

Agenda

Wednesday 26 January 2022 at 10.15am

-
1. Private meeting of members
 2. Welcome and apologies
 3. Declarations of interest
 4. Items to be taken in private

Standing items

- | | |
|---|-----------------|
| 5. Chair's report - verbal update | For information |
| 6. Accountable Officer's report - verbal update | For information |
| 7. Accounts Commission Chair's report - verbal update | For information |
| 8. Review of minutes: <ul style="list-style-type: none">• Board meeting: 22 November 2021 | For approval |
| 9. Review of action tracker | For information |
| 10. Covid-19 update | For information |

Business planning, performance and governance

- | | |
|--|-----------------|
| 11. 2021/22 Spring Budget Revision and 2022/23 Budget proposal – verbal update | For information |
| 12. Our purpose – Workstream update | For information |

Conclusion

- | | |
|--------------------------|-----------------|
| 13. Any other business | For discussion |
| 14. Review of meeting | For discussion |
| 15. Date of next meeting | For information |

Items to be taken in private

- | | |
|---------------------------------|--------------|
| 16. Building strategic capacity | For approval |
|---------------------------------|--------------|

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

17. New audit appointments – verbal update

For information

[Item to be taken in private to support the effective conduct of business, commercial sensitivity and intended for future publication]

18. New audit appointments – affordability (to follow)

For information

[Item to be taken in private to support the effective conduct of business, commercial sensitivity and intended for future publication]

19. Stakeholder engagement update

For information

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

Minutes Board

Monday 22 November 2021, 10.00am
Audit Scotland by Video conference

Present:

Alan Alexander (Chair)
Stephen Boyle
Elma Murray
Jackie Mann

Apologies:

Colin Crosby

In attendance:

Diane McGiffen, Chief Operating Officer
Martin Walker, Associate Director, Corporate Performance and Risk
Stuart Dennis, Corporate Finance Manager
Simon Ebbett, Communications Manager
Mark MacPherson, Senior Manager, Performance Audit and Best Value
Parminder Singh, International Liaison Manager
Graeme Greenhill, Senior Manager, Performance Audit and Best Value
Judith Strange, Cyan2 Limited

1. Private meeting of Board members

The Board met privately and there were no matters arising. Members welcomed a verbal from Stephen Boyle, Accountable Officer.

2. Welcome and apologies

Diane McGiffen, Chief Operating Officer, Martin Walker, Associate Director, Corporate Performance and Risk and Stuart Dennis, Corporate Finance Manager, joined the meeting.

The Chair welcomed attendees to the meeting and noted Colin Crosby's apologies.

3. Declarations of interest

There were no declarations of interest.

4. Items to be taken in private

The Chair invited members to agree that the reports at items 17, 18, 19, 20 and 21 of the agenda be considered in private based on the reasons set out on the agenda. The Board agreed.

The Chair advised that the review of the Remuneration and Human Resources Committee minutes at item 8 would also be considered in private.

5. Chair's report – verbal update

The Chair invited members to note of his regular meetings with Stephen Boyle, Auditor General for Scotland and Accountable Officer, Elma Murray, Interim Chair of the Accounts Commission and Diane McGiffen, Chief Operating Officer.

The Chair advised members of engagement with the Audit Quality and Appointments team on queries raised during the procurement exercise.

The Chair advised that he had attended a keynote session on the Future of the audit profession and welcomed the insight provided and recognised the potential impact for Audit Scotland as a public audit agency.

The Chair also welcomed members' contribution to the Board's Financial planning discussion on 9 November 2021 to consider Audit Scotland's approach to its medium term financial plan and fees and funding strategy.

The Board welcomed the update.

6. Accountable Officer's report – verbal update

Stephen Boyle recorded his and Audit Scotland's condolences on the death of Bob Black, the first Auditor General for Scotland and reflected on Bob's significant contribution to public services and public audit in Scotland over many years.

Stephen advised the Board of regular meetings with the Chair and reflected on the level of activity across the organisation as we progress the delivery of the joint work programme and financial audits and recorded his thanks to colleagues for their continued dedication and commitment.

Stephen invited the Board to note the comprehensive series of events which have been organised as part of Audit Scotland's 2022 conference programme including valuable contribution to the keynote sessions from CIPFA, ICAEW, Professor Jason Leitch, National Clinical Director, Scottish Government, Anna Fowlie of SCVO and Jennifer Wallace from the Carnegie Trust. The Board welcomed the comprehensive virtual engagement programme and noted the final event with the UK and Ireland Auditors' General in January 2022.

Turning to Parliamentary engagement, Stephen invited members to note the range of activity including publications and evidence sessions, Section 22 reporting and briefings on a range of public audit matters, including attendance with Sharon O'Connor, member of the Accounts Commission, at a session with the Education Committee. Stephen invited the Board to note his continued engagement with the new Finance and Public Administration Committee on its public scrutiny of budget and public administration in Scotland and had been joined by Professor James Mitchell and Graham Roy to discuss public sector reform. The Board also noted a busy period of engagement and evidence sessions scheduled with the Public Audit Committee between now and the end of the year.

Stephen invited the Board to note that the next meeting of the UK and Ireland Auditors' General was scheduled for Friday 26 November.

Stephen advised members of forthcoming changes to the leadership team of Audit Scotland and recorded his thanks to Diane McGiffen, Chief Operating Officer for her significant contribution to Audit Scotland. The Board welcomed the update and proposed early engagement on proposals for the future structure of Audit Scotland's leadership team.

The Board welcomed the update.

7. Accounts Commission Interim Chair's report – verbal update

Elma Murray, Interim Chair of the Accounts Commission advised members that the Accounts Commission had livestreamed two meetings since the previous Board meeting and noted the meeting on 11 November 2021 had been Pauline Weetman's last as a member of the Commission.

The members noted items of business considered by the Accounts Commission which included one Best Value Assurance Report, a review of Audit Scotland's e-hubs and agreement by the Commission to consult on the plans for the new Statutory Performance Indicators Direction from 2022/25. In addition the Commission had considered the Audit Planning Guidance prior to consultation and had held a private session with the Director of Nesta in Scotland to consider the future environment for innovation and risk. The Board noted that the Accounts Commission's Committees would meet on Thursday 25 November.

Elma invited the Board to note the publication of the Commission's new strategy, one Best Value Assurance Report, a blog on the Christie Commission, Community Empowerment Briefing and Climate Change briefing and advised of a meeting with the Deputy Chair and Chair of the Performance Audit Committee as part of ongoing engagement with Scottish Government local government leads. In addition, Elma advised members that she had met with the Convenor of the Public Audit Committee. The Board was also invited to note responses to various consultations including the Public Inquiry into Covid, Equalities, Human Rights and Justice Committee on the Pre-Budget Scrutiny and National Care Service plans.

The Board noted internal engagement including attendance at a number of Audit Scotland's insight and keynote sessions and of external engagement with attendance at the Scottish Leaders Forum launch event of the Covid Recovery Plan, SOLACE Springboard event and noted ongoing engagement with the Education reform programme.

Elma also advised that the Strategic Scrutiny Group had met last week and agreed an updated programme of work, together with support to develop a national scrutiny portal.

The Board welcomed the update.

8. Review of minutes

Board meeting: 22 September 2021

The Board considered the minutes of the meeting of 22 September 2021, which had been previously circulated.

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

Audit Committee: 1 September 2021

The Board noted the minutes of the Audit Committee meeting of 1 September 2021, which had been previously circulated.

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

Remuneration and Human Resources Committee: 12 May 2021 (*considered in the private section of the Board meeting*)

The Board noted the minutes of the Remuneration and Human Resources Committee meeting of 12 May 2021, which had been previously circulated.

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

9. Review of action tracker

The Board noted the updates provided on the action tracker.

The Chair highlighted action ASB154 and advised a further reiteration of the Medium Term Financial Plan would be considered in January 2022 with a view to finalising this in April 2022 with consideration of the future fees and funding model to be scheduled thereafter.

10. Covid-19 update

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

Martin invited the Board to note the actions taken to date in response to the Covid-19 pandemic, the ongoing actions and the next steps.

During discussion, the Board noted the updates provided on the organisational and audit response and noted the impact and pressure to conclude audit work. In addition, the members noted that the rollout of the vaccination programme continues at pace, the number of reported cases are still rising and the scheduled announcement by the First Minister the following week.

The Board considered the current levels of office activity and sought assurance around future engagement, ongoing monitoring and the balance between office and home based working in the future, noted the level of disruption reported by colleagues and the impact this had had on delivery. The Board noted continued engagement with colleagues was scheduled early in 2022.

Following discussion, the Board welcomed the update and noted the actions taken to date in response to the Covid-19 pandemic, the ongoing actions and the next steps.

11. Strategic Improvement Programme update

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

Martin invited the Board to note the progress reported and next steps.

During discussion, the Board considered the update provided and noted the reprioritisation of some workstreams to focus on the delivery of audit work.

The Board welcomed the progress made to build capacity across the organisation and sought clarification on the membership of the project team for the refresh of Public Audit in Scotland. Martin advised that the scope and timing for the project was currently being developed and would welcome an early discussion with Elma Murray to consider Accounts Commission engagement.

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

Action ASB155: A discussion to consider Accounts Commission input on the Public Audit in Scotland workstream. (December 2021)

12. Q2 Financial performance report

Stuart Dennis introduced the Q2 Financial performance report, copies of which had been previously circulated.

Stuart invited the Board to note the financial results for the six months to 30 September 2021 which had been scrutinised by the Audit Committee at its meeting on 10 November 2021.

The members considered the principal reason for the increase in fees reported in relation to local government charitable trust accounts and noted the original assumption to complete the work had been based on the number of audit days agreed with the respective Directors of Finance. In addition, the Board noted the negative price variance for central government bodies and Stuart confirmed that the number of days taken to complete the audit had been fewer than the assumption.

Following discussion, Stuart Dennis and Elma Murray agreed to discuss an update to be shared with the Accounts Commission Financial Audit Assurance Committee at its meeting on Thursday 24 November.

The Chair invited any further comments or queries on the comprehensive report and there being none, the Board noted the financial results for the six months to 30 September 2021.

Action ASB156: Stuart Dennis and Elma Murray to discuss an update for the Accounts Commission Financial Audit Assurance Committee meeting on Thursday 24 November.(November 2021)

13. Q2 Corporate performance report

Martin Walker introduced the Q2 Corporate performance report, copies of which had been previously circulated.

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

During discussion, the Board noted the overall steady and consistent performance reported and reflected on the Delivery of World Class Public Audit and internal Being a World Class Organisation areas, being complimentary corporate objectives.

The members noted the resource challenges previously discussed and welcomed the progress reported on recruitment to build capacity. In addition, the Board recognised the need to ensure flexibility in the work programme to manage resource demands across audit teams.

The Board also noted that while delivery of audit quality remains amber they welcomed the actions which had been implemented as part of the ongoing improvement programme and awaited the results from this year's quality reviews which were scheduled to be reported in Q3 and Q4.

The Board noted the support provided for Parliamentary engagement and Martin advised this related to colleagues' support across all engagement with the Parliament for and on behalf of the Auditor General for Scotland, the Accounts Commission and Audit Scotland.

The Chair sought assurance that the performance was consistent with risks reported in Audit Scotland's risk register. Martin provided assurance that the performance and risk reports inform one another, both of which are reviewed by the Performance Risk and Management Group prior to reporting and ongoing dialogue with Management Team. The Chair welcomed the assurance provided of the governance arrangements for both performance and risk.

Following discussion, the Board welcomed the update.

14. Any other business

There was no other business for discussion.

15. Review of meeting

The members welcomed the quality, content and comprehensive nature of the reports in supporting helpful and detailed discussion. The members reflected on its first hybrid meeting of the Board and welcomed the support from colleagues and the technology to support a successful meeting.

The Chair thanked everyone for their contributions.

16. Date of next meeting: 26 January 2022

The members noted the next meeting of the Audit Scotland Board is scheduled for 26 January 2022.

Items taken in private

17. 2022/23 Budget proposal

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

Stuart invited members to discuss, review and provide comment on the draft 2022/23 Budget proposal and approve the Scottish Commission for Public Audit (SCPA) budget submission.

During discussion, the Board considered the underlying assumptions for the budget proposal in relation to pay, increased employer national insurance contributions, budget for financial devolution work and noted the proposed increase for fees.

The Board noted that the Scottish Government is due to publish both its budget and the pay policy announcements on 9 December 2021 and agreed that consideration of these would be valuable prior to the submission of Audit Scotland's proposed budget to the SCPA.

Following discussion, the Board approved the submission of the budget submission to the SCPA subject to minor presentational amendments to the document.

Action ASB157: The 2022/23 Budget proposal to be submitted to the SCPA. (December 2021)

18. 2021/22 Spring Budget Revision

Stuart Dennis introduced the 2021/22 Spring Budget Revision report, copies of which had been previously circulated.

Stuart invited the Board to approve the request to the SCPA for a 2021/22 Spring Budget Revision of £6 million non-cash AME funding in order to meet additional IAS 19 pension charges.

The Board noted the change in discount rate and the potential for a small reduction in the discount rate, thereby increasing charges, but that the funding level requested in the budget revision together with the year-end forecast should be sufficient to meet any small increase.

Following discussion, the Board approved the submission of the request to the SCPA for a 2021/22 Spring Budget Revision of £6 million non-cash AME funding in order to meet additional IAS 19 pension charges.

Action ASB158: The 2021/22 Spring Budget revision proposal to be submitted to the SCPA. (December 2021)

19. Scottish Commission for Public Audit update

Martin Walker introduced the Scottish Commission for Public Audit update report, copies of which had been previously circulated.

Martin invited the Board to consider and comment on the proposed draft quarterly update to be submitted to the SCPA.

The Chair invited any comments on the draft update and, there being none, the Board approved its submission to the SCPA.

20. Draft Audit Scotland International Strategy for 2021-24

Mark MacPherson, Senior Manager, Performance Audit and Best Value, and Parminder Singh, International Liaison Manager, joined the meeting.

Mark MacPherson introduced the draft Audit Scotland International Strategy for 2021-24 report, copies of which had been previously circulated.

Mark invited the Board to consider and approve the draft International Strategy for 2021-24.

During discussion, the Board welcomed the two way nature of learning, engagement, knowledge sharing and best practice, noted the anticipated level of engagement both virtually and in person and agreed the proposal to keep the strategy under review.

Following discussion, the Board approved the draft International Strategy for 2021-24.

Mark MacPherson and Parminder Singh left the meeting.

21. Environment, Sustainability and Biodiversity Annual Report 2020/21

Graeme Greenhill, Senior Manager, Performance Audit and Best Value, joined the meeting.

Graeme Greenhill introduced the draft Environment, Sustainability and Biodiversity Annual Report 2020/21, copies of which had been previously circulated.

Graeme invited the Board to consider and approve the Environment, Sustainability and Biodiversity Annual Report and to comment on future areas of focus in relation to environmental issues.

The Board considered the metrics used to report progress and noted the approach was consistent with other public bodies including the approach to off-setting measures while recognising the future challenges of reducing carbon emissions as a result of home working. The Board agreed they would welcome further information of how Audit Scotland calculates home working emissions and agreed to receive this by correspondence.

The Board noted the data reported is not currently peer reviewed and Graeme advised that options for independent evaluation were being explored.

Following discussion, the Board welcomed the report and approved the Environment, Sustainability and Biodiversity Annual Report 2020/21.

Action ASB159: Information on how Audit Scotland calculates home working emissions to be shared with members.

Graeme Greenhill left the meeting.

Additional item of business

The Chair paid tribute to Diane McGiffen, Chief Operating Officer, on this her last meeting with the Audit Scotland Board and reflected on her contribution not only on the establishment of Scotland's public audit agency but also her strategic vision, dedication,

openness and approachability and wished her well in her new role as Chief Executive of the Law Society of Scotland.

Diane McGiffen expressed her thanks to the Board, Management Team and colleagues and wished Audit Scotland every future success.

REF	FORUM	Agenda Item No	Item Title	Action Description	Meeting Date	Due Date	Responsible	Assigned to	Complete/Ongoing	Reported Yes/No	Progress Notes
ASB147	Board	20	Counter Fraud Policy review	David Blattman to review the policy and provide an update to the Board.	02/06/2021	Jul-21	David Blattman	David Blattman	Ongoing	No	The Counter Fraud Policy and the Diversity and Equalities policy will come to the Board early in 2022. We are taking legal advice on one aspect of the former and the latter will be informed by the review work currently being undertaken in conjunction with BITC
ASB149	Board	13	Q1 Corporate performance report	The Communications Manager to provide information to the Board on the impact and measurement of social media engagement with the public.	22/09/2021	Jan-22	Simon Ebbett	Simon Ebbett	Ongoing	No	An update to be provided to the Board as part of the next quarter 26 January 2022.
ASB150	Board	14	Annual review of corporate governance policies	The Scheme of Delegation to be amended to specify the placing of orders for the New Audit Appointments are reserved to the Auditor General for Scotland and the Accounts Commission.	22/09/2021	Sep-21	Martin Walker	Gayle Fitzpatrick	Complete	No	Amendments made and documents shared via e-mail 23/09/21.
ASB151	Board	14	Annual review of corporate governance policies	Final drafts of the policies to be circulated to members prior to publication.	22/09/2021	Sep-21	Martin Walker	Gayle Fitzpatrick	Complete	No	Amendments made and documents shared via e-mail 23/09/21.
ASB152	Board	23	2022/23 Draft budget proposal	Elma Murray and Diane McGiffen to discuss Accounts Commission engagement on the budget development.	22/09/2021	Oct-21	Diane McGiffen	Diane McGiffen	Ongoing	No	Discussion scheduled on 18 November and a verbal update will be provided at today's meeting.
ASB153	Board	23	2022/23 Draft budget proposal	A further report with the draft Budget proposal to be scheduled for the Board.	22/09/2021	Nov-21	Stuart Dennis	Stuart Dennis	Complete	Yes	Budget proposal report on the agenda for today's meeting.
ASB154	Board	25	Discussion paper - Future funding and fee arrangements	A discussion on strategic financial planning to be scheduled in November 2021.	22/09/2021	Nov-21	Diane McGiffen	Stuart Dennis	Complete	Yes	Strategic workshop discussion took place on 09/11/21.
ASB155	Board	11	Strategic Improvement Programme update	A discussion to consider Accounts Commission input on the Public Audit in Scotland workstream.	22/11/2021	Dec-21	Martin Walker	Martin Walker	Complete	No	A meeting was held on 7 December 2021 and the project scope and timeline is being developed.
ASB156	Board	12	Q2 Financial performance report	Stuart Dennis and Elma Murray to discuss an update for the Accounts Commission Financial Audit Assurance Committee meeting on Thursday 24 November.	22/11/2021	Nov-21	Stuart Dennis	Stuart Dennis	Complete	No	Stuart Dennis provided an update to the Accounts Commission Financial Audit Assurance Committee meeting on Thursday 24 November 2021.
ASB157	Board	17	2022/23 Budget proposal	The 2022/23 Budget proposal to be submitted to the SCPA.	22/11/2021	Dec-21	Martin Walker	Martin Walker	Complete	No	Audit Scotland's 2022/23 Budget proposal was submitted and considered by the SCPA on 21 December 2021. A verbal update will be provided at item 11 of today's agenda.
ASB158	Board	18	2021/22 Spring Budget Revision	The 2021/22 Spring Budget revision proposal to be submitted to the SCPA.	22/11/2021	Dec-21	Martin Walker	Martin Walker	Complete	No	Audit Scotland's 2021/22 Spring Budget proposal was submitted and considered by the SCPA on 21 December 2021. A verbal update will be provided at item 11 of today's agenda.
ASB159	Board	21	Environment, Sustainability and Biodiversity Annual Report 2020/21	Information on how Audit Scotland calculates home working emissions to be shared with members.	22/11/2021	Jan-22	Graeme Greenhill / Ian Metcalfe	Graeme Greenhill / Ian Metcalfe	Complete	No	Information shared by email with members on 19/01/22.

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.
2. The situation remains dynamic, and a verbal update will accompany this report as appropriate.

Background

3. The Audit Scotland Board most recently considered a [Covid-19 update report](#) at its meeting on 22 November 2021. Board members continue to receive the weekly updates from the Incident Management Team (IMT).
4. In December the highly contagious Omicron variant became the dominant variant in the UK. Over the following weeks infection rates rose sharply and additional suppression measures and guidance were introduced. At the same time, the vaccination programme was accelerated with a view to mitigating the effects of the virus on the population and its potential impact on health services.
5. In a [statement](#) in Parliament on 29 December 2021 the First Minister advised that Omicron accounted for 80% of cases and noted the time lag between infections and the impact on serious illness, hospitalisations and death rates. The First Minister also advised of suppression measures, particularly around events and hospitality which would be in place until 17 January 2022.
6. In her most recent [statement](#) in Parliament on 18 January 2022 the First Minister advised that data indicated that 'the rise in cases driven by Omicron peaked the first week of January and that we are now on the downward slope of this wave of cases'. She also advised of a reduction in hospital admissions and the numbers of people in ICU, while noting 'the full impact of the return to work and school after the festive break won't be apparent yet in the data. So it is possible that we will see case numbers tick up again in the next couple of weeks.' The statement also included confirmation that the suppression measures in relation to hospitality venues and events would be lifted with effect from 24 January 2022.
7. On workplaces, the First Minister advised 'we will continue to ask people to work from home whenever possible at this stage - and for employers to facilitate this. However, we will engage with business now about a return to a more hybrid approach from the start of February'.

Organisational implications and responses

8. We continue to monitor the virus and the changing guidance closely and this is reflected in our organisational response and planning.
9. By November 2021 we had moved into Phase three of [Our workplaces plan](#), this provided access for the early stages of hybrid working and access for site visits and on-site work. Over this period we saw a slight increase in colleagues accessing the offices, though the

numbers remained well within the capacity limits we had introduced which maintained the 'two metre rule' for social distancing.

10. In light of the new Omicron variant, the Incident Management Team (IMT) decided on 9 December 2021 that we would return to Phase one of the plan. This provides for limited access for business-critical activities and access for some colleagues to support their health, safety and wellbeing.
11. Having reviewed the situation on 13 January 2022 the IMT decided to extend Phase one until the end of January and to keep office access under review in light of the status of the pandemic and any changes to government guidance.
12. The Scottish Government guidance on [Coronavirus: Safer Businesses and Workplaces](#) was updated on 13 January 2022 and states

'In line with Fair Work principles, businesses and service providers should discuss working arrangements with their staff and any representatives, and take every reasonably practical step to facilitate working from home and make working from home the default position. Where it is reasonably practicable for a person to perform their work from home, they should do so. This is especially expected of those roles that were done at home at the beginning of the COVID-19 pandemic in March 2020.'

Our people

13. From the start of the pandemic, we have prioritised the health, safety and wellbeing of our colleagues. This continues to be a key priority. We have worked hard to support colleagues who are currently all dispersed, working from home and juggling sometimes quite difficult home and work responsibilities. This support has taken a variety of forms, including regular communications and engagement, advice and guidance, access to systems and the provision of digital and office equipment.
14. Since the last update:
 - In the week ending 14 January 2022 fewer than five colleagues had reported illness due to Covid-19.
 - Fifty-three colleagues have posted Covid related sickness absence since March 2020.
 - The HR team are looking to organise a long Covid employee network support group following feedback from others who have returned to work and who are still struggling with some symptoms. This may also support those who have family members or colleagues recovering from the virus.
 - Based on the national vaccination statistics as at 18 January 2022 we estimate that 90% of colleagues may have received their first dose, 85% their second and 63% their booster/third jab.
 - An analysis of the time logged by colleagues to the C-19 business continuity time recording codes as at 20 December 2021 tells us that 2,885 days have been logged to this code since the start of the pandemic in March 2020. This equates to approximately 13 FTE over the 20-month period.

New ways of working

15. Over the course of the pandemic we have undertaken a broad range of engagement and communication with colleagues. This has included pulse surveys, working preference surveys, drop-in sessions with members of Management Team, team meetings and weekly communications from the IMT. This provides a rich source of information to inform the development of our new ways of working.
16. The most recent 'pulse survey' took place over the period 14-17 January 2022 and the next 'How we work' drop-in session will take place on 20 January 2022.
17. We have adopted a principles-based approach to date, focussing on:
 - wellbeing and safety
 - effectiveness
 - equity and inclusion
 - sustainability.
18. We will continue to use these principles to guide our thinking. As and when we move through [our workplaces plan](#) we will begin to better understand what hybrid working will mean in practice for individual colleagues, teams and the organisation as a whole. This will be an iterative process and be informed by action learning. The situation remains dynamic and we will need to continue to use a flexible approach as new ways of working develop.
19. We are currently developing a range of tools to support managers and colleagues as we consider the practicalities of new ways of working and we will also need to consider the impact on our policies and procedures and the longer-term consequences on terms and conditions. We will continue to engage with a range of stakeholders and in particular the People Focus Group, the Partnership Forum and PCS.

Digital and office equipment

20. We continue to support people with home working. Colleagues have been provided with laptops which can be used both remotely and when people access the offices. To date all colleagues who have requested them have Audit Scotland laptops.
21. We have also issued 450 items of digital equipment to 335 colleagues. These items have mainly been screens, keyboards and mice. The total cost to date has been £29,489 an average of £88 per colleague who has needed equipment.
22. We have also issued 390 items of office equipment to 307 colleagues. These items have included desks, chairs, footrests and some items have been issued from existing stock in the offices. The number of requests received each week is now down to one or two items per week and these are for new starts. The total cost to date has been £20,245, an average of £66 per person who has needed equipment.

Financial management

23. We continue to monitor the financial situation very closely with senior leadership being regularly updated on year-end projections based on different scenarios. The last couple of weeks have highlighted that the pandemic still has the potential to change the position very quickly and subsequently have an adverse impact on our financial position.

- 24.** The Board will be updated on the third quarter outturn at its meeting in April 2022.
- 25.** At the end of the second quarter Audit Scotland's Net Operating Expenditure of £3,701k was £8k (0.2%) better than budget. In-house fee income was £121k (2.8%) worse than budget and the net position on audits carried out by external firms was £81k (19.9%) better than budget. Expenditure on staff and other costs was £48k (0.4%) better than budget.
- 26.** In terms of the current cash flow position, we invoiced the final fee instalment for the 2020/21 chargeable audits in September. This totalled £6.5 million and did not include the further education (FE) sector. As at the end of December the outstanding balance was £29k and this is currently being chased for payment. In December the first instalment invoice for the 2021/22 chargeable audits was issued, totalling £6.3 million. It is projected that payment will be received in January 2022.
- 27.** On 8 December 2021 the Chair and Accountable Officer wrote to the Scottish Commission for Public Audit (SCPA) to provide an further [update](#) on Audit Scotland's response to the pandemic and how the additional funds recommended by the Commission were being used.
- 28.** In more recent correspondence, following the SCPA session on the Spring Budget Review and the 2022/23 budget proposal in December 2021, the Chair of the SCPA has indicated that the Commission is keen to receive additional detail on Covid related expenditure. The letter also advises that the SCPA is also keen to hear more about our response to the pandemic and our risk management arrangements, noting that that this may feature as part of the business planning day in February 2022.

Audit implications and responses

- 29.** To date we have prioritised our statutory audit obligations and, in consultation with the Auditor General for Scotland and the Accounts Commission, adjusted the focus and timescales for the audit work where we have more discretion. We have also been clear that we will do what is achievable, but that we cannot guarantee all deadlines can be met. This is due to the disruption in audited bodies as well as Audit Scotland. We have also been clear that, while timescales may change, audit quality remains a priority and is even more important at times of significant disruption.

Financial audits 2020/21

- 30.** The submission deadlines and progress on the 2020/21 audits as at 18 January 2022 is summarised below:

Sector	Pre pandemic deadline	New deadline	Completion to date
Health	30/06/21	30/09/21	100%
Central Government – Agencies and Scottish Water	30/06/21	30/09/21	100%
Central Government – NDPBs and similar	31/10/21	31/10/21	
Local Government	30/09/21	30/11/21	92%
Colleges	31/12/21	31/12/21	57%

Covid-19 audit work

- 31.** Since the last update in November we have published further reports which directly consider or make connections to the pandemic:
- [The 2020/21 audit of National Records of Scotland](#) (30 November 2021).
 - [The 2020/21 audit of NHS Highland](#) (section 22 report 14 December 2021).
 - [Scottish Government Consolidated Accounts 2020/21](#) (16 December 2021).
- 32.** These, along with all of our audit reports, are published on the Audit Scotland [website](#).
- 33.** The Auditor General for Scotland and Audit Scotland colleagues have attended parliamentary committees to provide evidence on the reports, a number of which consider/reference Covid-19. This has included sessions on the 2020/21 audit of NHS National Services Scotland, Personal Protective Equipment, Tracking the impact of Covid-19 on Scotland's public finances, Community Empowerment, the 2020/21 audit of National Records of Scotland, Improving outcomes for young people through school education, the Christie Report, Public Sector Reform and pre-Budget Scrutiny.
- 34.** Publications with a focus on/connection to Covid in the coming months will include:
- reports on skills investment and the sustainability of social care (January 2022)
 - the NHS overview report (February 2022)
 - financial overview of Local Government (March 2022)
 - a briefing on supporting businesses through the pandemic and planning Scotland's economic recovery (March 2022).

Recommendations

- 35.** The Board is invited to:
- note the actions taken to date in response to the Covid-19 pandemic
 - note the ongoing actions and next steps.



Our purpose

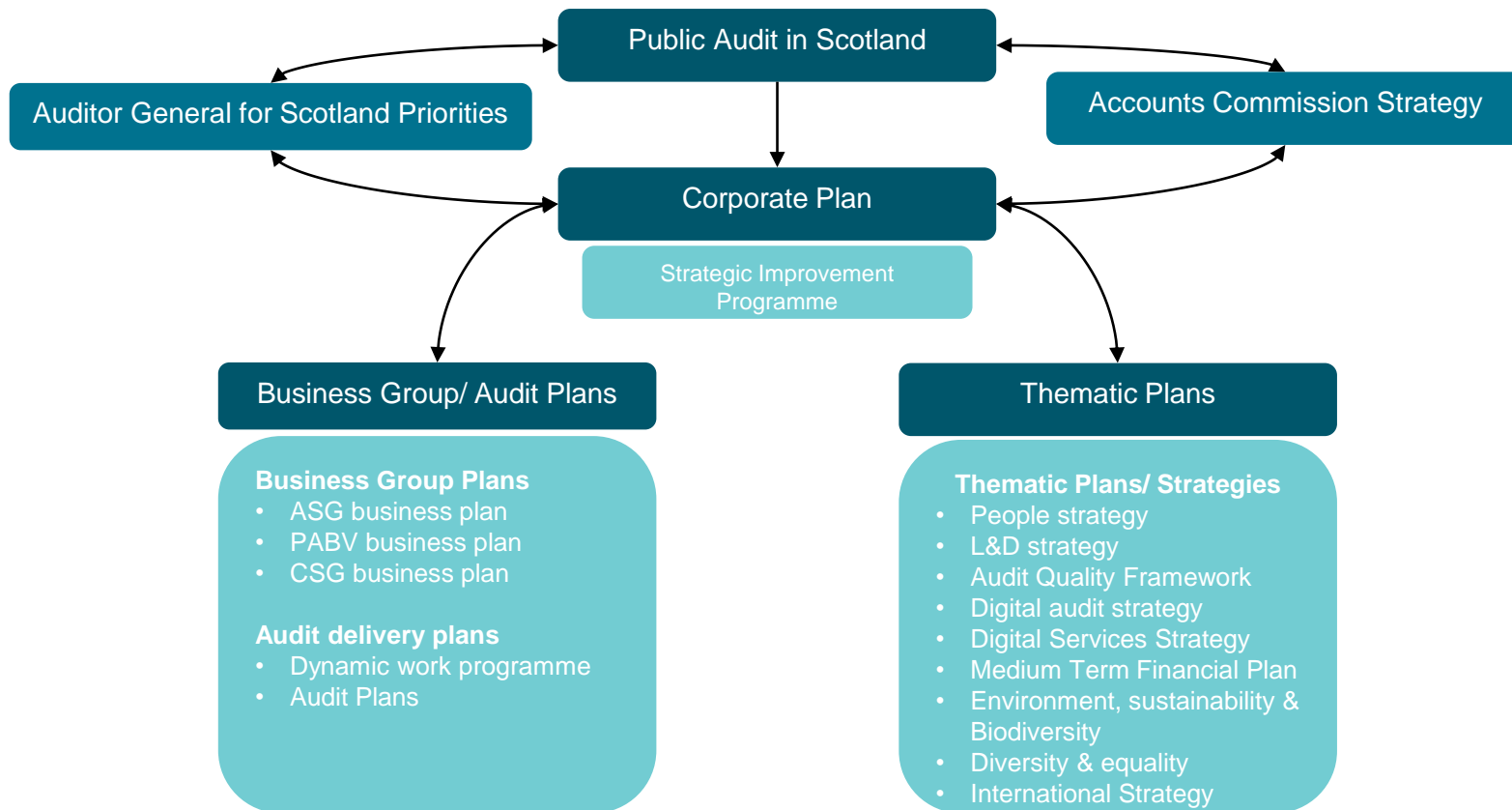
Workstream update

Audit Scotland Board

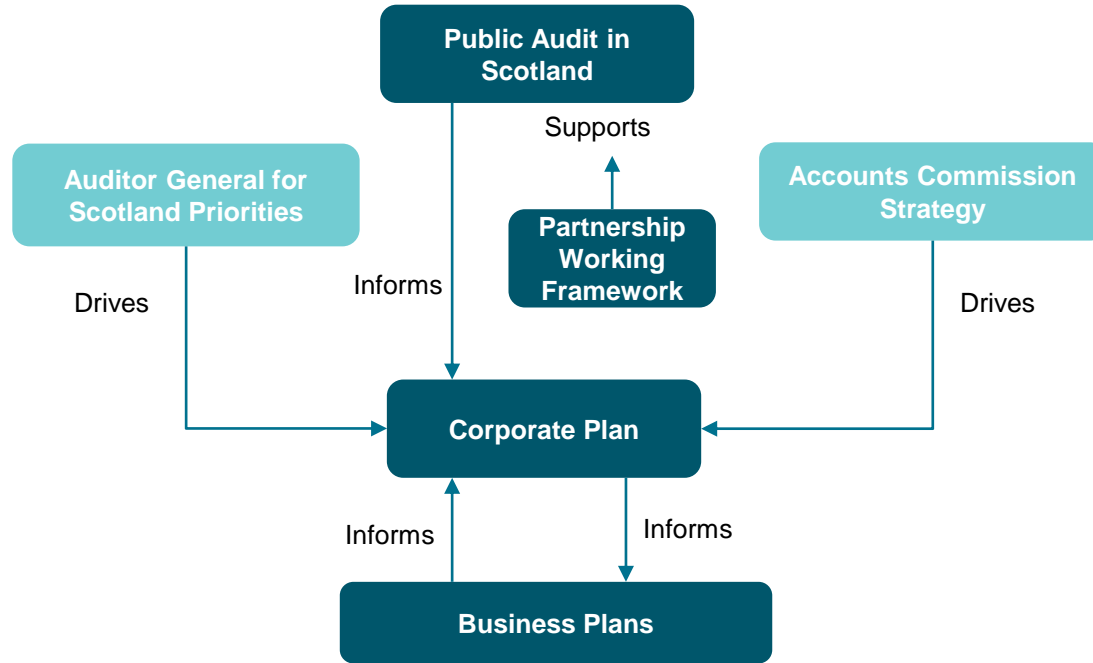
26 January 2022

- Strategic planning: (the **What**)
 - The big picture
 - Scope of this project
 - Our strategic documents: Purpose | Audience | Target completion
- Project outline: (the **How**)
 - Approach
 - Resources
 - Proposed stages
 - Focus for engagement
- Stakeholder engagement: (**Who**)

Strategic planning: The big picture



Strategic planning: Scope of this project



Our strategic documents:

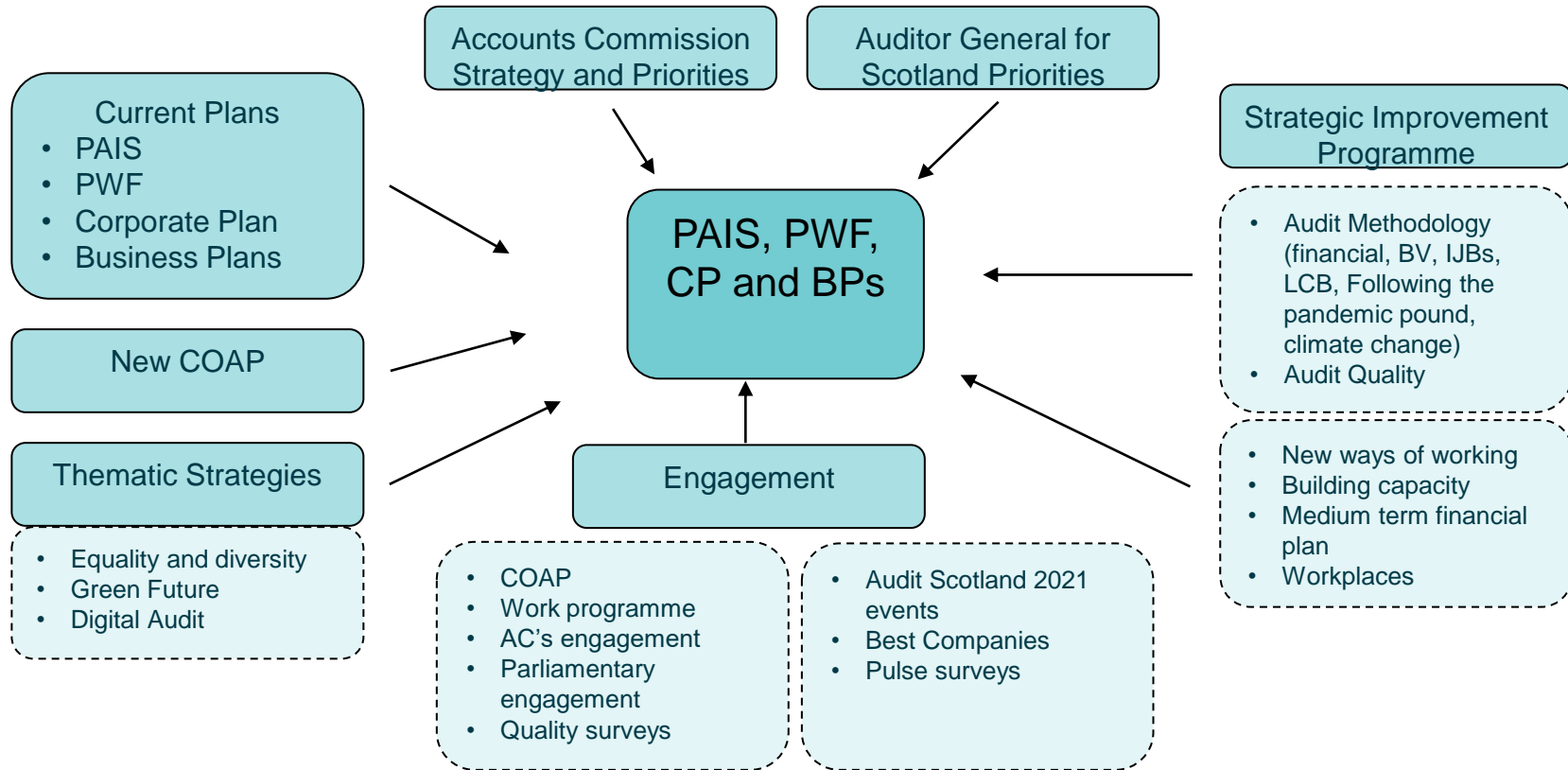
Purpose | Audience | Target completion

Document (Last updated)	Purpose	Audience	Target completion
Public Audit in Scotland (2014)	Strategic statement by AGS, AC, AS on structure, purpose and value of the public audit model in Scotland.	Internal and external	Summer 2022
Corporate Plan (2019)	Sets out our: <ul style="list-style-type: none">• purpose• audit priorities, which are shaped by AGS and AC priorities.• organisational priorities	Internal and external	May 2022
Partnership Working Framework (2011)	Sets out AGS, AC, AS respective roles and responsibilities and how they work together	Internal	May 2022
Business plans (2019)	Sets out how each business group contributes to the corporate plan	Internal	January 2022

- We want the project to be:
 - Inclusive
 - Engaging
 - Proportionate and context sensitive
 - Streamlined and efficient

- The four workstreams will:
 - run in parallel
 - inform each other
 - be interlinked

Project resources – we have lots to draw from already



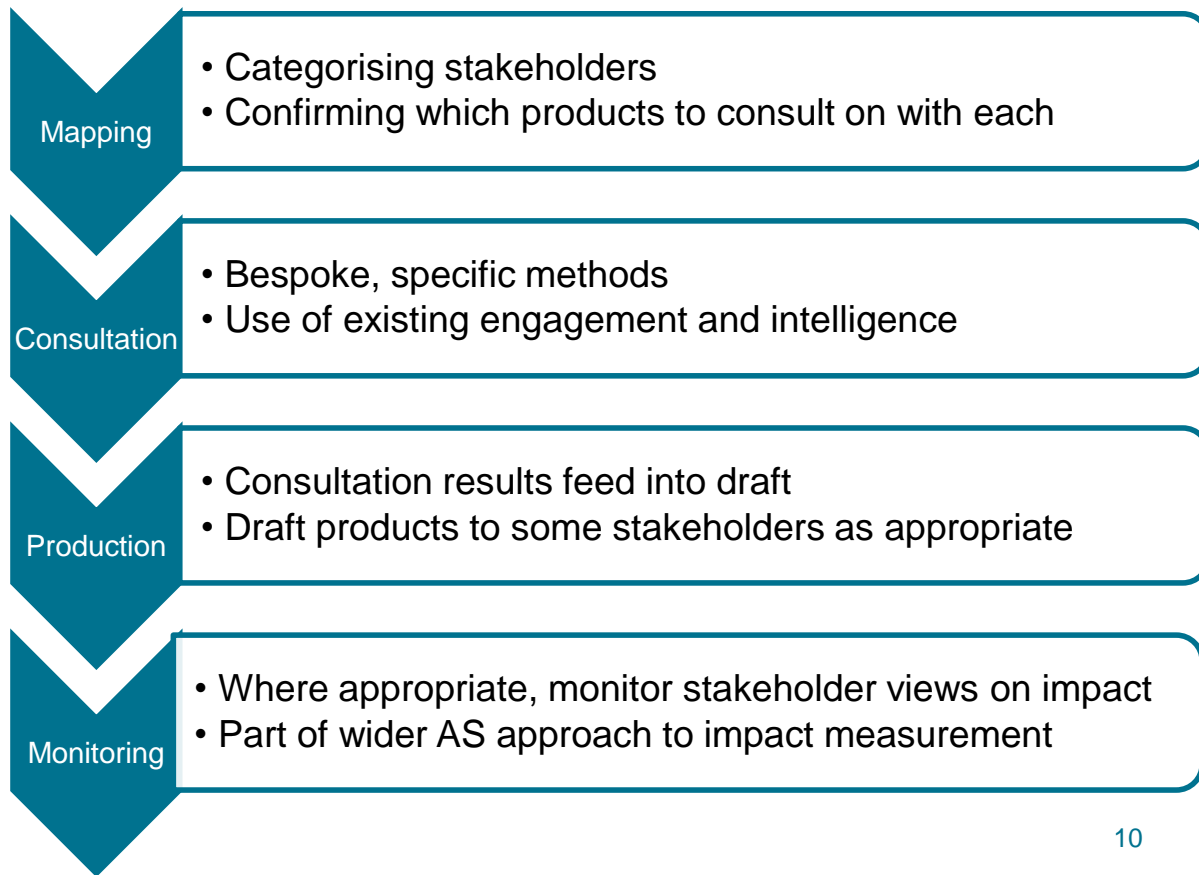
Project stages

Stage	What	When
One: Planning and initial drafting	Project planning Environmental analysis Document review Stakeholder mapping and early engagement Identify and draft key elements for consultation Business plan development and sign off	Sep-Jan
Two: Consultation and engagement	AGS / Commission / Board Leadership Group Colleagues (External stakeholders)	Jan-Mar
Three: Final drafting and sign off	Revise drafts Develop frameworks: governance / financial / performance measurement	Mar-May
Four: Embedding change	Comms and promotion Culture development Ongoing engagement with stakeholders	Jun onwards

Core components and focus for engagement

Public audit in Scotland	Corporate plan	Partnership working framework	Business plans
Who we are	Who we are	Purpose	Performance summary of previous year
Value add of public audit	Vision and operating principles	Accountability, statutory basis and appointments	Operating context
Coverage of public audit	What we do	Principles	Principles
Principles of public audit	Operating context	Responsibilities	Priorities
Common themes	Audit priorities	Working arrangements	Measures
	Organisational priorities	Other governance documents	Resources
	Resources	Arrangements for review	
	Governance		
	Planning, performance and risk		
	Performance summary of previous plan		

- Parliament
- Audited bodies
- Auditor General for Scotland
- Accounts Commission
- Audit Scotland Board
- Management Team
- Leadership Group
- Audit Scotland staff
- Public
- Strategic Scrutiny Group partners
- Third sector
- Audit sector



Agenda

Tuesday 5 April 2022 at 10.00am

-
1. Private meeting of members
 2. Welcome and apologies
 3. Declarations of interest
 4. Items to be taken in private

Standing items

- | | |
|---|-----------------|
| 5. Chair's report - verbal update | For information |
| 6. Accountable Officer's report - verbal update | For information |
| 7. Accounts Commission Chair's report - verbal update | For information |
| 8. Review of minutes: <ul style="list-style-type: none">• Board meeting: 26 January 2022• Audit Committee meeting: 10 November 2021• Remuneration and Human Resources Committee meeting: 10 November 2021 | For approval |
| 9. Review of action tracker | For information |
| 10. Covid-19 update | For information |

Strategic priorities

- | | |
|--|-----------------|
| 11. Strategic Improvement Programme update | For information |
|--|-----------------|

Business planning, performance and governance

- | | |
|---|-----------------|
| 12. 2022/23 Operational budget | For approval |
| 13. Q3 Financial performance report | For information |
| 14. Q3 Corporate performance report | For information |
| 15. Best Companies survey results | For information |
| 16. Annual policy review of Freedom of Information and Environmental Information requests | For approval |

- | | |
|--|-----------------|
| 17. Data Protection Policy | For approval |
| 18. Scheme of Delegation and Management Team quorum | For information |
-

Conclusion

- | | |
|---------------------------------|-----------------|
| 19. Any other business | For discussion |
| 20. Review of meeting | For discussion |
| 21. Date of next meeting | For information |
-

Items to be taken in private

- | | |
|---|----------------|
| 22. New Audit Appointments – Lessons learned
[Item to be taken in private to support the effective conduct of business and commercial sensitivity] | For discussion |
| 23. Audit Scotland Annual Report and Accounts 2021/22
[Item to be taken in private to support the effective conduct of business, and intended for future publication] | For discussion |
| 24. Internal audit procurement
[Item to be taken in private to support the effective conduct of business, commercial] | For approval |

Minutes Board

Wednesday 26 January 2022, 10.00am
Audit Scotland by Video conference

Present:

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

Apologies:

There were no apologies.

In attendance:

Martin Walker, Acting Director of Corporate Services
Stuart Dennis, Corporate Finance Manager
Simon Ebbett, Communications Manager
Michelle Borland, Business Manager, Performance Audit and Best Value
Elaine Boyd, Associate Director, Audit Quality and Appointments
Owen Smith, Senior Manager, Audit Quality and Appointments
John Gilchrist, Manager, Audit Quality and Appointments
Mark Roberts, Audit Director, Performance Audit and Best Value

1. Private meeting of Board members

The Board met privately and there were no matters arising.

2. Welcome and apologies

Martin Walker, Acting Director of Corporate Services, Stuart Dennis, Corporate Finance Manager, Simon Ebbett, Communications Manager, joined the meeting.

The Chair welcomed attendees to the meeting and formally welcomed William Moyes to his first meeting as a member of the Board following his appointment at Chair of the Accounts Commission. The members recorded their thanks to Elma Murray, the former Interim Chair of the Accounts Commission for her contribution to the Board during her appointment.

3. Declarations of interest

There were no declarations of interest.

4. Items to be taken in private

The Chair invited members to agree that the reports at items 16, 17, 18 and 19 of the agenda be considered in private based on the reasons set out on the agenda. The Board agreed.

5. Chair's report – verbal update

The Chair invited members to note he had joined the tender interview panel for the new audit appointments which had been held on 10,11 and 17 January. He advised of regular meetings with Stephen Boyle, Auditor General for Scotland and Accountable Officer on a range of operational matters including the reshaping of Audit Scotland's management structure and of an introductory meeting with William Moyes following his appointment as Chair of the Accounts Commission.

The Chair referred to his attendance, with Stephen Boyle and colleagues, at the evidence session with the Scottish Commission for Public Audit on Audit Scotland's 2021/22 Spring Budget Revision and 2022/23 Budget Submission, noting an update on which will be considered at item 11 of today's agenda.

The Chair expressed his thanks to Stephen Boyle and the UK Auditors General for hosting the insightful keynote session on 25 January 2022, 'Audit without borders'.

The Chair advised members of engagement with Judith Strange on the agenda for the Board's next development session proposed to be held on 5 April 2022.

The Board welcomed the update.

6. Accountable Officer's report – verbal update

Stephen Boyle welcomed William Moyes to the Board and that he was looking forward to working with him both on this forum and in his capacity as Chair of the Accounts Commission.

Stephen advised the Board of regular meetings with the Chair and reflected on the level of activity across the organisation as Audit Scotland progresses the delivery of the dynamic work programme and financial audits and he recorded his thanks to colleagues for their continued dedication and commitment.

Stephen invited the Board to note the recent publication of five section 22 reports and two further pending reports on the 2020/21 audit of public bodies in Scotland. The Board also noted the publication of an additional assurance report on Public Income Tax alongside the audit of the Scottish Income Tax which is conducted by the Controller and Auditor General of the NAO as part of his audit of HMRC, and the publication of a section 23 report on skills planning arrangements in Scotland.

Turning to Parliamentary engagement, Stephen invited members to note a range of activity including briefings and attendance at evidence sessions with the Public Audit Committee throughout November, December 2021 and January 2022.

Stephen invited members to note the culmination of Audit Scotland's 2021 Conference series with a keynote session 'Audit without borders' when he was joined by the Auditors General from the National Audit Office, Audit Wales and Northern Ireland Audit Office. The members noted the session was joined by more than 400 colleagues from the respective agencies and noted ongoing engagement with the UK and Ireland Auditors General as part of the Public Audit Forum.

Stephen advised members of an introductory meeting with the National Statistician Professor Sir Ian Diamond to hear more of the work of the Office for National Statistics.

The members also noted the communication to all staff on increased access to offices following the latest announcement by the Scottish Government and welcomed the continued engagement with colleagues by way of pulse surveys, drop in sessions and the forthcoming Best Companies Survey.

The Board welcomed the update.

7. Accounts Commission Chair's report – verbal update

William Moyes, Chair of the Accounts Commission, advised members that since his appointment on 1 January 2022 he had engaged with colleagues through a series of introductory meetings and expressed his thanks to colleagues for their time.

William invited the Board to note Andy Cowie's blog in November 2021 on assurance and scrutiny on Scotland Housing benefits services and advised that the Commission had published its Statutory Performance Information Direction for Councils on 21 December 2021, a Best Value report on Falkirk Council on 13 January 2022 and that a briefing on Social Care is scheduled for 27 January 2022.

On future publications, the Board noted plans to publish a newsletter for councillors, the Best Value report on Moray Council (scheduled for 3 March 2022), the Local Government Overview (10 March 2022) and a report on Orkney and Shetland Joint Valuation Board (end of March 2022). In addition, William advised of joint briefings with Auditor General for Scotland on supporting business through the pandemic and planning Scotland's economic recovery and a publication on Drug and Alcohol Services (March 2022).

The Board welcomed the update.

8. Review of minutes

Board meeting: 22 November 2021

The Board considered the minutes of the meeting of 22 November 2021, which had been previously circulated.

The Board approved the minutes as an accurate record of the meeting, subject to the correction of a minor typographical error.

9. Review of action tracker

The Board noted the updates provided on the action tracker.

The Chair sought Board approval to close action ASB152 following Stuart Dennis' update to the Accounts Commission's Financial Assurance Audit Committee on 25 November 2021. The Board agreed the closing of this action.

Martin Walker clarified the position in relation to ASB149, advising this will come to the Board meeting on 5 April 2022 as part of Q3 corporate performance reporting.

10. Covid-19 update

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

Martin invited the Board to consider the report, the actions taken to date in response to the Covid-19 pandemic, the ongoing actions and next steps.

The Board noted the First Minister's announcement on 25 January 2022 indicating the likelihood of a move to hybrid working for businesses and the forthcoming publication of guidance by the Scottish Government.

Martin invited members to note that Audit Scotland would return to Phase 3 of the 'our workplaces' plan this week and that there is a review of measures planned to enable Phase 4 access. The Board noted further consideration of the formulation of a hybrid operating model and that colleague engagement was underway to inform both expectations and the future needs of business. In addition, the Board noted that additional KPIs will be developed as appropriate.

The Board welcomed the update on the completion of financial audits, noted the relatively low completion rate for Colleges at this stage and welcomed assurance that Audit Scotland are able to distinguish those audits which have been directly impacted by Covid-19 and those where issues pre-date the pandemic.

Following discussion, the Board welcomed the update and noted the actions taken to date in response to the Covid-19 pandemic, the ongoing actions and the next steps.

11. 2021/22 Spring Budget Revision and 2022/23 Budget proposal – verbal update

Martin Walker provided a verbal update on the 2021/22 Spring Budget Revision and 2022/23 Budget proposal and the evidence session with the Scottish Commission for Public Audit held on 22 December 2021. The Board were invited to note the SCPA's subsequent recommendation to the Public Finance Committee of Audit Scotland's budget submission which is being considered in Parliament later today.

The Board noted the forthcoming SCPA business planning day on 23 February 2022 and discussed the proposed agenda and format for that meeting.

Stuart Dennis advised the Board that planning is underway in relation to new audits and associated costs together and of the development of the Medium Term Financial Plan which is scheduled to come to the Board in April 2022.

The Board welcomed the update.

12. Our purpose – Workstream update

Michelle Borland, Business Manager, Performance Audit and Best Value, joined the meeting.

Simon Ebbett introduced the Our purpose – Workstream update report, copies of which had been previously circulated.

Simon invited the Board to note the scope and outline of the project and the existing resources which the project will draw from. He also highlighted the links between the core components and the proposed timeline for engagement with stakeholders, the Auditor General for Scotland, Accounts Commission, Leadership Group, colleagues, and advised of the development of proposals for engagement with the public.

During discussion, the Board considered the development of the strategic plan, proposed engagement and timing of publication of Public Audit in Scotland and Audit Scotland's Corporate Plan. Turning to the Partnership Working Framework, the Board noted that the respective responsibilities of the Auditor General for Scotland, Accounts Commission, and Audit Scotland are set in statute and agreed that there was merit in the Framework forming part of our suite of external publications.

Following discussion, the Board welcomed the update, noted the scope and outline of the project and plans for stakeholder engagement and agreed a further detailed discussion be scheduled for June 2022.

ASB160: A Board meeting to be scheduled for discussion and formal approval. (June 2022)

Michelle Borland, Business Manager, Performance Audit and Best Value, left the meeting

13. Any other business

There was no other business for discussion.

14. Review of meeting

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

The Chair thanked everyone for their contributions.

15. Date of next meeting: 5 April 2022

The members noted the next meeting of the Audit Scotland Board is scheduled for 5 April 2022.

Items taken in private

16. Building strategic capacity

Martin Walker left the meeting.

Alan Alexander introduced the Building strategic capacity report, copies of which had been previously circulated.

The Chair reflected on the meeting of 7 January 2022 and the overall support by Board members subject to points of clarification on the proposed structure and invited Stephen to provide an update.

Stephen thanked members for their feedback and reported further consideration of the balance of reporting lines for the Executive Director of Innovation and Quality. The direct reports to this Executive Director will include the Head of Learning and Development and Head of Organisational Improvement.

The Board noted engagement with executive search organisations to support the forthcoming recruitment campaigns and, following consideration of the bids, Stephen confirmed an appointment had been made.

During discussion, the Board noted the anticipated timing of the appointments, confirmed departure date of the Director of Audit Services and reflected on the impact and risk for managing this business group until appointments have been made. In addition, the Board sought clarification on the responsibility for training and trainees and the strategic scope of the Chief Operating Officer's role.

The Board noted the engagement with Leadership Group, Corporate Services Manager and Professional Support on the proposed structure and noted the forthcoming engagement with the Accounts Commission at its meeting on 10 February 2022.

On role profiles, Stephen advised that he had met with the external consultant to benchmark spot rates for these roles and will further report on this and the respective role profiles by correspondence, with a further update to be provided at the meeting of the Remuneration and Human Resources Committee on 2 March 2022.

Following discussion, the Board welcomed the update and endorsed its support for the proposals as agreed by the Board at its informal meeting on 7 January 2022.

Action ASB161: An update to be scheduled for the Remuneration and Human Resources Committee meeting on 2 March. (March 2022)

17. New audit appointments – verbal update

Elaine Boyd, Associate Director, Owen Smith, Senior Manager, John Gilchrist, Manager, and Kathrine Sibbald, Project Manager, Audit Quality and Appointments, joined the meeting. Martin Walker re-joined the meeting.

The Chair provided a verbal update on the legal advice on the draft Audit Quality complaints procedure for the Auditor General for Scotland and the Accounts Commission which had confirmed the process was fit for purpose in relation to the new audit appointments.

The Chair advised members of the process for the procurement of audit appointments. This included a desk-based evaluation of the tenders, interviews with the selected firms followed by a moderation meeting to agree the proposed appointments. In addition, a further meeting had been held to assess the affordability of the appointments, a report on which appears at Item 18 of today's agenda.

The Chair advised the Board of his intention to stand down the New Audit Appointments Steering Group after its next meeting on 22 February 2022 as its work had been completed. The members noted a lessons learned review exercise by the New Audit Appointments Steering Group was scheduled for that meeting and an update would come to the Board at its meeting on 5 April 2022.

Following discussion, the members welcomed the update and supported the Chair's proposal to dissolve the New Audit Appointments Steering Group following conclusion of its meeting on 22 February 2022.

Action ASB162: An update report from the New Audit Appointments Steering Group to be scheduled for the next meeting of the Board. (April 2022)

18. New audit appointments – affordability

Elaine Boyd introduced the New Audit Appointments – Affordability Report, copies of which had been previously circulated.

Elaine advised the Board of the consideration of the affordability of the bids received from the procurement exercise and invited the Board to consider whether the bids are affordable, the risks in relation to capacity if the number of appointments was reduced and sought the Board's approval for the contracts to be awarded.

During detailed discussion, the Board reflected on the internal and external challenges overcome as part of the project and welcomed the compliance with best practice for the procurement exercise.

Elaine invited the Board to note all audits with the exception of one had received bids and advised of the option to run a mini competition tender. She also advised of the process to review any potential conflicts of providers and highlighted a market review in relation to one bid received which was in excess of the anticipated fee. The Board considered the number of bids, ability to rotate auditors, and likely future public sector reform over the course of these appointments and welcomed the flexibility of the clarity and assurance provided.

Following discussion, the Board accepted the conclusions on affordability and approved the recommendation to appoint six audit firms and noted the issue of letters to the successful firms early next week following which there would be a 10 day quarantine period prior to the award of those contracts.

The Board reflected on the overall project and expressed its thanks to the Audit Quality and Appointments team.

Elaine Boyd, Owen Smith, John Gilchrist and Kathrine Sibbald left the meeting.

19. Stakeholder engagement update

Mark Roberts, Audit Director, Performance Audit and Best Value joined the meeting and Simon Ebbett, Communications Manager, re-joined the meeting.

Simon Ebbett introduced the Stakeholder engagement update report, copies of which had been previously circulated.

Simon invited the Board to note the results from the recent engagement undertaken on behalf of Audit Scotland, the key findings reported and areas for further consideration.

During discussion, the Board welcomed the engagement and reported levels of awareness and considered engagement and feedback from other groups which could be developed.

Following discussion, the Board noted the report and welcomed a suggestion that the Board have a further discussion on stakeholder engagement at a later date.

Action ASB163: A further discussion on stakeholder engagement to be scheduled.

Mark Roberts and Simon Ebbett left the meeting.

Minutes

Audit Committee



Wednesday 10 November 2021, 10.30am
Microsoft Teams

Present:

C Crosby (Chair)
J Mann

Apologies:

E Murray, Interim Chair of the Accounts Commission

In attendance:

A Alexander, Chair, Audit Scotland Board
S Boyle, Accountable Officer and Auditor General for Scotland
D McGiffen, Chief Operating Officer
C Robertson (BDO)
M Walker, Associate Director, Corporate Performance and Risk
S Dennis, Corporate Finance Manager
E Boyd, Associate Director, Audit Quality and Appointments
G Woolman, Audit Director, Audit Services
O Smith, Senior Manager, Audit Quality and Appointments
J Gilchrist, Manager, Audit Quality and Appointments
I Metcalfe, Corporate Performance Officer

1. Private meeting with BDO

A private meeting was held with Audit Committee members and internal auditors, BDO.

2. Welcome and apologies

The Chair opened the meeting, welcomed everyone, and noted that there were no issues arising from the private meeting. The Chair acknowledged that this would be the last meeting of the Audit Committee that Diane would attend before she takes up her new role as Chief Executive of the Law Society in January 2021. The Chair thanked Diane for her much valued contribution to the Audit Committee over many years and wished her success in her new role.

3. Declarations of interests

There were no declarations of interest.

4. Minutes of the last meeting: 1 September 2021

The Audit Committee members reviewed the minutes of the meeting of 1 September 2021, copies of which had previously been circulated.

The Audit Committee approved the minutes of the previous meeting.

5. Review of action tracker

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

The Chair asked if there were any questions or comments, and invited Martin Walker, Associate Director to provide any additional updates.

Martin provided an update on action 137AC. He advised that he is working with David Robertson, Digital Services Manager, on a future focussed report on the medium to longer term digital challenges, threats and opportunities.

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

6. Audit Committee Terms of Reference

Martin Walker, Associate Director, introduced the Audit Committee Terms of Reference (TOR) report, copies of which had been previously circulated.

The Audit Committee members discussed the frequency of reviewing the TOR and agreed that, in line with good governance principles, the TOR should continue to be formally reviewed annually.

The Audit Committee members discussed the Risk Interrogation reports, noting that these are currently suspended due to competing priorities and pressures, and noted the intention to reinstate them. The Audit Committee members considered the value in carrying out an annual 'deep dive' risk interrogation exercise and recognised that both wider consideration of risk and a deep dive on individual risks were valuable.

Martin advised that risk interrogations are one of a broad range of methods of reporting risk to the Committee. These include the reviews of the risk register, the programme of internal audit reviews, the six monthly digital security updates and the regular reporting on data incidents.

The Audit Committee members noted the review of the Terms of Reference

7. Audit Quality Interim Report and Audit Quality Framework update

Elaine Boyd, Gillian Woolman, Owen Smith and John Gilchrist joined the meeting.

Elaine Boyd, Associate Director, introduced the Audit Quality interim report and Audit Quality Framework update report, copies of which had been previously circulated.

Elaine provided an update on the work of the Audit Quality and Appointments team from April to September 2021. She advised that the risks of material misstatement for two audited bodies identified through the external quality reviews had now been resolved. She also advised that the review of Annual Audit Plans (AAP) had identified some gaps in relation to the coverage of Best Value and that amendments to the templates were being considered.

Elaine advised that audit delivery has been good to date overall. Challenging circumstances for audited bodies and audit teams mean that some audits will be later than planned and

that the regular progress updates from audit teams regarding audit completion had been valuable.

Elaine noted that this is the first full year that accounts and audits have been prepared in a remote environment. Consequently, audits started later and have taken longer.

The Audit Committee members discussed the challenges facing the audited bodies, the audit teams and noted the wider challenges facing the audit profession.

In response to a question on the factors impacting on different sectors, Elaine advised that she would share supplementary information with the members of the committee.

The Chair advised that he attends the Audit Quality Committee as an observer to obtain a more detailed insight into the issues and actions taking place.

Gillian Woolman, Audit Director noted the ongoing need for vigilance and to be alert to audit quality across the board. Gillian noted that it is a challenging time for audit teams and there is a need to build capacity in teams to backfill colleagues who have moved onto audit quality work.

The Audit Committee members discussed the impact of working within and outwith a pandemic environment. They encouraged wider thinking around aligning quality scoring in line with the Financial Reporting Council, and how we report on audit quality on the increasingly diverse range of audit outputs.

The Audit Committee members welcomed the updates and noted the progress made.

Action 138AC: Elaine Boyd to supply supplementary information on the factors impacting on the timing of audits in the different sectors. (February 2022)

Elaine Boyd, Gillian Woolman, Owen Smith and John Gilchrist left the meeting.

8. Q2 Financial performance report

Stuart Dennis, Corporate Finance Manager, introduced the Q2 financial performance report, copies of which had been previously circulated.

Stuart advised that details of variances to budget are explained in the report, and that he continues to phase the budget in line with the way we work and the timing of the audit work.

Stuart provided assurance that there is scope to increase external audit fees if additional work is required.

The Audit Committee noted the Q2 Financial report.

ACTION 139AC: Stuart Dennis to respond to the e-mailed points raised by the Interim Chair of the Accounts Commission via email correspondence. (November 2022)

9. Review of Risk Register

Martin Walker, Associate Director, Corporate Performance and Risk, introduced the Review of risk register report, copies of which had been previously circulated.

Martin advised that the risk register had been updated following its regular review and based on the Audit Committee's risk workshop held in August 2021. He noted that this had informed the three new risks on the register and that other points raised in the workshop discussion would inform the planning processes at business group and corporate level.

Martin advised that a Covid-19 update report would be considered by the Board at its meeting on 22 November 2021.

The Audit Committee members welcomed the comprehensive report and noted the value of devoting time to consider the risk environment outwith the time constraints of the committee and board meetings.

The Audit Committee members noted that some risks are interlinked and that there may be an opportunity to consolidate in some areas and the longevity of some risks should be considered.

The Audit Committee noted the review of the risk register.

10. Organisational response to Covid-19

Diane McGiffen, Chief Operating Officer, advised that Audit Scotland continue to invest in the preparations for colleagues returning to the office under the hybrid working arrangements. She advised that office-based working had been impacted by COP26 and colleagues were advised not to travel unless necessary based on advice received from Police Scotland, building landlords and local authorities.

Diane advised of a slight increase in colleagues contracting Covid-19, and that communications from the Incident Management Team and guidance for colleagues continued to reinforce public health and good practice guidance.

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

11. Internal audit report: Financial Controls - Covid-19

Claire Robertson, BDO, introduced the Financial Controls-Covid19 internal audit report, copies of which had been previously circulated.

Claire advised that financial controls were maintained during the Covid-19 period, with adequate controls in place. Claire noted that substantial assurance was provided on both design and operational effectiveness, that a number of areas of good practice had been identified and that no recommendations had been made.

The Audit Committee members recorded their thanks to the Finance team for their work in challenging circumstances.

The Audit Committee members noted the Financial Controls – Covid-19 internal audit report.

12. Internal audit report: Freedom of Information

Claire Robertson, BDO, introduced the Freedom of Information internal audit report, copies of which had been previously circulated.

Claire advised that reasonable assurance had been provided for design and operational effectiveness and that six recommendations had been made. Claire provided details around the three medium risk recommendations and noted that all of the recommendations have been accepted by management.

The Audit Committee members noted the Freedom of Information internal audit report.

13. Internal audit progress report (BDO)

Claire Robertson, BDO, introduced the internal audit report progress report, copies of which had been previously circulated.

Claire advised that work completed this year has provided either substantial or reasonable level of assurance, and that the audit programme is progressing to schedule. She also advised that the audits on audit quality and delivery and audit procurement are under way.

The Audit Committee members noted the internal audit progress report.

14. Internal audit recommendations progress report (AS)

Martin Walker, Associate Director introduced the internal audit recommendations progress report, copies of which had been previously circulated.

Martin advised that, of the six remaining recommendations, one has been completed with five in progress. Martin also advised that the focus and terms of reference of the final audit in the programme would be shared and agreed with members via correspondence.

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

Action 140AC. Martin Walker to circulate options for the remaining internal audit with members for agreement via e-mail correspondence. (February 2022)

15. Q2 Data incidents/loss

Martin Walker, Associate Director, introduced the data incidents/loss report, copies of which had been previously circulated.

Martin highlighted that there were three data incidents during quarter two. Two were human error and the third, the more significant incident, related to an external sharing folder in SharePoint Online. Martin provided assurance that a check of all such sharing sites had been carried out and immediate remedial action taken. He also advised that additional safeguards were now in place.

The Audit Committee noted the data incidents/loss report.

16. External auditor's independence, objectivity and value for money

Martin Walker, Associate Director, introduced the external auditor's independence, objectivity and value for money report, copies of which had been previously circulated.

Martin advised that the term of the external auditor had come to an end and that Scottish Commission for Public Audit was currently in the process of appointing an auditor for the next appointment period.

The Audit Committee noted the External Auditor's independence, objectivity and value for money report.

17. Review of Audit Committee effectiveness

Martin Walker, Associate Director, introduced the review of Audit Committee effectiveness report, copies of which had been previously circulated

Martin advised that the survey of Audit Committee members was part of the annual assurance process and noted the proposed deadline of 15 April 2022 for the survey responses.

The Audit Committee members approved the proposed process and timeline for the annual self-evaluation process.

