

Agenda

Wednesday 2 May 2018, 10.15am

Audit Scotland offices, 102 West Port, Edinburgh EH3 9DN

1. Welcome and apologies
 2. Declarations of interest
 3. Decision on items to be taken in private For approval
-

Standing items

4. Chair's report – verbal update
 5. Accountable Officer's report – verbal update
 6. Accounts Commission Chair's report – verbal update
 7. Review of minutes: For approval
 - Board meeting, 28 March 2018
 8. Review of action tracker For information
-

Strategy and planning

9. New financial powers and constitutional change update For information
 10. Review of the new approach to auditing Best Value For information
 11. Work programme and publication schedule For information
 12. Engagement with young people For information
 13. Data Protection Policy For approval
 14. Information Security Management Policy For approval
-

Business management

15. Any other business
16. Review of meeting
17. Date of next meeting: 6 June 2018

Items to be taken in private**18.** Corporate plan 2018-21

For approval

[Item to be taken in private to support the effective conduct of business – information intended for future publication]

Wednesday 28 March 2018, 10.15am

Audit Scotland offices, 102 West Port, Edinburgh EH3 9DN

Present:

I Leitch (Chair)
C Gardner
G Sharp
H Logan
R Griggs

Apologies:

None

In attendance:

D McGiffen, Chief Operating Officer
M Walker, Assistant Director, Corporate Performance and Risk
S Dennis, Corporate Finance Manager (items 9 – 13)
J Gillies, Communications Manager (item 13)
B Stoddart, Senior Graphic Designer (item 13)
J Webber, Senior Executive Assistant

1. Welcome and apologies

The Chair welcomed members and attendees to the meeting of the Audit Scotland Board, the agenda and papers for which had been published on Audit Scotland's website on Monday 26 March 2018.

2. Declarations of interest

There were no declarations of interest.

3. Decision on items to be taken in private

The members agreed that Items 13, 14 and 15 would be considered in private.

4. Chair's report

Ian Leitch provided a verbal update on meetings since the previous Board meeting with Diane McGiffen on general business matters.

The members welcomed the update.

5. Accountable Officer's report

Caroline Gardner advised the Board of recent parliamentary engagement including; the evidence sessions to the Public Audit and Post Legislative Scrutiny (PAPLS) Committee on 8 March and the Education Committee on 21 March 2018 on the Early Learning and Childcare report. Caroline advised of the PAPLS session on 29 March 2018 on NHS Tayside and of the session on the Scotland Act Report which was scheduled with PAPLS for 19 April 2018. Caroline also invited the Board to note that a series of events were being arranged by the Finance Committee to promote the recommendations of the Budget Process Review Group in May 2018.

Caroline advised the Board that during the severe weather disruption Audit Scotland's investment in technology and the Time, Place Travel policy had enabled colleagues to continue to work, reducing the impact of disruption to the organisation.

Caroline invited the Board to note she had joined the Accounts Commission Strategy Seminar and of her recent speaking engagement at the CIPFA Conference Scotland on 23 March 2018, and a further speaking engagement at the Women in Banking and Finance Dinner on 12 April. Caroline also advised she would be the keynote speaker at the first PSAA Local Quality Audit Forum meeting in April 2018.

Caroline advised the Board that the external quality assurance work by ICAS was on track to report its final conclusions.

Caroline also invited the Board to note that Diane McGiffen, Chief Operating Officer, was presenting a paper at an international conference at the University of Tampere in Finland on the retention of women in the public sector workforce in April 2018.

Following discussion, the Board welcomed the update.

6. Accounts Commission Chair's report

Graham Sharp advised the Board that the Accounts Commission had approved the joint performance audit work programme at its meeting on 8 March 2018 and this was due to be approved by the Auditor General of Scotland by 30 March 2018.

Graham provided a summary of the outcomes from the Accounts Commission Strategy Seminar which focussed on engagement with stakeholders, public sector risks and how auditors can best provide assurance on the areas of interest for the commission.

The Board discussed the different types of audit currently performed and noted the arrangements underpinning the Code of Audit Practice would evolve over the course of the current appointment term to ensure they provide assurance for the Auditor General of Scotland and the Commission.

Graham invited the Board to note the publication of the statutory report on Dundee City Council and the forthcoming publication of the City of Edinburgh Schools statutory report.

Graham advised the Commission would be considering the Local Government Framework and a performance audit report on ALEOs at its next meeting on 12 April 2018.

The Board welcomed the update.

7. Review of minutes

Board meeting, 28 February 2018

The Board considered the minutes of the Board meeting on 28 February 2018, which had been previously circulated, and agreed these were an accurate record of the meeting subject to minor amendment at item 6, paragraph 3.

Audit Committee meeting, 15 November 2017

The Board considered the minutes of the Audit Committee meeting on 15 November 2017, which had been approved by the Audit Committee on 14 March 2018. The Board noted the minutes.

8. Review of actions tracker

The Board noted the updates provided by the action tracker.

Diane McGiffen provided a verbal update on ASB49, advising the Board on the developments to build on previous work with Young Scot and to mark the Year of Young People. She advised that Tricia Meldrum would be reporting to the Board on 2 May 2018 specifically about the partnership with Young Scot.

Diane McGiffen also provided a verbal update on ASB64 on the work of and developments within the Appointments and Assurance and Professional Support teams advising a report would be scheduled to come to the Board following the quality reporting scheduled for May and June 2018.

9. Audit Scotland budget 2018/19

Stuart Dennis, Corporate Finance Manager, joined the meeting.

Stuart Dennis, Corporate Finance Manager, introduced the Audit Scotland budget 2018/19 report, which had been previously circulated.

Stuart invited the Board to approve the proposed operational budget for 2018/19.

The Board noted there was no change to the total budget resources approved by the Scottish Commission for Public Audit.

Heather Logan asked how additional income was reflected in the indicative and actual fees. Stuart advised the audit fees for Integrated Joint Boards had been based on 2016/17 audit fee levels and that the first full year of the audits had highlighted complex governance arrangements and that more time needed to be allocated to these audits in 2017/18. He also advised that this was reflected in the fees and the revised income budget.

Heather also asked about changes to Communications and Digital Services teams. Stuart advised this related to a small adjustment to the budget.

Following discussion, the Board welcomed the report.

10. Any other business

There was no further business.

11. Review of meeting

The members agreed the meeting had been conducted effectively and the Chair thanked everyone for their contribution.

12. Date of Next Meeting

It was noted that the next Audit Scotland Board meeting was scheduled for 10.15am on Wednesday 2 May 2018 in the offices of Audit Scotland, 102 West Port, Edinburgh.

The Board then moved into private session.

Items taken in private

13. Audit Scotland draft annual report and accounts

James Gillies, Communications Manager and Bruce Stoddart, Senior Graphic Designer, joined the meeting.

James Gillies and Bruce Stoddart introduced the Audit Scotland draft annual report and accounts report, which had been previously circulated.

James invited the Board to consider the proposed layout and Bruce presented the refreshed design for the report.

The Board welcomed the proposed format and content and discussed the visuals to be used noting that these continue to be developed and would appear in the next draft to be shared with the Board in May 2018.

The Board welcomed the report.

Stuart Dennis, James Gillies and Bruce Stoddart left the meeting.

14. Draft Corporate plan 2018-21

Martin Walker, Assistant Director, Corporate Performance and Risk introduced the Draft Corporate plan 2018-21 report, which had been previously circulated.

Martin invited the Board to consider and comment on the first draft of the Corporate Plan.

The Board discussed the need to bring the purpose and influence of public audit forward in the report together with the audit priorities for the Auditor General of Scotland and the Accounts Commission. Heather Logan welcomed the refinement to, and the articulation of, the strategic priorities.

Following discussion, the Board welcomed the emerging themes, structure, proposed content and design.

15. Internal audit services procurement

The Board considered the report and approved the appointment of BDO LLP as the supplier of internal audit services to Audit Scotland.

Heather Logan, Chair of the Audit Committee, introduced the Internal audit services procurement report, which had been previously circulated.

Heather invited the Board to approve BDO LLP as the supplier of internal audit services to Audit Scotland.

Following discussion, the Board approved the appointment of BDO LLP.

Ref	FORUM	Agenda Item No	Item Title	Action Description	Meeting Date	Due Date	Responsible	Assigned to	Complete/Ongoing	Reported Yes/No	Progress Notes
ASB49	Board	18	Making a Difference: Public Engagement Work with Young Scot	Diane McGiffen, Chief Operating Officer, to schedule an update report in March 2018.	31/03/2017	01/03/2018	Diane McGiffen	Tricia Meldrum	Complete	Yes	The report will be considered at Item 12 of today's agenda.
ASB58	Board	18	2016/17 Annual report on international work and international strategy 2017-20	Antony Clark, Chair of International Steering Group to consider the longer term impact of international work in future reporting.	06/06/2017	01/06/2018	Antony Clark	Sarah Pollock	Ongoing		A report is scheduled for June 2018.
ASB64	Board	5	Accountable Officer's Report	An update report on developments within the Appointments and Assurance and Professional Support teams to be scheduled.	29/11/2017	28/03/2018	Diane McGiffen/Fiona Kordiak	Diane McGiffen/Fiona Kordiak	Ongoing		A verbal update was provided at the meeting on 28 March with a report to be scheduled later in the year.
ASB66	Board	10	Q2 Corporate performance report	An update on the BVAR audit days to be reported to the next meeting of the Audit Committee.	29/11/2017	14/03/2018	Martin Walker	Martin Walker	Complete	Yes	This item forms part of the report under ASB71 at the meeting on 2 May 2018.
ASB67	Board	10	Q2 Corporate performance report	The annual report on international work to expand on the engagement with the Canadian Comprehensive Auditing Foundation in developing the performance audit work.	29/11/2017	06/06/2018	Antony Clark	Antony Clark	Ongoing		This item is scheduled for the meeting on 6 June 2018.
ASB70	Board	11	2018 Audit Scotland staff conference update	A discussion on audit quality and reputational risk to be scheduled following consideration of the Annual Audit Quality report.	31/01/2018	22/08/2018	Diane McGiffen	Elaine Boyd	Ongoing		A report will be scheduled to come to the Board meeting on 22 August 2018.
ASB71	Board	11	2018 Audit Scotland staff conference update	A review of Best Value to be scheduled for the Board once it has been reported to the Accounts Commission.	31/01/2018	02/05/2018	Diane McGiffen	Fraser McKinlay	Complete	Yes	The report was considered at Item 10 on the 28 March agenda.
ASB72	Board	11	2018 Audit Scotland staff conference update	Ongoing updates on the implications for public audit in light of the new financial powers and Brexit to be scheduled, as appropriate.	31/01/2018	02/05/2018	Diane McGiffen	Mark Taylor	Complete	Yes	The report was considered at Item 9 on the 28 March agenda.
ASB73	Board	12	Publications schedule: January to June 2018	A copy of the Openness and transparency briefing paper to be circulated to members.	31/01/2018	30/04/2018	Diane McGiffen	Joy Webber	Ongoing		A copy of the briefing paper will be shared with members on publication in May 2018.

