated SharePoint page on maintaining a positive mental health, a Wellbeing Infographic and a 	<ul style="list-style-type: none"> Our approach to wellness will be embedded in the integrated People Strategy and Workforce Plan – Management Team October 2020.

Project/ initiative/ workflow	Status update	Next steps
	video update on Yammer about wellbeing, carers and learning and development and we have run several pulse surveys.	
Learning and development	<ul style="list-style-type: none"> Promotion of L&D opportunities through regular newsletters Delivered on-line/ video-based training sessions 28 training events with 405 attendees delivered virtually 	<ul style="list-style-type: none"> L&D strategy and strategy – September 2020.
Covid secure workspaces	<ul style="list-style-type: none"> Working group established and detailed options appraisal, risk analysis and planning under-way 	<ul style="list-style-type: none"> Options to Management Team on 6 October 2020.
Resourcing and finance	<ul style="list-style-type: none"> Flexible deployment of colleagues to support priority audit work Ongoing focussed 2020/21 budget management including development of budget revision for the SCPA Ongoing development of the medium-term financial strategy and fees and funding model 	<ul style="list-style-type: none"> Board meeting 30 September 2020. SCPA business planning day.
Harnessing digital technology - Digitally enabled projects	<ul style="list-style-type: none"> Ongoing support for remote working inc. MS Teams, DocuSign and roll out of other O365 etc productivity tools. PMF project – performance dashboards for PABV rolled out in August Security enhancements and replacement lap top roll out ongoing 	<ul style="list-style-type: none"> Digital Services Strategy – Management Team October/November 2020. New TR system - ASG users rescheduled to go live April 2021.
Sustainability	Management Team considered the draft Environmental, Sustainability and Biodiversity annual report (2019/20) at its meeting on 15 September 2020.	The report will be considered by the Board at its meeting on 25 November 2020 and is scheduled for publication by 30 November 2020.

Review of Remco Performance and Identification of Future Priority Areas

Chair of the Human Resources and Remuneration Committee

Item 13

30 September 2020

Purpose

1. This paper informs the Audit Scotland Board that the Remuneration and Human Resources Committee (Remco) has completed the review of the past twelve months performance of Remco and identified the future priority areas for 2019/20.
2. The report is provided to the Board for approval.

Background

3. The Remco Terms of Reference state that a review of Remco past performance and the identification of future priorities is an annual item of business scheduled to occur at the Remuneration and Human Resources Committee (Remco) meeting in May each year. It was delayed this year to the meeting of Remco on 2 September 2020 due to the impact of Covid-19 suppression measures.

Progress update

4. The Remco Terms of Reference contain the core schedule of activities and states that the Committee should meet three times each year. During 2019/20, Audit Scotland's Remco met on two occasions, the third meeting for March 2020 being delayed through to May 2020. This was due to the impact of Covid-19. Key items of business considered by Remco are shown below:
 - talent management and succession planning
 - consideration of Audit Scotland's gender pay gap report and annual diversity reporting
 - consideration and approval of the parameters relating to the 2020 pay award and negotiations with the Public and Commercial Services (PCS), including the latest public sector pay policy in Scotland and the implications of this upon our own pay settlement and budget
 - progress updates from the Chair of the Accounts Commission for Scotland in relation to the support arrangements for the Commission
 - review of employment policies
 - approval of Audit Scotland's proposal to introduce a salary sacrifice, additional voluntary contribution retirement plan as permitted by the Local Government Pension Scheme in Scotland (LGSPS), and
 - review of the operation, impact and savings achieved from earlier years' Voluntary Early Release Arrangement (VERA) and redundancy schemes.
5. All this work has been achieved in accordance with good employment practice and is consistent with public sector policy guidance affecting organisations such as Audit Scotland.

Future priority areas

6. Remco has proposed that the following list of potential items will be considered as priority items for future discussion:
 - diversity, equality and inclusion, building upon the forward plan contained in the HR&OD Manager's report to Remco on 2 September 2020;

- Audit Scotland's future pay and reward strategy, and
- future ways of working, including the mental, emotional health, wellbeing and resourcing arrangements across Audit Scotland's workforce in light of Covid-19 and its impact upon ways of working and productivity.

Conclusion

7. The operation of the Remco during 2019/20 has been effective and in accordance with the terms of reference. Good governance exists and the Committee has continued to challenge and support the effective and efficient operation of Audit Scotland.

Recommendation

8. Board members are invited to:
 - take note and comment upon the work of the Committee during 2019/20, and
 - approve the areas which Remco is planning to take forward as priority areas for 2020/21.

Next steps

9. The Chair of the Human Resources and Remuneration Committee will facilitate the next review of Remco performance at the meeting scheduled in May 2021. A report will then be submitted to the Audit Scotland Board and Accountable Officer in June 2021.



OFFICIAL REPORT
AITHISG OIFIGEIL

Scottish Commission for Public Audit

Monday 22 June 2020

Session 5

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Monday 22 June 2020

CONTENTS

	Col.
INTERESTS.....	1
DECISION ON TAKING BUSINESS IN PRIVATE	1
AUDIT SCOTLAND ANNUAL REPORT AND ACCOUNTS FOR THE YEAR TO 31 MARCH 2020	2

SCOTTISH COMMISSION FOR PUBLIC AUDIT
2nd Meeting 2020, Session 5

COMMISSION MEMBERS

*Colin Beattie (Midlothian North and Musselburgh) (SNP) (Chair)
*Bill Bowman (North East Scotland) (Con) (Deputy Chair)
Alison Johnstone (Lothian) (Green)
*Rona Mackay (Strathkelvin and Bearsden) (SNP)
*Anas Sarwar (Glasgow) (Lab)

*attended

THE FOLLOWING ALSO PARTICIPATED:

Alan Alexander (Audit Scotland)
Steven Cunningham (Alexander Sloan)
Stuart Dennis (Audit Scotland)
Caroline Gardner (Auditor General for Scotland)
Diane McGiffen (Audit Scotland)

LOCATION

Virtual Meeting

Scottish Commission for Public Audit

Meeting of the Commission

Monday 22 June 2020

[The Chair opened the meeting at 13:30]

Interests

The Chair (Colin Beattie): Good afternoon, and welcome to the second meeting in 2020 of the Scottish Commission for Public Audit. I ask members and witnesses to be concise and to the point.

We have received apologies from Alison Johnstone MSP.

Agenda item 1 is a declaration of interests. I welcome Anas Sarwar, who joins us in his capacity as acting convener of the Public Audit and Post-legislative Scrutiny Committee. Anas, do you have any interests relevant to the remit of the commission to declare?

Anas Sarwar (Glasgow) (Lab): Good afternoon, chair. It is good to be part of the commission. I have no interests to declare.

The Chair: Thank you.

Decision on Taking Business in Private

13:31

The Chair: Agenda item 2 is a decision on taking business in private. The commission is invited to take in private item 4, which is consideration of evidence heard. Is the commission agreed?

I will take silence as agreement, so that is agreed.

Audit Scotland Annual Report and Accounts for the Year to 31 March 2020

13:31

The Chair: Agenda item 3 is Audit Scotland's annual report and accounts for 2019-20. Members have copies of those, as well as a management letter from Alexander Sloan, in their meeting papers. I welcome to the meeting Alan Alexander, chair of the board of Audit Scotland. I think that this is his first meeting of the SCPA as chair of the board. Alan is accompanied by Caroline Gardner, Auditor General for Scotland; Diane McGiffen, chief operating officer, Audit Scotland; and Stuart Dennis, corporate finance manager, Audit Scotland.

Today is Caroline Gardner's last appearance in front of the commission before she demits office. I put on record the commission's thanks to you, Caroline, and our appreciation for your work as Auditor General over the past eight years, for which period I have been in the chair and dealing with you. Thank you for your excellent participation and engagement with the SCPA, which is greatly appreciated. Thank you for your engagement with the Parliament in general, with the Public Audit and Post-legislative Scrutiny Committee and, more widely, your involvement in the work of the Scottish Parliament's budget review group.

Before we move to questions, I remind everyone that, because of the challenges of managing a virtual meeting, we will take questions in a prearranged order. If any member has a supplementary question, please type an R in the chat box, and I will bring you in as soon as I can. As always, I will be grateful for succinct questions and answers. Please give broadcasting staff a few seconds to operate your microphones before beginning to speak.

I ask Alan Alexander and the Auditor General to make some short introductory remarks.

Alan Alexander (Audit Scotland): Thank you, chair. As we are acutely aware, in the past few months of 2020, the world has changed profoundly. Due to the Covid-19 pandemic, public bodies and public services have been operating, and continue to operate, under tremendous pressure. Like others, I am immensely grateful for the work across the public sector to help us through the crisis.