18. Any other business

There were no items of other business

19. Review of meeting

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

The members noted how much they were looking forward to meeting in person in the future.

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

20. Date of next meeting

The next meeting of the Audit Committee is scheduled for 2 March 2022.

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

21. Provision of internal audit services from April 2022-25.

This item was taken in private for the purposes of commercial sensitivity and Claire Robertson left the meeting.

Martin Walker, Associate Director, introduced a report on the provision of internal audit services from April 2022-25, copies of which had been previously circulated.

The members discussed the purpose and scope of the internal audit work and sought clarification on the way that the audit programme might be developed at an early stage of the appointment. Members suggested some amendments to the tender documentation prior to issue.

The Audit Committee approved the proposed procurement process for the provision of internal audit services.

REF	FORUM	Agenda Item No	Item Title	Action Description	Meeting Date	Due Date	Responsible	Assigned to	Complete/Ongoing	Reported Yes/No	Progress Notes
ASB147	Board	20	Counter Fraud Policy review	David Blattman to review the policy and provide an update to the Board.	02/06/2021	Jul-21	David Blattman	David Blattman	Ongoing	No	The Counter Fraud Policy and the Diversity and Equalities policies will come to the Board at its meeting on 17 May 2022 following consideration of legal advice on one aspect of the former and the latter informed by the review work undertaken in conjunction with BITC.
ASB149	Board	13	Q1 Corporate performance report	The Communications Manager to provide information to the Board on the impact and measurement of social media engagement with the public.	22/09/2021	Jan-22	Simon Ebbett	Simon Ebbett	Ongoing	No	A verbal update will be provided as part of item 14, Q3 corporate performance report on today's agenda.
ASB150	Board	14	Annual review of corporate governance policies	The Scheme of Delegation to be amended to specify the placing of orders for the New Audit Appointments are reserved to the Auditor General for Scotland and the Accounts Commission.	22/09/2021	Sep-21	Martin Walker	Gayle Fitzpatrick	Complete	Yes	Amendments made and documents shared via e-mail 23/09/21.
ASB151	Board	14	Annual review of corporate governance policies	Final drafts of the policies to be circulated to members prior to publication.	22/09/2021	Sep-21	Martin Walker	Gayle Fitzpatrick	Complete	Yes	Amendments made and documents shared via e-mail 23/09/21.
ASB152	Board	23	2022/23 Draft budget proposal	Elma Murray and Diane McGiffen to discuss Accounts Commission engagement on the budget development.	22/09/2021	Oct-21	Diane McGiffen	Diane McGiffen	Ongoing	Yes	Discussion scheduled on 18 November and a verbal update will be provided at today's meeting.
ASB153	Board	23	2022/23 Draft budget proposal	A further report with the draft Budget proposal to be scheduled for the Board.	22/09/2021	Nov-21	Stuart Dennis	Stuart Dennis	Complete	Yes	Budget proposal report on the agenda for today's meeting.
ASB154	Board	25	Discussion paper - Future funding and fee arrangements	A discussion on strategic financial planning to be scheduled in November 2021.	22/09/2021	Nov-21	Diane McGiffen	Stuart Dennis	Complete	Yes	Strategic workshop discussion took place on 09/11/21.
ASB155	Board	11	Strategic Improvement Programme update	A discussion to consider Accounts Commission input on the Public Audit in Scotland workstream.	22/11/2021	Dec-21	Martin Walker	Martin Walker	Complete	Yes	A meeting was held on 7 December 2021 and the project scope and timeline is being developed.
ASB156	Board	12	Q2 Financial performance report	Stuart Dennis and Elma Murray to discuss an update for the Accounts Commission Financial Audit Assurance Committee meeting on Thursday 24 November.	22/11/2021	Nov-21	Stuart Dennis	Stuart Dennis	Complete	Yes	Stuart Dennis provided an updated to the Accounts Commission Financial Audit Assurance Committee meeting on Thursday 24 November 2021.
ASB157	Board	17	2022/23 Budget proposal	The 2022/23 Budget proposal to be submitted to the SCPA.	22/11/2021	Dec-21	Martin Walker	Martin Walker	Complete	Yes	Audit Scotland's 2022/23 Budget proposal was submitted and considered by the SCPA on 21 December 2021. A verbal update will be provided at item 11 of today's agenda.
ASB158	Board	18	2021/22 Spring Budget Revision	The 2021/22 Spring Budget revision proposal to be submitted to the SCPA.	22/11/2021	Dec-21	Martin Walker	Martin Walker	Complete	Yes	Audit Scotland's 2021/22 Spring Budget proposal was submitted and considered by the SCPA on 21 December 2021. A verbal update will be provided at item 11 of today's agenda.
ASB159	Board	21	Environment, Sustainability and Biodiversity Annual Report 2020/21	Information on how Audit Scotland calculates home working emissions to be shared with members.	22/11/2021	Jan-22	Graeme Greenhill / Ian Metcalfe	Graeme Greenhill / Ian Metcalfe	Complete	Yes	Information shared by email with members on 19/01/22.
ASB160	Board	12	Our Purpose - Workstream update	A Board meeting to be scheduled for discussion and formal approval.	26/01/2022	Jun-22	Martin Walker	Martin Walker	Ongoing		Member availability being canvassed for a strategic session to be held in June 2022.
ASB161	Board	16	Building strategic capacity	An update to be scheduled for the Remuneration and Human Resources Committee meeting on 2 March.	26/01/2022	Mar-22	Martin Walker	Martin Walker	Complete	No	A verbal update was provided to Remco on 2 March 2022.

REF	FORUM	Agenda Item No	Item Title	Action Description	Meeting Date	Due Date	Responsible	Assigned to	Complete/Ongoing	Reported Yes/No	Progress Notes
ASB162	Board	17	New audit appointments - verbal update	An update report from the New Audit Appointments Steering Group to be scheduled for the next meeting of the Board.	26/01/2022	Apr-22	Alan Alexander	Alan Alexander	Complete	No	The report at item 22 of today's agenda provides an update.
ASB163	Board	19	Stakeholder engagement update	A further discussion on stakeholder engagement to be scheduled.	26/01/2022	Jun-22	Martin Walker	Martin Walker	Ongoing		Member availability being canvassed for a strategic session to be held in June 2022.

Purpose

1. This report provides an update on Audit Scotland’s response to the Covid-19 pandemic. It summarises the current position and the implications for Audit Scotland as an organisation and for the audit work. The situation remains dynamic, and a verbal update will accompany this report as appropriate.

Background

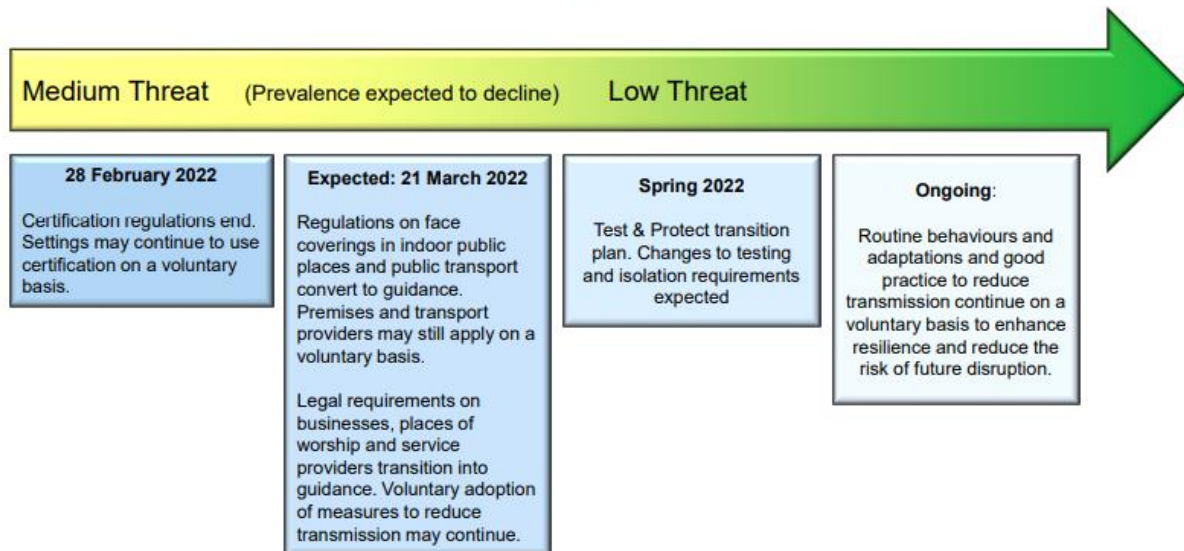
2. The Audit Scotland Board most recently considered a Covid-19 update report at its meeting on 26 January 2022. Board members and Accounts Commission members continue to receive the weekly updates from the Incident Management Team (IMT).
3. Over the course of February and March 2022 the infection rates have remained high and have been rising. While the health impacts have lessened compared to the earlier stages of the pandemic there have been recent increases in the rate of hospitalisations and ICU admissions. As at 25 March 2022, all 32 local authority areas in Scotland had an infection rate of above 800 per 100,000 of the population.
4. On 22 February 2022 the Scottish Government published an updated [Strategic Framework](#). This sets out the proposed approach to managing Covid-19 and its associated harms in the longer-term. The framework covers a broad range of areas including vaccination, testing and surveillance, treatment, the deployment of protective measures, supporting positive behaviours, supporting people at the highest risk, reducing health inequalities and supporting recovery. The strategic framework sets out the revised threat levels and responses (Figure 1 below).

Figure 1: Potential Responses Categories for Future Threat Levels

Assessed Threat	Potential Response Categories (types of protective measure)	
Low threat	Routine Measures: Vigilance, Preparedness and Resilience (no legal measures) <ul style="list-style-type: none"> • High immunity sustained through vaccination programme • Access to effective treatments in line with clinical advice • Behaviours and settings adapted to reduce spread (e.g. improved ventilation, appropriate guidance on face coverings) • Hybrid working when possible and appropriate encouraged • Effective and responsive local outbreak management • Targeted testing and surveillance ongoing • Travel measures may apply (e.g. set by other countries) 	Note: Protective measures would not apply in law but may still be good practice and retained in guidance.
Medium threat	Baseline Protective Measures = Routine plus: <ul style="list-style-type: none"> • Testing guidance in place for people when symptomatic or asymptomatic • Guidance to self isolate when positive in place • Face coverings required in indoor public places and on public transport • Guidance on reasonable measures to reduce risk in premises • Travel measures may apply • Certification required in a narrow range of settings 	Note: Measures would be selected from this response category that were necessary and proportionate – not all may be required at the same time.
High Threat	Targeted Protective Measures = Baseline measures plus: <ul style="list-style-type: none"> • Requirement to work from home where possible • Proportionate restrictions on certain higher risk settings and activities • Protective measures in other higher risk settings . • Guidance to reduce social contacts and increase physical distancing where possible. • International travel requirements and restrictions may apply in relation to some countries. • Certification required in a wider range of settings 	Note: Measures would be selected from this response category that were necessary and proportionate – not all may be required at the same time.
(E.g. variant with significant immune escape that increases disease severity)	Extensive Protective Measures = Baseline and targeted measures plus: <ul style="list-style-type: none"> • Potential closure (or limited opening) of further non-essential settings and services • Legal limits on social gatherings and events. 	Note: ‘Extensive protective measures’ will only ever be considered as a last resort in the most serious of circumstances

5. The framework also sets out the proposed schedule for changing legal requirements and guidance (Figure 2)

Figure 2: Plans for changing legal requirements to guidance and good practice



6. Supporting guidance has also been updated in recent weeks including the ‘[guidance on offices](#)’ and the ‘[Safer businesses and workplaces](#)’ guidance.
7. On 15 March 2022 the First Minister [announced](#) that, with effect from 21 March 2022:
- some legal Covid-19 requirements would be lifted and replaced by advice to encourage everyone to remain vigilant
 - face coverings (unless exempt) would still be required in most indoor public spaces and on public transport. The face covering requirements are to be reviewed on 4 April 2022.

Organisational implications and responses

8. In light of the status of the pandemic and the framework and guidance referenced above we moved into Phase Four of our workplaces plan on 7 March 2022. This provides for hybrid working in Audit Scotland offices, on site work and site visits as was the case in Phase Three. Phase Four also saw us move from two metre social distancing rule to a ‘one metre rule’. This provides for greater capacity in the Audit Scotland offices.

Our people

9. From the start of the pandemic, we have prioritised the health, safety and wellbeing of our colleagues. This continues to be a key priority. We have worked hard to support colleagues who are currently all dispersed, working from home and juggling sometimes quite difficult home and work responsibilities. This support has taken a variety of forms, including regular communications and engagement, advice and guidance, access to systems and the provision of digital and office equipment.
10. Since the last update:
- In the week ending 25 March 2022 fewer than five colleagues had recorded illness due to Covid-19.

- The HR team are organising a long Covid employee network support group following feedback from others who have returned to work and who are still struggling with some symptoms. This may also support those who have family members or colleagues recovering from the virus.
- Based on the national vaccination statistics as of 24 March 2022 we estimate that 88% of colleagues may have received their first dose, 84% their second and 70% their booster/third jab.
- An analysis of the time logged by colleagues to the C-19 business continuity time recording codes to the end of February 2022 tells us that 2,942 days have been logged to this code since the start of the pandemic in March 2020. This equates to approximately 13 FTE over the 23-month period.

New ways of working

11. We have adopted a principles-based approach to date, focussing on:

- wellbeing and safety
- effectiveness
- equity and inclusion
- sustainability.

12. We will continue to use these principles to guide our thinking.

13. On 15 February 2022 Management Team considered a report on [hybrid working and accessing our workplaces](#). This set out some of the key principles and practical implications of hybrid working.

14. We concluded that effective hybrid working needs to strike a good balance between the needs and aspirations of:

- colleagues (individuals, teams, managers and line reports)
- the organisation as a whole
- clients and stakeholders.

15. We have adopted the following in relation to Phase Four:

- *Purpose* – Hybrid working is how we will achieve an efficient and effective balance between the needs of colleagues (as individuals and teams), the organisation, our clients and stakeholders.
- *Position* – Phase Four sees the social distancing requirement change from two metres to one metre – this would be consistent with what is currently in place at the Scottish Government and retains the principle of caution, while offering more flexibility by increasing capacity.
- *Position* – No one will be compelled to attend the office of a meeting/event where this is detrimental to their health, safety or wellbeing.

- *Practice* – All meetings should be ‘Teams enabled’ to allow colleagues to attend and participate from another location (home or office).
- *Practice* – Retain the requirement for temperature checking and face covering when in common areas and moving around the office, subject to developing external guidance.
- *Practice* – Encourage any colleagues whose home working environment has changed in recent months to undertake a new DSE assessment to check that their set up remains fit for purpose. (All new starts undertake one of these as part of the onboarding process). We may also recommend periodic assessment as a matter of course.

Colleague engagement

16. Over the course of the pandemic, we have undertaken a broad range of engagement and communication with colleagues. This has included pulse surveys, working preference surveys, drop-in sessions with members of Management Team, team meetings and weekly communications from the IMT. This provides a rich source of information to inform the development of our new ways of working.
17. The most recent ‘pulse survey’ took place at the end of February 2022. Colleagues rated how they were feeling as 5.5 on a scale of one to ten (this is the same as the previous survey). Colleagues also rated the Covid secure measures in place in the Audit Scotland Offices as 8.7/10. We will be running the next ‘How we work’ drop-in session on 4 April 2022.
18. The annual Best Companies survey concluded on 11 March 2022 and the results, while not covering Covid-19 directly, provide us with a valuable insight into how our colleagues are feeling. The high-level results indicate that while we have retained ‘one star status’ (a very good company to work for), wellbeing has fallen over the course of the last year. The survey results are the subject of a separate report on today’s agenda at item 15.
19. As we moved into Phase Four we updated our guidance and the accessing our workplaces [hub](#).
20. We have a hybrid working group in place which has been developing a broad range of communications, guidance and support resources including:
 - Adoption and promotion of the Distance Aware scheme.
 - Promotion of the Safer Travel guidance.
 - A how we work hub – for hybrid working related resources and guidance.
 - Guidance for managers on subjects including hybrid working, inclusion and managing performance.
 - Drop-in sessions on hybrid working which will be taking place in April.
 - Communications in relation to the above.
21. As we operate under Phase Four and consider future phases, we will continue to learn from the practical implications of hybrid working in practice. This will continue to be an iterative process and be informed by action learning. The situation remains dynamic, and we will need to continue to use a flexible approach as new ways of working develop.

- 22. We are also planning to consider the implications of hybrid working on our policies and procedures and the longer-term consequences on terms and conditions.
- 23. We will continue to engage with a range of stakeholders and in particular the People Focus Group, the Partnership Forum and PCS.

Digital and office equipment

- 24. We continue to support people with home working. Colleagues have been provided with laptops which can be used both remotely and when people access the offices. All colleagues have access to Audit Scotland laptops.
- 25. We have also issued 363 items of digital equipment to colleagues. These items have mainly been screens, keyboards and mice. The total cost to date has been £32K, an average of £88 per colleague who has needed equipment.
- 26. We have also issued 312 items of office equipment to colleagues. These items have included desks, chairs, footrests and some items have been issued from existing stock in the offices. The number of requests received each week is now down to one or two items per week and these are for new starts. The total cost to date has been £21K, an average of £67 per person who has needed equipment.

Financial management

- 27. We continue to monitor the financial situation very closely with senior leadership being regularly updated on year-end projections based on different scenarios.
- 28. The third quarter outturn is the subject of a separate report on today's agenda at item 13.
- 29. At the end of the third quarter Audit Scotland's Net Operating Expenditure of £6,311k was £234k (3.6%) better than budget. In-house fee income was £93k (1.5%) worse than budget and the net position on audits carried out by external firms was £97k (19.4%) better than budget. Other income, expenditure on staff and administration costs were £230k (1.3%) better than budget.
- 30. In terms of the current cash flow position, we invoiced the final fee instalment for the 2020/21 chargeable audits in September 2021. This totalled £6.5 million and did not include the further education (FE) sector. The outstanding balance is currently £28k and this is being chased for payment. In December 2021 the first instalment invoice for the 2021/22 chargeable audits was issued, totalling £6.3 million. The current outstanding balance is £830k and we expect this position to improve by 31 March 2022.
- 31. On 23 February 2022 members of the Board and Audit Scotland colleagues attended a Business Planning session hosted by the Scottish Commission for Public Audit. Audit Scotland's audit and organisational response to the pandemic featured prominently in discussions and a further session is being arranged, most likely in June 2022.

Audit implications and responses

- 32. Over the course of the pandemic, we have prioritised our statutory audit obligations and, in consultation with the Auditor General for Scotland and the Accounts Commission, adjusted the focus and timescales for the audit work where we have more discretion. We have also been clear that we will do what is achievable, but that we cannot guarantee all deadlines can be met. This is due to the disruption in audited bodies as well as Audit Scotland. We

have also been clear that, while timescales may change, audit quality remains a priority and is even more important at times of significant disruption.

Financial audits 2020/21

33. The submission deadlines and progress on the 2020/21 audits as of 29 March 2022 is summarised below:

Sector	Pre pandemic deadline	New deadline	Completion to date
Health	30/06/21	30/09/21	100%
Central Government – Agencies and Scottish Water	30/06/21	30/09/21	100%
Central Government – NDPBs and similar	31/10/21	31/10/21	
Local Government	30/09/21	30/11/21	99%
Colleges	31/12/21	31/12/21	95%

Covid-19 audit work

34. Since the last update in January, the Auditor General for Scotland/Accounts Commission/Audit Scotland have published further reports which directly consider or make connections to the pandemic:

- a report on [skills investment](#) (January 2022)
- a briefing on the sustainability of [social care](#) (January 2022)
- the [NHS overview report](#) (February 2022)
- financial [overview of Local Government](#) (March 2022)
- an update on the [Scottish Government's R100 programme](#) (broadband) (March 2022)
- a briefing on [Supporting businesses through the Covid-19 pandemic](#) (March 2022).

35. These, along with all of our audit reports, are published on the Audit Scotland [website](#).

36. Future publications in the coming months include:

- the Local Government Overview report (May)
- Social Security performance audit (May)
- Scotland's financial response to Covid-19 (June).

Recommendations

37. The Board is invited to:

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

Purpose

1. This report provides the Board with an update on the Strategic Improvement Programme (SIP).

Background

2. The Audit Scotland Board approved the Strategic Improvement Programme (SIP) at its meeting on 25 November 2020. The key objectives of the SIP are to:
 - drive our organisational transformation and improvement over the next 18 months
 - provide a bridge between the ‘recovery phase’ and our new longer-term operating model
 - assure and inspire our colleagues
 - ensure we deliver on our core commitments on audit (quality, focus, methodology and value added)
 - ensure we deliver on our commitments on how we run the organisation – being people focused by prioritising the health, safety, wellbeing and development of our people, and by being innovative and efficient.
3. The Audit Scotland Board most recently considered an update [report](#) on the SIP at its meeting on 22 November 2021.

Summary

4. We are making good progress on what is an extensive improvement programme.
5. Since the previous update we have reached significant milestones in some key projects:
 - The New Audit Appointments project – where the procurement process is now complete and the audit appointments are being finalised.
 - Building capacity – where recruitment is under way to implement phase two (specialist and support capacity) and phase three (strategic capacity).
 - Business management system – where the new payroll and HR system went live in February.
6. This progress is being made against a backdrop of significant change both within and outside the organisation. The Covid-19 pandemic continues to impact on how we work and has shaped some aspects of the improvement programme. We are also in a period of significant change in terms of the strategic leadership of the organisation and we will want to review the focus and content of the programme to reflect this and the strategic focus and priorities of the Auditor General for Scotland and the Accounts Commission.

7. The sections below provide an update on progress in key areas of the SIP since the last update report. A detailed list of the projects in the programme is attached at Appendix 1 for completeness.

Delivering world class audit – What we do

8. The refreshed **dynamic work programme** was published in May 2021. A broad range of reports, briefings and blogs have been published since then and these are detailed in the quarter three performance report which is on the agenda for today's meeting of the Board at item 14. The programme is reviewed and updated on a quarterly basis and the most recent update report was considered by the Auditor General for Scotland (AGS) and the Accounts Commission (AC) in March 2022.
9. The **New Audit Appointments (NAA)** project reached a significant milestone in March 2022 with the approval of the provisional audit appointments by the AGS and AC. This is the culmination of a significant programme of work by the NAA Steering Group and the NAA team. The procurement process has been the subject of an [audit](#) by BDO which provided substantial assurance in terms of both design and operational effectiveness.
10. We have written to the relevant firms to advise of their proposed portfolios to confirm that there are no conflicts of interest that would make an appointment inappropriate. We have also written to each audited body to inform them of their proposed auditor and to confirm that there are no conflicts that they know of that would make the appointment inappropriate.
11. The next steps are to amend portfolios if necessary and present final portfolios for approval by the Auditor General for Scotland and the Accounts Commission. The new audit appointments take effect from October 2022.
12. We are continuing to develop our **audit methodology**:
- **Financial audit approach** – The new Audit Planning Tool and the ISA 315 concepts regarding risk assessment have now been rolled out and are being applied in the 2021/22 audits. The development of the new IT audit approach under the revised ISA 315 is in progress and is being piloted, this will be rolled out to the 2022/23 audits. Audit Services Group (ASG) Management Team has agreed that the revised controls approach and the baseline testing pilot should be rescheduled to 2022/23 with a view to rolling out the revised approach to the 2023/24 audits. This approach releases resources to support the ASG recovery plan.
 - **Best Value (BV) in councils** – The proposed approach to scheduling the programme was approved by the Accounts Commission in January 2022. The Controller of Audit's [Annual Assurance and Risks Report](#) was considered by the Accounts Commission at its meeting on 10 March 2022. At that meeting the Commission discussed the proposals for the coverage of the 2022/23 BV thematic work in councils. This will be discussed further at the Commission's strategy seminar in March and will be reflected in the 2022/23 planning guidance.
 - **Best Value in Integration Joint Boards (IJBs)** – The Best Value Working Group (BVWG) considered the second pilot report in December 2021. The BVWG is also considering the implications of the establishment of National Care Services (NCS) with a view to making proposals to the Accounts Commission in May.
13. **Audit Quality** – The Quality Assurance programme included a 15-point action plan, 11 of which have been completed. The internal cold reviews commenced in January 2022; this

programme is in addition to the external cold reviews undertaken by ICAS. Both programmes are expected to be completed by 31 March 2022. The annual survey on quality undertaken by an external firm has concluded. All of these will inform the annual Audit Scotland Transparency Report and the Quality of Public Audit in Scotland report which will be published in June 2022.

14. In March 2022 the Audit Committee considered an internal audit [report](#) by BDO which provided substantial assurance on audit quality and delivery in terms of design and operational effectiveness.
15. **International Standards on Quality Management (ISQM)** – On 22 February 2022 Management Team approved the [scope](#) and approach for the ISQM1 project. The seven workstreams have been making good progress, these include with colleagues from across all of the business groups. The workstreams include a gap analysis of our current arrangements with the new standard and the objective is to use this to inform any revisions to policies, procedures and practices. The project will be completed by December 2022.
16. **Digital audit strategy** – The Asc digital audit tool is being rolled out to colleagues accompanied by training sessions. Phase two of the Northern Ireland Audit Office (NIAO)-led Small Business Research Initiative project closed in March 2022 and a business case for longer-term infrastructure is being developed. Working groups have been established to develop the long-term solutions for the audit planning tool and key systems mapper. In terms of IT digital auditing, the team have begun the audit approach pilots, prior to a full roll-out in 2022/23. The digital auditing team are also planning on providing more in-depth sessions around this workstream for the Board and the Accounts Commission in June 2022.
17. **Electronic Working Papers (EWP)** – Management Team considered an update report on this project at its meeting on 15 March 2022. It agreed that some rescheduling may be required due to capacity constraints and we are currently exploring the option of securing time limited external consultancy capacity to support this project.
18. **Diversity and Equalities** – The Audit Scotland Annual diversity report was [published](#) on 12 November 2021. We have also been working with Business in the Community (BITC) who have been undertaking a holistic review of our approach to equalities and diversity. This review has looked at our policies, procedures and culture across the organisation. The results of the review were considered by the Remuneration and Human Resources Committee in March 2022 and an action plan is being developed.
19. The Human Rights Based Approach organisational self-assessment exercises results are currently being collated. The team are also capturing evidence of equalities in audit work supported by discussions held in ASG in February 2022. The refresh of the Audit Management Framework will begin in April 2022 and an internal interim mainstreaming report will be completed in April/May 2022.
20. **Auditing climate change** – We published a [baseline summary review](#) in March 2022, which summarises the published recommendations. The published reports contain a range of recommendations for public and private sector bodies, policy makers and citizens. We focused the review on the key themes and improvement actions for the public sector in Scotland as they will inform the targeting of our future programme of climate change related audit work.
21. On 1 March 2022 Management Team considered a [report](#) from the climate change team. This summarised the work done to date including awareness raising at ASG Superteam and Performance Audit and Best Value (PABV) cluster meetings; engagement with the other UK

audit agencies, the Scottish Government and COSLA; forthcoming publications from the Accounts Commission (August 2022), the Auditor General for Scotland (later in 2022) and a joint report with the other UK audit agencies; and consideration on how climate change will feature in the work programme for 2023. Management Team also invited the group to develop a proposal/business case setting out options for the scope and resources required for auditing climate change.

Being a world class organisation – How we work

22. **Hybrid working and our workplaces** – On 15 February 2022 Management Team considered a [report](#) on hybrid working and our workplaces. This included a review of our organisational arrangements with reference to all of the most recent guidance and the principles and practical implications of hybrid working. The report also set out the next steps in terms of site visits and on-site working.
23. We moved to Phase Four of our workplaces plan with effect from 7 March 2022. This provides for greater hybrid working and adopts a one metre social distancing rule which increases our desk and meeting room capacity in the offices. We have set up a ‘developing hybrid working’ working group with representatives from across the business groups, updated the office guides, updated guidance for visitors and contractors and we are promoting guidance around the distance aware and safer travel schemes. We are also providing guidance/ resources for managers and colleagues on hybrid working. More information is available in the Covid-19 update report which is on the agenda for today’s meeting of the Board at item 10.
24. **People Strategy** – We provided an update on the elements of people strategy for the Remuneration and Human Resources Committee at its meeting on 2 March 2022. We are currently updating our workforce plan in parallel with the ongoing development of the medium term financial plan.
25. The annual Best Companies employee engagement survey is now complete and the high-level results are on the agenda for today’s meeting of the Board at item 15.
26. **Learning and development** – We have a broad range of learning and development opportunities and resources in place and the quarter three performance report provides details of the courses run recently. We are also currently piloting a leadership insights programme with managers which provides access to short summaries on a range of topics and links to additional resources.
27. **Building capacity** – The second phase of the building capacity project focused on building capacity in some specialist and support services and on investing in improvement. Under phase two we have made 11 external appointments to date and eight recruitment campaigns are currently live. As at the end of quarter three the HR team and business groups have filled 16 internal vacancies and 43 external vacancies since the beginning of 2021/22.
28. The third phase focuses on building strategic capacity. The Board agreed the new senior management structure at its meeting on 26 January 2022 and the recruitment process for the roles of Chief Operating Officer and the Executive Director positions for Audit Services, Performance Audit and Best Value and Innovation and Quality are live. Interviews for these roles will take place in April and May 2022.
29. **One Organisation deployment** – We held a number of workshops facilitated by external consultants over the period February to March. The project team provided a report to the

SIP Programme Board on 29 March 2022 which set out a series of proposals on the principles for effective one organisation working, the conditions for its success and drafts of an action plan and an engagement plan. The Programme Board agreed the direction of travel and the project team are now refining the implementation plan.

- 30. Medium term financial plan** – The Board held a strategic planning workshop session on 9 November 2021 and a further strategic planning session is taking place in June. This will inform the 2022/23 budget process, longer-term budgeting and fees and funding considerations and the planned business planning day with the Scottish Commission for Public Audit in June 2022. The 2022/23 budget is the subject of a report on today's agenda at item 12.
- 31. Estate strategy** – This project is being undertaken to ensure we have an estate that meets longer-term organisation and operational requirements while demonstrating value for money. The SIP Programme Board approved the [scope and project approach](#) at its meeting on 18 January 2022. We have secured professional external consultancy services to support this project and we expect options to be available in May 2022.
- 32. Business Management System** – The new HR and payroll system went live in February 2022. The project team are still working on ironing out some minor outstanding issues before moving onto other modules available in the system. All being well, we anticipate the Learning Management and Recruitment modules to be live by the end of 2022.
- 33. Digital Strategy** – The Digital Services team has been particularly focused on mitigating the cyber security threats and the Audit Committee considered a [detailed digital security update](#) at its meeting on 2 March 2022. We published the [first year review of the strategy](#) on SharePoint on 10 March 2022. We have completed the deployment of Audit Scotland secure laptops to all colleagues, provided equipment to support working from home and equipped our offices to support hybrid working. We have also continued to improve our server and networking infrastructure as well as delivering software upgrades to key systems.

Our purpose

- 34. The Business Plans** were finalised and considered by Management Team on 11 January 2022.
- 35.** The project has been engaging with Leadership Group on a range of areas including the external and internal operating environments (using PESTLE and SWOT analyses respectively) and with the Auditor General for Scotland and the Accounts Commission. This engagement will inform the suite of strategic documents and plans covered by this workstream.
- 36.** The project team are also currently reworking the overall project plan and have proposed that we develop an interim **corporate plan** for 2022-23 based on the Strategic Improvement Programme. This will be finalised by the summer.
- 37.** The team are also reviewing the timelines and approach for reviewing **Public Audit in Scotland** and the supporting **Partnership Working Framework** to reflect the current and emerging priorities for the Auditor General for Scotland and the Accounts Commission.




Programme communications and engagement

- 38. Audit Scotland 2021: Shaping our future** was launched on 1 June 2021 as a virtual alternative to the Audit Scotland annual staff conference, which was prohibited due to the restrictions in place during 2021 in response to the Covid-19 pandemic. The primary objective of the programme was to deliver a diverse and ambitious programme of events and activities that would engage different audiences across the business, on topics relevant to their work, and also create opportunities to bring all colleagues together to consider the external environment in which Audit Scotland operates.
- 39.** The Audit Scotland 2021 programme concluded on Tuesday 25 January 2022, having delivered:
- Five *Keynote events* hosted by members of our Management Team and featuring 11 guests as either chairs or panellists. The final Keynote was a joint session with the four Auditors General of the UK, open to all colleagues across the respective audit agencies. This was a first for Audit Scotland and our Public Audit Forum partners.
 - Thirty-two *Insight events* featuring 25 contributors from outwith Audit Scotland, either as guest speakers, panellists or service providers. These events were supported by 20 colleagues and two members of the Accounts Commission.
 - Fourteen *Perspectives* by colleagues, the Auditor General for Scotland and members of the Accounts Commission. This took the form of blogs, quizzes and videos. Podcasts were also recorded during Audit Scotland 2021 and we have published podcasts as part of the Digital Audit project.
- 40.** Feedback on the programme has been very positive.
- 41.** Management Team considered a [review report](#) at its meeting on 8 March 2022 and the report also included options and proposals for the 2022 programme.
- 42.** The [Our Plan SharePoint site](#) continues to be updated as appropriate to provide colleagues with information on the programme.

Programme governance and reporting

- 43.** The SIP Programme Board is responsible for the oversight and delivery of the Strategic Improvement Programme and is comprised of members of Management Team.
- 44.** The SIP Programme Board met most recently on 29 March 2022. At that meeting it considered update reports on the programme overall, the approach to digital auditing, the Our Purpose workstream and the One Organisational Working project.
- 45.** SIP related business also takes place at Management Team to ensure that timely progress is being made and project reports and updates feature regularly on the Management Team agenda.
- 46.** The Board is invited to note the progress update on the SIP and next steps.

SIP Project summary

 What we do	 How we work	 Our purpose
<ul style="list-style-type: none"> • Dynamic work programme • Code of Audit Practice • New audit appointments • Audit approach (including financial audit approach, BV in LG, BV in IJBs, less complex bodies, following the pandemic pound and auditing climate change) • Digital Audit • Audit quality action plan • Electronic working papers • Diversity & equality • Parliamentary engagement 	<ul style="list-style-type: none"> • People strategy (inc workforce plan and learning and development offer) • Building capacity • One organisational deployment • Medium term financial strategy (including fees and funding) • Our workplaces (Covid-secure and longer-term office strategy) • Digital services strategy • Business Management System • Green future • Shaping our future (Audit Scotland 2021) engagement 	<ul style="list-style-type: none"> • Public audit in Scotland • Partnership Framework • Corporate Plan • Business Plans • ISQM

Purpose

1. The purpose of this report is to obtain approval of Audit Scotland's operational budget for 2022/23.

Background

2. Preparation of Audit Scotland's 2022/23 Scottish Commission for Public Audit (SCPA) budget submission commenced in the summer of 2021 with the SCPA taking evidence on our financial plans at a session held on 22 December 2021.
3. The SCPA recommended that the Scottish Parliament approve our budget proposal and this has been incorporated within the 2022/23 Scottish Budget Bill.
4. Appendix 1 details the approved Net expenditure budget proposal compared to the operational budget requiring approval by the Board.
5. The proposed operational budget for 2022/23 is based on the overall net expenditure requirement remaining the same. An adjustment has been made to Rent and Rates to cover the uplift in West Port rent following the outcome of a review as per the terms of the lease. This has been funded from the management contingency budget.
6. Further budget adjustments are expected in the financial year as we incorporate the impact of the new firms' contract award and the recruitment of senior management positions. The Board will be advised of these adjustments as part of the quarterly financial monitoring arrangements.

Net expenditure requirement

7. The net expenditure requirement of £11,387k is a cash increase of £573k from the 2021/22 budget.
8. People costs represent 70% of our expenditure budget and the budget requirement in 2022/23 is an increase of £422k. Our proposal provides for increases to meet annual pay growth, employer pension contributions, employer NI increases and additional staffing for new financial powers work. The additional funding approved in 2021/22 continues with the £500k management contingency transferring back to other expenditure.
9. Fees and expenses paid to external firms have been based on the current contract model as the majority of expenditure and income recognised in 2022/23 will relate to work delivered under the final year of this contractual arrangement (completion of 2021/22 audit year). The new contract and appointments will have an impact on expenditure and fees. On final approval of the new appointments a forecast projection of the budgetary impact on payments to firms and fees will be prepared with a view to identifying any budget adjustments that need to take place during the financial year to reflect the new arrangements.

10. Other expenditure has increased by £662k with the main changes being the transfer of the £500k management contingency budget from people costs and the inclusion of £220k for the costs associated with the biennial National Fraud Initiative exercise.
11. The fees budget for the financial year has increased by 2.5% with the average fee increase for 2021/22 audits increasing by 2% from 2020/21 fees.

Capital requirement

12. The capital budget for 2022/23 is £250k.
13. The investment will continue to support our digital strategy and office re-configuration to meet health and safety guidelines as we develop a future hybrid operating model.

2022/23 uncertainties

14. The budget proposal was developed in the context of significant uncertainties, which included:
 - the resources required to deliver public audit in Scotland to enable a full recovery from the pandemic and development of a future operating model
 - timing of budget statements from the UK and Scottish Government
 - impact of public sector pay policy with initial negotiations having commenced with staff representatives on a proposed pay policy for 2022/23. Any significant deviation from the pay award assumptions in the budget will need to be assessed from an affordability perspective
 - outcome of firms' procurement exercise
 - timing of the implementation of the remaining financial aspects of the Scotland Act 2016
 - the cost of goods/services now that the UK has left the European Union and
 - financial assumptions used to estimate International Accounting Standard 19 (IAS 19) defined benefit pension costs and future employer pension contributions.
15. The 2022/23 budget settlement provides assurance that we can meet our breakeven obligation. However, the expected long-term economic impact of the pandemic will lead to significant pressures on public finances and we will need to develop financial strategies to address future potential issues, which include:
 - fees and funding model
 - resourcing pressures
 - pay awards
 - changes to public sector landscape in Scotland
 - inflationary pressures

- EAFA replacement and
- pension fund pressures.

Recommendation

16. The Board is requested to:

- approve the 2022/23 operational budget based on the information provided in Appendix 1
- note that any in-year budget adjustments will be scrutinised as part of the quarterly financial monitoring process.

Appendix 1

AUDIT SCOTLAND

NET EXPENDITURE STATEMENT

	Actual		Approved	Approved	Operational
	2019-20	2020-21	2021-22 Budget	2022-23 Budget	2022-23 Budget
	£k	£k	£k	£k	£k
People Costs					
Salaries and temporary staff	13,178	13,854	16,146	16,016	16,016
Employers on costs	3,852	4,162	4,415	4,993	4,993
Pension adjustments	4,871	2,297	126	100	100
	21,901	20,313	20,687	21,109	21,109
Accounts Commission members	171	151	165	165	165
Total people costs	22,072	20,464	20,852	21,274	21,274
Fees and expenses paid to external firms	4,549	5,237	4,554	4,520	4,520
Other operating expenditure					
Rent & Rates	507	730	535	527	612
Other accommodation Costs	436	377	449	434	434
Travel & Subsistence	823	364	707	539	539
Legal & Professional Fees	623	683	590	840	840
Stationery & printing	127	60	129	109	109
Training & organisational development	457	356	483	502	502
Staff recruitment	114	164	138	138	138
Communications (telephone, postage)	49	41	41	40	40
Insurance	75	78	84	85	85
Information technology	501	566	496	526	526
Internal Audit	31	28	30	30	30
External Audit - financial statements	29	31	30	30	30
Other	137	111	154	667	582
Depreciation	356	333	279	340	340
Total other operating expenditure	4,265	3,922	4,145	4,807	4,807
TOTAL OPERATING EXPENDITURE	30,886	29,623	29,551	30,601	30,601
Corporation Tax payable	1	0	0	0	0
Income					
Fees and charges payable	18,597	17,831	18,737	19,214	19,214
Bank Interest	5	1	0	0	0
Miscellaneous income	30	1	0	0	0
Other finance income - pensions related	-924	-768	0	0	0
TOTAL	17,708	17,065	18,737	19,214	19,214
NET EXPENDITURE AFTER TAX	13,179	12,558	10,814	11,387	11,387

Q3 Financial performance report

Corporate Finance Manager

Item 13
Meeting date: 5 April 2022

Purpose

1. This report presents the financial results for the nine months to 31 December 2021.

Background

2. The detailed finance performance report for the nine months to 31 December 2021 is provided in Appendix 1 to this paper.

Discussion

3. At the end of the third quarter of the 2021/22 financial year Audit Scotland's Net Operating Expenditure was £6,311k, which was £234k (3.6%) less than budget.
4. In-house income audits were in total £93k (1.5%) less than budget. Audit year 2020-21 has a minor negative volume variance of £24k (0.12%) and a positive price variance of £25k. Work on 2021-22 audits has commenced and they are currently £94k (0.85%) behind plan.
5. Fee income earned for audits carried out by external firms net of fees and expenses paid to the firms was £97k better than budget. Income recognition was £137k worse than budget with fees and expenses payable to the external firms being £234k less than budget. The savings in expenditure is due to reduced travel and expenses.
6. Staff costs including agency expenditure was £155k (1.1%) less than budget.
7. Other expenditure was £64k (2.4%) better than budget. The main positive variances were recorded in legal, professional and consultancy (£61k); travel and subsistence (£45k); property costs (£40k); and training (£33k). The main adverse variances appear in information technology (£97k) and depreciation (£26k).
8. The detailed variance analysis and explanation is provided in Appendix 1 attached to this report. Appendix 1 also includes a section on the allocation of management contingency and the key financial risks.

Virement

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

Recommendation

10. The Board is invited to note the financial results for the nine months to 31 December 2021.

Headline Results

The summary financial position to 31 December 2021:

£000	Annual Budget	Actual	Budget	Var.	% Var.	Prior Year	Note
Fee Income - In House	7,975	5,914	6,007	(93)	-1.5%	5,308	1
Fee Income - Audit Firms	5,118	4,072	4,209	(137)	-3.3%	3,815	2
Central Charges	5,644	4,233	4,233	0	0.0%	4,235	
Rebate	0	0	0	0	-	0	
Interest	0	0	0	0	-	1	
Other Income	0	11	0	11	-	1	
IAS 19 Income	0	0	0	0	-	0	
TOTAL INCOME	18,737	14,230	14,449	(219)	-1.5%	13,360	
Approved auditors	4,553	3,475	3,709	234	6.3%	3,331	2
Staff salaries and oncosts	19,903	14,351	14,558	207	1.4%	13,183	3
Payroll provisions incl. severance	233	0	0	0	-	0	
Agency and secondment costs	75	117	65	(52)	-80.0%	253	3
IAS 19 Pension costs	100	0	0	0	-	0	
Property costs	984	612	652	40	6.1%	634	
Travel and subsistence	719	235	280	45	16.1%	258	4
Legal, professional and consultancy	733	346	407	61	15.0%	382	5
Training	483	339	372	33	8.9%	288	6
Recruitment	138	101	115	14	12.2%	101	6
Printing and office costs	236	164	154	(10)	-6.5%	127	
Information technology	522	480	383	(97)	-25.3%	423	7
Audit	60	49	45	(4)	-8.9%	46	
Depreciation	279	236	210	(26)	-12.4%	256	8
Other costs	533	36	44	8	18.2%	32	9
EXPENDITURE	29,551	20,541	20,994	453	2.2%	19,314	
NET OPERATING (EXPENDITURE)	(10,814)	(6,311)	(6,545)	234	3.6%	(5,954)	

Funded by Scottish Consolidated Fund	10,814	6,311	6,545	(234)	5,954
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Income and Expenditure Summary

1. Fee Income – In House

Variances arise in fee income as a result of volume and price differences. Volume variances occur when audit work is carried out at different times and/or durations than planned. Price variances reflect the difference in actual fees to expected fees originally budgeted and is based on additional work undertaken and agreed with the audited body.

The table below shows the performance by sector as at 31 December 2021 for in-house audits:

Sector	2020/21 Audit Year			2021/22 Audit Year			Prior Years	Total
	Volume		Price	Volume		Price		
	WIP %	£	£	WIP %	£	£		
Local Government	-0.51	-24	+77	-1.16	-54	-	-	-1
Health	-	-	+18	-2.26	-35	-	-	-17
FE	-	-	-	-	-	-	-	-
Central Government	-	-	-44	-0.43	-5	-	-	-49
Non-statutory	-	-	-26	-	-	-	-	-26
Total Dec 21	0.12	24	+25	0.85	94			93

Local Government

Local Government audits are 0.51% behind budget leading to an adverse volume variance of £24k. The positive price variance of £77k is due to increased fees being applied to local government bodies with the most significant increases being applied to Aberdeenshire Council, Angus Council, Clackmannanshire Council, Fife Council, Scottish Borders Council and South Lanarkshire Council. The main reason for the increase in fees is due to the additional audit work required for charitable trust accounts. There is an audit sign off delay for a small number of bodies though it is expected they will all be complete by the end of the financial year. Audit work for 2021-22 has started with the current position being 1.16% behind plan leading to a negative volume variance of £54k.

Health

The 2020-21 health audits are complete with the positive price variance due to an increase in the fee for NHS Tayside and NHS National Services Scotland. The 2021-22 audits have commenced and are currently 2.26% behind plan leading to a negative volume variance of £35k.

Further Education (FE)

ASG undertake 2 FE audits, Dundee & Angus College and Edinburgh College. Both these audits are complete meeting our target deadline of the end of December.

Central Government

Central Government chargeable audits are complete with the negative price variance due to the agreed fee for a new body, South of Scotland Enterprise, being less than

the original expected fee. 2021-22 audit work is slightly behind plan by 0.43% leading to a minor negative variance of £5k.

Non-statutory

The European Agricultural Fund Account (EAFA) audit is on schedule with the negative price variance due to an adjustment in the agreed fee following fee discussions with the National Audit Office on the audit work required. Initial planning for the next audit cycle indicates that the fee level could further reduce by £160k.

2. Fee income and expenditure – Audit Firms

The negative income variance of £137k is reduced by the positive expenditure variance of £234k for approved auditors. Effectively this highlights a net favourable variance of £97k on chargeable audits.

Audit firms can negotiate fee increases within set parameters above expected fees with audited bodies. Primarily increases in fees will relate to increased complexity and additional work undertaken for which the audited body has agreed to pay an additional fee.

The table, below, shows the performance for approved auditors by sector to 31 December 2021:

Sector	2020/21 Audit Year			2021/22 Audit Year			Prior Years	Total
	Volume		Price	Volume		Price		
	WIP %	£	£	WIP %	£	£		
Local Government	-4.65	-136	+149	-0.94	-28	-	-	-15
Health	-	-	+50	-8.74	-94	-	-	-44
Water	-	-	-	-	-	-	-	-
FE	-64.63	-292	+21	-	-	-	+39	-232
Central Government	-12.26	-55	+199	+1.74	+10	-	-	+154
Total Dec 21	10.07	483	+419	2.14	112		+39	137

Local Government

Audits on the local government sector are 4.65% behind estimated plan leading to an adverse volume variance of £136k. Audit firms have agreed fees above expected fees leading to a price variance recognition of £149k with the most significant increases being applied to Aberdeen City Council, Highland Council, City of Edinburgh Council and West Lothian Council. The increases relate to charitable trust audit work as well as additional risk management and assurance work. There is also a 0.94% negative volume variance on 2021-22 audit work.

Health

Health audits for 2020-21 are complete with the £50k price variance arising from agreed fees being higher than expected. The main increases being applied to Public Health Scotland and NHS Lothian. 2021-22 audit work is 8.74% behind plan leading to a volume variance of £94k.

Water

The 2020-21 audit is complete.

Further Education (FE)

Progress on 2020-21 audits is 64.63% behind schedule leading to a negative volume variance of £292k which is being reduced by a positive price variance of £21k. It is expected that all audits will be complete by the end of March 2022. The prior year audit income of £39k relates to the final agreed settlement fees for completion of the 2019-20 audits with the main increases applying to Inverness College, Lews Castle College, North East Scotland College and Perth College.

Central Government

Central government audits are 12.26% behind schedule leading to a negative volume variance of £55k. The £199k price variance is due a new public sector body, Scottish National Investment Bank, requiring audit for an agreed unplanned fee of £84k and there has also been a number of agreed fee increases for other bodies in the sector. The largest increases relate to Scottish Canals, Bord na Gaidhlig and Commissioner for Ethical Standards in Public Life in Scotland.

3. Staff & Agency Costs

Business Group	Annual Budget £000	Actual £000	Budget £000	Variance £000	Actual Average w.t.e.	Average Budget w.t.e.	Note
ASG staff costs	10,565	7,539	7,640	101	170.7	173.6	a)
ASG agency & secondments	75	75	65	(10)			
PABV staff costs	5,139	3,617	3,837	220	79.6	82.1	b)
PABV agency & secondments	0	0	0	0			
CSG staff costs	2,292	1,805	1,711	(94)	38.5	36.1	c)
CSG agency & secondments	0	42	0	(42)			
Business Support staff costs	755	592	566	(26)	20.0	18.8	d)
Business Support agency & secondments	0	0	0	0			
Governance & Other staff costs	1,485	798	804	6	5.1	5.0	e)
Governance & Other agency & secondments	0	0	0	0			
Total staff costs	20,236	14,351	14,558	207	313.9	315.6	
Total agency & secondments	75	117	65	(52)			

- a) There is an underspend (£101k) year to date with the in-year establishment increase of 22 being funded from the new financial powers budget allocation and the contingency increase approved as part of our 2021/22 budget submission. There will be a further budget allocation from contingency in the final quarter following the successful recruitment of specialist resource requirements.

Agency costs are slightly over budget and it is projected that we will be slightly over budget this financial year. This is a significant reduction from prior years and is due to the increase in our permanent staff numbers to meet audit work demands and implement a recovery plan. Some agency staff charged at the start of the year were successful in applying for permanent positions within Audit Scotland.

- b) PABV underspend is due the staggered start dates in May and June of new staff members following the building capacity recruitment campaign and also some vacancies arising as staff leave Audit Scotland. An additional 6 posts were identified as part of the building capacity programme and in addition to these posts there was also a number of vacant positions that PABV looked to fill as part of the overall recruitment exercise. The next recruitment phase is focussing on further additions to establishment as we look to recruit specialist posts (e.g. digital audit, exchequer) and also aim to fill the current vacancies in established posts.

- c) The average staff resource requirement in CSG has been higher than budgeted w.t.e. due to the provision of cover for maternity leave (2 posts) and a secondment from PABV of a temporary project manager in Audit Quality and Appointments (AQA). The AQA post is being funded from savings generated in professional fees. Additional resources have been approved in Digital Services, Communications and HR (4 w.t.e. in total) to meet increased demand. These posts will be funded through the contingency when the additional costs are incurred.

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

- d) Business support variance is due to the extension of a fixed term contract and the approval for additional resources in Business support as part of phase 2 of the building capacity programme. On appointment of the new posts additional budget will be allocated from contingency to meet the increase in cost with the projected year-end outturn being within the revised budget.
- e) The expenditure in Governance & Other is slightly more than budget as we incurred the additional part month costs in April of the outgoing Director of PABV and Controller of Audit.

4. Travel and subsistence

We are incurring very little travel and subsistence expenditure as we have followed Scottish Government recommended guidance to work from home and deliver audit remotely. The budget for travel and subsistence has been phased in line with expenditure year to date and there will be a large underspend by the end of the financial year as the balance of the budget has been allocated in the final quarter.

The primary reason for the current underspend in this expenditure heading is due to reduced car lease expenditure. The underspend is attributable to mileage credits on return of vehicles to the lessor and members of the scheme leaving/retiring from Audit Scotland with there being no further obligation in respect of the lease car.

5. Legal, professional and consultancy fees

Consultancy and Professional services expenditure currently underspent by £60k. As mentioned in the Staff & Agency costs section this underspend is being used to fund the seconded post in AQA for the project management of the New Audit Appointments.

6. Training and Recruitment

Training underspend of £33k is due to timing of expenditure on professional trainees and professional subscriptions. The forecast outturn is expected to be in line with the budget allocation.

As we look to recruit to senior positions, continue to recruit specialist positions under building capacity and also meet ongoing recruitment demands it is expected that the full year budget will not be sufficient to cover anticipated expenditure commitments. There is flexibility from savings (e.g. travel and subsistence) and management contingency to enable us to meet this overspend.

7. Information technology

The overspend is attributable to IT hardware purchases and software licences. IT hardware expenditure has been incurred to make the workstations in our offices fit for purpose as we return to limited capacity office working. With the

increase in the number of employees we need to ensure that we have sufficient Microsoft and mki licences to enable staff to work remotely in a safe and effective IT environment. This is a financial pressure that will be funded from savings in other budgets this financial year but future budgets will need to increase to reflect this increase in demand.

8. Depreciation

Overspend relates to adjustment required on IT hardware depreciation to reconcile to the fixed asset register and the actual IT hardware purchases having a shorter depreciation period than planned. The overspend will be met from savings generated in other budget headings.

9. Other costs

The main reason for the underspend in other costs is reduced expenditure on occupational health requirements. Annual health checks were previously offered to staff but due to Covid-19 we have been unable to offer this service as staff would be required to attend an appointment in person. This service will be re-introduced when we are able to do so safely.

Contingency and Financial risks

The 2021/22 budget includes a contingency allocation of £2 million with the Management Team (MT) responsible for its allocation. The budget has earmarked £1.5 million for the Strategic Improvement Programme (SIP) with the balance of £0.5 million being set aside to meet any unforeseen financial pressures that may arise during the year.

As at the end of December MT approvals have committed all of the £1.5 million on a full year cost basis. The use of this additional funding has enabled us to build sufficient capacity to deliver our core objectives as outlined in our budget submission to the SCPA. The phasing of the recruitment has led to the generation of in year savings with some of these savings used for one off expenditure requirements (e.g. capital investment to support digital security strategy).

The outbreak of the omicron variant of the pandemic in early December highlights that key financial risks still need to be managed as the environment we are operating in remains extremely uncertain. These include:

- Audit recovery plan and closing work in progress at 31 March 2022
- Additional costs to deliver audit (ongoing implications on audit of additional Covid-19 funding)
- Resource availability to meet audit demand
- Impact on firms' costs
- Inflationary pressures
- Recruitment market conditions (competition, remuneration package and quality of candidates)
- Pension year-end accounting adjustments

The longer-term financial issues considered in the 2022/23 budget proposal to the SCPA and to be applied to our Medium-Term Financial Planning include:

- SCPA will continue to support funding increase
- Impact of firms' procurement exercise
- Review of fees and funding model

- Resourcing pressures and additional cost of audit
- Pension fund pressures
- Auditing post Covid-19 (onsite, remote, hybrid)
- Carbon emission targets
- EAFA audit
- Inflationary pressures
- Pay award uncertainty
- Estate Strategy

Capital Expenditure and Funding

The capital budget for 2022/23 increased from £150k to £250k with our capital programme focusing on office re-configuration to provide a Covid secure environment and new IT hardware and software.

Revenue forecasts highlighted an underspend which resulted in enquiries being made to the Scottish Government Finance Directorate on the viability of transferring some of this saving to capital to enable further investment in essential IT in line with our digital security strategy. MT approved the virement of £350k to capital, increasing the overall budget to £600k this financial year.

The total capital expenditure year to date is £248k with IT hardware purchases totaling £149k (laptops and other IT equipment) and £99k of IT software purchases (business management system).

Stuart Dennis
Corporate Finance Manager
27 January 2022

Q3 Corporate performance report

Corporate Governance Manager

Item 14
Meeting date: 5 April 2022

Purpose

1. This report provides the Board with a review of organisational performance in quarter three (Q3) 2021/22.

Background

2. The performance information is reported under the two strategic objectives of 'delivering world class public audit' and 'being a world class organisation' in line with the corporate plan.
 - Appendix 1 provides a summary of performance for each strategic objective.
 - Appendix 2 provides the detailed performance information.
 - This report was considered by Management Team at its meeting on 15 March 2022.

Q3 performance summary

3. The following objectives are 'amber'. This is defined as 'progressing and additional management action planned'.
 - We conduct relevant and timely audits and report in public (where the main impact is on delivery dates and 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).
 - Audit work is of high quality, and we are systematically improving the quality of our work (reflecting the quality review outcomes – the next results are due in Q4).
4. We expect to continue to operate in a volatile environment during 2021/22 which may impact performance throughout the year.

Delivering world class public audit

5. There were 222 publications in Q3 comprising: 208 Annual reports and accounts, seven statutory reports, one Best Value Assurance Report, one Annual Audit Plan and five other reports.
6. Media mentions and social media engagements are up on the same quarter last year, but downloads are down on the previous quarter and the same quarter last year.

Being a world class organisation

7. We continued to prioritise communication and engagement with colleagues using a broad range of channels. This includes formal business messaging through the regular Incident

Management Team (IMT) updates, Yammer channels as well as drop-in sessions/meetings with the Auditor General for Scotland and members of Management Team.

8. The outturn on core funding was £6,311k which was £234k (3.6%) less than budget.
9. We had 321.5 (99.9%) whole time equivalent colleagues in place at the end of the quarter against a budget establishment of 321.8.
10. The absence rate 1.55 days is the same as Q2 and slightly lower than same quarter last year (1.66 days).

Forward look

11. Quarter four will include the publication of the remaining annual reports and accounts, annual audit plans for financial year 21/22 audits and some statutory reports.

Recommendations

12. The Board is invited to:
 - review the performance in quarter three
 - consider whether any additional management action is required.

2021/22: Q3 performance summary

Delivering world class public audit	Measure in Q3	Previous quarter	Same quarter last year	Direction compared to same quarter last year
We conduct relevant and timely audits and report in public				
Reports 2021/22 (Q3)	222	195	225	↔
On time (YTD)	75%	81%	91%	↓
Audit Budget (YTD)	+8.6	-0.2	+20	↓
We get our messages out effectively				
Media mentions (Q3)	188	137	150	↑
Downloads (Q3)	87,849	112,061	169,671	↓
Social media engagements (Q3)	3,721	4,215	3,562	↑

Key performance messages in Q3:

- We delivered 222 audits/reports.
- 97 per cent of the 20/21 annual audit plans, accounts and annual reports, have been delivered with 75 per cent on schedule.
- Audits were delivered 8.8 per cent more than budget and outwith the 5 per cent tolerance.
- Communications statistics show we are getting our messages out effectively. These include 87,849 downloads; 3,721 social media engagements and 188 media mentions of Audit Scotland and/or Accounts Commission.
- We attended seven external working groups and responded to nine consultations.

Key actions

The key actions for this strategic objective are covered by the projects and workstreams in the Strategic Improvement Programme. They include development of the Audit Services Group (ASG) audit methodology, the development of digital auditing and the implementation of the audit quality improvement action plan.

Key:
Red

Not progressing/significant additional management action required.

Amber

Progressing and management action planned.

Key:				
Green	On target/no need for additional management action			
Being a world class organisation	Measure in Q3	Previous quarter	Same quarter last year	Direction compared to same quarter last year
Budget Variance (YTD)				
	3.6%	0.2%	+6.2%	↓
WTE establishment (YTD)				
	99.9%	98.9%	102%	↓
We maximise our efficiency				
Staff costs (YTD)				
	14,351k	9,499k	13,183k	↑
Agency/secondment costs (YTD)				
	117k	92k	253k	↓
Average cost per audit day (Q3)				
	475	462	446	↑
Proportion of audit time (Q3)				
	63%	65.5%	63%	↔
We empower and support our people to be engaged, highly skilled and perform well				
Absence days (YTD)				
	4.13	1.03	4.96	↓
Staff turnover (YTD)				
	6.95%	4.25%	3.49%	↑
Exams pass rate (YTD)				
	89%	63%	80%	↑
Training events (YTD)				
	122	74	22	↑
Training attendees (YTD)				
	1,601	1,013	214	↑
IT uptime				
	99.7%	99.74%	99.7%	↔

Key performance messages in Q3:

- The outturn on core funding was £6,311 (3.6%) less than budget.
- The number of colleagues at the end of Q3 was 99.9% of the budgeted establishment.
- Absence levels year to date (4.13 days) is lower than last year (4.96 days).
- Staff turnover (6.95%), for all leavers in the year to date, increased compared to (3.49%) last year, but we remain well below the Chartered Institute of Personnel and Development benchmark (16%). Year to date we are higher than the whole of last year due to low levels of leavers during the pandemic and leavers this year due to end of fixed term contracts or retirement.
- The exam pass rate for Professional Trainees increased significantly in this quarter to 89 per cent.

- The proportion of audit time was 63 per cent, on par with 63 per cent in the same quarter last year.

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.

Appendix 2

Performance detail 2021/22: Quarter 3

Item 14

Meeting date: 5 April 2022

Delivering world class public audit	We conduct relevant and timely audits and report in public
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Key Performance Questions	2019 20				2020 21				2021 22			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Are relevant audits being delivered?	✓	✓	✓	✓	↔	↔	✓	✓	✓	✓	✓	
Are audits delivered on time?	✓	✓	✓	✓	↔	↔	✓	✓	✓	✓	↔	
Are audits delivered on budget?	✓	✓	✓	✓	✗	✗	✗	✗	↔	↔	↔	

Key messages

The Red/Amber/Green (RAG) status for delivering on time has changed from green to amber which reflects that while we are catching up in our audit delivery there may be a residual impact on next year's audits. The 20/21 audits started later because of the late 19/20 audits, and the completion of audits remains at a similar level to last year which is evidence of progress in catching up.

The resources required to deliver the Q3 Audits has impacted on audit expenditure. In Q3 it is 8.8% more than budget and in turn outwith the 5% tolerance target.

The significant recruitment drive of 2021-22 continues, while this is positive it also means significant time and cost in inducting and supporting new colleagues. Increased resource is expected to deliver greater returns and benefits on audit levels in the next year.

In Quarter 3 we delivered 222 audits/reports comprising, 107 accounts certified, 101 annual audit reports, seven statutory reports, one Best Value Assurance Report, one annual audit plan, two blogs and three other products.

In December 2021 the Auditor General for Scotland and the Accounts Commission agreed the second quarterly update to the dynamic work programme. They recognised the comprehensive and ambitious programme and impressive delivery and impact so far this year. They also noted the resourcing and capacity pressures as well as the risks arising around contingency planning.

The update included eight new products to the programme. This included a web-based product on drug and alcohol services, which will offer a public audit perspective on this key area of policy and service delivery. The report was published in March 2022. There was also consensus on adjusting timescales or the potential to cancel existing planned products to accommodate new and emerging work. As an example, the publication of the social care briefing was changed from November 2021 to January 2022. This allowed resource to focus on responding to the Scottish Government's National Care Service consultation.

Audit/report schedule 2021/22

	Q1	Q2	Q3	Q4
Annual Audit Plans Audit Scotland (120)	37 ✓	1 ✓	0	55
Annual Audit Plans Firms (102)	41 ✓	11 ✓	1 ✓	44
Accounts certified Audit Scotland (124)	4 ✓	51 ✓	67 ✓	6
Accounts certified Firms (102)		51 ✓	40 ✓	11
Annual Audit Reports Audit Scotland (125)	4 ✓	45 ✓	62 ✓	8
Annual Audit Reports Firms (102)	4 ✓	25 ✓	39 ✓	11

	Q1	Q2	Q3	Q4
Performance Audit (3)			Investing in skills X (now Q4)	Planning for skills (note name change from Investing in skills) New ferries for the Clyde and Hebrides Reviewing Scotland's financial response to the Covid-19 pandemic X (now Q1 22/23)
Best Value Assurance Report (5)	Aberdeen City ✓	East Dunbartonshire ✓	South Ayrshire ✓	Falkirk ✓ Moray (follow up) ✓
Overview Report (3)	Challenges and performance LGO 2021 ✓			NHS in Scotland 2021 ✓ Financial overview of local government 2020/21 Financial overview of IJBs 2020/21
Statutory (6-12 tbc)			S22: NHS National Services Scotland ✓ S22: Crofting Commission ✓ S22: National Records of Scotland ✓ S22: Bord na Gaidhlig ✓ S22: NHS Highland ✓	S22: SEPA S22: Scottish Canals S102: Orkney & Shetland Valuation Joint Board

	Q1	Q2	Q3	Q4
			S22: Scottish Government Consolidated accounts ✓	
			S22: Commissioner for Ethical Standards in Public Life ✓	
Other (20-30)	Scotland's Colleges 2020 BI ✓	Sustainable alternatives to custody BR ✓	The impact of Covid-19 on Scottish councils' benefit services OT ✓	Administration of Scottish Income Tax 2020/21 OT
Key:	Cyber security and resilience BI ✓	Scottish Government Provisional Outturn BL ✓	Community empowerment Covid-19 update OT ✓	Social care BR
BR = Briefing	Social care BI ✓	Child & Adolescent Mental Health Services BL ✓	Housing Benefit Performance Audit - Annual Update BL ✓	Climate change baseline review OT ✓
BL = Blog	Personal Protective Equipment (PPE) BR ✓	Tracking the implications of C19 on Scotland's public finances OT ✓	Social care BR X (now Q4)	Drug & alcohol services OT ✓
CS = Case studies	Investing in skills BL ✓	Vaccinations programme BR ✓	Auditing climate change: An update OT ✓	Scotland's economic recovery BR
RT = Round table	Making climate change an audit priority BL ✓	Climate change: RT ✓	Christie 10 years on: Christie - it really is now or never (AC) BL ✓	Data governance & ethics X (now Q2 22/23)
OT = Other	Digital innovation used to respond to the Covid-19 pandemic CS X	Digital innovation used to respond to the Covid-19 pandemic CS ✓		Digital connectivity: R100 update (note name change from digital exclusion and connectivity) BL
	Transparency Report 2020 ✓			

	Q1	Q2	Q3	Q4
		Christie 10 years on: Christie's clarion call can't wait another decade (AGS) BL ✓		
		Digital exclusion BL ✓		
		Annual fraud & irregularity report 2020/21 ✓		
		Risks & issues facing Scottish public sector OT ✓		
Published	100	195	222	

On budget

In Q3 the expenditure on audit is above budget by 8.8 per cent. This reflects the extended final accounts period over autumn/winter and the challenges of remote working resulting in delays to audit work. It also reflects the impact of later commencement of 2020/21 audits. ASG flexi analysis over the period corroborates this.

	Budget £	Actual £	£ Variance	% Variance
ASG	10,845,251	11,932,127	1,086,876	10.02
PABV	1,679,045	1,694,077	15,032	0.90
Total	12,524,296	13,626,204	1,101,908	8.80

As per the Internal Audit recommendation that the Performance, Risk Management Group (PRMG) review the costs for individual audits and report by exception in the quarterly performance report. The PRMG reviewed individual audit costs at its meeting on the 10 February and noted there are no significant issues to report for this quarter.

Forward look

In Q4:

- Due to the Scottish Local Government elections on 5 May 2022, it is expected there will be a publication moratorium between Thursday 24 March and Friday 6 May.
- The AGS and Commission will review their priorities within the dynamic work programme on a quarterly basis. The next review will commence in February/March 2022.
- Quarter four will be a demanding period for performance audit publications. Fifteen products are scheduled during the three-month period between January and the local government election moratorium at the end of March. The moratorium places pressure on the publications schedule between May and the end of June. The impact of the moratorium will be closely monitored.
- As part of the wider development of the work programme (which is now nearly a year in) a stock take is being undertaken to establish the following:
 - What we have achieved, both in terms of product delivery and organisational change;
 - Internal and external feedback on the programme and processes; and
 - How we might continue to evolve the work programme in the future

Issues/risks

The main risk for this objective is our capacity to deliver the dynamic work programme, which is stretching and ambitious. We continue to monitor resources closely and review priorities to ensure we can adjust plans as necessary.

Delivering world class public audit

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

Key Performance Questions	2019 20				2020 21				2021 22			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Are we assured about the quality of our work?	✓	✓	✓	✓	↔	↔	↔	✗	↔	↔	↔	
Are we improving the quality of our work?	✓	✓	✓	✓	↔	↔	↔	✗	↔	↔	↔	

Key messages

We completed all nine hot reviews of our ASG programme and a data analytics thematic review. Both reviews highlighted a good level of compliance with the Audit Management Framework (AMF) and INTOSAI requirements. During quarter three we issued a quality bulletin to ASG staff summarising key findings from the hot reviews and wider audit quality issues. Technical guidance included:

- Guidance on planning the 2021/22 audits and the Annual Planning Conference was held on 15 November 2021.
- A Technical Guidance Note on Risks of Misstatement in 2021/22 annual accounts of local government bodies.
- We received 177 technical enquiries from audit providers and responded to all within our target response times.
- 10 Technical Briefing Notes to provide auditors with a synopsis of new technical documents.
- One updated frequently asked questions output.
- Annual audit report template for colleges was issued and updated guidance in the AMF.
- Rolled out the implementation of aspects of the revised ISA 315 (identifying and assessing risks of material misstatement).

Forward look

Most audit quality results will be analysed during Q4 and feed into the Quality of Public Audit in Scotland annual report. We deferred publication of a Technical Guidance Note on Whole of Government Accounts to quarter 4 due to continued delays by HM Treasury.

Delivering world class public audit	We get our messages out effectively															
	Key Performance Questions				2019 20				2020 21				2021 22			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4			
Are we getting messages out effectively?	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓				

Key messages

We continue to get our messages out effectively. Media mentions (188) were up on the same period last year (150), Social media engagements (3,721) were up slightly on Q3 last year (3,562) and downloads (87,849) were down from (169,671). The decrease in downloads is in part due to a change in, September 2020, to the download capture software. The change makes the data gathering more manageable, less time-consuming and is focussed on capturing the most important data.