Purpose

1. This paper provides an update on key developments surrounding financial devolution and constitutional change, including Audit Scotland's response and organisational arrangements.

Background

2. We provided an update to the Board in November 2017 on the new financial powers and constitutional change. Significant developments since then include:
 - We are building capacity for additional work in 2018/19 in response to financial devolution, and have established two new teams with responsibility for auditing social security and public financial management.
 - We published the latest in a series of performance audits on managing the implementation of the Scotland Acts on 28 March 2018. The report was considered by the Public Audit and Post-Legislative Scrutiny Committee (PAPLSC) on 19 April and is due to be considered by the Social Security Committee on 3 May.
 - The Scottish Government published its draft budget for 2018/19 on 14 December 2017. The Scottish Fiscal Commission published its first set of five-year forecasts alongside the budget. The budget was passed on 21 February 2018 and included a new five-band income tax system.
 - The Social Security (Scotland) Bill continues to progress through Parliament and is expected to be passed into law by summer 2018. Recruitment for Social Security Scotland, the agency that will deliver devolved social security payments, started in March 2018.
 - The UK and EU agreed a transition period for the UK's withdrawal from the EU, which will last until the end of 2020. The Scottish Parliament passed an emergency piece of legislation on 21 March 2018, which is intended to ensure continuity of EU legislation in Scotland after March 2019. This will be enacted if no agreement is reached between the Scottish and UK Governments over the UK's EU Withdrawal Bill. The UK Government has asked the Supreme Court to rule whether the legislation is within devolved powers.

Scottish budget

3. The Scottish Government's 2018/19 budget was passed by Parliament on 21 February 2018. This included a new five-band income tax system and introduced marginal changes in tax rates across the five bands. This policy is forecast to fund an additional £219 million in the Scottish budget. The Scottish Fiscal Commission forecast income tax revenues of £12.2 billion in 2018/19.
4. The Scottish Fiscal Commission (SFC) published its first set of five-year forecasts of tax revenues, social security spending and onshore GDP on the same day as the draft budget (14 December 2017). These economic forecasts, on which the budget is now based, predicted lower growth than other forecasters such as the Fraser of Allander Institute (FAI) and Office for Budget Responsibility (OBR). The FAI set out the following as the most significant reasons for the lower SFC forecasts:
 - The SFC views the Scottish economy as operating at capacity, with a narrow gap to potential capacity, and therefore little room to grow into.
 - Working age population is falling and forecast migration is lower as a result of the implications of EU withdrawal.
 - Productivity levels are low because there is high employment and low growth.

5. We will continue to inform and support the Parliament and others as they establish new arrangements to help ensure transparency, accountability and financial sustainability in relation to the Scottish public finances. Our programme of work on public financial management will continue to look at the management and reporting of the new devolved powers. It will also consider the implementation of the recommendations of the Budget Process Review Group (BPRG) and the transparency of the budget, which is particularly important given its increasing complexity. We are building capacity across the organisation for this increasing programme of work.
6. We are working with colleagues in the Scottish Parliament and others to help communicate and support implementation of the BPRG's recommendations. This includes briefing parliamentary committees and hosting awareness-raising events in May with stakeholders from the Parliament, Scottish Government and public bodies. The revised budget process recommended by the BPRG introduces a full-year approach, with a continuous cycle of budget scrutiny. The new process will be in place for the 2019/20 budget, starting with the publication of the Scottish Government's first medium-term financial strategy before summer recess. The BPRG recommendations have implications for Audit Scotland, and we are engaging with parliamentary committees and colleagues to ensure our audit work helps support the new budget process and improved scrutiny.

EU withdrawal

7. The UK Government and the European Commission are currently in stage two of negotiating the terms of the UK's withdrawal from the EU. The EU has stated that these terms need to be agreed by October 2018, so that they can be ratified by the member states and the European Parliament by 29 March 2019. On 19 March 2018 the EU and UK agreed a transition period, which will last until the end of 2020. The key points of this agreement are:
 - EU citizens arriving in the UK during the transition period will receive the same rights and guarantees as those who arrive before 29 March 2019.
 - The UK will still be party to existing EU trade deals with other countries, but will also be able to negotiate, sign and ratify its own trade deals during the transition period.
 - The UK will effectively remain part of the Common Fisheries Policy until the end of 2020, although it will not have a direct say in the rules of the policy.
 - Northern Ireland will effectively remain in parts of the single market and the customs union, in the absence of other solutions, to avoid a 'hard border' with the Republic of Ireland.
8. The EU (Withdrawal) Bill is currently progressing through the House of Lords. It completed the committee stage (line by line examination of the Bill) without amendment, and entered the report stage on 18 April. The Scottish Government has expressed concerns that the EU Withdrawal Bill in its current form is "incompatible with the devolution settlement" and Ministers have indicated they may not give consent to the Bill unless it is amended. The Scottish Parliament passed an emergency piece of legislation on 21 March 2018 - the UK Withdrawal from the European Union (Legal Continuity) (Scotland) Bill. This is intended to ensure there is continuity of EU legislation in Scotland after March 2019, in case no agreement is reached between the Scottish and UK Governments over the UK's EU Withdrawal Bill. The UK Government has asked the Supreme Court to rule whether the legislation is within devolved powers.
9. We are continuing to monitor issues as they develop, identify associated audit risks, and ensure they are reflected in the public sector audit risk register and our work programme. The audit planning guidance for 2017/18 audits asks auditors to consider the extent to which public bodies are working to understand, assess and prepare for the UK leaving the EU. Our latest work programme also includes potential performance audits in this area from 2021, looking at issues such as development of Scotland's agricultural and fishing policy and replacing European funding streams following EU withdrawal.
10. We are also identifying the implications of EU withdrawal for Audit Scotland and assessing any business risks. Management Team held a summit with colleagues from across the organisation in January 2018, to discuss the potential implications for our audit work, our organisation and our priorities. Audit Scotland's Audit Committee is planning a 'deep dive' into the business risks associated with EU withdrawal at its meeting on 23 May. Failure to assess and respond to the impact of EU withdrawal

could influence other risks in the corporate risk register, such as the quality and impact of our work and our reputation.

11. We have identified a professional lead for EU withdrawal, who is leading our programme of engagement in this area. They will work with colleagues across the organisation to develop our audit work programme and manage any organisational implications. This is being coordinated through the new financial powers and constitutional change programme, with dedicated resources committed to this work. We will continue to review our resource needs and build capacity for our work in this area (see paragraphs 21-22).

Social security powers

12. Parliamentary consideration of the Social Security (Scotland) Bill is progressing to the planned timetable, and it is expected to receive Royal Assent in spring / early summer 2018. The Bill sets out an overarching approach to delivering the devolved social security benefits, setting out key principles and arrangements. The Bill proposes that the specific details for each benefit will be set out in regulations once the Bill has passed into law, rather than being in the primary legislation itself. An amended version of the Bill was published on 6 March 2018, following stage 2 consideration at the Social Security Committee. This includes the establishment of a Scottish Commission on Social Security, which would be responsible for scrutinising the new social security system including any secondary legislation to the Bill.
13. The Scottish Government's social security programme is responsible for establishing all the necessary arrangements to deliver the devolved benefits. This includes setting up Social Security Scotland, the executive agency that will deliver devolved benefit payments, and the required operational and IT systems. This is a complex and wide-ranging programme of work. Our latest performance audit on the implementation of the Scotland Acts found that the Scottish Government's social security programme has made good early progress. It is now at a critical point as it moves into its initial phase of delivering devolved benefits, the first of which are due to be delivered by summer 2019. Recruitment for Social Security Scotland started in March 2018, and at least 1,900 jobs are expected to be created by the time the agency is fully operational. The appendix provides a timeline of the devolution of social security powers.
14. Audit Scotland is the appointed auditor for Social Security Scotland and the payments that it administers. The Auditor General for Scotland (AGS) will also appoint the auditor for the Scottish Commission on Social Security. We have now established a team that will be responsible for all our financial and performance audit work on social security, including our existing housing benefit performance audit work. We will continue to review our resource needs for this work and build additional capacity as more social security benefits are devolved through to 2021. Given the scrutiny role of the Scottish Commission on Social Security, we will be engaging with it to discuss our respective roles and responsibilities.