For Audit Scotland, Covid-19 and the measures taken to contain it have meant rapid and massive changes to the way that we work and the way that our colleagues live. In the course of 24 hours in mid-March, we changed from an office-based

operation to a virtual one. I place on record my thanks to and respect for the staff of Audit Scotland for their agility, professionalism, dedication and good humour during the most significant upheaval that we have seen in our lifetimes. Our priority has been the safety and wellbeing of our colleagues. The board has focused on ensuring good governance and oversight in those new ways of working, and that will continue to evolve.

As a board, our role is to oversee the exercise of all functions of Audit Scotland. Audit Scotland supports the Accounts Commission and the Auditor General. We provide independent assurance to the people of Scotland that public money is spent properly and provides value for money. To do that, we must do three things: safeguard our independence; uphold the quality of the audit; and ensure that we focus on the issues that really matter and which will improve the services that people across Scotland use and rely upon daily.

In a moment, I will hand over to the Auditor General, who is, as you know, also Audit Scotland's accountable officer, to make her opening remarks. Before that, it is important to highlight that this is a time of transition for Audit Scotland's board and the organisation. As you mentioned at the beginning, chair, this is my first meeting with the commission since coming into post as chair of the board of Audit Scotland in April. I would like to thank my predecessor, Iain Leitch, for his stewardship over the past five years.

Two other board members will finish their terms in the coming months. Graham Sharp is stepping down as chair of the Accounts Commission, with Elma Murray coming on to the board as the interim Accounts Commission chair. Non-executive member Heather Logan, who is chair of the Audit Scotland audit committee, will end her term in September. I thank Graham and Heather for their contributions and wish them the best for the future. I should also say that we look forward to welcoming the two new independent board members as soon as their names can be given to us.

Turning briefly to Audit Scotland and the Auditor General, Caroline Gardner's eight-year term comes to an end this month. Caroline has been an exceptional Auditor General. Anyone who has worked with her or encountered her can attest to her professionalism, expertise and insight, as well as to the fact that she has that crucial quality of empathy. As accountable officer for Audit Scotland, she has been a superb and well-respected leader. Caroline, thank you for all that you have done. I am sure that we will continue to see you make a significant contribution to

Scotland and its public life in years to come, whatever you decide to do next.

With that, I hand over to Caroline to make her opening statement.

Caroline Gardner (Auditor General for Scotland): Thank you, Alan, and to the chair, for your kind words, which are much appreciated.

I would normally use this opportunity to look back at the performance and achievements of the past 12 months. Instead, I start by paying tribute to Scotland's public services and all the people working to save lives, support communities and protect jobs. Covid-19 has put our society under tremendous strain, and it will be some time before we understand the full impact.

In those circumstances, good governance and financial management are more important than ever, and we are acutely aware of the pressures and limitations under which public bodies are working. Our response is and will be to ensure that audit is flexible, pragmatic and consistent. We are working through our priorities and our work programme to ensure that we can deliver a strong audit service to the Parliament and focus on the issues that matter.

However, it is important to remember that the pandemic comes when public services are already facing a good deal of pressure and uncertainty. Demands and expectations continue to rise, alongside static or reducing budgets, and the public sector has had to prepare for the prospect of the United Kingdom's withdrawal from the European Union and the associated uncertainty. At Audit Scotland, we have sought to ensure that we have the capacity to meet our growing responsibilities and to continue to deliver high-quality audit work. Covid-19 means that we have also had to change how we operate, and that will continue to evolve.

Finally, as I end my term as Auditor General, I would like to say thank you to my Audit Scotland colleagues. Over the past eight years, I have been proud every day of their professionalism, their commitment to improving public services and their resilience, and never more so than in recent months. I thank them all for their support and friendship. I also thank the Scottish Commission for Public Audit for the important role that it plays in supporting a public audit regime in Scotland of which we can all be proud.

As always, chair, we are happy to answer your questions.

The Chair: Thank you. On page 9 of the annual report, Audit Scotland states that it has started to implement its digital audit strategy, including introducing data analytics and employing the first dedicated digital auditor. How will data analytics

enhance audit techniques, and will that result in a more efficient and cost-effective audit process?

Caroline Gardner: I will start, before I hand over to Diane McGiffen. As the commission knows, we have been investing in our digital capability for a number of years, with your support. That investment has been critical in enabling us to pivot to remote and virtual working, as of mid-March this year. The data analytics strategy predates the pandemic, and aims to look at what we audit—the investment that is being made in digital technology by the public bodies that we audit—and how we do it, to ensure that we can use digital technology to look in a more wide-ranging and less sample-focused way at the records and approaches that are taken by audited bodies. Diane—could you amplify that for the commission, please?

Diane McGiffen (Audit Scotland): Thank you, and good afternoon, members.

As the Auditor General said, we have been investing in digital technology for some time, with a twin-track approach. Our digital capacity—our infrastructure—has enabled us to move overnight, as the chair of the board said, to work entirely virtually. Our digital auditing strategy has been developed and progressed through our performance audit work programme, the outputs of which the Public Audit and Post-legislative Scrutiny Committee has considered several times, and through our audit methodologies.

We are now taking stock of a range of improvement projects, given the disruption that Covid has brought to all our work. We intend to bring even more closely together our digital services capacity and our digital auditing capacity, so that our auditors can work online first if they need to, and so that we can advance some of the audit methodology and audit technology projects that we had started, whose delivery has perhaps become more urgent.

We have strengthened our staffing, and we have employed a key specialist. We have enhanced our data analytics training for all colleagues, which was a feature of our learning and development programme last year. Within the organisation, we have also been building our networks of digital interest and expertise, led by some other teams that are skilled in the area. We have also developed an extensive programme of speaking to public bodies about our work. We are well connected in the digital arena, and we see it as an area of work that we will continue to grow. I hope that that is helpful. I am happy to answer any questions.

The Chair: Thank you. You say that you have your first dedicated digital auditor. What other dedicated staff do you have on the digital side? As

you said, you have been investing in this area over the years, quite rightly. In previous years, you assured us that your ability to audit information technology and digital services was being enhanced year on year and was at a reasonable level. What is Audit Scotland's overall capability? How many dedicated staff do you have?

13:45

Caroline Gardner: We have a team of computer auditors, who have worked in a traditional way, auditing the IT systems and the risks that are associated with those in all the bodies that we audit.

However, as Diane said, over the past couple of years, our digital strategy has been focused on ensuring that all our audit staff have greater digital awareness and skills, because so many of the public services that we audit now rely on digital technology. We are following closely developments in use of data analytics to carry out audit work, and we are building up our capacity and skills in that area. As the annual report says, our digital audit team is moving to being much more focused on how public services are provided through digital platforms rather than on IT systems, in the way that they would have been provided in the past.

We are building the data analytics capacity to ensure that staff who already have an interest and skills in that area have a professional grouping and a professional home within the organisation. We are trying to ensure that we can resource our work in flexible ways in order to make best use of those skills to reflect the particular circumstances and risks that we see in each of the audited bodies.

The number of staff involved as specialists is relatively small—there are fewer than 10. However, we are looking to get the most leverage from those staff to ensure that they are working directly on the audits with the most significant risks and opportunities, and that their skills are available to all our staff who are involved in audit work, because we now deal with few things that do not have a digital dimension at least, even if they are not fully digital. That has ramped up significantly over the past three months.

The Chair: Thank you. As Rona Mackay will have to leave the meeting early for parliamentary business, I invite her to ask her questions now.

Rona Mackay (Strathkelvin and Bearsden) (SNP): Thank you, chair. Good afternoon, panel. Professor Alexander, you said in your opening statement that one of the key responsibilities of Audit Scotland is to uphold the quality of audits. According to the paper, "Quality of public audit in Scotland: Annual report 2019/20", which was

published earlier this month, only 25 per cent of Audit Scotland staff feel that they have had the time and resources that are required to deliver a high-quality audit. That is a significant decline, from over 60 per cent in 2016-17, when the information was first recorded and reported. What measures is Audit Scotland taking to address the concerns of the majority of the staff of its in-house teams?

Alan Alexander: Thank you for the question. Let me answer it from the point of view of the board's oversight, and I will then hand over to Diane McGiffen to provide you with the detail that you have asked for. The board monitors such issues closely, as does the remuneration committee, which I chaired until recently, and the Audit Scotland audit committee. When there has been an apparent drop of that sort, we assure ourselves that management action is being taken in a targeted and effective way to ensure that we deal with any problems that that produces for the audit. I hope that it is acceptable for me to hand over to Diane to provide the commission with some detail.

Diane McGiffen: Thank you for the question. Please be assured that we considered the results carefully, and that we take them seriously.

It was disappointing, but sadly not unexpected, that people felt under pressure last year to deliver audit work. We knew that there was pressure in the system, and we had taken action to resolve that. What the survey shows is that the action did not have an impact in time for the peak in audits, for which we are very sorry. However, we are also very grateful to our colleagues for their work under difficult circumstances.