Engagement: In Q3 we attended/delivered:

- 13 Parliamentary Committees, 7 external working group meetings - including CIPFA/LASAAC Board for the Local Authority Accounting Code and NHS Technical Accounting Group and responded to 9 consultations

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
October	2	18	6	3	29
November	2	22	8	5	37
December	5	19	6	5	35
Quarter total	9	59	20	13	101

Communications

	Q1	Q2	Q3	Q4	YTD	20/21
Media	196	137	188		521	678
Downloads	161,730	112,061	87,849		361,640	818,874
Engagements*	6,590	4,215	3,721		14,526	18,963

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

Media in Q3:

The top three published reports by media coverage were: s22 Commissioner for Ethical Standards in Public Life in Scotland, SG Consolidated Accounts and s22 National Record of Scotland. There was ongoing coverage of issues such as children and young people's mental health, the vaccination roll-out scheme and the PPE response to the pandemic. There were stories around Scotland's ferries provision (where the AGS's report is much anticipated) and the Scottish Government's support of private companies continued to make headlines.

Downloads in Q3:

The most downloaded/page-viewed piece of work for a single month was the online Covid-19 update report on Community Empowerment, with 819 views in October.

**Please note that our download capture software formerly kept downloads statistics for every single download of a report. This changed in September 2020 to all reports that received 10 downloads or more. This move was to make the data gathering more manageable, less time-consuming and to ensure it was focussed on capturing the most important data.*

Social media activity in Q3:

Twitter engagement in Q3 included: our community empowerment Covid-19 update; tying Audit Scotland's equality report into Human Rights Day; and making public our response to the National Care Service consultation.

The most significant social media engagement came on the Auditor General's twitter account in December. [Video content](#) for the Scottish Government's Consolidated Accounts s22 received 40,000 views. The highest number of views any content has produced in the past was around the 4-5k mark. The subsequent piece of video content, on the Commissioner for Ethical Standards s22, received 35,000 views.

These AGS figures – and indeed Accounts Commission twitter stats - are not currently included in the overall social media engagement numbers but, as of Q4, Communications will factor both sets into reporting to give as rounded a view as possible on our social media impact.

Consultations in Q3:

We responded to nine consultations including: the Prudential Code, Treasury Management Code, Inquiry into the Health and Wellbeing of Children and Young People, independent review education Scotland Scottish qualification authority, safer communities/fire and rescue framework, national strategy community justice review, guidance on collection of data on sex and gender letter to public bodies, the future of Recorded Crime and Police Activity Statistics, A National Care Service for Scotland.

Correspondence

New correspondence cases	Q1	Q2	Q3	Q4	YTD	20/21
Number of cases	34	35	47		117	119
Acknowledgement within five working days	100%	94%	96%		97%	98%
Final response within 30 working days	100%	91%	98%		96%	96%

FOI/EIR/Complaints:

- In Q3 there were 10 FOI requests, no EIRs and all were responded to on time.
- There was one complaint responded to in Q3 and after investigation the complaint was not upheld. The complainant referred this to the Scottish Public Services Ombudsman who also did not uphold the complaint.

Delivering world class public audit	We systematically deliver impact through our work															
	Key Performance Questions				2019 20				2020 21				2021 22			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4			
Is our work delivering impact?	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓				
Are our recommendations leading to improvements?	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓				
Are we offering insight and foresight and making information and intelligence available to others?	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓				

Examples of where work has made a positive impact and/or positive feedback received in Q3 include:

Best Value

Progress in relation to Best Value issues had been slow and BV follow up audit work was undertaken by the local audit team in 2017/18, 2018/19 and 2019/20 and we reported that the council had increased the pace of improvement. We were proactive over the term of the audit appointment in making recommendations in relation BV. This has increased the quality of both financial and performance reporting and improved governance and transparency and financial management. The feedback to the Accounts Commission on 2 November 2021 from the client was excellent and they reported that audit team were independent, objective, robust, professional and challenging. The body welcomed the integration of the BV work with the annual audit and noted that the team's knowledge meant that it was able to provide valuable insight on areas for improvement. The council described the process for communicating our approach and findings as 'exemplary'.

Local Government

[Community empowerment: Covid-19 Update](#)

The update had a very good impact on social media with 42,201 impressions, 729 engagements, 1,946 views, 1,333 PDF downloads (fourth best performer on social media in 2021, well above average). Organisations that shared the posts include the Scottish Government, SURF (Scotland's Regeneration Forum), Development Trust Association Scotland (DTAS), Scottish Community Development Centre (SCDC), Scottish Community Alliance, Scottish Council for Voluntary Organisations (SCVO) and the Care Inspectorate. All comments were positive and supportive of the publication. The Public Audit Committee (PAC) held an evidence session in November 2021 with the Auditor General for Scotland and representatives from the SCDC, Carnegie Trust; Scottish Council for Voluntary Organisations; SURF and the centre manager at Collydean Community Centre. Following this session, the convenor agreed to write to the Scottish Government's Director-General (DG)

Communities and to the Local Government, Housing and Planning Committee on issues raised during the meeting. The DG Communities issued a response on 21st January 2022 and the PAC intend to use this information to draft a letter to the Local Government, Housing and Planning Committee.

We reviewed the fixed asset register as part of our non-current assets testing, noting that the vast majority of the council's assets were revalued in 2020/21. The initial fixed asset register did not correctly reflect these changes and the council agreed to adjust the accounts to correctly reflect or remove erroneous amounts. This affected gross book value, accumulated depreciation, the capital adjustment account and revaluation reserve. The errors identified by the audit team resulted in an overall decrease in Personal Protective Equipment (PPE) values of £15.1million.

We reviewed the group boundary as part of the group accounts audit. The council's initial assessment of the group boundary and concluded that the financial results of a group entity should be consolidated on an associate basis within the group statements in the 2020/21 annual accounts. After our review the council agreed to amend the entity's classification within the Group Financial Statements as a subsidiary.

We identified several issues with the council's accounting treatment for its non-current assets. A recommendation was raised to ensure that accounting records are complete and accurate for the annual accounts. Management set up an Asset Valuation Working Group comprising of members of staff from Finance Strategy and Property Services.

In June 2020 the body approved a change in the method used to schedule repayments from the general fund for outstanding debt relating to advances from the loans fund. An element of the accounting treatment for the loans fund review involved profiling a recalculation adjustment. Following discussions the body made a change to the unaudited accounts to ensure the profiling better reflected the remaining asset lives that the borrowing financed. The impact of this was to reduce the 2020/21 loans fund repayments from £6.5 million to £2 million and increase the councils reserves by £4.5 million.

We reviewed the accounting treatment for the HRA appropriations of General Fund assets which had been accounted for incorrectly. We worked with the finance team to ensure that restatements accounted for these transfers correctly. The body accepted our recommendation to develop an accounting policy for these transfers. This ensured that the accounts were not misstated by £1.3m.

Based on an Audit Scotland recommendation in the 2019/20 Annual Audit Report, the body has improved reporting of the capital programme to members and improved arrangements around NFI participation. They identified a small number of SPI's that closely align with their corporate priorities to prioritise on a department-by-department basis. Aspirational targets have been set and scrutinising committees will get progress reports setting out how the services are performing in delivering improvement against these targets.

During 2020/21 we assisted the body in improving the Management Commentary within their accounts. We referred them to guidance and good practice examples and then reviewed and provided feedback on the draft Management Commentary. Amendments were made as appropriate and members commented on the improvement, thanking Audit Scotland for the contribution we had made to the improvement. Our

Annual Audit Report 2020/21 confirmed the body had enhanced the quality of its management commentary and the reporting requirement of the Local Government Finance Circular 10/2020.

Our audit identified that the Annual Governance statement of Assurance did not fully comply with the delivering good governance in Local Government Framework. This was subsequently revised to cover progress made and planned actions to address recommendations made by external audit in the prior year. The revised statement better informs readers of the governance issues that remain to be addressed by the body.

Financial sustainability has been reported as a key risk for the body over several years as reserves were anticipated to run out in 2022/23. Following audit recommendations to 'carry out a comprehensive costed options appraisal for its future operation, including the potential wind-up of the consortium', the Policy Board agreed on 17th November 2021 to disband the entity.

We reviewed the accounting treatment for Covid-19 grant income and identified that the council had treated all grants received from the Scottish Government as if it was the principal in the transaction and therefore recognised the income and expenditure in the unaudited accounts. LASAAC guidance identified that most Covid-19 grants should have been treated as an agency arrangement with the council acting as agent for the Scottish Government. The council agreed to update the accounts to reflect the agency arrangement in accordance with guidance.

Throughout 2020/21 we liaised with the council's finance team regarding the disclosures required in relation to the additional Covid-19 funding and expenditure during the year and the impact of these on the financial performance reported and the level of reserves at 31 March 2021. On receipt of the unaudited accounts, we provided further comments and suggestions to improve these disclosures and they should now assist readers of the accounts in understanding the financial position reported by the council for 2020/21.

Central government

The body was established in October 2019 and prepared its first annual report and accounts for the period to 31 March 2021. We worked closely with management in advance of the accounts preparation and throughout the audit supporting them to ensure the accounts were FReM compliant and contained all required disclosures. This included encouraging sufficient disclosure around Covid-19 business support grants. We identified improvements to the unaudited account including an adjustment to the recognition of set-up grant income and a number of changes to the remuneration report. We also worked with management to enhance the annual report. This resulted in a new format for the statement of resource outturn which more clearly demonstrated performance against budget.

In 2020/21 we used a data analytics model in the audit to aid in our substantive testing. The model provided assurance to over c100,000 low risk transactions and focussed on those with higher risk characteristics and provided assurance over more than 90% of the value of all transactions included in our model. This provided increased assurance over the risk of material misstatement of the account being misstated.

Our 2019/20 Annual Audit Report recommended that the body should establish a process for communicating the identification and response to risks of fraud to the board. Fraud updates to the board are now part of quarterly finance updates and the risk register now contains more information on the risk of fraud.

During 2020/21 the body introduced a new key control reconciliation to address the risk of fraud around a new grant claim. This was outsourced to an external accountancy firm. During our review we identified that the reconciliation control could be strengthened through the consideration of recent audit reports for the biggest claimants. This additional step provides extra assurance regarding the accuracy of internally generated reports provided by the operators as part of the reconciliation.

Health

[NSS s22 on PPE](#) The day of the publication coincided with the UK report on the government's updated response to Covid. Despite this, the s22 report was covered by the Daily Mail, Daily Record, Metro, The Scotsman, The Times, The Herald and Edinburgh Evening News; with the Sunday Mail reporting a few days later. The Scottish Government issued a response welcoming the Auditor General's finding that there was no bias in the award of PPE contracts, or issue with the quality of the goods, despite the very significant supply challenges faced by countries all around the world early in the pandemic. They confirmed that the Scottish Government will continue to work closely with NSS and the wider health service to ensure that frontline services receive the financial support they need. After the follow up session with the Public Audit Committee (PAC), the committee decided to close its scrutiny of the report and briefing and wrote to the Health, Social Care and Sport Committee on issues raised during the meeting. The Committee recognised there may be outstanding issues on the long-term planning and procurement and supply of personal protective equipment that they may return to in the future.

The unaudited accounts included a £48 million accrual relating to an additional allocation from Scottish Government to address the backlog on elective procedures arising from Covid-19. In our view, the expenditure should not be accrued. We worked with senior finance officers and carried out focussed audit procedures which resulted in a £48 million adjustment to the financial statements.

In our 2019/20 annual audit report we made a number of recommendations on the board's accounting processes and annual report and accounts including compliance with IFRS15, accounting for CLO claims post year end, the timing of the performance report and the level of assurance provided by senior officers to support the governance statement. We were able to report good progress against all these recommendations in our 2020/21 annual audit report.

Further Education

Our review of the fixed asset register identified that there were a significant number of assets (182) with a nil carrying value. These had a total initial cost of £5.5 million. It was recommended that assets no longer in use should be removed from the asset register to ensure the cost and accumulated depreciation balances for Property, Plant and Equipment in the financial statements accurately reflect the operational assets of the college. Management agreed to undertake a review in conjunction with the exercise recently begun to review college assets and develop a replacement and acquisition policy.

Delivering world class public audit

We develop new and improved processes, products and services

Key Performance Questions	2019 20				2020 21				2021 22			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Are new processes, products and services being developed?	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	
Are products and study programmes suitable and appropriate for emerging issues?	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	

Key messages:

Further progress has been made in the development of an in-house data analytics tool for financial audit. The vision is to deliver a complete end to end analytics service to support auditors in line with our audit approach. It will allow auditors to explore different classes of transactions and balances, support auditor judgement in sampling, focus effort on material areas, and automate the documentation of decisions at each stage of the analytics process. Documentation is captured throughout the audit journey, and continued engagement with Professional Support and the user groups (in response to ICAS feedback) has helped steer the direction of this.

PABV undertook a review of its budgets and monitors the cost of its audit work. The aim is to develop a simplified, higher-level cost monitoring approach that is used consistently across the full range of audit products. This supports better understanding and decision-making about the deployment of resources on priorities. The project is now in implementation phase and PABV is forecasting its audit budget over the next 12-24 months.

We continue to make progress on our Strategic Improvement Programme (SIP) in Q3. This is the subject of a separate report on today's agenda for the Board.

Forward look

The PABV Budget/cost project identified inconsistencies in the way budgets and costs are managed and reported across ASG and PABV. This will be taken forward by the PRMG sub-group on cost monitoring to ensure greater consistencies across the organisation.

Being a world-class organisation

We manage our resources effectively and maximise efficiency

Key Performance Questions	2019 20				2020 21				2021 22			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Are we managing our resources effectively	↔	↔	↔	↔	×	×	×	×	↔	↔	↔	
Are we maximising efficiency?	↔	↔	↔	↔	×	×	×	×	↔	↔	↔	

Key messages

In the nine months to 31 December 2021 Audit Scotland's Net Operating Expenditure was £6,311 which was £ 234k (3.6%) less than budget. At the end of December 2021, we were at 99.9% of establishment.

Resource management

In the nine months to 31 December 2021 Audit Scotland's Net Operating Expenditure was £6,311 which was £ 234k (3.6%) less than budget.

	Q1	Q2	Q3	Q4	20/21
Actual	(2,064)	(3,701)	(6,311)		12,429
Budget	(2,006)	(3,709)	(6,545)		13,215
Variance K	(58)	8	(234)		786

Staff

The average number of staff in the quarter was 97.5 per cent of establishment. However, the number in post by the end of quarter three is 99.9 per cent of establishment. New posts will continue to phase in during the year.

	Q1	Q2	Q3	Q4	20/21
2020/21 establishment w.t.e	321.8	321.8	321.8		290.2
Average no. of staff employed in 2021/22 w.t.e:	301.1	310.9	313.9		290.7
No. of staff at end of quarter w.t.e:	312	318.2	321.5		294.3

Staff and Agency costs

The total staff costs in the nine months to 31 December 2021 were £207k (1.4%) less than budget.

	Annual Budget £000	Actual YTD	Budget YTD	Variance	Actual Average WTE	Budget WTE
Total Staff costs 2021-22	20,236	14,351	14,558	207	313.9	315.6
Total agency & secondments 2021-22	75	117	65	(52)		
Q3 Staff costs 2020-21	18,023	13,183	13,245	62	303	309.4
Q3 agency and secondments 2020-21	75	253	56	(197)	7	

Legal, professional and consultancy: Consultancy and Professional services expenditure currently underspent by £60k. As mentioned in the Staff and Agency costs section this underspend is being used to fund the seconded post in Audit Quality and Appointments (AQA) for the project management of the New Audit Appointments.

	Q1	Q2	Q3	Q4
Actual	88	179	346	
Budget	110	192	407	
Prior year spend	81	206	382	768

Estate

	Q1	Q2	Q3	Q4
Actual	194	403	612	
Budget	216	430	652	
Prior year spend	215	425	634	1,117

Costs of travel

We continue to incur very little travel and subsistence expenditure given the Scottish Government guidance to work from home where practicable. The primary reason for the current underspend is due to reduced car lease expenditure including mileage credits on return of vehicles to the lessor as well as members of the scheme leaving/retiring from Audit Scotland.

	Q1	Q2	Q3	Q4
Actual	75	149	235	
Budget	93	186	280	
Prior year spend	87	170	258	355

Capital Expenditure:

The total capital expenditure year to date is £248k with IT hardware purchases totalling £149k (laptops and other IT equipment) and £99k of IT software purchases (business management system).

Digital Services

Downtime was mostly due to Issues caused by the VPN certificate not being updated fully and an outage in the internet connection to 102 Westport. Edinburgh

IT Network	Q1	Q2	Q3	Q4	20/21
IT uptime (%)	99.69	99.74	99.7		99.66
Working hours lost	875	733	86.7		0.34
Average time lost per person	2.42	2.03	0.24		2.63

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

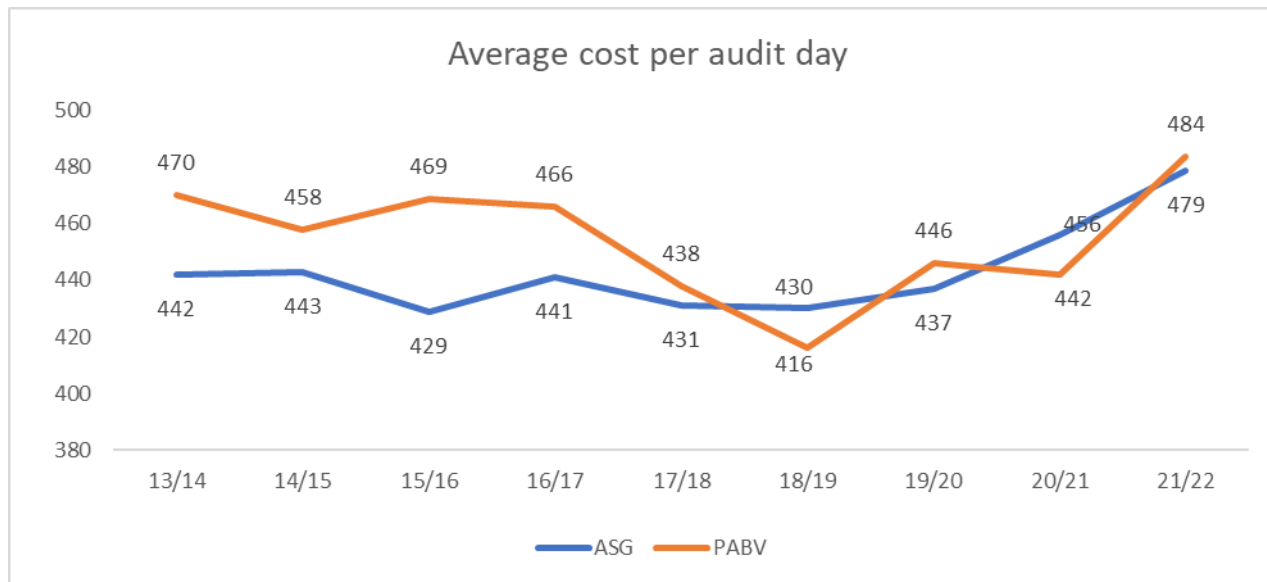
- 93.6% of the requests were accepted within the response time Service Level Agreement (SLA).
- 93.85% of the requests were closed within the fix time SLA.
- An average of 2.3 incidents were logged per user.

Business group audit and non-audit time

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

During Q3 business group audit time was 63% same as Q3 last year (63%).

	21/22 (%)				20/21 (%)			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
ASG	64	69	66		62	65	63	73
PABV	60	62	60		58	65	62	58



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.

Forward Look

Performance and Risk Management Group (PRMG) to review the underlying reasons for the direction of travel for average cost per audit day.

Being a world-class organisation

We manage information and intelligence effectively (internal)

Key Performance Questions	2019 20				2020 21				2021 22			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Are we managing information and intelligence effectively (Internal)	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	

Key messages

- ISO 27001 surveillance Audit on 28 and 29 October and continued certification.
- During November 2021 colleagues took part in the Information Security Survey

During Q3:

- The information security survey received 196 responses (61.3%). The responses indicate generally good working knowledge and understanding around data protection and information security issues across the organisation. Areas that require attention will be jointly targeted by Corporate Governance and Digital Services with awareness raising through Yammer posts, blogs and vlogs. The next Information Security survey will be in summer 2023.
- A two-day surveillance ISO 27001 audit took place on the 28 and 29 October 2021. No significant findings were found and just two opportunities for improvement identified. Both have been implemented following the audit.
- The KITGG continued to meet during the quarter including reviewing the 2022 workplan, Q2 Digital Services Performance, Information Risk Register & ISMS risk treatment plan and information policies.

Forward look

- The next ISO27001 Surveillance audit will take place in April 2022 and re certification Audit will take place in September 2022. Issues/risks
- The move to hybrid working increases the risk managing information and impacting on how we work given the increased transit of devices between home and office.

Being a world-class organisation

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

Key Performance Questions	2019 20				2020 21				2021 22			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Are our people empowered and engaged?	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	
Are our people highly skilled?	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	
Are people performing well?	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	
How effective is communication and collaboration across the organisation?	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	
Are career paths offered across the organisation?	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	
Do we understand and support diversity within the workforce?	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	

Key messages:

- Exam pass rates have significantly improved and in Q3 rose to 89%
- During Q3 absence levels remain similar to the same quarter last year.
- Learning and development has continued throughout Q3, and we have already delivered more training to more colleagues than we did in 2020-21 in total.
- Recruitment activity year to date is significantly higher than in previous years.

Highly skilled:

Learning and Development activity has continued and the number of events increased from Q3 in 2020-21. We have also rolled out Managing Diversity online training to all colleagues to ensure a greater awareness of diversity and inclusion.

Wellbeing:

Absence levels remain low. While the number of long-term absence cases have lowered there is an increase in the volume of short-term absence. 31% of the total absence days in Q3 are time posted against Covid-19. A proportion of colleagues are impacted by Long Covid and the HR team are organising an employee support group for those affected in conjunction with support from our occupational health provider.

Career Paths:

Vacancies filled	21/22 YTD	20/21
Internal	16	6
External	43	34
Total	59	40

Absence levels: remain low and are the same as Q3 last year.

	Q1 days	Q2 days	Q3 days	Q4 days	YTD days
Audit Scotland – 21/22	1.03	1.55	1.55		4.13
Audit Scotland – 20/21	1.3	1.56	1.66	1.3	5.81
Audit Scotland – 19/20	1.6	0.46	1.33	1.32	4.97
Audit Scotland - 18/19	1.28	0.76	1.41	1.4	4.85

Staff turnover:

We remain well below the Chartered Institute of Personnel and Development (CIPD) benchmark for all leavers. Year to date we are already higher than the whole of last year. In part this is to do with low levels of leavers during the pandemic combined with a number of leavers due to end of fixed term contracts or retirement.

	Q1	Q2	Q3	Q4	YTD	20/21	CIPD benchmark
Resignations %	1.24	1.5	1.2		3.94	2.94	n/a
All Leavers %	1.56	2.69	2.70		6.95	4.9	16%

Exam results: In Q3 there has been a significant improvement in Exam success. We will continue to monitor to see if this is a sustained improvement.

	Q1	Q2	Q3	Q4	YTD	20/21
Exams taken	37	12	105		128	163
Exams passed	24	7	93		104	145
% Pass rate	65	58	89		81	89

Highly skilled:

In the year to date the number of events (122) events is greater than last year (90) and the number of attendees (1601) is also greater than last year (1,387).

	Q1		Q2		Q3		Q4		YTD		20/21	
	Events	Attendees	Events	Attendees	Events	Attendees	Events	Attendees	Events	Attendees	Events	Attendees
Health, Safety and Wellbeing	1	8	1	1	3	6			5	15	4	30
Knowledge Cafes	0	0	0	0	0	0			0	0	1	25
Learning and Development	2	24	2	21	3	23			7	68	15	459

	Q1		Q2		Q3		Q4		YTD		20/21	
Management Development	4	30	3	14	2	20			9	64	18	109
Organisational Development	20	300	8	78	19	159			47	537	24	135
Technical Training	17	466	16	71	23	380			56	917	28	629
Total	42	828	30	185	50	588			122	1601	90	1387

Other training included:

- Mandatory training for ASG on an enhanced approach to risk assessment and audit planning under revised ISA 315 and the new Audit Planning Tool. 10 of 12 scheduled training events delivered by 31 December 2021.
- Introduction to the Public Audit Committee.
- Understanding the quality arrangements and our individual responsibilities.
- Introduction to PABV Audit Methodologies and how to scope a performance audit and record evidence and judgements.

During Q3 we established further recruitment and selection training to increase the number of trained panel members across the business. This has also included a refresher for those who last received training three years ago, this is following the recommendation in our last recruitment internal audit.

Forward look

- Recruitment activity during Q4 will continue to increase, given the impact of Building Capacity phase 2. This will also be in part due to the recruitment at Management Team following the departure of our Chief Operating Officer, upcoming departure of our Director of ASG and interim arrangements for the PABV Director and Interim Controller of Audit coming to a close.
- The HR & OD team have also been working closely with Finance to build the new Business Management System went live in February 2022.
- Best Companies launched in February and results are due in March 2022.
- Q4 technical learning will focus on quality feedback

- Continued evaluation of pilot programmes in a variety of areas
- A new on-line training course for Interview Skills will be accessible to colleagues through the L&D portal in early 2022.

Issues/risks

There is a risk that we may not fill specialist roles as candidate numbers are low in the market. The HR team are advertising the Cloud Application Developer role for the Digital team for the third attempt in Q4. There has been significant time invested in seeking agency support with the role and advertising at the same time for the Data and Development Manager.

Recruitment spending will be increased due to the volume of campaigns. The Assistant HR Manager has requested additional budget via the Finance Manager to ensure this is available and it has been agreed.

Purpose

1. This report updates the Board on the latest results of the Best Companies Survey and highlights next steps.
2. Audit Scotland has been accredited as a One-Star organisation for the second year in a row with a score of 670.2 which represents a slight reduction across seven engagement factors measured by the survey. This is a significant result particularly in the context of working arrangements and strategic developments across the organisation during 2021.
3. This report invites the Board to consider and comment on the results.

Background

4. We first took part in the Best Companies survey in 2009, reporting the results in early 2010. This is our thirteenth year taking part in Best Companies. The survey is one way in which we assess levels of engagement and listen to feedback from colleagues. The results help to support dialogue, exploration and discussion about how to make Audit Scotland a better place to work and deliver world-class public audit in a sustainable manner.
5. Colleagues participate anonymously and this latest survey was completed in February/March 2022.

Context

6. The year 2021/22 saw a continuation of the Covid-19 pandemic and the Board has received regular updates on the impact of Covid-19 for colleagues, our business and clients. Audit Scotland's leadership team has continued to prioritise the safety and wellbeing of colleagues, adjusted our audit delivery programme and invested in building capacity across the organisation.
7. Colleagues have continued to demonstrate their incredible commitment and professionalism, adjusting to new hybrid ways of working, recruiting and onboarding colleagues virtually, continuing to work from home and delivering our audits despite the disruption and anxiety caused by Covid-19 and amidst changing and necessary public health restrictions.

Best Companies results summary

8. We have sustained an exceptionally high participation rate – 80 per cent of colleagues took part (263 out of 328 colleagues). Our participation rate is well above the Best Companies average of around 68.8 per cent.
9. After eleven years of being 'Ones to Watch', last year saw Audit Scotland being accredited as a One-Star organisation for the first time with a Best Company Index (BCI) score of 693.5 which was our highest score to date by a considerable margin.

- 10.** The latest result retains our One-Star status of ‘a very good organisation to work for’. However, the overall score has shown a reduction to 670.2 which is still above our 2019 score. There may be several factors that have influenced the scores including resource challenges, uncertainties linked to the pending changes in leadership and other external factors.
- 11.** In addition to sharing Audit Scotland’s high-level results with colleagues in March, this data will be shared and discussed with the PCS union on 25 March 2022. The local PCS Branch is supportive of our work in this area and each year works collaboratively with us to understand, explore and make the most of the learning we can take from the results.
- 12.** Our accreditation will be shared at a high level on 23 March 2022 with colleagues and more detail will be shared in April. Best Companies will present further insights to Leadership Group on 6 April 2022.

Conclusion

- 13.** The results reflect the significant efforts of colleagues at Audit Scotland over the last twelve months to support each other, maintain wellbeing and work through considerable uncertainty. In other reports to the Board the significant delivery of audit work is reported.
- 14.** Using the rich data set from our Best Companies survey we intend to look to build on the strengths identified and develop a strategy around areas requiring improvement. This will form part of how we develop our approach to hybrid working.

Next steps

- 15.** Management Team will be working with Leadership Group members as we consider this data alongside other intelligence we already have about our people and the running of our business. The data will be used by local business groups and individual teams to help inform areas of continuous development during 2022.
- 16.** The Best Companies data will also be used to inform Our plan, including the supporting people strategy for 2022.

Recommendations

- 17.** The Board is invited to consider and comment on the results of the Best Companies Survey.

Annual policy review of Freedom of Information and Environmental Information requests

Corporate Governance Manager

Item 16
Meeting date: 5 April 2022

Purpose

1. This report invites the Board to note the review of Audit Scotland's Freedom of Information and Environmental Information Policy and approve the revised policy for a further year.

Background

2. Audit Scotland has in place policy and procedures to ensure compliance with the Freedom of Information (Scotland) Act 2002 (FOISA) and the Environmental Information (Scotland) Regulations 2004.
3. The policy is reviewed each year to ensure it is up to date and submitted to the Knowledge, Information and Technology Governance Group (KITGG), Management Team and the Board for approval. Its review also forms part of the annual assurance process leading to the Accountable Officer's Governance Statement in June 2022.

Annual review of FOI and EIR policy

4. The Corporate Governance Manager and KITGG carried out a review of the Freedom of Information (FOI) and Environmental Information Regulations (EIR) in March 2022. The review has taken place six months earlier than scheduled to reflect recommendations arising from the FOI Internal Audit Review in October 2021. The corporate governance review found the policy was up to date with minor amendments required to reflect internal audit recommendation from October/November 2021 and to reflect new accessibility legislation.
5. A review of our FOI panel arrangements which form part of the KITGG terms of reference at annex 2 was also reviewed and it remains up to date with no changes required this year.
6. The Freedom of Information (Scotland) Act 2002 (the FOI Act) requires Scottish public authorities to produce and maintain a publication scheme. Authorities are under a legal obligation to:
 - publish the classes of information that they make routinely available
 - tell the public how to access the information and what it might cost.
7. The publication scheme for Audit Scotland is published on our website following internal review during August 2021. It has been updated to reflect new accessibility legislation. The main impact of this change is to increase the font size from 11 to 12 and reflect a new, more user-friendly template.

8. In June 2021, the European Union formally ratified two adequacy decisions on the UK's data protection regime. The arrangement includes a clause to review the adequacy decisions every four years, or if changes have been made to the UK GDPR which varies significantly from the EU GDPR. Currently within the UK no significant changes have been made to data protection legislation and regulations. This has and will ensure the continued smooth flow of data transfers between data centres in the EU and the UK.

Recommendations

9. The Board is invited approve Audit Scotland's Freedom of Information and Environmental Information Policy for a further year.

Freedom of Information and Environmental Information Policy

Owned and maintained by:	Corporate Governance Manager
Date checked/ created:	March 2022 September 2021
Next review date:	March 2023 September 2022

Introduction

The Freedom of Information (Scotland) Act 2002 (FOISA) and the Environmental Information (Scotland) Regulations 2004 (EIRs) places a duty on us to prepare and implement systems and processes to comply with the legislation. Under these Acts a person who requests information from a Scottish public authority which holds it is entitled to be given it by the authority.

Our approach

Reporting in public is a principle of the public audit model. It contributes to openness and transparency in the conduct of public bodies in Scotland. Our audit work is carried out in the public interest and we believe that it is enhanced by the principles of the Freedom of Information and Environmental Information legislation. We embrace the legislation and are committed to its continued successful implementation.

There are some special considerations which relate to the audit process and these are recognised in the legislation. We will make use of relevant exemptions and exceptions only where we consider that this is necessary in the public interest.

We have one Publication Scheme covering the Auditor General, the Accounts Commission and Audit Scotland and we will follow a consistent approach to information handling and requests.

A professional relationship with the bodies we audit and other stakeholders is very important. If a request is made to us for disclosure of information obtained from a public body as part of our audit work we will, where reasonably practical, consult the body before complying with the request. We will also continue to liaise with other audit and scrutiny bodies in developing best practice in this area.

Scope

This policy applies to the Auditor General, the Accounts Commission and Audit Scotland.

Roles and responsibilities

Audit Scotland provides support to the Auditor General and the Accounts Commission and therefore we have established clear information management roles and responsibilities. ~~The Auditor General is Audit Scotland's Accountable Officer and to support his duties under this legislation we have established the Knowledge, Information & Technology Governance Group (KITGG).~~

The Corporate Governance Manager and Corporate Performance Officer are responsible for the operational processing of requests.

The Auditor General is Audit Scotland's Accountable Officer and to support his duties under this legislation we have established the Knowledge, Information & Technology Governance Group (KITGG).

It is the KITGG's remit to ensure that information risks are assessed and mitigated to an acceptable level by having in place robust policies, procedures and processes.

The KITGG have established an Information Requests Panel to meet and decide on using exemptions in complex FOI requests and exceptions in EIR requests.

The Panels are convened by Corporate Governance and are composed of senior level staff from across the main business groups. The Panels are not always composed of the same representatives to ensure independence and objectivity.

Information we hold

We are committed to openness and transparency in our work. We are committed to supplying information to a request unless there is a valid reason for withholding it under the legislation.

When a request is received for information you must not alter, deface, block, erase, destroy or conceal applicable information with intent to prevent disclosure. To do so is an offence under the Act and will result in action under Audit Scotland's disciplinary policy and could incur a risk of personal prosecution.

Training and awareness

We are committed to full staff awareness and training in Freedom of Information, Environmental Information and Data Protection legislation and its implications for our work. We are committed to maintaining effective systems for information requests to meet our obligations under this legislation.

Guidance on the application of FOISA and the EIRs are available on SharePoint.

Annual newsletters are shared with colleagues across Audit Scotland outlining our performance on FOI and EIRs, which covers the types of requests that have been received and the timescales in which we responded.

Charges

Audit Scotland may invoke a charge for providing information, which is not contained in our publication scheme, in accordance with the costing threshold within FOISA and the EIRs.

When a request is estimated to exceed £600 to fulfil, we will, whenever possible, attempt to narrow its scope and provide what we can within the threshold rather than refusing it outright.

Supplementary documentation

The following documents should be used to support and supplement this policy:

- Freedom of Information (Scotland) Act 2002
- Freedom of Information (Scotland) Act 2002 section 60 and 61 codes of practice
- Environmental Information (Scotland) Regulations 2004

Purpose

1. This report updates the Board on the annual review of our Data Protection Policy and proposes amendments to the policy for their approval.

Background

2. During April 2018, the Data Protection Policy was updated to reflect the introduction of the EU General Data Protection Regulations (GDPR). The Board agreed this would be reviewed on an annual basis.
3. Since the approval of the policy the Information Commissioner's Office (ICO) continues to issue regular guidance updates and clarifications in respect of the legislation. The Corporate Governance team closely monitors these with the aim of informing staff of any significant changes which would impact on operational practice.
4. In line with review timescales, the Data Protection Policy was reviewed during March 2022 and updated to reflect new ICO guidance. The refreshed draft policy is appended to this report and changes have been tracked.
5. The review and approval process of the policy demonstrates our continued commitment to ensure our policies comply with standards. The policy will next be subject to review in March 2023 to ensure it remains fit for purpose.
6. The UK is no longer part of the European Union having formally left on 31 January 2020. From this period, until 31 December 2020, the UK was in a 'transition period' to allow for negotiations on additional arrangements on trade, travel and business between the UK and EU to be concluded. During this period the GDPR still applied and given the Data Protection Act (2018) enshrined the GDPR, the UK government began to refer to the UK GDPR.
7. As part of the terms of the exit agreement reached on 24 December 2020, the EU agreed to a four-six month data bridge to allow the European Data Protection Board (EDPB) to assess the adequacy of the UK data protection regime in terms of compliance with the EU GDPR.
8. In June 2021, the EU issued an adequacy decision in respect of the UK. This provides assurance about the continuing flow of data between the EU and the UK without needing additional safeguards or authorisation from a supervisory authority. The adequacy agreement is subject to review every four years, and sooner if any changes are made to the UK GDPR which significantly differ from the EU GDPR.

Policy changes

9. The following changes have been applied to the policy:
 - An update on the adequacy agreement following the end of transition arrangements between the United Kingdom and the European Union.

- References to the GDPR have been updated to UK GDPR to reflect the post EU exit position.
- Additional information on how Corporate Governance maintain levels of data protection knowledge and best practice across Audit Scotland.
- The policy has been reformatted from font size 11 to 12 to reflect new accessibility legislation.

Recommendations

- 10.** The Board is invited to approve the revised Data Protection Policy.

Data Protection Policy

Owned and maintained by:	Corporate Governance Manager
Date checked/ created:	April 202 2 ⁴
Next review date:	April 202 3 ²

Introduction

1. The Data Protection Act (DPA) 2018 sets out the framework for data protection law in the UK. It updates and replaces the Data Protection Act 1998 and came into effect on 25 May 2018.
2. It sits alongside the ~~UK~~ European Union (EU) General Data Protection Regulations (UK GDPR), ~~and tailors how the GDPR applies in the UK — for example by providing exemptions. The regulations~~ It also set out ~~separate~~ data protection rules for law enforcement authorities, extends data protection to some other areas such as national security and defence, and sets out the Information Commissioner's functions and powers.
3. The frameworks are comprehensive and apply tough punishments for non-compliance with rules around the storage and handling of personal data.

UK GDPR

4. The United Kingdom (UK) officially exited the EU on 31 January 2020, and thereafter entered a 'transition period' which ended on 31 December 2020. During this time, statutory obligations around Data Protection remained the same to ensure the continued smooth flow of data between the UK and the EU. Within the UK, the DPA (2018) became known as the UK GDPR.
5. ~~As at June 2021, the UK and the EU reached an 'Adequacy' agreement agreed the terms of an exit agreement on 24 December 2020. As part of this, a four month 'data bridge' was established (with the potential for extending this to six months), which would allow the EU to assess the adequacy of the UK data protection regime to ensure for~~ the continues smooth flow of data between the UK and the EU. This agreement is subject to review every four years. Under the agreement, if any significant diversion from the EU GDPR occurred in the UK GDPR there would be an immediate review of transfer agreements. There are positive indications that the EU will provide an adequacy decision on the UK GDPR and that this will be formalised by June 2022.
6. This Data Protection Policy applies to the Auditor General, the Accounts Commission and Audit Scotland. Throughout this policy the terms 'we' and 'us'

are used to refer to the Auditor General, the Accounts Commission and Audit Scotland collectively.

7. As Data Controllers, we are committed to processing personal data (information) lawfully, fairly and in a transparent manner.

8. To discharge our statutory functions we collect, process, store and delete personal information covered by data protection legislation. Examples include information on current, past, and prospective employees, Accounts Commission members' and previous Auditors General, clients, suppliers, correspondents, complainants, people covered by the audit process and others with whom we communicate.

9. We recognise the benefits of protecting an individual's fundamental rights and freedoms and in particular their right to the protection of their personal information. We also recognise the seriousness of failing to comply with data protection legislation and the resulting risk to our reputation. Therefore, we are committed to:

- 9.1.** ensuring that all personal information is processed lawfully and in compliance with current data protection legislation;
- 9.2.** ensuring that our digital systems are secure, and that personal information will be stored securely;
- 9.3.** implementing effective systems for ensuring the rights of individuals, such as systems for handling and responding to data subject access requests within one month or receipt (requests from individuals to access their personal information);
- 9.4.** designing systems, processes and methods of working that protect personal information entrusted to us (privacy by design and default);
- 9.5.** undertaking data protection impact assessments as necessary for major new projects or when considering new software;
- 9.6.** full awareness of and on-going training in data protection legislation, its implications for our work, our data protection arrangements and our data loss/incident process;
- 9.7.** implementing effective systems for handling security breaches and data losses;
- 9.8.** ensuring that when we use a data processor that a written contract is in place so that both parties understand their responsibilities and liabilities;
- 9.9.** ensuring that any data processor we use also implements appropriate technical and organisational measures;
- 9.10.** conducting regular testing and reviews of our measures to ensure they remain effective, and act on the results of those tests where they highlight areas for improvement;

9.11. understanding that encryption can be an appropriate technical measure to ensure that we process personal data securely;

9.12. ensuring that we keep our encryption solution(s) under review in the light of technological developments.

10. Data-matching exercises as part of the National Fraud Initiative are subject to a detailed Code of Data-Matching Practice which complies with this policy.

Definition

11. Personal data is defined as *'any information relating to an identified or identifiable natural person (data subject); an identifiable natural person is one who can be identified, directly or indirectly, in particular by reference to an identifier such as a name, an identification number, location data, an online identifier or to one or more factors specific to the physical, physiological, genetic, mental, economic, cultural or social identity of that natural person'*.

12. It applies only to living individuals and covers their personal information held on physical or digital medium.

Data protection principles

13. The UK General Data Protection Regulation (UK GDPR) contains seven principles for processing personal information. They specify the standards that must be met when obtaining, handling, processing, transporting, and storing personal information. The seven data protection principles are listed below:

13.1. Lawfulness, fairness and transparency;

13.2. Purpose limitation;

13.3. Data minimisation;

13.4. Accuracy;

13.5. Storage limitation;

13.6. Integrity and confidentiality (security); and

13.7. Accountability

14. In line with these principles, we will only process personal information where we have a lawful purpose for doing so and be cognisant of rules relating to exemptions that apply.

15. To comply with the seven data protection principles, we will:

15.1. process personal information lawfully, fairly and in a transparent manner in relation to the data subject;

15.2. only collect personal information for specified, explicit and legitimate purposes and not further process it in a manner that is incompatible with those purposes;

- 15.3. ensure that the personal information we collect is adequate, relevant and limited to what is necessary in relation to the purposes for which they are processed;
- 15.4. ensure the accuracy of personal information and, where necessary, keep the information up to date; personal information that is inaccurate will be erased or rectified without delay;
- 15.5. only keep personal information in a form which permits identification of data subjects for no longer than is necessary for the purposes for which the personal data are processed; personal data may be stored for longer periods insofar as the personal data will be processed solely for archiving purposes in the public interest, scientific or historical research purposes;
- 15.6. ensure personal information is only processed in a manner that ensures appropriate security of the personal information, including protection against unauthorised or unlawful processing and against accidental loss, destruction, or damage, using appropriate technical or organisational measures ('integrity and confidentiality'); and
- 15.7. ensure that we can demonstrate compliance with UK GDPR regulations by being able to evidence the steps we have taken to secure personal data including removal / redaction. We require to have a process in place to manage any requests, but also need to have a full audit trail to prove that we undertook the proper actions.

Disclosure of personal information

- 16. We will only disclose personal information to:
 - 16.1. those who are entitled to the information;
 - 16.2. any authority we are required to do so by law e.g. HMRC; and
 - 16.3. anyone to whom we are required to disclose it, such as individuals seeking to access their own personal data

Rights of the individual

17. The UK GDPR provides the following rights for individuals which we as an organisation must be cognisant of:

- 17.1. The right to be informed - this covers some of the key transparency requirements of the UK GDPR. It is about providing individuals with clear and concise information about what you do with their personal data. Articles 13 and 14 of the UK GDPR specify what individuals have the right to be informed about.
- 17.2. The right of access - this is commonly referred to as subject access and gives individuals the right to obtain a copy of their personal data as well as other supplementary information. It helps individuals to understand how and why you are using their data, and check you are doing it lawfully.

- 17.3.** The right to rectification - Under Article 16 of the UK GDPR individuals have the right to have inaccurate personal data rectified. An individual may also be able to have incomplete personal data completed – although this will depend on the purposes for the processing. This may involve providing a supplementary statement to the incomplete data.
- 17.4.** The right to erasure - Under Article 17 of the UK GDPR individuals have the right to have personal data erased. This is also known as the ‘right to be forgotten’. The right is not absolute and only applies in certain circumstances.
- 17.5.** The right to restrict processing - Article 18 of the UK GDPR gives individuals the right to restrict the processing of their personal data in certain circumstances. This means that an individual can limit the way that an organisation uses their data. This is an alternative to requesting the erasure of their data. Individuals have the right to restrict the processing of their personal data where they have a particular reason for wanting the restriction. This may be because they have issues with the content of the information you hold or how you have processed their data. In most cases you will not be required to restrict an individual’s personal data indefinitely but will need to have the restriction in place for a certain period of time.
- 17.6.** The right to data portability - The right to data portability gives individuals the right to receive personal data they have provided to a controller in a structured, commonly used and machine-readable format. It also gives them the right to request that a controller transmits this data directly to another controller.
- 17.7.** The right to object - Article 21 of the UK GDPR gives individuals the right to object to the processing of their personal data. This effectively allows individuals to ask you to stop processing their personal data. The right to object only applies in certain circumstances. Whether it applies depends on your purposes for processing and your lawful basis for processing.
- 17.8.** Rights in relation to automated decision making and profiling - Under Article 4 (4) any form of automated processing of personal data consisting of the use of personal data to evaluate certain personal aspects relating to a natural person, in particular to analyse or predict aspects concerning that natural person’s performance at work, economic situation, health, personal preferences, interests, reliability, behaviour, location or movements.

Data protection officer

18. The Corporate Governance Manager is our designated data protection officer and is to be involved appropriately and in a timely manner, in all issues which relate to the protection of personal information.

Personal responsibility

19. Data protection is the responsibility of everyone, and this principle is embedded in our Code of Conduct. We are all expected to ensure that we collect, process, store, share and dispose of personal data in a fair and lawful manner, in accordance with this policy and data protection legislation, and to undergo training as required.

Training and awareness

20. We are committed to ensuring full staff awareness of our statutory obligations around Data Protection, Information Security and Environmental Information Regulations. All staff receive mandatory training on the pertinent legislation and its implications for our work.

21. The training of staff is regularly tracked and monitored to maintain organisational compliance. We are committed to maintaining effective systems for handling personal data to meet our obligations under this legislation.

22. [Audit Scotland recognises the annual International Data Protection Day on 28 January each year. To mark this date, a blog is shared with all colleagues on any updates to internal data protection practices and our performance on compliance with the legislation.](#)

20-23. [Corporate Governance ensure that any relevant updates to legislation and practice is shared via the internal Knowledge, Information and Technology Governance Group \(KITGG\) and all colleague Yammer channels.](#)

21-24. [Guidance on the application of data protection is available on SharePoint.](#)

Misuse of personal information

22-25. Failure of staff to comply with this policy and the data protection principles may result in action under Audit Scotland's disciplinary policy.

Change log

Version	Date	Author	Description
13	12/04/2018	Corporate Governance Manager	Data protection policy changed to include GDPR requirements and the commencement of this change log.
14	26/03/2019	Corporate Governance Manager	Updated to reflect the further guidance updates on GDPR since April 2018
15	01/05/19	Corporate Governance Manager	Revised policy approved by Audit Scotland Board

16	24/03/20	Corporate Governance Manager	Revised policy for the approval of KITGG (4 March) and Board (25/03/2020)
17	24/03/2021	Corporate Governance Manager	Revised policy for the approval of KITGG (March) and Board (24/03/2021)
<u>18</u>	<u>15/03/2022</u>	<u>Corporate Governance Manager</u>	<u>Revised policy for the approval of Board (5 April 2022)</u>

Scheme of Delegation and Management Team quorum

Acting Director, Corporate Services Group

Item 18
Meeting date: 5 April 2022

Purpose

1. This report provides the Board with the opportunity to ratify its agreement to temporarily vary the Audit Scotland Scheme of Delegation, in light of the vacant posts of the Chief Operating Officer and Director of Audit Services.

Background

2. The Audit Scotland Scheme of Delegation states:

Quorum for Management Team

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

and that

10. This Scheme of Delegation may be varied or revoked by the Board.
3. The Chief Operating Officer left Audit Scotland with effect from January 2022 and the Director of the Audit Services Group left in March 2022. The recruitment and selection process for these roles is currently under way.
4. The Acting Director, Corporate Services Group has been attending Management Team meetings since December 2021.
5. On 9 March 2022 I circulated a report via correspondence proposing that the Scheme of Delegation be temporarily amended, in order to support the effective conduct of business.
6. It was proposed that an Audit Director from Audit Services Group attends meetings of the Management Team with effect from March 2022 and that their attendance, along with that of the Acting Director, Corporate Services Group, fulfilled the quorum requirements for Management Team meetings.
7. All Board members agreed the proposal via email that same day on 9 March 2022.
8. It was also proposed that the temporary arrangements will be superseded when the new appointments for the two posts take effect.

Amendments to the Scheme of Delegation

9. As agreed, the Scheme of Delegation has been updated to include the following:

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

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

10. The full Scheme of Delegation, as updated, is attached as an appendix.

Recommendations

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

Scheme of Delegation



March 2022

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

Contents

Scheme of Delegation.....	4
Introduction	4
Conditions of delegation	4
Reservations to the Board	4
Quorum for Management Team	5
Making, revocation and variation	5
Schedule	6

Scheme of Delegation

Introduction

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

Conditions of delegation

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

Reservations to the Board

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

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

Quorum for Management Team

- 8. The quorum for the Management Team is three, comprising of the Accountable Officer or the Chief Operating Officer plus two others.
 - 8.1 In the event of a vacancy at Management Team level, a member of staff at Audit Director or Associate Director level may attend Management Team and will count towards the quorum.
 - 8.2 In the event of a vacancy in the role of Chief Operating Officer a member of staff nominated by the Accountable Officer and approved by the Board may take their place for the purposes of Management Team quorum.

Making, revocation and variation

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

Schedule

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

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

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

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

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

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

Note: Management Team is defined in section 8 of the Financial Regulations as follows “the Management Team consists of the Auditor General, the Chief Operating Officer, the Director of Audit Services and the Director of Performance Audit and Best Value, or such other combination of officers as may be determined from time to time by the Board”. Decisions can only be made by Management Team when they are quorate as defined in section 6 of this document as follows “The quorum for the Management Team is three, comprising of the Accountable Officer or the Chief Operating Officer plus two others”.

Agenda

Tuesday 17 May 2022 at 10.00am

-
1. Private meeting of members
 2. Welcome and apologies
 3. Declarations of interest
 4. Items to be taken in private

Standing items

- | | |
|--|-----------------|
| 5. Chair's report - verbal update | For information |
| 6. Accountable Officer's report - verbal update | For information |
| 7. Accounts Commission Chair's report - verbal update | For information |
| 8. Review of minutes: <ul style="list-style-type: none">• Board meeting: 5 April 2022• Audit Committee meeting: 2 March 2022• Remuneration and Human Resources Committee meeting: 2 March 2022 | For approval |
| 9. Review of action tracker | For information |
| 10. Covid-19 update | For information |

Strategic priorities

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

Annual reporting

- | | |
|---|-----------------|
| 12. 2021/22 Annual report on information governance and security | For information |
| 13. Annual report on complaints 2021/22 | For information |
| 14. Annual report on Freedom of Information and Environmental Information 2021/22 | For information |

Business planning, performance and governance

- | | |
|--|-----------------|
| 15. Q4 Financial performance report | For information |
| 16. Information Security Management Policy review | For approval |
| 17. Review of staff handbook policies | For approval |
| - Counter Fraud | |
| - Diversity and Equality | |

Conclusion

- | | |
|--|-----------------|
| 18. Any other business | For discussion |
| 19. Review of meeting | For discussion |
| 20. Date of next meeting: 1 June 2022 | For information |

Items to be taken in private

- | | |
|---|----------------|
| 21. New audit appointments – verbal update | For discussion |
| [Item to be taken in private to support the effective conduct of business and commercial sensitivity] | |

Minutes Board



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

Present:

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

Apologies:

There were no apologies.

In attendance:

Martin Walker, Acting Director of Corporate Services
Stuart Dennis, Corporate Finance Manager
Simon Ebbett, Communications Manager
Gayle Fitzpatrick, Corporate Governance Manager
Ian Metcalfe, Corporate Governance Officer
Elaine Boyd, Associate Director, Audit Quality and Appointments
Kathrine Sibbald, Project Manager, Audit Quality and Appointments
Judith Strange, Cyan2 Limited

1. Private meeting of Board members

The Board met privately and there were no matters arising.

2. Welcome and apologies

Martin Walker, Acting Director of Corporate Services, Stuart Dennis, Corporate Finance Manager, Simon Ebbett, Communications Manager, Gayle Fitzpatrick, Corporate Governance Manager and Judith Strange, Board development facilitator, Cyan2 Limited, joined the meeting.

The Chair welcomed attendees to the meeting.

3. Declarations of interest

There were no declarations of interest.

4. Items to be taken in private

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

5. Chair's report – verbal update

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

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

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

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

Following discussion, the Board welcomed the update.

6. Accountable Officer's report – verbal update

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

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

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

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

7. Accounts Commission Chair's report – verbal update

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

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

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

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

Following discussion, the Board welcomed the update.

8. Review of minutes

Board meeting: 26 January 2022

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

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

Audit Committee meeting: 10 November 2021

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

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

Remuneration and Human Resources Committee meeting: 10 November 2021

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

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

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

9. Review of action tracker

The Board noted the updates provided on the action tracker.

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

The Board welcomed the update.

10. Covid-19 update

Simon Ebbett joined the meeting.

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

Martin invited the Board to consider the report, the actions taken to date in response to the Covid-19 pandemic, the ongoing actions and next steps.

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

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

Following discussion, the Board welcomed the update and noted the actions taken to date in response to the Covid-19 pandemic, the ongoing actions and engagement and next steps.

Simon Ebbett left the meeting.

11. Strategic Improvement Programme update

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

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

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

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

12. 2022/23 Operational budget

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

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

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

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

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

13. Q3 Financial performance report

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

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

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

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

14. Q3 Corporate performance report

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

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

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

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

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

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

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

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

15. Best Companies survey results

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

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

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

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

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

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

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

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

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

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

17. Data Protection Policy

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

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

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

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

18. Scheme of Delegation and Management Team quorum

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

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

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

19. Any other business

There was no other business for discussion.

20. Review of meeting

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

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

The Chair thanked everyone for their contributions.

21. Date of next meeting: 17 May 2022

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

Items taken in private

22. New Audit Appointments – Lessons learned

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

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

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

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

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

Following discussion, the Board welcomed the report.

Elaine Boyd and Kathrine Sibbald left the meeting.

23. Audit Scotland Annual Report and Accounts 2021/22

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

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

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

24. Internal audit procurement

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

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

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

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

Minutes

Audit Committee

Wednesday 2 March 2022, 10.30am
Microsoft Teams



Present:

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

Apologies:

None

In attendance:

A Alexander, Chair, Audit Scotland Board
S Boyle, Accountable Officer and Auditor General for Scotland
M Walker, Acting Director, Corporate Services Group
C Robertson (BDO)
J So, Alexander Sloan
D Jeffcoat, Alexander Sloan
G Fitzpatrick, Corporate Governance Manager
S Dennis, Corporate Finance Manager
D Robertson, Digital Services Manager
I Metcalfe, Corporate Performance Officer

1. Private meeting with BDO

A private meeting was held with Audit Committee members and internal auditors, BDO.

2. Welcome and apologies

The Chair opened the meeting, welcomed everyone, and invited all present to introduce themselves. The Chair welcomed William Moyes, Chair of the Accounts Commission, noting it was his first attendance at the Audit Committee meeting.

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

3. Declarations of interests

There were no declarations of interest.

4. Minutes of the last meeting: 10 November 2021

The Audit Committee members reviewed the minutes of the meeting of 10 November 2021, copies of which had previously been circulated.

The Audit Committee approved the minutes of the previous meeting.

5. Review of action tracker

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

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

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

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

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

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

6. Organisational response to Covid-19

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

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

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

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

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

7. Q3 Financial performance report

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

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

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

The Audit Committee noted the Q3 Financial report.

8. Review of Risk Register

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

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

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

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

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

The Audit Committee noted the review of the risk register.

9. Digital Security update

David Robertson, Digital Services Manager joined the meeting.

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

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

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

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

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

The Audit Committee noted the Digital Security update.

David Robertson, Digital Services Manager left the meeting.

10. Internal audit report: Procurement of Audit Firms

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

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

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

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

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

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

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

12. Internal audit report: Financial Planning

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

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

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

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

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

13. Internal audit report: Progress report 2021-22

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

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

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

14. Cooperation between External and Internal Auditors

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

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

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

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

15. Internal audit recommendations progress report (AS)

Ian Metcalfe, Corporate Performance Officer, joined the meeting.

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

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

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

Ian Metcalfe, Corporate Performance Officer, left the meeting.

16. Q3 Data incidents/loss

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

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

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

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

The Audit Committee noted the data incidents/loss report.

17. Annual assurance and statement of control process 2022

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

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

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

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

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

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

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

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

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

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

19. Audit Plan for the year ended 31 March 2022

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

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

David advised that there were no other points to note.

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

20. Any other business

There were no items of other business

21. Review of meeting

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

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

22. Date of next meeting

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

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

Items taken in private

23. Internal audit procurement

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

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

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

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

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

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

REF	FORUM	Agenda Item No	Item Title	Action Description	Meeting Date	Due Date	Responsible	Assigned to	Complete/Ongoing	Reported Yes/No	Progress Notes
ASB147	Board	20	Counter Fraud Policy review	David Blattman to review the policy and provide an update to the Board.	02/06/2021	Jul-21	David Blattman	Susan Burgess	Complete	No	The Counter Fraud Policy and the Diversity and Equalities policies will come to the Board at its meeting on 17 May 2022. This appears at item 17 of today's agenda.
ASB149	Board	13	Q1 Corporate performance report	The Communications Manager to provide information to the Board on the impact and measurement of social media engagement with the public.	22/09/2021	Jan-22	Simon Ebbett	Simon Ebbett	Complete	Yes	A verbal update was provided as part of item 14, Q3 corporate performance report at the Board meeting on 05/04/2022.
ASB160	Board	12	Our Purpose - Workstream update	A Board meeting to be scheduled for discussion and formal approval.	26/01/2022	Jun-22	Martin Walker	Martin Walker	Ongoing		Member availability to be canvassed for a strategic session to be held in August 2022.
ASB162	Board	17	New audit appointments - verbal update	An update report from the New Audit Appointments Steering Group to be scheduled for the next meeting of the Board.	26/01/2022	Apr-22	Alan Alexander	Alan Alexander	Complete	Yes	A report was considered at item 22 of the agenda for the Board meeting on 05/04/2022.
ASB163	Board	19	Stakeholder engagement update	A further discussion on stakeholder engagement to be scheduled.	26/01/2022	Jun-22	Martin Walker	Martin Walker	Ongoing		Member availability to be canvassed for a strategic session to be held in August 2022.
ASB164	Board	14	Q3 Corporate performance report	A further discussion on Communications resource, innovation and impact to form part of a future Board strategic discussion.	05/04/2022	Aug-22	Martin Walker	Simon Ebbett	Ongoing		Member availability to be canvassed for a strategic session to be held in August 2022.

Purpose

1. This report provides an update on Audit Scotland's response to the Covid-19 pandemic. It summarises the current position and the implications for Audit Scotland as an organisation and for the audit work. The situation remains dynamic, and a verbal update will accompany this report as appropriate.

Background

2. The Audit Scotland Board most recently considered a [Covid-19 update report](#) at its meeting on 5 April 2022. Board members and Accounts Commission members continue to receive the weekly updates from Management Team.
3. Over the course of April and May 2022 the reported infection rates in Scotland have fallen (although this may in part be due to the reduction in testing). As at 5 May 2022, no local authority areas in Scotland had an infection rate of above 800 per 100,000 of the population (compared to all 32 at the time of the last report). Two areas have infection rates of 400-799/100K, 29 areas are in the range 200-399/100K and one is in the range 100-199/100K.
4. The health impacts have lessened compared to the earlier stages of the pandemic and there have been reductions in the rates of hospitalisations, ICU admissions and Covid related deaths.
5. On 21 April 2022 the Scottish Government removed the last of the legal restrictions while still strongly [recommending](#) that face coverings are still worn in indoor public settings and on public transport.
6. On 28 April 2022 the Scottish Government published '[stay at home](#)' guidance. This [announcement](#) advised:

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

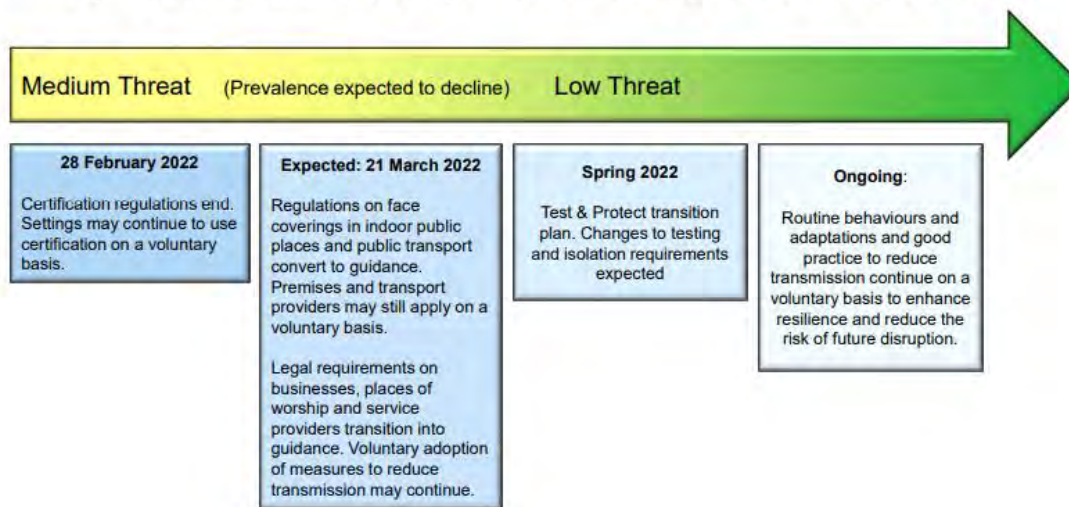
People who have symptoms of Covid-19 and who have a fever or are too unwell to carry out normal activities will be asked to 'stay at home' while they are unwell or have a fever. They will no longer be advised to take a PCR test'.

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

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

7. The Scottish Government's [Strategic Framework](#) sets out the proposed approach to managing Covid-19 and its associated harms in the longer-term. The framework also sets out the proposed schedule for changing legal requirements and guidance (Figure 2).

Figure 2: Plans for changing legal requirements to guidance and good practice



8. Supporting guidance has also been updated in recent weeks including the guidance on [staying safe and protecting others](#) and the [safer workplaces and public settings](#) guidance.

Organisational implications and responses

9. In light of the status of the pandemic and the framework and guidance referenced above we moved into Phase Four of our workplaces plan on 7 March 2022. This provides for hybrid working in Audit Scotland offices, on site work and site visits as was the case in Phase Three. Phase Four also saw us move from a two-metre social distancing rule to a 'one metre rule'. This provides for greater capacity in the Audit Scotland offices.

Our people

10. From the start of the pandemic, we have prioritised the health, safety and wellbeing of our colleagues. This continues to be a key priority. We have worked hard to support colleagues who are currently all dispersed, working from home and juggling sometimes quite difficult home and work responsibilities. This support has taken a variety of forms, including regular communications and engagement, advice and guidance, access to systems and the provision of digital and office equipment.
11. Since the last update:
- From 1 January 2022 to 29 April 2022, 28 colleagues had recorded illness due to Covid-19.
 - The HR team are organising a long Covid employee network support group following feedback from others who have returned to work and who are still struggling with some symptoms. This may also support those who have family members or colleagues recovering from the virus.
 - Based on the national vaccination statistics as of 29 April 2022 we estimate that 88.1% of colleagues may have received their first dose, 84.2% their second and 70.1% their booster/third jab.
 - An analysis of the time logged by colleagues to the C-19 business continuity time recording codes to the end of April 2022 tells us that 2,988 days have been logged to this code since the start of the pandemic in March 2020. This equates to approximately 13.6 FTE over the 25-month period.

New ways of working

- 12.** We continue to use a principles-based approach to date, focussing on:
- wellbeing and safety
 - effectiveness
 - equity and inclusion
 - sustainability.
- 13.** We have concluded that effective hybrid working needs to strike a good balance between the needs and aspirations of:
- colleagues (individuals, teams, managers and line reports)
 - the organisation as a whole
 - clients and stakeholders.
- 14.** We have a hybrid working group in place which has been developing a broad range of communications, guidance and support resources including:
- Adoption and promotion of the Distance Aware scheme.
 - Promotion of the Safer Travel guidance.
 - A how we work hub – for hybrid working related resources and guidance.
 - Guidance for managers on subjects including hybrid working, inclusion and managing performance.
 - Developing hybrid working drop-in/ coaching sessions for managers (four sessions in May).
 - Drop-in sessions on hybrid working.
 - Communications in relation to the above.

Colleague engagement

- 15.** Over the course of the pandemic, we have undertaken a broad range of engagement and communication with colleagues. This has included pulse surveys, working preference surveys, drop-in sessions with members of Management Team, team meetings and a weekly update communication from Management Team (MT). This provides a rich source of information to inform the development of our new ways of working.
- 16.** The most recent ‘pulse survey’ took place in early April 2022. Colleagues rated how they were feeling as 5.5 on a scale of one to ten (this is the same as the previous survey). The next pulse survey will take place on 17 June 2022.
- 17.** We ran a ‘How we work’ drop-in session on 4 April 2022, 146 colleagues attended this session to discuss the practical implications of hybrid working and share their experiences to date.

18. We continue to update the information and guidance on our workplaces [hub](#).
19. We have also been re-promoting ‘[the kitchen](#)’ (our virtual meeting space for non-work chat, takes the form of a Teams video chat for all staff to join at any point in the day or week).
20. As we operate under Phase Four and consider future phases, we will continue to learn from the practical implications of hybrid working in practice. This will continue to be an iterative process and be informed by action learning. The situation remains dynamic, and we will need to continue to use a flexible approach as new ways of working develop.
21. We will continue to engage with a range of stakeholders and in particular the People Focus Group, the Partnership Forum and PCS.

Digital and office equipment

22. We continue to support people with home working. Colleagues have been provided with laptops which can be used both remotely and when people access the offices. All colleagues have access to Audit Scotland laptops.
23. We have also issued 552 items of digital equipment to colleagues. These items have mainly been screens, keyboards and mice. The total cost to date has been £34,391.34, an average of £84.49 per colleague who has needed equipment.
24. We have also issued 398 items of office equipment to colleagues. These items have included desks, chairs, footrests and some items have been issued from existing stock in the offices. The number of requests received each week is now down to one or two items per week and these are for new starts. The total cost to date has been £20,973.80, an average of £67 per person who has needed equipment.

Financial management

25. The financial situation has been monitored very closely with senior leadership being regularly updated during the financial year.
26. The final quarter un-audited outturn is the subject of a separate report on today’s Board agenda at item 15.
27. At the end of the financial year Audit Scotland’s Net Operating Expenditure of £15,296k was £1,168k (7.1%) better than budget. Excluding the IAS 19 pension surplus the operating result was £719k (6.9%) better than budget. In-house fee income was £319k (4.0%) worse than budget and the net position on audits carried out by external firms was £870k (15.6% on income and 1.6% on expenditure) better than budget. Other income, expenditure on staff and administration costs were £617k (2.5%) better than budget.
28. In terms of the current cash flow position, we invoiced the final fee instalment for the 2020/21 chargeable audits in September 2021. This totalled £6.5 million and did not include the further education (FE) sector. The outstanding balance is currently £28k and this is being chased for payment. In December 2021 the first instalment invoice for the 2021/22 chargeable audits was issued, totalling £6.3 million. The outstanding balance as at 31 March 2022 is £527k.

Audit implications and responses

29. Over the course of the pandemic, we have prioritised our statutory audit obligations and, in consultation with the Auditor General for Scotland and the Accounts Commission, adjusted the focus and timescales for the audit work where we have more discretion. We have also

been clear that we will do what is achievable, but that we cannot guarantee all deadlines can be met. This is due to the disruption in audited bodies as well as Audit Scotland. We have also been clear that, while timescales may change, audit quality remains a priority and is even more important at times of significant disruption.

Financial audits 2020/21

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

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

Sector	Pre pandemic deadline	Revised deadline	Completion to date
Health	30/06/21	30/09/21	100%
Central Government – Agencies and Scottish Water	30/06/21	30/09/21	100%
Central Government – NDPBs and similar	31/10/21	31/10/21	
Local Government	30/09/21	30/11/21	100%
Colleges	31/12/21	31/12/21	100%

Covid-19 audit work

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

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

- Children and young people with additional support needs blog (17 May)
- Social Security performance audit (19 May)
- Local Government Overview (25 May)
- Scotland’s financial response to Covid-19 (9 June)
- Financial analysis of Integration Joint Boards (IJBs) (scheduled for 30 June).

Recommendations

34. The Board is invited to:

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

Mainstreaming equality and equality outcomes: Interim progress report

Audit Director, Performance Audit and Best Value

Purpose

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

Background

2. Audit Scotland and the Accounts Commission must adhere to the Public Sector Equality Duty, which was introduced by the Equality Act 2010 and came into force in April 2011. This general duty is underpinned by a number of specific duties, including the requirement to publish equality outcomes at least every four years and report progress on equality outcomes and mainstreaming the equality duty every two years.
3. In April 2021 Audit Scotland and the Accounts Commission set out three equality outcomes to support our public sector equality duty:
 - Our work supports the public sector to address inequalities, including protected characteristics and socio-economic disadvantage, and to protect human rights.
 - We will increase the diversity of people into Audit Scotland and their progression through every level of our organisation.
 - We will broaden our culture of diversity and inclusion, so all employees feel valued, engaged, and contribute.