Audit arrangements

15. Discussions are continuing between the Scottish Government and HM Treasury on audit and accountability arrangements for devolved services provided by UK public bodies (such as HMRC and DWP). The Scottish Government has formally consulted with Audit Scotland on a draft framework, and HM Treasury consulted with the NAO. We are continuing to engage with the Scottish Government, to help ensure the arrangements are fit for purpose and meet the needs of the Scottish Parliament.
16. At its meeting on 8 February 2018, PAPLSC took evidence on the draft framework from the AGS and the Scottish Government. The AGS provided a written submission to the committee, suggesting areas where the framework could potentially be strengthened to better support the interests and responsibilities of the Scottish Parliament.¹ PAPLSC agreed to invite views from other committees on the proposed audit and accountability arrangements. On 5 April, PAPLSC wrote to the Cabinet Secretary for Finance and the Constitution and the Chief Secretary to the Treasury setting out the views

¹ http://www.parliament.scot/S5_Public_Audit/Meeting%20Papers/Agenda_and_Papers_-_8_Feb_2018.pdf

of the committees.² This letter highlights concerns that the draft framework does not fully satisfy the Parliament in its scrutiny of devolved matters. Ultimately, the framework will be agreed by the Scottish and UK Governments at a Joint Exchequer Committee.

Audit reporting

17. We published the fourth in the series of performance audits on managing the implementation of the Scotland Acts on 28 March 2018. This looked at how effectively the Scottish Government is managing the implementation of the new financial powers, with a particular focus on the devolved social security powers. The report was considered by PAPLSC on 19 April. The key messages from the report include:

- Implementing the financial and social security powers from the Scotland Acts is a large and highly complex programme. The Scottish Government needs to develop the capacity and capability to deliver these changes alongside delivering its continuing responsibilities and preparing for the implications of the UK's withdrawal from the EU. It has taken some important steps to assess its workforce and priorities, and now needs to finalise an overall plan and processes to make sure it has the people it needs. It will be challenging to recruit and deploy all the necessary people and skills in time.
- The Scottish Government has not estimated the total cost of implementation, or the extent to which this will exceed the UK Government's agreed contribution. The excess will require funding from the wider Scottish budget. Greater transparency and a better understanding of overall implementation costs are needed to support financial planning and decision-making.
- A significant amount of work is required during 2018 if planned timescales are to be met in the Scottish Government's social security programme. This relies on effective working with others such as DWP, and the development and integration of a number of IT systems. Plans need to be fully developed to reflect interdependencies, assurance activities, contingency arrangements and key decision points. The Scottish Government is currently developing a five-year financial plan to refine the implementation and operational costs of the social security programme. More detailed estimates of costs need to be developed and refined as decisions are made about service delivery and long-term IT solutions.
- The Scottish Government has established a new role of Director General Scottish Exchequer, with responsibility for fiscal autonomy and financial sustainability. Governance and organisational arrangements now need to be established to manage the new fiscal risks and opportunities in the budget. Work is under way within the Scottish Government to support agreed changes to the Scottish budget process. This provides the opportunity for it to be clearer about its overall approach to financial management over the medium term.

18. The National Audit Office (NAO) reported on its 2016/17 audit of HMRC's implementation of the Scottish Rate of Income Tax in November 2017. It found that HMRC's processes for identifying Scottish taxpayers operated appropriately in 2016/17, but maintaining accurate address records remains a risk. As in the previous two years, the AGS published a report alongside this, providing additional assurance to the Scottish Parliament on the NAO's audit work in this area. PAPLSC took evidence from the AGS and Comptroller and Auditor General at its meeting on 11 January 2018. The committee wrote to HMRC and the Comptroller and Auditor General about issues arising from the report, including the impact of the Scottish Government's new income tax bands on:

- tax avoidance and HMRC's compliance activity
- the administrative costs of collecting Scottish income tax
- HMRC's IT systems for processing income tax.

² http://www.parliament.scot/S5_Public_Audit/Inquiries/20180405_Letter_to_Cab_Sec-Chief_Secretary_to_the_Treasury.pdf

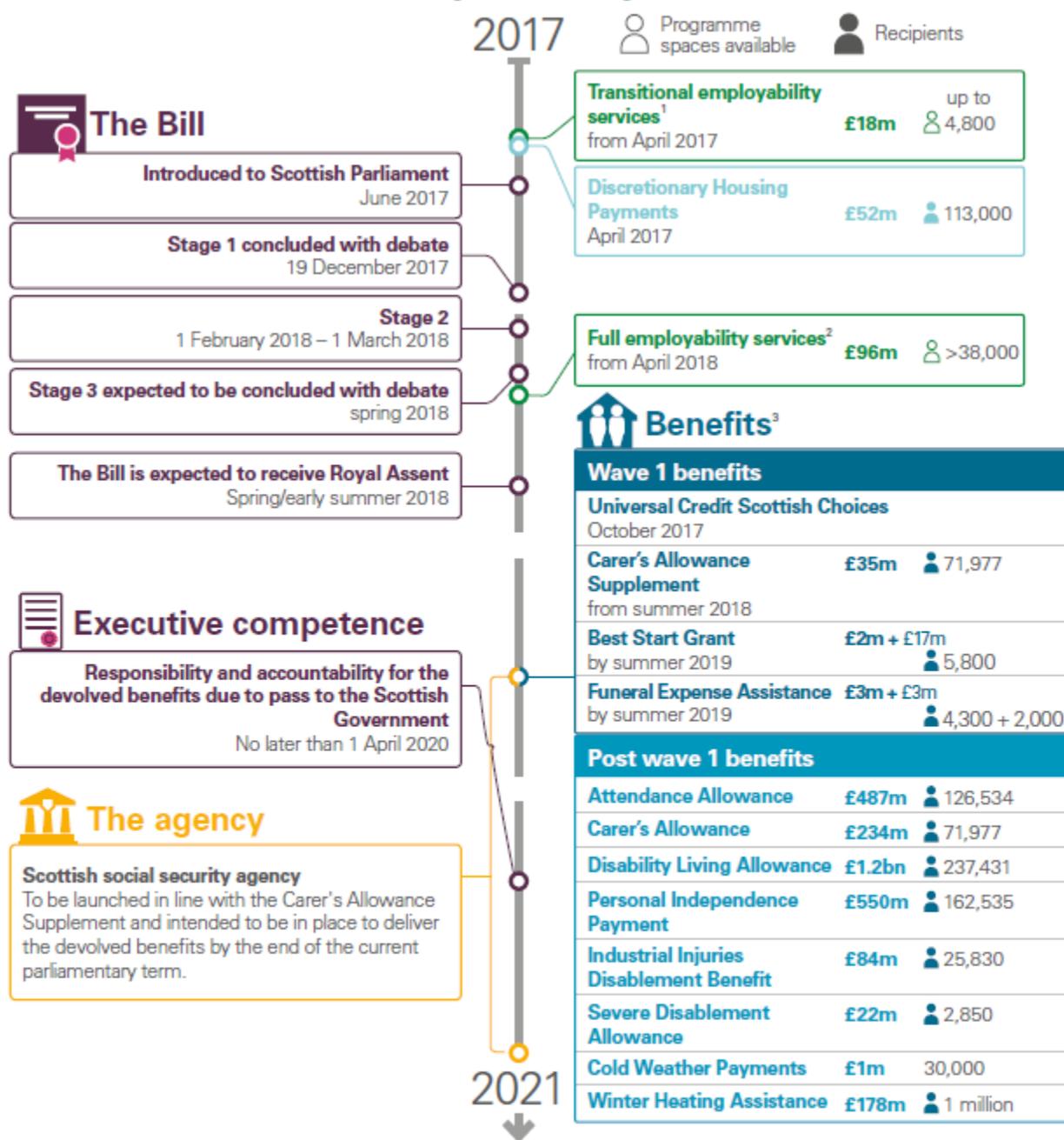
Organisational arrangements

19. Business risks in this area are identified in the corporate risk register and the risk register for the new financial powers and constitutional change programme. The immediate priorities of the programme reflect the three most significant risks - EU withdrawal, building capacity, and developing an effective audit and accountability framework. Our work monitoring issues in this area also helps to inform the public sector audit risk register.
20. The SCPA approved proposals for growth in Audit Scotland's budget for 2018/19, to accommodate additional work in response to financial devolution and constitutional change. We have identified what specific work we will undertake in 2018/19 and what people and skills will be required. We have put in place the initial capacity we need for this additional work by establishing two cross-organisation teams, with responsibility for the audits of social security and wider public financial management work. We are identifying the particular skills that are needed in these two teams, and for our wider work, and will be targeting learning and development activity in these areas.
21. The corporate risk register identifies the risk of failing to recruit, retain, develop and deploy people with the skills, experience and capability we need, leading to reduced quality of work and inability to deliver our audit commitments. We are continuing to review our resource needs and increase capacity in a managed way, to ensure resources are available at the right time and in the right place to allow us to respond effectively as the demands on us grow. This includes managing any resourcing implications in a way that allows us to continue to deliver our existing work effectively and provides opportunities for people across the organisation.
22. We will be bringing more people into the organisation to provide backfill for the people who have moved into the two new teams and to continue to build capacity as our work in this area grows. Detailed planning for significant recruitment during 2018 is well advanced, and our professional trainee scheme will continue to play a key role in bringing talented people into Audit Scotland. We will be looking to fill vacancies for audit staff across bands 1 to 3. We are also capitalising on opportunities presented by BaBO, such as Career Development Gateways and taking a 'one organisation' approach, to ensure we continue to retain and develop our existing staff and provide opportunities for new and innovative ways of working.
23. The AGS has appointed the auditors for the Scottish Fiscal Commission (Audit Scotland) and Crown Estate Scotland (Grant Thornton), which were both established on 1 April 2017. Planning for the first annual audits (2017/18) is complete and audit work will continue over the summer.
24. Our programme of work in this area continues to grow. We made good progress against our three main priorities for 2017/18 – supporting the AGS's participation in the Budget Process Review Group (BPRG), engaging with the Scottish Government and NAO to progress the audit and accountability framework, and workforce and recruitment planning.
25. During 2018/19, we will focus on continuing to deliver and manage our increased capacity; mainstreaming elements of our work on the new financial powers across the organisation; working with the Scottish Parliament and others to support the implementation of the BPRG's recommendations; and developing our programme of engagement and audit work in response to EU withdrawal. We are continually monitoring the audit and business risks in this area and reviewing our priorities, to ensure we can respond effectively to the fast-changing environment.