I will give you a flavour of those actions. We have been working to keep establishment levels high and to fill vacancies quickly. One of the pressures last year was driven by our expansion. On the positive side for colleagues, many opportunities arose because of the new financial powers work, and many colleagues were promoted and took up new roles. That left some vacancies and gaps. We filled those, but that took us longer than expected. However, we have increased recruitment to maintain establishment at a high level.

Peak auditing times represent a particular pressure for colleagues. We have taken into account all the factors that cause pressures, including through consideration of the timing of recruitment and appointment to professional trainee schemes; engagement of student placements; on-going work on creating a pool of colleagues who can work with us on a seasonal basis, rather than our using agency staff; and consideration of opportunities for former colleagues to work with us on a restricted basis.

However, those measures, which we have been working on diligently for this summer's peak, might not be the measures that will help us through the peaks of work that might result from the disruption to our work planning that is caused by Covid. We are keeping that under review.

We recognise that we need more agile movement between teams. An issue last year was that some small teams were hit by difficult sets of circumstances, and we were unable to find adequate resourcing solutions quickly. We are now geared up to move more quickly on that.

We have been working closely with our health and safety committee and with the Public and Commercial Services Union to address resourcing issues throughout the year. We had a small team that led a project to examine all the possible options to improve resourcing this year, and many good actions came out of that. However, as I said, because of the disruption that has been caused by Covid, we are not sure that we will take all of those actions over the expected peaks of work this year.

Rona Mackay: Thank you. When you refer to "resourcing issues", are you talking about staffing issues? Are you satisfied that those issues have been resolved, to an extent? I hear you say that things might not be ready for this summer, but can you clarify exactly what you mean by "resourcing issues"?

Diane McGiffen: Thank you. We are talking about the people we have and the demands upon us—the two parts of the equation. We have looked at both parts and tried to eliminate or pause work that is not currently necessary. We are going through a huge reprioritisation process anyway to enable us to deliver accounts for the year, but we had already started to look quite critically at the demands on us and how we could better meet those or pause some of them, and we had also started to consider all the resourcing and people we have, what they are doing and how we are phasing and managing all that.

The Chair: Bill Bowman has a quick supplementary question.

Bill Bowman (North East Scotland) (Con): In a similar vein, Audit Scotland has recorded an underspend of £24,000 against its training budget this year, and the actual figure reduced marginally on the previous year. The previously mentioned report, "Quality of public audit in Scotland", stated that 60 per cent of the staff of Audit Scotland's in-house teams felt that they had enough training and development to enable them to deliver a high-quality audit. Apparently, that is the lowest rate of all public audit providers included in the survey. Therefore, does the 2019-20 underspend on training contribute to the responses of staff, in respect of their personal and professional training

and development? What measures are in place or being planned to address the feedback from your in-house teams?

Caroline Gardner: I ask Diane McGiffen to answer that question.

Diane McGiffen: One factor that reduced the number of training days last year was that we moved our all-staff conference to this financial year. That represents one day of training for every member of staff, because it covers technical and other matters. Last year, because of the resource pressures that we were experiencing in some areas, which I referred to in my earlier answer, we also rescheduled some training and paused some training so that people were not having to choose between making their audit contribution and delivering training courses. We are catching up with all that. We moved several training events online at the end of last year. There are some differences in how we and all the firms record training, but we take the trend very seriously and we are looking at that.

We have a strong programme of professional development and support. This week, the Institute of Chartered Accountants of Scotland delivered an online training session for all staff on the basis of the reviews that it has done of audits. That is under review. We are keen to explore the opportunities that operating virtually can give us to enhance training, but we are confident that we are meeting most of the training needs that have been identified through our performance development programme and 3D conversations. We are trying to balance that with resource demands.

Bill Bowman: Page 42 of your report states:

“Over the year, staff received an average of 7.7 days formal learning and development per person.”

If you take a five-day week, I suppose that that represents 1.5 weeks. Does that include all your students? They would seem to get more training.

Diane McGiffen: I do not think that that includes the students. I think that that is calculated separately, but I can come back to you with details of that.

Bill Bowman: The report does not make that clear, and it does not give any comparisons. If that is an average, the worry is that some people get more training than that and some people get very little training. Is that the case?

Diane McGiffen: There will be variance, as you would expect, but we have a comprehensive training programme covering professional development, career development and other items. We delivered a lot of learning and development last year. There have been a lot of changes in the professional requirements, and we have been following that up. We consider the

training needs of teams, and we have been having discussions with teams about their views on training and so on. Therefore, we are engaging strongly with the issue and looking to offer a comprehensive mix of training for colleagues, balancing that with the pressures.

Bill Bowman: More information on the figure of 7.7 days would be helpful. I have delivered training in the past, and it is not just about delivering training; it is about the feedback you get, how well it is taken on and the uptake by trainees.

Moving on to a couple of other issues, on page 2, under the heading “About us”, you say:

“Our vision is to be a world-class audit organisation that improves the use of public money.”

You use the term “world-class” quite often in the report. What is a world-class audit organisation, and are you one?

14:00

Caroline Gardner: I will start on that question. That has been our vision as an organisation for, I think, at least five years now. It has two dimensions, which we monitor carefully. The first is ensuring that our audit quality framework is absolutely compliant with international standards on auditing and with the International Organization of Supreme Audit Institutions’ standards of supreme audit institutions for performance audit work. We are unique among the UK public audit agencies in having a comprehensive audit quality framework that covers all our audit work—financial, performance and best-value audit work—whether that is carried out by Audit Scotland teams or by firms that the Accounts Commission and I appoint to carry out audit work. We report the results of that annually. You will see from our annual report that our results are good and improving. We have a solid assurance that we are meeting those standards and learning from the feedback from the independent reviews that are carried out by ICAS each year.

The second dimension of our vision is our international strategy, where we are looking to learn from—and share our own—good practice and expertise with other public audit agencies around the world. You will see from our international report that we have a good deal of interest from overseas audit agencies in what we do and the ways that we work, and we greatly value our global networks that allow us to learn from others and to compare our performance but also to share our good practice. Those are the two primary indicators of our being a world-class audit organisation.

We then report our impact in a number of ways, through our annual report and accounts and also through impact reports on pieces of audit work,

which are in the public domain once they are published.

Bill Bowman: I know that this has been discussed for some time, but, after five years, are you now a world-class organisation?

Caroline Gardner: It is probably not a thing that you ever achieve. We continue to improve, and standards around the world continue to improve. We all know the challenge that the audit profession in general has faced over the past couple of years. The important thing is our commitment to continue to achieve and exceed those international auditing standards—the ISA and the INTOSAI standards—and to keep learning from our peers globally. I am not sure that we will ever be in a position where we can tick the box and say, “That’s done”, but we are confident that our performance is up there in a world-class context and that we continue to improve year on year.

Bill Bowman: If you have a vision, it might be useful to show some progress or achievement against that, rather than just stating it as a vision.

Caroline Gardner: Clearly, this is the overall annual report and accounts. Our corporate plan and our corporate performance reporting, which go to the board quarterly, set out a range of performance measures, our progress against them and our next steps. Again, all of that is in the public domain from the board papers, which we publish on our website each time. I am very happy to talk you through that, if that would be useful, but we summarise our performance in the annual report and accounts.

Bill Bowman: It is just that that is mentioned on page 2 and seemed to be important.

The question that I was going to ask is a simpler one. Page 66 sets out the value of your intangible assets. We were talking about a digital auditor, which I thought might be some sort of robot with artificial intelligence, but perhaps not. You have retired or disposed of £344,000-worth of intangible assets and added in £51,000-worth of intangible assets. How does that tie in with what we were speaking about in terms of spending more time on digital work?

Caroline Gardner: The intangible assets are software licenses, which we need for our work. I will ask Stuart Dennis to talk you through the detail, but, broadly, we are spending more on software and less on hardware to support our digital working, in line with the general move to operating through cloud computing rather than through software that is held and operated on our servers. Stuart, can you talk Mr Bowman through the—

Bill Bowman: I was just going to say that it seemed that you had taken out a big number and not added very much in.

Caroline Gardner: Stuart can talk you through the detail.

Stuart Dennis (Audit Scotland): On the disposals for the year, we moved on to a new fixed asset system. We had a tidying-up exercise, in which we wrote off old licences that, in most cases, had fully depreciated. The main addition for the year was an upgrade to the human resources system. It was really a tidying-up exercise of the gross book values and the depreciation that had been accumulated.

Bill Bowman: You were tidying up old stuff that had depreciated and added an HR system. Where are the costs for the digital auditor and the additional time spent on digital working?

Stuart Dennis: The digital auditor is an individual post. It is not a system, as things stand. We are developing our own system in-house, so that would not be an additional increase in intangible assets.

Bill Bowman: It is something that you are developing yourselves. Is that correct?

Stuart Dennis: Yes, that is correct.

Anas Sarwar: The report shows a gender pay gap in that, on average, male staff earn 12.79 per cent more than female staff, even though three quarters of the senior management team are women and more than half of the organisation-wide leadership group are women. Given that women hold the majority of senior positions across Audit Scotland, what are the explanations for the reported gender pay gap?