Mainstreaming equality and equality outcomes: Interim progress report

4. In response to our statutory obligations, we publish an external mainstreaming equality and equality outcomes progress report every two years, and the next report is due in April 2023.
5. We published our [Mainstreaming equality and equality outcomes: Interim progress report](#), which provides an update on progress in the intervening year, on Audit Scotland's SharePoint site on 29 April 2022.
6. The interim report summarises progress against each of the three equality outcomes over the last year. It includes links to a wide variety of reports and resources that provide more detailed information.
7. A new interactive format has been used to enhance the visual appeal and accessibility of the report. Please note some links in the report relate to internal Audit Scotland documents. Copies can be shared with Board members on request.

Oversight and delivery of mainstreaming equality activity

8. Work to progress the audit-focused outcome and develop our mainstreaming equality report is overseen by the Equalities and Human Rights Steering Group (EHRSG). The EHRSG includes members from across Audit Scotland and the Accounts Commission support team.
9. Delivery of the second and third outcomes – which relate to organisational considerations – is led by Audit Scotland’s People Focus Group (PFG).

Recommendations

10. The Board is invited to:
 - note the interim report and share views on the interactive format
 - comment on the progress being made against the equality outcomes
 - note that a full progress report will be shared for comment ahead of publication in spring 2023.

2021/22 Annual report on information governance and security

Corporate Governance Manager and
Digital Services Manager

Purpose

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

Background

2. The information governance and security management assurance process was introduced in 2009/10 and is an annual process. The assurance process covers a review of our work on information governance, risk and security management, staff surveys, assurance checklists and horizon scanning for changing legislation.
3. The Knowledge, Information and Technology Governance Group (KITGG) oversee the arrangements for information governance, risk and security management within Audit Scotland.
4. This report has been considered by the KITGG and Management Team and it contributes to the Accountable Officer's governance statement for 2021/22.
5. The KITGG met eight times via Microsoft (MS) Teams in 2021/22 to consider and discuss reports on information, knowledge, risk and technology issues. The information risk register was reviewed, discussed and updated on six occasions over the year. In addition, the Information Security Management System (ISMS) Management Review group meet on a quarterly basis and are responsible for evaluating the effectiveness of information security. The group consider any potential weaknesses in information security and ways of implementing improvements.
6. Audit Scotland maintains its commitment to the Information Security Standard ISO 27001:2013 through six-monthly surveillance audits that are led by accredited body British Assessment Bureau (BAAB). A surveillance audit took place on 28 and 29 April 2022 which concluded with our certification being maintained. One opportunity for improvement was recommended, and this related to tweaking our approach to information security mechanisms given the move to hybrid working. We are approaching the end of our current three-year certification cycle and will be required to recertify in autumn 2022. This will be a four-day audit and final dates are yet to be confirmed. A new version of the Standard ISO 27002:2022 is expected to be released in October 2022. Audit Scotland will have a period of 18-24 months to complete the transition and be audited on an updated set of controls.
7. In November 2021 an Information security survey was made available to Audit Scotland staff. The survey was completed by 61.3 per cent of colleagues, an increase of 10.3 per cent on the previous year's survey. The results provide positive assurance about level of awareness and knowledge regarding information security practice throughout the

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

8. This year, the Information Asset Owners (IAOs) completed the assurance review checklists for Accountable Officers and Boards and Records Management Compliance during March 2022.
9. The findings from the annual assurance review checklists provide positive assurance about our information governance arrangements.
10. We produced several briefing papers and blogs during the year to remind colleagues of our information and data security arrangements. This year they included:
 - Freedom of Information blog in support of International Right to Know in September 2021.
 - Information Management Guidance updated in November 2021.
 - Data protection blog in support of Data Protection Day in January 2021.
 - Data Protection Policy update in April 2022.
 - During 2021-22 the Corporate Governance team posted two blogs on records management and eight Yammer posts on data protection, information security and Freedom of Information (FOI) news.
 - During 2021-22 the Digital Services Team posted 39 cyber security Yammer posts and 13 detailed blogs on SharePoint Online including a review of the SEPA ransomware attack, guidance on securing personal devices and improving privacy settings.

Information governance, security and incidents in 2021/22

11. The Information Security Management Policy was reviewed by Management Team review on 3 May 2022 and will be considered by the Audit Scotland Board on 17 May 2022.
12. This year Digital Services have completed on the following actions to improve our information security and governance:
 - Replaced all firewalls providing improved Virtual Private Network (VPN) tunnel security and open-source modern robust security features.
 - Supplied all colleagues with an Audit Scotland secured laptop and mobile phone and most have requested external displays, keyboards, mice, USB hubs and assorted cabling to make working from home easier. The secured laptops provide secure connections, better vulnerability management and improved cyber defences.
 - Maintained an 'air-gapped' backup solution for MKI data to provide an additional level of protection against a successful ransomware attack. Committed financial investment in devices and services to strengthen this process and implement immutable cloud backups.

- Maintained a Cyber Incident Response (CIR) organisation to provide immediate expert advice, malware and phishing analytics, on-site incident response as well as incident response training, exercises, and workshops.
- Deployed Cloud-powered endpoint management and threat protection tools to our mobile devices, and Accounts Commission laptops are in final testing on the Communication team's Macs in terms of security. These allow us to deploy, manage and secure all our devices, as well as remotely monitor for suspicious/malicious behaviour and mitigate in real-time.
- Instigated services to provide greater assurance on the identity of the sender of an email message on both our mail Domains (audit-scotland.gov.uk and accounts-commission.gov.uk). These services check with the sender's domain to verify that the email is real and has been sent from them, if it is not the email is blocked.
- Implemented a series of automated services that look for suspicious activity indicative of an attack, rather than trying to identify specific files or attack vectors. These systems 'learn' what is normal identifying and blocking suspicious/malicious activity.
- Countered the use of sophisticated malware inside office documents and documents in cloud services by introducing a new service that cloud scans a document or link and if it suspects it is malicious it will block access.
- Decommissioned all legacy devices and services including retiring an older Multi Factor Authentication (MFA) service and centralised all our systems to use a single MFA provider for a better user experience and improved maintenance.
- Changed our processes and delivered additional training material to mitigate the risk from incorrect permissions on SharePoint document library exposing sensitive information.
- Successfully performed annual systems recovery testing to test our incident management procedures and ensure we can recover all systems after a simulated incident.
- Completed a remote ISO surveillance audit in October 2021, covering asset management, teleworking, access control, incident management, risk assessment, HR security, physical and environmental security and staff awareness, training and compliance. Across both audits our Information Security Management System (ISMS) was found to meet the requirements of the Standard. There were no Non-Conformances and only two Opportunities for Improvement (OFIs) were identified (OFI-01 Recommendation to include risk references in our Risk Treatment Plan linking back to the Digital Project Risk Register and OFI-02 to consider including a description of how information security objectives are achieved. Both OFI's have been actioned as recommended).
- Completed two independent third party National Cyber Security Centre (NCSC)-certified penetration tests of our network, servers and laptop security. Third-party penetration audits are now scheduled twice a year due to the increasing number, complexity and rapidity of vulnerabilities being used in cyber-attacks.

- Continued with mandatory user training for increased phishing awareness supplemented by regular blogs and short Yammer posts to maintain awareness.
13. Since the last report we have experienced eleven cyber security threats which, while not directly targeting Audit Scotland, proved major risks to Audit Scotland's digital infrastructure and required immediate action/mitigation. There have been no detected successful directed attacks, however, SharePoint Online was subject to an unintended data breach where confidential client and personal information that should only have been available to the audit teams was not adequately secured and potentially exposed to any member of Audit Scotland. Once the breach was identified, we carried out an immediate check of all audit sites with immediate remedial action and additional safeguards are now in place. A data incident report was completed and shared with the client affected.
 14. 2021/22 saw a steady increase in phishing attacks with both general emails aimed at all parts of the business and more targeted emails aimed at specific high value roles. We are also experiencing a significant increase in attacks attempting to use system vulnerabilities to gain access to our networks either directly, via client devices or third-party suppliers to deploy malware toolkits.
 15. Email continues to be the primary source of both directed and environmental attacks but attacks that attempt to compromise open vulnerabilities are becoming normal. As we have seen from the SEPA attack reports, once 'bad actors' backed by organised crime or state actors have gained access to a secure network they attempt to deliver malware kits designed to silently infiltrate a network. Then, after a period, deploy ransomware and further post-exploitation toolkits.
 16. A successful ransomware attack, similar to the SEPA attack, still constitutes the most significant threat to Audit Scotland's digital infrastructure. MKI, our electronic working papers system, is at the greatest risk of being disabled or damaged and this could result in weeks to months of severe disruption to our business processes. Despite mitigations, until we can move critical systems such as MKI to a cloud-based service they are still at significant risk.
 17. As existing platforms and devices become better protected, we are seeing 'bad actors' move to attack other platforms which present an easier target. These new platforms require addition expertise and management to maintain and protect.
 18. There have been attempts to capture Office 365 login credentials by posing as a known contact and as a 'man in the middle attack' to capture login details even tricking a user into approving access via Multi Factor Authentication.
 19. With the advent of Russian invasion of Ukraine and increased hostilities between Russia and NATO countries, the UK and Scottish Government, through the National Cyber Security Centre (NCSC), have called all UK organisations to immediately bolster their online defences.

Key information legislative and governance developments

20. There have been a number of developments to the information governance regulatory and legislative frameworks during the year, including work to improve our internal processes through certification and membership of information security workgroups to:
 - Maintain ISO 27001:2013 certification.

- Participate in Scottish Government's Public Sector Action Plan (PSAP) achieving the advanced tier of preparedness.
- Participate in the National Cyber Security Centre (NCSC) Cyber Security Information Sharing Partnership (CiSP).

Information governance, risk and security mitigation actions

- 21.** We continue to make good progress in embedding information management and security into our corporate culture with:
- An established information risk hierarchy, from the Accountable Officer to the Senior Information Risk Officers and through to Information Asset Owners in business groups.
 - A KITGG, chaired by the Corporate Governance Manager, overseeing our information management and risk arrangements. The work of the KITGG is raised by IAOs at the leadership teams of all business groups where appropriate.
 - Frequent updates occurring at least every month on cyber security between the Digital Services Manager and the Acting Director of Corporate Services.
 - The undertaking of data protection impact assessments in the event of policy/procedural changes.
 - An information risk register, which is reviewed and updated every two months at KITGG.
 - An annual evaluation of our information risk and security, through the completion of assurance checklists.
 - Mandatory staff training on information security and data protection.
 - Six-monthly reporting on information risk and security to Management Team and the Audit Committee.

Risk management

- 22.** The KITGG maintains an information risk register which is reviewed at each of the meetings taking place over the year. The register shows there are currently twenty-five main information and security risks for Audit Scotland. Fourteen of these are active risks and eleven are for monitoring due to the low net risk scores.
- 23.** The information risk register has fourteen active risks which have a high gross score (red). Of these risks one has a red net risk score and 13 have amber net risk scores defined as 'acceptable level of risk that requires constant active monitoring'.
- 24.** The risk which has a red net risk score relates to Digital Security. It is also captured in the Corporate Risk Register, where it is also rated red. Multiple mitigations (current and future planned enhancements) are in place to prevent a breach of our digital security and these are tracked and monitored via both risk registers.

Conclusion

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

Recommendations

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

Purpose

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

Background

2. The Public Services Reform (Scotland) Act 2010 (the Act) required the Scottish Public Services Ombudsman to introduce a set of complaint handling principles, to which all public bodies must adhere.
3. The complaints procedure is a two-stage process, stage one is front line resolution within five working days or if more complex, or are not resolved at stage one, stage two is resolved within 20 working days.
4. Audit Scotland, the Auditor General for Scotland and the Accounts Commission introduced a joint complaint handling process in December 2012. The joint complaints handling process was reviewed and updated in 2014 and again in December 2018.
5. In January 2020 the Scottish Public Services Ombudsman published a revised Model Complaints Handling Procedure (MCHP). The Ombudsman expected the revised MCHP to be fully implemented by 1 April 2021. The updated MCHP was approved by the Board, six months ahead of schedule, in September 2020.
6. The new MCHP requires us to report on four key performance indicators (KPIs):
 - total number of complaints
 - for each complaint stage the number and percentage closed within timescales
 - average working days to respond per stage
 - the outcome of each complaint at each stage.
7. All KPIs are included in this report.

Complaints received

8. The Corporate Governance team maintains the register of complaints received. The register shows there were three complaints received in 2021/22 (compared to one in 2020/21).
 - Complaint one concerned not providing the complainant with support or assistance in relation to whistleblowing, this was not upheld and the complainant appealed to the Scottish Public Services Ombudsman (SPSO). The SPSO declined to investigate the matter further.

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

SPSO Complaint KPIs

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

Appeals to the Scottish Public Services Ombudsman (SPSO)

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

Conclusion

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

Recommendations

11. The Board is invited to note the report.

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

Corporate Governance Manager

Item 14
Meeting date: 17 May 2022

Purpose

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

Background

2. Audit Scotland, the Auditor General for Scotland and the Accounts Commission are subject to the Freedom of Information (Scotland) Act 2002 (FOISA) and the Environmental Information (Scotland) Regulations 2004 (EIRs).
3. Audit Scotland developed and implemented suitable joint arrangements for the discharge of FOISA/EIRs in 2005 for all three bodies. These arrangements are reviewed annually.
4. The Scottish Ministers' Code of Practice on the discharge of functions by Scottish public authorities under FOISA and the EIRs require us to monitor our handling of information requests.
5. Since 1 April 2013 public bodies are required to submit their FOI and EIR handling statistics to the Scottish Information Commissioner (SIC) on a quarterly basis. Audit Scotland has complied timeously with this requirement.

FOI/EIR overview for 2021/22

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

Governance

7. The Knowledge, Information and Technology Governance Group (KITGG) provides oversight of our FOI/EIR arrangements and reports its activity to Management Team, the Audit Committee and the Board as necessary. The Corporate Governance Manager is responsible for day-to-day management of our FOI/EIR arrangements.
8. The FOI/EIR policy was reviewed by the KITGG and Management Team and re-approved by the Board on 5 April 2022. Staff acknowledged compliance with the policy via the Fit and Proper form in February 2022.
9. We reviewed our FOI publication scheme in August 2021 to ensure it remains up to date.

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

Approach to requests

- 11.** It is our policy to be as open and transparent as possible and our approach to FOI/EIR requests is to treat them as a 'business as usual' activity. This means that we normally supply information to those requesting it in the normal course of business and do so without treating them as FOI/EIR requests.
- 12.** More complex 'business as usual' requests and all other requests, which may have to be considered by a FOI panel, are recorded in our FOI/EIR system.
- 13.** Where it is appropriate, we can apply exemptions and exceptions to the information being requested. Audit Scotland has established a group of senior managers (an FOI panel) trained in considering FOI/EIR exemptions and exceptions to complex requests.
- 14.** The following statistics and analysis are based on our recorded FOI/EIR requests for 2021/22.

Statistics and analysis

Number of requests received

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

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

Type of requestor

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

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

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

17. Themes emerging from the information being requested are:

- 16% - Reports, draft reports and correspondence relating to those reports
- 11% - Data held on other organisations
- 41% - Audit Scotland's governance, policies, procedures or expenditure
- 32% - Contract information: Information technology, equipment, other contracts.

Responding to requests

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

Cost of administrating and responding to requests

- 19.** The time spent on specific requests is generally recorded to the job code for the audit work concerned. In addition, the time spent on FOI/EIR training is coded to the general learning and development job code.
- 20.** Four members of staff recorded 155 hours (compared to 139 in 2020/21) for administering our FOI systems and procedures, replying to some requests and dealing with complex requests at FOI panels. This equates to approximately £7,650 (compared to £6,792 in 2020/21) using the average hourly rate from the Time Recording System. However, the full cost to Audit Scotland of complying with FOI/EIRs will be higher due to the way some FOI/EIR work and training is recorded.

Time taken to respond

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

Charging for dealing with requests

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

23. Public bodies are also able to refuse a request where it will cost more than £600 to process. Where public bodies estimate the cost to be greater than £600, they are to inform the requester that they may be able to supply some information if they narrow their request.
24. No requests were refused on excessive cost of compliance this year.

FOI/EIR panels, reviews and appeals

25. No FOI panels met this year to consider applying exemptions to some or all the information being requested.
26. In the two requests where we applied an exemption to the information this was due to the redaction of personal information.
27. Where an applicant is not satisfied with our initial response to their request, they can ask Audit Scotland for a review. In 2021/22 there were no requests for a review.
28. If an applicant remains dissatisfied with how we dealt with their request after a review they can make an appeal to the Scottish Information Commissioner (SIC). There were no appeals to the SIC this year.

FOI/EIR training

29. Audit Scotland staff undertake basic FOI/EIR training when they join Audit Scotland and refresher training is given as necessary. In addition, staff updates are published when changes to legislation occur.
30. Maintaining training records is a dynamic process due to staff joining and leaving the organisation at any point during the year. As at 7 April 2022 two individuals (less than one per cent of staff) had not completed the FOI/EIR training.

Conclusion

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

Recommendations

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

Q4 Financial performance report

Corporate Finance Manager

Item 15
Meeting date: 17 May 2022

Purpose

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

Background

2. The detailed un-audited finance performance report for the twelve months to 31 March 2022 is provided in Appendix 1 to this paper.
3. The report was discussed by Management Team on 3 May 2022 and considered by the Audit Committee at its meeting on 11 May 2022.

Discussion

4. At the end of the 2021/22 financial year Audit Scotland's Net Operating Expenditure was £15,296k which was £1,168k (7.1%) better than budget. Excluding the IAS 19 pension surplus, which is funded separately by Annually Managed Expenditure, the operating result is £719k better than budget.
5. In-house income was in total £319k (4.0%) worse than budget. The fee income for 2020/21 audit years was £23k better than budget. Fee income for 2021/22 audits has a negative volume variance of £349k and a positive price variance of £7k.
6. Fee income earned for audits carried out by external firms net of fees and expenses paid to the firms was £870k better than budget. Income recognition was £797k better than budget with fees and expenses payable to the external firms being £73k better than budget. Included in the expenditure savings is a £257k reduction in expenses and the release of the provision balance from 2020/21 financial year.
7. A provision of £1,320k has been raised to meet potential refunds in respect of savings generated by reduced travel and expenses due to audit work being delivered remotely.
8. Staff costs including agency expenditure was £919k (4.5%) better than budget.
9. Initial IAS 19 estimates from the actuary indicate a net surplus of £449k to budget. This could potentially change when the final return on investment figures are provided by the actuary and a final adjustment is made.
10. Other expenditure £541k (12.5%) better than budget. The main positive variances were recorded in travel and subsistence (£401k); legal, professional and consultancy (£138k); other costs (£91k); and property costs (£70k). The main adverse variances appear in information technology (£129k), recruitment (£42k) and depreciation (£41k).
11. The detailed variance analysis and explanation is provided in Appendix 1 attached to this report. Appendix 1 also includes a section on the allocation of management contingency and the key financial risks.

Virement

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

Recommendation

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

Headline Results

The summary financial position to 31 March 2022:

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

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

Income and Expenditure Summary

1. Fee Income – In House

Variances arise in fee income as a result of volume and price differences. Volume variances occur when audit work is carried out at different times and/or durations than planned. Price variances reflect the difference in actual fees to expected fees originally budgeted and is based on additional work undertaken and agreed with the audited body.

The table below shows the performance by sector as at 31 March 2022 for in-house audits:

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

Local Government

Local Government audits for 2020/21 are complete. The positive price variance of £89k is due to increased fees being applied to local government bodies with the most significant increases being applied to Aberdeenshire Council, Angus Council, Clackmannanshire Council, Fife Council, Scottish Borders Council and South Lanarkshire Council. The main reason for the increase in fees is due to the additional audit work required for charitable trust accounts and additional assurance work required. Audit work for 2021/22 has started and as expected the current position is 4.69% behind plan leading to a negative volume variance of £204k.

Health

The 2020/21 health audits are complete with the positive price variance due to an increase in the fee for NHS Tayside and NHS National Services Scotland. The 2021/22 audits have commenced and are currently 0.69% behind plan leading to a negative volume variance of £11k.

Further Education (FE)

ASG undertake 2 FE audits, Dundee & Angus College and Edinburgh College. Both these audits are complete meeting our target deadline of the end of December. Audit work for 2021/22 has commenced and is currently 5.26% behind plan.

Central Government

Central Government chargeable audits are complete with the negative price variance due to the agreed fee for a new body, South of Scotland Enterprise, being less than the original expected fee. 2021/22 audit work is behind plan by 8.20% leading to a negative variance of £87k.

Non-statutory

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

2. Fee income and expenditure – Audit Firms

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

Audit firms can negotiate fee increases within set parameters above expected fees with audited bodies. Primarily increases in fees will relate to increased complexity and additional work undertaken for which the audited body has agreed to pay an additional fee.

The table, below, shows the performance for approved auditors by sector to 31 March 2022:

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

Local Government

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

Health

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

Water

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

Further Education (FE)

2020/21 audits are complete with a positive price variance of £80k. This is mainly due to agreed fee increases being applied to Lews Castle College, North Highland College, Perth College and South Lanarkshire College. The prior year audit income of £39k relates to the final agreed settlement fees for completion of the 2019/20 audits with the main increases applying to Inverness College, Lews Castle College, North East Scotland College and Perth College. There is a small positive volume variance relating to 2021/22 audits.

Central Government

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

3. Rebate

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

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

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

4. IAS 19 Pension Costs

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

5. Staff & Agency Costs

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

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

Agency costs for the year are on budget. This is a significant cost reduction from prior years and is due to the increase in our permanent staff numbers to meet audit work demands and implement a recovery plan. Some agency staff charged at the start of the year were successful in applying for permanent positions within Audit Scotland.

- b) PABV underspend is due the staggered start dates in May and June of new staff members following the building capacity recruitment campaign and also a higher than usual number of vacancies arising as staff leave Audit Scotland. An additional 6 posts were identified as part of the building capacity programme and in addition to these posts there was also a number of vacant positions that PABV planned to fill as part of the overall recruitment exercise. The next recruitment phase is focussing on further additions to establishment as we look to recruit specialist posts (e.g. digital audit, exchequer) and also aim to fill the current vacancies in established posts.
- c) The average staff resource requirement in CSG has been higher than budget in some departments with the provision of cover for maternity leave (2 posts) and a secondment from PABV of a temporary project manager in Audit Quality and Appointments (AQA). The AQA post is being funded from savings generated in professional fees. Additional resources have been approved in Digital Services, Communications and HR (4 w.t.e. in total) to meet increased demand. These posts have been funded through the contingency allocation.

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

- d) Business support on budget following the allocation of additional budget to meet the appointment of the new posts as part of the second phase of the building capacity programme.
- e) The expenditure in Governance & Other is less than budget due to a credit being generated in respect of the holiday pay accrual and savings generated by the Chief Operating Officer vacancy from January 2022.

6. Travel and subsistence

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

Savings have also been generated in this expenditure heading due to reduced car lease expenditure. The underspend is attributable to mileage credits on return of vehicles to the lessor and members of the scheme leaving/retiring from Audit Scotland with there being no further obligation in respect of the lease car.

7. Legal, professional and consultancy fees

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

8. Recruitment

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

9. Information technology

The overspend is attributable to IT hardware purchases and software licences. IT hardware expenditure has been incurred to make the workstations in our offices fit for purpose as we return to limited capacity office working. With the increase in the number of employees we need to ensure that we have sufficient Microsoft and mki licences to enable staff to work remotely in a safe and effective IT environment. This financial pressure has been funded from savings in other budget headings this financial year but future budgets will need to increase to reflect this increase in demand.

10. Depreciation

Overspend relates to adjustment required on IT hardware depreciation to reconcile to the fixed asset register and the actual IT hardware purchases having a shorter depreciation period than planned. Also, the in-year increase in capital budget has had an impact on the amount of depreciation charged. The overspend will be met from savings generated in other budget headings.

11. Other costs

The main reason for the underspend in other costs is reduced expenditure on occupational health requirements and the unallocated balance of the management contingency budget. Annual health checks were previously offered to staff but due to Covid-19 we have been unable to offer this service as staff would be required to attend an appointment in person. This service is scheduled to be re-introduced in 2022/23.

Contingency and Financial risks

The 2021/22 budget includes a contingency allocation of £2 million with the Management Team (MT) responsible for its allocation. The budget has earmarked £1.5 million for the Strategic Improvement Programme (SIP) with the balance of £0.5 million being set aside to meet any unforeseen financial pressures that may arise during the year.

As at the end of December MT approvals committed all of the £1.5 million on a full year cost basis. The use of this additional funding has enabled us to build sufficient capacity to deliver our core objectives as outlined in our budget submission to the SCPA. The phasing of the recruitment has led to the generation of in year savings with some of these savings used for one off expenditure requirements (e.g. capital investment to support digital security strategy).

The longer-term financial issues considered in the 2022/23 budget proposal to the SCPA and to be applied to our Medium-Term Financial Planning include:

- SCPA continue to support funding increase
- Impact of firms' procurement exercise
- Review of fees and funding model
- Accounts Commission support
- Resourcing pressures and additional cost of audit
- Pension fund pressures
- Auditing post Covid-19 (onsite, remote, hybrid)
- Carbon emission targets
- EAFA audit
- Inflationary pressures
- Pay award uncertainty
- Estate Strategy

Capital Expenditure and Funding

The capital budget for 2021/22 increased from £150k to £250k with our original capital programme focusing on office re-configuration to provide a Covid secure environment and new IT hardware and software.

Revenue forecasts highlighted an underspend which resulted in enquiries being made to the Scottish Government Finance Directorate on the viability of transferring some of this saving to capital to enable further investment in essential IT to support our digital security strategy. MT approved the virement of £350k to capital, increasing the overall budget to £600k this financial year.

The total capital expenditure in 2021/22 was £600k with IT hardware purchases totaling £467k (laptops, mobile phones and other IT equipment) and £133k of IT software purchases (business management system).

Stuart Dennis

Corporate Finance Manager

11 May 2022

Information Security Management Policy review

Digital Project Manager

Item 16
Meeting date: 17 May 2022

Purpose

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

Background

2. The Information Security Management Policy is the overarching policy for the Audit Scotland Information Security Management System (ISMS) and includes a clear set of objectives that we will work to achieve.
3. This policy was reviewed and approved by the Board in September 2021 as part of the annual effectiveness process and is required be approved in parallel with all other ISMS documentation which has recently been refreshed.
4. Management Team approved this version being presented to the Board for final sign off.
5. There is a requirement set out in ISO 27001:2013 to demonstrate compliance, leadership and commitment to the Standard and a review by Management Team and the Board demonstrates that internal process.
6. Audit Scotland ISO certification is set to expire on 13 September 2022 and we are aiming for recertification to be planned for August 2022. This will be an audit of all the controls set out in the Standard and all documentation in the ISM Environment diagram in Appendix 1 of the policy.

Policy updates

7. The following changes have been applied to the policy:
 - Renaming of the Commitments section to Objectives. This aligns the Information Security Management Policy with all other Information Security Management System (ISMS) documentation.
 - The inclusion of a new objective specific to the management of information security risks, as per our Risk Management Framework.
 - Emphasising the importance of raising awareness of information security to our colleagues on a regular basis.
 - Appendix 1 - ISMS Environment diagram updated to reflect changes to ISMS documentation since the last review.

Recommendations

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

Information Security Management Policy

Version:	1.87	Status:	Approved For review
Author/Owner:	Digital Services Manager	Approval/Review:	Audit Scotland Board
Approval Date:		Next review by:	MT 03/05/22 & Board 17/03/22

Introduction

1. This policy sets out that in respect of the information Audit Scotland holds and processes it will have arrangements in place to will:
 - 1.1. ~~protect and maintain~~ensure the confidentiality, integrity, quality and availability of all the information it holds and processes
 - 1.2. ~~manage~~ensure all the information it holds and processes to meet its contractual, legal and regulatory obligations.
2. This policy is supported by policies, standards, procedures and guidance and these are shown in the diagram at Appendix 1.

Scope

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

Commitments – Information Security Objectives

4. Audit Scotland will:
 - 4.1. treat information security as business critical, whether that be for Audit Scotland information or client data managed by Audit Scotland
 - 4.2. seek to ensure the confidentiality, integrity and availability of Audit Scotland's and client owned information, held by and managed by Audit Scotland
 - 4.2.4.3. produce, maintain and test business continuity plans to ensure the availability of its information and information systems
 - 4.3.4.4. ensure that wherever possible its information is open, and wherever possible not restricted by financial or legal agreements
 - 4.4.4.5. meet~~ensure~~ legislative and regulatory requirements ~~are met~~ (including intellectual property rights)

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

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

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

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

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

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

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

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

Responsibilities

1. Audit Scotland's Board through its Audit Committee has oversight of risks, including information risks.
2. Audit Scotland's Accountable Officer, with support from the Management Team, has overall responsibility for ensuring this policy is effectively implemented and delivered.
3. Audit Scotland's Senior Information Risk Officer (SIRO) is the Chief Operating Officer, who is responsible for the overall management of the organisation's information risks.
4. A monthly ~~or if needed more frequent~~ cyber security update is scheduled with the SIRO and a member of the Digital Services Management Team (DSMT) that ensures the latest updates are provided to Senior Management demonstrating leadership and commitment to ISO 27001:2013.
5. In addition to the ~~regular~~ SIRO ~~monthly~~ update, a 6-monthly update on Digital Security is provided to Management Team and then the Audit Committee.
6. Audit Scotland's Management Team will implement and manage appropriate controls to enable conformance to information security policies within their own areas of responsibility and will ensure individual accountability for control performance.

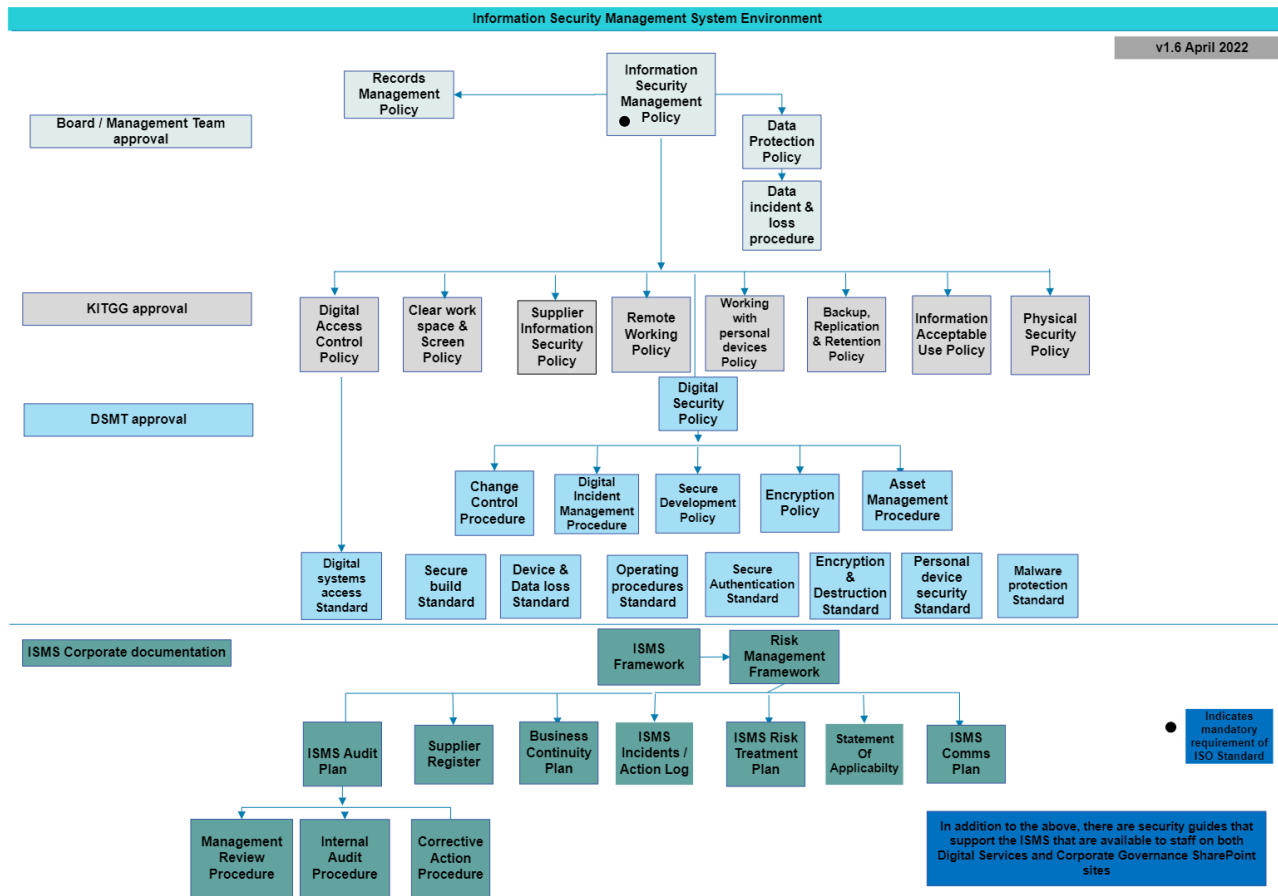
7. The Knowledge, Information and Technology Governance Group (KITGG) will support the Accountable Officer, Senior Information Risk Officer and Management Team by assessing and mitigating information security risks through standing agenda items on Digital Security and Corporate Risk Register review, both providing assurance.
8. The KITGG will maintain this policy and associated information security policies ensuring they are communicated, reviewed and updated in response to changes in risks faced by Audit Scotland, legislation, and internal operational working practices.
9. The KITGG will review and monitor ~~ensure~~ all information security policies and our performance in meeting their requirements is monitored and reviewed on an annual basis.
10. The DSMT will maintain the Digital Services Strategy, information security standards, guidance and procedures ensuring they are communicated, reviewed and updated in response to changes in risks faced by Audit Scotland, legislation, and internal operational working practices.
11. The Digital Services Team will deliver the Digital Services Strategy ensuring that all the Audit Scotland's digital systems and services provide an environment that is independent of location, where colleagues can work safely, securely, and effectively, while supporting high quality audit work.
12. The Corporate Governance Manager (CGM) is the designated Data Protection Officer for Audit Scotland, responsible for updating Audit Scotland's Data Protection Policy. In addition, the CGM is the organisation's Records Manager managing data subject access requests and providing governance and compliance advice to staff.
13. Information Asset Owners must understand what information is held by their business ~~group/area~~, and approve the permissions required to access it.
14. All Managers will be responsible for implementing and communicating appropriate information security policies, guidance and procedures.
15. All employees, contractors and consultants employed by Audit Scotland are required to play an active role in the protection of Audit Scotland's assets and treat information security appropriately, in order that this purpose can be achieved.

Change Log

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

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

Appendix 1 - Information Security Management System Environment



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

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

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

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

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

Review of staff handbook policies

Assistant Human Resources Manager

Item 17
Meeting date: 17 May 2022

Purpose

1. This report is to allow the Board to review the Diversity and Equality and Counter Fraud policies. These are both policies which the Board is required to approve.
2. Management Team approved the tracked suggested changes on 3 May 2022.

Background

3. The Diversity and Equality policy was one of the 41 staff handbook policies due for review in June 2021. This policy was originally shared with Management Team on 12 October 2021 however it was proposed that it was reviewed again following the final version of the Business in the Community (BITC) report which we received on 1 November 2021. This report followed a review of our policies and practices through a Diversity, Equality and Inclusion lens.
4. The Counter Fraud policy was previously considered by the Board at its meeting on 2 June 2021 and further changes were requested.

Considerations

5. The term gender was used throughout the Diversity and Equality policy however as per the protected characteristics detailed within the [Equality Act 2010](#), the term sex should be used. This has now been amended throughout the policy.
6. The BITC report did not include any specific changes to be made to this policy however it was recommended that we review our Bullying and Harassment policy to include microaggressions alongside more explicit behaviour. We have made these amendments to this policy which Management Team approved.
7. The BITC report also covers the recommendation for a Diversity and Equality strategy which is yet to be developed. This policy, therefore, may need to be reviewed again alongside this in due course.
8. The Counter Fraud policy was updated to include reference to the Criminal Finance Act.

Recommendations

9. The Board is invited to:
 - approve the suggested changes to the policies
 - note that, subject to Board approval these policies will be uploaded to our staff handbook.

Counter Fraud Policy

Owned and maintained by:	Human Resources & Organisational Development
Date checked/created:	June 2024 <u>April 2022</u>
Next review date:	June 202 4 <u>3</u>

1. This policy sets out our approach to preventing, investigating and reporting fraud. All [staff/employees](#) must ensure they are familiar with this policy. Audit Scotland takes a [zero tolerance/zero-tolerance](#) approach to fraud including bribery and corruption.
2. Fraud is a common law offence in Scotland and therefore does not have a legal definition. However, the [Fraud Act 2006](#) provides a useful definition which should be referred to. A person commits a fraud if they intend to make a gain for themselves or another, cause loss to another or to expose another to a risk of loss by:
 - dishonestly making a false representation;
 - dishonestly failing to disclose to another person information which they are under a legal duty to disclose; or
 - dishonestly abusing a position that they occupy in which they are expected to safeguard, or not to act against, the financial interests of another person.
3. Audit Scotland requires a standard of absolute honesty and integrity from its [staff/employees](#). Trust is an essential part of this process and there is no room for dishonesty, either within Audit Scotland or with its clients or stakeholders. This approach has been endorsed strongly by Audit Scotland's Board, which requires that all fraud investigations be reported to it via the Audit Committee.
4. Audit Scotland subscribes to the principles outlined in the Scottish National Fraud Initiative (NFI) instructions and the associated privacy notices. We will include data on our [staff/employees](#) as part of the NFI exercise. Further information on the National Fraud Initiative is available from [the Counter fraud hub on](#) our intranet and external website. -This policy should be read in conjunction with:
 - Audit Scotland's Code of Conduct
 - Scheme of Delegation and Financial regulations
 - Information security management policy and Information Acceptable Use policy
 - Whistleblowing Policy
 - Disciplinary Policy
 - Grievance Policy
 - Ethical Standards Policy.

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5. Copies of these documents are located in Audit Scotland's Staff Handbook within [SharePoint](#) and are also available from [the Human Resources & Organisational Development team](#).
- 5-6. Audit Scotland employees should be aware of the Criminal Finances Act 2017 and are expected to comply with the law as set out in legislation. This Act targets corruption, money laundering and tax evasion and affects all UK organisations. The Act builds on existing legislation to offer greater enforcement powers and additional measures to protect the public purse. Under section 52(1) tax is stated to include "duty and any other form of taxation (however described)". All government levies, excises, tariffs, as well as VAT, national insurance contributions, capital gains tax, income tax, corporation tax, inheritance tax and all other taxes are covered.
- 6-7. This policy requires Audit Scotland employees to report any instance of suspected fraud to their Director or Audit Director. Where [staffemployees](#) do not understand any aspect of the policy, they should seek clarification from their Director or Audit Director.
- 7-8. All [staffemployees](#) are required to read and agree to Audit Scotland's Code of Conduct annually. This includes disclosing any potential conflicts of interest. The Compliance Partner/Compliance Manager is responsible for reviewing all disclosures and addressing any conflicts that arise.
- 8-9. Educational information may be issued to [staffemployees](#) from time to time by Audit Scotland concerning fraud prevention by way of briefing notes, training programmes or ad-hoc advice. The Board and Management Team strongly support the counter fraud efforts of Audit Scotland. Please ensure you take note of any guidance issued and raise any queries or concerns with your line manager.
- 9-10. It is important to be clear that, as an employee of Audit Scotland, you have stewardship responsibilities for any property and information of Audit Scotland and/or the bodies we audit entrusted to you and under your control. This property and information must be safeguarded from inappropriate access, loss or theft.
- 10-11. It must also be recognised and accepted that fraud is possible in our organisation. If this is not recognised or accepted, then it is unlikely that fraud will be identified even if it is evident. Symptoms of fraud are frequently viewed as administrative errors because [staffemployees](#) cannot believe that a colleague could possibly have committed such an act, particularly where affiliation has developed over a long period of time. Therefore, you should consider the following to help reduce the risk of any impropriety:
- Identify property for which you have responsibility e.g. computers, flashdrives, audit files (including those in archive), departmental expenditure, [credit cards](#), [Audit Scotland mobile phones](#), supplies and [leased](#) company cars.
 - Identify risks associated with safeguarding this property and information. Ask yourself:
 - How could this property or information be misused or improperly used?
 - If this property or information were misused or misappropriated, how would I know?

- What controls exist to prevent or detect inappropriate use or loss of property or information?
- What additional controls are necessary to ensure the property or information is adequately protected from loss?
- Is the cost of these additional controls reasonable in relation to the risk involved?
- Establish a positive control environment in your department. It is important to demonstrate control consciousness – interest and concern for internal control should be communicated to all [staffemployees-members](#). -Ensure that an adequate system of internal control exists within your department. The key points to consider are:
 - separation of duties
 - physical safeguards over property, both in the office, on Audited body sites, at home or whilst travelling on business
 - proper documentation and authorisations, with consideration of any remote or virtual processes and procedures
 - adequate supervision e.g. independent checking of key transactions.

44.12. Audit Scotland aims to recruit honest employees. The degree of background checking is dependent on the level of accessibility to significant Audit Scotland assets. Certain information available from background and security checks is classified as personal, sensitive and / or confidential. This means that access to this information is restricted and it must be held in a secure manner. Human Resources lead on security and background checks¹ which is why you should speak with them prior to any formal checks being undertaken.

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

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

43.14. Audit Scotland’s Whistleblowing Policy is intended to encourage [staffemployees](#) to report concerns via Audit Scotland’s procedures rather than overlooking a problem. The Board is committed to acting on all reports of suspected fraud and corruption both from within Audit Scotland and across the public sector.

44.15. Be assured that there will be no recriminations against [staffemployees](#) who report reasonably held suspicions. Victimising or deterring [staffemployees](#) from reporting any

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

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

~~15-16.~~ Abuse of this policy by raising malicious allegations could be regarded as a disciplinary matter.

~~16-17.~~ If you have good reason to suspect a colleague, contractor or other person of fraud or an offence involving Audit Scotland or an audited body you should discuss it first with your manager. If you suspect your manager, you should go to the next most senior person above them in accordance with Audit Scotland's approach in the Disciplinary and Grievance Policies. ~~Alternatively~~Alternatively, you have the option to:

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

~~17-18.~~ You may find it helpful to read Audit Scotland's Whistleblowing Policy which provides further information.

~~18-19.~~ If you and your manager decide between you that your suspicion may be justified, the matter must be reported to the Chief Operating Officer. Audit Scotland will then take the appropriate action, as follows:

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

~~19-20.~~ Do not approach the individual(s) about whom you have concerns and do not discuss the matter with anyone else.

Diversity and Equality policy

Owned and maintained by:	Human Resources
Date checked/created:	June 2021 June 2021 19
Next review date:	June 202 33 4

Introduction

Audit Scotland is committed to eliminating discrimination, valuing and promoting equality and diversity amongst our workforce and will work towards increasing the diversity of our ~~employees~~ staff. It is our policy to treat all job applicants and employees fairly and equitably regardless of age, disability, ~~sex~~gender, gender reassignment status, marriage or civil partnership status, maternity or pregnancy, race, religion or belief or sexual orientation¹.

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

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

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

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

- Ensuring diversity and equality is at the heart of policy-making and taking a lead role in demonstrating best practice.
- Actively promoting equality of opportunity through circulating recruitment vacancy details as widely as possible and monitoring our recruitment practices.
- Treating all our ~~employees~~ staff with respect and equality of opportunity in order that their selection and subsequent development is based entirely on merit.

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

- Creating a working environment that promotes dignity and respect for all. No form of discrimination², bullying, harassment or victimisation will be tolerated against any current or prospective member-of-staffemployee on the grounds of their age, disability, sexgender, gender reassignment, marriage or civil partnership, maternity or pregnancy, race, religion or belief or sexual orientation.
- Raising employee-staff awareness about equality and valuing diversity and enabling managers to promote and be accountable for equality of opportunity through 3D developmental discussion and training for all staff.employees.
- Positively valuing the different attributes, perspectives and skills of staff-employees and making full use of these.

Recruitment and selection

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

When establishing criteriacriterion for recruitment into vacant posts, we will consider carefully what is relevant and necessary for the effective performance of the job. CriteriaCriterion will not be imposed unless there is a proper job-based reason why it-isthey-arethey-are necessary.

All job applicants will be asked to complete an online diversity monitoring section including details of their age, disability, ethnic origin, sexgender and race, religion or belief, and sexual orientation³. Audit Scotland guarantees the information provided will be used solely for the purposes of monitoring the effectiveness of our diversity and equality policy and will be kept confidential by the Human Resources team.

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

Monitoring

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

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

³ This is voluntary and includes a “prefer not to say” option.

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

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

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

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

Our diversity policies

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

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

Disability Confident employer

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

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

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

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

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

- giving some of the disabled person's duties to another person;
- getting new or adapting existing equipment, eg chairs, desks, computers;
- modifying instructions or procedures, eg by providing in bigger text or Braille;
- improving communication, eg providing a reader or interpreter, having visual as well as audible alarms; [and](#)
- changes to working hours or working patterns.

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

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

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

[Staff Employee Training](#)

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

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

Retirement

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

Appendix 1

Why do you want my diversity information and what information do Audit Scotland ask for?

We currently ask you to provide information on your:

- Age
- Disability
- Ethnicity
- ~~Gender~~Sex
- ~~Gender re-assignment status~~
- Marital or civil partnership status
- Nationality
- Race
- Religion or belief
- Sexual orientation.

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

Why do you want my information and how will you use it?

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

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

We must use the information to better perform the equality duty⁴ and publish a report to show a breakdown of information and details of the progress we have made in gathering and using this information.

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

Example:

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

Why should I tell you about my religion or sexual orientation? It has nothing to do with my job.

We understand that this information is particularly personal and sensitive and you may not want to share it with us. However, we want to ensure our practices, systems and policies are fair are non-

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

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

What will happen if I disclose a disability?

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

Who will see the information you hold about me?

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

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

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

Do I have to disclose my information?

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

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

Who can I go to if I have a question?

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

Agenda

Wednesday 1 June 2022 at the conclusion
of the Audit Committee
Audit Scotland, 102 West Port and
Microsoft TEAMS

-
1. Private meeting of members
 2. Welcome and apologies
 3. Declarations of interest
 4. Items to be taken in private

Standing items

- | | |
|--|-----------------|
| 5. Chair's report - verbal update | For information |
| 6. Accountable Officer's report - verbal update | For information |
| 7. Accounts Commission Chair's report - verbal update | For information |
| 8. Review of Draft minutes: <ul style="list-style-type: none">• Board meeting: 17 May 2022 | For approval |
| 9. Review of action tracker | For information |
| 10. Covid-19 – verbal update | For information |

Strategic priorities

- | | |
|--|-----------------|
| 11. Strategic Improvement Programme update | For information |
|--|-----------------|

Annual reporting and assurance

- | | |
|--|--------------|
| 12. 2021-22 Annual report from the Chair of the Audit Committee to the Board | For approval |
| 13. 2021/22 Annual report: Remuneration and Human Resources Committee | For approval |
| 14. Draft international work annual report for 2021-22 | For approval |
| 15. Policy on the provision of Non-Audit Services by Audit Scotland's external auditor | For approval |

- | | |
|--|-----------------|
| 16. Governance statement and certificate of assurance 2021-22 | For approval |
| 17. Audit summary report for the year ended 31 March 2022 | For information |

Conclusion

- | | |
|--|-----------------|
| 18. Any other business | For discussion |
| 19. Review of meeting | For discussion |
| 20. Date of next meeting: 28 September 2022 | For information |

Items to be taken in private

- | | |
|---|-----------------|
| 21. Quality of public audit in Scotland 2021/22
[Item to be taken in private to support the effective conduct of business, intended for future publication] | For approval |
| 22. Q4 Corporate performance report
[Item to be taken in private to support the effective conduct of business, intended for future publication] | For information |
| 23. Draft Audit Scotland Annual Report and Accounts 2021/22
[Item to be taken in private to support the effective conduct of business, intended for future publication] | For approval |
| 24. Interim Corporate Plan 2022/23
[Item to be taken in private to support the effective conduct of business, intended for future publication] | For approval |

Minutes Board



Tuesday 17 May 2022, 10.00am
Audit Scotland by Microsoft Teams

Present:

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

Apologies:

There were no apologies.

In attendance:

Martin Walker, Acting Director of Corporate Services
Stuart Dennis, Corporate Finance Manager
Carolyn McLeod, Audit Director, Performance Audit and Best Value
Tricia Meldrum, Senior Manager, Performance Audit and Best Value
Jillian Matthew, Senior Manager, Performance Audit and Best Value
Gayle Fitzpatrick, Corporate Governance Manager
David Robertson, Digital Services Manager
Nicola Paton, Digital Project Manager, Digital Services
Susan Burgess, Assistant Human Resources Manager
Elaine Boyd, Associate Director, Audit Quality and Appointments
Kathrine Sibbald, Project Manager, Audit Quality and Appointments

1. Private meeting of Board members

The Board met privately and there were no matters arising.

2. Welcome and apologies

Martin Walker, Acting Director of Corporate Services and Stuart Dennis, Corporate Finance Manager, joined the meeting.

The Chair welcomed attendees to the meeting.

3. Declarations of interest

There were no declarations of interest.

4. Items to be taken in private

The Chair invited members to agree that item 21 of the agenda be considered in private for the reasons stated on the agenda. The members agreed.

5. Chair's report – verbal update

The Chair advised of regular meetings with Stephen Boyle, Auditor General for Scotland and Accountable Officer, William Moyes, the Chair of the Accounts Commission, and Martin Walker, Acting Director of Corporate Services on various operational matters.

The chair noted his involvement in the recruitment process for the Chief Operating Officer (COO), which is now complete, and confirmed that an appointment has been made. This news will be made public internally and externally today.

In addition, the Chair advised of his attendance at the Audit Committee and Remuneration and Human Resources Committee meetings on 11 May.

Following discussion, the Board welcomed the update.

6. Accountable Officer's report – verbal update

Stephen Boyle advised that he was pleased with the appointment of the new COO and provided an update on other three executive posts. It was noted that the recruitment process was complete and offers had been made. Stephen advised that reports on these appointments would go to the Board today for approval. He also advised that the new executive team should be in place over the summer. Announcements will be made in the coming days on these appointments and the Chair suggested an overall announcement on our new Executive Team as a whole may also be useful. The Board noted its thanks to Nicola Constable for all her hard work with the Executive Team recruitment process.

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

Stephen invited members to note the high level of activity in relation to Parliamentary business and the various sessions attended, including Health & Sport Committee on NHS Overview report and a number of Public Audit Committee engagements including the report on the progress of delivery of ferries and the Social Care briefing. There have also been evidence sessions on NHS Highland, South Lanarkshire College S22 report and further sessions with the Scottish Government and HMRC on Scottish Income Tax.

Stephen advised that he had met with Colin Beattie, Chair of Scottish Commission Public Audit at end of April. This was following the visit from The Public Audit Commission (TPAC) from UK Parliament. At their meeting they explored what this may mean for SCPA's oversight of audit quality – further updates will be provided on this as appropriate.

Stephen invited members to note his other external engagements, including a further meeting with the Chief Executive of Scottish Futures Trust, which provides support and advice in respect of major infrastructure investment. The Scottish Government has confirmed that Scottish Futures Trust will become a body whose auditors will be appointed by the Auditor General of Scotland. Stephen also advised that we are anticipating that this will also be the case for Scotrail Holdings.

Stephen advised that the UK and Ireland Auditors General would be meeting in Dublin next week along with the respective Chief Operating Officers of the audit agencies.

It was noted that the Convenor of the Public Audit Committee, Richard Leonard will be visiting the Audit Scotland office in Edinburgh to learn more about Audit Scotland and meet with colleagues on 14 June and that Board members are welcome to participate in this session.

Following discussion, the Board welcomed the update.

7. Accounts Commission Chair's report – verbal update

William Moyes advised the Board a lot of his time in recent weeks had been put into working on the Accounts Commission Change Programme. Over the next few months, he plans to meet with as many of the Convenors of the Committees in Parliament as possible and have more discussions with COSLA, SOLACE and other stakeholders.

Following discussion, the Board welcomed the update.

8. Review of minutes

Board meeting: 5 April 2022

The Board considered the minutes of the meeting of 5 April 2022, which had been previously circulated.

One small change was noted.

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

Audit Committee meeting: 2 March 2022

The Board noted the minutes of the Audit Committee meeting of 2 March 2022, which had been previously circulated.

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

Remuneration and Human Resources Committee meeting: 2 March 2022

The Board noted the minutes of the Remuneration and Human Resources Committee meeting of 2 March 2022, which had been previously circulated.

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

9. Review of action tracker

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

The Board welcomed the update.

10. Covid-19 update

Martin Walker introduced the Covid-19 update report, copies of which had been previously circulated. Martin provided an update on the ONS Survey statistics up to week ending 7

May and advised that the date of next pulse survey should read 17 May not 17 June as in the report.

A discussion took place about the future need and focus for the update report and whether it would be required as a standing item.

The Board agreed it would be beneficial to have a discussion at a future meeting around the need for and provision of office workspaces. Stuart Dennis advised that an options appraisal is being produced and that this would come to Management Team and Board for approval. A progress update on all of this is to come to the Board in September for further discussion.

Following discussion, the Board welcomed the update and noted the actions taken to date in response to the Covid-19 pandemic, the ongoing actions, and next steps.

11. Mainstreaming equality and equality outcomes: Interim progress report

Carolyn McLeod, Audit Director, Performance Audit and Best Value, Jillian Matthew, Senior Manager, Performance Audit and Best Value and Tricia Meldrum, Senior Manager, Performance Audit and Best Value joined the meeting.

Carolyn McLeod introduced the Mainstreaming equality and equality outcomes: Interim progress report, copies of which had been previously circulated.

Carolyn invited the Board to note the interim report, share views on the interactive format, comment on the progress being made against the equality outcomes and note that a full progress report would be shared for comment ahead of publication in spring 2023.

Board members noted that they found the report very informative and welcomed the new format. Members also noted that areas of focus over the next year would be refreshing the audit management framework guidance for performance audits, looking at the analysis of feedback from internal workshops, noting that colleagues want to learn more about what is meant by a human rights-based approach (HRBA) and what that means for our work, and an analysis on gender pay gap reporting. Carolyn advised there is a need to think about how we build knowledge and understanding of equality impact assessments and that the key to this is tying in equalities with other cross cutting themes across the business including climate change and digital services.

The Board agreed that it would like to have a future session on the Humans Rights Approach and Carolyn will suggest an appropriate time for this to come to the Board.

Following discussion, the Board noted the report and that a full progress report will be shared for comment ahead of publication in spring 2023.

ACTION ASB165: Further Board session on HRBA to be arranged. (Date TBC)

Carolyn McLeod, Jillian Matthew and Tricia Meldrum left the meeting.

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

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

Gayle Fitzpatrick introduced the 2021/22 Annual report on information governance and security, copies of which had been previously circulated.

Gayle invited the Board to consider the report and invited any questions. David Robertson advised that 60% of the current digital services projects are to deliver improvements in cyber security and cyber resilience. Members enquired about the digital security of staff using personal devices and it was noted this is a mitigated risk due to limitations on the information they can access and the authentication processes in place. The Board noted its concerns around the challenging cyber security environment. It was also noted that response rates to surveys could be improved, and comparison was made to the Best Companies survey. Gayle confirmed that employee training on information security is mandatory.

The members noted the report and advised that they look forward to a further scheduled session on this in September 2022.

David Robertson left the meeting.

13. Annual report on complaints 2021/22

Gayle Fitzpatrick introduced the Annual report on complaints 2021/22, copies of which had been previously circulated. Gayle advised that the number of complaints has increased slightly but they are still relatively low and that the complaints handling arrangements we have in place are working well.

Gayle invited the Board to consider the report.

Following discussion, the Board noted the report.

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

Gayle Fitzpatrick introduced the Annual report on Freedom of Information and Environmental Information 2021/22, copies of which had been previously circulated.

Gayle invited the Board to consider the report and note the performance in 2021/22.

During discussion, the Board noted that we had not received any Environmental Information requests in the last year and Freedom of Information requests had risen slightly. Gayle provided more detail on the arrangements in place to deal with information requests and explained how many requests are dealt with as 'business as usual' and advised that Environmental Information Requests would be dealt with in the same way as a Freedom of Information requests.

Following discussion, the Board noted the report and the performance in 2021/22.

Gayle Fitzpatrick left the meeting.

15. Q4 Financial performance report

Stuart Dennis introduced the Q4 Financial performance report, copies of which had been previously circulated.

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

During discussion, the Board noted that the external auditors would give their audit opinion next week. A question was asked around the provision being made in the report and Stuart explained the process around expenses/costs and how we invoice for this.

Following discussion, the Board noted the report and the un-audited financial results for the twelve months to 31 March 2022.

16. Information Security Management Policy review

David Robertson, Digital Services Manager and Nicola Paton, Digital Project Manager, Digital Services, joined the meeting.

Nicola Paton introduced the Information Security Management Policy review report, copies of which had been previously circulated.

Nicola invited the Board to consider the policy updates and approve the new version of the policy.

During discussion, the Board noted the policy review had been brought forward to keep in line with our other information security documentation. Nicola advised that the policy had been reviewed and recommended for approval by the Knowledge Information and Technology Governance Group (KITGG) and the Management Team.

The Board noted the new item 4.8 in the report, the importance of item 4.12 and the changes within the diagram which highlight updates made throughout the year. Nicola advised that we raise awareness of the importance of this work internally via Yammer posts, the mandatory training to be carried out by all staff and key performance indicators that Digital Services report on through KITGG quarterly reports. The Board invited Digital Services to explore further ways to ensure all colleagues are sighted on information security and cyber risks.

Following discussion, the Board approved the new version of the Information Security Management Policy.

Nicola Paton and David Robertson left the meeting.

17. Review of staff handbook policies

Susan Burgess, Assistant Human Resources Manager, joined the meeting.

Susan Burgess introduced the Review of staff handbook policies report, copies of which had been previously circulated.

Susan invited the Board to approve the suggested changes to the Counter Fraud and Diversity and Equality policies and advised that, subject to approval, the policies will be uploaded to the staff handbook.

During discussion, the Board noted the staff handbook policies will continue to be reviewed and HR are looking to schedule the review and approval processes on a rolling basis. It was noted that the policies which relate to hybrid working will come to the Board at a later date.

Following discussion, the Board approved the suggested changes to the Counter Fraud and Diversity and Equality policies and noted the policies will be uploaded to the staff handbook.

Susan Burgess left the meeting.

18. Any other business

There was no other business for discussion.

19. Review of meeting

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

The Chair thanked everyone for their contributions.

20. Date of next meeting: 1 June 2022

The members noted the next meeting of the Audit Scotland Board is scheduled for 1 June 2022.

Items taken in private

21. New Audit Appointments – verbal update

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

Elaine Boyd provided a verbal update on the new audit appointments.

The Board noted that all conflicts of interest had now been resolved and that the Auditor General and the Accounts Commission had approved the appointments. The Board also noted the likely impact on audit fees and the planned mini tender to appoint to a small number of residual appointments. Elaine advised that appointment letters would be issued shortly.

The Board acknowledged the scale and complexity of the new audit appointments process and thanked the team for their efforts.

Following discussion, the Board welcomed the update.

Elaine Boyd and Kathrine Sibbald left the meeting.

REF	FORUM	Agenda Item No	Item Title	Action Description	Meeting Date	Due Date	Responsible	Assigned to	Complete/Ongoing	Reported Yes/No	Progress Notes
ASB147	Board	20	Counter Fraud Policy review	David Blattman to review the policy and provide an update to the Board.	02/06/2021	Jul-21	David Blattman	Susan Burgess	Complete	Yes	Report was considered by the Board at its meeting on 17/5/22
ASB160	Board	12	Our Purpose - Workstream update	A Board meeting to be scheduled for discussion and formal approval.	26/01/2022	Jun-22	Martin Walker	Martin Walker	Ongoing		Member availability to be canvassed for a strategic session to be held in August 2022.
ASB163	Board	19	Stakeholder engagement update	A further discussion on stakeholder engagement to be scheduled.	26/01/2022	Jun-22	Martin Walker	Martin Walker	Ongoing		Member availability to be canvassed for a strategic session to be held in August 2022.
ASB164	Board	14	Q3 Corporate performance report	A further discussion on Communications resource, innovation and impact to form part of a future Board strategic discussion.	05/04/2022	Aug-22	Martin Walker	Simon Ebbett	Ongoing		Member availability to be canvassed for a strategic session to be held in August 2022.
ASB165	Board	11	Mainstreaming equality and equality outcomes: Interim progress report	Further Board session on HRBA to be arranged.	17/05/2022	TBC	Carolyn McLeod	Carolyn McLeod	Ongoing		Date to be arranged

Strategic Improvement Programme update

Acting Director, Corporate Services

Item 11
Meeting date: 1 June 2022

Purpose

1. This report provides the Audit Scotland Board with an update on the Strategic Improvement Programme (SIP).

Background

2. The Audit Scotland Board approved the Strategic Improvement Programme (SIP) at its meeting on 25 November 2021. The key objectives of the SIP are to:
 - Drive our organisational transformation and improvement.
 - Provide a bridge between the 'recovery phase' and our new longer-term operating model.
 - Assure and inspire our colleagues.
 - Ensure we deliver on our core commitments on audit (quality, focus, methodology and value added).
 - Ensure we deliver on our commitments on how we run the organisation – being people focused by prioritising the health, safety, wellbeing and development of our people, and by being innovative and efficient.
3. The Audit Scotland Board considered an update [report](#) on the SIP at its meeting on 5 April 2022.

Summary

4. We continue to make good progress on what is an extensive improvement programme.
5. Since the previous update we have reached significant milestones in some key projects:
 - The New Audit Appointment project – where the Auditor General for Scotland and the Accounts Commission made the audit appointments in May 2022.
 - Building capacity – where phase 3, the recruitment process for the Executive Management Team positions, has been completed and phase 4 is now under way.
 - Business management system – where the new payroll and HR system went live in February 2022.
6. This progress is being made against a backdrop of change both within and outside the organisation. The Covid-19 pandemic continues to impact on how we work and has shaped some aspects of the improvement programme. We are also in a period of significant change in terms of the strategic leadership of the organisation and we will want to review the focus and content of the programme to reflect this and the strategic focus and priorities of the Auditor General for Scotland and the Accounts Commission.

7. The sections below provide an update on progress in key areas of the SIP since the last update report. A detailed list of the projects in the programme is attached at Appendix 1 for completeness.

Delivering world class audit – What we do

8. The refreshed **dynamic work programme** was published in May 2021. A broad range of reports, briefings and blogs have been published since then and these are detailed in the Quarter 4 performance report which is on the agenda for today's meeting of the Board at item 22. The programme is reviewed and updated on a quarterly basis and the most recent update report was considered by the Auditor General for Scotland (AGS) and the Accounts Commission (AC) in March 2022. This process is now mainstreamed and will not feature in future update reports.
9. The **New Audit Appointments (NAA)** project reached a significant milestone in March 2022 with the approval of the provisional audit appointments by the AGS and AC. This is the culmination of a significant programme of work by the NAA Steering Group and the NAA team. The procurement process has been the subject of an [audit](#) by BDO which provided substantial assurance in terms of both design and operational effectiveness.
10. In May 2022 the Auditor General for Scotland and the Accounts Commission made the audit appointments and appointment letters are being issued. The allocation of audit appointments to appointed auditors in the Audit Services Group is under way.
11. We are continuing to develop our **audit methodology**:
- **Financial audit approach** – The new Audit Planning Tool and the ISA 315 concepts regarding risk assessment have now been rolled out and are being applied in the 2021/22 audits. The development of the new IT audit approach under the revised ISA 315 is in progress and is being piloted, this will be rolled out to the 2022/23 audits. Audit Services Group (ASG) Management Team has agreed that the revised controls approach and the baseline testing pilot should be rescheduled to 2022/23 with a view to rolling out the revised approach to the 2023/24 audits. This approach releases resources to support the ASG recovery plan.
 - **Best value in councils** – The proposed approach to scheduling the programme was approved by the Accounts Commission in January 2022. The Controller of Audit's [Annual Assurance and Risks Report](#) was considered by the Accounts Commission at its meeting on 10 March 2022. At that meeting the Commission discussed the proposals for the coverage of the 2022/23 Best Value (BV) thematic work in councils. This was discussed further at the Commission's strategy seminar in March 2022 this will be reflected in the 2022/23 planning guidance.
 - **Best value in Integration Joint Boards (IJBs)** – The Best Value Working Group (BVWG) considered the second pilot report in December 2021. The BVWG considered the implications of the establishment of National Care Services (NCS) and the Accounts Commission agreed its position on the Best Value auditing of IJBs at its meeting on 12 May 2022.
12. **Audit Quality** – The internal cold reviews commenced in January 2022; this programme is in addition to the external cold reviews undertaken by ICAS. Both programmes were completed by 31 March 2022. The annual survey on quality undertaken by an external firm has also concluded. All of these informed the annual Audit Scotland Transparency Report

and the Quality of Public Audit in Scotland report which were considered by the Audit Committee on 11 May 2022, and which will be published in June 2022.

13. In March 2022 the Audit Committee considered an internal audit [report](#) by BDO which provided substantial assurance on audit quality and delivery in terms of design and operational effectiveness.
14. This work is now mainstreamed and will not feature in future SIP update reports. It will of course continue to be monitored by the Audit Quality Committee and the Audit Committee.
15. **ISQM** – On 22 February 2022 Management Team approved the [scope](#) and approach for the International Standards on Quality Management (ISQM)1 project. The seven workstreams have been making good progress, these include workshops with colleagues from across all the business groups. The workstreams include a gap analysis of our current arrangements with the new standard and the objective is to use this to inform any revisions to policies, procedures and practices. A draft Risk Register has been created, an improvement log is in development and the project will be completed by December 2022.
16. **Digital audit strategy** – The ‘Asc’ digital audit tool is being rolled out to colleagues accompanied by training sessions. Phase 2 of the Northern Ireland Audit Office (NIAO)-led Small Business Research Initiative project concluded in March 2022 and a business case for longer term infrastructure is being developed. Working groups have been established to develop the long-term solutions for the audit planning tool and key systems mapper. In terms of IT digital auditing, the team have begun the audit approach pilots, prior to a full roll out in 2022/23. The digital auditing team are also planning on providing more in-depth sessions around this workstream for the Board, the Accounts Commission and other stakeholders over the course of the summer.
17. **Electronic Working Papers (EWP)** – The SIP programme board considered an update report on this project at its meeting on 18 May 2022. This advised that some additional dedicated resources had been secured and that the definition of system requirements was under way.
18. **Diversity and Equalities** – The Audit Scotland Annual diversity report was [published](#) on 12 November 2021. We have also been working with Business in the Community (BITC) who have been undertaking a holistic review of our approach to equalities and diversity. This review looked at our policies, procedures and culture across the organisation. The results of the review were considered by the Remuneration and Human Resources Committee on 2 March 2022 and an action plan is being developed.
19. The **Human Rights Based Approach** organisational self-assessment exercises have concluded and the results were considered by the SIP programme board on 18 May 2022. The team are also capturing evidence of equalities in audit work supported by discussions held in ASG in February 2022. The refresh of the Audit Management Framework began in May 2022 and the internal [interim mainstreaming report](#) was considered by the Board at its meeting on 17 May 2022.
20. **Auditing climate change** – We published a [baseline summary review](#) in March 2022, which summarises the published recommendations. The published reports contain a range of recommendations for public and private sector bodies, policy makers and citizens. We focused the review on the key themes and improvement actions for the public sector in Scotland as they will inform the targeting of our future programme of climate change related audit work.

21. On 1 March 2022 Management Team considered a [report](#) from the Climate Change team. This summarised the work done to date including awareness raising at ASG Superteam and Performance Audit and Best Value (PABV) cluster meetings and engagement with the other UK audit agencies, the Scottish Government and the Convention of Scottish Local Authorities (COSLA). The report also highlighted forthcoming publications by the Accounts Commission (August 2022) and the Auditor General for Scotland (later in 2022) and a joint report with the other UK audit agencies and some considerations on how climate change will feature in the work programme for 2023. Management Team also invited the group to develop a proposal/business case setting out options for the scope and resources required for auditing climate change.

Being a world class organisation – How we work

22. **Hybrid working and our workplaces** – On 15 February 2022 Management Team considered a [report](#) on hybrid working and our workplaces. This included a review of our organisational arrangements with reference to all of the most recent guidance and the principles and practical implications of hybrid working. The report also set out the next steps in terms of site visits and on-site working.
23. We moved to Phase 4 of our workplaces plan with effect from 7 March 2022. This provides for greater hybrid working and adopts a one metre social distancing rule which increases our desk and meeting room capacity in the offices. We have set up a ‘developing hybrid working’ (DHW) working group with representatives from across the business groups and PCS. We have also developed an ‘[accessing our workplaces](#)’ hub, updated the office guides, updated guidance for visitors and contractors and we are promoting guidance around the distance aware and safer travel schemes.
24. On 18 May 2022 the SIP programme board approved the project scope for the next stages of development work. This is focused around five main workstreams: our people, our workplaces, our technology, our policies and communications and engagement. This work will be taken forward by the DHW group.
25. **People Strategy** – We provided an update on the elements of the People Strategy for the Remuneration and Human Resources Committee (Remco) at its meeting on 2 March 2022. Remco approved the workforce plan at its meeting on 11 May 2022 and will consider the updated People Strategy at its meeting on 9 November 2022.
26. **Learning and development** – We have a broad range of learning and development opportunities and resources in place and the quarter four performance report provides details of the courses run recently. We are also currently running a leadership insights programme with managers which provides access to short summaries on a range of topics and links to additional resources.
27. **Building capacity** – The second phase of the building capacity project focused on building capacity in some specialist and support services and on investing in improvement. Under phase two we have made 15 external appointments to date and five recruitment campaigns are currently live. As at the end of Q4 the HR team and business groups have filled 25 internal vacancies and 45 external vacancies since the beginning of 2021/22.
28. The third phase focused on building strategic capacity. The Board agreed the new senior management structure at its meeting on 26 January 2022 and the recruitment process for the roles of Chief Operating Officer and the Executive Director positions for Audit Services, Performance Audit and Best Value and Innovation and Quality has now concluded. Phase four of the project (the appointment of Directors and senior managers) is now under way.