Conclusion

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

Timeline of the social security powers being devolved through the Scotland Act 2016



Notes:

1. Scottish Fiscal Commission's forecast expenditure for the programme in 2017/18 and 2018/19. Providers are paid according to the number of people that move into sustained employment.
2. This is the total contract value of this programme and will be paid into 2023.
3. The benefits figures are 2016/17 spend and recipient numbers taken from *Social Security for Scotland: Benefits being devolved to the Scottish Parliament*, Scottish Government, December 2017. Carer's Allowance Supplement and the additional amounts for the Funeral Expense Assistance and Best Start Grant relate to the Scottish Government's intended expansion of these benefits, as set out in the Financial Memorandum to the Social Security (Scotland) Bill (June 2017). Cold Weather Payments can vary significantly year on year depending on the severity of the winter. Approximate number of payments shown instead of recipient number.

Source: Audit Scotland, using data from the Scottish Government and the Scottish Fiscal Commission

Purpose

1. On 8 February 2018 the Accounts Commission discussed a report on the review of the new approach to auditing Best Value (BV). The purpose of this report is to provide the Board with an opportunity to discuss the results of this review.

Background

2. Local authority bodies have a statutory duty, under the Local Government (Scotland) Act 1973 and associated statutory guidance, to make arrangements to secure Best Value through the continuous improvement in the performance of their functions. In June 2016, the Accounts Commission agreed the framework for a new approach to auditing Best Value (BV) duties in councils. The new approach has been used by auditors since October 2016 for the 2016/17 annual audit year.
3. It was agreed that the new approach would be reviewed after its first year to:
 - ensure it is fit for purpose, and
 - to identify learning points for making improvements to the approach and for sharing good practice with auditors.

Results of the review

4. The results of this review were reported to the Accounts Commission on 8 February 2018. The report is attached at appendix 1.
5. The key findings of the report say that the review demonstrates that the new approach to auditing BV is fit for purpose and meets the Commission's objectives for the new approach. However, the approach continues to evolve and improve and lessons learned from this review are reflected in improvement actions which are included in the report.
6. The report has also been discussed by Audit Scotland's management team prior to the February Commission meeting and again on 17 April 2018.
7. The Accounts Commission endorsed the BV review report. The Commission noted the effectiveness of the new approach in meeting much of the Commission's expectations and the generally positive experience articulated by councils. They endorsed the recommended areas of improvement in the report. The minute of the Commission's discussions is at appendix 2.
8. The Commission agreed to engage directly with councils on the outcome of the review.
9. The improvement actions from the review are being progressed for the year two BV audit work. Auditors have been supported to implement the improvements through a number of forums:
 - the BV audit manual has been updated and issued to auditors
 - a Guidance Note has been issued to auditors
 - work on Words held a training session that was attended by the year 2 BVAR auditors

- the approach to reporting service performance has been refined and is being applied consistently across the year 2 BVAR teams.
10. Progress with the improvement actions will be monitored through the Account Commission's Best Value Working Group. The working group will take forward the conclusions of the review and report to the Commission as appropriate.

Recommendations

11. The Board is invited to consider the results of the review and offer feedback.

Review of the new approach to auditing Best Value in councils



Prepared for the Accounts Commission by the Director of Performance Audit and Best Value

February 2018

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.

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Summary

1. The new, integrated approach to auditing the effectiveness of Best Value (BV) arrangements in councils has provided good coverage of the Accounts Commission's objectives and principles. The new approach has provided assurance on all councils in 2016/17, through the suite of reports consisting of the Best Value Assurance Reports (BVARs), the Annual Audit Reports (AARs) and the Annual Assurance and Risks Report (AARR).
2. Councils, in general, expressed strong support for the new approach. They feel it involves a proportionate investment and matches well with current needs.
3. All 32 auditors prepared five year BV audit plans in 2016/17 and reported findings on BV audit work in their AARs.
4. The Controller of Audit's Annual Assurance and Risks Report includes a summary of the findings reported by auditors in their AARs and Best Value Assurance Report. It covers the Commission's five strategic audit priorities and provides a summary of the pace, depth and continuity of improvement in the councils that received a BVAR in 2017/18. This intelligence will continue to be built up across Scotland in line with the five year BV audit approach.
5. In line with the five year programme, six BVARs have now been presented to the Commission. All BVARs follow a consistent framework, although the scope of the audit work and the nature of the findings reported is different in each council to reflect their local risks and priorities. The BVARs have been welcomed by Commission members. They have noted that all BVARs include areas for improvement for councils to address, which demonstrates that the audits have impact. They also value the positive assurance provided on the councils where things are working well. They feel the BVARs are important to demonstrate to local citizens that the councils are being held to account for how effectively they demonstrate BV in delivering services.
6. Councils have said that, overall, the BVARs are a fair reflection of their activities and areas for improvement. All councils said they appreciated the clarity and readability of the reports. The majority say that overall, the experience of the process and its outcomes was positive, and it delivered reports which were appreciated and considered useful. There are also clear areas for improvement.
7. The BVARs have been the subject of discussion across the public sector and local media have reported on them. Councils are now progressing improvement actions from the reports. Progress will be reported by auditors in their 2017/18 AARs.
8. Auditors found the first year of the BV approach rewarding and challenging. They say the knowledge they have gained about their councils in the early stage of the audit will be invaluable for the rest of their audit work. Whilst the BVARs have been a steep learning curve

for some colleagues, auditors have demonstrated they have the skills required to deliver the audits effectively. Quality assurance arrangements are in place to cover all BV audit work.

9. BVAR audit teams were integrated, with PABV staff and local auditors working together. The integration of audit teams carrying out annual BV audit work will be more of a focus going forward. Councils say they recognise and welcome the benefits of the integrated approach to auditing BV.
10. The integrated audit approach is visible when audit teams present BVARs to Commission meetings. Commission members feel the BVAR teams answered questions well and gave assurance on the judgements reported.
11. In conclusion, this review demonstrates that the new approach to auditing BV is fit for purpose and meets the Commission's objectives for the new approach. As we anticipated, the approach continues to evolve and improve and lessons learned from this review are reflected in improvement actions which are included at Appendix A to this report.
12. We always knew that the first year of delivering the new approach would be challenging, given that it was the first year of the new audit appointments and we had to manage the impact of the council elections in May 2017. Our priority was to ensure that the reports were delivered on time, and that they met the expectations of the Commission, councils and other stakeholders. BVARs were very comprehensive, covering a wide range of topics in each council.
13. The scope of the first BVARs was ambitious and wider than we had anticipated, meaning that the time taken to produce the first six BVARs has exceeded our planning assumptions. We remain on track to complete the full five year BVAR programme by the end of 2021, although it will be challenging. Whilst future BVARs should take less time due to learning the lessons from year one of the process, we also believe we can tighten the scope of the work and produce more concise reports.
14. In future years, we will rebalance the pattern of audit resources applied between the BVARs and the local annual BV audit work in each council. This will ensure follow up findings from early BVARs are reported in AARs and should reduce the input required to publish BVARs later in the five year programme.
15. It is important that the proportionate and risk based audit approach for each BVAR is clearly explained to councils at the start of each audit. Reporting on service performance based on a range of evidence is a key part of the BV assessment. How this information is used by auditors needs to be more clearly explained to councils and in BVARs. Auditor judgements on the effectiveness of a council's self evaluation and its self awareness could also be clearer in future BVARs.

Introduction

Objectives of the new approach

16. Local authority bodies have a statutory duty, established under the Local Government in Scotland Act 2003, to make arrangements to secure best value through the continuous improvement in the performance of their functions. In June 2016, the Accounts Commission agreed the framework for a new approach to auditing Best Value (BV) duties in councils. The new approach has been used by auditors since October 2016 for the 2016/17 annual audit year.
17. The Commission agreed principles to underpin the development and implementation of the new arrangements for BV. These are that:
 - the essential elements of Best Value remain as relevant and critically important today as when it was first established, although there is some need for the statutory guidance on BV to be reviewed
 - there is a need for the pace, depth and continuity of improvement to increase across local government and driving improvement will be at the core of the audit process for Best Value
 - there can be no compromise on the importance of good governance in councils, including the need for effective scrutiny arrangements that contain the checks and balances which lie at the heart of our system of government.
18. The Commission has stated its objectives for the new approach, to provide:
 - a proportionate and risk-based audit approach, but with more frequent assurance on BV across all 32 councils **(see consideration of this at page 11 and page 19)**
 - a common framework and consistent layout for reports **(see page 17)**
 - audit work reflecting the statutory BV characteristics but with an emphasis on
 - the quality of service and outcomes (less on processes) **(see page 20)**
 - demonstration of pace and depth of continuous improvement **(see page 18)**
 - quality of a councils self-evaluation (including a councils ability to compare its performance to benchmarks) **(see page 21)**
 - to provide greater synergy and an improved experience for councils. Achieved through integrated audit processes across the range of audit work applied in local government, alongside continued joined up working with other scrutiny bodies. **(see page 29)**
19. It was agreed that the new approach would be reviewed after its first year to:
 - ensure it is fit for purpose, and

-
- to identify learning points for making improvements to the approach and for sharing good practice with auditors.

The results of this review are reported here.

How the review was carried out

20. The review considered a wide range of documentation including audit planning and monitoring information, the Best Value Assurance Reports (BVARs), Annual Audit Reports (AARs), the Annual Assurance and Risk Report (AARR) and Accounts Commission agenda papers. Feedback from a number of stakeholders was also obtained and has been summarised and reflected throughout this report.
21. Auditor feedback was gathered from:
 - Meetings with Audit Scotland colleagues, including two workshops with around 60 people and meetings with managers
 - Feedback requested and provided via Yammer (Audit Scotland's internal social media network), the corporate intranet and emails from all Audit Scotland staff and appointed auditors
 - Post audit review meetings for the teams who produced the first five BVARs.
22. Council feedback was provided from:
 - Accounts Commission meetings with council officers and elected members
 - A report compiled by an external consultancy, Rocket Science, summarising telephone feedback discussions held with Chief Executives and senior councillors from the six BVAR councils (Annexe 1).
23. Feedback from Accounts Commission members was discussed at two separate meetings in November 2017.
24. Feedback on the BVARs was provided by Work on Words, a company which has worked with Audit Scotland for a number of years to improve the clarity and readability of performance audit and BV reports.