Caroline Gardner: Mr Sarwar, that figure demonstrates the limitations of any single metric that aims to capture something complex, such as gender equality and gender discrimination. We pay serious attention to this, as do our board and our remuneration committee. Over the past couple of years, our efforts to ensure that the key group of staff that we recruit as professional trainees is as balanced and diverse as possible have really made the difference. We have seen an increase in the proportion of our trainees who are female. They are people who will progress through the organisation, as they qualify and move into more senior roles. However, as they come in on our training grade, they have the effect of bringing that pay ratio down rather than up.

As you say, on representation and pay equality, our performance is good for the management team and the leadership group. However, the overall metric is affected by our success in bringing in female trainees, who will progress through the organisation in the years ahead, but

who, now, are bringing the gender pay gap ratio below where we would like it to be.

Anas Sarwar: That is good to hear. What about the equality gap more generally? Is there any analysis of ethnicity, race or any other protected characteristics? There is a lot of information on gender, but nothing on anything else.

Caroline Gardner: The gender pay gap is what we are required to report. As you will know, we take diversity in all its facets very seriously, and we have an equality and diversity working group in the organisation, which looks at our performance both as an employer and in our audit work and how we take that forward. I will ask Diane McGiffen to give you a bit more information about how we monitor our performance as an employer, but one of the challenges is that our monitoring relies on people declaring their ethnicity, some other protected characteristics and whether they consider themselves to have a disability, and we do not have 100 per cent reporting on that. Diane, could you give Mr Sarwar a bit more information about the way that we monitor and manage those important aspects of our performance as an employer?

Diane McGiffen: Thank you. We monitor all recruitment activity, and we monitor and report on the progress of recruitment, selection, appointment, training and progression for all protected characteristics in our diversity monitoring reports. We are required to publish that data every two years, but we produce it every year, and the board and the management team will shortly be considering that. I will amplify the Auditor General's earlier points on the gender pay gap to give you an example: as at 31 March 2019, 73 per cent of our lower quartile employees, which is where our graduate entrants come in, were women, and that has reduced the median rate of pay. We are shortly to publish our figures for 2020, and those will show a reduction in the pay gap as people have progressed through the scheme, and we will send you a copy of that report when it is available.

Almost 7 per cent of Audit Scotland's workforce is from black, Asian or minority ethnic groups. Among trainee auditors, that is about 13.5 per cent. Last year, about 13.8 per cent of applicants for all our roles were from black, Asian or minority ethnic communities, which was down slightly from 14.5 per cent the previous year. However, 8.1 per cent of our appointments were to black, Asian or minority ethnic colleagues, which was up from only 3.3 per cent the year before. Our graduate training scheme is the key entry route to the organisation. We have stressed that many times for you. It is essential for us to keep recruiting, training and providing a good experience for our trainees, most

of whom we want to keep in Audit Scotland and in the public sector, where we can.

We currently have 43 trainees, and we work hard to reach out to recruit graduates. We hold open evenings, we attend many recruitment fairs, and we also reach out to schools and other organisations to encourage people to think of auditing as a career, if that is not an obvious route for them. We have four school leavers in the ICAS training scheme, which is going well for us, and we also have two modern apprentices. We monitor all our HR performances and statistics and report on them, and we work hard to live up to our aspiration to be a great and diverse employer.

Anas Sarwar: That is excellent. I appreciate everything in that answer, and I would expect nothing less from Audit Scotland than for it to be an exemplar for organisations across Scotland.

I have a follow-up question. When you evaluate all the organisations that you audit each year, you consider gender disparity. Why do we not look at race disparity as well, as a practice?

Caroline Gardner: I am not sure that that is a question for us, Mr Sarwar, as opposed to Government. As part of the best-value duty that is placed on councils, they are required to live up to and demonstrate diversity and equality. Therefore, the auditors are required to look at the way in which each council is doing that, make a judgment on how effective it is and share good practice for others to learn from. It is not something that we have done direct work on in the central Government and health parts of our responsibilities, because of the differences in the Government's regimes. However, in the annual reports and accounts, we ensure that all public bodies are reporting the information that they are required to and that that information is checked back with the underlying systems to ensure that it can be relied upon, that it is robust and fair. Therefore, we do some work there, but one of the continuing conversations we have through our equality and human rights advisory group and with the Equality and Human Rights Commission is about how we can ensure that our respective responsibilities and roles complement each other rather than adding burdens that do not lead to real change but that provide an extra overhead for the bodies concerned. I am sure that that is a conversation that we would be happy to continue with you as the work evolves in the months ahead.

Anas Sarwar: Thank you. Would you need Government permission to do a race disparity audit across Scotland's public sector?

Caroline Gardner: We would not need permission, but, as always, there is a question of where we are making best use of the resources available to us through the Scottish Commission

for Public Audit and through the audit fees that we charge and how we ensure that our work complements rather than overlaps the work of other organisations, such as the EHRC in Scotland and the statutory responsibilities that bodies have. That is not to rule such work out, but it has never felt like the area where we could add most value. However, it is a continuing conversation, and you are quite right to highlight it.

Anas Sarwar: I look forward to having that conversation with you, Auditor General, and with your successor in due course.

On complaints, according to the report, four complaints were recorded over the year, but only two were investigated, and those were not upheld. Can you clarify why only two of the four complaints were investigated?

14:15

Caroline Gardner: Yes. I suspect that Diane McGiffen may want to add to this. One complaint was assessed as being outside our complaints handling procedure, and the complainant was redirected to the Scottish Public Services Ombudsman as the appropriate person. After additional correspondence with us, we were able to provide some more information, but the complaint was outside our procedure. One complaint is on-going at this stage, and we cannot give more information than that. The other two complaints were not upheld, but, in one case, we found that we could have communicated in a more timely manner. We aim to learn from complaints in each case.

Anas Sarwar: For clarification, of the four complaints, one was outwith your scope and was referred, one is being investigated but is not concluded, and two were investigated and concluded.

Caroline Gardner: That is right.

Anas Sarwar: Thank you. I hand back to the chair.

The Chair: There are several budget lines on page 63, but the one that stands out is expenditure on communications—telephone and postage. You exceeded that budget by 66 per cent. It is not a huge sum in itself, but, for something that is as limited as telephone and postage, that seems to be a high percentage. What are the reasons for that, and is it an on-going situation?

Caroline Gardner: I will ask Stuart Dennis to give you more detail, but, looking at the budget lines, you will see that there was a significant reduction from £82,000 in 2019 to £63,000 in 2020. Stuart, please could you answer the chair's question about the spend against budget in 2020?

Stuart Dennis: Yes. As the Auditor General said, the figure has come down from last year. The main reason for that is our mobile telephone contract. The old one was concluded in August last year, and we negotiated a new one for a much better cost. Therefore, there was still an overspend last year, but that should flatten out this year and we should be on budget.

The Chair: So that is a bit of a blip.

Last year, you did a record number of section 22 and section 102 reports. Does the increasing requirement to produce those reports, which, presumably, are somewhat more complex and require more digging than your normal reports, represent significant additional work for the auditors? How are you managing the pressures that might arise from that?

Caroline Gardner: You are right to highlight them, chair. Section 22 reports are the vehicle that I have, as Auditor General, to draw to the attention of Parliament and the Public Audit and Post-legislative Scrutiny Committee issues that have arisen from the audit of individual bodies. Section 102 reports are the equivalent in local government, where the controller of audit reports to the Accounts Commission. By their nature, those reports are significant and generally about things that have gone wrong in a public body. However, occasionally, they will be an update on a matter of significant public interest, such as the section 102 report on Glasgow City Council's settlement of its equal pay claims. They require significant additional time and expertise from auditors to conclude.

The increasing number—it went up in 2018-19 as well as in 2019-20—reflects the pressures on audited bodies, which I referred to in my opening statement. We keep a small budget available for exactly that type of work, which we can use to pay firms or to make additional resources available to the in-house teams to do the necessary work and to support me in presenting a section 22 report to the Public Audit and Post-legislative Scrutiny Committee. However, where the volume of work exceeds the amount for which we have budgeted, we have to accommodate it by flexing the programme overall—by delaying some pieces of work or reducing them in scope. Therefore, those reports are a significant part of our work, which we must actively manage year on year. We have flagged the increasing number, because it is a trend that we are watching closely.

The Chair: Within the trend of the increasing number, are there common themes in those reports? What I am groping for is the impact of the complexity in the reports. For example, we know that IT comes up a lot. Does that area engage more resources from Audit Scotland than other areas? I am just groping a bit to understand.