- 29. One Organisation deployment** – We held a number of workshops facilitated by external consultants over the period February to March 2022. The project team provided a report to the SIP programme board on 29 March 2022 which set out a series of proposals on the principles for effective one organisation working, the conditions for its success and drafts of an action plan and an engagement plan. The programme board agreed the direction of travel and the project team are now refining the implementation plan.
- 30. Medium term financial plan** – The Board held a strategic planning workshop session on 9 November 2021 and a further strategic planning session is taking place in the summer. This will inform the 2022/23 budget process, longer-term budgeting and fees and funding considerations and the planned business planning day with the Scottish Commission for Public Audit which is scheduled for August 2022.
- 31. Estate strategy** – This project is being undertaken to ensure we have an estate that meets longer-term organisation and operational requirements while demonstrating value for money. The programme board approved the [scope and project approach](#) at its meeting on 18 January 2022. We have secured professional external consultancy services to support this project and we expect options to be available in May/ June 2022.
- 32. Business Management System** – The new HR and payroll system went live in February 2022. The project team are still working on ironing out some minor outstanding issues before moving onto other modules available in the system. We anticipate the Learning Management and Recruitment modules to be live by the end of 2022.
- 33. Digital Strategy** – The Digital Services team has been focused on mitigating the cyber security threats and the Audit Committee considered a [detailed digital security update](#) at its meeting on 2 March 2022. We published the [first year review of the strategy](#) on SharePoint on 10 March 2022. We have completed the deployment of Audit Scotland secure laptops to all colleagues, provided equipment to support working from home and equipped our offices to support hybrid working. We have also continued to improve our server and networking infrastructure as well as delivering software upgrades to key systems.
- 34. Green Futures Team (GFT)** – At their meeting in May, the GFT agreed working groups and setting project milestones. Four key projects for 2022/23 have been identified: the development of an Offsetting Strategy (a report on this will be considered by Management Team in June 2022), exploring the use of carbon budgets for business groups, establishing a methodology for collecting home working emissions data and introducing climate change training for existing colleagues and including this as part of the induction process for new colleagues.

Our purpose

- 35.** The 'Our Purpose' workstream of the Strategic Improvement Programme contains four elements:
- updating the business group plans
 - refreshing Public Audit in Scotland (PAIS)
 - reviewing and updating the Partnership Working Framework (PWF)
 - revising the corporate plan.

36. The **Business Plans** were finalised and considered by the Management Team on 11 January 2022.
37. The project team has been engaging with the Leadership Group on a range of areas including the external and internal operating environments (using PESTLE and SWOT analyses respectively) and with the Auditor General for Scotland and the Accounts Commission. This engagement will inform the suite of strategic documents and plans covered by this workstream.
38. At its meeting on 29 March 2022 the SIP programme board agreed to produce an interim corporate plan for 2022/23. This will ensure clear direction internally and externally about our plans and priorities for the coming year and meet our governance requirement to have an up-to-date corporate plan in place. Since the SIP programme board meeting in March 2022 the Accounts Commission has had its first strategy seminar since its new chair came into post. From this it is developing a new change programme as well as reviewing its strategy and priorities. This will inform the content and timescales for a new PWF and PAIS, which ultimately drive Audit Scotland's corporate plan.
39. Audit Scotland is currently recruiting new leaders and reshaping its executive team. We also plan to undertake an organisation-wide project this year to refresh and agree our organisational values. We will revisit planning for the new corporate plan and organisational values later this year once the new executive team is in place and we have made progress with the PWF and PAIS. Our aim is to have the new multi-year corporate plan in place by April 2023.
40. On 18 May 2022 the SIP programme board considered an **interim Corporate Plan for 2022/23**. This is on the agenda for today's meeting of the Board at item 24.
41. We are currently doing some scoping work to support the implementation of the **Accounts Commission's Change Programme**. This covers a range of areas including the PAIS and PWF referenced above, resourcing, stakeholder engagement, Commission support, audit quality, communications and the dynamic work programme.




Programme governance and reporting

42. The SIP programme board is responsible for the oversight and delivery of the Strategic Improvement Programme and is comprised of members of Management Team.
43. The programme board met most recently on 18 May 2022. At that meeting it considered update reports on the programme overall, the Human Rights Based Approach self-assessment analysis and the Electronic Working Papers project. The programme board also approved the scope for the Developing Hybrid Working project and the draft Interim Corporate Plan 2022/23.
44. SIP related business also takes place at Management Team to ensure that timely progress is being made and project reports and updates feature regularly on the Management Team agenda.
45. On 11 May 2022 the Audit Committee considered an [internal audit report](#) by BDO on the governance of the SIP programme. The report provided substantial assurance in terms of both design and operational effectiveness and made two low level recommendations which are being implemented.

Recommendations

- 46.** The Board is invited to note the progress update on the Strategic Improvement Programme and next steps.

SIP Project summary

 What we do	 How we work	 Our purpose
<ul style="list-style-type: none"> • Dynamic work programme (mainstreamed) • Code of Audit Practice (complete) • New audit appointments (complete) • Audit approach (including financial audit approach, BV in LG, BV in IJBs, less complex bodies, following the pandemic pound and auditing climate change) • Digital Audit • Audit quality action plan (mainstreamed) • Electronic working papers • Diversity & equality • Parliamentary engagement 	<ul style="list-style-type: none"> • People strategy (inc workforce plan and learning and development offer) • Building capacity • One organisational deployment • Medium term financial strategy (including fees and funding) • Developing Hybrid Working (new) • Our workplaces (Covid-secure and longer-term office strategy) • Digital services strategy (mainstreamed) • Business Management System (phase 1 complete) • Green future • Shaping our future (Audit Scotland 2021) engagement (complete) 	<ul style="list-style-type: none"> • Public audit in Scotland • Partnership Framework • Corporate Plan • Business Plans (complete) • Supporting the Accounts Commission's Change Programme (new) • ISQM

2021-22 Annual report from the Chair of the Audit Committee to the Board

Chair of the Audit Committee

Item 12
Meeting date: 1 June 2022

Purpose

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

Background

2. The Audit Committee is a standing Committee of the Board established under Audit Scotland's Standing Orders. The Audit Committee consists of the members of the Board, other than the Chair of the Board and the Accountable Officer. In practice the Chair of the Board and the Accountable Officer attend the meetings.
3. During 2021-22 Audit Scotland continued to respond to the challenges presented by the Covid-19 pandemic. For the majority of this period, all colleagues worked from home using MS Teams to conduct business and meetings both internally and externally as well as the continued use of vital systems including Pentana and SharePoint Online. More recently, with Covid-19 restrictions reducing significantly from March onwards colleagues have been able to adopt a hybrid working approach.
4. This working context has presented and continues to present challenges for the organisation, our stakeholders and audited bodies. During this time, Audit Scotland has demonstrated high levels of professionalism and resilience to adapt and deliver the work programme.
5. In December 2021, William Moyes was appointed Chair of the Accounts Commission taking over from Interim Chair of the Accounts Commission, Elma Murray. The Chair of the Accounts Commission is a member of the Board as well as the Audit Committee.

Programme of work

6. The Audit Committee met five times in 2021/22 mainly via video conferencing due to the Covid-19 pandemic. In the March and May 2022 meetings of the Audit Committee, members attended in person at the Edinburgh office following the introduction of hybrid working arrangements. In accordance with its Terms of Reference and the Audit Committee Planner the committee considered a broad range of work across 95 agenda items, including 72 papers. This included reports and updates on/from:
 - Information security and governance.
 - Financial management.
 - Governance, including the annual assurance and statement of control process.
 - Internal and external audit.

- Audit quality.
 - Organisational risk.
 - Business continuity.
 - The annual report and accounts.
7. The Audit Committee reviewed the rolling action tracker at each of its meetings.
 8. The Audit Committee carries out an annual review of its effectiveness based on a self-assessment checklist completed by members. A report on the outcome of the review and the actions arising was presented to the meeting of the Audit Committee on 11 May 2022.

The annual report and accounts and financial management

9. The Audit Committee approved the timetable to facilitate the completion of the Statutory Accounts for the Year ended 31 March 2021 at its meeting on 2 March 2022.
10. The audit of the 2021/22 accounts has concluded and will be reported to the Audit Committee on 1 June 2022.
11. The Audit Committee considered financial performance reports each quarter.

Governance

12. The annual review of Audit Scotland's principal governance policies (Standing Orders, Financial Regulations and Scheme of Delegation) was undertaken in September 2021. The review resulted in minor changes.
13. In addition, the Audit Committee considered its Terms of Reference at the November meeting in line with the agreed annual review. No amendments were made. The next review will be reported to the Audit Committee on 9 November 2022.
14. The Code of Conduct for members and employees was reviewed by the Board in September 2021 to ensure it remained up to date and in line with the model code published by the Scottish Government. The Code is published on the Audit Scotland website along with the annual declaration of members' interests.
15. The Audit Committee reviewed and approved the Business Continuity Plan and its supporting arrangements in May 2022. The Business Continuity Plan, which is subject to annual review, received minor amendments. The plan had been subject to a substantial restructure the previous year in light of the impact of EU withdrawal and the Covid-19 pandemic.
16. The Audit Committee considered a suite of annual assurance reports in accordance with the annual assurance and statement of control process. The reports were on:
 - Information Governance and Security.
 - Data Incidents.
 - Hospitality and Gifts.

- Bribery and Fraud.
- Whistleblowing.
- Correspondence Handling and Whistleblowing.
- Audit Quality.
- Health, Safety and Wellbeing.
- Governance statement on internal control and Certificate of Assurance.

Internal and external audit

- 17.** The external auditors and internal auditors have attended all of the Audit Committee meetings during 2021/22.
- 18.** At each meeting there is a private session with both external and internal auditors. This provides the opportunity for the auditors to raise issues with members of the committee and for the committee to ask questions and seek the view of auditors. No material issues were raised during 2021/22.
- 19.** At its meeting in March 2022 the Audit Committee considered a report from the internal and external auditors on their joint working arrangements.
- 20.** The Audit Committee approves the programme of internal audit work each year. BDO carried out seven internal audits and one follow-up review during 2021/22. All reports were presented to the Audit Committee. An overall assurance assessment is given in each internal audit report for the design and operational effectiveness of systems and internal controls.
- 21.** The table below details the audits and overall assurance assessments:

Audit	Design	Operational Effectiveness
Covid-19: Health, Safety & Wellbeing	Substantial	Substantial
Operation of Financial Controls during Covid 19	Substantial	Substantial
Freedom of Information	Reasonable	Reasonable
Covid-19: Audit Quality & Assessment	Substantial	Substantial
Procurement of Audit Firms	Substantial	Substantial
Strategic Improvement Programme Governance	Substantial	Substantial
Financial Planning	Substantial	Substantial
Follow-up Review	Good progress	

22. There were ten recommendations from the seven internal audits. Seven recommendations were classified as low significance and three of medium significance. Management responses have been provided for all audit recommendations and work is being undertaken to implement them as appropriate.
23. Reports on progress with internal audit recommendations are brought to each Audit Committee.
24. The internal audit service and scrutiny provided by BDO offered substantial assurances in the round for the 2021/22 annual internal audit report.
25. The Audit Committee was satisfied with the performance of internal audit and that the internal audit programme had been delivered to the required standard for the year.
26. The cost of the internal audit work for 2021/22 was £25,800.00. This was an underspend of £4,200 against the budget of £30k. This is due to invoices for work undertaken by BDO still to be received for 2021/22. This work includes the follow-up review and annual report which were completed during May 2022. The number of days planned for audit by BDO was 56 days and this was achieved.
27. The contract with BDO concluded in 2022. Prior to the contract ending Audit Scotland undertook a tender for the provision of new internal audit services commencing in October 2021. This process was concluded in April 2022.
28. Audit Scotland has appointed Wylie & Bisset as our new internal auditors for the next three years (with an option to extend by one year). An Audit Needs Assessment has been conducted and an Internal Audit Plan for 2022/23 is being prepared for Audit Committee's consideration. The plan will cover many of the areas identified in the corporate risk register to provide assurance all available controls and mitigations are in place.

Audit quality

29. The Audit Quality Framework approved by the Board in October 2017 committed to providing regular reporting to the Audit Committee on audit quality as well as to the Auditor General for Scotland and the Accounts Commission.
30. The framework uses a broad range of tools to assess audit quality including external and internal 'cold' reviews, 'hot' reviews, peer reviews and surveys of audited bodies and auditors. This range of evidence continues to identify good practice and areas for improvement in audit quality.
31. The Quality of Public Audit in Scotland annual report 2021/22 was presented to the May 2022 meeting of the Audit Committee. The Audit Quality and Appointments team concluded that the quality of audit work is good and continues to improve in Performance Audit and Best Value audit and accountancy firms. They also concluded that the quality of financial audit work carried out by Audit Scotland's Audit Services Group (ASG) is on the whole good and improving while some areas require further improvement. These areas are being addressed in the ongoing audit improvement plan.
32. The improvement in quality scores provides a clear indication that high-quality standards are being achieved and that quality improvement plans are taking effect. Further work continues in some areas to ensure that all of the audit work meets the recognised standards

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

33. The Chair of the Audit Committee attended three meetings of the Audit Quality Committee as an observer in 2021/22.

Risk management

34. Audit Scotland's Risk Management Framework was reviewed and approved by the Audit Committee on 3 March 2021. In accordance with the framework the committee reviewed the Risk Register at each of its five meetings.
35. The Audit Committee considered quarterly reports on data incidents and noted the corrective actions proposed by Audit Scotland to reduce further incidents. It also received detailed six-monthly updates on digital and cyber security risks.
36. Prior to the pandemic the Audit Committee agreed an annual schedule of risk interrogations. This allowed the opportunity to consider one or more of the risks on the register in greater detail. In March 2021, the Audit Committee agreed to suspend risk interrogations given the challenges and work pressures of operating amidst a worldwide pandemic. The re-introduction of risk interrogations will be reconsidered during 2022/23.
37. A risk management workshop was held on 30 August 2021 for all Board members. The main objective of the workshop was to provide members of the Audit Committee with the opportunity to take a 'step back' from the regular review of the risk register and discuss the strategic risks facing Audit Scotland.
38. Audit Scotland's new internal auditors Wylie & Bisset will facilitate a session on Risk Management for the Audit Committee, Board and the Executive Management Team during August 2022.

Governance statement

39. The Audit Committee considered a report on the effectiveness of the systems of internal control. There were no matters arising from Audit Scotland's business groups which would require to be raised specifically in the Accountable Officer's governance statement.
40. Internal auditors provided Audit Scotland with reasonable assurance that there are no major weaknesses in the internal control system for the areas reviewed in 2021/22.
41. It is the Audit Committee's opinion, based on our scrutiny and oversight of the work of Audit Scotland, that the Accountable Officer and Board can take assurance that there are sound systems of internal control in place within Audit Scotland to support the achievement of the organisation's policies, aims and objectives as set out by the Audit Scotland Board.
42. On the basis of the work reviewed and progress made during 2021/22, the Audit Committee can advise the Board that, in its opinion, the internal control systems in Audit Scotland are effective.

Acknowledgements

43. The Chair of the Audit Committee thanks the members of the Audit Committee for their invaluable input during 2021/22, a year which continued to present challenges due to the Covid-19 pandemic.

Recommendation

44. The Board is invited to consider the report.

2021/22 Annual report: Remuneration and Human Resources Committee

Chair of Remuneration and Human
Resources Committee

Purpose

1. The purpose of this report is to review the past 12 months of performance of the Remuneration and Human Resources Committee (Remco) and to identify future priority areas for discussion during 2022/23.

Background

2. Remco reviewed and approved this report at its meeting on 11 May 2022.
3. The process follows good practice for the operation of these committees. The chair provides this as a separate report to the Audit Scotland Board and Accountable Officer following discussion by Remco members.
4. All Audit Scotland colleagues have been working from home since 17 March 2020 due to the Covid-19 pandemic using MS Teams primarily to conduct business and meetings both internally and externally. This working context has presented and continues to present unprecedented challenges for the organisation, our stakeholders and audited bodies. During this time, Remco continued to meet and have used a combination of MS Teams calls and hybrid in person meetings, where restrictions have allowed.
5. During the course of 2021/22 there were also changes to those who attend Remco and provide support from Audit Scotland. Remco members have welcomed Martin Walker, Acting Corporate Services Director and Susan Burgess, Acting Human Resources Manager to meetings following the departure of Diane McGiffen, Chief Operating Officer in early 2022 and David Blattman, Human Resources and Organisational Development Manager in 2021.

Progress update

6. During 2021/22 Audit Scotland's Remco met on three occasions. In accordance with its Terms of Reference the committee considered a broad range of work. This has included reports and updates on:
 - approval of the 2021 pay award and negotiations with the Public & Commercial Services (PCS), including the latest public sector pay policy in Scotland and the implications of this upon our own pay settlement, budget and fee strategy
 - annual review and assurance in connection with the expenses of the Auditor General for Scotland
 - our planned work around diversity, equality and inclusion including reports from our external partners, Business in the Community. Reviewing Audit Scotland's reports produced throughout the year which includes both our gender pay gap report and annual diversity report

- consideration of our plans for talent management, succession planning and wider workforce plans for 2021/22
 - job evaluation and benchmarking exercise for the remuneration of roles at Executive Management Team prior to recruitment campaigns launching
 - supporting the recruitment of the new Chief Operating Officer, Executive Director of Audit Services Group, Executive Director of Performance Audit and Best Value and Executive Director of Quality and Innovation
 - annual review of Remco past performance and the setting of future priorities
 - regular updates about our business and workforce as we have managed the continued impact of Covid-19 and evolution of a new hybrid operating model of working.
7. All this work has been effectively achieved in accordance with good employment practice and is consistent with public sector policy guidance affecting organisations such as Audit Scotland.

Future priority areas

8. Remco agreed the following list for consideration across the upcoming agenda of business for 2022/23:
- the changing environment for public sector pay in Scotland, Scottish Government pay policy and our new operating model of hybrid working – how this may all influence our future budgets, fee strategy, employment policies and approach to employee relations with the PCS union
 - diversity, equality and inclusion, with the creation of our ongoing action plan. This has been and will continue to be subject to ongoing consideration by Remco
 - the effectiveness of Audit Scotland’s attraction, recruitment and retention strategy in support of workforce growth in response to the demands arising from digital auditing and the competitive recruitment market
 - the mental, emotional health, wellbeing and resourcing arrangements across Audit Scotland’s workforce in light of our newly evolving hybrid ways of working and productivity.

Acknowledgements

9. The chair of the committee would like to thank the members of Remco for their input during 2021/22, another year which has presented unprecedented challenges as we emerge from the Covid-19 pandemic and following significant changes to the leadership group at Audit Scotland.

Recommendations

10. The Board is invited to consider and approve this report.

Draft international work annual report for 2021-22

Audit Director, Performance Audit and Best
Value

Purpose

1. This report provides Audit Scotland's Board with the draft international work annual report for 2021-22.

Background

2. Each year Audit Scotland reports publicly on international work as part of its corporate performance reporting. As in 2020/21, the way we conducted our international work changed due to the challenges caused by the Covid-19 pandemic. Despite these challenges, we felt it was important that Audit Scotland remained an open and outward-looking organisation promoting good governance and the effective use of public resources internationally. Highlights included:
 - We updated our international strategy for 2021-24. We took the opportunity to reflect the changing circumstances created by the Covid-19 global pandemic and to align the strategy with Audit Scotland's current strategic priorities.
 - In November 2021, Audit Scotland hosted the Public Audit Forum annual conference. All participants agreed that the conference was a productive way to share knowledge on a range of issues including audit quality, digital auditing, risks from climate change and an analysis of future proposals on public auditing.
 - At EURORAI's most recent conference (November 2021), held in Sarajevo, Richard Robinson, Senior Manager, from our Performance Audit and Best Value group, gave a (virtual) presentation on how Audit Scotland conducted its performance audit work during the pandemic, including how we audited the different impacts caused by Covid-19 and the audit outputs Audit Scotland produced in response to the pandemic.
 - In December 2021, the Association of Chartered Certified Accountants (ACCA) held its Public Sector Conference. Steven Boyle, Auditor General for Scotland, attended the conference where he was interviewed, along with his counterparts from Jamaica and the Maldives. The interviews were well received with several thousand people signed up to view the conference online.
3. Please note that we are currently working with the Communications Team on possible exhibits and getting the report finalised (this should be completed the week commencing 23 May 2022).

Recommendations

4. The Board is invited to consider and approve the draft international work annual report for 2021-22.

International work

Annual report 2021/22



 AUDIT SCOTLAND

Prepared by Audit Scotland

June 2022

Contents

Introduction	3
International work 2021/22	4
Looking forward	9

Introduction

As in 2020/21, Audit Scotland continued to respond to the challenges and constraints caused by the Covid-19 pandemic. Most staff continued to work from home with much of the audit work conducted remotely. Most meetings, including with officers from our audited bodies and audit committees, were conducted virtually. These changes were reflected in our international work. The Covid-19 pandemic meant there were less opportunities to receive visitors from other countries, and fewer international events were convened in person. In response, our international work also moved away from physical meetings to make more use of teleconferencing and virtual meetings with colleagues from across the globe.

Despite the challenges of the pandemic, we felt it was important that Audit Scotland remained an open and outward-looking organisation promoting good governance and the effective use of public resources internationally. We did this by working with organisations such as EURORAI, with the aim of sharing good practice in all areas of our audit work.

In 2021 we updated our international strategy. The new international strategy focuses our approach to international work on helping to improve the way we conduct work in line with our world-class audit ambitions. Where we have the capacity to do so, we will also continue to share our knowledge and expertise with others to support effective public audit and good governance around the globe.

Signature to be added

Mark MacPherson

Audit Director (Performance Audit and Best Value)

International work 2021/22

International strategy 2021-24

1. Our previous international strategy covered the period between 2017-20. During 2021 we updated our international strategy for 2021-24. We took the opportunity to reflect the changing circumstances created by the Covid-19 global pandemic and to align the strategy with Audit Scotland's current strategic priorities. Our new international strategy sets out the following ambitions:

- We use knowledge of overseas good practice to scope our audits and shape our recommendations to increase their impact.
- We use international audit standards and good practice networks to improve the quality of our audit work.
- We promote our work within the UK and internationally to build good practice networks and improve as an audit organisation.
- We aim to get as many staff as possible involved in international work to provide learning opportunities, build on their skills, and broaden the outlook they bring to our work.
- We welcome opportunities to share our knowledge and contribute to good public governance in other countries as a way of 'giving something back.'
- We are committed to the principles of equal opportunity, fairness, and transparency in everything we do, and we will strive to ensure that these values are embedded within our international work.
- We will place greater emphasis on virtual meetings and teleconferencing as an alternative to physical travel to help reduce our carbon footprint.

2. The revised strategy also helps us to prepare for the post-pandemic world and hybrid working.

Working with the other UK audit bodies

3. Audit Scotland works closely with other UK audit bodies on areas of joint interest through the Public Audit Forum (PAF). The PAF is comprised of: Audit Scotland, the National Audit Office, Audit Wales, and the Northern Ireland Audit Office. The PAF bodies meet for an annual conference which facilitates discussion of issues of joint interest. In 2021, the conference was hosted by Audit Scotland and took place virtually. All participants agreed that the conference was a productive way to share knowledge on a range of issues

including audit quality, digital auditing, risks from climate change and an analysis of future proposals on public auditing.

4. PAF members also meet and participate in smaller, more specialised groups to discuss specific areas of joint interest which are detailed in the paragraphs below.

5. During the early part of 2021, Audit Scotland continued to work with the UK's other three audit agencies as part of the PAF's Covid-19 group. The group's purpose was to facilitate better joint working on the impact of Covid-19 on our financial and performance audit work.

6. Audit Scotland's Professional Support¹ team worked with the other PAF agencies on a range of areas. This included the implementation of a new international auditing standard on identifying and assessing audit risks (ISA 315), preparing for compliance with new international standards on audit quality (ISQM 1) and improving our internal quality process by incorporating root cause analysis.

7. Audit Scotland's Performance Audit and Best Value (PABV) business group has in place a peer review process with the other UK and Irish audit agencies. External peer review is a vital component of a robust quality assurance process in performance audit work. By taking on feedback gathered from peer reviews, this improves how we each of the UK and Irish audit agencies undertake future performance audits.

8. Audit Scotland's Corporate Services Group has established good reciprocal working relationships with the other UK audit agencies. This allows Audit Scotland's Human Resources, Digital Services and Business Support teams to share knowledge and expertise with colleagues across the UK. This arrangement is particularly useful given the specialist nature of Audit Scotland's work. Some examples of this include:

- Human Resources colleagues from across all the PAF agencies shared their experiences of the employment market and ways to recruit high calibre people.
- Business Support worked with the other UK audit agencies on Covid safe workplace arrangements and hybrid working. Colleagues from across the UK met on a regular basis to share their experiences and knowledge on safety measures and discuss new ways of working.
- Audit Scotland's employee network groups, including the Disability Confident Working Group and our newly established group for colleagues from minority backgrounds, shared knowledge, good practice, and support with colleagues from the other PAF members.

¹ Professional Support are responsible for a range of functions including offering technical guidance to audit teams and helping to improve the quality of financial and performance audit work.

- Digital Services worked with Audit Wales to advise them on development of their new data warehouse. The project also allowed Audit Scotland colleagues to learn more about Audit Wales approach to data analytics.

9. Audit Scotland is working with UK and Irish colleagues on improving our audit approach and sharing good practice in important and developing areas. During the last year this has included:

- Our Digital Auditing team met regularly with the other UK and Irish audit colleagues to work on specific areas of joint interest. This included two meetings to discuss data analytics and new auditing methods to support improved performance and financial audit work. The Digital Auditing team is also working closely with the Northern Island Audit Office on a project to enhance our approach to financial audit analytics.
- Our climate change team meets quarterly with other PAF members to discuss the latest audit work being conducted on climate change. This also allows the agencies to consider whether there is any scope for joint working. The PAF members have held meetings on data, auditing public bodies and reporting requirements. They have also had early discussions about the potential to produce a joint output on climate change with the other UK auditing bodies.

Working with our European partners

10. Audit Scotland has been an active member of EURORAI (the European Organisation of Regional Audit Institutions) for almost 30 years². EURORAI is the main European body that represents the joint interests of regional audit organisations and is comprised of public audit bodies throughout Europe. EURORAI organises annual conferences where members gather to present, listen to and network with colleagues from other audit institutions. Audit Scotland is a respected member of EURORAI and is often asked to present at EURORAI's conferences.

11. At EURORAI's most recent conference (November 2021), held in Sarajevo, the conference theme was 'Value and benefits of regional external public sector audit institutions, especially against the background of the Covid-19 pandemic'. Richard Robinson, Senior Manager, from our Performance Audit and Best Value group, gave a (virtual) presentation on how Audit Scotland conducted its performance audit work during the pandemic, including how we audited the different impacts caused by Covid-19 and the audit outputs Audit Scotland produced in response to the pandemic.

12. In March 2022 Audit Scotland liaised with our colleagues from EURORAI to draft our organisational statement regarding the situation in Ukraine. Audit Scotland based our statement on the position adopted by EURORAI's Management Committee, whose statement firmly condemns the current Russian invasion of Ukraine and suspends cooperation with the member

² Audit Scotland has been a member of EURORAI since it was formed in 2000. The Accounts Commission joined EURORAI in 1993.

institutions of EURORAI in the Russian Federation. Our full statement may be found [here](#).

Learning from other international organisations

13. In July 2021, the World Bank published the [Supreme Audit Institutions \(SAI³\) Independence Index](#). The report assesses 118 national audit organisations on their independence using 10 indicators of audit independence. The indicators are based on international standards and include factors such as whether the audit institution has full operational independence to determine the scope of their work and to publish their reports openly.

14. Although Audit Scotland is not a SAI (Supreme Audit Institutions), the same indicators can be used to assess our independence. Audit Scotland's international team made its own assessment and scored Audit Scotland with the maximum score in all 10 indicators.

15. In March 2022, Anne Cairns, Audit Scotland's Counter Fraud Manager, attended the Organisation for Economic Co-operation and Development's Global Anti-Corruption & Integrity Forum. The Forum brought together policy experts to discuss how creating different frameworks could resolve longstanding challenges on counter fraud and improving integrity, as well as issues related to the pandemic.

Supporting public audit around the world

16. In December 2021, the Association of Chartered Certified Accountants (ACCA) held its Public Sector Conference. ACCA is one of the largest global professional accounting bodies with members who are in senior positions in both finance and audit. ACCA has a specific interest in promoting good governance, integrity, and ethical standards.

17. The conference was held virtually with ACCA members from around the world. The conference's theme was on what good leadership in public finance looks like and how finance and audit can play a leading role in aiding the long recovery from Covid-19. Stephen Boyle, the Auditor General for Scotland, attended the conference. He was interviewed, along with his counterparts from Jamaica and the Maldives, by Mike Suffield from ACCA. The interviews were well received with several thousand people signed up to view the conference online.

18. In March 2022, Audit Scotland's Digital Auditing team received a request for information from the Assistant Auditor General of the Taiwan National Audit Office. The Taiwan National Audit Office was interested in learning about Audit Scotland's experience of increasing the use of digital tools to conduct our audit work. The Digital Auditing team was able to share our experience which included some of our procedural documentation.

³ A supreme audit institution is an independent national-level institution which conducts audits of government activities

Improving the quality of our work

19. All international work conducted in 2021/22 has been directly or indirectly related to improving the quality of Audit Scotland's work. This section considers other specific areas where international work is helping to improve audit quality.

20. Audit Scotland subscribes to the Canadian Audit and Accountability Foundation's database, which we use to access internationally produced work that can help inform our own work. We also have access to the International Organisations of Supreme Audit Institutions' Working Group on Environmental Auditing (INTOSAI WGEA) database. Audit Scotland's climate change team regularly consults both databases to maintain awareness of climate change audits carried out by other international auditing organisations, which helps to shape the team's climate change work plan.

21. Audit Scotland has recently gained access to the Benchmarking Information Exchange Project (BIEP). This database is administered by the Czech Republic's National Audit Office on behalf of European Organisation of Supreme Audit Institutions (EUROSAI). EUROSAI members share information on a range of projects. We are currently exploring how BIEP could be used to assist financial and performance auditors to scope audit work and identify good practice.

Looking forward

22. We look forward to continuing to work with our UK, European and other international colleagues. Audit Scotland's Digital Auditing team have been asked to present at this year's annual EURORAI conference in Frankfurt on 20 May 2022. The conference will take the form of a hybrid event, with some members attending in person and some attending virtually. We hope to take advantage of this format to allow colleagues who would not normally be able to attend in person to watch the conference virtually. Audit Scotland was one of only two EURORAI member organisations asked to present at the conference, with most speakers coming from external, non-member organisations.

23. As our staff have begun to return to our offices, we can now also look forward to welcoming delegations from other countries to our offices in Scotland. We plan to have a flexible approach with a mixture of face of face and virtual visits. Whatever the future brings, we remain keen to continue connecting, sharing, and learning from our colleagues from around the globe.

International work

Annual report 2021/22

Audit Scotland's published material is available for download on the website in a number of formats. For information on our accessibility principles, please visit:

www.audit-scotland.gov.uk/accessibility

For the latest news follow us on social media or [subscribe to our email alerts.](#)



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

Director, Audit Quality and Appointments

Item 15
Meeting date: 1 June 2022

Purpose

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

Background

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

Review

5. The Financial Reporting Council's (FRC) Ethical Standard has not been revised since this policy was approved in June 2021. The policy remains appropriate and in line with the FRC's Ethical Standard.

Conclusion

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

Recommendations

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

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

Owned and maintained by:	Director of Audit Quality and Appointments
Date checked/ created:	June 2022
Next review date:	June 2023

Introduction

1. The Audit Committee is responsible for developing and monitoring a policy on engaging the external auditor to provide non-audit services, taking into account relevant guidance on the provision of non-audit services by the external audit firm.
2. The SCPA appoints Audit Scotland's external auditors and may impose contractual restrictions/prohibitions on the external auditor providing non-audit services. In the absence of contractual restrictions, the Audit Committee and Audit Scotland Board are responsible for determining in what circumstances Audit Scotland may engage the external auditor to provide non-audit services.
3. The Financial Reporting Council's Ethical Standard 2019 categorises non-audit services as "audit related services" (which includes work normally expected to be undertaken by an external auditor such as grant claim certification) and "other non-audit services" (which includes management consultancy and tax work).

Scope

4. This policy applies to Audit Scotland.

Policy

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

Implementation

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

- 7.** Audit Scotland shall notify the Chair of the Audit Committee before any such work is undertaken and notify the Audit Committee at their next available meeting.
- 8.** Audit Scotland shall not engage the external auditors to provide work classified as “other non-audit services.

Governance statement and certificate of assurance 2021-22

Corporate Governance Manager

Item 16
Meeting date: 1 June 2022

Purpose

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

Background

3. Management Team agreed to adopt the internal control checklist and certificate of assurance process in 2011 to support the Accountable Officer's governance statement.
4. Management Team is invited to consider the certificates of assurance to determine whether they raise any issues which should be drawn to the attention of the Audit Committee or the Audit Scotland Board at their meetings on 1 June 2022 with the Annual Accounts and governance statements.

Considerations

5. Business groups reviewed their internal controls between 7-25 March 2022 with the aid of the internal control checklist. Based on the review and checklist findings the business group Directors completed and approved their business group's Certificate of Assurance.
6. Business group Directors reported that generally the controls in their areas have been and are working well. The responses, including evidence and detailed action points where relevant are available on SharePoint.
 - [Audit Services](#)
 - [Corporate Services](#)
 - [Performance and Best Value.](#)

Good practice

7. The annual assurance process has demonstrated good practice across the organisation's internal controls including:
 - development of new key performance indicators (KPIs) that provide added value by confirming the relationship between inputs, outputs and outcomes
 - robust governance and performance reporting

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

Recommendations

- 8.** The Board is invited to note the Audit Scotland certificate of assurance as part of the annual assurance process.

CERTIFICATE OF ASSURANCE



To Audit Scotland's Accountable Officer

ANNUAL ACCOUNTS 2021/22 ASSURANCE FOR THE GOVERNANCE STATEMENT

1. I am aware that, as Interim Director for Performance Audit and Best Value, you are required to sign a governance statement for the annual accounts for 2021/22. To assist you in that process, I can confirm that I have received and reviewed the required assurances from my own Assistant Directors/senior managers.
2. Based on that review, and my own knowledge of internal control matters in my business group I can confirm that these controls have been, and are, working well. There are, in my opinion, no significant matters arising in my area of responsibility which would require to be raised specifically in the governance statement.

Name of Director: Antony Clark

Business Group: Performance Audit and Best Value

Signature:

A handwritten signature in black ink, appearing to read "Antony Clark", with a horizontal line underneath.

Date: 25 March 2022

CERTIFICATE OF ASSURANCE

To Audit Scotland's Accountable Officer

ANNUAL ACCOUNTS 2021/22: ASSURANCE FOR THE GOVERNANCE STATEMENT

1. I am aware, as Director for the Audit Services Group, that you are required to sign a governance statement for the annual accounts for 2021/22. To assist you in that process, I can confirm that I have received and reviewed the required assurances from my own Assistant Directors/senior managers.
2. Based on that review, and my own knowledge of internal control matters in my business group I can confirm that these controls have been, and are, working well. There are, in my opinion, no significant matters arising in my area of responsibility which would require to be raised specifically in the governance statement.

Name of Director: Fiona Kordiak

Business Group: Audit Services

Signature:



Date: 25 March 2022

CERTIFICATE OF ASSURANCE



To Audit Scotland's Accountable Officer

ANNUAL ACCOUNTS 2021/22: ASSURANCE FOR THE GOVERNANCE STATEMENT

1. I am aware, as Interim Director for the Corporate Services Group, that you are required to sign a governance statement for the annual accounts for 2021/22. To assist you in that process, I can confirm that I have received and reviewed the required assurances from my own Assistant Directors/senior managers.
2. Based on that review, and my own knowledge of internal control matters in my business group I can confirm that these controls have been, and are, working well. There are, in my opinion, no significant matters arising in my area of responsibility which would require to be raised specifically in the governance statement.

Name of Director: Martin Walker

Business Group: Corporate Services Group

A handwritten signature in black ink, appearing to read "Martin Walker", written over a horizontal line.

Signature:

Date: 24 March 2022



Alexander Sloan
Accountants and Business Advisers

Audit Scotland Audit summary report for the year ended 31 March 2022

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Contents

	Audit Opinion	2
	Independence and Ethics	3
	Key Audit Issues	4
	Qualitative Aspects of the Financial Statements	5
	Adjustments to the Financial Statements	7
	Internal Controls	8
	Other Matters	9
	Greener Audit	10
	Contacts	11

Scope

As the External Auditor we are required by legislation to report to the Scottish Commission for Public Audit (the ‘Commission’) our findings from the annual audit of the Accounts of Audit Scotland. The purpose of this report is to summarise for the Commission the key issues arising from our audit of the Accounts for the year ended 31 March 2022.

Acknowledgements

We would like to thank the management and staff of Audit Scotland for their assistance and co-operation during the audit.

Audit Opinion

The scope of an external audit is set by the Financial Reporting Council. The main objective of the audit is to form an opinion as to whether the Accounts of Audit Scotland give a true and fair view of the state of affairs of Audit Scotland at 31 March 2022 and of its net resource outturn for the year, and confirm that the Accounts are prepared in accordance with the Public Finance and Accountability (Scotland) Act 2000 and Directions by Scottish Ministers.

Responsibilities

The responsibilities of Audit Scotland and ourselves as auditors are set out within the audit report.

Letter of Representation

Our audit opinion is based on the signing of the letter of representation and the accounts by the Accountable Officer and no further significant events arising up to the point of signing the audit report. The letter of representation has been sent to Audit Scotland for approval by the Accountable Officer.

Fraud

Although we are required under International Standards on Auditing to consider fraud when carrying out our audit, the purpose of our audit is not the detection of fraud. Responsibility for the prevention and detection of fraud rests with the Accountable Officer who should not rely wholly on the external audit function to discharge these responsibilities.

Scope of Audit

Our audit report is made solely to the Scottish Commission for Public Audit, as a body, in accordance with Section 25 of the Public Finance Accountability (Scotland) Act 2000. Our audit work is undertaken so that we might state to the Scottish Commission for Public Audit those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Scottish Commission for Public Audit for our audit work, for the audit report, or for the opinions we form.

Audit Independence and Ethics

We can confirm that we have complied with the FRC ethical standards and the ethical safeguards as set out in the Audit Plan.

Audit Plan

The Audit Plan for the period ended 31 March 2022 sets out any matters that we are required to inform you of under the Financial Reporting Council (FRC) Ethical Standard and International Standard on Auditing (UK) 260: “Communication with those charged with governance”. We can confirm that as far as we are aware there are no changes to these matters or any further issues that may reasonably be thought to bear on the objectivity and independence of the audit team.

Ethical Assurance

We can specifically confirm:

- the firm is not dependent on the audit fees;
- the firm is not owed significant overdue fees;
- there is no actual or threatened litigation between the firm and Audit Scotland;
- no benefits have been received by the audit team which are not modest;
- the firm does not have any mutual business interest with Audit Scotland or the Scottish Commission for Public Audit;
- no members of the audit team have any personal or family connections with Audit Scotland, the Scottish Commission for Public Audit or their officers.

At the conclusion of the audit we have also conducted a review of our independence and objectivity. In our professional opinion, our independence and objectivity has not been compromised and the firm has acted in accordance with the FRC Ethical Standard.

Key Audit Issues

We have set out below how we have dealt with the key audit issues and risks during the course of the audit.

Risks identified during audit planning	Resolution
Management Override of Controls International Standard on Auditing (UK) 240 requires us to treat management override of financial controls as a significant risk.	Our audit work did not identify any material override of financial controls.
Revenue Recognition ISA (UK) 240 requires the auditor to presume that there are risks of fraud in revenue recognition.	Our audit work did not identify any material misstatement of revenue.
Key Accounting Estimates As in previous years, the financial statements of Audit Scotland for the year ended 31 March 2022 include a number of key estimates. Key estimates include provisions in respect of fee rebates and pension assumptions as well as work in progress, which is considered below.	We have reviewed supporting documentation and assumptions in respect of the key accounting estimates and are satisfied that the provisions are not materially misstated.
Work In Progress As set out in our planning letter our audit involved a detailed review of the work in progress balance.	We have reviewed Audit Scotland's work in progress and are satisfied that the balance is not materially misstated.
Covid-19 Pandemic There is a risk that the operations of Audit Scotland could be adversely impacted as a result of the Covid-19 outbreak.	We have discussed the impact of Covid-19 with senior management of Audit Scotland. Based on the work carried out we are satisfied this does not impact our audit report.

Qualitative Aspects of the Financial Statements

We have considered the key qualitative aspects of the financial statements and are satisfied these are reasonable.

Qualitative Aspects	Audit Findings
<p>Accounting Policies FReM requires that entities should review their accounting policies regularly to ensure they are appropriate to its particular circumstances for the purposes of giving a true and fair view. As part of the audit we consider the appropriateness of these policies.</p>	<p>We have reviewed the significant accounting policies and are satisfied that they are reasonable and appropriate to Audit Scotland's circumstances.</p>
<p>Accounting Estimates and Judgements FReM requires that entities should use estimates and judgements appropriate to its particular circumstances for the purposes of giving a true and fair view. As part of the audit we consider the appropriateness of these estimates and judgements.</p>	<p>We have reviewed the significant accounting estimates and judgments and are satisfied that they are reasonable and appropriate to Audit Scotland's circumstances.</p>
<p>Timing of Transactions Audit Scotland are responsible for having accounting systems in place which accurately record financial transactions. During the audit we consider whether transactions have been recorded within the correct period.</p>	<p>No material recording issues were identified during the course of the audit.</p>
<p>Going Concern The Accountable Officer is responsible for assessing whether Audit Scotland is a going concern for 12 months from the date of signing of the audit report. As auditors we review the Accountable Officer's assessment and whether we believe it is appropriate.</p>	<p>During our audit we have considered Audit Scotland's assessment that the organisation is a going concern. Based on discussions with the Management team, review of budgets and as there is no expectation that funding will be withdrawn, we are satisfied that the organisation's assessment is appropriate.</p>

Qualitative Aspects of the Financial Statements (continued)

Qualitative Aspects	Audit Findings
<p>Disclosures</p> <p>Audit Scotland is responsible for the preparation of their financial statements. We consider whether they are presented in accordance with Financial Reporting Manual (FReM).</p>	<p>We did not identify any material disclosure errors within Audit Scotland's financial statements.</p>

Adjustments to the Financial Statements

We have considered the impact on the audit report of any potential adjustments identified during the course of the audit.

Scope

During the course of our audit we may identify potential adjustments to the financial statements. All potential adjustments, which are not trivial, are discussed with the Accountable Officer. The decision as to whether to adjust the financial statements lies with the Accountable Officer as responsibility for the financial statements lies with the Accountable Officer. As auditor, when preparing our audit report, we will consider whether the financial statements are materially misstated.

Internal Controls

We can confirm that we have complied with the FRC Ethical Standard and the ethical safeguards as set out in the Audit Planning document.

Scope

During the audit we will consider if we have identified any control weaknesses, from our work, which are of sufficient importance to be brought to the attention of the Scottish Commission for Public Audit. It should be noted that the matters dealt with in this report came to our attention only during the normal course of our audit work and not as a result of a special review of Audit Scotland's systems, procedures and controls. The findings in this report are not designed to be a complete record of weaknesses in your system.

Responsibility

Overall responsibility for maintaining adequate financial reporting systems and systems of internal control, as well as for the prevention and detection of fraud, irregularities, and other errors, rests with the Accountable Officer.

Management

Please note that any control weaknesses noted are not intended to reflect in any way on the integrity or competence of any member of Audit Scotland's staff from whom we have received every assistance and co-operation.

Findings

We are pleased to note there are no control weaknesses for us to report following the audit.

Other Matters

Future Issues

Please see our website www.alexandersloan.co.uk for further issues that may impact Audit Scotland.

Internal Audit

As part of our audit work we have reviewed the Internal Audit Reports on the controls within Audit Scotland and held regular meetings with Audit Scotland's Internal Auditors.

Having an effective working relationship with the Internal Auditors has helped us to gain a greater understanding of Audit Scotland and its control environment.



A Greener Audit

The firm is committed to minimising its impact on the environment in the services that it provides. The following measures have been put in place to minimise the carbon footprint of your audit:



Paperless Audit

The audit was entirely paperless. The work was carried out electronically and will be stored electronically.



Travel

We did not travel to your premises to carry out audit work and the majority of work was carried out by staff working from home.



Reporting

All our reporting to you, including our audit report, was provided to you electronically.



Meetings

All meetings were carried using video conferencing applications.



Power

We use cloud based servers from a company that has net zero emissions.



Commitment

We are committed to further reducing our carbon footprint.

We aim to further develop this process and will seek to report to you annually on the environmental impact of our audit and will, where appropriate, make recommendations where improvements could be made to your systems that will have an environmental benefit.

Contacts

Should you require any further information regarding any matter raised in the report, then please contact one of your key contacts as set out below:

Contact	Phone	Email
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Jillian So Manager	0131 228 7979	jillian.so@alexandersloan.co.uk



Alexander Sloan
Accountants and Business Advisers

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Alexander Sloan is registered to carry on audit work and regulated for a range of investment business activities by the Institute of Chartered Accountants of Scotland.

Agenda

Wednesday 28 September 2022
Audit Scotland, 102 West Port and
Microsoft TEAMS

-
1. Private meeting of members
 2. Welcome and apologies
 3. Declarations of interest
 4. Items to be taken in private

Standing items

- | | |
|---|-----------------|
| 5. Chair's report - verbal update | For information |
| 6. Accountable Officer's report - verbal update | For information |
| 7. Accounts Commission Chair's report - verbal update | For information |
| 8. Review of draft minutes: <ul style="list-style-type: none">• Audit Committee: 1 June 2022• Board meeting: 1 June 2022 | For approval |
| 9. Review of action tracker | For information |
| 10. Covid-19 – verbal update | For information |

Strategic priorities

- | | |
|--|-----------------|
| 11. Strategic Improvement Programme update | For information |
|--|-----------------|

Business planning, performance and governance

- | | |
|--|-----------------|
| 12. Q1 Corporate performance report | For information |
| 13. Q1 Financial performance report | For information |
| 14. Annual review of corporate governance policies <ul style="list-style-type: none">• Standing Orders• Scheme of Delegation• Financial Regulations• Members' Code of Conduct• Code of Conduct: Staff policy | For approval |

- | | |
|--|--------------|
| 15. Annual policy review of records management policies | For approval |
| 16. Staff handbook policy review | For approval |
| 17. 2023 Proposed Board and Committee meeting schedule | For approval |
-

Conclusion

- | | |
|---|-----------------|
| 18. Any other business | For discussion |
| 19. Review of meeting | For discussion |
| 20. Date of next meeting: 23 November 2022 | For information |
-

Items to be taken in private

- | | |
|--|----------------|
| 21. HSE stress survey results and action plan
[Item to be taken in private to support the effective conduct of business] | For discussion |
| 22. Our purpose workstream: Update on Public Audit in Scotland and the new Audit Scotland corporate plan
[Item to be taken in private to support the effective conduct of business, intended for future publication] | For discussion |
| 23. 2023/24 Budget proposal
[Item to be taken in private to support the effective conduct of business, intended for future publication] | For discussion |
| 24. Medium Term Financial Plan 2022-23 to 2026-27
[Item to be taken in private to support the effective conduct of business, intended for future publication] | For discussion |
| 25. 10-year review of trainee scheme provider
[Item to be taken in private to support the effective conduct of business, commercial sensitivity] | For approval |

Minutes

Audit Committee

Wednesday 1 June 2022, 09.30am
Microsoft Teams



Present:

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

Apologies:

None

In attendance:

A Alexander, Chair, Audit Scotland Board
S Boyle, Accountable Officer and Auditor General for Scotland
M Walker, Acting Director, Corporate Services Group
J So, Alexander Sloan
D Jeffcoat, Alexander Sloan
S Pringle, Wylie and Bisset LLP
G Fitzpatrick, Corporate Governance Manager
S Dennis, Corporate Finance Manager
S Ebbett, Corporate Communications Manager
S Burgess, Assistant HR Manager
G Robertson, L&D Assistant Manager

1. Private meeting with Wylie & Bisset LLP

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

2. Welcome and apologies

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

3. Declarations of interests

There were no declarations of interest.

4. Minutes of the last meeting: 11 May 2022

The Audit Committee members reviewed the minutes of the meeting of 11 May 2022, copies of which had previously been circulated.

The Audit Committee approved the minutes of the previous meeting.

5. Review of action tracker

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

Gayle Fitzpatrick, Corporate Governance Manager, advised that the tracker had been updated and was for noting.

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

6. Organisational response to Covid-19

Martin Walker, Acting Director, Corporate Services Group provided a verbal update on the Covid-19 position.

Martin shared national data around Covid infection levels, hospital admissions and deaths in Scotland, noting a decline. Martin advised of the low infection rates within Audit Scotland, and that one colleague was currently absent from work due to Covid.

Martin advised that some of the restrictions around our workplaces will be relaxed mirroring national position. From Monday 6th June the 'one metre rule' for social distancing in the offices will be removed and that this would increase the number of desks available and the capacity of meeting rooms. Martin advised that the requirement for facemasks to be worn when moving around the office will also be removed. Martin advised that the Distance Aware scheme will be retained so that colleagues who wish to retain greater distancing can do so. Martin that a communication to all colleagues advising of the changes would be issued today.

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

7. Draft Audit Scotland Annual report and accounts 2021/22

Simon Ebbett, Corporate Communications Manager joined the meeting.

Martin Walker, Acting Director, Corporate Services, Stuart Dennis, Corporate Finance Manager and Simon Ebbett, Corporate Communications manager introduced the draft Annual report and accounts, copies of which had previously been circulated.

Simon advised that the report set out the performance of Audit Scotland in 2021/22 and provided positive assurances about the impact of the audit work over the past year and the governance arrangements in place.

Stuart advised that minor adjustments made to the quarter four financial performance report related to invoice accruals and the latest pension figures for the unfunded schemes.

The Chair noted that the committee members had received earlier drafts of the report.

The Audit Committee members discussed various aspects of the report and accounts including pensions and the provisions made in the accounts on audit fees. The Committee agreed some minor final edits to the report and discussed some suggested changes for next year's report.

The Chair thanked the officers involved for their work on the report.

The Audit Committee noted the next steps in the process and recommended the draft Annual report and accounts for approval by the Board.

Simon Ebbett, Corporate Communications Manager left the meeting

8. Audit summary report for the year end 31 March 2022

David Jeffcoat, Alexander Sloan introduced the audit summary report for the year end 31 March 2022, copies of which had been previously circulated.

David provided assurance that financial statements were true and fair. He advised he was satisfied with all the judgements, estimates and assumptions within the report.

David advised of forthcoming changes to IFR16 (Leases). He plans to meet with Stuart Dennis, Corporate Finance Manager, in the autumn to discuss and plan ahead on this issue.

The Audit Committee noted the draft External Audit Management opinion on financial year report.

9. Q4 Financial performance report

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

Stuart advised that the report had previously been shared, and discussed, at the Audit Committee meeting on 11 May 2022.

The Audit Committee noted the Q4 Financial report.

10. Review of Risk Register

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

Gayle advised that one risk had changed since the last meeting. Risk A3, Health, Safety & Wellbeing, has reduced from red to the upper level of amber reflecting the reduced impact of Covid-19. Assurance was provided that Management Team continues to monitor this situation on a weekly basis.

The members noted a session Risk Management Workshop is scheduled for 18 August and will be facilitated by internal auditors Wylie & Bissett and that a session on digital Infrastructure risk has been scheduled for 7 September.

The members discussed risk A6 (Failure of strategic capacity in key business critical areas to deliver business continuity and support transformation/ organisational agility) and discussed the importance of investment in IT capacity beyond cyber security. The members noted the Digital Services team are meeting service obligations and emphasised the need to continue developing systems for future proofing. The members noted that the 'deep dive session' scheduled for September will provide an opportunity to discuss these issues further.

The Audit Committee noted the review of the risk register.

11. Audit Needs Assessment 2022-2025

Stephen Pringle, Wylie & Bissett introduced the Audit Needs Assessment 2022-25 report, copies of which had been previously circulated.

Stephen provided a summary of Wylie & Bissett's responsibilities as the newly appointed Internal Auditors for Audit Scotland over the next three years. He outlined the proposed key areas for audit:

- Risk management
- Green Futures
- Hybrid Working
- Workforce planning
- Financial planning
- Review of suitability of Business Management System
- Digital Security Risk Management
- Follow up

Stephen advised that the plan was flexible and that full scoping meetings would be held prior to the start of each audit.

The members welcomed the comprehensive report and discussed the sequencing of the audits. It was noted that it may be beneficial to delay hybrid working and the suitability of the business management system audits to allow more time for the developments to become embedded. The members noted the opportunity for Audit Scotland to be recognised as leading the way with the Green Futures agenda in terms of both audit work and organisational arrangements.

The members agreed the planned areas of audit in the year one programme and agreed the initial audit needs assessment was robust.

The Audit Committee members noted the audit needs assessment 2022-25 and agreed the internal audit programme.

12. Summer Risk Management session

Gayle Fitzpatrick, Corporate Governance Manager confirmed that the summer risk management session, which will be facilitated by Wylie & Bissett, is scheduled for 18 August 2022.

The Audit Committee noted the summer risk management session update.

13. Health, Safety and Wellbeing Annual Report 2021/22

Susan Burgess, Assistant HR Manager and Gordon Robertson, L&D Assistant Manager joined the meeting.

Susan advised that the organisation continues to provide support to colleagues, with a particular focus on wellbeing. Susan highlighted the key messages in the report and the priorities which include using the Health and Safety Executive (HSE) stress tool assessment and a workstation assessment. She advised that the Developing Hybrid project team are taking forward a number of workstreams including a review of those policies and procedures will require to be refreshed in light of hybrid working.

The members noted the positive report and recognised the challenges of coming out of Covid-19. Members also discussed the value of using the data provided to influence behaviours around carried forward leave and the recording of accidents.

The Audit Committee members noted the Health, Safety and Wellbeing annual report 2021/22.

Susan Burgess, Assistant HR Manager and Gordon Robertson, L&D Assistant Manager left the meeting.

14. Governance statement and certificate of assurance

Gayle Fitzpatrick, Corporate Governance Manager introduced the Governance statement and certificate of assurance report, copies of which had been previously circulated.

Gayle advised the report provided positive assurance on controls across all business groups.

The members approved the certificate of assurance. It was agreed that in following years it would be appropriate to sequence the meeting agenda to consider the certificate in conjunction with the Annual report and Accounts

The Audit Committee members noted the Governance statement on internal control and approved certificate of assurance report.

15. 2021/22 Annual report from the Chair of the Audit Committee to Board

Gayle Fitzpatrick, Corporate Governance Manager, introduced the annual report from the Chair of the Audit Committee to Board, copies of which had been previously circulated.

The Audit Committee members were satisfied with the report and agreed it provided a good summary of the committee's work in 2021/22.

The Audit Committee noted the Annual report from the Chair of the Audit Committee and recommended it to the Board.

16. Any other business

There were no items of other business

17. Review of meeting

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

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

18. Date of next meeting

The next meeting of the Audit Committee is scheduled for 7 September 2022.

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

Minutes Board

Wednesday 1 June 2022 at the conclusion of the
Audit Committee
Audit Scotland by Microsoft Teams

Present:

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

Apologies:

There were no apologies.

In attendance:

Martin Walker, Acting Director of Corporate Services
Mark MacPherson, Audit Director, Performance Audit and Best Value
Parminder Singh, International Liaison Manager
Gayle Fitzpatrick, Corporate Governance Manager
Elaine Boyd, Associate Director, Audit Quality and Appointments
Owen Smith, Senior Manager, Audit Quality and Appointments
Simon Ebbett, Communications Manager

1. Private meeting of Board members

No private meeting was held.

2. Welcome and apologies

Martin Walker, Acting Director of Corporate Services, joined the meeting.

The Chair welcomed attendees to the meeting.

3. Declarations of interest

There were no declarations of interest.

4. Order of business and items to be taken in private

It was noted that several items of business had been considered in detail by the Audit Committee at its meeting immediately before this meeting of the Board and that all members were present at that meeting.

It was also agreed that items would be considered in a different order to that set out on the agenda to support the effective conduct of business and to accommodate the availability of members and officers.

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

5. Governance statement and certificate of assurance 2021-22 (Agenda item 16)

The Board approved the Governance Statement and Certificate of Assurance 2021/22 for 2022 as per the recommendation of the Audit Committee (at item 14) at the Audit Committee meeting which preceded the Board meeting.

6. Audit summary report for the year ended March 2022 (Agenda item 17)

The Board noted the Audit Summary report for the year ended March 2022 as per the discussion at the Audit Committee (item 8) which preceded the Board meeting.

7. Draft Audit Scotland Annual Report and Accounts 2021/22 (Agenda item 23)

This item was taken in private.

The Board approved the Draft Annual Report and Accounts 2021/22 as per the discussion at the Audit Committee (item 7) which preceded the Board meeting.

8. Interim Corporate Plan 2022/23 (Agenda item 24)

Simon Ebbett, Communication Manager, joined the meeting.

This item was taken in private.

Simon Ebbett introduced the Interim Corporate Plan 2022/23, copies of which had been previously circulated.

The Board are invited to review and provide feedback on the interim draft plan and subject to any agreed amendments, approve the plan.

Martin highlighted that this, by design, is an interim plan for 2022/23 pending a more significant refresh of a longer-term corporate plan. He advised that this approach would provide for the new longer term corporate plan to be informed by input from the new Executive Team, the Accounts Commission's change programme and the ongoing development work on the Partnership Working Framework and Public Audit in Scotland.

The Board discussed the interim plan and its expectations for the longer-term plan (which should include more data and clear objectives and targets).

On the interim plan, the Board requested amendments be made including amendments to the introduction and in relation to the 'How we run Audit Scotland' section, with reference to the Annual Report and Accounts 2021/22.

On the longer-term plan, the Board agreed it would consider updates at its meetings in September and November 2022, with a view to agreeing the new plan at its meeting in January 2023.

Following discussion, the Board agreed the interim Corporate Plan 2022/23, subject to the suggested amendments, which would be agreed via correspondence and that the plan be published in June 2022.

Action ASB166: *Simon Ebbett to make the amendments and circulate the revised draft for agreement by the Board by correspondence. (June 2022)*

Simon Ebbett left the meeting.

9. Chair's report – verbal update (Agenda item 5)

The Chair advised of a recent meeting with Stephen Boyle, Auditor General for Scotland and Accountable Officer, William Moyes, the Chair of the Accounts Commission, Paul Reilly, Secretary to the Accounts Commission and Martin Walker, Acting Director of Corporate Services on the Accounts Commission Change Programme.

The Board welcomed the update.

10. Accountable Officer's report – verbal update (Agenda item 6)

Stephen Boyle advised of his engagement with the external auditors on the Annual Report and Accounts 2021/22.

Stephen provided an update on building strategic capacity. He advised that Antony Clark (Executive Director: Performance Audit and Best Value) and John Cornett (Executive Director: Audit Services Group) are already in post. Stephen also advised that Kenny Oliver joins Audit Scotland on 13 June as (Executive Director: Innovation and Quality) and that Vicki Bibby will join us on 22 August as Chief Operating Officer.

Stephen noted that there is ongoing engagement with the Scottish Parliament and advised the Public Audit Committee continues to take evidence on the reports on ferries and major capital projects.

He also advised that he and Martin Walker recently met with the Auditors General from UK and Ireland and respective Chief Operating Officers.

Following discussion, the Board welcomed the update.

11. Accounts Commission Chair's report – verbal update (Agenda item 7)

William Moyes advised the Accounts Commission change programme was now underway. He also provided an update on the plans to recruit Accounts Commission members and advised that the recruitment process for the role of Controller of Audit was underway.

Following discussion, the Board welcomed the update.

12. Review of minutes (Agenda item 8)

Board meeting: 17 May 2022

The Board considered the minutes of the meeting of 17 May 2022, copies of which had been previously circulated.

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

13. Review of action tracker (Agenda item 9)

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

The Chair advised a date had now been agreed for the Board Strategic Session and that this would address actions ASB 160, 163 and 164.

The Board noted the updated action tracker.

14. Covid-19 – verbal update (Agenda item 10)

The Board noted the verbal update as provided at the Audit Committee (item 6) which preceded the Board meeting

15. 2021-22 Annual report from the Chair of the Audit Committee to the Board (Agenda item 12)

The Board approved the Annual Report from the Chair of the Audit Committee as per the discussion at the Audit Committee (item15) which preceded the Board meeting

16. 2021/22 Annual report: Remuneration and Human Resources Committee (Agenda item 13)

The Board considered the 2021/22 Annual report: Remuneration and Human Resources Committee, which had been previously circulated.

Jackie Mann introduced the report and invited the Board to consider and approve the report.

Following discussion, the Board approved the 2021/22 Annual report: Remuneration and Human Resources Committee.

17. Draft international work annual report for 2021-22 (Agenda item 14)

Mark MacPherson, Audit Director, Performance Audit and Best Value, and Parminder Singh, International Liaison Manager, joined the meeting.

Mark MacPherson introduced the draft international work annual report for 2021-22, copies of which had been previously circulated.

Mark advised one of our colleagues attended the EURORAI conference in person this year to present on our digital audit work. Looking forward the focus will be on how to best utilise

some of the new hybrid working arrangements and how we can use international activity to drive improvement in our work.

Mark invited the Board to consider and approve the draft international work annual report for 2021-22.

During discussion, the Chair noted the reference to self-evaluation and invited the team to explore whether there may be a form of external validation.

Following discussion, the Board approved the draft international work annual report for 2021-22.

Action ASB167: *Mark MacPherson to explore external validation options in relation to international work. (Date: tbc)*

Mark MacPherson and Parminder Singh left the meeting.

The Chair left the meeting at 11:40 am and Colin Crosby chaired the remainder of the meeting.

Elaine Boyd, Associate Director, Audit Quality and Appointments and Owen Smith, Senior Manager, Audit Quality and Appointments joined the meeting.

18. Strategic Improvement Programme update (Agenda item 11)

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

Martin invited the Board to note the progress update on the Strategic Improvement Programme and next steps. He advised that significant project milestones have been reached in the new audit appointments project and the building capacity project and noted that the support for the Accounts Commission change programme now features as one of the projects within the programme.

During discussion, the members noted it would be helpful for the Board to have further information on Accounts Commission change programme and it was agreed that Bill Moyes and Martin Walker would discuss an appropriate reporting mechanism for this area of work.

The Board also noted its ongoing interest in the digital audit work that is underway and tracking the progress of this.

The members agreed Kenny Oliver would be invited to a future Board meeting to discuss the audit quality and the Strategic Improvement Programme.

Following discussion, the Board noted the report and next steps.

Action ASB168: *Bill Moyes and Martin Walker to discuss the arrangements for reporting on the Accounts Commission change programme. (Date: tbc)*

Action ASB169: *Kenny Oliver to attend a future Board meeting for a discussion on*

the plans for Innovation & Quality. (Date: tbc)

19. Policy on the provision of Non-Audit Services by Audit Scotland's external auditor (Agenda item 15)

Owen Smith introduced the Policy on the provision of Non-Audit Services by Audit Scotland's external auditor report, copies of which had been previously circulated.

Owen invited the Board to approve the policy, which remains unchanged from last year.

Following discussion, the Board approved the policy.

20. Quality of public audit in Scotland 2021/22 (Agenda item 21)

This item was taken in private.

Elaine Boyd introduced the Quality of public audit in Scotland 2021/22 report, copies of which had been previously circulated.

It was noted that an earlier draft of the report has been discussed by the Audit Committee at its meeting on 11 May 2022.

Elaine invited the Board to approve the Quality of public audit in Scotland annual report 2021/22 for publication as part of the suite of annual reports.

Elaine noted some small changes had been made to the report and that it would be further refined to reflect the publication of a recent report by the Department of Business, Energy, and Industrial Strategy.

During discussion, the Board agreed a further refinement to paragraph four.

Following discussion, it was agreed a tracked change version of the report will be circulated to the Board for approval via correspondence.

Action ASB170: Updated report to be circulated to the Board for approval via correspondence. (June 2022)

Elaine Boyd and Owen Smith left the meeting.

21. Q4 Corporate performance report (Agenda item 22)

Gayle Fitzpatrick, Corporate Governance Manager, joined the meeting.

This item was taken in private.

Gayle Fitzpatrick introduced the Q4 Corporate performance report, copies of which had been previously circulated.

Gayle invited the Board to review the performance in quarter four, review the overall performance in 2021/22 and consider whether any additional management action is required.

During discussion, Martin Walker confirmed to the Board an offer had been made for the cloud application developer role and the individual should be in post within the next 4-6 weeks.

Following discussion, the Board noted the report.

22. Any other business (Agenda item 18)

There was no other business for discussion.

23. Review of meeting (Agenda item 19)

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

The Chair thanked everyone for their contributions.

24. Date of next meeting: 28 September 2022 (Agenda item 20)

The members noted the next meeting of the Audit Scotland Board is scheduled for 28 September 2022.

REF	FORUM	Agenda Item No	Item Title	Action Description	Meeting Date	Due Date	Responsible	Assigned to	Complete/Ongoing	Reported Yes/No	Progress Notes
ASB160	Board	12	Our Purpose - Workstream update	A Board meeting to be scheduled for discussion and formal approval.	26/01/2022	Jun-22	Martin Walker	Martin Walker	Complete	No	Board Strategic Session took place 18 August. Update report on the agenda for Board meeting 28/09/22.
ASB163	Board	19	Stakeholder engagement update	A further discussion on stakeholder engagement to be scheduled.	26/01/2022	Jun-22	Martin Walker	Martin Walker	Complete	No	Board Strategic Session took place 18 August. Update report on the agenda for Board meeting 28/09/22.
ASB164	Board	14	Q3 Corporate performance report	A further discussion on Communications resource, innovation and impact to form part of a future Board strategic discussion.	05/04/2022	Aug-22	Martin Walker	Simon Ebbett	Ongoing		Board Strategic Session took place 18 August. Impact and innovation project under way.
ASB165	Board	11	Mainstreaming equality and equality outcomes: Interim progress report	Further Board session on HRBA to be arranged.	17/05/2022	TBC	Carolyn McLeod	Carolyn McLeod	Ongoing		Date to be arranged
ASB166	Board	24	Interim corporate plan 2022/23	Updated interim plan to be circulated to the Board for approval via correspondence. Once approved interim plan to be published.	01/06/2022	Jun-22	Martin Walker	Simon Ebbett	Complete	No	Interim corporate plan published June 2022
ASB167	Board	14	Draft international work annual report for 2021-22	Mark MacPherson to explore external validation options in relation to international work.	01/06/2022	TBC	Martin Walker	Mark MacPherson	Ongoing		Verbal update to be provided at the meeting 28/09/22.
ASB168	Board	11	Strategic Improvement Programme update	Bill Moyes and Martin Walker to discuss arrangements for reporting on the Accounts Commission change programme.	01/06/2022	Jun-22	Bill Moyes / Martin Walker	Martin Walker	Ongoing		AC chair update and SIP Programme update are items on agenda for Board meeting 28/09/22.
ASB169	Board	11	Strategic Improvement Programme update	Kenny Oliver to attend a future Board meeting for a discussion on the plans for Innovation & Quality	01/06/2022	Aug-22	Kenny Oliver	Martin Walker	Complete	No	Took place as part of Board Strategic Session 18 August 2022.
ASB170	Board	21	Quality of public audit in Scotland 2021/22	Updated report to be circulated to the Board for approval via correspondence.	01/06/2022	Jun-22	Elaine Boyd	Martin Walker	Complete	No	Updated report approved by the Board June 2022.

Strategic Improvement Programme update

Director of Corporate Support

Item 11
Meeting date: 28 September 2022

Purpose

1. This report provides the Audit Scotland Board with an update on the Strategic Improvement Programme.

Background

2. The Audit Scotland Board approved the Strategic Improvement Programme (SIP) at its meeting on 25 November 2021. The key objectives of the SIP are to:
 - Drive our organisational transformation and improvement.
 - Provide a bridge between the 'recovery phase' and our new longer-term operating model.
 - Assure and inspire our colleagues.
 - Ensure we deliver on our core commitments on audit (quality, focus, methodology and value added).
 - Ensure we deliver on our commitments on how we run the organisation – being people focussed by prioritising the health, safety, wellbeing and development of our people, and by being innovative and efficient.
3. The Audit Scotland Board most recently considered an [update report](#) on the SIP at its meeting on 1 June 2022.