Launching the new audit approach

Accounts Commission engagement events

Councils found the engagement about the new approach very helpful and a useful discussion that had helped to clarify expectations.

26. The Commission held three engagement events with councils covering its strategy and the new approach to auditing BV. The events included presentations on the Commission's strategy and expectations and the new approach to auditing BV. All councils were represented across the three meetings, with most representatives being chief executives, senior officers or council leaders. All events saw a good level of discussion between council representatives and Commission members. Rocket Science have reported that all the BVAR councils had found the November 2016 engagement about the new approach very helpful and a useful discussion that had helped to clarify expectations.

The development of the new approach

Governance arrangements have been effective in providing support and challenge throughout the implementation of the new approach to auditing BV.

27. An Accounts Commission Best Value Working Group has been active through the development and implementation of the new approach. It met on several occasions to discuss proposals for the new approach with the Director of PABV and the BV development team. Items discussed included the BV timetable, the BVAR template, the scope of the Annual Assurance and Risks Report (AARR) and the scope of this review.
28. An Audit Scotland Steering Group has also been in place to oversee the development, implementation and resourcing of the new audit approach. It met several times over the last year and scrutinised the work of the BV development team in developing the new audit approach. It was agreed that as auditors were now working to the new approach, future progress would be reported via business groups, the Management Team and the Commission as appropriate.
29. A BV development team is in place to support the new BV audit approach across Scotland. The current team was put in place in October 2016, to oversee the implementation phase of the new approach. The team reports directly to the Controller of Audit and consists of staff who have experience in Best Value work from both Audit Services Group (ASG) and Performance Audit and Best Value (PABV):
- Fiona Mitchell-Knight, Assistant Director ASG

- Mark Ferris, Senior Audit Manager ASG
- Kathrine Sibbald, Audit Manager PABV
- Peter Worsdale, Audit Manager PABV

The BV development team works closely with the Secretary to the Accounts Commission.

30. The Director has presented a number of reports, compiled by the BV development team, to the Commission during the year to give updates on the progress made with the new audit approach. The Commission also endorsed the BVAR timetable, and the approach to reporting BV findings, prior to the first BVAR being discussed in May 2017.
31. Integrated audit teams delivered the BV audit work, made up of auditors from local audit teams (ASG or the firms) and PABV auditors of different grades with different levels and areas of expertise. The work of each team is overseen by the appointed auditors (ASG Assistant Directors and firm partners) and audit managers. PABV Senior Managers have been designated as link managers to each of the appointed auditors to coordinate BV activities and PABV resources for all councils, working with the local audit teams.

The statutory BV guidance

32. Fraser McKinlay, Director of PABV and Fiona Mitchell-Knight, Assistant Director, have been participating in the Scottish Government Steering Group tasked with updating the statutory BV guidance. The Scottish Government is currently preparing the draft revised guidance for public consultation. We do not yet have a clear timetable as to when the draft guidance will be issued for consultation.
33. The audit approach and guidance described in this section is designed to be consistent with both the current and the revised guidance (based on our knowledge of how it is likely to change). When revised guidance is issued, the BV development group will review the audit approach and support materials to ensure they are consistent with the new guidance.

Delivery of the programme

The new integrated approach to auditing the effectiveness of Best Value arrangements is meeting the Accounts Commission's aims by providing some assurance on all councils each year.

In general, councils have expressed strong support for the new approach. It is felt to involve a proportionate investment and is matched well with current needs.

34. All 32 council auditors prepared five year BV audit plans in 2016/17 and reported findings on their BV audit work in their annual audit reports (AARs). BVARs have been published on six councils, described below.
35. The Controller of Audit's Annual Assurance and Risks Report (AARR), presented to the Accounts Commission in February 2018, includes a summary of the findings reported by auditors in their AARs and BVARs. It includes findings reported on the Commission's five strategic audit priorities and also a summary of the pace, depth and continuity of improvement in the BVAR councils. This intelligence will continue be built up across Scotland in line with the five year BV audits approach.
36. The Rocket Science report says that in general, councils have expressed strong support for the new approach. It is felt to involve a proportionate investment and is matched well with current needs. They say that overall, the experience of the process and its outcomes was positive, and it delivered reports which were appreciated and considered useful. There was a consensus that the process was clearly described, and described effectively at each stage of the audit. Feedback has also highlighted clear areas for improvement, which are covered throughout this report and summarised as improvement actions at Appendix A.

Best Value Assurance Reports (BVARs)

In line with the year one programme, six BVARs have been presented to the Accounts Commission.

We remain on track to deliver a BVAR on each council by the end of 2021, although it will be challenging to achieve.

37. A five year approach to auditing BV in each council was introduced from October 2016. As part of this, the Controller of Audit will provide a BVAR to the Commission for each council at least once in a five year period. The scheduling of the BVARs considers the risk profiles of councils, the length of time since the last BV report and provides a spread of councils by size and demographics in each year. The programme is reviewed each year to reflect new audit intelligence from auditors and from the annual shared risk assessments. The second year BVAR programme is discussed below.

38. To ensure a proportionate audit which reflects the local context and risks of each council, the coverage of each BVAR is unique. The audit approach for each BVAR was scoped to reflect local priorities and risks. Scoping letters were sent to each Chief Executive, describing at a high level the areas of work to be carried out. The scope was discussed with each Chief Executive and senior officers prior to the letter being issued.

Scheduling of the BVARs

39. The first BVAR, on Inverclyde Council, was discussed at the Accounts Commission meeting in May 2017. The last of the six first year BVARs, Clackmannanshire, was discussed at the January 2018 meeting. The Commission's preference is that only one BVAR be discussed at any meeting. This was achieved in 2017 as follows:

	Commission Meeting date:
Inverclyde Council	11 May 2017
Renfrewshire Council	10 August 2017
East Renfrewshire Council	12 October 2017 (revised from 14 September 2017 at the request of the auditors and to reflect council feedback)
West Lothian Council	9 November 2017
East Dunbartonshire Council Follow up CoA report	9 November 2017
Orkney Council	7 December 2017
Clackmannanshire Council	11 January 2018
Falkirk Council Follow Up CoA report	11 January 2018

40. The order of the BVARs and scheduling of the dates was discussed between the BV Development Group and auditors, prior to it being agreed with the Secretary to the Accounts Commission. The programme was then endorsed by the Commission.
41. The scheduling reflected the late start for the year one BVARs, due to the new audit appointment. It was also influenced by the timing of local government elections in May 2017. The original timetable also avoided the auditors peak month for signing off local government accounts at the end of September.
42. Auditors have commented on the pressures of the BVAR programme where work has to be carried out by the audit teams at the same time as the local auditor peak workload period (May to the end of September).

43. We continue to develop our approach to resourcing and scheduling the BVAR programme. We need to balance the needs of the Accounts Commission, the workload of audit teams, as well as local circumstances and the preferences of councils. We also recognise that the BV audit is part of a wider programme of work delivered on behalf of the Accounts Commission. We are therefore developing a more integrated approach to resource planning, ensuring that BVAR plans are aligned with annual audit sign off deadlines, performance audit work, statutory reports, How Council's Work projects, the AARR and overview reporting. The resource planning for the BV audits is discussed further from paragraph 96.
44. The proposed year two BVAR timetable currently shows:

Commission meeting date	BVAR to be considered
May 2018	Fife Council
June 2018	West Dunbartonshire & East Ayrshire Councils (tbc)
August 2018	Glasgow City Council
Oct 2018	East Lothian Council
Nov 2018	Dumfries & Galloway Council

45. The timetable reflects discussions held between auditors and council Chief Executives. We have been unable to schedule any of the BVARs before May 2018. We recognise that asking the Commission to consider two BVARs in one meeting is not ideal. It remains our aim to only have one BVAR reported to any Commission meeting, and in future better programming will allow BVAR audit work to start sooner and report earlier in the year.
46. The five year BVAR programme achieves the objective for a BVAR to be published on each council by the end of 2021. In years three and four, seven BVARs are to be published, with the remaining six published in 2021.
47. The year three BVAR programme, for 2019, is currently in draft and will be confirmed when the next Local Scrutiny Plans and Annual Audit Plans are published in March 2018. We are currently in discussion with audit teams, after which the programme will be presented to the Commission for endorsement.

Improvement Action 1 & 7

BV findings in the Annual Audit Reports

The new approach provides assurance on aspects of the BV arrangements for all councils each year. All AARs include an explanation of the new BV approach and audit conclusions.

48. The annual audit planning guidance lays out the requirement for all auditors to report the conclusions of BV audit work in their AARs. The BV development group provided auditors with some suggested text to introduce the new BV approach to readers. This was used by auditors and all AARs include appropriate comment.
49. All annual audit reports include comment on some of the BV characteristics. The results of this 2016/17 audit work are summarised in the first Annual Assurance and Risks Report (AARR) presented to the Commission in February 2018. This demonstrates how the integrated approach has been successful in providing more regular assurance on BV audit work through the suite of reports made up of the BVARs, AARs and the AARR.
50. Commission members said they were pleased to see an example of how follow up of BV recommendations will be reported by local auditors in future, under the new approach. They feel this was demonstrated effectively in the East Dunbartonshire Council AAR.

Guidance Note for auditors

The Annual Assurance and Risks Report (AARR)

Pace, depth and continuity of improvement across Scotland

51. In its strategy and annual action plan 2017-22, the Commission says 'our over-riding aim is holding councils to account for their pace, depth and continuity of improvement, facilitated by effective governance. It is for councils to make choices in where they focus their improvement work but they need to be able to show how they have arrived at such choices'.
52. The AARR includes a summary of the audit judgements reported in BVARs and BV follow up reports on pace and depth of continuous improvement. Auditors have reported a mixed picture on the pace and depth of continuous improvement across Scotland.