Caroline Gardner: You are right to ask whether there are common themes. IT services have been a common theme in my areas of responsibility, as you have seen on the Public Audit and Post-legislative Scrutiny Committee, and require extra resource. I would not say that it is necessarily more again than, for example, is required in the work that we have done on NHS Tayside over the past few years. Both require senior staff and expert staff. They are expert in different ways, but I do not think that more expertise is necessarily required for IT systems than is required for the sort of complex governance problems that we have seen in NHS Tayside.

I think that I am right in saying that procurement has been a common theme in the Accounts Commission's area of responsibility. With Police Scotland, the Accounts Commission and Audit Scotland have produced some guidance called "Red flags Procurement", which is for audited bodies, setting out some of the warning signs that they might look at and for when they are concerned about good practice in procurement.

We look for those common themes because, ideally, we would like to be able to get in upstream and prevent problems from occurring. Equally, we want to learn from them in looking at the risk assessment that we carry out for individual bodies in future.

The Chair: Thank you. On page 23 of the report, you say:

"the Covid-19 situation has increased the risk in this area as some people/organisations are seeking to exploit the situation."

Is that a warning shot about problems that will be coming down the line? Have there been breaches of IT security that will require more resources?

Caroline Gardner: As an organisation, and as auditors of 200-plus organisations around Scotland, we are certainly seeing increased cybersecurity risks, with the overnight move to remote working that we all had to undertake in mid-March.

Within Audit Scotland, we have seen an increase in the number of phishing emails that we receive. We have seen some increase in sophistication, with those being targeted at particular people, particularly senior people in the organisation. We have seen general pressures on our IT systems and the security of our data. So far, we have been able to manage all of that, but it has put a lot of pressure on our digital services team, and our auditors are seeing the same sort of pattern in the bodies that they audit. At this stage, I cannot give you any indication of the impact, other than to point to the pressure that is being put on the people who are responsible for digital

security, but it is an audit risk that we are looking at closely and managing in our organisation.

The Chair: On page 63, point 4 of annex B sets out other operating expenditure. Under fees and expenses to appointed audit firms, there has been a substantial increase in payments to firms for audits of further education colleges. Is there a reason for that?

Caroline Gardner: Stuart Dennis will keep me straight and may want to add something. We have seen increased fees being agreed between auditors and some colleges, reflecting some of the challenges that they face. I have reported those challenges to the Public Audit and Post-legislative Scrutiny Committee in the annual report on colleges as well as in a disproportionate number of section 22 reports on individual colleges in the sector. That reflects the fact that colleges have relatively small governing bodies; it also reflects the financial pressures that colleges face, and it is a result of the nationalisation of terms and conditions as well as the changes to the curriculum across the country. Therefore, there is a good reason for the increase, which reflects the risks with which the bodies operate.

The Chair: Is it likely to be a trend?

Caroline Gardner: I do not think that it is likely to continue to increase, but we have seen it increase as we have carried out the annual risk assessment and gone through the discussion of audit fees between auditors and colleges.

The Chair: On page 64, on operating income, fees and charges payable in the national health service seem to have dropped.

Caroline Gardner: Yes, those have reduced very slightly. Again, to a large extent, that comes from the annual assessment of risk, but I ask Stuart Dennis whether there is anything extra that he would like to say about NHS bodies or FE colleges.

Stuart Dennis: On FE bodies, the Auditor General is correct that there is a pattern of additional fees needing to be negotiated and charged. Those have been agreed with the audited body and are due to the additional work required. That has been a pattern for the year, but I would not expect it to go up in the same way next year. However, we never know what is going to happen.

In respect of the operating income, the slight decrease is purely due to our being slightly behind where we were last year in respect of health bodies. We are required to recognise the amount of income from the work that we have done when starting the new audit. When we started the 2019-20 audit, we were slightly behind, and some of that could be down to Covid-19 and access to health

bodies in March. That is the reason for the slight decrease in the operating income.

The Chair: Before I close this part of the meeting, I wish to reflect again on the fact that Caroline Gardner is stepping down in early July. Caroline, perhaps this is a good time to ask you to reflect on your experience a little over the past eight years and what messages you might have for the commission. What could we be doing better to provide support?

Caroline Gardner: Thank you for that invitation, chair. It is very welcome. First, it is important to say that the SCPA plays an important role in ensuring the independence and sustainability of public audit in Scotland. Having this very direct reporting line to Parliament for the Auditor General and the organisation is a key part of ensuring that we can provide the independence and quality of public audit that Parliament requires to carry out its work well. I know that it is only a small part of your work as MSPs and that it is perhaps not the reason why you came into politics, so I am grateful for the commitment that you all demonstrate to fulfilling that role.

As you know, the Audit Scotland board is responsible for overseeing the governance of the organisation and for ensuring that we live up to the standards that we expect of others, which is something that we take very seriously. The SCPA's role is a different one: you are responsible for appointing the board's chair and independent members. It is extremely helpful to have your engagement with the strategic issues that we face, to ensure that we are considering those properly and planning for them well.

A good example of that has been our response to Scotland's new financial powers over the past four years. Those powers represent a significant change in what the Government must do and has the opportunity to do. There are big questions for us as auditors about how we can develop our capacity, skills and expertise to respond and to add value as Parliament scrutinises some quite different decisions about revenue raising and long-term financial strategies, rather than about how the budget should be spent from one year to another.

We have been very grateful for your encouragement and support as we built the capacity to allow us to underpin Parliament's work in those areas. It is one of the achievements of which I am most proud in my time as Auditor General. I think that the commission has done a great job in engaging with us to understand the issues and then encouraging that work as we have developed it.

These formal meetings are a central part of your work, and they allow us to demonstrate publicly

our accountability to the Parliament. It is important that that continues. The less formal business planning sessions have also been useful in helping us to set the formal meetings in context, to answer any questions that you and other commission members may have about our work, and to help to develop that insight behind the scenes into what we are grappling with, what we think is working well and what we are finding more difficult to get right. That direct connection to the Parliament is an important part of public audit in Scotland.

I have been grateful to the commission for your challenge and support over the past eight years, and I know that my successor, Stephen Boyle, will be keen to engage with you and your clerks to consider how we can continue to make this working relationship productive, as well as to demonstrate that all-important accountability and good governance.

The Chair: Caroline, I am sure that I speak on behalf of all commission members in wishing you very well in your future endeavours, as you go on to ever greater things from here. I am sure that we will meet again.

I will suspend the meeting briefly to allow for a change of witnesses.

14:30

Meeting suspended.

14:33

On resuming—

The Chair: Welcome back. From Alexander Sloan, I welcome Steven Cunningham, partner, and Jillian So, audit manager. Before we move to questions, I remind everybody that, because of the challenges of managing a virtual meeting, we will take questions in a pre-arranged order. If any member has a supplementary question, they should please type "R" in the chat box, and I will bring them in as soon I can. If any member does not wish to ask a question, they should indicate that in the chat box. As always, I ask members to keep their questions and answers as succinct as possible, and to give broadcasting staff a few seconds to operate the microphones before beginning to speak.

Would either of the witnesses like to make opening remarks before we ask questions?

Steven Cunningham (Alexander Sloan): Good afternoon, chair and commission members. I confirm that we received all the necessary information and explanations to allow us to undertake our audit of Audit Scotland for the year

ending 31 March 2020. There was no limitation on the scope of our audit work.

I will give a brief overview of our work. Alexander Sloan was appointed by the Scottish Commission for Public Audit to carry out the external audit of Audit Scotland's 2020 financial statements. I am the partner on the audit and the responsible individual. During the year, we attended all Audit Scotland audit committee meetings. Our interim audit was conducted in February at the offices of Audit Scotland. The final audit was carried out remotely, due to the closure of Audit Scotland's offices because of Covid-19. I assure the commission that working remotely did not have an impact on our gaining sufficient audit evidence, and the audit was completed without any significant problems.

As part of our work, we reviewed all internal audit reports during the year and held discussions with Audit Scotland's internal auditors. The audit file was also subject to a second partner review in accordance with our quality control procedures. That review was carried out by our senior partner, prior to the signing of the audit report. The audit was carried out in accordance with international standards on auditing, and, as I said, we received all the information and explanations that were required to form our audit opinion.

Based on our audit work, we form an opinion on whether the accounts give a true and fair view and on whether they have been prepared in accordance with international financial reporting standards, as interpreted and adapted by the financial reporting manual. We also confirm that they have been prepared properly in accordance with the Public Finance and Accountability (Scotland) Act 2000 and directions by the Scottish ministers.

We were satisfied on all three points and therefore we have issued an unmodified audit report. In other words, we are satisfied that the accounts give a true and fair view and are in accordance with legislation and accounting standards. The accounts and the audit report were signed on Tuesday 9 June. We are also required to prepare a management letter, based on our findings, the purposes of which are to summarise the key audit issues arising from our work and to report any weaknesses in the accounting systems and internal controls. I am pleased to report that we did not find any weaknesses in the accounting and internal controls.

Finally, I would like to record my thanks to Audit Scotland and the support staff of the SCPA for their assistance during the audit. Thank you.