Summary

4. We continue to make sound progress over all on what is an extensive improvement programme. Since the previous update we have reached significant milestones in some key projects:
 - **New audit appointments** – the appointments have been made by the Auditor General for Scotland and the Accounts Commission and detailed planning is under way to ensure the smooth transition for the new appointments.
 - **Our purpose** – the Interim Corporate Plan 2022/23 this was agreed by the Board at its meeting on 1 June 2022 and work is under way for the refresh of Public Audit in Scotland, the new Corporate Plan and the Partnership Framework.
 - **Building Capacity** – the Phase 3 of this project is now complete, and the Chief Operating Officer and the Executive Director of Innovation and Quality are in post. The Executive Leadership Team is now at full complement.
 - **Accounts Commission Change programme** – integrated into the SIP programme in June 2022.

- **Impact and insight** – the project scope was agreed in June 2022.
 - **Auditing Best Value (BV)** – the Accounts Commission agreed the Local Government BV schedule at its meeting on 11 August 2022.
 - **Learning and development** – our new Learning Management System was launched on 15 September 2022.
5. This progress continues to be made against a backdrop of change both within and outside the organisation. The effects of the Covid-19 pandemic impacts on how we work and has shaped some aspects of the improvement programme and its delivery. During this time, we have also had significant change in terms of the strategic leadership of the organisation and will review the focus and content of the programme to reflect this and the strategic emphasis and priorities of the Auditor General for Scotland and the Accounts Commission.
6. There has been slippage in some projects due to capacity challenges and/ or the reframing of some project objectives.
7. At its meeting on 20 September 2022 the SIP Board discussed the programme in the context of the new Executive Team structure, the introduction of the Innovation and Quality Group and the corporate planning process. It was agreed that all of these provided a timely opportunity to review the SIP. The review will take place over the coming months, in line with the corporate planning process, and will consider:
- The prioritisation of projects, in the context of the Auditor General for Scotland, the Accounts Commission and organisational priorities.
 - Mainstreaming projects where the development phase transitions to 'business as usual'.
 - Redefining ongoing priorities and specific improvement projects.
 - Consolidating and streamlining the programme and its constituent projects.
 - Revising the reporting arrangements to ensure the needs of stakeholders and to improve the reporting of project milestones, progress and deadlines.
8. The sections below provide an update on progress in key areas of the SIP since the last update report in June 2022. A detailed list of the projects in the programme is attached at Appendix 1 for completeness.

Delivering world class audit – What we do

9. **The New Audit Appointments (NAA)** – in May 2022, the Auditor General for Scotland and the Accounts Commission concluded the audit appointments process and appointment letters have been issued. The new audit appointments take effect from October 2022. This project is now complete, and work is under way to ensure a smooth transition to the new appointments.
10. We continue to develop our **audit methodology** and highlight areas for noting below:
- **Best value in councils** – the schedule for the first year of BV audits under the new approach was agreed by the Accounts Commission at its meeting on 11 August 2022 and the Commission also noted the indicative programme for the following three years.

- **Digital audit strategy** – the development of the new IT audit approach under the revised ISA 315 is progressing with the completion of pilots. Collaboration with Northern Ireland and Wales audit agencies is under way with a quality assurance review of the new digital audit approach. The Digital Audit Team provided an update to the Board at its strategic planning day on 18 August 2022 and the Scottish Commission for Public Audit (SCPA) on 31 August 2022. This included the roll out of the ASC digital audit tool and training.
- **Auditing climate change** – the approach to auditing climate change has been incorporated into the audit planning guidance and BV thematic guidance for 2022/23 and we are establishing internal and external climate change steering groups to ensure the work in this area is progressed. The auditing climate change team presented updates to the Board, Accounts Commission and SCPA during August. An auditing climate strategy is in development with a target date of October 2022.

11. Impact and Insights – the outline scope and proposals for this new project was agreed at the Executive Team meeting on 7 June. The project includes three strands: horizon scanning, stakeholder engagement and impact monitoring, evaluation and reporting. It aims to help us use existing processes and information in a more systematic way and develop new ways to:

- Support us to respond with agility to what's coming in the future.
- Improve the information we have to inform decision making.
- Support continuous improvement and innovation in our audit approach.
- Help us promote the value of public audit.

During June 2022 we shared the proposed new impact monitoring, evaluation and reporting framework with the Auditor General for Scotland and the Accounts Commission as part of the dynamic work programme update.

Being a world class organisation – How we work

- 12. People Strategy** – the Workforce Plan 2022/23 is in place and the updated People Strategy will be considered by the Remuneration and Human Resources Committee (Remco) at its meeting on 9 November 2022.
- 13. Building capacity** – phase 3 is complete, and all the Executive Team are now in post. Phase 4 is under way, this comprises of the detailed design, transition and recruitment to the Innovation and Quality Team, the appointment of the Director of Corporate Support and recruitment to the roles of Head of HR and Head of Governance.
- 14. Learning and development** – our new [learning management system](#) (LMS) went live on 15 September 2022. The system features over 200 learning events in the first phase and will be regularly updated with new learning content to support colleagues in creating bespoke learning plans to develop knowledge, skills and long-term career aspirations. The system features include: a secure cloud-hosted system that integrates with iTrent, our HR & Payroll system, access to learning anywhere and anytime and learning records for both the individual learner and managers on both the LMS and iTrent.
- 15. One Organisation working** – the action plan was approved by the Executive Team at its meeting on 14 June 2022 and project has now moved into the implementation phase.

16. **Developing Hybrid Working (DHW) and our workplaces** – three workstream groups are now well under way covering, people and policies, workplaces and technology and communications. We are making good progress towards the project end date of December 2022. We are benchmarking with the other audit agencies in the UK and Ireland on many aspects of this project.
17. **Estate strategy** – this project is integrated with the DHW project. The SIP programme board considered a project scope and a report from external consultants at its meeting on 26 July 2022. The report provided an initial assessment of workspace requirements, market availability and costing and also provided options for further consideration. We have engaged professional design consultants to draw up more detailed plan and options.
18. **Medium term financial planning** – the Board has discussed the Medium Term Financial Plan (MTFP) at various points over the year, most recently at the strategic session on 18 August 2022 and it was also the focus of some discussion with the SCPA at its Business Planning Day on 31 August 2022. It is also on the agenda for today's meeting of the Board.
19. **Digital Services Strategy** – The Digital Services team continue to focus on mitigating the cyber security threats and will be introducing mandatory Cyber security training and a cyber incident response plan later in the year. The mobile phone replacement project is now fully complete, and we successfully achieved ISO recertification in August. Cyber security has been the subject of discussion with the Audit Committee, the Board and the SCPA over recent weeks.

Our purpose

20. The project team has been engaging with the Leadership Group on a range of areas including the external and internal operating environments (using PESTLE and SWOT analyses respectively) and with the Auditor General for Scotland and the Accounts Commission. This engagement will inform the suite of strategic documents and plans covered by this workstream. Proposals for further internal and external engagement are in development.
21. An updated planning framework and project plan covering **Public Audit in Scotland** and the **Corporate Plan** was considered by the SIP Board at its meeting on 20 September.
22. Considerable engagement has taken place on the **Partnership Working Framework** (PWF) in recent weeks, and this will inform both the scope and the delivery of the project.
23. In June 2022 the Secretary to the Accounts Commission shared the Accounts Commission change programme. The programme is made up of seven workstreams and work is progressing in all of these:
 - Resource control and transparency.
 - Relationships with audit partners – the PWF project noted above.
 - Relationship with other stakeholders – including engagement with Parliament, the Scottish Government, Councils and other stakeholders.
 - Commission support – where the Executive Team considered a proposal at its meeting on 23 August 2022.
 - Audit quality.

- Communications – where the Commission agreed its communications and engagement strategy at its meeting on 11 August 2022.
- Work programme – where the Commission considered the latest work programme update at its meeting on 8 September 2022 and discussed the sustainability of the work programme at its strategy seminar on 21 September 2022.




Programme governance and reporting

- 24.** The SIP programme board is responsible for the oversight and delivery of the Strategic Improvement Programme and is comprised of members of Executive Team.
- 25.** The programme board met most recently on 20 September 2022. At that meeting it considered updates on the programme over-all, learning and development (including the new LMS), strategic planning, digital audit, impact and insight and the Audit Scotland annual conference 2022. The next meeting of the SIP Board is on 15 November 2022.
- 26.** SIP related business also takes place at Executive Team to ensure that timely progress is being made and project reports and updates feature regularly on the Executive Team agenda.

Recommendations

- 27.** The Board is invited to note the progress update on the Strategic Improvement Programme and next steps.

SIP Project summary

 What we do	 How we work	 Our purpose
<ul style="list-style-type: none"> • Dynamic work programme (mainstreamed) • Code of Audit Practice (complete) • New audit appointments (complete) • Audit quality action plan (mainstreamed) • Audit approach (including financial audit approach, BV in LG, BV in IJBs, less complex bodies, following the pandemic pound and auditing climate change) • Digital Audit • Electronic working papers • Diversity & equality • Parliamentary engagement • Impact and Insights (new) 	<ul style="list-style-type: none"> • People strategy (inc workforce plan and learning and development offer) • Building capacity (phase 3 complete) • One organisational deployment • Medium term financial strategy (including fees and funding) • Developing Hybrid Working • Our workplaces - Covid-secure (complete) and longer- term office strategy) • Digital services strategy (mainstreamed) • Business Management System - phase 1 (complete), phase 2 under way • Green future • Shaping our future - Audit Scotland 2021 (complete), Audit Scotland 2022 	<ul style="list-style-type: none"> • Public audit in Scotland • Partnership Framework • Corporate Plan • Business Plans (2022 complete) • Accounts Commission Change Programme (new) • ISQM

Q1 Corporate performance report

Corporate Governance Manager

Item 12
Meeting date: 28 September 2022

Purpose

1. This report provides the Board with a review of organisational performance in quarter one (Q1) 2022/23.

Background

2. The performance information is reported under the two strategic objectives of 'delivering world class public audit' and 'being a world class organisation' in line with the corporate plan.
 - Appendix 1 provides a summary of performance for each strategic objective.
 - Appendix 2 provides the detailed performance information.

Q1 performance summary

3. The following objectives are 'amber'. This is defined as 'progressing and additional management action planned'.
 - We conduct relevant and timely audits and report in public (where the main impact is on delivery dates and audit budgets).
 - We manage our resources effectively (where the main impact is on organisational costs and income).
 - We maximise our efficiency (where the main impact is on colleague productivity).
 - Audit work is of high quality, and we are systematically improving the quality of our work (reflecting the quality review outcomes).

Delivering world class public audit

4. There were 109 publications in Q1 comprising: 69 Annual Audit Plans, 28 Annual reports and accounts, one statutory report, two Performance reports, one Overview report and eight other reports.
5. Media mentions and social media engagements are up on the same quarter last year, while downloads are lower than the same quarter last year.
6. There was evidence of significant impact of work within the media during Q1 from the following reports: New Vessels for the Clyde and Hebrides, Financial response to Covid-19, the Local Government overview and the report on Social Security: Progress on implementing the devolved benefits.

Being a world class organisation

7. The outturn on core funding was 2,166k which was £284k (11.6%) better than budget. This is in part due to new posts in Executive Team structure not yet being filled and the phasing of audits.
8. We had 324.1 (94.1%) whole time equivalent colleagues in place at the end of the quarter against a budget establishment of 341.4.
9. The absence rate remains low 1.11 days although this is slightly higher than the corresponding period last year (1.03 days).
10. During Q2 the results of the staff survey on stress were reported and the Chief Operating Officer updated the organisation on the next steps. The Performance and Risk Management Group (PRMG) will monitor this for any impact on the KPIs for the Q2 report.

Recommendations

11. The Board is invited to:
 - review the performance in quarter one
 - consider whether any additional management action is required.

2022/23: Q1 performance summary

Delivering world class public audit	Measure in Q1	Previous quarter	Same quarter last year	Direction (compared to same quarter last year)
We conduct relevant and timely audits and report in public				
Reports 2021/22 (Q1)	109	191	100	↑
On time (YTD)	100%	70%	82.5%	↑
Audit Budget (YTD)	-12.25%	+11.08	-1.92	↑
We get our messages out effectively				
Media mentions (Q1)	428	538	196	↑
Downloads (Q1)	150,271	144,030	161,730	↓
Social media engagements (Q1)	13,061	4,770	6,590	↑

Key performance messages in Q1:

- We delivered 109 audits/reports.
- Audits were delivered 12 per cent less than budget. This reflects where we are in the year with further expenditure due in later quarters in the year. The budgets and costs vary during the Year. PRMG will continue to monitor and report on this variance.
- Communications statistics show we are getting our messages out effectively. These include 150,271 downloads; 13,061 social media engagements and 428 media mentions of Audit Scotland and/ or the Accounts Commission.
- Our work delivered significant impact as evidenced by the media coverage in Q1. Coverage related to the following reports: New Vessels for the Clyde and Hebrides, Financial response to Covid-19, Local Government overview and the Social security: Progress on implementing the devolved benefits reports.
- We attended 16 Parliamentary Committees, 19 external working groups and responded to seven consultations.

Key:	
Red	Not progressing/significant additional management action required.
Amber	Progressing and management action planned.
Green	On target/no need for additional management action

Being a world-class organisation	Measure in Q1	Previous quarter	Same quarter last year	Direction compared to same quarter last year
We manage our resources effectively				
Budget Variance (YTD)	+11.6%	+7.1%	+2.9%	↑
WTE establishment (YTD)	94.1	97.9%	99.4%	↓
Staff costs (YTD)	4,765k	19,153k	4,676k	↑
Agency/secondment costs (YTD)	11k	139k	75k	↓
Average cost per audit day (Q1)	485	465	470.5	↑
Proportion of audit time (Q1)	49%	53.5%	50%	↓
Absence days (YTD)	1.11	5.75	1.03 days	↑
Staff turnover (YTD)	3.01	9.4%	1.56%	↑
Exams pass rate	78%	91%	65%	↑
Training events (YTD)	71	181	42	↑
Training attendees (YTD)	586	2,313	828	↓
IT uptime	100%	100%	99.69	↑

Key performance messages in Q1:

- The outturn on core funding was £2,166k (11.6%) better than budget.
- The number of colleagues at the end of quarter one was 94.1% of the budgeted establishment.
- Absence levels year to date equates to 1.11 days, which is higher than last year (1.03 days).
- Staff turnover in the year to date (3.01%) increased compared to (1.56%) last year. We remain well below the Chartered Institute of Personnel and Development (CIPD) benchmark for all leavers.
- The exam pass rate was 78%.
- The proportion of audit time was 49%, down from 50% in the same quarter last year
- 100% IT uptime.

Key actions

The key actions for the strategic objectives are covered by the projects and workstreams in the Strategic Improvement Programme. They include projects/ workstreams on audit quality, audit methodology, capacity and resourcing, developing hybrid working and learning, development and wellbeing.

Appendix 2

Performance detail 2022/23: Quarter 1

Item 12

Meeting date: 28 September 2022

Delivering world class public audit	We conduct relevant and timely audits and report in public
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Key Performance Questions	2020-21				2021-22				2022-23			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Are relevant audits being delivered?	↔	↔	✓	✓	✓	✓	✓	✓	✓			
Are audits delivered on time?	↔	↔	✓	✓	✓	✓	↔	↔	↔			
Are audits delivered on budget?	✗	✗	✗	✗	↔	↔	↔	↔	↔			

Key messages

In Quarter one 109 audits/reports were delivered comprising: 69 annual audit plans, 28 annual reports and accounts, one statutory report, two performance reports, one overview report and eight other reports/products.

To support the quarterly work programme update to the Auditor General for Scotland (AGS) and Accounts Commission we analysed data on Performance Audit and Best Value product delivery across 2020/21 and 2021/22 and forecasted how this is looking for 2022/23. From 2020/21 to 2021/22 product delivery increased by over 150% from 29 products to 73 products. During 2022/23 we expect delivery to return to 2020/21 levels with 28 products planned.

Audit/report schedule 2022/23

	Q1	Q2	Q3	Q4
Annual Audit Plans Audit Scotland (120)	2 on time 39 late (due Q4 21/22)			
Annual Audit Plans Firms (102)	19 on time 9 late (due Q4 21/22) 5 outstanding (due Q4 21/22)			
Accounts certified Audit Scotland (124)	5 on time	NHS 10 CG 15	CG 32 LG 62 FE 2	
Accounts certified Firms (102)	10 on time	NHS 13 CG 8	CG 23 LG 39 FE 19	
Annual Audit Reports Audit Scotland (125)	5 on time	NHS 10 CG 14	CG 30 LG 62 FE 2	
Annual Audit Reports Firms (102)	8 on time	NHS 13 CG 8	CG 23 LG 39 FE 19	
Performance Audit (3)	Social security: Implementing the devolved benefits ✓			

	Q1	Q2	Q3	Q4
	Scotland's financial response to Covid-19 ✓			
Best Value Assurance Report (3)		Angus Council Shetland Council Comhairle nan Eilean Siar		
Overview Report (3)	Local government in Scotland Overview 2022 ✓			NHS in Scotland 2022: Scottish Government's NHS Recovery Plan
Statutory (6-12 tbc)	South Lanarkshire College ✓		Section 22 reports TBC in Q2 report	
Other (20-30) Key: BR = Briefing BL = Blog CS = Case studies RT = Round table OT = Other	The learner journey from school to work OT ✓ NFI pilot report - National entitlement cards OT ✓ NFI pilot report - non-domestic rates OT ✓ Working together to increase collaboration and accelerate improvement BL ✓ Children and young people who need additional support for learning BL ✓ Local bodies continue to face a challenging and	Scotland's Colleges 2022 BR Annual fraud and irregularity report 2021/22 OT National Fraud Initiative in Scotland OT Climate change: local government approach and ambitions BR Data gaps RT Tackling child poverty BR	Financial sustainability and implications for the fiscal framework OT Resourcing the benefit service (thematic study) OT Data gaps roundtable output BL	Administration of Scottish Income Tax 2021/22 OT Investing in green skills OT Local government financial bulletin 2021/22 OT

	Q1	Q2	Q3	Q4
	uncertain future (LGO promotion) BL ✓ Inequalities in Scotland: A growing crisis of harms (LGO promotion) BL ✓ Integration Joint Boards: Financial analysis 2020/21 BR ✓			
Published	109			

ASG: 62 of the 2021/22 AAPs delivered after the expected date. Firms: 12 of the 2021/22 AAPs delivered after the expected date.

On budget

The Performance and Risk Management Group (PRMG) has developed a new approach to reporting on audit budgets and costs. The approach breaks down budgets and costs by the type of product we deliver, rather than the business group the costs are associated with. This approach is in line with the one organisation working principles. In many cases ASG and PABV colleagues work together to deliver our range of audit products and audit budgets are set out by product, rather than business group. This approach reflects a more collective and collaborative approach to reporting performance data on budgets and costs.

In Q1 the audit budget and expenditure by product type is as follows:

Product	Total budget £	Total costs £	Variance £	% Variance
Annual audits	3,001,134	2,826,160	-174,974	-5.83
Best Value	134,567	167,848	33,280	24.73
Statutory reporting	11,396	13,074	1,678	14.72
Performance audits	928,285	739,748	-188,537	-20.31
Total	4,075,382	3,746,830	-328,553	-8.06

The Performance and Risk Management Group (PRMG) reviewed individual audit costs at its meeting on the 11 August 2022 and noted there are no significant issues to report for this quarter. Overall, audit expenditure was 8% lower than budget. The reason for this is lower than expected spend on research and development to support the dynamic work programme, as well as the phasing of spend on some performance audit work.

Forward look

- 61 financial audits are currently expected to be completed after the expected dates but within statutory deadlines.
- We continue to ensure we allocate colleagues to research and development to inform the future dynamic work programme. We are considering feedback from the AGS and Accounts Commission on an ongoing basis and this is:
 - informing longer-term work programme proposals
 - supporting decisions on spacing and sequencing of audit products
 - informing resource deployment

The final three Best Value Assurance Reports of this audit appointment round will publish during Q2. We are working to agree how we will manage and resource the new BV approach in line with the new audit appointments starting in October this year.

We are also closely managing product timing into Q1 2023/24 as there are a number of performance reports due to publish during that period and we want to ensure we give each enough space to maximise impact as well as not put too much pressure on colleagues internally or on the AGS and Accounts Commission members.

Risks

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

Delivering world class public audit	Audit work is of high quality, and we are systematically improving the quality of our work
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Key Performance Questions	2020-21				2021-22				2022-23				
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
Are we assured about the quality of our work?	↔	↔	↔	✘	↔	↔	↔	↔	↔				
Are we improving the quality of our work?	↔	↔	↔	✘	↔	↔	↔	↔	↔				

Key messages

In Q1 we published the Quality of public audit in Scotland annual report 2021/22, the key messages from which were included in the Q4 2021/22 performance report.

- The 2020/21 internal cold review programme was completed, with findings reported to audit teams and the Audit Quality Committee.
- A root cause analysis exercise was completed to better understand the causes of quality deficiencies and good practice arising from the 2020/21 cold reviews (both internal and external reviews). The RCA findings were presented to ASGMT for consideration.
- Three super-team meetings have been attended in this quarter by the Quality Assurance team to discuss recent cold review findings.

Technical Guidance issued in the quarter included:

- the Inspection of and Statutory Objections to 2021/22 Local Government Annual Accounts and Auditor Certification of 2021/22 Non-Domestic Rate Income Returns
- The Professional Support ‘help-desk’ received 170 technical enquiries from audit providers and responded to all within our target response times.
- 30 Technical Briefing Notes to provide auditors with a synopsis of new technical documents
- We delivered technical updates to four ASG superteams.

- Three frequently asked questions publications highlighting emerging issues and risks
- The Audit Management Framework (AMF) was updated with new guidance
- Four annual audit report templates for NHS, central government, small audited bodies and local government.
- An updated Audit Guide to reflect aspects of the revised ISA (UK) 315 and quality review findings
- updated planning, risk assessment and financial statements audit programme
- developed a proposed approach for including Root Cause analysis (RCA) within the quality review framework for PABV. PABV Leadership Team (LT) approved this approach in May, and we will put this into action from the next round of quality reviews.
- worked with the Policy Manager to the Accounts Commission (AC) to develop a survey for AC members to gain feedback on their sponsor role on Performance Audits.
- developed draft guidance to help ensure a more consistent approach to responding to consultations
- continued to work through PABV-related actions arising from the ISQM project. We presented a paper to PABV LT in May highlighting that we are making good progress across several areas.

Forward look

- We put an indefinite hold on the publication of a Technical Guidance Note (TGN) on Whole of Government Accounts for 2020/21 due to continued delays by HM Treasury.
- Professional Support has been discussing with the Department for Work and Pensions on proposals to reduce the level of testing required for the certification of the Housing Benefit Subsidy claim. This has delayed the production of the TGN from the scheduled publication of April until Q2.

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

Key messages

We continue to get our messages out effectively. Media mentions and social media engagements were up on quarter one last year, whilst downloads were lower.

Engagement: In Q1 we attended/delivered:

- 16 Parliamentary Committees including PAC (13 times) Local Government, Housing and Planning Committee, Scottish Commission for Public Audit and Health, Social Care and Sport Committee.
- 19 external working group meetings, and
- responded to seven consultations.

Parliamentary engagement

Monthly Parliamentary Engagement summaries are available [here](#) on SharePoint.

Communications: Media mentions (428) were up on the same period last year (196), Social media engagements (13,061) were up on the same period last year (6,590) and downloads (150,271) were down from (161,730).

	Q1	Q2	Q3	Q4	YTD	21/22
Media	428					1,059
Downloads	150,271					505,670
Engagements*	13,061					19,296

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

Media in Q1:

The top three published reports by media coverage were: PA: Financial Response to Covid-19, Local Government Overview '22, PA Social Security

Though published in late March 2022, the impact of the 'New Vessels for the Clyde and Hebrides' report continued to generate large volumes of media coverage throughout Q1. Public Audit Committee sessions fed ongoing media interest in the story, as first the Auditor General for Scotland (AGS) and then witnesses from other public bodies gave evidence on the issues raised in the report.

The Scottish Government's R100 broadband roll out plans – covered in a March update from Audit Scotland – also continued to feature prominently in April and May's media coverage following PAC appearances.

The Accounts Commission blog on children's additional support needs not being met generated coverage and debate and the three performance audits – covering the financial response to Covid-19, the challenges facing local government and the expansion of the social security system – were all covered by national and local media outlets.

In total, Q1 generated twice as much coverage as the equivalent quarter in 2021/22 and four times as much as in 2020/21. There are likely two reasons for this – the impact of the ferries report and the volume of substantial publications in this Q1 compared to the peak pandemic years of 2020 and 2021.

Downloads in Q1:

The most downloaded reports were:

- Older reports, such as the 2022 NHS Overview (723 downloads) and 2021's Educational Outcomes report (512) accounted for April's most popular downloads.
- The ferries report saw a big spike in downloads in May with 1035 downloads. It is likely this was sparked by the media coverage generated by the AGS appearance at the Public Audit Committee, and the PAC announcing it would be taking further evidence from the Scottish Government and others. May also saw over 800 downloads of the Social Security report and over 740 for the Local Government Overview.
- In June, the Financial Response to Covid report had almost 800 downloads with the Local Government Overview continuing to be of interest with around another 790 downloads.

Social media activity in Q1:

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

With only one report published in April, the s22 on South Lanarkshire College, the engagement rates for April were relatively low but follower growth was still steady, with 72 new followers across our platforms.

Engagements, video views and gained followers (190) increased significantly in May. Part of this is the number of reports and blogs published in May. A Controller of Audit recruitment campaign also boosted numbers. The announcements around our new Executive Team had a big impact. The post [announcing Vicky Bibby on Twitter](#), for example, was particularly well engaged with. New Executive team content on LinkedIn also performed well.

The Accounts Commission twitter account was the top performing channel for engagement in June, largely due to the high number of reports and blogs published. Geraldine Wooley's inequalities blog did particularly well on social media. It was the [Commission's top tweet for June](#) and had shares from groups [including the Poverty Alliance](#).

Facebook saw the highest video views in June, although that can in part be down to paid advertising for content supporting a recruitment campaign for new Accounts Commission members.

Overall, the Q1 videos with highest completion rates – how many people watched a video to the end - were the re-introduced 'What's coming up' videos.

By the end of the quarter Audit Scotland had nearly 10,000 followers across all its managed social media channels.

You can see the quarter's full social media stats [here](#)

Consultations in Q1:

- We responded to seven consultations including: "Proposals to Update the Code of Practice on Local Authority Accounting in the United Kingdom in respect to Infrastructure Assets" "National Fraud Initiative 2022 to 2023: proposed work programme and scale of fees", National Strategy for community Justice, Scottish Fire & rescue Service strategic plan, Education – enhanced data collection for National improvement framework, public participation at Scottish Parliament and Health, Social care and Sport Committee pre budget scrutiny.

Correspondence

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

FOI/EIR/Complaints in Q1:

- There were 15 FOI requests and no EIRs. 14 were responded to on time and one was late.
- There were 0 complaints responded to in quarter one.

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

Examples of where work has made a positive impact and/or positive feedback received in Q1 include:

Performance reports

New vessels for the Clyde and Hebrides, [published 23 March 2022](#).

- While the Scottish Government's official response to the report defended the vessel procurement arrangements, the First Minister subsequently stated that the report was entirely fair and justified. The Scottish Government, Transport Scotland and CMAL have all stated that they accept the recommendations in full.
- The report has raised several questions over the Scottish Government's record keeping and information management. In evidence to the Scottish Parliament's Finance and Public Administration Committee on 3 May, the Permanent Secretary stated that our report was robust with clear recommendations. He further stated that the Scottish Government will make improvements to its record keeping.
- The four audited bodies have already implemented or are working towards implementing the report recommendations. For example:
 - The Scottish Government, Caledonian Maritime Assets Limited (CMAL) and Ferguson Marine Port Glasgow (FMPG) have implemented some of our recommendations in relation to the completion of the vessels, by for example, increasing the availability and transparency of vessel progress information.
 - CMAL has implemented our recommendation to improve its contract management arrangements, by making a clear link between milestone payments and quality standards in its new Islay vessels contract.

- The report has been the subject of significant and ongoing parliamentary interest, including several discussions at First Minister's Questions and Topical Questions. On publication day, the Cabinet Secretary for Finance and the Economy gave a statement to the Scottish Parliament updating the costs and timescales for the two delayed ferries. This was followed by a Conservatives-led debate on the report and ferries in general. Two further debates took place on 20 April and 11 May. The debates raised issues covered in our report and prompted criticism about the Scottish Government's handling of the project, the contract award, lack of transparent decision making, the delays to the vessels, and the running of ferry services more generally.
- The Public Audit Committee is conducting an inquiry into the report's finding, and this will continue after the summer recess.
- The report has led to several calls for a public inquiry into the project. It has also been a catalyst for discussion and debate on the involvement of the First Minister (including accusations that she has misled Parliament), the competence of the SNP, protocols around ministerial decision making, and Scottish Government intervention in private companies. There have also been several links made between our report findings and the Scottish Government's decision to nationalise ScotRail.

Planning for skills, [published January 2022](#).

- The Minister for Higher Education, Further Education, Youth Employment & Training sent the PAC an executive summary of a key Scottish Government framework document. This was a direct result of the SG's accountable officer having given evidence to the PAC on our report. The executive summary says that 'The finalised Framework is informed also by the recommendations of Audit Scotland's Planning for Skills report, published in January 2022.'
- The NAO's team for its performance audit on skills approached the PABV skills team, requesting information on our approach and seeking advice.

Social security: Progress on implementing the devolved benefits, [published 19 May 2022](#)

- In May the Scottish Parliament held a debate on Scottish Social Security Benefits. The findings and recommendations of our report were referenced throughout the debate, with core topics in the debate drawing clearly on our audit findings. In his introductory remarks the Minister for Social Security and Local Government welcomed the report and committed to implementing the recommendations. During the debate he committed to publishing an updated programme business case by the end of 2022, responding directly to one of our recommendations.

NHS

During Q1, a number of NHS audits were completed ahead of the dates set in the planning guidance, and annual audit reports were issued. The majority of remaining audits are due for completion in Q2 and Q3. Audit work made a positive impact in the following examples:

- Our testing identified a £20 million transaction which had been incorrectly coded to miscellaneous expenditure, rather than income. This is a classification error and means that both income and expenditure were understated by £20 million. There is no impact on the net expenditure reported in the year. Given the nature of this transaction and the results of our detailed testing of other income transactions, we were able to conclude that this was an isolated instance. The accounts have been amended to correctly classify this transaction as income received in the year. Both income and expenditure have increased by £20 million and there is no impact on the net expenditure reported in the year.
- Following an Annual Audit Report recommendation in 2020/21, a formal impairment review will now be carried out annually by the Capital Planning Group and provided to the fixed asset team to support the preparation of the annual accounts. This was carried out for 2021/22.
- Following an Annual Audit Report recommendation in 2020/21, an annual update detailing the arrangements and processes in place that support each of the Best Value characteristics will now be prepared. This was carried out in 2021/22.
- Our testing of the year-end balances at 31 March 2022 identified that £12.844 million of income accruals had been netted off against the year-end FHS expenditure accrual. Netting off these balances against each other is not permitted by the NHS 2021/22 Accounts Manual. As a result, both the 'current trade and other receivables' balance and the 'current trade and other payables' balance were understated by £12.844 million in the unaudited 2021/22 annual report and accounts. Management has made the necessary accounting adjustments in the audited 2021/22 annual report and accounts. This adjustment increased both the 'current trade and other receivables' balance and the 'current trade and other payables' balance in the Consolidated Statement of Financial Position by £12.844 million, and therefore had a nil impact on the 'Assets less liabilities' figure reported at 31 March 2022.
- Following a prior year recommendation in 2019/20, the board developed Board Member training needs analyses and personal development plans, linked to the Board's corporate objectives. This had initially been delayed due to Covid but has now been completed. (NHS Orkney) Following a review in 2020/21, we identified that Registers of interest maintained by the body did not include the interests of close family members as required by IAS 24. After recommendation, we are satisfied in 2021/22 that appropriate changes to procedures have been made to ensure members are directed to include interests of close family members.
- Following a prior year recommendation in 2020/21, The Terms of Reference for the Audit and Risk Committee now make it clear what the role of the Audit and Risk Committee is in relation to risk.
- Following a prior year recommendation in 2020/21, a process for recording the authorisation of journals remotely was introduced. Audit testing confirmed that journals raised from September 2021 (allowing time for the control to be fully implemented) had appropriate authorisation in place.
- Following a prior year recommendation in 2020/21, officers confirmed that a review of leases had been undertaken and mechanisms are in place to ensure any break clauses are known and are actively considered. We have reviewed the procedures introduced and are satisfied with these. Previously, we identified that the break option on a property leased by the board which was no longer needed was missed and the board is now contractually liable for the full lease payments or a negotiated settlement.

- Our audit work highlighted that the inflation rate used to estimate future PFI commitments disclosed in the body's unaudited accounts was not applied in line with the body's accounting policy. This has been corrected in the audited accounts, lowering the estimated future commitment value by £71m from £1,221m to £1,150m. These figures are solely for disclosure purposes and the amendment had no impact on the body's reported expenditure or liabilities in 2021/22.
- Following an Annual Audit Report recommendation in 2020/21, the 2021/22 unaudited performance report provided by the Board was of a higher standard than in 2020/21.
- Our audit procedures identified that the Integration Joint Board figures were not included in the unaudited annual report and accounts presented to audit. Management have corrected this in the audited 2021/22 Annual Report and Accounts.
- Following a prior year recommendation in 2020/21, the body has revised the financial monitoring reports presented to the Board and Healthcare Governance and Audit Committee to include their share of the Integration Joint Board. All reports presented to the HGAC in 2021/22 contained a paragraph documenting the underlying deficit in the IJB, the high risk of overspend, and the requirement for the body to bear 50% of any payment required to meet this overspend. An estimated value for the risk is included and revised over the course of the year.

Delivering world class public audit

We develop new and improved processes, products and services

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

Key messages:

Improved processes, products and services included:

- The 'Asc' data analytics audit tool was successfully rolled out and used on some Health Board audits for 2021/22. This enabled detailed ledger analysis and journal risk assessment on NHS ledgers to increase audit efficiency and enhance coverage.
- We are considering how both the AGS and Commission can use the space in the work programme during Q3 and Q4 to engage with stakeholders and get messages out on key areas, potentially drawing on their back catalogue of audit work. We are supporting the Accounts Commission to deliver an Local Government Organisation (LGO) Symposium in Q3, targeted at key strategic stakeholders from the local government sector, around the theme 'opportunities and challenges for Scottish local government'. This is part of the Accounts Commission's promotional plan agreed as part of the Local Government Overview 2022 report, published in May. We are working with the AGS to engage with the Scottish Parliament's Public Audit Committee on the longer-term work programme and plan to undertake formal consultation with Parliament on the programme in early 2023.
- We have agreed proposals for an insights programme, which includes three strands: horizon scanning, stakeholder engagement and impact monitoring, evaluation and reporting. The programme has the potential to help us be more agile, improve decision making, support continuous improvement and innovation, and make the case for the value of public audit. It responds to feedback from the AGS and Accounts Commission on the importance of understanding the impact of the work programme and improving stakeholder engagement on the work programme. The Executive Team has agreed the insights proposals should be part of the Strategic Improvement Programme. We are initially focusing on the impact strand of the programme and have agreed with the AGS and Accounts Commission a revised approach to impact

monitoring, evaluation and reporting. Importantly this is a holistic, Audit-Scotland wide approach and we are now working with teams across the organisation to implement the new framework. We expect to introduce improved reporting about impact aligned to the new framework in March 2023.

- During Q1 the project team working on the one organisation working SIP project presented its recommendations and draft action plan to Management Team, who approved it in full, noting its potential to tackle an issue we have struggled to address for a number of years. The action plan centres around a set of aims and principles and includes a wide range of organisational changes to areas such as:
 - how we plan and resource our work, both strategically and operationally
 - the systems and processes we have for developing staff and ensuring we are better, fairer and more consistent in how we deploy skills and knowledge across our work.
 - improving the quality and consistency of how we share intelligence and monitor and report on what we do.

Being a world-class organisation

We manage our resources effectively and maximise efficiency

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

Key messages

In the three months to 30 June 2022 Audit Scotland's Net Operating Expenditure was £2,166k which was £284k (11.6%) better than budget. At the end of June 2022, we were at 94.1% of establishment. The underspend was due to the phasing of income and spend and it is expected this will balance out in future quarters.

Resource management

In the three months to 30 June 2022 Audit Scotland's Net Operating Expenditure

	Q1	Q2	Q3	Q4	21/22
Actual	(2,166)				(15,296)
Budget	(2,450)				(16,464)
Variance K	284				1,168

Staff

The average number of staff in the quarter was 94.1% of establishment.

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

Staff and Agency costs

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

	Annual Budget £000	Actual YTD	Budget YTD	Variance	Actual Average WTE	Budget WTE
Total Staff costs 2022-23	21,225	4,765	5,164	399	320.3	337.9
Total agency & secondments 2022-23	15	11	4	(7)		
Q1 Staff costs 2021-22	20,272	4,676	4,691	15	301.1	302.9
Q1 agency & secondments 2021-22	75	55	44	(11)		

Legal, professional and consultancy: The timing of this expenditure is variable in nature however current projections anticipate that expenditure against this budget will be fully utilised. A substantial proportion of the budget has already been utilised in Q1. This is due to legal advice on matters relating to recruitment, compliance with accessibility legislation, enhanced audits, and updates to our terms in conditions.

	Q1	Q2	Q3	Q4
Actual	73			
Budget	106			

Prior year spend	88
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Estate

	Q1	Q2	Q3	Q4
Actual	223			
Budget	236			
Prior year spend	194			

Costs of travel

The current position is an underspend of £20k and savings of £30k saving due to reduced car lease expenditure. We have incurred very little travel and subsistence expenditure as we continue to deliver most of our audit work remotely.

	Q1	Q2	Q3	Q4
Actual	73			
Budget	123			
Prior year spend	75			

Capital Expenditure:

The capital budget for 2022/23 is £250k with the capital programme focusing on potential office re-configuration and new IT hardware and software. The total capital expenditure year to date is £33k which is the final payments to Midland MHR for implementation of the new business management system.

Digital Services

There was an outage of ADFS over the Jubilee weekend however no-one was affected and the Uptime for colleagues was 100%.

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

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

- 99.06% of the requests were accepted within the response time Service Level Agreement (SLA).
- 90.43% of the requests were closed within the fix time SLA.
- An average of 3 incidents were logged per user.

Business group audit and non-audit time

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

During Q1 business group audit time was 49% which is lower than Q1 last year (50%). In Q1 we changed the way we calculate this figure to improve consistency between the business groups. Digital Services has supported this change by creating reports that automatically generate this data for any given time period so we no longer have to rely on manual calculations. This means the data is more accurate and we have been able to re-run the data for 2021/22 to ensure we are comparing like for like with the same period last year.

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

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

Business Group	Q1	Q2	Q3	Q4
ASG	489			
PABV	481			

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

Being a world-class organisation

We manage information and intelligence effectively (internal)

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

Key messages

During Q1:

The Strategic Improvement Programme update was reported to Audit Scotland's Board on the 1 June 2022.

We are making good progress on what is an extensive improvement programme. Since the previous update significant milestones have been achieved in Information and intelligence projects including:

- Business management system – where the new payroll and HR system went live in February 2022.

In July a test Phishing exercise was run to test colleagues' responses to this type of threat. In August, Digital Services gave an update on this exercise and provided details on how colleagues can identify Phishing emails.

Issues/risks

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

Being a world-class organisation

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

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

Key Messages:

- There has been a modest increase in the average number of sick days per employee between Q1 2021/22 and 2022/23.
- There has been an increase in staff turnover and resignations between Q1 2021/22 and 2022/23. This is expected in line with the end of a number of fixed term contracts, planned retirements and natural turnover following an upturn in a post-lockdown labour market.
- Most exams sat in Q1 were the first block of TPS (2nd year) classes. This is the first time since 2019 that these classes have had some face-to-face teaching, with some face to face, some online and some self-study. ICAS noted that trainees across the board engaged less in face-to-face situations than people had previously and expect that trainees will take some time to get more used to being back face-to-face. These trainees have not had any face-to-face classes pre-Covid.

Wellbeing:

- Cost of living is still a focus for many colleagues and finding ways to support colleague's financial wellbeing is something that we should perhaps consider as an organisation.
- Results of the stress risk survey are being considered in August 2022 (this risk assessment was introduced following Best Companies data insights and pulse survey responses). It is intended that another stress survey will be held during September 2022.

Career Paths:

Vacancies filled	22/23 YTD	21/22
Internal	8	25
External	20	45
Total	28	70

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

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

Staff turnover:

We remain well below the Chartered Institute of Personnel and Development (CIPD) benchmark for all leavers although our figures are higher than last year.

	Q1	Q2	Q3	Q4	YTD	21/22	
Organisational Development	30	207				65	609
Technical Training	18	150				68	1031
Total	71	586				181	2313

Other training included:

- Large volume of Excel skills delivered in April/May
- Introduction sessions to PABV, PAC, Audit Quality and to the AMF
- Sessions on audit methodologies, scoping a performance audit and recording evidence and judgements and interview skills

Forward look

- Implementation of new Learning Management System with new learning, development and performance management to be shared from iTrent
- Mental Health Learning roll out
- Developing Hybrid working project (People and Policies)
- New occupational health provider being sourced as the current contract with Wellness comes to an end
- Annual Diversity and Equality report being drafted and will be shared with Exec Team in mid-September 2022

Issues/ risks

- Tough recruitment market and we anticipate more recruitment activity in Q2 – Q4 including a further Graduate campaign to top up the volume of candidates secured for 2022 previously. This is not unique and recognised widely across the UK, other audit agencies and other firms.

Q1 Financial performance report

Corporate Finance Manager

Item 13
Meeting date: 28 September 2022

Purpose

1. This report presents the financial results for the three months to 30 June 2022.

Background

2. The detailed finance performance report is provided in Appendix 1 to this paper.
3. The report was discussed by Executive Team on 2 August and Audit Committee on 7 September.

Discussion

4. At the end of the June 2022 Audit Scotland's Net Operating Expenditure was £2,166k which was £284k (11.6%) better than budget.
5. In-house income was in total £156k (7.6%) worse than budget. Fee income for 2021/22 audits has a negative volume variance of £220k and a positive price variance of £24k. The prior year income of £40k is the balance recognised following the completion of the 2021 EAFA audit.
6. Fee income earned for audits carried out by external firms net of fees and expenses paid to the firms was £20k worse than budget. Income recognition was £47k better than budget with fees and expenses payable to the external firms being £60k worse than budget. The reason for the adverse variance is due to the budget phasing of non-chargeable audit expenditure and this will correct itself in the next quarter.
7. Staff costs including agency expenditure was £392k (7.6%) better than budget.
8. Other expenditure £71k (7.6%) better than budget. The main positive variances were recorded in travel & subsistence (£50k), legal, professional and consultancy (£33k), training (£24k) and printing and office costs (£13k). The main adverse variance is in information technology (£43k).
9. The detailed variance analysis and explanation is provided in Appendix 1 attached to this report. Appendix 1 also includes a section on the allocation of management contingency and the key financial risks.

Virement

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

Recommendation

11. The Board is invited to note the financial results for the three months to 30 June 2022.

Headline Results

The summary financial position to 30 June 2022:

£000	Annual Budget	Actual	Budget	Var.	% Var.	Prior Year	Note
Fee Income - In House	8,243	1,896	2,052	(156)	-7.6%	1,895	1
Fee Income - Audit Firms	5,202	1,308	1,261	47	3.7%	1,341	2
Central Charges	5,769	1,426	1,427	(1)	0.1%	1,411	
Rebate	0	0	0	0	-	0	
Interest	0	0	0	0	-	0	
Other Income	0	(2)	0	(2)	-	0	
IAS 19 Income	0	0	0	0	-	0	
TOTAL INCOME	19,214	4,628	4,740	(112)	-2.4%	4,647	
Approved auditors	4,520	1,157	1,090	(67)	-6.1%	1,171	2
Staff salaries and oncosts	21,080	4,765	5,164	399	7.7%	4,676	3
Payroll provisions incl. severance	45	0	0	0	-	0	
Agency and secondment costs	15	11	4	(7)	-175.0%	55	3
IAS 19 Pension costs	100	0	0	0	-	0	
Property costs	1,046	223	236	13	5.5%	194	
Travel and subsistence	525	73	123	50	40.7%	75	4
Legal, professional and consultancy	928	73	106	33	31.1%	88	5
Training	523	47	71	24	33.8%	83	6
Recruitment	180	89	82	(7)	-8.5%	50	
Printing and office costs	235	39	52	13	25.0%	56	7
Information technology	526	174	131	(43)	-32.8%	158	8
Audit	60	20	15	(5)	-33.3%	16	9
Depreciation	340	109	102	(7)	-6.9%	74	
Other costs	478	14	14	0	0.0%	15	
EXPENDITURE	30,601	6,794	7,190	396	5.5%	6,711	
NET OPERATING (EXPENDITURE)	(11,387)	(2,166)	(2,450)	284	11.6%	(2,064)	

Funded by Scottish Consolidated Fund 11,387 2,166 2,450 (284) 2,064

Income and Expenditure Summary

1. Fee Income – In House

Variances arise in fee income as a result of volume and price differences. Volume variances occur when audit work is carried out at different times and/or durations than planned. Price variances reflect the difference in actual fees to expected fees originally budgeted and is based on additional work undertaken and agreed with the audited body.

The table below shows the performance by sector as at 30 June 2022 for in-house audits:

Sector	2021/22 Audit Year		Prior Years	Total	
	Volume	Price			
	WIP %	£	£	£	£
Local Government	-0.62	-29	+16	-	-13
Health	-0.06	-1	+6	-	+5
FE	-14.57	-8	-	-	-8
Central Government	-11.53	-122	+2	-	-120
Non-statutory	-12.58	-60	-	+40	-20
Total – June 22	-2.84	-220	+24	+40	-156

Local Government

Local Government audits for 2021/22 are 0.62% behind planned budget leading to a negative volume variance of £29k. There is a positive price variance of £16k with the most significant increases being applied to Aberdeenshire Council, Angus Council, Dundee City Council, Fife Council, Moray Council, Renfrewshire Council, Scottish Borders Council and South Lanarkshire Council. The main reason for the increase in fees at this stage of the audit process is due to the additional audit work required on charitable trust accounts.

Health

The 2021/22 health audits are 0.06% behind plan leading to a minor negative volume variance. This has been covered by the positive price variance with fee increases being applied to NHS National Services Scotland and NHS Tayside.

Further Education (FE)

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

Central Government

Central Government chargeable audits are 11.53% behind plan leading to a negative volume variance of £122k. There is a minor positive price variance due to an increase in fee being identified for the new public body, Office of The Scottish Biometrics

Commissioner. There are no indications that audits in this sector will not be complete by the target deadline.

Non-statutory

The European Agricultural Fund Account (EAFA) audit for 2020/21 is now complete and is recognised in the prior year adjustment of £40k. The fee level for 2021/22 remains at the prior audit year level of £550k. Currently we are 12.58% behind plan leading to a negative volume variance of £60k. It is projected that the audit will be complete by the target deadline of February 2023.

2. Fee income and expenditure – Audit Firms

The positive income variance of £47k is reduced by the negative expenditure variance of £67k for approved auditors. The adverse variance in expenditure is due to the budget phasing of non-chargeable audits which will correct itself as part of the quarter 2 result.

Audit firms can negotiate fee increases within set parameters above expected fees with audited bodies. Primarily increases in fees will relate to increased complexity and additional work undertaken for which the audited body has agreed to pay an additional fee.

The table, below, shows the performance for approved auditors by sector to 30 June 2022:

Sector	2021/22 Audit Year		Price	Prior Years	Total
	Volume				
	WIP %	£	£	£	£
Local Government	-1.68	-50	+7	-	-43
Health	-1.67	-18	+35	-	+17
Water	+12.62	+19	-	-	+19
FE	+7.47	+35	+11	-	+46
Central Government	-0.28	-2	+10	-	+8
Total – June 22	-0.45	-16	+63	-	+47

Local Government

Audits in the local government sector for 2021/22 are 1.68% worse than budget leading to a negative volume variance of £50k. Currently the audit firms have agreed fees above expected fees leading to a positive price variance of £7k. The most significant increases in the sector have been applied to Highland Council, City of Edinburgh Council, Lothian Pension Fund and West Lothian Council.

Health

Health audits for 2021/22 are slightly behind schedule leading to a negative volume variance of £18k. This has been compensated by fee increases that recognizes £35k additional income. The main increases have been applied to Public Health Scotland and NHS Lothian.

Water

The 2021/22 audit is complete and ahead of schedule leading to the positive volume variance of £19k.

Further Education (FE)

2021/22 audits are 7.47% ahead of plan leading to a positive volume variance of £35k. There is also a positive price variance of £11k. This is mainly due to agreed fee increases being applied to Lews Castle College, North Highland College, Perth College and South Lanarkshire College.

Central Government

Central government chargeable audits for 2021/22 are slightly behind plan. The positive price variance mainly is due to agreed fee increases for Crown Estate Scotland and SEPA.

3. Staff & Agency Costs

Business Group	Annual Budget £000	Actual £000	Budget £000	Variance £000	Actual Average w.t.e.	Average Budget w.t.e.	Note
ASG staff costs	10,778	2,570	2,683	113	179.6	182.8	a)
ASG agency & secondments	15	0	4	4			
PABV staff costs	5,381	1,192	1,345	153	77.8	85.5	b)
PABV agency & secondments	0	0	0	0			
CSG staff costs	2,547	580	637	57	38.0	41.2	c)
CSG agency & secondments	0	11	0	(11)			
Business Support staff costs	932	213	233	20	20.9	23.6	d)
Business Support agency & secondments	0	0	0	0			
Governance & Other staff costs	1,587	210	266	56	4.0	4.8	e)
Governance & Other agency & secondments	0	0	0	0			
Total staff costs	21,225	4,765	5,164	399	320.3	337.9	
Total agency & secondments	15	11	4	(7)			

- a) There is an underspend (£113k) year to date with the actual average whole time equivalent (w.t.e.) being 3.2 less than budget, which equates to £46k. The price variance of £67k is mainly due to the national insurance and employer pension budgets including the impact of the cost of living pay award, which is yet to be agreed. This will reduce on implementation and backdating of the annual pay award.

There have been no agency costs year to date.

- b) PABV underspend of £153k is due to the current level of vacant positions which are currently going through the recruitment process. The w.t.e. saving of 7.7 equates to £118k for the first quarter. As mentioned in a) above the price variance element of £35k is mainly due to the delayed implementation of the 2022 pay award.
- c) The average staff resource in CSG has been 3.2 w.t.e. less than budget leading to year to date underspend of £49k. The price variance of £8k also relates to the delayed 2022 pay award.

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

- d) Business support underspend generated through vacant posts that we are in the process of recruiting to. The w.t.e. saving of £28k has been reduced by a £8k adverse variance in price, which relates to the payment of outstanding leave due to colleagues leaving the organisation.
- e) The expenditure in Governance & Other is less than budget mainly due to savings generated by the Chief Operating Officer (COO) and Executive Director Audit Services Group (EDASG) vacancies. The EDASG post has been filled and the COO position takes up post on 22 August 2022. There is a new post of Executive Director Innovation & Quality which has been filled and will be funded from savings generated in the first two quarters of the financial year with the balance to be met from management contingency.

4. Travel and subsistence

We have incurred very little travel and subsistence expenditure as we continue to deliver the majority of our audit work remotely. The current position is an underspend of £20k.

Savings of £30k have also been generated in this expenditure heading due to reduced car lease expenditure. The underspend is attributable to mileage credits on return of vehicles to the lessor and members of the scheme leaving/retiring from Audit Scotland with there being no further obligation in respect of the lease car.

5. Legal, professional and consultancy fees

Professional fees savings in PABV is the main reason for the current underspend and the timing of this expenditure is variable in nature. Current projections anticipate that expenditure against this budget will be fully utilised.

6. Training

The budget for training has been phased on the basis of prior year expenditure patterns and to date this has been less than expected. Training expenditure will increase for the remainder of the year to outturn within the budget allocation.

7. Printing and office costs

The underspend is mainly attributable to reduced expenditure on photocopier/printer costs. With most staff continuing to work from home and using the offices on a needs basis it is expected that this trend will continue.

8. Information technology

Overspend relates to unbudgeted expenditure in relation to the livestreaming pilot for the Accounts Commission, software development and software licences. All this expenditure is being met through budget savings generated in other expenditure headings.

9. Audit costs

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

Contingency and Financial risks

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

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

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

- Pay award uncertainty and cost of living pressures
- Impact of firms' procurement exercise on fees
- Accounts Commission additional support
- Work in progress position for 2022/23 audits as at 31 March 2023
- Resourcing pressures and additional cost of audit
- Pension fund pressures
- Inflationary pressures

Longer-term financial planning and preparation of the 2023/24 budget proposal will need to consider the implications of the following:

- SCF funding pressures
- SCPA continue to support funding increase
- Review of fees and funding model
- Accounts Commission change programme
- Auditing post Covid-19 (onsite, remote, hybrid)
- Digital and climate change audit
- Carbon emission targets
- EAFA audit
- Estate Strategy

Capital Expenditure and Funding

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

The total capital expenditure year to date is £33k which is the final payments to Midland MHR for implementation of the new business management system.

Stuart Dennis
Corporate Finance Manager
19 July 2022

Annual review of corporate governance policies

Corporate Governance Manager

Item 14
Meeting date: 28 September 2022

Purpose

1. This paper invites the Board to review the updates as appropriate to the Standing Orders, Financial Regulations, Scheme of Delegation and Codes of Conduct for members and staff and approve for a further year.

Background

2. The Standing Orders state that the Audit Committee is to keep under review the Standing Orders, Financial Regulations and Scheme of Delegation and recommend to the Board any amendments.
3. The Standing Orders, Financial Regulations, Scheme of Delegation and Codes of Conduct for members and staff were updated in September 2020 and came into force on 1 November 2020.
4. The Audit Committee's Terms of Reference (TOR) states that it will advise the Board on corporate governance requirements and are to be provided with a report on policy documentation reviews.
5. This report covers updates to the Standing Orders, Financial Regulations, Scheme of Delegation and the Codes of Conduct for members and staff. The policies are scheduled to be considered by the Board at its meeting on 28 September 2022.
6. In reviewing and applying proposed amendments to the suite of corporate governance policies, the following national guidance was considered:
 - Scottish Government publication, 'On Board' guidance (2015)
 - The UK Corporate Governance Code (2018)
 - The Financial Reporting Council's Revised Ethical Standard (2019)
 - Scottish Government publication, 'Members of devolved public bodies: model code of conduct' (2021).
7. All proposed changes are shown as tracked changes in the attached documents.
8. Subject to approval by the Board on 28 September 2022, the policies will come into effect on 1 October 2022.

Annual review of corporate governance policies

9. A review of our Standing Orders, Financial Regulations and Scheme of Delegation took place in August 2022. The review found that some amendments were required to reflect recent structural changes. References are now made to the Executive Team rather than Management Team, and the Executive Directors rather than Directors. It also refers to the new Executive Director of Innovation and Quality.

10. The documents are attached, and changes are tracked for completeness.

Annual review of codes of conduct

11. The Codes of Conduct for staff and for members are reviewed on an annual basis.

12. The Code of Conduct for staff has been reviewed and minor amendments were applied to reflect the new structure within Audit Scotland.

13. The Code of Conduct for members has been reviewed and the following amendments have been proposed to remain consistent with the national guidance (referenced above):

- changing language, terminology or phrasing to ensure consistency with recent guidance across the code
- strengthening and widening out guidance on general conduct, gifts and hospitality, confidential information, remuneration, registration of interests, lobbying and access; and definitions
- clarifying objective tests for determining activities which may compromise Board members and/or Audit Scotland.

14. Both documents are attached, and changes are tracked for completeness.

Recommendations

15. The Board is invited to:

- consider and approve the current Standing Orders, Financial Regulations and Scheme of Delegation, and
- consider and approve the revised Codes of Conduct.

Standing Orders

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

Contents

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

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

Standing orders

Introduction

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

Constitution

2. Audit Scotland is a body corporate established under section 10 of the Public Finance and Accountability (Scotland) Act 2000 ("the Act").
3. The function of Audit Scotland is to provide such assistance and support as the Auditor General and the Accounts Commission require in the exercise of their respective functions and, in particular, to provide them, or ensure that they are provided, with the property, staff and services which they require for the exercise of those functions. The Auditor General and the Accounts Commission may give directions to Audit Scotland in connection with the exercise of their functions. Detailed provisions about the operation of Audit Scotland are contained in Schedule 2 to the Act as amended by the Public Services Reform (Scotland) Act 2010.
4. The Board remains responsible for the exercise of all functions of Audit Scotland. It exercises its powers and authorities through the Scheme of Delegation, which it determines and approves on an annual basis.
5. The members of Audit Scotland are the Auditor General, the Chair of the Accounts Commission and three other members appointed by the Scottish Commission for Public Audit.
6. The three other members will be appointed under terms and conditions, including remuneration, as determined by the Scottish Commission for Public Audit. The Auditor General and the Chair of the Accounts Commission may not receive any remuneration as members of Audit Scotland.
7. Members of Audit Scotland may terminate their appointments at any time by notifying, in writing, the appropriate appointing body, and following the prescribed period in the letter of engagement.
8. In these Standing Orders the members of Audit Scotland meeting together to discharge their functions are referred to as the Board.

Chair

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

Meetings

10. Meetings will be held in public at times, dates and places agreed by the members. In addition, a meeting may be called at any time by the Chair or by not less than three members giving the Chief Operating Officer a written request for such a meeting stating the business to be transacted. The use of ~~MS Teams video or telephone conferencing~~ by members will be deemed as attendance at the meeting.
11. In exceptional circumstances, for example, where office locations are closed and all employees are required to work from home, meetings will take place by ~~MS Teams video conferencing~~. To ensure digital security during this time, these meetings may not be open to the public. Meetings will be recorded and shared online alongside the agenda and reports from the meetings. Audit Scotland is currently considering live streaming of Board meetings and investigating options for extending the public access to face to face and hybrid meetings.

Agenda and Papers

12. The Chair will approve the Board agenda, including the consideration of items to be taken in private, 10 working days prior to the scheduled meeting, following discussion with the Chief Operating Officer.
13. At least five clear working days before a meeting of the Board the Chief Operating Officer will send written notice of the approved time and place of the meeting and of the business to be transacted to each member. So far as possible, reports and other papers relating to agenda items will be circulated with the agenda.
14. At least two clear working days before a meeting of the Board the Chief Operating Officer will publish the meeting agenda and reports and papers to be taken in public on the Audit Scotland website.

Conduct of Business

15. The Chair, if present, will preside. If the Chair cannot be present the Board must appoint one of the other members appointed by the Scottish Commission for Public Audit to preside at the meeting.
16. No business other than that stated in the notice of the meeting will be transacted at that meeting other than with the consent of the Chair and a minuted explanation of why the matter had to be conducted without the standard notice.
17. The Chair of the meeting will decide all questions of order, relevancy and conduct of business during the meeting.

18. A quorum for a meeting of the Board is three members including those present by MS ~~Team~~ ~~telephone or video conference call~~. The Auditor General and the Chair of the Accounts Commission must be present for a quorum to be constituted, save that in the event that the Auditor General and/or the Chair of the Accounts Commission are unable to attend a meeting of the Board, either may confirm, by giving notice in writing, by email or where circumstances require verbally by telephone prior to the commencement of the meeting, that (i) they consent to the meeting proceeding in their absence; (ii) that the meeting may be deemed to be quorate notwithstanding their absence provided the other requirements for a quorum to be constituted as set out in paragraphs 18, 19 and 20 are met; and (iii) that any business detailed on the agenda circulated pursuant to paragraph 13 and transacted at the meeting shall be deemed to be transacted validly provided that all other requirements of these Standing Orders are complied with.
19. Where the Auditor General and/or the Chair of the Accounts Commission consents to a meeting proceeding in their absence, they shall, within five working days of the date of the meeting, be provided with a copy of the draft minutes of the meeting produced pursuant to paragraph 22.
20. No business which is not detailed on the agenda circulated pursuant to paragraph 12, and which the Board deems to be material to the operation of Audit Scotland, shall be transacted at a meeting at which either the Auditor General and/or the Chair of the Accounts Commission is not present.
21. At any meeting the Board may suspend Standing Orders for the duration of the meeting or of any item of business provided a majority of the members present so agree.

Minutes

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

Directions

23. Section 10(4) of The Public Finance and Accountability (Scotland) Act 2000 (“the Act”) provides that:-
24. 'Directions may be given to Audit Scotland—
25. (a) by the Auditor General, for the purpose of or in connection with the exercise of Audit Scotland’s functions in relation to the Auditor General,
26. (b) by the Accounts Commission, for the purpose of or in connection with the exercise of Audit Scotland’s functions in relation to the Commission.'
27. Section 27(4) of the Act provides that:
28. 'Directions under sections 10(4) and 19(4) and paragraph 6 of schedule 3 are to be given in writing and may be varied or revoked by subsequent directions under the same provision.'

29. In accordance with the provisions of sections 10(4) and 27(4) of the Act any directions given by the Auditor General or the Accounts Commission to Audit Scotland must be given in writing.
30. Following receipt of any direction given by the Auditor General or the Accounts Commission, Audit Scotland will hold a board meeting to consider the direction with regard to its own responsedirection.

Vacancy

31. The proceedings of the Board will not be invalidated by any vacancy in membership or by any defect in the appointment of any person.

Code of Conduct

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

Committees

33. The Board may appoint standing or ad hoc committees consisting of such numbers as the Board may determine. Committees may consist of members and other suitable persons chosen by the Board.
34. The Board will establish an Audit Committee with the terms of reference contained in Appendix 1.
35. The Board will establish a Remuneration & Human Resources Committee with the terms of reference contained in Appendix 2.
36. The Board will establish an Appeals Committee with the terms of reference contained in Appendix 3.
37. Any committee will operate within the terms of remit and any delegation made to it by the Board.

Deeds and Documents

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

Advisers and Committee Co-optees

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

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

Openness and Transparency

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

Board Effectiveness

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

Application of Standing Orders

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

Alteration

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

Appendix 1: Audit Committee remit

45. The Audit Committee will consist of members of the Board. The Board may appoint persons who are not members of the Board to be members of or advisers to the Audit Committee and may pay them such remuneration and expenses as the Board decides. The Chair of the Board and the Accountable Officer may not be members of the Audit Committee but may attend meetings.
46. The purposes of the Audit Committee are detailed in the Audit Committee terms of reference. The key points are:

Internal Control and Corporate Governance

47. To evaluate the framework of internal control, strategic processes for risk and corporate governance comprising the following components:
 - Control Environment.
 - Risk Management.
 - Information and Communication.
 - Control Procedures.
 - Monitoring and Corrective Action.
 - Audit quality monitoring and arrangements.
48. To review the system of internal financial control, which includes:
 - The safeguarding of assets against unauthorised use and disposal.
 - The maintenance of proper accounting policies and records and the reliability of financial information used within the organisation or for publication.
 - To ensure that Audit Scotland's activities are within the law and regulations governing them.
 - To monitor performance and best value by reviewing the economy, efficiency and effectiveness of operations.
 - To present an annual statement of assurance to the Board to support the Accountable Officer's governance statement.

Internal Audit

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

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

External Audit

49. To consider all audit material, in particular:
 - Audit Reports.
 - Annual Reports.
 - Management Letters.
 - Management Reports.
50. To monitor management action taken in response to all external audit recommendations.
51. To hold meetings with the external auditors at least once per year and, as required, without the presence of senior management.
52. To review the extent of co-operation between external and internal audit.
53. The external auditor will be appointed by the Scottish Commission for Public Audit under Section 25 of the 2000 Act. The external auditor will examine and certify the account and report on the account to the Commission. The Commission must lay before the Parliament a copy of the account and the auditor's report and publish the account and that report.

Annual Accounts

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

Standing Orders, Financial Regulations and Scheme of Delegation

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

Other duties

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

Appendix 2: Remuneration & Human Resources Committee remit

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

Remuneration & Human Resources Committee responsibilities

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

- Determine the remuneration policy governing all terms and conditions of employment, including pay, benefits, retirement policy and other policies relating to compensation for loss of office.
- Ensure remuneration policy and strategy is aligned to the relevant public sector policies being implemented by the UK and Scottish Governments.
- Approve the parameters for the annual pay award cycle.
- Review, not less than annually, the application of remuneration policy.
- Assure itself about any issues relating to the overall performance of employees.

Other duties

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

Appendix 3: Appeals Committee remit

62. The Appeals Committee will consist of at least two members of the Board.
63. The purpose of the Appeals Committee is:
 - To consider and dispose of any matters requiring independent deliberation which may be referred to it by the Board.
 - To hear and dispose of appeals by members of the ExecutiveManagement Team under the Audit Scotland disciplinary and grievance procedures.

Appendix 4: Co-option procedure

Introduction

64. Audit Scotland's standing orders state that:

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

Reasons for co-option

65. There may be times when specialist expertise is required which the Board may be unable to fulfil, or when the current or future balance of skills available to the Board's committees may need strengthened.
66. The Board should discuss and agree the specification of skills and experience being sought through co-option.

Nominations process

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

Application process

68. Applicants for co-option should provide a written statement of their relevant skills and a CV.
69. Following a shortlisting process, applicants will be interviewed by the Chair of the Board and the Chair of the relevant committee, plus one other member of the Board.
70. Candidates and interviewers must declare any relationships or potential conflicts of interest to the Chair.
71. The Board should approve the final recommendation from the Chair.

Term of Office

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

Remuneration

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

Conduct of co-opted members

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

Engagement with Scottish Commission for Public Audit

76. The Board will write to the Scottish Commission for Public Audit in advance of the co-option of members to a Committee, setting out:
- 76.1. the reason for co-opting
 - 76.2. the process by which any appointments will be made.

Scheme of Delegation

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

Contents

Scheme of Delegation	4
Introduction	4
Conditions of delegation	4
Reservations to the Board	4
Quorum for <u>ExecutiveManagement</u> Team	5
Making, revocation and variation	5
Schedule	6

Scheme of Delegation

Introduction

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

Conditions of delegation

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

Reservations to the Board

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

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

Quorum for Management Team

8. The quorum for the Executive Management Team is three, comprising of the Accountable Officer or the Chief Operating Officer plus two others.
 - 8.1 In the event of a vacancy at Executive Management Team level, a member of staff at Audit Director ~~or Associate Director~~ level may attend Executive Management Team and will count towards the quorum.
 - 8.2 In the event of a vacancy in the role of Chief Operating Officer a member of staff nominated by the Accountable Officer and approved by the Board may take their place for the purposes of Executive Management Team quorum.

Making, revocation and variation

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

Schedule

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

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

	<p>(To be reported at next <u>ExecutiveManagement</u> Team meeting)</p> <p>Credit Card default limits:</p> <ul style="list-style-type: none"> • <u>ExecutiveManagement</u> Team £1,500 • Other staff £1,000 		<p>Default amounts may be varied by <u>ExecutiveManagement</u> Team, Incident Management Team (IMT) for individuals on either a permanent or temporary basis.</p>
3.6	<p>Acceptance of tenders and placing of orders:</p> <ul style="list-style-type: none"> • Above £250,000 • Between £100,000 and £250,000 • Up to £100,000 • Below £50,000 	<p>Board</p> <p>Accountable Officer and Chief Operating Officer Management Team</p> <p>Budget Holders</p>	<p>Financial Regulations 47</p> <p>Financial Regulations 51 (appointment of auditors)</p> <p>See also the Procurement Handbook</p>
3.7	<p>Acceptance of offers for disposal of assets</p>	<p>As for acceptance of tenders and placing of orders</p>	
3.8	<p>Approval of expenditure within agreed budget:</p> <ul style="list-style-type: none"> • Any budget group • Specific budget group • Specific cost centre budget 	<p><u>ExecutiveManagement</u> Team</p> <p>Relevant <u>Executive</u> Director</p> <p>Budget Holder</p>	<p>Financial Regulations 53</p>
3.9	<p>Payment of accounts other than to approved auditors:</p> <ul style="list-style-type: none"> • Above £50,000 • Below £50,000 	<p><u>ExecutiveManagement</u> Team</p> <p>Member of <u>ExecutiveManagement</u> Team or as delegated</p>	<p>Financial Regulations 52 – 58</p> <p>Delegated signatories are approved by <u>Executive Management</u> Team and are responsible for the expenditure approved. As evidence a delegated purchasing authority letter will be issued. Those with delegated authority may request authority to be passed to members of their</p>

			staff, but the limit of authority granted must be notified to <u>Executive Management</u> Team and Finance who will maintain a list of those approved.
3.10	Payment of accounts for orders placed using electronic purchase orders.	Member of <u>Executive Management</u> Team or as delegated	Electronic purchase orders are sent, via email, to be authorised. The process requires the authoriser to be selected from a list, maintained within the finance system, of signatories delegated to sign for the cost centre and for the value of goods or services being ordered. The signatories are the same as those delegated in the previous section.
3.11	Parameters for automatic payment of electronic purchase orders.	<u>Executive Management</u> Team	Financial Regulations 59 Where an invoice is received as the result of an order placed using the electronic purchase order system it can be processed by Finance for payment if: <ul style="list-style-type: none"> • The order has been marked as received in the electronic purchase order system, • The value shown on the invoice is within the parameters of +5% or - 10% of the value authorised for that order. Any invoice where the value is outwith these parameters must be sent

			for an additional, manual, authorisation before payment can be made.
3.12	<p>Certification of accounts for payment to approved auditors:</p> <ul style="list-style-type: none"> • Interim invoices up to £50,000 and final invoices up to £10,000 • Interim invoices over £50,000 and final invoices over £10,000 	<p>A member of the Audit Quality and Appointments team Associate Director, Audit Quality and Appointments or member of <u>Executive Management</u> Team</p>	Financial Regulations 60
3.13	Miscellaneous expenditure (including travel & subsistence)	The Chief Operating Officer, Secretary to the Accounts Commission, senior managers & other line managers as appropriate. (Details available in Finance)	<p>Financial Regulations 77 - 79</p> <p>Delegation requires appropriate <u>Executive</u> Director approval and notification to Finance. The initial delegation is £2,000. Variations from this amount may be agreed by the Budget Holder and notified to the <u>Executive Management</u> Team and Finance who will maintain a list of those approved.</p>

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

Note: ExecutiveManagement Team is defined in section 8 of the Financial Regulations as follows “the ExecutiveManagement Team consists of the Auditor General, the Chief Operating Officer, the Executive Director of Audit Services, ~~and~~ the Executive Director of Performance Audit and Best Value, and the Executive Director of Innovation and Quality or such other combination of officers as may be determined from time to time by the Board”. Decisions can only be made by ExecutiveManagement Team when they are quorate as defined in section 6 of this document as follows “The quorum for the ExecutiveManagement Team is three, comprising of the Accountable Officer or the Chief Operating Officer plus two others”.