Coverage of the Commission's Strategic Audit Priorities (SAPs)

The AARR includes commentary on council performance in the SAP areas.

53. The planning guidance directs auditors to consider the SAPs as part of their risk assessments, five year BV and annual planning processes. It says that AARRs are to provide an assessment of the council's performance in the SAPs across the five year audit appointments.
54. Auditors have reported findings on the SAPs in the 2016/17 annual audit reports and the BVARs. The findings have been summarised in the AARR which provides the Commission with assurance on the progress made by councils against these priorities. The evidence on

these priorities is being gathered and reported by auditors as part of their five year approach to auditing BV and through annual audits. When these are covered will depend on the risk assessments carried out by auditors as part of their annual planning processes. Not all SAPs will be reported on in every council every year.

55. The AARR includes findings on all SAPs, however, there are some areas where auditors could provide more detail and clearer judgements. For example, whilst auditors included a judgement on each council's arrangements for publishing performance information, there was limited commentary on the quality of the reporting. Auditors have been reminded that they should provide more detail on the quality of performance information published by councils in 2017/18.

Guidance Note for auditors

56. Commission members have heard from auditors that they find the landscape for auditing councils complicated, due to the need to consider the statutory BV characteristics, the audit dimensions from the Code of Audit Practice and the Commission's SAPs. The Commission has said it will consider how the SAPs fit with other priorities for local and national audit work in local government.
57. Commission members have also said that their next review of the SAPs should consider whether they remain the right priorities, now that they have evidence from the BVARs and the AARR on the key areas of risk and concern in councils. Future SAPs will clearly be a key factor in shaping the plans and audit approach of auditors.

Quality of the BVAR process

Commission members have welcomed the BVARs being presented for discussion, providing more regular assurance on all councils.

Councils have said that, overall, the BVARs are a fair reflection of their activities and areas for improvement. All councils said they appreciated the clarity and readability of the reports.

Auditors found the first year of the BV approach challenging but feel the knowledge they gained will be invaluable for the rest of their audit work. They feel the BVARs are good reports which fairly reflect the story for each council.

Feedback on the BVARs

58. Commission members have welcomed the BVARs. The reports give a rounded picture of how effective a council is at demonstrating BV in how it delivers services. They welcome the auditors making bolder judgements on a councils pace, depth and continuity of improvement.
59. Commission members have said that the BVARs set out clearly the scope for improvement in each council. All reports have identified areas for improvement for councils to address, which demonstrates that the audits have value. The Commission also values the positive assurance provided on areas where things are working well. They feel the BVARs are important in demonstrating to local citizens that councils are being held to account for how effectively they demonstrate BV in delivering services.
60. Feedback from auditors is that they are delighted to have delivered the first six BVARs on time. Auditors found the first year of the BV approach challenging but say the knowledge they have gained about their councils in the early stage of the audit appointment will be invaluable for the rest of their audit work. They feel the BVARs are good reports which fairly reflect the story for each council. They also feel that the constructive relationships built with most senior officers in councils are stronger as a consequence of the work.
61. Councils have said that the BVARs are a fair reflection of their activities and areas for improvement. All councils said they appreciated the clarity and readability of the reports. The feedback received from councils on how the audits were conducted includes a wide range of comments. The feedback on five of the BVARs includes some very positive comments, as well as some useful suggestions for improvements, which are reflected throughout this report. For example:
 - One Chief Executive commented on the “measured and proportionate nature” of the audit, stating that it was “challenging but professional”, meeting the advised timescales.

He stated that this experience compared very well to that of previous audits elsewhere in which he was involved.

- Council officers stated that the relationship between the council and the audit team had been 'professional, mutual and helpful'.
- The relationship between team and council was an 'open' one, with the team being open to suggestions from the council about areas of audit focus; monthly meetings with the corporate management team; and an openness to dialogue around the draft report.
- The audit felt proportionate, but it felt like a steep learning experience on both sides, with time devoted by the council in familiarising the team with the council and its context.
- The timing of the audit, in particular its proximity to the local government elections, was unhelpful to the Council in terms of pre-election tensions between political groups and workload issues for the council
- One council said the audit team, sometimes displayed some 'naïveté' in discussions around strategy and politics, whilst another said the reports took into account and displayed a good understanding of the local context.

62. The feedback on one of the BVARs, provided to both the Accounts Commission and Rocket Science, was much less positive than the other five. This council has been critical about how the audit was carried out and its lack of positive impact. We take this feedback very seriously and are already learning the lessons of what happened. It is acknowledged by the audit team that aspects of the audit process had not gone well. There were a number of unforeseen staff absences that affected how the audit was carried out, and the timetable for producing the BVAR, which initially coincided with the May elections and later with the financial statements audit period, compounded the impact of this. That said, the auditors and the council agree that the published BVAR fairly reflects the council's position and the council has accepted the recommendations in the report.

The Best Value Assurance Report

All BVARs follow a consistent framework, but the scope of the audit work and the nature of the conclusions are different in each council to reflect local risks and priorities.

63. The Accounts Commission asked for a consistent framework for reporting BV audits. To ensure this is the case, a consistent structure and layout for reporting was developed in conjunction with the Commission's BV Working Group. Whilst reports are structured around a common framework, the scope of the audit work and the nature of the conclusions are different in each council to reflect local risks and priorities. Some teams said they had to think hard about what to include and where in each section of the report to reflect the scope of their work, but they recognise the benefits of a standard approach for consistent reporting across the councils.

64. Commission members have said they like the format of the BVARs, and generally find them easy to read. They welcome the consistency of the reporting structure; it makes it easier to find their way around the reports and to compare arrangements across councils. But the reports are longer than had been anticipated and some were easier to read than others.
65. Commission members feel the BVAR format successfully sets out clear improvement actions for councils in the audit recommendations section of the reports. They hope this will help to promote implementation of the actions and allow auditors to report clearly on progress made by councils in the future. They feel the reporting approach also allows them space in their Findings to report their own conclusions and to emphasise any areas of particular concern or good practice they may have identified.
66. The common report structure will continue to be used for year two BVARs, with auditor discretion on how the audit conclusions are reflected within that.

Auditor judgements recorded in BVARs reflect the audit evidence gathered. Councils have commented that the BVARs are a fair reflection of their activities and areas for improvement.

67. Auditors are responsible for forming and reporting audit judgements on their BV audit work based on the audit evidence gathered and recorded. Auditors conduct their audit work on BV to comply with the International Standards of Auditing, the Code of Audit Practice and annual planning guidance. The Local Government Audit Manual - Auditing Best Value provides guidance for auditors in making audit judgments on their BV audit work.
68. In forming their audit judgements, auditors consider a range of written documentation, including council reports and reports from other scrutiny bodies. They also hold discussions with council officers and elected members. The scope of the audit work determines who the auditors feel it is appropriate to speak to. For example, the Orkney team spoke to community groups to support their evidence on how the council operates. This will not necessarily be a priority for all audit teams.
69. Under the new approach all BVARs include overall judgements on the pace, depth and continuity of improvement. Auditors form these judgements based on the evidence available to demonstrate improvement by the council in the BV characteristics and service performance. Auditors are forming these judgements for the first time and have commented that this is challenging. They say it is easier to do in councils where the last BV report was very critical. The judgements are not so straightforward in the majority of councils which have performed well for some time or where the improvement story is more nuanced. Future BVARs are to include an explanation on how the overall judgement is reached.

Improvement Action 2

70. When emerging BVAR findings are being documented for discussion with officers, they should include the proposed judgements on pace and depth of continuous improvement. These can then be discussed with councils at the earliest stage of the clearance process. This avoids

surprises for councils, and assists in acceptance of audit findings. To help with this, the Controller of Audit and the lead of the BV development team discuss the emerging findings from each audit with the audit teams at key stages of the audit. This provides a constructive challenge process for teams to ensure the judgements reported are supported by their evidence. It also assists in the calibration of audit judgements between councils. Auditors say they find these discussions helpful in improving their BVARs.

Guidance note for auditors

71. Auditors have commented that more examples of 'good practice' and benchmarks to set councils against would help them assess the pace and delivery of continuous improvement for their BVARs. Auditors should consider the AARR, previous BVARs and Local Government Overviews to help in making judgements and reporting recommendations.

Audit coverage

The scope of the first BVARs was ambitious and wider than we had anticipated, meaning that the time taken to produce the first six BVARs has exceeded our planning assumptions. We can tighten the scope of future BVARs and produce more concise reports.

The proportionate and risk based audit approach needs to be more clearly explained to councils at the start of each BVAR.

72. Feedback from councils included comments that an 'inconsistent' approach was used by auditors and that the approach to evaluating and reporting audit conclusions varied. These comments suggest that not all councils are aware of the proportionate and risk based audit approach we adopt. The scope of each audit was determined locally, reflecting the specific context, risks and priorities in each council. Auditors considered the results of their annual audit planning and discussions with their Local Area Network (LAN) in determining their audit approach. We can communicate our approach more effectively in future and BVARs can more clearly explain how auditors determined the scope of the audit.

Improvement Action 3

73. The scope of the first BVARs was ambitious and wider than we had anticipated, meaning that the time taken to produce the first six BVARs has exceeded our planning assumptions. We remain on track to complete the full five year BVAR programme by the end of 2021, although it will be challenging. Whilst future BVARs should take less time due to learning the lessons from year one of the process, we also believe we can tighten the scope of the work and produce more concise reports. Auditors feel that the scope of future BVARs can and should be sharpened without affecting the overall judgements on each council.

Improvement Action 4

74. Some Accounts Commission members commented that they are particularly interested in seeing audit judgements reported on:
- the ability /capacity of councils to manage the level of change required

- the effectiveness of community engagement and community empowerment and the difference that it makes to citizens
- judgements on partnership working with clear comment on when it doesn't work well/ progress as planned. They would welcome examples of where partnership working has led to better outcomes for service users
- how the new local outcome improvement plans (LOIPS) impact on the council's activities and outcomes
- equalities
- a council's level of self awareness / self evaluation / public performance reporting.