The Chair: Thanks. You have comprehensively answered the first question that I was going to ask, so I will move on to Anas Sarwar.

Anas Sarwar: Thank you, chair. In its accounts, Audit Scotland has included income that it will receive from work in progress, based on a judgment of work completed but not yet charged to audited bodies. Are you satisfied that that calculation is accurate and robust?

Steven Cunningham: Yes, we are. We spent a significant proportion of the audit looking at that. We look at the methodology, the time records and the accounting policies, and, from that work, we are satisfied.

Anas Sarwar: Thank you. That is the only question that I had, chair.

Bill Bowman: I am glad that you mentioned the internal audit review because, on page 29 of the annual report, Audit Scotland states:

"BDO's 2019 review of our risk management arrangements provided positive assurance and we achieved the highest risk maturity assessment available."

BDO is the external audit firm that carried out the internal audit. What is a "risk maturity assessment"?

Steven Cunningham: The internal auditors look at risk systems with Audit Scotland and, based on that work, they make a judgment on how mature Audit Scotland's procedures are. We are not directly involved with internal audit, but we look over those reports to see whether there are any issues that may cause concern for our external audit.

Bill Bowman: Perhaps I should have asked that in the previous evidence session. It sounds like a good thing.

With regard to being a going concern, Audit Scotland is funded by the public sector, either from the Scottish Government or from the local authorities that pay audit fees. There is probably no long-term uncertainty about that. However, in the short term, everybody is under pressure to minimise cash-flow outgoings or they are short of cash. Do you look at what immediate liquid resources are available to Audit Scotland? If some of its receivables were a bit delayed, would it have enough cash or resources to borrow to keep making its monthly payments?

Steven Cunningham: We have discussions about that with Audit Scotland every year, but particularly this year, given the added complications that have been caused by Covid. We look at budgets and we discuss its fees. Naturally, there will be some delays, because of the nature of organisations and cash flow and problems due to Covid-19. We look at all that and take it into account when we have our going concern discussion. Based on that, we are happy that it is still a going concern and that it has cash flow. Audit Scotland may come back to Parliament

on its budget. Certainly, some audits may be delayed and there has been an extension of audit timetables as a result. However, we had discussions and looked at the information available, and we were happy with that.

Bill Bowman: If it had an issue, would it have to come to the Scottish Government and take money from a bank account? Do you know where liquid resources would come from in a moment of difficulty?

Steven Cunningham: I think that Stuart Dennis would be the person to give you more detail on that.

Bill Bowman: On the financial statements, we particularly rely on your expertise where there are specialists involved and technical accounting requirements, such as around the pension costs and liabilities. Are you satisfied with all the disclosures relating to the pension costs and liabilities in the current financial statements?

Steven Cunningham: Yes, we are. We spent a lot of time looking at that. We also considered the reasonableness of the assumptions used, and we were satisfied.

The Chair: I think that those are all the questions that we have for Alexander Sloan. Thank you for your attendance. That completes everything and concludes our evidence session. I thank all our witnesses. The commission is particularly appreciative of the work that has been done to produce the accounts on time, given the challenges of remote working.

That concludes the public part of today's meeting. I will allow a couple of minutes for a comfort break, before we resume in private session.

14:43

Meeting continued in private until 15:03.

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Introduction

1. The UK left the EU on 31 January 2020. It is now in a transition period until the end of 2020. The opportunity for the UK to seek an extension to the transition period for the UK's withdrawal from the European Union expired on 30 June 2020. The UK will therefore leave the European Union on 31 December 2020. Negotiations between the UK Government and the European Union are continuing about their future relationship, and in particular, trading agreements, after 1 January 2021.
2. This paper updates the Board on the process of withdrawal from the European Union and Audit Scotland's response to it.

Background

3. Negotiations between the United Kingdom and the European Union began in February 2020 but were interrupted by the Covid-19 pandemic. They started again in April 2020 but limited progress appears to have been made to date. In practical terms the negotiations will have to be concluded by October to allow them to be ratified by the 27 member states of the European Union. At this stage, it seems likely that any agreement will be very broad in scope and detailed negotiations will continue beyond the UK's departure.
4. The possibility of a departure from the European Union with no agreement remains high. The immediate issues that this raises in terms of continuity of supplies of food, medicines and medical supplies, in addition to all other supply chains with connections to the European Union, remain the same as in 2019.

Current position across public sector

5. We have recently spoken to stakeholders across Scottish Government (SG), health and local government. It is clear that organisations have reactivated systems for preparing for a 'no deal' outcome. Stakeholders highlighted that the risks arising from 'no deal' at the end of the transition period are the same as they were last October. However, the current Covid-19 pandemic has added new significance and weight to these risks. The progress of the talks between the UK Government and the European Union means that any deal that is reached is likely to be very high level with much of the operational detail still to be worked out.
6. The key area of high, immediate risk remains the pressure on the supply of goods through the port of Dover. Work is continuing to secure warehouse space, prevent disruption to supply chains and focus on customs arrangements. The pandemic has intensified this risk as PPE supplies and certain critical care medicines are now at the top of the list of to be stockpiled.
7. Councils remain concerned about the wider, longer-term risks resulting from impacts on migration, labour markets, local economies and future UK Shared Prosperity Fund allocations. A major concern is that Covid-19, EU withdrawal and their combined economic effects could work to compound existing social and economic inequalities and risks to public services.
8. Organisations are building on their previous work to prepare for leaving the EU without an agreement, and so there is a degree of confidence about preparedness. There is also some similarity between dealing with the Covid-19 pandemic and preparedness for EU withdrawal. However, in many organisations it is the same people dealing with EU withdrawal preparations as it is for Covid-19, so this puts resources under pressure. There are some lessons being learned from the response to Covid-19 that will help preparations for 'no deal'. For example, the learning from quickly putting a system in place to procure and distribute PPE could help streamline supply chains in other areas.

Audit Scotland activity and implications

Communications with colleagues

9. At the end of 2019 we communicated with all EU 27 nationals currently working at Audit Scotland, offering support and highlighting relevant government guidance. We also checked in with relevant line managers to help with discussions. We plan to check-in again with relevant line managers and staff (including any new starts) now that we are nearing the end of the transition period, to offer further guidance and support.
10. As yet we do not know the future arrangements for EU nationals wanting to join Audit Scotland after the end of the transition period, we will continue to liaise with the government on arrangements and consider any impact on the talent pool for recruitment.

Business continuity planning

11. We had completed a significant amount of planning for previous EU withdrawal timelines, including developing a broad range of potential scenarios. This planning proved very helpful in our response to the Covid-19 pandemic, which has been a robust test of our organisational resilience, for example moving all employees to working from home with remote access to information and systems. Our business continuity arrangements have also been the subject of an internal audit by BDO, receiving substantial assurance in terms of both design and operational effectiveness.
12. This range of planning and testing means that we have robust arrangements in place for the end of the transition period in December 2020. In the next few months, we will continue to review and update the arrangements to ensure that they remain fit for purpose.

GDPR and information sharing

13. Audit Scotland uses cloud based digital services to provide business-critical services to all colleagues. Audit Scotland began its process of transitioning to cloud services in April 2015. By November 2019, with the exception of MKI and finance, all communication and data storage were provided by cloud services, almost all geo-located within the EU.
14. Formal arrangements for data sharing and the movement of data post-transition period are part of the trade deal discussions between the EU and the UK. These arrangements need to be agreed to ensure that data can legally flow between the UK and the EU (and vice versa), with data flows as part of cloud services being a significant part of this.
15. While there are currently no formal agreements, there are EU recognised Standard Contractual Conditions with Microsoft in place that would mitigate the effect on our EU based cloud services of a 'no-deal' Brexit. We have consulted with legal experts and the Scottish Government to confirm this position.
16. The Information Commissioner's Office is expected to give an update on the position shortly and we will make necessary arrangements to comply. We are also investigating with Microsoft the potential to relocate our data centres to UK should this be required, however, we are aware that there is currently a two-year lead in time to achieve this.

Future audit work

17. Withdrawal from the EU will continue to be a significant issue for the Scottish public sector long after the end of the transition period. It will have an impact across a number of the themes in the refreshed work programme and we will continue to consider the most effective audit responses, whether this is stand-alone audit work or as a part of other audit activity.

EU agricultural audits

18. The audit of the European Agricultural Guarantee Fund is expected to conclude and from 16 October 2020 it is anticipated that this will be funded through the national framework.
19. The United Kingdom Co-ordinating Body (UKCB) has advised that Rural Development Programme funding can continue to be spent under EU regulations over the three-year period 16 October 2020 to

15 October 2023. UKCB has formally asked the consortium (including Audit Scotland) to continue to meet the certification audit requirements for EU-funded expenditure up to the closure of the programmes. Initial projections in the budget proposal assume audit requirements and fees will reduce by 25 per cent. We need to decide if we want to continue to be part of the consortium and continue to audit for this extended period.