Financial Regulations



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

Contents

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

Financial regulations

Introduction

1. Audit Scotland is a body corporate established under section 10 of the Public Finance and Accountability (Scotland) Act 2000. It came into existence on 1 April 2000 under the Public Finance and Accountability (Scotland) Act 2000 (Commencement) Order 2000 (SSI 2000 Number 10(c.1)).
2. The Board of Audit Scotland consists of the Auditor General for Scotland (AGS), the Chair of the Accounts Commission and three other members appointed by the Scottish Commission for Public Audit, one of which will be appointed as Chair.
3. Audit Scotland's function is to provide such assistance and support as the AGS and the Accounts Commission require in the exercise of their respective functions and, in particular, is to provide them, or ensure that they are provided, with the property, staff and services which they require for the exercise of those functions.
4. Audit Scotland may impose reasonable charges in respect of the exercise of its functions. In determining the amounts of the charges Audit Scotland must seek to ensure that the total sum received in respect of the charges is, taking one year with another, broadly equivalent to its expenditure. Any expenditure not met out of sums received is payable out of the Consolidated Fund.
5. The Scottish Commission for Public Audit (SCPA), established under section 12 of the Public Finance and Accountability (Scotland) Act 2000, has the duty to designate an accountable officer for Audit Scotland. The SCPA has designated the Auditor General as the Accountable Officer. The responsibilities of the Accountable Officer are set out in section 18 of the 2000 Act. They are:
 - 5.1. signing the accounts of the expenditure and receipts of Audit Scotland;
 - 5.2. ensuring the propriety and regularity of the finances of Audit Scotland; and
 - 5.3. ensuring that the resources of Audit Scotland are used economically, efficiently and effectively.
6. All members of the Board and all employees, shall conduct their business with diligence and with a view to the security of the property of Audit Scotland, avoiding loss, exercising economy and efficiency in the use of resources and conforming with the requirements of Standing Orders, Financial Regulations and the Scheme of Delegation.
7. The Board has made Standing Orders, these Regulations and a Scheme of Delegation to govern the operation of Audit Scotland. They should be read together.

Definitions and interpretation

8. In these Regulations terms will have the following meanings:

- 8.1. “the 2000 Act” means the Public Finance and Accountability (Scotland) Act 2000
- 8.2. “the 1973 Act” means the Local Government (Scotland) Act 1973
- 8.3. “the Board” means the members of Audit Scotland acting together to discharge the functions of Audit Scotland
- 8.4. “the ExecutiveManagement Team” consists of the Auditor General for Scotland, the Chief Operating Officer, the Executive Director of Audit Services, ~~and~~ the Executive Director of Performance Audit and Best Value and the Executive Director of Innovation and Quality, or such other combination of officers as may be determined from time to time by the Board.

Corporate Plan

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

Budget

11. The financial year of Audit Scotland is 1 April to 31 March.
12. Proposals for the use of resources and expenditure for each financial year will be submitted to the SCPA at such times as the Commission requires to enable it to examine the proposals and report to the Parliament under section 11(9) of the 2000 Act.
13. Estimates of expenditure and income will be submitted as budget proposals to the Board for approval prior to the submission to the SCPA. Provided the SCPA report has been submitted to and approved by Parliament, a final version of the budget will be submitted to the Board not later than 31 March in the year preceding the financial year to which it relates.
14. In the event that Parliament has not approved the budget, a version of the budget that includes our best estimate of operational changes will be submitted to the Board by 31 March. A final version to be submitted when the Scottish Government budget is passed.
15. No expenditure will be incurred unless there is provision for the expenditure within the overall budget approved by the Board. Approval of expenditure where there is no provision within the overall budget will be made by the Board. (Scheme of delegation 3.1)
16. There may be virement within the budget, in accordance with the Scheme of Delegation. (Scheme of delegation 3.2 and 3.3)

Budgetary control and reporting

17. Financial performance will be monitored against budget and reported regularly to the ExecutiveManagement Team and at least quarterly to the Board.

18. Systems of budgetary control will be devised and maintained to include:
 - 18.1. Regular financial reports as prescribed above containing -
 - 18.1.1. income and expenditure to date and, when relevant, forecast year end position
 - 18.1.2. explanations of any material variations
 - 18.1.3. details of any corrective action necessary
 - 18.1.4. virement
 - 18.2. The issue of timely, accurate and comprehensible advice on financial reports to each budget holder covering the areas for which they are responsible
 - 18.3. Arrangements for the authorisation of virement.
19. Each budget holder will be responsible for the management of their budgets within the approved policies of the Board.
20. In exceptional circumstances, for example, a national pandemic increased reporting on financial performance may be required by the Incident Management Team, Audit Committee and Board.

Accounting

21. An effective system of internal financial control will be maintained including detailed financial procedures and systems incorporating the principles of separation of duties and internal checks. These will be documented and maintained.
22. Proper records will be maintained to show and explain Audit Scotland's transactions in order to disclose, with reasonable accuracy, the financial position of Audit Scotland at any time.
23. Accounting policies will be set consistent with appropriate guidance and all accounting procedures and records will be consistent with any form of accounts prescribed. Accounting policies will be approved by the Board. (Scheme of delegation 3.4)
24. Annual Accounts will be prepared and submitted to the Board for approval no later than 31 August in respect of the financial year finishing on the 31 March.

Bank accounts

25. HM Treasury require public bodies to operate a bank account through the Government Banking Service (GBS), to allow the transfer of monies from central accounts to public bodies and vice-versa.
26. Apart from the requirement to use a bank specified by the GBS for the transfer of central funds, Audit Scotland will, for day to day banking and transactions, make arrangements for the appointment of bankers in accordance with the provisions for the letting of contracts set out in these Regulations.

27. No Audit Scotland monies will be held in any bank accounts outwith those approved by the Board.
28. Detailed arrangements and instructions on the operation of bank accounts will be prepared and maintained as Treasury Management Procedures by the finance department, and will include:
 - 28.1. The conditions under which each bank account is to be operated.
 - 28.2. The limit to be applied to any overdraft.
 - 28.3. Those authorised to sign cheques or other orders drawn on Audit Scotland's bank accounts, and the limits of their authority in accordance with the Scheme of Delegation.
29. Banking arrangements will be reviewed at regular intervals to ensure that they reflect best practice and represent best value for money.
30. Controlled stationery (e.g. cheques) will be held securely at all times and proper records will be maintained in relation to such stationery.

Credit Cards

31. Credit cards will be offered to members of the ExecutiveManagement Team automatically. Credit cards will also be offered to other members of staff, with the specific approval of the Accountable Officer, the Chief Operating Officer, and/or Incident Management Team where there is an on-going requirement for credit card use.
32. The default credit limit for all cards will be set in the Scheme of Delegation and variations for individual cards will be approved by the ExecutiveManagement Team and/or the Incident Management Team. (Scheme of delegation 3.5)

Income

33. Systems will be designed and maintained for the proper recording, invoicing, collection and coding of all monies due to Audit Scotland.
34. All monies received will be banked promptly.
35. Arrangements will be made for appropriate recovery action on all outstanding debts.
36. Fees and charges, including fees to audited bodies, will be determined in accordance with policies decided by the Board.

Investments and borrowings

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

38. All short term borrowings will be kept to the minimum period of time possible, consistent with the overall cash flow position.
39. Any long term borrowing must be consistent with policies decided by the Board.
40. Detailed procedural instructions will be prepared on the operation of investment accounts and regular reports will be made to the Board on the performance of any investments held.

Insurance

41. Arrangements will be made to ensure that all insurance cover is effected, periodically reviewed and adjusted as necessary.
42. Insurance arrangements will be reviewed regularly and the market will be competitively tested and costs will be sought for insurance services in accordance with the provisions set out in these Regulations at least every three years.

Tendering procedures

43. Tendering procedures are contained in the Procurement Handbook, which is published on [SharePointthe intranet](#). This document provides information on the procedures to be adopted by Audit Scotland staff when purchasing any goods and services and the need to follow value for money principles when carrying out this activity.
44. No contract for the supply of goods and materials, the provision of services or for the execution of works will be made where the probable cost, over the contract period, exceeds £50,000 unless tenders have been invited by advertisement on Public Contracts Scotland, the Scottish Government procurement system.
45. In exceptional circumstances the Chair of the Board, on a report by the Accountable Officer, may except a contract from the above provisions and direct adoption of such other procedure for the letting of the contract as seems appropriate. The decision will be notified to the full Board at the earliest opportunity.
46. Standing contracts for the provision of goods, materials, services or works will be kept under review and competitive tenders for such standing contracts will be sought at least every three years, or later if the contract has been extended under the terms of the original contract. No extension will be greater than three additional years before retendering.
47. The overall value of the tender will determine who is required to approve the acceptance of the tender and place the order for the goods, materials or service. The Scheme of Delegation will list those authorised to accept and place orders. (Scheme of delegation 3.6)
48. All orders will be generated through the electronic ordering system. Orders will be sent for authorisation in accordance with the procedure contained within the Scheme of Delegation (Scheme of Delegation 3.10). All orders must be made in accordance with the procedures and controls and within the terms of the Scheme of Delegation.

49. Official orders will be issued for all work, goods or services to be supplied to Audit Scotland except for supplies of public utility services or periodical payments such as rent or rates or such other exceptions as may be approved by the [Executive Management](#) Team.
50. Government directives prescribing procedures for awarding forms of contracts shall have effect as if incorporated in these Regulations and Audit Scotland's Procurement Handbook should be followed as appropriate.
51. The appointment of auditors under section 97(6) of the 1973 Act and section 21(3) of the 2000 Act will be recommended to the Accounts Commission and the Auditor General for Scotland respectively at such intervals as they require. With the exception of the interval between awards (see paras 42-44), the procedure relating to these contracts should follow the procedure set out in these Regulations.

Payment of accounts

52. Before an invoice is paid the certifying officers will satisfy themselves that the account has not been previously passed for payment and is a proper liability of Audit Scotland and that:
 - 52.1. The works, goods or services to which the account relates have been received or carried out satisfactorily.
 - 52.2. Prices, extensions, calculations, trade discounts, other allowances, credits and tax are correct.
 - 52.3. The expenditure has been authorised and is within the relevant estimate provisions.
53. All duly certified invoices shall be authorised for payment by the officer authorised under the Scheme of Delegation. (Scheme of delegation 3.8)
54. An officer shall not add any additional items to an invoice rendered to Audit Scotland by a supplier.
55. When an order has been placed using the electronic purchase ordering (EPO) system, this process incorporates authorisation of the payment prior to an order being placed. In these circumstances the authoriser will be advised of the cost of the goods or services, or an estimate if a firm cost is not available, at the time they receive the EPO. Authorisers are required to satisfy themselves that the cost displayed is reasonable and represents value for money, before they electronically sign the order. Once an EPO is signed the system will not allow any changes to the order by the authoriser or the originator.
56. The EPO system maintains a list of staff with delegated authority to authorise expenditure, as per para. 51 above.
57. When the goods or services have been received the originator records the receipt through the EPO system.
58. On receipt of the invoice, Finance will check whether the goods or services have been marked as received. The invoiced amount charged will be checked against the EPO submitted and, if

the amount is within the parameters agreed by the ExecutiveManagement Team, the invoice will be accepted and paid. (Scheme of delegation 3.10)

59. ExecutiveManagement Team will set agreed parameters and if the value of the invoice is outwith the agreed parameters it will be sent back to the authoriser for an additional manual authorisation. The invoice will not be paid until the second authorisation has been received. (Scheme of delegation 3.11)
60. The receipt, certification and payment of accounts to approved auditors are subject to separate arrangements under the Scheme of Delegation. (Scheme of delegation 3.12)

Audit

61. The Board will establish an Audit Committee with clearly defined terms of reference under Standing Orders.
62. The external auditor is appointed by the SCPA to report on whether expenditure and income have been applied lawfully and the accounts comply with the accounts direction. The external auditor will report to the SCPA who must lay the report and accounts before Parliament and publish them.
63. The internal auditor is appointed by Audit Scotland and reports to the ExecutiveManagement Team and the Audit Committee on systems of internal control.
64. The external and internal auditor are entitled to:
 - 64.1. enter any Audit Scotland establishment at all reasonable times with or without previous notice;
 - 64.2. have access to all records, documents and correspondence (including computer records) relating to financial and other transactions of Audit Scotland;
 - 64.3. require and receive explanations as are necessary concerning any matter under examination;
 - 64.4. require any employee of Audit Scotland to produce cash, equipment or any other property under his/her control; and
 - 64.5. direct access to the Chair of the Audit Committee.

Security and Fraud Prevention

65. Arrangements will be made to develop and document effective policies on:
 - 65.1. Prevention of fraud and irregularity.
 - 65.2. IT security.
 - 65.3. Security of assets.

66. Proper security must be maintained, at all times, for all buildings, stores, furniture, equipment, cash, information, etc.
67. A register of secure key containers will be maintained by Business Support and kept under review by the Chief Operating Officer. Keys removed from the secure key containers will be signed for and are to be kept safe at all times until returned. The loss of any such keys must be reported immediately to Business Support staff.
68. A register of staff ID (office access) badges and building access fobs will be maintained by Business Support. The loss of ID badges will be reported immediately to Business Support and the Corporate Governance Manager. The ID badges will be deactivated immediately.
69. The Chief Operating Officer is responsible for maintaining proper security and privacy relative to information held in the computer installations.
70. Under the terms of the Counter Fraud Policy, employees are required to notify their Business Group **Executive** Director or **Associate/Audit** Director of any financial irregularity or suspected irregularity. Such concerns may be raised under the terms of the Whistleblowing Policy if considered appropriate. The employee, or senior management to whom the concerns are reported, must also advise the Chief Operating Officer. Details of these policies are available to all staff through the staff handbook.

Salaries, wages and pensions

71. Arrangements will be made for the payment of all salaries, wages, pensions, compensation and other emoluments due to all employees or former employees of Audit Scotland or the Accounts Commission, the Auditor General for Scotland, appropriate members of the Board and to members of the Accounts Commission.
72. Salaries and other payments will normally be paid by direct transfer to a nominated bank account.
73. A record of all matters affecting the payment of such emoluments shall be kept and in particular the following information will be recorded:
 - 73.1. appointments, resignations, dismissals, suspensions, secondments and transfers;
 - 73.2. absences from duty for sickness or other reason, including approved leave;
 - 73.3. changes in remuneration, including those arising from normal increments and pay awards and agreements of special and general application;
 - 73.4. information necessary to maintain records of service for superannuation, income tax, national insurance and the like;
 - 73.5. particulars of any deduction from salary for loans, subscriptions and the like, and the authority for such deduction.
74. All deductions and changes in gross pay entitlement will be certified by Human Resources or other appropriate person and checked by a second officer prior to payment.

75. Pension payments are paid to former staff through the appropriate pension agency. Audit Scotland's role is to make the required deductions from salary and to provide the information which is required from time to time by the pension supplier to allow them to maintain their records, provide information about pensions and make payments.
76. There are special arrangements in place relating to pensions for former Ombudsman staff and the former Auditors General, which are separate from the arrangements for Audit Scotland.

Travelling, subsistence, expenses and other allowances

77. The Secretary to the Accounts Commission shall review, authorise and ensure all travelling or other allowances are paid to Commission Members and advisers who are entitled to claim them upon receipt of a fully completed expense claim form.
78. The Chief Operating Officer shall review, authorise and ensure all travelling or other allowances are paid to Board members and advisers who are entitled to claim them upon receipt of a fully completed expense claim form.
79. All claims by staff for payment of car mileage allowances, subsistence allowances, travelling and incidental expenses and any advances shall be submitted duly certified and made up to the end of each month and in accordance with the current travel and subsistence policy, published in the staff handbook, and the expenses procedures published on the intranet. The officers authorised to certify such records shall be determined by the Scheme of Delegation. Initial delegation is £2,000. (Scheme of delegation 3.13)

Observance of Financial Regulations

80. It shall be the duty of the Accountable Officer to ensure that these regulations are made known to the appropriate Audit Scotland staff and to ensure that they are adhered to.
81. Any breach or non-compliance with these Regulations must, on discovery, be reported immediately to the Chief Operating Officer who will discuss the matter with the Accountable Officer in order to determine the proper action to be taken. Such concerns may be raised under the terms of the Whistleblowing Policy if considered appropriate.

Variation of Financial Regulations

82. These Regulations may be varied from time to time by the Board on receipt of a report and recommendations from the Accountable Officer.
83. The Chair of the Board may authorise, on a report from the Accountable Officer, exceptional treatment of a matter covered by these Regulations. Any such exceptions will be reported in writing to the next available meeting of the Board.

Members' Code of Conduct



Audit Scotland Board
September 202²⁴ |

Audit Scotland is a statutory body set up in April 2000 under the Public Finance and Accountability (Scotland) Act 2000. We help the Auditor General for Scotland and the Accounts Commission check that organisations spending public money use it properly, efficiently and effectively.

Contents

Guidance on the Code of Conduct	5
Introduction	5
Key principles of the Code of Conduct.....	5
General conduct.....	887
Conduct at meetings	888 <u>887</u>
Relationships with Board Members, employees of Audit Scotland and others	887 <u>888</u>
Remuneration, allowances and expenses	997 <u>979</u>
Bribery and corruption	997 <u>979</u>
Gifts and hospitality	998 <u>989</u>
Confidentiality requirements	114 <u>119</u>
Use of Audit Scotland's resources facilities	121 <u>124</u>
Other appointments.....	124 <u>120</u>
<u>Conflicts of interest.....</u>	<u>12</u>
Registration of Interests	131<u>131</u>
Introduction	131 <u>131</u>
Remuneration.....	131 <u>131</u>
Related undertakings	141 <u>141</u>
Contracts.....	141 <u>141</u>
Houses, land and buildings	141 <u>141</u>
Interest in shares and securities	151 <u>151</u>
Non-financial interests.....	151 <u>151</u>
Related party disclosure.....	151 <u>151</u>
Declaration of interests	171<u>171</u>
Introduction	171 <u>171</u>
Interests which require declaration	171 <u>171</u>
Your financial interests	181 <u>171</u>
Your non-financial interests	181 <u>171</u>
The financial interests of other persons	192 <u>201</u>
The non-financial interests of other persons	192 <u>201</u>
Making a declaration	192 <u>211</u>

Frequent declarations of interest	20212118
Lobbying and access to members of public bodies.....	21222219
Introduction	21222219
Rules and guidance.....	21222219
Appendix 1: Definitions	23242421

Guidance on the Code of Conduct

Introduction

1. The Scottish public has a high expectation of those who serve on the boards of public bodies and the way in which they should conduct themselves in undertaking their duties for the public body. You must meet those expectations by ensuring that your conduct is above reproach and by embracing our core values, which are:
 - Independence, integrity and objectivity.
 - Valuing people and ensuring equality and fairness.
 - Effective communication.
2. As a member of Audit Scotland, it is your responsibility to make sure that you are familiar with, and that your actions comply with, the provisions of this Code of Conduct.
3. You must observe the rules of conduct contained in this Code. It is your personal responsibility to comply with these and review regularly, and at least annually, your personal circumstances with this in mind, particularly when your circumstances change. You must not at any time advocate or encourage any action contrary to the Code of Conduct.
4. The Code has been developed in line with the key principles listed in paragraph 6 and provides additional information on how the principles should be interpreted and applied in practice. No Code can provide for all circumstances and if you are uncertain about how the rules apply, you should seek advice from the Chief Operating Officer. You may also choose to consult your own legal advisers and, on detailed financial and commercial matters, seek advice from other relevant professionals.
5. You should familiarise yourself with the Scottish Government publications [“On Board – a guide for board members of public bodies in Scotland”](#) and [“Members of devolved public bodies: model code of conduct - revised edition December 2021”](#). ~~These publications is publication~~ will provide you with information to help you in your role as a member of a public body in Scotland and can be viewed on the Scottish Government website.

Key principles of the Code of Conduct

~~5-6.~~ The general principles upon which this Code of Conduct are based are:

Duty

You have a duty to uphold the law and act in accordance with the law and the public trust placed in you. You have a duty to act in the interests of Audit Scotland of which you are a member and in accordance with its core functions and duties.

Selflessness

You have a duty to take decisions solely in terms of public interest. You must not act in order to gain financial or other material benefit for yourself, family or friends.

Integrity

You must not place yourself under any financial, or other, obligation to any individual or organisation that might reasonably be thought to influence you in the performance of your duties.

Objectivity

You must make decisions solely on merit and in a way that is consistent with the functions of Audit Scotland when carrying out public business including making appointments, awarding contracts or recommending individuals for rewards and benefits.

Accountability and stewardship

You are accountable for your decisions and actions to the public. You have a duty to consider issues on their merits, taking account of the views of others and must ensure that Audit Scotland uses its resources prudently and in accordance with the law.

Openness

You have a duty to be as open as possible about your decisions and actions, giving reasons for your decisions and restricting information only when the wider public interest clearly demands.

Honesty

You have a duty to act honestly. You must declare any private interests relating to your public duties and take steps to resolve any conflicts arising in a way that protects the public interest.

Leadership

You have a duty to promote and support these principles by leadership and example, to maintain and strengthen the public's trust and confidence in the integrity of Audit Scotland and its members in conducting public business.

Respect

You must respect fellow members of Audit Scotland and its employees and the role they play, treating them with courtesy at all times. Similarly, you must respect members of the public when performing duties as a member of Audit Scotland.

6.7. You should apply the principles of this Code to your dealings with fellow members of Audit Scotland, its employees and other stakeholders. Similarly, you should also observe the

principles of this Code in dealings with the public when performing duties as a member of a public body.

General conduct

7-8. The rules of good conduct in this section must be observed in all situations where you act as a member of Audit Scotland.

Conduct ~~at meetings~~

9. You must ~~treat~~ respect the chair, your colleagues and employees of Audit Scotland ~~in meetings~~ with courtesy and respect. This includes in person, in writing, at meetings, when you are online and when you are using social media.

8-10. You must comply with rulings from the chair in the conduct of the business of these meetings.

Relationships with Board Members, employees of Audit Scotland and others

11. Audit Scotland values and promotes diversity and equality of opportunity. You will carry out your duties following the principles within our Diversity and Equality policy.

12. You will treat your fellow board members and any staff employed by Audit Scotland with courtesy and respect. It is expected that fellow board members and employees will show you the same consideration in return. It is good practice for employers to provide examples of what is unacceptable behaviour in their organisation. Public bodies should promote a safe, healthy and fair working environment for all. As a board member you should be familiar with, and understand the policies of Audit Scotland in relation to bullying and harassment in the workplace and also lead by exemplar ~~behaviour~~ behaviour. You will accept exhibiting certain behaviours is as important as what you communicate, given that disrespect, bullying and harassment can be physical, verbal and non-verbal conduct.

13. You will not become involved in operational management of Audit Scotland, except where it is explicit within your role. You acknowledge and understand that operational management is the responsibility of the Chief Operating Officer and the Executive Team.

14. You will not undermine any individual employee or a group of employees, or raise concerns about their performance, conduct or capability in public. You will raise any concerns on such matters in private with the Executive Team as appropriate

15. You will not take, or seek to take, unfair advantage of your position in dealing with employees of Audit Scotland or bring undue influence to bear on employees to take a certain action. You will not ask or direct employees which you know, or should reasonably know, could compromise them or prevent them from undertaking their duties properly and appropriately.

9-16. You will accept the principle of collective decision-making and corporate responsibility. This means that once the Board has made a decision, you will support that decision, even if you did not agree with it or vote with it.

~~10-17.~~ Relationships may be developed with you by others to influence our work or to acquire confidential or sensitive information for personal gain. Those seeking to develop a relationship with you may also offer a financial or other benefit to supply them with information. These relationships are inappropriate and bring risks to your personal reputation and that of Audit Scotland (see Section on Bribery and Corruption). You must inform the Chair of the Board and Chief Operating Officer of any such approaches, relationships or offers of financial or other benefits, and you should discuss any concerns about any such issues as soon as possible so that Audit Scotland can support and advise you.

Remuneration, allowances and expenses

~~14-18.~~ You must comply with any rules of Audit Scotland regarding remuneration, allowances and expenses.

Bribery and corruption

~~12-19.~~ Bribery is the offering, giving, receiving, or soliciting of any item of value or advantage to influence the actions of an official or any other person in charge of a public or legal duty.

~~13-20.~~ It is important that you are aware that it is a serious criminal offence for you to:

- give, receive or solicit a bribe (i.e. to corruptly receive or give any gift, loans, fee, reward or advantage) in return for doing or not doing anything
- show favour or disfavour to any person in the course of your work with Audit Scotland.

~~14-21.~~ It is also important to be aware that an act of bribery by an individual may render Audit Scotland liable of committing an offence.

~~15-22.~~ Audit Scotland has a zero tolerance to bribery and corruption therefore corrupt actions, including bribery, can lead to dismissal and prosecution.

Gifts and hospitality

~~23.~~ You must never ask or seek for gifts or hospitality.

~~16-24.~~ You must not accept any offer by way of a gift or hospitality which could give rise to a real or substantive personal gain or reasonable suspicion of influence on your part to show favour, or disadvantage, to any individual or organisation. You should also consider whether there may be any reasonable perception that any gift received by your spouse or cohabitee or by any company in which you have a controlling interest, or by a partnership of which you are a partner, can or would influence your judgement. The term 'gift' includes benefits such as relief from indebtedness, loan concessions, or provision of services at a cost below that generally charged to members of the public.

~~17-25.~~ You are personally responsible for all decisions connected with the offer or acceptance of gifts or hospitality offered to you and for avoiding the risk of damage to public confidence in Audit Scotland. As a general guide, it is usually appropriate to refuse offers except:

- isolated gifts of a ~~trivial character~~ minor nature or token of modest intrinsic value offered on an infrequent basis, the value of which must not exceed £50;
- normal hospitality associated with your duties, hospitality which has been approved in advance by Audit Scotland and which would reasonably be regarded as appropriate; or
- gifts received on behalf of Audit Scotland.

~~18-26.~~ You must not accept any offer of a gift or hospitality from any individual or organisation which stands to gain or benefit from a decision Audit Scotland may be involved in determining, or who is seeking to do business with us, and which a person might reasonably consider could or would influence my judgement~~have a bearing on your judgement~~. If you are making a visit in your capacity as a member of Audit Scotland then, as a general rule, you should ensure that Audit Scotland pays for the cost of the visit.

~~27.~~ You must not accept repeated hospitality from the same source.

~~28.~~ You will not allow the promise of money or other financial advantage to induce you to act improperly in your role as a Board member. You accept that the money or advantage (including any gift or hospitality) does not have to be given to you directly. The offer of monies or advantages to others, including community groups, may amount to bribery, if the intention is to induce me to improperly perform a function.

~~19-29.~~ You will not accept any gift or hospitality from any individual or applicant who is awaiting a decision from, or seeking to business with Audit Scotland.

~~20-30.~~ Members of Audit Scotland should familiarise themselves with the terms of the Bribery Act 2010 which provides for offences of bribing another person and offences relating to being bribed.

~~24-31.~~ **You must declare the giving and acceptance of any gifts or hospitality received by you or gifts and hospitality declined in your capacity as a member of Audit Scotland to the Chief Operating Officer who will record the declaration in a register kept for that purpose.**

Audit Scotland only recognises and approves the giving of gifts or hospitality if recorded in the register and the expenditure is detailed in our financial accounting system. All reimbursement claims for gifts or hospitality given through expenses must be in accordance with the remuneration, allowances and expenses policy.

To assist Members the following guidance indicates items that do not require recording or disclosure:

- Working lunches at audited bodies, partner firms, working groups/committees/boards, professional institutes and other public bodies.
- Meals and accommodation incidental to the attendance at conferences, seminars and workshops.
- Giving or receiving gifts of modest value such as a pen or book.

Items that do require disclosure would therefore include:

- Isolated gifts in excess of £50.
- Meals in external restaurants whether working or not.
- Attendance at functions organised/hosted by professional bodies e.g. Institute Annual Dinners.
- Receptions held by public bodies, partner firms or other parties where there is a widespread range of attendees e.g. gallery viewings.
- Functions where the focus of the event is an awards ceremony which involves a public sector element.
- Meals paid for by visiting delegations from other audit offices, organisations and Parliaments/Governments.
- Provision of accommodation, travel or corporate hospitality to others.

22-32. Details of any gift or hospitality will be made available for public inspection through publication of the register on Audit Scotland's website.

Confidentiality requirements

33. Audit Scotland carries out its work in the public interest and is committed to the principle of openness. However, there may be times when you will be required to treat discussions, documents or other information relating to the work of Audit Scotland in a confidential manner. You will often receive information of a private nature which is not yet public, or which perhaps would not be intended to be public. There are provisions in other legislation, such as the Data Protection Act 2018 and the Freedom of Information (Scotland) Act 2002, on the categories of confidential and exempt information and you must always respect and comply with the requirement to keep such information private.

23.—You will only use confidential information to undertake your duties as a Board member.

24-34. It is unacceptable to disclose any information to which you have privileged access, for example derived from a confidential document, either orally or in writing. In the case of other documents and information, you are requested to exercise your judgement as to what should or should not be made available to outside bodies or individuals. In any event, such information should never be used for the purpose of personal or financial gain, or used in such a way as to bring Audit Scotland into disrepute.

25-35. Breaches of confidentiality or information security will be treated with utmost seriousness and could prompt an investigation. Any wilful breach such as, unauthorised access or supply of information to others could lead to termination of your position with Audit Scotland and could lead to a criminal prosecution under Data Protection legislation. If you are in any doubt about a matter of confidentiality or information security, please check with the Chief Operating Officer.

26-36. If you are involved in an act that could cause Audit Scotland reputational risk or bring the organisation into disrepute e.g. you are arrested or charged for a criminal offence, you must inform Audit Scotland at the earliest available opportunity.

Use of Audit Scotland's resources facilities

37. Members of Audit Scotland must not misuse facilities, equipment, stationery, telephony, computer, information technology equipment and services, or use them for party political or campaigning activities. Use of such equipment and services, etc must be in accordance with Audit Scotland's policy and rules on their usage. Care must also be exercised when using social media networks not to compromise your position as a member of Audit Scotland.

27-38. You will not use, or in any way enable others to use Audit Scotland's resources imprudently, unlawfully, for any political activities or matters relating to these, or improperly.

Other Appointments

28-39. Non-Executive Members must seek the approval of the SCPA prior to accepting any additional office, employment or appointment or engaging in any other occupation.

Conflicts of Interest

29-40. You may not hold any other office, employment or appointment or engage in any other occupation which would conflict with your responsibilities and duties as a member of Audit Scotland.

Registration of Interests

Introduction

30-41. The following paragraphs set out the kinds of interests, financial and otherwise which you have to register. These are called 'Registerable Interests'. You must at all times ensure that these interests are registered, when you are appointed and or within one month of whenever your circumstances change in such a way as to require change or an addition to your entry in the Register. It is your duty to ensure any changes in circumstances are reported within one month of them changing. It is a breach of this Code not to comply with these requirements.

34-42. You should review regularly and at least once a year your personal circumstances. The interests which require to be registered are those set out in the following paragraphs and relate to you. It is not necessary to register the interests of your spouse or cohabitee.

Remuneration

32-43. You have a registrable interest where you receive remuneration by virtue of being:

- employed;
- self-employed;
- the holder of an office;
- a director of an undertaking;
- a partner in a firm;
- appointed or nominated by Audit Scotland to another body; or
- undertaking a trade, profession or vocation or any other work.

33-44. In relation to ~~42~~³⁴ above, the amount of remuneration does not require to be registered and remuneration received as a member does not have to be registered.

34-45. If a position is not remunerated it does not need to be registered under this category. However, you must note that unremunerated directorships may need to be registered under the category of 'Related undertakings' or 'Other roles'.

35-46. If you receive any allowances in relation to membership of any organisation, the fact that you receive such an allowance must be registered.

36-47. When registering employment, you must give the name of the employer, the nature of its business, and the nature of the post held in the organisation.

37-48. When registering self-employment, you must provide the name and give details of the nature of the business. When registering an interest in a partnership, you must give the name of the partnership and the nature of its business.

38-49. When registering a directorship, it is necessary to provide the registered name of the undertaking in which the directorship is held and provide information about the give-a-broad

nature of its business, indication, organisation, undertaking, partnership or body as appropriate. You will recognise that certain employments may be incompatible with your role as a Board member of Audit Scotland in terms of lobbying and access of its business.

39-50. Where you undertake a trade, profession or vocation, or any other work, the detail to be given is the nature of the work and its regularity. For example, if you write for a newspaper, you must give the name of the publication and the frequency of articles for which you are paid.

40-51. Registration of a pension is not required as this falls outside the scope of the category.

Related undertakings

44-52. You must register any directorships held which are themselves not remunerated but where the company (or other undertaking) in question is a subsidiary of, or a parent of, a company (or other undertaking) in which you hold a remunerated directorship.

42-53. You must register the name of the subsidiary or parent company or other undertaking and the nature of its business, and its relationship to the company or other undertaking in which you are a director and from which you receive remuneration.

43-54. The situations to which the above paragraphs apply are as follows:

- You are a director of a board of an undertaking and receive remuneration declared under remuneration - and
- You are a director of a parent or subsidiary undertaking but do not receive remuneration in that capacity.

Contracts

44-55. You have a registrable interest where you (or a firm in which you are a partner, or an undertaking in which you are a director or in which you have shares of a value as described in [59060](#) below) have made a contract with the public body of which you are a member:

- under which goods or services are to be provided, or works are to be executed; and
- which has not been fully discharged.

45-56. You must register a description of the contract, including its duration, but excluding the consideration.

Houses, land and buildings

46-57. You have a registrable interest where you own or have any other right or interest in houses, land and buildings, which may be significant to, of relevance to, or bear upon, the work and operation of Audit Scotland to which you are appointed.

47-58. The test to be applied when considering appropriateness of registration is to ask whether a member of the public acting reasonably might consider any interests in houses, land and buildings could potentially affect your responsibilities to the organisation to which you are appointed and to the public, or could influence your actions, speeches or decision making.

Interest in shares and securities

48-59. You have a registerable interest where you have an interest in shares comprised in the share capital of a company or other body which may be significant to, of relevance to, or bear upon, the work and operation of (a) the body to which you are appointed and (b) the nominal value of the shares is:

- (i) greater than 1% of the issued share capital of the company or other body; or
- (ii) greater than £25,000.

49-60. Where you are required to register the interest, you should provide the registered name of the company in which you hold shares; the amount or value of the shares does not have to be registered.

Non-financial interests

50-61. You may also have a registerable interest if you have non-financial interests which may be significant to, of relevance to, or bear upon, the work and operation of Audit Scotland to which you are appointed. It is important that relevant interests such as membership or holding office in other public bodies, [companies](#), clubs, societies and organisations such as trades unions and voluntary organisations, are registered and described.

54-62. In the context of non-financial interests, the test to be applied when considering appropriateness of registration is to ask whether a member of the public might reasonably think that any non-financial interest could potentially affect your responsibilities to the organisation to which you are appointed and to the public, or could influence your actions, speeches or decision-making [in Audit Scotland](#).

Related party disclosure

52-63. Related Party Disclosures is a requirement of International Accounting Standard 24. It is a requirement of the Code of Conduct that Board Members and Directors sign an annual declaration at the financial year end stating that you were not aware of any related party transactions in the year.

53-64. A related party is a person or entity that is related to the entity that is preparing its financial statements.

(a) A person or a close member of that person's family is related to a reporting entity if that person:

- (i) has control or joint control over the reporting entity;
- (ii) has significant influence over the reporting entity; or
- (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

(b) An entity is related to a reporting entity if any of the following conditions applies:

- (i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment defined benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
- (vi) The entity is controlled or jointly controlled by a person identified in (a).
- (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Declaration of interests

Introduction

65. The key principles of the Code, especially those in relation to integrity, honesty and openness, are given further practical effect by the requirement for you to declare certain interests in proceedings of Audit Scotland. Together with the rules on registration of interests, this ensures transparency of your interests which might influence, or be thought to influence, your actions. The objective test involved in determining whether you should make a declaration of your interests fall into three stages: connection, interest and participation as set out below:

Connection

65.1. For each particular matter you are involved in as a Board Member, you will first consider whether you have a connection to that matter.

65.2. You understand that a connection is any link between the matter being considered and you, as a person or body you are associated with. This could be a family relationship or a social or professional contact.

65.3. A connection includes anything that you have registered as an interest.

65.4. A connection does not include being a member of a body to which you have been appointed or nominated by Audit Scotland, unless (a) the matter being considered by Audit Scotland is quasi-judicial or regulatory, or (b) You have a personal conflict by reason of your actions, your connections, or your legal obligations.

Interest

65.5. You understand your connection is an interest that requires to be declared where the objective test is met - that is where a member of the public with knowledge of the relevant facts would reasonably regard your connection to a particular matter as being so significant that it would be considered as being likely to influence the discussion or decision-making.

65.6.

Participation

65.7. You will declare your interest as early as possible in meetings. You will not remain in the meeting nor participate in any way in those parts of the meetings where you have declared an interest.

65.8. You will consider whether it is appropriate for transparency reasons to state publicly where you have a connection, which you do not consider amounts to an interest.

65.9. You note that you can apply to the Standards Commission and ask it to grant a dispensation to allow you to take part in the discussion and decision-making on a matter where you would otherwise have to declare an interest and withdraw (as a result of

having a connection to the matter that would fall within the objective test). You note that such a dispensation is sought and that you cannot take part in any discussion or decision-making on the matter in questions, unless, and until, a conclusion is reached.

65.10. You note that public confidence in a public body is damaged by the perception that decisions taken by that body are substantially influenced by factors other than public interest. You will not accept a role or appointment if doing so means you will have to declare interests frequently at meetings in respect of your role as a Board member. Similarly, if any appointment or nomination to another body would give rise to objective concern because of your existing personal involvement or personal affiliations, you will not accept the appointment or nomination.

54.

55-66. Public bodies inevitably have dealings with a wide variety of organisations and individuals and this Code indicates the circumstances in which a business or personal interest must be declared. Public confidence in Audit Scotland and its members depends on it being clearly understood that decisions are taken in the public interest and not for any other reason.

56-67. In considering whether to make a declaration in any proceedings, you must consider not only whether you will be influenced but whether anybody else would think that you might be influenced by the interest. You must, however, always comply with the objective test ('the objective test') which is whether a member of the public, with knowledge of the relevant facts, would reasonably regard the interest as so significant that it is likely to prejudice your discussion or decision making in your role as a member of Audit Scotland.

57-68. If you feel that, in the context of the matter being considered, your involvement is neither capable of being viewed as more significant than that of an ordinary member of the public, nor likely to be perceived by the public as wrong, you may continue to attend the meeting and participate in both discussion and voting. The relevant interest must however be declared. It is your responsibility to judge whether an interest is sufficiently relevant to particular proceedings to require a declaration and you are advised to err on the side of caution. If a board member is unsure as to whether a conflict of interest exists, they should seek advice from the board chair.

58-69. As a member of Audit Scotland you might serve on other bodies. In relation to service on the boards and management committees of limited liability companies, public bodies, ~~societies~~societies, and other organisations, you must decide, in the particular circumstances surrounding any matter, whether to declare an interest. Only if you believe that, in the particular circumstances, the nature of the interest is so remote or without significance, should it not be declared. You must always remember the public interest points towards transparency and, in particular, a possible divergence of interest between Audit Scotland and another body. Keep particularly in mind the advice in paragraph 31 of this Code about your legal responsibilities to any limited company of which you are a director.

Interests which require declaration

59-70. Interests which require to be declared, if known to you may be financial or non-financial. They may or may not cover interests which are registerable under the terms of this Code. Most of the interests to be declared will be your personal interests but, on occasion, you will have to consider whether the interests of other persons require you to make a declaration. The paragraphs which follow deal with (a) your financial interests (b) your nonfinancial interests and (c) the interests, financial and non-financial, of other persons.

60-71. You will also have other private and personal interests and may serve, or be associated with, bodies, ~~societiessocieties~~, and organisations as a result of your private and personal interests and not because of your role as a member of Audit Scotland. In the context of any particular matter you will need to decide whether to declare an interest. You should declare an interest unless you believe that, in the particular circumstances, the interest is too remote or without significance. In reaching a view on whether the objective test applies to the interest, you should consider whether your interest (whether taking the form of association or the holding of office) would be seen by a member of the public acting reasonably in a different light because it is the interest of a person who is a member of Audit Scotland as opposed to the interest of an ordinary member of the public.

Your financial interests

64-72. You must declare, if it is known to you, any financial interest (including any financial interest which is registerable under any of the categories prescribed in the remuneration section of this Code).

62-73. There is no need to declare an interest which is so remote or insignificant that it could not reasonably be taken to fall within the objective test.

63-74. You must withdraw from the meeting room until discussion of the relevant item where you have a declarable interest is concluded. There is no need to withdraw in the case of an interest which is so remote or insignificant that it could not reasonably be taken to fall within the objective test.

Your non-financial interests

64-75. You must declare, if it is known to you, any non-financial interest if:

- (i) that interest has been registered under ~~Non-Financial~~Non-Financial Interests (paragraphs 52 and 53) of the Code; or
- (ii) that interest would fall within the terms of the objective test.

65-76. There is no need to declare an interest which is so remote or insignificant that it could not reasonably be taken to fall within the objective test.

66-77. You must withdraw from the meeting room until discussion of the relevant item where you have a declarable interest is concluded. There is no need to withdraw in the case of an

interest which is so remote or insignificant that it could not reasonably be taken to fall within the objective test.

The financial interests of other persons

67-78. The Code requires only your financial interests to be registered. You also, however, have to consider whether you should declare any financial interest of certain other persons.

68-79. You must declare if it is known to you any financial interest of: -

- (i) a spouse, a civil partner or a co-habitee;
- (ii) a close relative, close friend or close associate;
- (iii) an employer or a partner in a firm;
- (iv) a body (or subsidiary or parent of a body) of which you are a remunerated member or director;
- (v) a person from whom you have received a registerable gift or registerable hospitality;
- (vi) a person from whom you have received registerable expenses.

69-80. There is no need to declare an interest if it is so remote or insignificant that it could not reasonably be taken to fall within the objective test.

70-81. You must withdraw from the meeting room until discussion of and voting on the relevant item where you have a declarable interest is concluded. There is no need to withdraw in the case of an interest which is so remote or insignificant that it could not reasonably be taken to fall within the objective test.

74-82. This Code does not attempt the task of defining “relative” or “friend” or “associate”. Not only is such a task fraught with difficulty but is also unlikely that such definitions would reflect the intention of this part of the Code. The key principle is the need for transparency in regard to any interest which might (regardless of the precise description of relationship) be objectively regarded by a member of the public, acting reasonably, as potentially affecting your responsibilities as a member of Audit Scotland and, as such, would be covered by the objective test.

The non-financial interests of other persons

72-83. You must declare if it is known to you any non-financial interest of: -

- (i) a spouse, a civil partner or a co-habitee;
- (ii) a close relative, close friend or close associate;
- (iii) an employer or a partner in a firm;
- (iv) a body (or subsidiary or parent of a body) of which you are a remunerated member or director;

(v) a person from whom you have received a registerable gift or registerable hospitality;

(vi) a person from whom you have received registerable expenses.

73-84. There is no need to declare an interest if it is so remote or insignificant that it could not reasonably be taken to fall within the objective test.

74-85. There is only a need to withdraw from the meeting if the interest is clear and substantial.

Making a declaration

75-86. You must consider at the earliest stage possible whether you have an interest to declare in relation to any matter which is to be considered. You should consider whether agendas for meetings raise any issue of declaration of interest. Your declaration of interest must be made as soon as practicable at a meeting where that interest arises. If you do identify the need for a declaration of interest only when a particular matter is being discussed you must declare the interest as soon as you realise it is necessary.

76-87. The oral statement of declaration of interest should identify the item or items of business to which it relates. The statement should begin with the words "I declare an interest". The statement must be sufficiently informative to enable those at the meeting to understand the nature of your interest but need not give a detailed description of the interest.

Frequent declarations of interest

77-88. Public confidence in Audit Scotland is damaged by perception that decisions taken by us are substantially influenced by factors other than the public interest. If you would have to declare interests frequently at meetings in respect of your role as a board member you should not accept a role or appointment with that attendant consequence. If members are frequently declaring interests at meetings then they should consider whether they can carry out their role effectively and discuss with their chair. Similarly, if any appointment or nomination to another body would give rise to objective concern because of your existing personal involvement or affiliations, you should not accept the appointment or nomination.

Lobbying and access to ~~members of public bodies~~

Introduction

~~79-90.~~ In order for Audit Scotland to fulfil its commitment to being open and accessible, it needs to encourage participation by organisations and individuals in the decision-making process. Clearly however, the desire to involve the public and other interest groups in the decision-making process must take account of the need to ensure transparency and probity in the way in which Audit Scotland conducts its business.

~~80-91.~~ You will need to be able to consider evidence and arguments advanced by a wide range of organisations and individuals in order to perform your duties effectively. Some of these organisations and individuals will make their views known directly to individual members. The rules in this Code set out how you should conduct yourself in your contacts with those who would seek to influence you. They are designed to encourage proper interaction between members of public bodies, those they represent and interest groups.

~~81-92.~~ The Lobbying (Scotland) Act 2016 (the Act) makes provisions about lobbying a member of the Scottish Parliament, a member of the Scottish Government, a junior Scottish Minister, a special adviser or the permanent secretary. Communications with the Scottish Government and Parliament by Audit Scotland are not classed as regulated lobbying by the provisions in section 22 (d) of the Schedule to the Act. This exemption only applies to engagement by members on Audit Scotland business and members should be mindful of the legislation if engaging with any of the above in any other capacity.

Rules and guidance

~~93.~~ You understand that a wide range of people will seek access to you as a Board member and try to lobby you, including individuals, organisations and companies. Using the objective test below, you must distinguish between:

~~93.1.~~ Any role you have in dealing with enquiries from the public;

~~93.2.~~ Any community engagement where you are working with individuals and organisations to encourage their participation and involvement, and;

~~93.3.~~ Lobbying, which is where I am approached by any individual or organisation who is seeking to do business with Audit Scotland.

~~82-94.~~ You must not, in relation to contact with any person or organisation who lobbies, do anything which contravenes this Code of Conduct or any other relevant rule of Audit Scotland or any statutory provision.

83-95. You must not, in relation to contact with any person or organisation who lobbies, act in any way which could bring discredit upon Audit Scotland.

84-96. The public must be assured that no person or organisation will gain better access to, or treatment by, you as a result of employing a company or individual to lobby on a fee basis on their behalf. You must not, therefore, offer or accord any preferential access or treatment to those lobbying on a fee basis on behalf of clients compared with that which you accord any other person or organisation who lobbies or approaches you. Nor should those lobbying on a fee basis on behalf of clients be given to understand that preferential access or treatment, compared to that accorded to any other person or organisation, might be forthcoming from another member of Audit Scotland.

85-97. Before taking any action as a result of being lobbied, you should seek to satisfy yourself **by applying the objective test** about the identity of the person or organisation who is lobbying and the motive for lobbying. You may choose to act in response to a person or organisation lobbying on a fee basis on behalf of clients but it is important that you know the basis on which you are being lobbied in order to ensure that any action taken in connection with the lobbyist complies with the standards set out in this Code.

86-98. You should not accept any paid work:

- which would involve you lobbying on behalf of any person or organisation or any clients of a person or organisation
- to provide services as a strategist, adviser or consultant, for example, advising on how to influence Audit Scotland and its members. This does not prohibit you from being remunerated for activity which may arise because of, or relate to, membership of Audit Scotland, such as journalism or broadcasting, or involvement in representative or presentational work, such as participation in delegations, conferences or other events.

87-99. If you have concerns about the approach or methods used by any person or organisation in their contacts with you, you must seek the guidance of Audit Scotland.

Appendix 1: Definitions

1. “Remuneration” includes any salary, wage, share of profits, fee, expenses, other monetary benefit or benefit in kind. This would include, for example, the provision of a company car or travelling expenses by an employer.
2. “Bullying” is inappropriate and unwelcome behaviour, which is offensive and intimidating, and which makes an individual or group feel undermined, humiliated, or insulted.
3. “Chair” is the individual discharging a similar function to that of a Chair or Convenor under alternative decision-making structures
4. “Confidential information” includes:
 - 4.1. Any information passed on to Audit Scotland by a Government department (even if it is not clearly marked as confidential) which does not allow the disclosure of that information to the public;
 - 4.2. Information of which the law prohibits disclosure (under statute or by the order of a Court);
 - 4.3. Any legal advice provided to Audit Scotland, or;
 - 87-1-4.4. any information which could reasonably be considered a breach of confidence should it be made public.
- 88-5. “Undertaking” means:
 - (a) a body corporate or partnership; or
 - (b) an unincorporated association carrying on a trade or business, with or without a view to profit.
- 89-6. “Related undertaking” is a parent or subsidiary company of a principal undertaking of which you are also a director. You will receive remuneration for the principal undertaking though you will not receive remuneration as director of the related undertaking.
- 90-7. “Parent undertaking” is an undertaking in relation to another undertaking, a subsidiary undertaking, if a) it holds a majority of voting rights in the undertaking; or b) it is a member of the undertaking and has the right to appoint or remove a majority of its board of directors; or c) it has the right to exercise a dominant influence over the undertaking (i) by virtue of provisions contained in the undertaking’s memorandum or articles or (ii) by virtue of a control contract; or d) it is a councillor of the undertaking and controls alone, pursuant to an agreement with other shareholders or councillors, a majority of voting rights in the undertaking.
- 91-8. “Group of companies” has the same meaning as “group” in section 474(1) of the Companies Act 2006. A “group”, within s 474(1) of the Companies Act 2006, means a parent undertaking and its subsidiary undertakings.

~~92.9.~~ “A person” means a single individual or legal person and includes a group of companies.

~~93.10.~~ “Any person” includes individuals, incorporated and unincorporated bodies, trade unions, charities and voluntary organisations.

~~94.11.~~ “Spouse” does not include a former spouse or a spouse who is living separately and apart from you.

~~95.12.~~ “Cohabitee” includes a person, whether of the opposite sex or not, who is living with you in a relationship similar to that of husband and wife.

~~96.13.~~ “Code” code of conduct for members of public bodies.

Code of Conduct

Staff policy

Audit Scotland is a statutory body set up in April 2000 under the Public Finance and Accountability (Scotland) Act 2000. We help the Auditor General for Scotland and the Accounts Commission check that organisations spending public money use it properly, efficiently and effectively.

Contents

Code of Conduct	444
Introduction	444
Diversity and Equality	555
Relationships	555
Contractors, suppliers and consultants	666
Independence, objectivity and conflicts of interest	666
Openness, disclosure and protection of information	777
Paid employment outside Audit Scotland	777
Hospitality	888
Gifts	999
Bribery and corruption	101010
Use of resources	101010
Appointments	111111
Disclosure	111111
Media	121212
Social Media	121212
Political neutrality	121212
Health and safety at work	131312
Fair and reasonable treatment at work	131313
Working from home	131313

Code of Conduct

Introduction

1. Audit Scotland and our staff must demonstrate high standards of corporate and personal conduct. This can be achieved by embracing our core values, which are:
 - Independence, integrity and objectivity.
 - Valuing people and ensuring equality and fairness.
 - Effective communication.
2. This Code of Conduct gives you clear and helpful advice about the standards of behaviour expected of you as a member of staff. The Code will be reviewed annually and is subject to change. A serious breach of the Code may lead to disciplinary action.
3. In addition, you are expected to comply with the principles of the Ethical Standards for Auditors issued by the Financial Reporting Council. Guidance on the application of those standards can be found in the Staff Handbook ('Ethical Standards'), which must be read as part of the annual Fit and Proper process. Our Ethical Standards Application Guide has five main sections which cover:
 - General requirements and guidance.
 - Financial, business, employment and personal relationships.
 - Long association with the audit engagement and with entities relevant to engagements.
 - Fees, remuneration and evaluation policies, gifts and hospitality, litigation.
 - Non-audit / Additional services provided to entities.
4. You should also keep to the Codes of Conduct of the professional bodies of which you are a member.
5. The general principles upon which this Code of Conduct is based are:
 - **Duty** - You have a duty to uphold the law and act in accordance with the law and the public trust placed in you. You have a duty to act in the interests of Audit Scotland of which you are a staff member and in accordance with its core functions and duties.
 - **Selflessness** - You have a duty to take decisions solely in terms of public interest. You must not act in order to gain financial or other material benefit for yourself, family or friends.
 - **Integrity** - You must not place yourself under any financial, or other, obligation to any individual or organisation that might reasonably be thought to influence you in the performance of your duties.
 - **Objectivity** - You must make decisions solely on merit and in a way that is consistent with the functions of Audit Scotland when carrying out public business including making appointments, awarding contracts or recommending individuals for rewards and benefits.

- **Accountability and stewardship** - You are accountable for your decisions and actions to the public. You have a duty to consider issues on their merits, taking account of the views of others and must ensure that Audit Scotland uses its resources prudently and in accordance with the law.
- **Openness** - You have a duty to be as open as possible about your decisions and actions, giving reasons for your decisions and restricting information only when the wider public interest clearly demands.
- **Honesty** - You have a duty to act honestly. You must declare any private interests relating to your public duties and take steps to resolve any conflicts arising in a way that protects the public interest.
- **Leadership** - You have a duty to promote and support these principles by leadership and example, and to maintain and strengthen the public's trust and confidence in the integrity of Audit Scotland and its members in conducting business.
- **Respect** - You must respect colleagues and the role they play, treating them with courtesy at all times. Similarly, you must respect members of the public when performing duties as a staff member of Audit Scotland.

Diversity and Equality

6. We value and promote diversity and equality of opportunity. We expect you to carry out your work following the principles within our Diversity and Equality policy.

Relationships

7. You may have contact with audited bodies, other organisations or members of the public. You should deal fairly, equitably and consistently with those you come in contact with, and you should always be polite and portray a positive and professional image of Audit Scotland.
8. People may develop a relationship with you to influence our work or to acquire confidential or sensitive information for personal gain. They may also offer a financial or other benefit to supply them with information. These relationships are inappropriate and bring risks to your personal reputation and that of Audit Scotland (see Bribery and Corruption paragraphs [4039 - 424](#)). You must tell your line manager of any such approaches, relationships or offers of financial or other benefits, and you should do this as soon as possible so that Audit Scotland can support and advise you.
9. Staff must notify the [appropriate](#) Compliance Partner if applying for any employment in a public body subject to audit by auditors appointed by the Auditor General or Accounts Commission (see the Ethical standard policy, section 2).
10. Audit Scotland recognises that close personal or domestic relationships with colleagues may exist or develop during the course of their employment. In order that Audit Scotland's business is conducted and perceived to be conducted in a professional and proper manner it is necessary to distinguish between, and take account of, personal relationships which overlap with professional ones in the workplace. If you have any close personal or domestic

relationships where that relationship may impinge on your duties and responsibilities this must be declared in confidence to your line manager or senior manager. If necessary, upon disclosure of such a relationship and after consultation with both parties, reasonable arrangements will be made to ensure that future working arrangements and potential conflicts do not arise.

Contractors, suppliers and consultants

11. You must be fair and impartial in your dealings with contractors, suppliers and consultants. If you are involved in the procurement or tendering process to appoint contractors, suppliers or consultants you must follow Audit Scotland's [procurement handbook](#), and any other guidance issued.
12. If you have access to confidential information on tenders or costs for contractors, suppliers or consultants you must not show that information to any unauthorised person or organisation.
13. All private relationships with actual or potential contractors, suppliers or consultants must be declared, as set out [in paragraph five](#) below.

Independence, objectivity and conflicts of interest

14. It is important that you carry out your work with independence and objectivity, and that you do not allow any private interest to influence your decisions. You must not use your position to further your own interests or the interests of others who do not have a right to benefit from our work.
15. You, or a member of your family or household, may have a private interest which relates to the work of Audit Scotland. It may be a financial one or one which a member of the public might reasonably think could influence your judgement. For example, you may be a member of a public body, an organisation or club and membership might lead to a conflict of interest with your work. This also applies to membership of organisations or clubs which are not open to the public e.g. Freemasonry.
16. You must declare all such interests to your Compliance Partner ~~/Compliance Manager~~. A Compliance Partner is appointed for each business group within Audit Scotland. The best way of making such a declaration is to use the Fit & Proper Self-Assessment Form. This information is then retained in a secure area of SharePoint for three years, after which it is destroyed. The Compliance Partner ~~/Manager~~ will contact you and discuss any issues arising from your disclosure, as appropriate.
17. Fit & Proper Self-Assessment forms are completed by all new staff and other workers when starting their employment / assignment with Audit Scotland. Audit Scotland annually requests that the ~~f~~Form is refreshed. If, between the annual cycle, your circumstances change and you have information that should be reported to the Compliance Partner then it is your responsibility to do so immediately.

18. The Fit & Proper Self-Assessment form is available to download from the Staff Handbook within SharePoint. Your completed form should be emailed to your business groups Compliance Partner using the email address on the form. Business group Compliance Partners are:

Business Group	Compliance Partner
Audit Services	Fiona Kordiak John Cornett
Corporate Services	Diane McGiffen Vicki Bibby
Innovation & Quality	Kenneth Oliver
Performance Audit & Best Value	Antony Clark

Openness, disclosure and protection of information

19. Audit Scotland carries out its work in the public interest and is committed to the principle of openness. You should follow the Freedom of Information (Scotland) Act and our [Freedom of Information and Environmental Information Regulations](#) policy.
20. There are occasions when information gathered during the course of your work must be kept confidential, both inside and outside the organisation and after leaving Audit Scotland. For example, when its disclosure would prejudice an investigation, breach confidentiality or contravene Data Protection legislation. This does not apply where there is a legal duty to provide information. You should follow our information management policy and procedures, including completing information management training if asked to do so.
21. We take information security very seriously. You must protect our information from inappropriate access, abuse, loss or damage. You must report any instance of this as quickly as possible and help fully in any investigation. Any breach of confidentiality or security may lead to an investigation under our discipline policy. Any wilful breach, such as unauthorised access or supply of information to others, could lead to the termination of your employment and to a criminal prosecution under Data Protection legislation. If you are in any doubt about a matter of confidentiality or security, please check with your manager.
22. If you are involved in an act that could cause Audit Scotland reputational risk or bring us into disrepute, e.g. you are arrested or charged for a criminal offence, you must tell Audit Scotland as soon as possible.

Paid employment outside Audit Scotland

23. We will normally allow you to undertake paid employment outside Audit Scotland in your own time unless there is a conflict of interest, or it is likely to have an adverse effect on the work of

Audit Scotland or on your own performance. A conflict of interest can arise where a member of staff seeks to do work for an audited body or to carry out work which relates to the work of Audit Scotland. Outside employment can adversely affect the work of Audit Scotland if it damages the organisation's reputation. It can affect your own performance if it significantly reduces your ability to carry out your duties. If you do work outside Audit Scotland you must first get the approval of your director ~~/audit/ associate director~~ and then advise the Human Resources team. This procedure is in your interests ~~and will protect you.~~ It will also allow us to meet our legal obligations in relation to family friendly benefits and Working Time Regulations. You are not allowed to use the equipment and resources of Audit Scotland in any outside employment.

24. If you receive a fee for a publication, broadcast, speech or lecture where you have used official information or your own work experience you must remit that fee to Audit Scotland. This also applies to external work carried out in working hours which attracts a fee. You may keep tokens of appreciation such as book tokens or commemorative items. You should let the Chief Operating Officer know of any tokens received as it will be recorded in a register kept for that purpose.

Hospitality

25. You should not accept or offer hospitality connected with your work unless you can justify it and be sure that it will not lead to criticism from colleagues or the public. In general, modest hospitality may be acceptable in some circumstances for example, a sandwich lunch.
26. Accepting, declining or giving of hospitality should be declared and recorded in the register kept for that purpose. When accepting or giving hospitality, you should get approval from your director ~~/audit/ associate director~~ and then let the Chief Operating Officer know. Hospitality given must be recorded in the register and the expenditure detailed in our financial accounting system. You must make sure that you charge the hospitality to the hospitality code 1255 and the appropriate cost centre for your business group. All reimbursement claims for hospitality given through expenses must follow the travel and expenses policy.
27. To help you decide what to declare, the following guidance may be useful:

Reporting hospitality received

28. Items not requiring declaration and recording are:
 - Working lunches at audited bodies, partner firms, working groups/committees, boards, professional institutes and other public bodies.
 - Meals and accommodation related to attendance at conferences, seminars and workshops.
29. Items that would require disclosure include:
 - Meals in external restaurants, whether working or not.
 - Attendance at functions organised/hosted by professional bodies.

- Receptions held by public bodies, partner firms or other parties where there is a widespread range of attendees, e.g. gallery viewings.
 - Functions where the focus of the event is an awards ceremony which involves a public-sector element.
 - Meals paid for by visiting delegations from other audit offices and Parliaments/ Governments.
30. You should not accept offers to attend social or sporting events unless it would be of benefit to Audit Scotland or where Audit Scotland would expect to be represented.
31. In exceptional circumstances it may be appropriate to accept hospitality in order to avoid embarrassment or offence for example, hospitality offered from overseas hosts when we are carrying out international work.
32. You should not accept repeated hospitality from the same source.

Reporting hospitality declined

33. Any offers of hospitality that you decline must be recorded.

Reporting hospitality given

34. Items not requiring declaration and recording are:
- Working lunches when hosting meetings and conferences with audited bodies, partner firms, working groups/committees/boards, professional institutes and other public bodies. Lunches should be modest in scale and may typically consist of a buffet/sandwiches and tea and coffee throughout the day.
 - Travel costs as part of recruitment.
 - Consultant travel and accommodation costs where this is part of the consultant's fee.
35. Items that would require disclosure would therefore include:
- Meals provided in external restaurants whether working or not.
 - Meals provided to international visitors/groups.
 - Provision of overnight accommodation.
 - Provision of travel, e.g. flights or train tickets.
 - Hospitality at or the provision of theatre or sporting event tickets.

Gifts

36. As a general rule, you must not accept personal gifts although you may keep isolated gifts of a trivial character such as a pen or diary, the token value of which must not exceed £50. Sometimes it may be appropriate to accept a gift of more than token value, for example where refusal would embarrass Audit Scotland or damage an important relationship. The acceptance of such a gift should be approved by your director/~~audit/associate director~~. Where an

inappropriate gift is received and you are unable to return it or the donor refuses to accept its return, you should report the circumstances to your director/~~audit/ associate director~~.

37. All gifts above token value will belong to Audit Scotland and are not a personal gift to you. The Chief Operating Officer keeps a register to record gifts, whether they are accepted or declined and to show that acceptance was authorised. The International Liaison Manager keeps a subsection of the gifts register for work with other countries. Any gifts received while carrying out work for other countries should be recorded in the register.
38. The giving of gifts is generally limited to international visits, the rules for which are set out in the Policy on visits, and the provision and acceptance of gifts ~~and~~ hospitality in relation to work with other countries. Gifts to visiting delegations are given as mementoes of their visit to Audit Scotland. They should of modest value (e.g., book, Quaich, paper weight) and should exclude alcohol. Gifts given to non-international visitors or organisations should be recorded in the hospitality and gifts register. Items that would not require disclosure are modestly priced books and pens; alcohol should not be given as a gift.
39. Gifts recorded in the register must have the expenditure detailed in our financial accounting system. You must make sure that you charge the gift to the hospitality code 1255 and the appropriate cost centre for your business group. All reimbursement claims for gifts given through expenses must follow the travel and expenses policy.

Bribery and corruption

40. Bribery is the offering, giving, receiving, or soliciting of any item of value or advantage to influence the actions of an official or any other person in charge of a public or legal duty.
41. It is a serious criminal offence for you to:
 - give, receive or solicit a bribe (i.e., to corruptly receive or give any gift, loans, fee, reward or advantage) in return for doing or not doing anything
 - show favour or disfavour to any person in the course of your work.
42. An act of bribery by an individual may make Audit Scotland liable of committing an offence. We have a zero tolerance to bribery and corruption, and such an act can lead to dismissal and prosecution.

Use of resources

43. You and your colleagues serve the public, and you must remember this principle when you use Audit Scotland's equipment, materials and resources to ensure value for money and economy, efficiency and effectiveness.
44. The equipment of Audit Scotland is available to you for use in your personal affairs, provided that:
 - it is in your own time
 - the cost of any consumables, e.g. paper, postage, telephone calls is met by you

- you are not receiving any fee or reward for the purpose
- you don't store your personal (non-work related) information on Audit Scotland equipment you follow our policy on the use of electronic media such as email and the Internet.

Appointments

45. All appointments must be made on merit. If you are involved in the recruitment and selection process and have any kind of relationship which might affect your ability to be impartial, it must be declared to your director [and Human Resources](#).

45.46. ~~/audit/ associate director.~~ Your director ~~/audit/ associate director~~ and the person chairing the selection process will decide whether you can take part in the process. The same procedure must be followed in other HR processes such as grievance, discipline or performance reviews.

46.47. You must not try to influence board members or a colleague either directly or indirectly to secure your own appointment or promotion, or the appointment or promotion of another person. You must report any instances of this occurring to your Director ~~/Audit/ Associate Director~~ and the [Head of HR & OD Manager](#).

Disclosure

47.48. We have access to a broad range of sensitive data and a number of the bodies we audit request staff to be security checked. The integrity and security of public information is core to the values of Audit Scotland and therefore all employees are subject to Disclosure checks [in line with our Security Clearance policy which can be found in the Staff Handbook](#).

48.49. Baseline Personnel Security Standard (BPSS) is the entry level check and forms part of a package or checks that represent good recruitment and employment practice. It provides an appropriate level of assurance as to the trustworthiness and integrity of prospective and existing workers. It involves verification of identity, nationality and immigration status together with employment history and criminal record declaration. The basic criminal record check (through Disclosure Scotland) will be carried out which will show any unspent convictions. Everyone working with Audit Scotland will be asked to consent to this baseline level of security clearance.

49.50. The next level is called Standard Disclosure and is required for all workers across Audit Services and [some across](#) Performance Audit & Best Value. [Only those who are accountants by definition require a standard check.](#) Some workers in [Corporateour Finance team, HR and Digital](#) may be required to participate in checks to this level due to the nature of their work [as accountants](#). Standard Disclosure enables Audit Scotland to check for certain spent convictions.

50.51. Enhanced Disclosure will only be needed when a worker, normally within Audit Services or Performance Audit & Best Value, is working with children or vulnerable people in the course of their work. If the worker is to be involved in such work on a long-term basis then Audit Scotland may decide to include security clearance in line with the Protection of Vulnerable

Groups (PVG) to ensure continuous monitoring of the workers status. If necessary, all of the foregoing is ~~also~~ undertaken by our HR ~~& OD~~ team.

~~54.52.~~ Security Clearance, Counter-terrorism checks and Developed Vetting will normally only be required when workers are involved in dealing with secret or sensitive data. Your manager will discuss this with you if it is required. This may be undertaken by the HR ~~& OD~~ team or by our client organisation (i.e. Scottish Police Authority, Scottish Corporate Parliamentary Body etc.).

Media

~~52.53.~~ In your work with Audit Scotland, any contact with the media is likely to come from the Audit Scotland Communications team. If you are approached directly by the media, you should speak with the Communications Manager or one of the communications officers, unless circumstances make that impossible and it is better for you to respond to the media enquiry. In this case you must tell the Communications team afterwards. More detailed advice for Audit Services staff can be found in the Audit Manual. Media training is available for staff most likely to need it. Contact the Communications team or your line manager for more information.

Social Media

~~53.54.~~ Audit Scotland has a Social Media Strategy which sets out guidance for staff on how to conduct themselves on social media platforms. Employees must conduct themselves according to high standards at all times and be conscious that they act in the best interests of Audit Scotland.

~~54.55.~~ In particular, when posting on social media platforms staff must be vigilant about:

- posting political views, or comments that could compromise your duty to be politically neutral in public
- posting derogatory or inflammatory comments, or getting into heated exchanges with others
- understanding whether a post is public or private. It can be easy to think you are posting to a private group but in fact be posting for anybody to see.

Political neutrality

~~55.56.~~ The public expects you to carry out your work in a politically neutral way. You must follow our policies, despite any personal views, and you must not do anything which might call into question the independence and political neutrality of Audit Scotland. You have the right to be a member of a political party, but it would be unsuitable to take part in high profile public party-political activity. If you are in any doubt, you should take advice from your director ~~/audit/~~ ~~associate + director.~~

Health and safety at work

56.57. We have a duty to ensure that all reasonable steps are taken to provide staff with a safe and healthy working environment. We will comply with the Health and Safety at Work Act, any other associated legislation and statutory codes of practice.