These are all areas covered by the statutory guidance on BV and the audit approach being used in compiling BVARs. We will take all of these on board, recognising the need to balance the Commission's areas of interest alongside the risk areas identified in each council based on the local issues. For example, auditor judgements on the effectiveness of a council's self evaluation and its self awareness could be clearer in future BVARs.

Guidance Note for auditors

Reporting on service performance

Reporting on service performance, using a range of evidence, is a key part of the BV assessment. How this information is used by auditors needs to be more clearly explained to councils and in BVARs.

75. The Commission's strategy says 'It is for councils to make choices in where they focus their improvement work but they need to be able to show how they have arrived at such choices.' The Commission therefore recognises that in times of financial pressures, under its assessment of BV, it is not expecting to see continuous improvement in all services, all of the time. Instead, auditors look for councils to demonstrate
- improvements in their priority services (through the direction of activities and resources to these areas) and
 - a clear understanding of the impact on other services of the decisions made to pursue their priorities.
76. Councils have said they would welcome more explicit comment in BVARs that the Commission does not expect continuous improvement in all service areas, but it does expect to see improved outcomes in the council's strategic priority areas.

Improvement Action 5

77. The BVARs include an assessment of each council's service performance. This includes consideration of the council's own self assessment and performance reporting information. Auditors use other sources of information to test the council's self evaluation and to add a more rounded picture across services where council information may be more partial. In

making these assessments, auditors use reports from other scrutiny bodies and nationally produced data, particularly the Local Government Benchmarking Framework (LGBF).

78. Commission members and councils can see there has been a shift from reporting less on process and more on outcomes but they feel the BVARs could go further to comment more on the outcomes that are being achieved by councils.
79. Some councils have commented on the audit approach used to report on their service performance, using LGBF indicators and comparing them to others. Some feel the approach has lacked sophistication, with the use of indicators being inconsistent across councils and not sufficiently reflecting on the council's priority services. They have expressed surprise that some BVARs included analysis over time and between family groups when others did not. They feel that auditors should make less reference to LGBF indicators and should rely more on the council's own assessment of its performance.
80. Some auditors have found that the service performance information reported by councils is comprehensive on its priority services, but does not provide an assessment of the impact on other services. Without this, auditors have questioned how elected members can be satisfied that they understand the full impact of decisions they are making, when directing improvement activity and resources. An analysis of a range of benchmarks is therefore appropriate in the BVARs, not just those of service priority areas. We also feel that in reaching conclusions on service performance, it is necessary for auditors to consider trends over time and comparisons between council family groups.
81. Having considered this feedback, the BV development team and auditors are of the view that teams should continue to report on:
 - the council's own assessment of its performance and in particular the impact this has on outcomes (including an review of performance over time to assess its pace of improvement)
 - the councils position compared to the national picture based on key published indicators. We support the continued use of a core set of indicators for all BVARs. This year we again propose to follow the indicators published in the 2018 Local Government Overview, as the basis for the national comparisons.
 - the LGBF data, as an appropriate source of nationally published comparable information. Auditors should use 'benchmarking' and report comparisons between a council's position compared to national and family group averages where it contributes to the judgements being made. Comparing a council's performance over time will also be a useful source of evidence for measuring improvement in its priority service areas.
82. We recognise, however, that we need to more clearly articulate our approach to councils. This should include why we are reporting these indicators, reflecting on the national picture that they are painting, and then interpreting this data locally in a way that supports the conclusions and judgements being reported on each council. A small team is preparing the service

performance assessment data for all six BVAR councils in 2018. This will help ensure consistency and further develop skills in the interpretation of the data for future BVARs.

Using focus groups to gather audit evidence

83. Some auditors have said that focus groups made up of a selection of officers and elected members have been a useful source of audit evidence, providing useful information to reinforce audit judgements. However, other auditors have found them less useful, due to their timing (around the elections) and the make up of the groups. We have provided some guidance notes for auditors to increase the impact of focus groups for future audits. These are shown in Appendix B of this report.

Sharing examples of good practice

84. Councils have commented that they would like to be provided with examples of good practice in any areas of suggested improvement included in BVARs. To date, audit teams have not always been able to provide this when asked. As the body of BV evidence is built up on more councils, auditors will be in a better position to do this.

Guidance Note for auditors

Discussion of emerging findings and draft BVARs with councils

85. Auditors discuss their findings with councils as their conclusions and judgements start to take shape. They discuss 'emerging messages' to confirm that the key facts on which they make judgments are considered accurate and complete by council officers. This gives councils an opportunity to discuss where they feel auditors may be missing part of the evidence 'jigsaw' or to explain the context of some issues. Auditors will then consider and evaluate this further evidence before preparing the draft report. The draft report is then shared with the council to check for factual accuracy. Comments received at this draft report stage will be considered by auditors and where they feel it is appropriate, changes will be made to the final report before being signed off by the Controller of Audit. It is usual practice for the emerging messages to evolve and the draft report findings to change over this period as the report is finalised.
86. A number of councils have commented on the helpful openness of the dialogue around the key messages in reports, which contributed to their views that overall the BVARs are a fair reflection of their activities. Rocket Science have reported that all councils appreciated the opportunity to have detailed discussions (sometimes 'intense' discussions) in response to emerging messages and the draft report, although some noted there was little connection between the emerging messages and the final report. The process of refinement of the report was felt to be a very open and constructive part of the process.

Quality assurance arrangements for audit work

Quality assurance arrangements are in place to cover all audit work on BV.

Auditor quality arrangements

87. The Controller of Audit is accountable for the quality of his BVARs reported to the Commission. Appointed auditors are responsible for ensuring the quality of audit work on BV carried out by the audit teams and reported in AARs and BVARs. The auditor prepares the draft BVAR, which is used as the basis of the Controller of Audit reports to the Commission.
88. The Controller of Audit and the lead of the BV development team discuss the emerging audit findings with the teams at key stages of the audit. This helps to ensure the BV framework is being applied in a consistent manner, to share lessons learned and to assist in the calibration of audit judgements. The key stages of discussion include the scoping letter, the emerging messages and draft BVAR, all before they are issued to the council. The results of these reviews are documented and filed by audit teams as part of their audit evidence.
89. After each BVAR has been published a post audit review meeting is held. This is attended by the audit team, the Controller of Audit and a member of the BV development team. The discussions are documented and lessons learned shared with other BVAR teams. The results from the post audit reviews completed to date are reflected throughout this report as feedback from auditors.

Independent assurance

90. Audit Scotland's Audit Quality Framework covers all audit work on BV. The framework, which has been approved by the Accounts Commission, describes Audit Scotland's approach to achieving world-class audit quality across all audit work, including BV. The framework sets out how Audit Scotland provides the Auditor General and the Accounts Commission with robust, objective and independent quality assurance over all audit work referred to in this report. Reports are presented to the Accounts Commission on the quality reviews carried out on audit work. ICAS has chosen to carry out an independent review of the East Renfrewshire BVAR audit as part of their 2018 review programme. Improvement areas identified through this process will be considered by the local auditors and the BV development team, to improve the approach in future.
91. The quality assurance process will also cover the work done by appointed firms, providing an assessment of the quality of all aspects of the audit work carried out, including BV work.

Clarity and readability of BVARs

92. We are committed to presenting audit reports that are clearly written and easily understood by a wide range of audiences. To help with this, Audit Scotland works with Work on Words, a company specialising in effective communications and report writing. Audit teams received

feedback on their draft reports before they were published. Auditors valued this feedback and made many of the changes suggested to improve their BVARs.

93. Work on Words have provided detailed feedback as part of this review, which has been shared with auditors. They acknowledge that it can be challenging to write reports that are accessible and relevant to the public when needing to use the language built into the BV statutory guidance. That said, they also highlight some common areas for improvement, such as:

- Reducing the use of jargon and technical terms
- Being clear who the audience is for BVARs, beyond the Accounts Commission
- Considering developing standard definitions for commonly used terms such as strategic direction, pace and depth of change, financial sustainability
- Continue to use good practice 'plain language' techniques such as average sentence length and avoiding passive sentences.

Improvement Action 6

Guidance Note for auditors

94. Work on Words are continuing to provide support to BV auditors in 2018:

- They are running a training course for the 'Editors' of the year two BVARs. This is being focussed on learning lessons and sharing good practice from the first six BVARs. Fifteen auditors have been invited to attend.
- They will provide comment to auditors on draft BVARs produced during 2018.

Resources used to deliver the BV programme

The new approach to auditing BV always recognised that the year one BVARs would require more resource input than in subsequent years. Our approach to resourcing year one BVARs recognised the importance of delivering the first six reports on schedule.

In future, we will rebalance the pattern of audit resources applied between the BVARs and the local annual BV audit work in each council. This will ensure follow up findings from early BVARs are reported in AARs and should reduce the input required to publish BVARs later in the five year programme.

95. The five year approach to auditing BV across councils requires audit work to be carried out each year, reported in the AAR, and includes publication of one BVAR during this period. The pattern of resource requirement should change over the five year BV plan as more intelligence is built up and risk areas identified in councils across Scotland. The audit intelligence built up on each council prior to the BVAR being published should contribute to the BVAR judgements. As a result, it is anticipated that BVARs produced later in the five year audit appointment will take fewer resources than those in year one and year two of the programme.
96. In year one of the new audit appointments and the new BV audit approach, we always recognised that we would need to align resource plans for BV work with the existing work programme and annual audit requirements. We anticipated that the majority of audit resources would be needed to produce the BVARs and recognised that there would be a steep learning curve in producing the year one BVARs under the new audit approach, particularly as it was also the first year of the audit appointments. This was one of the reasons we asked local audit teams to focus on financial sustainability and use of resources in year one.
97. Nonetheless, the time required to deliver all six BVARs exceeded our planning assumptions. The range of additional input required varies from 18% to 103% of the budgeted input days. However, the additional input to the BVARs was offset by fewer audit days being spent on BV work in the other, non-BVAR, councils. Therefore, there were no knock on effects on the resource available for other areas of the Accounts Commission's work programme.
98. Auditors have said that resourcing of all BV audit work has been a challenge. Resource planning of the integrated team needs to be progressed earlier each year to enable the audit work to be scheduled and carried out more effectively alongside other audit work.