Recommendation

- 20.** The Board is invited to note this update.

Purpose

1. This report updates the Board on key developments surrounding financial devolution and constitutional change, including Audit Scotland's response and organisational arrangements.

Background

2. We provided an update to the Board in September 2019 on financial devolution and European Union (EU) withdrawal. An update was planned for March 2020 but was delayed as a result of the Covid-19 lockdown.
3. Significant developments since September 2019 include:
 - The worldwide spread of the coronavirus pandemic. This has had a profound effect on every aspect of Scottish society. At the heart of is the health emergency, and the impact of the thousands of people who have died. For the economy, the lockdown has led to an economic downturn of a scale not seen in recent times. The impact on the public finances is unprecedented. This has put pressure on budget management and has raised questions about the efficacy of the Fiscal Framework in managing crises.
 - The transfer of executive competency to the Scottish Ministers for the remaining devolved benefits (except Severe Disablement Allowance) went ahead as planned in April 2020. This means Social Security Scotland is now accountable for around £3.5 billion of annual social security spending. On 1 April 2020 the Scottish Government announced an undefined delay to the delivery timetable for new and devolved benefits as a result of the pandemic.
 - The UK left the EU on 31 January 2020 and is currently in a period of transition until the end of December 2020. Negotiations between the UK and EU on their future relationship are ongoing.

Managing the public finances

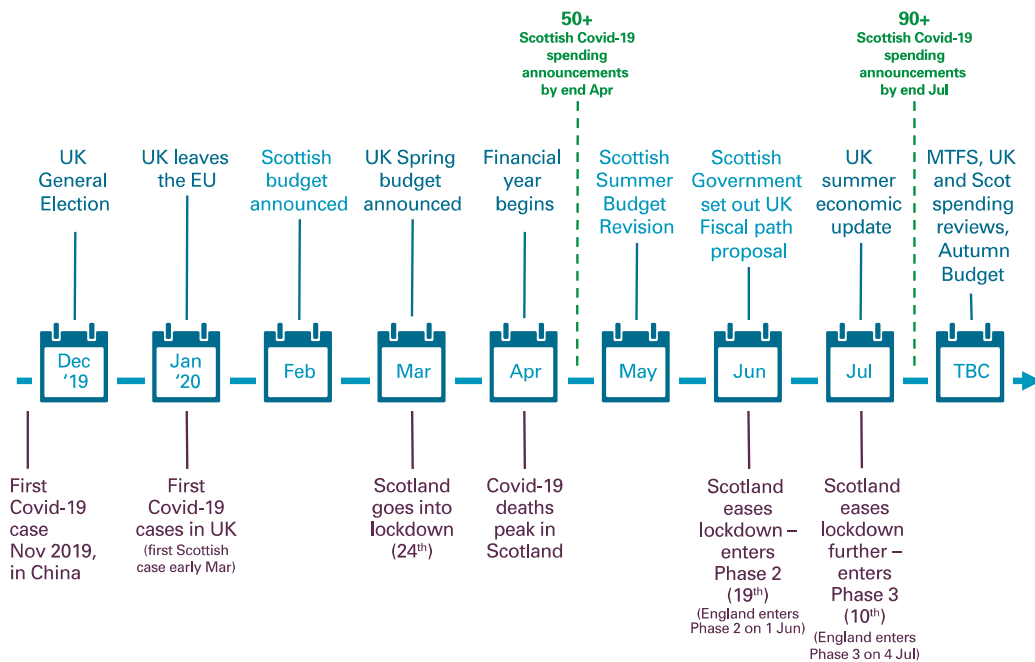
The 2020/21 budget before the pandemic

4. The Scottish budget was expected to be published in December 2019 but was delayed because of the UK general election. This led to an unusual budget process for 2020/21, as the Scottish Government published its budget on 6 February 2020, in advance of the UK Government's budget on 11 March.
5. Given the delays to both the Scottish and UK budgets, a bespoke timetable was developed for the Scottish budget's passage through Parliament this year. The revised timetable meant that there was less time for scrutiny between the stages of the budget bill compared to a standard year. The budget bill was approved by the Scottish Parliament on 5 March 2020.
6. As in previous years, the minority SNP government had to gain the support of MSPs from other parties to pass its budget. It agreed a deal with the Scottish Green Party, which included a range of commitments, including an increase of £95 million of resource to support local government.

The impact of the pandemic on the 2020/21 budget

7. The speed at which financial changes have had to be made due to Covid-19 is highlighted by the fact that the Scottish budget in February included no reference to the pandemic. The UK budget just over a month later included spending of £12 billion to tackle Covid-19. Significant additional spending was announced by both the UK and Scottish governments later in March once the UK entered lockdown (Exhibit 1).

Exhibit 1: Fiscal events and Covid-19 timeline



Source: Audit Scotland analysis

8. Since then, the UK and Scottish governments have made over 280 spending and tax announcements to respond to and manage the changing picture. Audit Scotland's briefing paper '[Covid-19: implications for public finances in Scotland](#)' published in August provides a snapshot of Scottish Government funding and spending relating to Covid-19. It also sets out the emerging financial and performance risks that the Scottish Government is facing as a result of Covid-19 and its economic consequences and considers at a high level what this may mean for Audit Scotland's work in the future.
9. The paper sets out the £5.3 billion spending announcements made by the Scottish Government until the end of July. Of this, the Scottish Government's current estimate of spending is £4.8 billion for 2020/21. Based on announcements made by the UK Government, the total Scottish Government budget will increase by at least a guaranteed £6.5 billion this year, as a result of additional Barnett consequentials.
10. The Scottish Government's spending and response to Covid-19 continues to be a moving picture. The Scottish Fiscal Commission published a further [fiscal update](#) in early September 2020 that provides more information on these issues, and the Scottish Government's Autumn Budget Revision will also be published later this month. The [Programme for Government 2020/21](#), announced 1 September 2020, is focused on measures to support Scotland's economic, health, and social recovery from the pandemic.
11. In late August 2020, the Cabinet Secretary for finance confirmed the proposed timings for future fiscal events in a [letter](#) to the Finance and Constitution Committee. These include:
 - The Fiscal Framework Outturn report will be published in late September/early October.
 - The Scottish Budget, Medium-term Financial Strategy and updated Scottish Fiscal Commission forecasts will be released in December (with specific timing dependent on UK Budget timelines).
 - The 2021 Medium-term Financial Strategy, which would have been expected in May, will now be delayed in light of the 2021 Scottish Parliament elections.

Social security powers

12. Social Security Scotland (SSS) is now accountable for around £3.5 billion of annual social security spending. The detail of this is provided in Exhibit 2 below, based on the Scottish Fiscal Commission's most recent [forecasts](#).

Exhibit 2 Social Security benefits now devolved to Scotland

Date of payment launch	Social Security benefit	Administered by	Value in 2020/21 £ million
Pre 2020/21	7 benefits , including the Carer's Allowance Supplement, and Discretionary Housing Payments	<i>Social Security Scotland</i>	202
2020/21	2 benefits , the Scottish Child Payment and Child Disability Assistance	<i>Social Security Scotland</i>	238
Post 2020/21	8 benefits , including disability benefits and attendance allowance	<i>Currently administered by Department of Work and Pensions</i>	2,996

Source: Scottish Fiscal Commission

13. The Scottish Government's social security devolution programme had been working at pace before the pandemic, and was approaching its second phase of delivery, involving the complex disability benefits. The transfer of executive competency for remaining devolved benefits (except Severe Disablement Allowance) went ahead as planned in April 2020. The UK Government has agreed to continue to administer these benefits on the Scottish Government's behalf through agency agreements, with carers allowance also continuing to be administered by the Department of Work and Pensions.
14. The Covid-19 pandemic has impacted significantly on the social security devolution programme. On 1 April 2020 the Scottish Government announced an undefined delay to the delivery timetable for new and devolved benefits as a result of the pandemic. The Cabinet Secretary has committed to update parliament on progress on devolving these benefits by the end of Summer 2020.
15. Along with the safe delivery of the benefits it currently administers, the Scottish Government has said it will prioritise the implementation of the Scottish Child Payment (SCP), and has [announced](#) that the SCP will open for applications in November 2020, with first payments beginning from the end of February 2021. Child Winter Heating Assistance is also still planned to be delivered in winter 2020. On 17 August 2020 the Scottish Government launched a further new benefit, the Job Start Payment. This benefit aims to support young people, who have been unemployed for at least 6 months, to transition into new employment.
16. All benefits that are devolved will be subject to our audit of SSS. We are working with NAO to develop audit arrangements for areas that will continue to be administered by the Department of Work and Pensions. We will need to keep these arrangements and the wider implications for our audit of SSS under review as the Scottish Government's plans for the transfer of the administration of these benefits to SSS are revised.
17. It is too early to predict the extent of any divergence in the impact on social security spending between Scotland and rUK and the subsequent impact on Scottish funding. Of the £350 million Scottish Government fund for communities affected by Covid-19, £50 million has been set aside for additional pressure on devolved social security benefits and Council Tax Reduction. In June 2020 the Scottish Government also made a one-off extra payment to recipients of Carers Allowance Supplement, costing £19.2 million.