57.58. You have a duty under the Health and Safety at Work Act **1974** for the health, safety and welfare of yourself and others, including members of the general public who may be affected by what you do or fail to do at work. You must comply with our Health and Safety policy and cooperate with us in our compliance with health and safety legislation.

Fair and reasonable treatment at work

58.59. You should expect fair and reasonable treatment from your colleagues and managers. If you feel that you have been unfairly treated or have been discriminated against, there is a grievance procedure that you can use.

59.60. We expect you to support and comply with our policies, practices and procedures, both in your dealings with colleagues and those outside the organisation. You should not do anything which might undermine or adversely affect any position or decision of Audit Scotland.

60.61. We also have a whistleblowing policy. You should refer to this if you feel that you have been required to act in a way, or have become aware of practices in the organisation, which might be illegal, improper, unethical or in conflict with the principles of this Code.

Working from home

61.62. Audit Scotland has a clear commitment to a range of flexible working options, including working from home. This provides you with the freedom to choose where and when you work.

62.63. Working from home can be required by the Incident Management Team for all staff during a national pandemic, and for an unspecified duration.

63.64. ~~During the time you work from home~~While working from home, we expect you to adhere to our policies, practices and procedures on digital security and data protection.

64.65. Health and safety is an organisational priority. While working from home, it is essential that you adhere to organisational requests around home workstation assessments to ensure that your health and safety needs are met. Assistance and advice is available from Digital Services and Business Support Services who will assist in determining your requirements.

Annual policy review of records management policies

Corporate Governance Manager

Item 15
Meeting date: 28 September 2022

Purpose

1. This report invites the Board to approve the submission of Audit Scotland's Records Management Policy for a further year.

Background

2. Audit Scotland has a policy, records management plan and procedures in place to ensure compliance with the Public Records (Scotland) Act 2011 (PRSA).
3. Records management is regularly discussed at the internal forum, the Knowledge, Information and Technology Governance Group (KITGG) which meets six times a year. Records management is a standing item for scrutiny via Information Risk Register.
4. Information Asset Owners (IAOs) from across the organisation undertake an annual review of the Information Asset Register (IAR) to ensure that all records are managed effectively and efficiently.
5. The policy is reviewed on an annual basis to ensure it is up to date and submitted to the KITGG, Executive Team and Board for approval.
6. This also forms part of the annual assurance process in support of the Accountable Officer's Governance Statement.

Annual review of Records Management Policy

7. The Corporate Governance Manager and KITGG carried out a review of the Records Management Policy during August 2022.
8. The review found the policy required a minor amendment to reflect Audit Scotland's Records Management Plan, 2021-26.
9. In October 2020, the National Records of Scotland (NRS) invited Audit Scotland to submit a five-year plan for assessment in January 2021. The submission was made within timescale and Audit Scotland provided its assessment response in December 2021.
10. Following the submission of additional evidence, the Keeper of the Records [wrote](#) to Audit Scotland on 31 August 2022 to confirm their approval of the new plan.

Recommendations

11. The Board is invited to approve the updated records management policy.

Records Management Policy

Owned and maintained by:	Corporate Governance Manager				
Approved from:	September 202 2 ⁴	Next review:	September 202 3 ²	Version:	0 9 ⁸

Introduction

1. The Public Records (Scotland) Act 2011 (the Act) places a duty on us to prepare and implement a records management plan which sets out proper arrangements for the management of our public records.
2. We recognise that the efficient management of our knowledge, information and records is essential to support our work, to facilitate our governance and management, to manage risk and to comply with our legal obligations under the Act and other legislation as enacted from time to time.
3. Records, like any other company asset, are vital to our past, present and future work. They show decisions made and the steps taken towards those decisions. Records and the information they contain form part of our corporate memory and therefore must be managed systematically from creation to disposal.
4. Records are fundamental to our Audit Quality arrangements and professional standards and running Audit Scotland efficiently and effectively.

Scope

5. This records management policy applies to Audit Scotland, the Accounts Commission and the Auditor General.

Definition

6. A record is information in any medium, created, received and maintained as evidence and information by an organisation or person, in pursuance of legal obligations or in the transaction of business.

Roles and responsibilities

7. The Chief Operating Officer is responsible for ensuring there are appropriate arrangements for managing information and records.
8. In support of the Chief Operating Officer the Corporate Governance Manager is responsible for the day-to-day records management arrangements for Audit Scotland, the Accounts

Commission and the Auditor General. The security of our electronic information systems is the responsibility of Audit Scotland's Digital Services Manager.

9. It is the Knowledge, Information & Technology Governance Group's (KITGG) role to ensure this policy remains relevant, represents good practice and is implemented effectively.
10. However, records management is the responsibility of everyone and this principle is embedded in our Code of Conduct. We are all expected to ensure the effective management of our records and the information we collect, create, store, share and dispose of, and to undergo training as required.

The principles of good records management

11. It is our policy to fully comply with the Public Records (Scotland) Act 2011 and to apply the guiding principles of records management to ensure that information is available when and where it is needed, in an organised and efficient manner, and in a well maintained environment.

12. We must therefore ensure that our records are:

1. Authentic

It must be possible to prove that records are what they purport to be and who created them is known, by keeping a record of their management through time. Where information is later added to an existing document within a record, the added information must be signed and dated. With electronic records, changes and additions must be identifiable through audit trails.

2. Accurate

Records must accurately reflect the transactions and other business activities that they describe.

3. Accessible

Records must be readily available when needed.

4. Complete

Records must be sufficient in content, context and structure to reconstruct the relevant activities and transactions that they describe.

5. Comprehensive

Records must document the complete range of an organisation's business.

6. Compliant

Records must comply with any record keeping requirements resulting from legislation, audit rules, professional standards and other relevant regulations.

7. Effective

Records must be maintained for specific purposes and the information contained in them must

meet those purposes. Records will be identified and linked to the business process to which they are related.

8. Secure

Records must be securely maintained to prevent unauthorised access, alteration, damage or removal. They must be stored in a secure environment, the degree of security reflecting the sensitivity and importance of the contents. Where records are migrated across changes in technology, the evidence preserved must remain authentic and accurate.

13. Guidance in support of this policy has been prepared and is available to all staff in [SharePoint](#).
14. Business groups across Audit Scotland are responsible for the appropriate retention and disposal of files within their SharePoint sites, including the labelling of files to accurately determine ownership, sensitivity, file type and the current status of the document.

Training and awareness

15. It is vital that everyone understands their information and record management responsibilities as set out in this policy. Therefore, directors and managers will ensure that staff are appropriately trained/briefed on how to manage records in accordance with this policy and our records management guidance.
16. In addition, training has been established to ensure that all staff are aware of their information obligations regarding Data Protection, Data Security and Freedom of Information.

Supplementary documentation

17. The following Acts, policies, standards, procedures and guides should be used to support and supplement this policy:

- [Audit Scotland Records Management Plan, 2021-26](#)
- Public Records (Scotland) Act 2011
- Model Records Management Plan (revised 2019)
- Data Protection Act 2018 & UK General Data Protection Regulation (UK GDPR)
- European Union (Withdrawal) Act 2018
- Freedom of Information (Scotland) Act 2002 (FOISA)
- Audit Scotland's Data Protection Policy
- Audit Scotland's Freedom of Information Policy
- Audit Scotland's Clear Desk and Screen Policy
- Audit Scotland's Information Security Management Policy
- FOSIA section 61 Code of Practice on records management
- Managing records - a staff guide
- Procedure for transferring information to the National Archive of Scotland
- Audit Scotland's records retention schedule

- Audit requirements:
 - Audit standards e.g. ISA's
 - Audit Services audit and MKI guidance
 - Audit Management Frameworks.

Staff handbook policy review

HR Assistant Manager

Item 16
Meeting date: 28 September 2022

Purpose

1. This report is to invite the Board to conduct an annual review of policies held within our staff handbook on SharePoint that requires final approval by the Board.

Background

2. PCS and the Executive Team have been consulted on the proposed amendments to our Whistleblowing policy and their suggested changes are incorporated within the version included for your review.

Considerations

3. Our Executive Team is keen to ensure that we support colleagues who wish to raise a whistleblowing concern and that our policy is supported by suitable clear processes.
4. The inclusion of detail around an investigating officer should allow for more flexibility in having a pool of suitable investigators available.
5. We are keen to undertake a wider benchmarking exercise of our policy and guidance available in relation to other public sector bodies and would propose that this is conducted within the year, with a return to the Board for approval.

Recommendations

6. The Board is invited to:
 - note the report
 - approve the changes proposed subject to any discussion today.

Whistleblowing Policy

Owned and maintained by:	Human Resources
Date Checked/created:	June 2019 June 2022
Next review date:	June 2024 ¹

Introduction

1. Audit Scotland encourages an open culture in dealings between its employees and all people with whom we engage. In particular, we recognise that effective and honest communication is essential if concerns about breaches or failures are to be effectively dealt with and the organisation's success ensured.
2. All of us at one time or another have concerns about what is happening at work. Usually, these concerns are easily resolved. However, when they are about unlawful conduct, financial malpractice or actions that could damage the reputation of Audit Scotland it can be difficult to know what to do.
3. Audit Scotland has introduced this policy to enable all those who work with or within the organisation to raise their concerns about such malpractice at an early stage and in the right way. We would rather you raised the matter when it is just a concern rather than wait for proof.
4. If something is troubling you and you think we should know about it, please follow the section on how to raise a concern internally. However, if you are aggrieved about your personal position, please use the Grievance Policy within the staff handbook on Sharepoint. This policy is primarily for concerns where the interests of others or of the organisation itself are at risk. It should be read in conjunction with our Counter Fraud Policy.
3. —
- 4.5. There may be occasions when, due to individual acts, omissions or failings, it may be necessary to bring certain matters ~~which give cause for serious concern~~ to the attention of Audit Scotland's [Executive Management team](#). If you are concerned about an aspect of individual behaviour or ~~Audit Scotland~~ practice, you should raise it. Your concerns may fall under one (or more) of the following categories:
 - A criminal offence has been committed, is being committed or is likely to be committed.
 - A person has failed, is failing or is likely to fail to comply with any legal obligation to which [they are he/she is](#) subject.
 - A miscarriage of justice has occurred, is occurring or is likely to occur.

- The health and safety of any individual has been, is being or is likely to be endangered.
- A person has supplied, is supplying or is likely to supply Audit Scotland and / or client information, without appropriate authorisation.
- The environment has been, is being or is likely to be damaged.
- Information tending to show any matter falling within any of the above has been, is being or is likely to be deliberately concealed.

Personal and Vicarious Liability

6. Amendments made to the Public Interest Disclosure Act 1998 which came into force in 2013 included new rules introducing personal and vicarious liability. These changes mean that individuals can face personal liability to whistleblowers, and employers can be “vicariously” liable for the acts of their staff (irrespective of whether the acts are done with their knowledge or approval).

~~5. You may be worried about raising such issues or may want to keep the concerns to yourself, perhaps feeling it’s none of your business or that it’s only a suspicion. You may feel that raising the matter would be disloyal to colleagues, managers or the organisation. You may decide to say something but find you have spoken to the wrong person or raised the issue in the wrong way and are not sure what to do next.~~

~~6. If something is troubling you and you think we should know about it, please follow the section on how to raise a concern internally. However, if you are aggrieved about your personal position, please use the Grievance Policy within the staff handbook in ishare. This policy is primarily for concerns where the interests of others or of the organisation itself are at risk. It should be read in conjunction with our Counter Fraud Policy.~~

Our Assurances to you

Your safety

7. The Board and Executive Management Team are committed to this policy. If you raise a genuine concern under this policy, you will not be at risk of losing your job or suffering any form of retribution as a result. Provided you are acting in the public interest, and Audit Scotland's Executive Management Team is are satisfied you had a genuine belief of the wrongdoing committed and no personal gain was involved, it does not matter if you are mistaken. ~~Of course, we do not extend this assurance to someone who maliciously raises a matter they know is untrue.~~
8. If your concern is subsequently shown to be false or inaccurate, employees will be informed of the discrepancy between their report and the facts at hand.

Your confidence

9. We will not tolerate the harassment or victimisation of anyone raising a genuine concern. However, we recognise that you may nonetheless want to raise a concern in confidence under

this policy. If you ask us to protect your identity by keeping your confidence, we will not disclose it without your consent. If the situation arises where we are not able to resolve the concern without revealing your identity (e.g. because your evidence is needed in court), we will discuss with you whether and how we can proceed.

- ~~10. Remember if you do not tell us who you are, it is much more difficult for us to look into the matter, protect your position or give you feedback. Accordingly, while we will consider anonymous disclosures reports, this policy is not appropriate for concerns raised anonymously.~~
- ~~11.10. We strive to create a working environment that promotes dignity and respect for all. No form of bullying, harassment or victimisation will be tolerated against any member of staff on the grounds of them raising a concern.~~
- ~~12. If you believe that you are being subjected to a detriment as a result of raising concerns under this policy, you should raise the matter under the staff grievance policy and procedure, as appropriate. Any staff member who victimises or retaliates against those who have raised concerns under this policy will be subject to disciplinary action.~~

How we will handle the matter

- ~~13.11. Once you have told us of your concern, we will look to assess what action should be taken. This may involve an internal inquiry or alternative a more formal investigation. We will tell you who is handling the matter, how you can contact them and whether your further assistance may be needed. If you request, we will write to you summarising your concern and how we propose to handle it, together, with the relevant outcome (once known) save for in instances where an obligation of confidentiality arises.~~
- ~~12. Due to the varied nature of these sorts of concerns, which may involve internal investigators and / or the police, it is not possible to lay down precise timescales for such investigations. The investigating officer will ensure that the investigations are undertaken as quickly as possible without affecting the quality of and depth of the investigations.~~
- ~~14.13. The investigating officer will be a senior individual from Audit Scotland, but the officer will not work within the same business area from where a concern has been raised against.~~
- ~~15.14. When you raise the concern, you may be asked how you think the matter might best be resolved. If you do have any personal interest in the matter, you should tell us at the outset. If your concern falls more properly within the Grievance Policy, we will decide whether to uphold your proposal tell you.~~
- ~~16. While the purpose of this policy is to enable us to investigate possible malpractice and take appropriate steps to deal with it, we will give you as much feedback as we properly can.~~
- ~~17. If requested, we will confirm our response to you in writing. However, please note that we may not be able to tell you the precise action we take where this would infringe a duty of confidence owed by us to someone else.~~

~~19-15.~~ We will keep summary details of each whistleblowing matter raised and investigated to enable annual reporting of disclosures made under this policy.

How to raise a concern internally

~~19-16.~~ Step one - If you have a concern about malpractice, we hope you will feel able to raise it first with your manager. This may be done orally or in writing.

~~20-17.~~ Step two - If you feel unable to raise the matter with your manager, for whatever reason, please raise the matter with [the Chief Operating Officer or another member of the Executive Management team](#) ~~Diane McGiffen, Chief Operating Officer on 0131 625 1608~~. Please say if you want to raise the matter in confidence so that they can make appropriate arrangements.

~~21-18.~~ Step three - If these channels have been followed and you still have concerns, or if you feel that the matter is so serious that you cannot discuss it with any of the above, please contact [Alan Alexander](#) ~~Heather Logan, Board Member on 07770 492 475 or Colin Crosby, Chair of the Audit Committee on 07976 631 836~~ ~~07976 631836~~.

~~Personal and Vicarious Liability~~

~~22-1.~~ ~~Amendments made to the Public Interest Disclosure Act 1998 which came into force in 2013 included new rules introducing personal and vicarious liability. These changes mean that individuals can face personal liability to whistleblowers, and employers can be "vicariously" liable for the acts of their staff (irrespective of whether the acts are done with their knowledge or approval).~~

Independent advice

~~23-19.~~ If you are unsure whether to use this procedure or you want independent advice at any stage, you may contact:

- your union (if applicable); or
- the independent charity Protect (formally known as Public Concern at Work) on 020 3117 2520. Their lawyers can give you free confidential advice at any stage about how to raise a concern about serious malpractice at work. Alternatively, visit their [website](#).

External contacts

~~24.~~ While we hope this policy gives you the reassurance you need to raise such matters internally, we recognise that there may be circumstances where you can properly report matters to outside bodies, such as regulators or the police. Protect (or, if applicable, your union) will be able to advise you on such an option and on the circumstances in which you may be able to contact an outside body safely.

~~If you are dissatisfied~~

~~25.~~ ~~If you are unhappy with our response, you can go to the other levels and bodies detailed in this policy. While we cannot guarantee we will respond to all matters in the way you might wish, we~~

~~will try to handle all matters fairly and properly. By using this policy, you will help us achieve this. In the event of your dissatisfaction, you should speak with any of the organisations or other relevant bodies mentioned in this policy.~~

20.

2023 Proposed Board and Committee meeting schedule

Chief Operating Officer

Item 17
Meeting date: 28 September 2022

Purpose

1. This report invites the Board to approve the proposed meeting schedule for the Board and its committees during 2023.

Background

2. The Board typically agrees its schedule of meeting dates for the year to come in September/October of each year. In 2022 six Board meetings were scheduled.
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 is attached at Appendix 1 and a schedule of indicative Board items is attached at Appendix 2.
5. Currently all meetings are scheduled to be held in West Port. However, we propose holding a meeting in the Glasgow office to allow the opportunity for members to meet colleagues.
6. The Standing Orders provide for any additional meetings to be called should they be required.

Recommendations

7. The Board is invited to approve the proposed meeting dates for 2023.
8. The Board is invited to approve the option of holding a meeting in the Glasgow office annually.

Proposed meeting schedule 2023

Audit Committee*	Human Resources and Remuneration Committee*	Board⁺
		24 January 2023
7 March 2023	7 March 2023	
		4 April 2023
16 May 2023	16 May 2023	23 May 2023
6 June 2023 (AR&Accs)		6 June 2023 (AR&Accs)
5 September 2023		26 September 2023
14 November 2023	14 November 2023	21 November 2023

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

* Committee meetings will be held in West Port.

Indicative Work Programme 2023 – Audit Scotland Board

24 January 2023	4 April 2023	23 May 2023	6 June 2023	26 September 2023	21 November 2023
<p>Agenda items include:</p> <ul style="list-style-type: none"> • Standing items • SIP update • Environmental scan • Publication programme • SCPA report on budget submission • Openness and transparency/Board development • Best companies results 	<p>Agenda items include:</p> <ul style="list-style-type: none"> • Standing items • SIP update • Q3 performance reporting • Annual report and accounts timeline and outline plan • Equality outcomes • Board development • Draft Corporate Plan 	<p>Agenda items include:</p> <ul style="list-style-type: none"> • Standing items • Draft Annual report and accounts • Review of information, governance and security policies 	<p>Agenda items include:</p> <ul style="list-style-type: none"> • Standing items • SIP update • Q4 performance reporting • Annual report and accounts • Annual reporting • Governance and assurance reporting 	<p>Agenda items include:</p> <ul style="list-style-type: none"> • Standing items • SIP update • Q1 performance reporting • Audit Scotland’s draft budget submission • 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 • SIP update • Q2 performance reporting • Audit Scotland’s budget submission • Review Scheme of delegation/Financial regulations and Standing orders • Board development/self-evaluation

Agenda

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

-
1. Private meeting of members
 2. Welcome and apologies
 3. Declarations of interest
 4. Items to be taken in private

Standing items

- | | |
|--|-----------------|
| 5. Chair's report - verbal update | For information |
| 6. Accountable Officer's report - verbal update | For information |
| 7. Accounts Commission Chair's report - verbal update | For information |
| 8. Review of draft minutes: | |
| • Remuneration and Human Resources Committee 11 May 2022 | For information |
| • Audit Committee 7 September 2022 | For information |
| • Board meeting: 28 September 2022 | For approval |
| • Remuneration and Human Resources Committee 28 September 2022 | For information |
| 9. Review of action tracker | For information |
| 10. Covid-19 – verbal update | For information |

Business planning, performance and governance

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

Conclusion

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

Items to be taken in private

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

Minutes

Audit Committee



Wednesday 7 September 2022, 10.00am
Microsoft Teams

Present:

C Crosby (Chair)
J Mann

Apologies:

W Moyes, Chair of the Accounts Commission

In attendance:

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

1. Private meeting with Wylie & Bisset LLP

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

2. Welcome and apologies

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

3. Declarations of interests

There were no declarations of interest.

4. Minutes of the last meeting: 1 June 2022

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

No other amendments were requested.

The Audit Committee approved the minutes of the previous meeting.

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

5. Review of action tracker

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

Gayle Fitzpatrick, Corporate Governance Manager, advised that the tracker had been updated and was for noting.

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

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

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

6. Q1 Financial report

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

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

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

The Audit Committee noted the Q1 Financial report.

7. Review of risk register

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

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

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

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

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

The Audit Committee noted the review of the risk register.

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

8. Internal audit plan 2022/23 verbal update

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

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

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

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

9. Annual review of Corporate Governance policies

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

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

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

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

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

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

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

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

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

10. Q1 Data Incidents / Loss report

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

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

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

The Audit Committee noted the data incidents/loss report.

11. Digital Security

David Robertson, Digital Services Manager, joined the meeting.

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

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

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

The Audit Committee noted the Digital Security update.

12. Any other business

There were no items of other business

13. Review of meeting

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

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

14. Date of next meeting

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

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

Minutes Board

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

Present:

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

Apologies:

There were no apologies.

In attendance:

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

1. Private meeting of Board members

The Board met privately and there were no matters arising.

2. Welcome and apologies

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

The Chair welcomed attendees to the meeting.

3. Declarations of interest

The following declarations of interest were noted:

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

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

4. Items to be taken in private

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

5. Chair's report – verbal update

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

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

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

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

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

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

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

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

Following discussion, the Board welcomed the update.

6. Accountable Officer's report – verbal update

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

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

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

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

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

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

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

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

Following discussion, the Board welcomed the update.

7. Accounts Commission Chair's report – verbal update

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

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

Following discussion, the Board welcomed the update.

8. Review of minutes

Audit Committee meeting: 1 June 2022

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

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

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

Board meeting: 1 June 2022

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

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

9. Review of action tracker

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

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

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

The Board noted the updated action tracker.

10. Covid-19 – verbal update

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

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

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

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

Following discussion, the Board noted the update.

11. Strategic Improvement Programme update

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

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

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

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

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

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

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

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

12. Q1 Corporate performance report

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

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

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

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

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

Following discussion, the Board welcomed the update.

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

Gayle Fitzpatrick and Ian Metcalfe left the meeting.

13. Q1 Financial performance report

Stuart Dennis, Corporate Finance Manager, joined the meeting.

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

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

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

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

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

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

Stuart Dennis left the meeting.

14. Annual review of corporate governance policies

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

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

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

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

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

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

15. Annual policy review of records management policies

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

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

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

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

Gayle Fitzpatrick and Ian Metcalfe left the meeting.

16. Staff handbook policy review

Susan Burgess, Assistant HR Manager, joined the meeting.

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

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

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

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

Susan Burgess left the meeting.

17. 2023 Proposed Board and Committee meeting schedule

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

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

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

18. Any other business

There was no other business for discussion.

19. Review of meeting

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

The Chair thanked everyone for their contributions.

20. Date of next meeting: 23 November 2022

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

Items taken in private

21. HSE stress survey results and action plan

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Michelle Borland and Simon Ebbett left the meeting.

23. 2023/24 Budget proposal

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

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

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

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

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

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

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

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

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

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

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

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

Following discussion, the Board welcomed and noted the report.

Stuart Dennis left the meeting.

25. 10-year review of trainee scheme provider

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

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

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

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

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

Michael Oliphant and Stephanie Harold left the meeting.

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

Q2 Corporate performance report

Corporate Governance Manager

Item 11
Meeting date: 23 November 2022

Purpose

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

Recommendations

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

Planned performance management developments

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

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

Q2 performance summary

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

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

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

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

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

Delivering world class public audit

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

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

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

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

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

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

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

Being a world class organisation

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

2022/23: Q2 performance summary

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

Key performance messages in Q2:

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

Key:

Red	Not progressing/significant additional management action required.
Amber	Progressing and management action planned.
Green	On target/no need for additional management action

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

Key performance messages in Q2:

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

Key actions

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

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

Appendix 2

Performance detail 2022/23: Quarter 2

Delivering world class public audit

We conduct relevant and timely audits and report in public

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

Key messages

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

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

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

Delays

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

Removing

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

Audit/report schedule 2022/23

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

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

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

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

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

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

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

Forward look

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

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

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

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

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

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

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

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

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

Risks

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

Delivering world class public audit	Audit work is of high quality, and we are systematically improving the quality of our work
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Key Performance Questions	2020-21				2021-22				2022-23			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Are we assured about the quality of our work?	↔	↔	↔	✘	↔	↔	↔	↔	↔	↔		
Are we improving the quality of our work?	↔	↔	↔	✘	↔	↔	↔	↔	↔	↔		

Key messages

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

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

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

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

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

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

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

Technical Guidance issued in the quarter included:

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

Forward look

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

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

Key messages

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

Engagement: In Q2 we attended/delivered:

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

Parliamentary engagement

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

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

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

Media in Q2:

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

Downloads in Q2:

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

Social media activity in Q2:

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

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

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

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

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

Consultations in Q2:

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

Correspondence

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

FOI/EIR/Complaints in Q2:

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

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

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

Performance reports

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

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

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

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

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

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

Health

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

Local Government

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

Central Government

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

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

Forward look

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

Delivering world class public audit

We develop new and improved processes, products and services

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

Key messages:

Improved processes, products and services included:

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

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

Being a world-class organisation

We manage our resources effectively and maximise efficiency

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

Key messages

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

Resource management

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

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

Staff

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

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

Staff and Agency costs

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

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

Legal, professional and consultancy:

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

Estate

	Q1	Q2	Q3	Q4
Actual	223	485		
Budget	236	476		
Prior year spend	194	401		

Costs of travel

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

	Q1	Q2	Q3	Q4
Actual	73	169		
Budget	123	259		
Prior year spend	75	149		

Capital Expenditure:

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

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

Digital Services

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

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

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

Business group audit and non-audit time

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

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

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

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

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

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

Being a world-class organisation

We manage information and intelligence effectively (internal)

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

Key messages

During Q2:

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

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

Issues/risks

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

Being a world-class organisation

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

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

Key Messages:

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

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

Career Paths:

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

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

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

Staff turnover:

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

Exam results:

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

Training:

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

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

Other training included:

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

Forward look

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

Issues/ risks

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

Q2 Financial performance report

Corporate Finance Manager

Item 12
Meeting date: 23 November 2022

Purpose

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

Background

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

Discussion

4. At the end of the September 2022 Audit Scotland's Net Operating Expenditure was £4,544k which was £5k (0.1%) better than budget.
5. In-house income was in total £520k (11.9%) worse than budget. Fee income for 2021/22 audits has a negative volume variance of £606k and a positive price variance of £46k. The prior year income of £40k is the balance recognised following the completion of the 2021 EAFA audit.
6. Fee income earned for audits carried out by external firms net of fees and expenses paid to the firms was £18k worse than budget. Income recognition was £274k worse than budget with fees and expenses payable to the external firms being £256k better than budget.
7. Staff costs including agency expenditure was £723k (7.0%) better than budget.
8. Other expenditure £177k (9.8%) worse than budget. The main positive variance was recorded in travel & subsistence (£90k) with the main adverse variances appearing in information technology (£136k), recruitment (£32k) and depreciation (£31k).
9. The detailed variance analysis and explanation is provided in Appendix 1 attached to this report. Appendix 1 also includes a section on the allocation of management contingency and the key financial risks.

Virement

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

Recommendation

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

Headline Results

The summary financial position to 30 September 2022:

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

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

1. Fee Income – In House

Variances arise in fee income as a result of volume and price differences. Volume variances occur when audit work is carried out at different times and/or durations than planned. Price variances reflect the difference in actual fees to expected fees originally budgeted and is based on additional work undertaken and agreed with the audited body.

The table below shows the performance by sector as at 30 September 2022 for in-house audits:

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

Local Government

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

Health

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

Further Education (FE)

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

Central Government

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

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

Non-statutory

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

2. Fee income and expenditure – Audit Firms

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

Audit firms can negotiate fee increases within set parameters above expected fees with audited bodies. Primarily increases in fees will relate to increased complexity and additional work undertaken for which the audited body has agreed to pay an additional fee.

The table, below, shows the performance for approved auditors by sector to 30 September 2022:

Sector	2021/22 Audit Year		Prior Years	Total	
	Volume	Price			
	WIP %	£	£	£	£
Local Government	-8.94	-267	+54	-	-213
Health	-3.68	-40	+40	-	-
Water	-	-	-	-	-
FE	-7.44	-34	+19	-	-15
Central Government	-10.56	-62	+16	-	-46
Total – Sep 22	-8.05	-403	+129	-	-274

Local Government

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

Health

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

Water

The 2021/22 audit is complete.

Further Education (FE)

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

Central Government

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

3. Staff & Agency Costs

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

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

There have been no agency costs year to date.

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

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

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

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

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

4. Travel and subsistence

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

Savings of £40k have also been generated in this expenditure heading due to reduced car lease expenditure. The underspend is attributable to mileage credits on return of vehicles to the lessor and members of the scheme leaving/retiring from Audit Scotland with there being no further obligation in respect of the lease car.

5. Training and recruitment

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

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

6. Information technology

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

7. Audit costs

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

8. Depreciation

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

9. Other costs

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

Contingency and Financial risks

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

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

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

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

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

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

Capital Expenditure and Funding

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

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

Stuart Dennis
Corporate Finance Manager
1 November 2022

Purpose

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

Recommendations

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

Background

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

Considerations

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

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

Conclusion

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

Standing Orders

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

Contents

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

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

Standing orders

Introduction

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

Constitution

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

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

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

Chair

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

Meetings

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

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

Agenda and Papers

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

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

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

Conduct of Business

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

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

Minutes

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

Directions

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

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

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

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

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

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

Vacancy

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

Code of Conduct

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

Committees

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

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

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

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

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

Deeds and Documents

~~38.39.~~ Any deed or document requiring formal execution by Audit Scotland will be signed for and on behalf of Audit Scotland by the Chair of the Accounts Commission or the Auditor General for Scotland and the Chief Operating Officer.

Advisers and Committee Co-optees

~~39.40.~~ The Board may appoint advisers and/or co-optees to Committees and pay them such remuneration and expenses as the Board decide. The co-option appointment procedure is contained in Appendix 4.

~~40.41.~~ Employees of Audit Scotland, advisers and others may be present at items taken in private at meetings of the Board at the invitation of the members.

Openness and Transparency

~~41.42.~~ The Board meet in public where possible. Agendae, minutes and papers to be considered will be published on the Audit Scotland website. Meetings may be conducted by video conference. In these instances, meetings may not be held publicly, though in the interests of inclusivity and upholding our commitment to transparency agendas, minutes, reports and recordings of meetings will be published online.

Board Effectiveness

~~42.43.~~ The Board will conduct a self-evaluation of its effectiveness on an annual basis.

Application of Standing Orders

~~43.44.~~ These Standing Orders will apply to meetings of committees of the Board subject to any due modification of details.

Alteration

~~44.45.~~ These Standing Orders may be altered by the Board provided that the alteration is approved by a majority of the members of the Board.

Appendix 1: Audit Committee remit

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

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

Internal Control and Corporate Governance

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

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

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

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

Internal Audit

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

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

External Audit

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

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

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

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

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

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

Annual Accounts

54-55. To review and recommend approval of the Annual Accounts.

Standing Orders, Financial Regulations and Scheme of Delegation

55-56. To keep under review the Standing Orders, Financial Regulations and Scheme of Delegation and recommend to the Board any amendments.

Other duties

56-57. The Audit Committee may take on other duties as determined by the Audit Scotland Board.

Appendix 2: Remuneration & Human Resources Committee remit

57-58. The Remuneration & Human Resources Committee (Remco) will consist of members of the Board. The Accountable Officer became a formal member of Remco during 2021. The Board may appoint persons who are not members of the Board to be members of or advisers to the Remuneration & Human Resources Committee and may pay them such remuneration and expenses as the Board decided.

58-59. The purposes are detailed in the Remuneration & Human Resources Committee terms of reference.

Remuneration & Human Resources Committee responsibilities

59-60. In relation to members of Audit Scotland's Executive Team, are to:

- Review and approve all terms & conditions of employment, including job descriptions, all pay and benefit reward elements associated with each post.
- Ensure remuneration policy and strategy is aligned to the relevant public sector policies being implemented by the UK and Scottish Governments.
- Set and review the overall reward structure, including the value of pay ranges and general annual pay award strategy.
- Assure itself that effective arrangements are followed for performance assessments in respect of Audit Scotland's Executive Team, including any changes to pay and benefits arising from the assessment of performance during the review period.
- Review talent management and succession planning arrangements.
- Approve remuneration packages for newly appointed members of the Executive Team.
- Recommend appointments and changes affecting Executive Team to the Board.
- Decide on applications for early retirement.
- Determine compensation payments for loss of office.
- Agree, oversee and review the operation of expenses policy.
- Review the expense claims of the Accountable Officer on an annual basis.

60-61. In relation to other staff employed by Audit Scotland, are to:

- Determine the remuneration policy governing all terms and conditions of employment, including pay, benefits, retirement policy and other policies relating to compensation for loss of office.

- Ensure remuneration policy and strategy is aligned to the relevant public sector policies being implemented by the UK and Scottish Governments.
- Approve the parameters for the annual pay award cycle.
- Review, not less than annually, the application of remuneration policy.
- Assure itself about any issues relating to the overall performance of employees.

Other duties

61-62. The Remuneration & Human Resources Committee may take on other duties as determined by the Audit Scotland Board.

Appendix 3: Appeals Committee remit

62.63. The Appeals Committee will consist of at least two members of the Board.

63.64. The purpose of the Appeals Committee is:

- To consider and dispose of any matters requiring independent deliberation which may be referred to it by the Board.
- To hear and dispose of appeals by members of the Executive Team under the Audit Scotland disciplinary and grievance procedures.

Appendix 4: Co-option procedure

Introduction

64-65. Audit Scotland's standing orders state that:

- The Board may appoint standing or ad hoc committees consisting of such numbers as the Board may determine. Committees may consist of members and other suitable persons chosen by the Board.
- The Board may appoint advisers and/or co-optees to Committees and pay them such remuneration and expenses as the Board decide. Employees of Audit Scotland, advisers and others may be present at items taken in private at meetings of the Board at the invitation of the members.

Reasons for co-option

65-66. There may be times when specialist expertise is required which the Board may be unable to fulfil, or when the current or future balance of skills available to the Board's committees may need strengthened.

66-67. The Board should discuss and agree the specification of skills and experience being sought through co-option.

Nominations process

67-68. If the Board agrees to co-opt to its committees to fulfil requirements identified under 60 above, an advertisement seeking expressions of interest will be placed on Audit Scotland's website.

Application process

68-69. Applicants for co-option should provide a written statement of their relevant skills and a CV.

69-70. Following a shortlisting process, applicants will be interviewed by the Chair of the Board and the Chair of the relevant committee, plus one other member of the Board.

70-71. Candidates and interviewers must declare any relationships or potential conflicts of interest to the Chair.

71-72. The Board should approve the final recommendation from the Chair.

Term of Office

72-73. Co-option is intended to provide specific skills for a fixed term as determined by the Board.

~~73.74.~~ There is potential for renewal, subject to the approval of the Board.

Remuneration

~~74.75.~~ Remuneration, where applicable, will be determined by the Board and will be no greater than the rate set by the SCPA for Board members.

Conduct of co-opted members

~~75.76.~~ Co-opted members will be required to follow the Audit Scotland Code of Conduct for Board members, and the associated disclosure requirements, and their appointment may be terminated by the Chair, subject to the approval of the Board.

Engagement with Scottish Commission for Public Audit

~~76.77.~~ The Board will write to the Scottish Commission for Public Audit in advance of the co-option of members to a Committee, setting out:

~~76.1-77.1.~~ the reason for co-opting

~~76.2-77.2.~~ the process by which any appointments will be made.

Financial Regulations



Audit Scotland Board
October 2022

Audit Scotland is a statutory body set up in April 2000 under the Public Finance and Accountability (Scotland) Act 2000. It provides services to the Auditor General for Scotland and the Accounts Commission. Together they ensure that the Scottish Government and public sector bodies in Scotland are held to account for the proper, efficient and effective use of public funds.

Contents

Financial regulations	4
Introduction	4
Definitions and interpretation	<u>54</u>
Corporate Plan	5
Budget.....	5
Budgetary control and reporting	<u>65</u>
Accounting	6
Bank accounts.....	<u>76</u>
Credit Cards	7
Income	7
Investments and borrowings.....	<u>87</u>
Insurance	8
Tendering procedures	8
Payment of accounts.....	9
Audit.....	10
Security and Fraud Prevention	<u>114</u>
Salaries, wages and pensions.....	11
Travelling, subsistence, expenses and other allowances.....	12
Observance of Financial Regulations	12
Variation of Financial Regulations	<u>134</u>

Financial regulations

Introduction

1. Audit Scotland is a body corporate established under section 10 of the Public Finance and Accountability (Scotland) Act 2000. It came into existence on 1 April 2000 under the Public Finance and Accountability (Scotland) Act 2000 (Commencement) Order 2000 (SSI 2000 Number 10(c.1)).
2. The Board of Audit Scotland consists of the Auditor General for Scotland (AGS), the Chair of the Accounts Commission and three other members appointed by the Scottish Commission for Public Audit, one of which will be appointed as Chair.
3. Audit Scotland's function is to provide such assistance and support as the AGS and the Accounts Commission require in the exercise of their respective functions and, in particular, is to provide them, or ensure that they are provided, with the property, staff and services which they require for the exercise of those functions. [The Accounts Commission shall have power to incur such expenses as appear to them to be necessary or expedient for the proper discharge of their functions, and such expenses shall be met by Audit Scotland.](#)
4. Directions may be given to Audit Scotland by:
 - 4.1. The Auditor General, for the purpose of, or in connection with the exercise of Audit Scotland's functions in relation to the Auditor General,
 - 2.1-4.2. The Accounts Commission, for the purpose of, or in connection with the exercise of Audit Scotland's functions in relation to the Accounts Commission
- 3-5. Audit Scotland may impose reasonable charges in respect of the exercise of its functions. In determining the amounts of the charges Audit Scotland must seek to ensure that the total sum received in respect of the charges is, taking one year with another, broadly equivalent to its expenditure. Any expenditure not met out of sums received is payable out of the Consolidated Fund.
- 4.6. The Scottish Commission for Public Audit (SCPA), established under section 12 of the Public Finance and Accountability (Scotland) Act 2000, has the duty to designate an accountable officer for Audit Scotland. The SCPA has designated the Auditor General as the Accountable Officer. The responsibilities of the Accountable Officer are set out in section 18 of the 2000 Act. They are:
 - 4-1-6.1. signing the accounts of the expenditure and receipts of Audit Scotland;
 - 4-2-6.2. ensuring the propriety and regularity of the finances of Audit Scotland; and
 - 4-3-6.3. ensuring that the resources of Audit Scotland are used economically, efficiently and effectively.

5-7. All members of the Board and all employees, shall conduct their business with diligence and with a view to the security of the property of Audit Scotland, avoiding loss, exercising economy and efficiency in the use of resources and conforming with the requirements of Standing Orders, Financial Regulations and the Scheme of Delegation.

6-8. The Board has made Standing Orders, these Regulations and a Scheme of Delegation to govern the operation of Audit Scotland. They should be read together.

Definitions and interpretation

7-9. In these Regulations terms will have the following meanings:

7-1-9.1. “the 2000 Act” means the Public Finance and Accountability (Scotland) Act 2000

7-2-9.2. “the 1973 Act” means the Local Government (Scotland) Act 1973

7-3-9.3. “the Board” means the members of Audit Scotland acting together to discharge the functions of Audit Scotland

7-4-9.4. “the Executive Team” consists of the Auditor General for Scotland, the Chief Operating Officer, the Executive Director of Audit Services, the Executive Director of Performance Audit and Best Value and the Executive Director of Innovation and Quality, or such other combination of officers as may be determined from time to time by the Board.

Corporate Plan

8-10. A Corporate Plan will be prepared and will be reviewed annually by the Board. It will set out the strategic approach to be adopted by Audit Scotland in performing its functions. So far as possible, it will outline the financial consequences of proposals contained in it.

9-11. The Corporate Plan will be approved by the Board.

Budget

10-12. The financial year of Audit Scotland is 1 April to 31 March.

11-13. Proposals for the use of resources and expenditure for each financial year will be submitted to the SCPA at such times as the Commission requires to enable it to examine the proposals and report to the Parliament under section 11(9) of the 2000 Act.

12-14. Estimates of expenditure and income will be submitted as budget proposals to the Board for approval prior to the submission to the SCPA. Provided the SCPA report has been submitted to and approved by Parliament, a final version of the budget will be submitted to the Board not later than 31 March in the year preceding the financial year to which it relates.

13-15. In the event that Parliament has not approved the budget, a version of the budget that includes our best estimate of operational changes will be submitted to the Board by 31 March. A final version to be submitted when the Scottish Government budget is passed.

~~14-16.~~ No expenditure will be incurred unless there is provision for the expenditure within the overall budget approved by the Board. Approval of expenditure where there is no provision within the overall budget will be made by the Board. (Scheme of delegation 3.1)

~~15-17.~~ There may be virement within the budget, in accordance with the Scheme of Delegation. (Scheme of delegation 3.2 and 3.3)

Budgetary control and reporting

~~16-18.~~ Financial performance will be monitored against budget and reported regularly to the Executive Team and at least quarterly to the Board.

~~17-19.~~ Systems of budgetary control will be devised and maintained to include:

~~17.1-19.1.~~ Regular financial reports as prescribed above containing -

~~17.1.1-19.1.1.~~ income and expenditure to date and, when relevant, forecast year end position

~~17.1.2-19.1.2.~~ explanations of any material variations

~~17.1.3-19.1.3.~~ details of any corrective action necessary

~~17.1.4-19.1.4.~~ virement

~~17.2-19.2.~~ The issue of timely, accurate and comprehensible advice on financial reports to each budget holder covering the areas for which they are responsible

~~17.3-19.3.~~ Arrangements for the authorisation of virement.

~~18-20.~~ Each budget holder will be responsible for the management of their budgets within the approved policies of the Board.

~~19-21.~~ In exceptional circumstances, for example, a national pandemic increased reporting on financial performance may be required by the Incident Management Team, Audit Committee and Board.

Accounting

~~20-22.~~ An effective system of internal financial control will be maintained including detailed financial procedures and systems incorporating the principles of separation of duties and internal checks. These will be documented and maintained.

~~21-23.~~ Proper records will be maintained to show and explain Audit Scotland's transactions in order to disclose, with reasonable accuracy, the financial position of Audit Scotland at any time.

~~22-24.~~ Accounting policies will be set consistent with appropriate guidance and all accounting procedures and records will be consistent with any form of accounts prescribed. Accounting policies will be approved by the Board. (Scheme of delegation 3.4)

23-25. Annual Accounts will be prepared and submitted to the Board for approval no later than 31 August in respect of the financial year finishing on the 31 March.

Bank accounts

24-26. HM Treasury require public bodies to operate a bank account through the Government Banking Service (GBS), to allow the transfer of monies from central accounts to public bodies and vice-versa.

25-27. Apart from the requirement to use a bank specified by the GBS for the transfer of central funds, Audit Scotland will, for day to day banking and transactions, make arrangements for the appointment of bankers in accordance with the provisions for the letting of contracts set out in these Regulations.

26-28. No Audit Scotland monies will be held in any bank accounts outwith those approved by the Board.

27-29. Detailed arrangements and instructions on the operation of bank accounts will be prepared and maintained as Treasury Management Procedures by the finance department, and will include:

27-1-29.1. The conditions under which each bank account is to be operated.

27-2-29.2. The limit to be applied to any overdraft.

27-3-29.3. Those authorised to sign cheques or other orders drawn on Audit Scotland's bank accounts, and the limits of their authority in accordance with the Scheme of Delegation.

28-30. Banking arrangements will be reviewed at regular intervals to ensure that they reflect best practice and represent best value for money.

29-31. Controlled stationery (e.g. cheques) will be held securely at all times and proper records will be maintained in relation to such stationery.

Credit Cards

30-32. Credit cards will be offered to members of the Executive Team automatically. Credit cards will also be offered to other members of staff, with the specific approval of the Accountable Officer, the Chief Operating Officer, and/or Incident Management Team where there is an on-going requirement for credit card use.

31-33. The default credit limit for all cards will be set in the Scheme of Delegation and variations for individual cards will be approved by the Executive Team and/or the Incident Management Team. (Scheme of delegation 3.5)

Income

32-34. Systems will be designed and maintained for the proper recording, invoicing, collection and coding of all monies due to Audit Scotland.

~~33-35.~~ All monies received will be banked promptly.

~~34-36.~~ Arrangements will be made for appropriate recovery action on all outstanding debts.

~~35-37.~~ Fees and charges, including fees to audited bodies, will be determined in accordance with policies decided by the Board.

Investments and borrowings

~~36-38.~~ No borrowing or investments will be made without the expressed agreement of the Board. In exceptional circumstances the Accountable Officer may consult with the Chair of the Board and agree a short term borrowing strategy, but this must be reported to, and ratified by the full Board at the earliest opportunity.

~~37-39.~~ All short term borrowings will be kept to the minimum period of time possible, consistent with the overall cash flow position.

~~38-40.~~ Any long term borrowing must be consistent with policies decided by the Board.

~~39-41.~~ Detailed procedural instructions will be prepared on the operation of investment accounts and regular reports will be made to the Board on the performance of any investments held.

Insurance

~~40-42.~~ Arrangements will be made to ensure that all insurance cover is effected, periodically reviewed and adjusted as necessary.

~~41-43.~~ Insurance arrangements will be reviewed regularly and the market will be competitively tested and costs will be sought for insurance services in accordance with the provisions set out in these Regulations at least every three years.

Tendering procedures

~~42-44.~~ Tendering procedures are contained in the Procurement Handbook, which is published on SharePoint. This document provides information on the procedures to be adopted by Audit Scotland staff when purchasing any goods and services and the need to follow value for money principles when carrying out this activity.

~~43-45.~~ No contract for the supply of goods and materials, the provision of services or for the execution of works will be made where the probable cost, over the contract period, exceeds £50,000 unless tenders have been invited by advertisement on Public Contracts Scotland, the Scottish Government procurement system.

~~44-46.~~ In exceptional circumstances the Chair of the Board, on a report by the Accountable Officer, may except a contract from the above provisions and direct adoption of such other procedure for the letting of the contract as seems appropriate. The decision will be notified to the full Board at the earliest opportunity.

- 45-47.** Standing contracts for the provision of goods, materials, services or works will be kept under review and competitive tenders for such standing contracts will be sought at least every three years, or later if the contract has been extended under the terms of the original contract. No extension will be greater than three additional years before retendering.
- 46-48.** The overall value of the tender will determine who is required to approve the acceptance of the tender and place the order for the goods, materials or service. The Scheme of Delegation will list those authorised to accept and place orders. (Scheme of delegation 3.6)
- 47-49.** All orders will be generated through the electronic ordering system. Orders will be sent for authorisation in accordance with the procedure contained within the Scheme of Delegation (Scheme of Delegation 3.10). All orders must be made in accordance with the procedures and controls and within the terms of the Scheme of Delegation.
- 48-50.** Official orders will be issued for all work, goods or services to be supplied to Audit Scotland except for supplies of public utility services or periodical payments such as rent or rates or such other exceptions as may be approved by the Executive Team.
- 49-51.** Government directives prescribing procedures for awarding forms of contracts shall have effect as if incorporated in these Regulations and Audit Scotland's Procurement Handbook should be followed as appropriate.
- 50-52.** The appointment of auditors under section 97(6) of the 1973 Act and section 21(3) of the 2000 Act will be recommended to the Accounts Commission and the Auditor General for Scotland respectively at such intervals as they require. With the exception of the interval between awards (see paras 42-44), the procedure relating to these contracts should follow the procedure set out in these Regulations.

Payment of accounts

- 51-53.** Before an invoice is paid the certifying officers will satisfy themselves that the account has not been previously passed for payment and is a proper liability of Audit Scotland and that:
- 51.1-53.1.** The works, goods or services to which the account relates have been received or carried out satisfactorily.
- 51.2-53.2.** Prices, extensions, calculations, trade discounts, other allowances, credits and tax are correct.
- 51.3-53.3.** The expenditure has been authorised and is within the relevant estimate provisions.
- 52-54.** All duly certified invoices shall be authorised for payment by the officer authorised under the Scheme of Delegation. (Scheme of delegation 3.8)
- 53-55.** An officer shall not add any additional items to an invoice rendered to Audit Scotland by a supplier.
- 54-56.** When an order has been placed using the electronic purchase ordering (EPO) system, this process incorporates authorisation of the payment prior to an order being placed. In these

circumstances the authoriser will be advised of the cost of the goods or services, or an estimate if a firm cost is not available, at the time they receive the EPO. Authorisers are required to satisfy themselves that the cost displayed is reasonable and represents value for money, before they electronically sign the order. Once an EPO is signed the system will not allow any changes to the order by the authoriser or the originator.

55-57. The EPO system maintains a list of staff with delegated authority to authorise expenditure, as per para. 51 above.

56-58. When the goods or services have been received the originator records the receipt through the EPO system.

57-59. On receipt of the invoice, Finance will check whether the goods or services have been marked as received. The invoiced amount charged will be checked against the EPO submitted and, if the amount is within the parameters agreed by the Executive Team, the invoice will be accepted and paid. (Scheme of delegation 3.10)

58-60. Executive Team will set agreed parameters and if the value of the invoice is outwith the agreed parameters it will be sent back to the authoriser for an additional manual authorisation. The invoice will not be paid until the second authorisation has been received. (Scheme of delegation 3.11)

59-61. The receipt, certification and payment of accounts to approved auditors are subject to separate arrangements under the Scheme of Delegation. (Scheme of delegation 3.12)

Audit

60-62. The Board will establish an Audit Committee with clearly defined terms of reference under Standing Orders.

61-63. The external auditor is appointed by the SCPA to report on whether expenditure and income have been applied lawfully and the accounts comply with the accounts direction. The external auditor will report to the SCPA who must lay the report and accounts before Parliament and publish them.

62-64. The internal auditor is appointed by Audit Scotland and reports to the Executive Team and the Audit Committee on systems of internal control.

63-65. The external and internal auditor are entitled to:

63.1-65.1. enter any Audit Scotland establishment at all reasonable times with or without previous notice;

63.2-65.2. have access to all records, documents and correspondence (including computer records) relating to financial and other transactions of Audit Scotland;

63.3-65.3. require and receive explanations as are necessary concerning any matter under examination;

[63.4-65.4.](#) require any employee of Audit Scotland to produce cash, equipment or any other property under his/her control; and

[63.5-65.5.](#) direct access to the Chair of the Audit Committee.

Security and Fraud Prevention

[64-66.](#) Arrangements will be made to develop and document effective policies on:

[64.1-66.1.](#) Prevention of fraud and irregularity.

[64.2-66.2.](#) IT security.

[64.3-66.3.](#) Security of assets.

[65-67.](#) Proper security must be maintained, at all times, for all buildings, stores, furniture, equipment, cash, information, etc.

[66-68.](#) A register of secure key containers will be maintained by Business Support and kept under review by the Chief Operating Officer. Keys removed from the secure key containers will be signed for and are to be kept safe at all times until returned. The loss of any such keys must be reported immediately to Business Support staff.

[67-69.](#) A register of staff ID (office access) badges and building access fobs will be maintained by Business Support. The loss of ID badges will be reported immediately to Business Support and the Corporate Governance Manager. The ID badges will be deactivated immediately.

[68-70.](#) The Chief Operating Officer is responsible for maintaining proper security and privacy relative to information held in the computer installations.

[69-71.](#) Under the terms of the Counter Fraud Policy, employees are required to notify their Business Group Executive Director or Director of any financial irregularity or suspected irregularity. Such concerns may be raised under the terms of the Whistleblowing Policy if considered appropriate. The employee, or senior management to whom the concerns are reported, must also advise the Chief Operating Officer. Details of these policies are available to all staff through the staff handbook.

Salaries, wages and pensions

[70-72.](#) Arrangements will be made for the payment of all salaries, wages, pensions, compensation and other emoluments due to all employees or former employees of Audit Scotland or the Accounts Commission, the Auditor General for Scotland, appropriate members of the Board and to members of the Accounts Commission.

[74-73.](#) Salaries and other payments will normally be paid by direct transfer to a nominated bank account.

[72-74.](#) A record of all matters affecting the payment of such emoluments shall be kept and in particular the following information will be recorded:

~~72.1-74.1.~~ appointments, resignations, dismissals, suspensions, secondments and transfers;

~~72.2-74.2.~~ absences from duty for sickness or other reason, including approved leave;

~~72.3-74.3.~~ changes in remuneration, including those arising from normal increments and pay awards and agreements of special and general application;

~~72.4-74.4.~~ information necessary to maintain records of service for superannuation, income tax, national insurance and the like;

~~72.5-74.5.~~ particulars of any deduction from salary for loans, subscriptions and the like, and the authority for such deduction.

~~73-75.~~ All deductions and changes in gross pay entitlement will be certified by Human Resources or other appropriate person and checked by a second officer prior to payment.

~~74-76.~~ Pension payments are paid to former staff through the appropriate pension agency. Audit Scotland's role is to make the required deductions from salary and to provide the information which is required from time to time by the pension supplier to allow them to maintain their records, provide information about pensions and make payments.

~~75-77.~~ There are special arrangements in place relating to pensions for former Ombudsman staff and the former Auditors General, which are separate from the arrangements for Audit Scotland.

Travelling, subsistence, expenses and other allowances

~~76-78.~~ The Secretary to the Accounts Commission shall review, authorise and ensure all travelling or other allowances are paid to Commission Members and advisers who are entitled to claim them upon receipt of a fully completed expense claim form.

~~77-79.~~ The Chief Operating Officer shall review, authorise and ensure all travelling or other allowances are paid to Board members and advisers who are entitled to claim them upon receipt of a fully completed expense claim form.

~~78-80.~~ All claims by staff for payment of car mileage allowances, subsistence allowances, travelling and incidental expenses and any advances shall be submitted duly certified and made up to the end of each month and in accordance with the current travel and subsistence policy, published in the staff handbook, and the expenses procedures published on the intranet. The officers authorised to certify such records shall be determined by the Scheme of Delegation. Initial delegation is £2,000. (Scheme of delegation 3.13)

Observance of Financial Regulations

~~79-81.~~ It shall be the duty of the Accountable Officer to ensure that these regulations are made known to the appropriate Audit Scotland staff and to ensure that they are adhered to.

~~80-82.~~ Any breach or non-compliance with these Regulations must, on discovery, be reported immediately to the Chief Operating Officer who will discuss the matter with the Accountable

Officer in order to determine the proper action to be taken. Such concerns may be raised under the terms of the Whistleblowing Policy if considered appropriate.

Variation of Financial Regulations

~~81-83.~~ These Regulations may be varied from time to time by the Board on receipt of a report and recommendations from the Accountable Officer.

~~82-84.~~ The Chair of the Board may authorise, on a report from the Accountable Officer, exceptional treatment of a matter covered by these Regulations. Any such exceptions will be reported in writing to the next available meeting of the Board.

Bullying and harassment policy

Director of Corporate Support and Assistant Human Resources Manager

Purpose

1. This report invites the Board to review and approve the Bullying and Harassment Policy.

Recommendations

2. The Board is invited to approve the Bullying and Harassment Policy.

Background

3. On 28 September 2022 the Board considered a [report](#) on the outcome of the Health and Safety Executive (HSE) stress survey results.
4. On 9 November the Remuneration and Human Resources Committee (Remco) considered an [update report](#). This included an update on the actions being taken to address the findings from the survey. At that meeting the Remco agreed the recommendation that the Bullying and Harassment policy be approved at Board level to reinforce the importance attached to it and signal Board level commitment.
5. The HSE report included a number of recommendations in relation to a bullying and harassment policy. All of these are covered by the policy which is appended to this report.

Considerations

6. The update report for the Remco covered the broad range of actions being undertaken. These include clear communications, further analysis of the results, the outcome of a follow-up pulse survey, discussions at various forums across the organisation (including the Health, Safety and Wellbeing Committee, the People Focus Group and the Partnership forum).
7. The report also provided information on the current schedule of training under way which includes in-person emotional intelligence training and e-learning on harassment and discrimination.

Conclusion

8. We want Audit Scotland to be a great place to work. Any form of bullying and harassment is not acceptable, and we want to ensure that there is a clear message from the top that this is the case and that we have a 'zero tolerance' approach in place.
9. Approval of the Bullying and Harassment Policy at Board level forms one part of our broad range of activity under way to deliver on this objective.

Bullying and Harassment Policy

Owned and maintained by:	Audit Scotland Board/ Human Resources
Date checked/ created:	November 2022
Next review date:	November 2023

Statement of intent

Audit Scotland is committed to providing a working environment that is free from bullying and harassment of any nature. We will take a zero-tolerance approach to non-inclusive behaviours.

Our values include:

Employees have the right to be treated with dignity and respect irrespective of their age, disability, sex, gender re-assignment, marriage or civil partnership, maternity or pregnancy, race, religion or belief and sexual orientation. No form of bullying and harassment will be condoned at work or outside work if it has a bearing on the working relationship. Any such action will be treated as a serious disciplinary offence.

All managers have a duty to establish and maintain a working environment free from bullying and harassment. All employees must comply with these guidelines and take steps to ensure that bullying and harassment does not occur. Disciplinary action, including dismissal, will be taken against those failing to fulfil their responsibilities.

Audit Scotland welcomes the support of PCS in seeking to secure a working environment free from bullying and harassment.

Principles

This policy has been designed to inform employees about the type of behaviour that is unacceptable and sets out the procedure for dealing with bullying and harassment.

Audit Scotland will not tolerate harassment or bullying of:

- job applicants and new recruits
- employees
- contractors
- agency workers
- clients

This policy also applies to work-related functions held outside of normal working hours, either on

or off the organisation's premises, such as office parties, celebrations, working lunches, etc. The organisation will also not tolerate harassment of staff by third parties, for example, by clients, and will take appropriate action to deal with all instances which are reported.

Definitions of Bullying and Harassment

Bullying and harassment often take place with no witnesses. Research suggests that bullying and harassment is just as likely to be perpetrated by females as by males and that bullying and harassment happens equally to men and women.

Victims may not always recognise what is happening and end up feeling trapped, isolated and powerless. They often believe their concerns will not be taken seriously and that further retribution will follow if they do complain. Individuals may have problems facing up to what is going on and employees need to be aware of a checklist of early warning signs. These include feeling persistently "got at", being criticised for work that has always been acceptable to previous bosses and feeling blamed for other people's mistakes.

Bullying

- The Dignity at Work Partnership's definition of bullying states, "Bullying can take many forms. It is generally accepted as unwanted behaviour that offends, persecutes or excludes someone. It includes treating individuals in a demeaning and unacceptable way and can be intimidating, malicious or insulting, or a misuse of power to undermine, humiliate, threaten or cause injury."

Harassment

- is unwanted conduct that intentionally or unintentionally violates an individual's dignity or creates an intimidating, hostile, degrading, humiliating or offensive environment for that individual.
- can take many forms, occur on a variety of grounds and may be directed at one person or a group of people. People can be subjected to harassment on a wide variety of grounds, for example, because of their sex, age or disability.

Victimisation

- Victimisation is subjecting a person to a detriment because they have, in good faith, complained (whether formally or otherwise) that someone has been bullying or harassing them or someone else, or supported someone to make a complaint or given evidence in relation to a complaint. This would include isolating someone because they have made a complaint or giving them a heavier or more difficult workload.

Microaggression

- A microaggression is a subtle verbal or non-verbal behaviour, committed consciously or not, that is directed at a member of a marginalised group, and has a harmful, derogatory effect.

- Microaggressions cause others to feel dismissed, alienated, insulted, or invalidated. They make differences in power and privilege more apparent and perpetuate stereotypes and racism.
- Examples of these can include continued mispronunciation of names, asking someone who is a visible minority, "where are you really from" or a situation where someone tells a colleague who is LGBTQ that they "don't seem gay" or some other similar phrase.

Provided that you act in good faith, i.e. you genuinely believe that what you are saying is true, you have a right not to be victimised for making a complaint or doing anything in relation to a complaint of bullying or harassment and the organisation will take appropriate action to deal with any alleged victimisation, which may include disciplinary action against anyone found to have victimised you.

Making a complaint that you know to be untrue, or giving evidence that you know to be untrue, may lead to disciplinary action being taken against you.

In cases of bullying and harassment one incidence is sufficient for harassment to be deemed to have taken place. The test of whether the harasser ought to have known that the behaviour amounted to harassment is whether a reasonable person in possession of the same information would have known it did. Therefore, harassment can be an offence even if it is not intentional.

Legal Considerations

Audit Scotland has a legal and ethical responsibility as an employer to ensure that staff are not subjected to behaviour which may affect either their performance or, more importantly, their health and well-being.

An employer's responsibilities under the Health and Safety at Work Act 1974 include the provision of a safe and healthy working environment. Bullying and harassment is a cause of stress, which amounts to a serious health and safety issue. The Health and Safety Executive has published guidelines on stress at work, which include a section on dealing with bullying and harassment.

Under the Equalities Act 2010, employees are able to complain of behaviour that they find offensive even if it is not directed at them. In addition, the complainant need not themselves possess the relevant characteristic (for example, race or religion or belief) - it can be because of a perception or association with a person who has a particular characteristic.

Audit Scotland, together with any managers who fail to take steps to prevent harassment or investigate complaints, may be held liable for their unlawful actions. The intention of the perpetrator is irrelevant; it is the impact on the individual that determines whether bullying or harassment has taken place.

Effects of Bullying and Harassment

Bullying and harassment in the workplace can cause stress and anxiety, and affect the personal lives of those who suffer, as well as undermining morale and productivity. It can also lead to

accidents, illness, and poor performance.

The symptoms of bullying and harassment include absenteeism, underperformance and high staff turnover. Preoccupied and anxious employees may become unwilling to make decisions or take the initiative, and may become quietly disruptive and demoralised. For examples of what might constitute bullying and/or harassment see appendix one.

Making a Complaint

In the event of any member of staff being bullied or harassed, they have a right to, and are encouraged to, raise the matter informally with their line manager/a member of Human Resources or formally using the grievance procedure. It is the responsibility of all managers to take seriously, treat confidentially and thoroughly and speedily investigate any complaint of bullying or harassment.

There are two procedures by which an employee can make a complaint of bullying or harassment –
informal and formal. The employee must decide which procedure to use and whether to ask for

confidential counselling. When appropriate, every effort will be made to resolve the situation informally. Some incidents, however, by virtue of their serious nature will need to be dealt with immediately under the formal procedure.

1. Informal Procedure

- Employees are encouraged to keep a written record of any incidents of bullying or harassment, including the date, time, nature of incident(s), the names of those involved and the names of any witnesses.
- If possible, the person who is bullying or harassing should be told by the individual who is being bullied or harassed that the behaviour is offensive and unwanted and must stop. A colleague, manager or union representative can act as a witness when this statement is made. Alternatively, an appropriate manager or a member of the Human Resources team can be asked to speak to the alleged bully or harasser.
- Whenever possible, any complaint of bullying or harassment should be made in the first instance to the immediate line manager. Alternatively, you should speak with another appropriate member of the Executive Management team.
- Human Resources will give confidential support and advice to all parties as requested.
- Mediation provisions can also be considered to encourage early resolution.

Where informal methods fail, or the employee chooses not to use them or considers that the problem is sufficiently serious, a formal complaint can be made.

2. Formal Procedure

- The complaint should be made in writing, describing the incident(s) as fully as possible¹ to the Human Resources & Organisational Development Manager, the Chief Operating Officer or another appropriate member of the Executive Management Team.
- A senior manager, from another business group (to ensure impartiality), will be appointed to investigate the complaint. They will interview the complainant², the person against whom the allegations are made and any relevant witnesses. These interviews will be conducted in confidence. All parties to these proceedings can be accompanied by a colleague or trade union representative.
- In some cases, an external investigator may be appointed at this stage to ensure impartiality, for example if the complaint is about a senior manager, member of the Executive Management team or a member of the HR team.
- All complaints will be handled and investigated in a timely manner. Wherever possible, the investigation will be concluded within two weeks of the complaint being received. If this is not possible, the complainant and the person against whom the allegations are being made will be advised of this and when the investigation is likely to be completed. Employees shall be guaranteed a fair and impartial hearing whether they are the alleged bully or the bullied.

¹ The employee may consult with Human resources if they are unsure how to present a written complaint.

² The aim is to establish all the evidence and employees who raise a complaint will be asked to disclose: the name of the person alleged to have breached this policy; what they personally observed, including words said, tone of voice, manner and other surrounding circumstances (as far as the employee can remember); the times and dates of alleged incidents and the names of anyone else present.

- It may be necessary for one or both parties to be temporarily transferred to different teams while the investigation is carried out or for working from home to be considered. Only in the most serious cases of bullying or harassment will suspension be considered necessary.
- The investigating manager's report, indicating whether there is evidence to support the claim of bullying or harassment will be submitted to Human Resources and to the complainant and the person(s) against whom the allegation has been made.
- If the complainant is dissatisfied with the outcome, or with the way in which the complaint was handled, then a written request for reconsideration should be made to the Human Resources & Organisational Development Manager within seven days of receiving the investigating manager's decision.
- If disciplinary action is justified, a disciplinary hearing will be arranged within ten working days of either the decision of the investigating manager, or if the matter was referred for reconsideration, the decision of the Human Resources & Organisational Development Manager.
- The employee against whom the allegation has been made will have the right to be accompanied at this hearing by a work colleague or trade union representative and will have the opportunity to challenge the evidence and to state their case. The hearing will be conducted in accordance with Audit Scotland's disciplinary policy.
- Any disciplinary action taken will reflect the severity of the offence and may include the transfer of the employee accused of bullying or harassment, on a temporary or permanent basis, or dismissal. The employee may appeal against the penalty or warning in accordance with the appeals procedure.
- Where the outcome of the investigation is that the complaint is not founded, or the nature of the complaint justifies counselling/advice, this will be discussed with all parties and Human Resources.

Confidentiality will be maintained as far as possible. However, if an employee decides not to take any action to deal with the problem and the circumstances are very serious, Audit Scotland reserves the right to investigate the situation since it has an overall duty of care to ensure the safety of all employees who may be adversely affected by the alleged behaviour of others.

Note: if a claim of bullying or harassment is made by a member of Audit Scotland staff against a member of staff who works for an audited body whilst on a non – Audit Scotland site then the policy of the hosting organisation will apply. Any complaint made by non-Audit Scotland staff whilst on Audit Scotland premises, will be dealt with under this policy. Audit Scotland staff should therefore make themselves aware of the host organisation's policy in this respect.

Employees who experience bullying and harassment by a member of an audited body on a non-Audit Scotland site, however, should inform their line manager and/or a member of the Human Resources team. While the matter may be formally dealt with by the host organisation's policy, all reasonable efforts will be made to reduce an employee's exposure to bullying or harassing behaviours. In such circumstances, alternative arrangements will be explored.

Any complaints found to be false and malicious may result in disciplinary action being taken against the complainant.

Employee Training

All employees will receive training in diversity and equality as a part of their induction. Further training and development is available to all employees as part of our rolling programme of learning across Audit Scotland.

Every person working for Audit Scotland has a personal responsibility for implementing and promoting diversity and equality principles in their dealings with clients and with each other. This includes consistently conducting ourselves in line with our values as an organisation of:

Additional support

Information on the following areas of relevant training can be obtained from Human Resources:

- implementing and clearly communicating these guidelines
- corporate induction training
- diversity and equality (including bullying and harassment)
- assertiveness skills
- time management
- personal development
- stress management

Access to a professional counsellor through our Occupational Health & Wellbeing partners may be appropriate. This could help victims prepare their case and recover self-confidence.

Informal contacts in the form of someone designated to lend a sympathetic ear and provide support if needed can be colleagues, Human Resources, trade union representatives or occupational health staff.

Appendix one

Examples of bullying and harassment

Bullying

- Derogatory remarks.
- Insensitive jokes or pranks.
- Insulting or aggressive behaviour, both verbal and physical.
- Ignoring or excluding an individual.
- Setting unrealistic deadlines.
- Public criticism.
- Substituting responsible tasks with menial or trivial ones.
- Withholding necessary information.
- Constantly undervaluing effort.

Harassment

- Unwanted non-accidental contact ranging from unnecessary touching to assault and coercing sexual relations.
- The display of pornographic or sexually suggestive pictures.
- Conduct that denigrates or ridicules a colleague because of their race.
- Making fun of disability and use of inappropriate terms e.g. 'cripple'.

These lists are not exhaustive. The actions listed above must be viewed in terms of the distress they cause the individual. It is the perceptions of the recipient that determine whether any action or statement can be viewed as bullying or harassment.

What is not generally considered to constitute bullying and harassment?

Line managers are responsible for ensuring that staff who report to them perform to an acceptable standard. Legitimate, justifiable, appropriately conducted monitoring of an employee's behaviour or job performance does not therefore constitute bullying and harassment. Managers must carry out these functions in a fair, effective and consistent manner. It is important to differentiate between fair and effective management and bullying and harassing behaviour.

Fair and effective management	Bullying and harassing behaviour
Consistent and fair.	Aggressive and inconsistent.
Results focused but reasonable and flexible.	Unreasonable and inflexible.

Clear about their plans but willing to consult before drawing up proposals.	Believes they are always right and are not prepared to listen to others.
Will discuss in private, any problems with a member of the team or the team itself.	Loses temper when things go wrong.
Respects other colleagues	Degrades colleagues in front of others.