EU withdrawal

18. The UK left the EU on 31 January 2020, with the transition period due to end on 31 December 2020. More information on the current status of EU Withdrawal and recent developments, is set out in the EU Withdrawal update paper also provided to the Board as part of the September 2020 meeting papers.

Audit reporting

Scottish Government consolidated accounts

19. The AGS published a section 22 report on the 2018/19 audit of the Scottish Government consolidated accounts on 26 September 2019. The report noted that “The Scottish Government needs to improve the quality of financial reporting to better support Parliament. In May 2019, the Scottish Government published its second medium-term financial strategy, but it does not reflect all the basic components of a medium-term financial plan. It does not include indicative spending plans or priorities, or links to outcomes. There is no detail on how the Scottish Government would address a possible £1 billion shortfall due to forecast errors. In addition, the government has still not fulfilled its commitment to publish a consolidated account covering the whole devolved public sector in Scotland. This would fill an important gap and improve strategic public financial management, support Parliamentary scrutiny and enable better decision-making.”
20. The report was considered by PAPLSC on 10 October 2019 and the Committee wrote to the Permanent Secretary asking her to respond to each of the recommendations and provide an update on progress in developing consolidated accounts for the devolved public sector.
21. The 2019/20 Scottish Government audit is considering further developments in these two areas highlighted above. The publication of the medium-term financial strategy for 2020 has been delayed until the autumn and in the meantime, the Summer Budget Revision 2020-21 outlines the Covid-19 funding commitments to support Parliament’s scrutiny of the budget. The audit team has reviewed a draft of the consolidated account for the whole devolved public sector in Scotland, and continues to engage with officials to understand the reporting basis that will be selected by officials for this account. This will allow us to develop an audit approach for the first set of accounts.

Social Security

22. We had planned to publish a performance audit in May 2020 examining the Scottish Government’s ongoing implementation of the devolved social security powers. All fieldwork has been completed, including joint work with NAO looking at relevant arrangements with the DWP, and the report was being drafted when the audit was paused. We recognise that the Covid-19 pandemic has had significant implications for the Scottish and UK’s social security system. As part of the wider review of the performance audit programme, we are currently considering the best reporting approach to maximise the value and impact of our work in this area.
23. The annual audit of Social Security Scotland is nearing completion and is expected to be considered at the agency’s Audit and Assurance Committee in October 2020.

EU Withdrawal

24. EU Withdrawal will continue to be a significant issue for the Scottish public sector long after the end of the transition period. It will have an impact across a number of the themes in the refreshed work programme and we will continue to consider the most effective audit responses.

Organisational arrangements

25. The SCPA has approved growth in Audit Scotland’s budget between 2018/19 and 2020/21, to accommodate additional work in response to financial devolution and constitutional change. This includes £425,000 (6.6 WTE) for 2020/21 bringing the total now incorporated into our budget to £1,192,000 (20 WTE). We have used this to build capacity in our two audit business groups, to accommodate work including auditing social security; supporting Parliamentary scrutiny of the public finances and Scottish budget; and assessing how public bodies are preparing for the impact of the UK leaving the EU. We have built capacity by recruiting new staff and through our professional trainee and school leaver schemes, as part of our integrated approach to workforce and recruitment planning. New staff have either been directly deployed on new work in response to financial devolution or provided backfill for existing staff who are taking on this new work.
26. We continue to review our resource needs, to ensure people are available at the right time, in the right place, and with the appropriate skills to allow us to respond effectively as the demands on us continue to grow with the full range of social security and financial powers continuing to play through. The Board is expected to consider proposals for Audit Scotland’s 2020/21 budget in November 2020 which would support further growth for our work in this area in line with previous projections.

27. The focus of our programme of work relating to the new financial powers and constitutional change (NFPCC) is moving from the implementation to the operation of the powers. During 2019 we integrated many elements of this work into Audit Scotland's day-to-day business, with more expected to become mainstreamed during 2020/21. Much of our activity to respond to financial devolution and constitutional change is being taken forward by colleagues across the organisation. For example, we have dedicated teams leading on our audits of social security and management of the public finances; our Internal Parliamentary Engagement Group is leading work to help improve our engagement with parliamentary committees on their budget scrutiny; and we have established a cross-organisation working group to lead on contingency planning for EU withdrawal.
28. As more of this work becomes mainstreamed the need for a dedicated resource to manage and coordinate the programme has decreased. The programme is now supported by the audit manager within the Scottish Exchequer team, and other members of the programme team moved on to other responsibilities at the start of 2020. The team is developing a legacy report on the lessons learned for the programme, to identify good practice and lessons learned to inform future workstreams
29. The NFPCC Strategic Group, which includes senior representatives from across the organisation, continues to maintain oversight of our work in this area. We will keep its focus and membership under review as financial and social security powers play through and new responsibilities come on stream. The Strategic Group will also provide oversight as we work to build capacity within the three clusters to take on responsibility for monitoring and responding to NFPCC issues.
30. We will continue to provide six-monthly updates to the Board on significant developments in this area, including Audit Scotland's response and organisational arrangements.

Conclusion

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

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Purpose

1. This report invites the Board to approve the proposed meeting schedule for the Board and its committees during 2021.

Background

2. The Board typically agrees its schedule of meeting dates for the year to come in September/October of each year. Between 2015/16 and 2017/18 the Board met on eight occasions each year. In 2018, the Board agreed to move to six meetings in 2019. In 2020 six Board meetings were scheduled with one additional meeting convened on 19 August to consider Audit Scotland's response to the Covid-19 pandemic.
3. We have reviewed the content, timing and profile of board work from previous years to inform the schedule for the year to come. In doing so we have also considered key dates and actions, for example the timing of meetings to take account of:
 - the budget submission
 - the annual assurances process
 - the annual report and accounts
 - review dates for strategies, plans, policies and procedures
 - performance reporting
 - meetings of parliamentary committees and the Accounts Commission.
4. The proposed schedule of meeting dates has been updated following engagement with members on their respective availability following consideration by the Audit Committee at its meeting on 2 September 2020. The updated schedule is attached at Appendix 1 and a schedule of indicative board items is attached at Appendix 2.
5. The Standing Orders provide for any additional meetings to be called should they be required.

Recommendations

6. The Board is invited to consider and approve the proposed meeting dates for 2021.

Proposed meeting schedule 2021

Audit Committee*	Human Resources and Remuneration Committee*	Board*
		27 January 2021
3 March 2021	3 March 2021	
		24 March 2021
12 May 2021 [#]	12 May 2021 [#]	19 May 2021
2 June 2021 (AR&Accs)		2 June 2021 (AR&Accs)
1 September 2021		22 September 2021
10 November 2021 [#]	10 November 2021 [#]	24 November 2021

* Committee meetings will be held in the Glasgow office.

+ Board meetings will be held in West Port and will be open to the public.

[#] Proposed start time 10.30am for Committee meetings scheduled for 12 May and 10 November 2021.

Note: where meetings require to be held virtually these will be held using Microsoft Teams.

Appendix 2

Indicative Work Programme 2021 – Audit Scotland Board

27 January 2021	24 March 2021	19 May 2021	2 June 2021	22 September 2021	24 November 2021
<p>Agenda items include:</p> <ul style="list-style-type: none"> • Standing items • Covid-19 update • Environmental scan • Publication programme • SCPA report on budget submission • New audit appointments update • Openness and transparency/Board development • Best companies results • 2021 Audit Scotland conference 	<p>Agenda items include:</p> <ul style="list-style-type: none"> • Standing items • Covid-19 update • Q3 performance reporting • Annual report and accounts timeline and outline plan • NFPs update • New audit appointments update • Equality outcomes • Board development • Draft Corporate Plan 	<p>Agenda items include:</p> <ul style="list-style-type: none"> • Standing items • Covid-19 update • Draft Annual report and accounts • New audit appointments update • Review of information, governance and security policies 	<p>Agenda items include:</p> <ul style="list-style-type: none"> • Standing items • Covid-19 update • Q4 performance reporting • Annual report and accounts • Annual reporting • New audit appointments update • Governance and assurance reporting 	<p>Agenda items include:</p> <ul style="list-style-type: none"> • Standing items • Covid-19 update • Q1 performance reporting • Audit Scotland's draft budget submission • New audit appointments update • PSRA Annual statements • Openness and transparency/meeting schedule • Review of FOI, EIR and records management policies 	<p>Agenda items include:</p> <ul style="list-style-type: none"> • Standing items • Covid-19 update • Q2 performance reporting • Audit Scotland's budget submission • New audit appointments update • Review Scheme of delegation/Financial regulations and Standing orders • Board development/self-evaluation