Improvement Actions 1 & 7

99. Time recording data suggests we need to be more consistent in how teams record their time spent on BV audit work. There is currently a project ongoing in Audit Scotland looking at how staff spend their time and the coding of audit inputs is being considered as part of this work.

Improvement Action 8

100. We have allocated a similar amount of resource overall to deliver the 2017/18 local BV annual audit work and the year two BVARs. However, the pattern of resource use needs to change. Our priority is to shift the balance of resources towards local BV work, while still delivering six or seven high quality BVARs each year. This will ensure audit teams are able to follow up findings from early BVARs and should reduce the input required to publish BVARs later in the five year programme. The skill mix of auditors preparing BVARs will also need to be kept under review to ensure it can be sustained.

Pre and post report publication

101. In commenting on the pressures in each BVAR audit, colleagues have said that the time taken to draft the Controller's report, prepare for the Commission meeting and then publish and promote the final report can be protracted and take up significant resources. It also increases the risk that findings are out of date and lose credibility with councils. One council leader commented that the period between completion of the onsite audit phase and the publication of the report is too long. Auditors recognise a balance needs to be struck between the quality of finish of the BVARs, with the time input to this process from the communications team and the auditors. We will review the reporting process to identify any areas where efficiencies can be made.

Improvement Action 9

102. As part of the new approach to auditing BV, we have developed a more detailed and considered approach to publication and promotion. Each BVAR has a communications plan which is a useful tool to enable auditors, the communications team and the Secretary to the Accounts Commission to prepare for publication of each BVAR. It is important to agree how each BVAR will be publicised to increase the readership and impact of each BVAR. However, a number of auditors have commented on the relatively significant amount of time that is used to feed into this part of the process. A meeting is planned between members of the BV development team, the Commission Secretary and the communications team to review the approach used for the first six BVARs and to identify any areas for improvement.

Improvement Action 10

The integrated audit approach

All BVAR audit teams were integrated, with PABV staff and local auditors working together. More needs to be done to integrate teams carrying out annual BV audit work.

Whilst the BVARs have been a steep learning curve for some staff, the review demonstrates that auditors have the skills required to deliver the audits.

104. A key feature of the new audit approach is the integration of the BV work with the annual audit. Local auditors and PABV auditors work together on scoping, planning, evidence recording, making audit judgements and reporting on all BV audit work.
105. Auditors say that developing and delivering the new approach in councils as part of their year one audits was challenging. Colleagues felt that they had gained a better understanding of the councils than they would normally have done in year one without carrying out the BV work. They also felt the audit would benefit in future years from this knowledge and the relationships built with officers. BVAR teams were pleased that they had been involved with producing a BVAR. They enjoyed it and felt they had learnt a lot, despite it being challenging.
106. Auditors have said that incorporating BV fully into the external audit remit and within the AARs has been welcomed by the councils. Having a framework/guidance to provide challenge on the BV areas has been helpful and feedback from the councils is that they have appreciated the view on non-financial BV areas, and particularly the case study approach taken in reporting on BV.
107. Audit Scotland colleagues working on audits where the local auditors are firms have said that a different approach needs to be taken to ensure they are actively involved in audit planning discussions and integrated working for BVARs. How they record audit findings for BV work will also be different in each audit and needs to be agreed locally at an early stage. The West Lothian Council BV audit team are an example of how it can work. The lessons learned from this audit have been shared amongst audit teams.

Attending the Commission Meetings to discuss the BVARs

The integrated audit approach is visible when BVAR teams present the reports to Commission meetings. The BVAR teams answered questions well and gave assurance on the judgements reported.

108. Audit teams met prior to the Commission meeting at which their BVAR was being discussed to prepare. The communications team attended these meetings together with key audit team members. The audit team decided who would answer questions on each area of the BVAR depending on their areas of expertise in carrying out and reporting the audit work.

109. The Controller of Audit presented a summary of each report to the meeting and team members assisted him on answering questions on the report and audit work carried out. The team members who accompanied the Controller varied between teams but all included PABV and local audit staff. This highlights the integrated nature of the work
110. Commission members have said that the integrated audit approach is visible with BVAR teams when they attended the Commission meetings. The teams answered questions well and seemed knowledgeable in Commission meetings. This gave them assurance on the judgements reported.
111. Some Chief Executives have commented on their frustration at not being able to address the Commission at the meeting at which the BVAR on their council is being discussed.

Skills of the auditors

112. The number of auditors required to carry out the audit of BV in all councils each year has increased from those who worked on the focussed audit work under the previous BV audit approach (BV2). As a result, many team members had not been involved with BV audit work before. It was a steep learning curve in applying their audit skills to the new type of work.
113. Tools were developed to support auditors in this work to help them apply their audit skill to the specific aspects of BV. Audit teams were also encouraged to share their experiences to learn from each other.
114. BVAR teams were all integrated teams, made up of auditors from local audit teams (ASG or the firms) and PABV auditors of different grades with different levels and areas of expertise. The work of each team is overseen by the appointed auditors (ASG Assistant Directors and firm partners) and audit managers. Local auditors carried out most of the BV audit work reported in the AARs and more integration of this work needs to be a focus in 2017/18.
115. PABV Senior Managers have been designated as link managers to each of the appointed auditors to coordinate BV activities and PABV resources for all councils, working with the local audit teams. Auditors reported this as a positive step in integrating their audit teams.
116. The BVAR auditors have said how much they enjoyed working in mixed teams. However they felt the roles of BVAR team members were initially unclear. Agreeing the roles of all team members at the start of the BV work is important to reflect the strengths of the team members based on their experience and taking account of their availability. The BVAR project plan needs to be shared and understood by all team members. This point is echoed in the feedback from council chief executives.

Guidance Note for auditors

117. There is a range of support activities in place to assist auditors in carrying out their BV work, recognising there is no substitute for on the job experience and sharing experiences between colleagues. To facilitate this the BV development group organised:

- two meetings in October 2017, where staff shared their BV audit experiences. These were attended by approximately sixty Audit Scotland staff
- a PABV managers meeting on 7 December.

Auditors should now continue to speak to colleagues from other BVAR teams to learn about their experiences and share good practice. For example, the Orkney audit team will have useful approaches to share with other island audit teams.

118. Skill gaps and training needs for auditors are monitored and addressed through the staff performance development programmes in place in Audit Scotland, and in each firm involved in the BV audits. Development discussions held between Audit Scotland auditors should be used to identify and address any training needs on BV and any other audit work.
119. Some council officers commented that some audit staff showed political naivety and did not sufficiently reflect the challenges of working with a coalition administration in their findings. Others felt the context of their council had been well reflected in their BVAR. The fact that the majority of BVARs have been well received and the councils have accepted their findings, indicate that auditors overall have the skills and experience required to deliver the audits. It also indicates that the skill mix of audit teams has in most instances been effective. Auditors will continue to develop their skill base as they are involved in more BV audit work over time. Post project reviews of BVARs will continue to identify areas where auditors feel more support is required, which will be addressed by the BV development group.
120. The Guidance notes for auditors compiled from this review will be shared with all appointed auditors, PABV link managers and BV audit teams. They will also be built into the Local Government Audit Manual - Auditing Best Value, discussed below.

Improvement Action 11

Support for auditors

121. The BV development team provides ongoing support to the BV teams through discussions in team meetings, targeted discussions with managers, and having an 'open door' approach to queries. A Local Government Extranet for sharing information and intelligence amongst auditors is in place and is accessible to all Audit Scotland staff and to the firms with local government appointments.
122. The Local Government Audit Manual - Auditing Best Value provides guidance for auditors carrying out work as part of the annual audits and for BVARs. The manual includes a menu of audit tests that can be used by auditors in carrying out their work. The tests are structured to include coverage against the BV characteristics prescribed in the Statutory BV guidance. The tests are also mapped to the Commission's Strategic Audit Priorities. The BV framework is built into the annual audit planning guidance.

123. Audit teams have said that they used the Local Government Auditing BV Manual and found it helpful. They are pleased that it has been updated to reflect lessons learned from year one. Auditors said the assessment toolkits worked really well as a basis to form audit questions and gave structure to the areas looked at.
124. The teams working on the first BVARs developed tools for use by future teams, including the BV scoping letter, a detailed project timeline and some exhibits used in the BVARs.
125. All audit work carried out for local audits is recorded on the electronic working paper system, known as MKI. There was therefore a need to ensure that all members of integrated BVAR teams had access to, and were trained to use, MKI. Teams need to agree at the start of each BV project how they will structure their MKI files. They need to decide how they will record 'matters arising' to provide summary points for reporting key judgements, areas of improvement and good practice examples. We will continue to support colleagues and teams as they familiarise themselves with how MKI works.

Guidance Note for auditors

Five year BV audit plans (BVAP)

All auditors have prepared five year BV audit plans and the results of the 2016/17 work are reported in the AARs.

126. In 2016/17 all auditors prepared a five year BV audit plan (BVAP) showing their scheduling of coverage of the BV characteristics. The 2016/17 audit planning guidance, said that 'if no specific risks are identified auditors should complete, in the first instance, the guide areas covering Financial and Service planning, Financial Governance and Resource Management.' There is no similar central steer on what aspects of BV audit work should be covered as part of the 2017/18 audits. It is now the case that the BVAP, which reflects local audit risk priorities, determines the work carried out each year.
127. Auditors are required to report findings and judgements on BV audit work in their 2017/18 AARs. Follow up on all BV audit findings reported in 2016/17 (in the annual audit report and BVAR) should also be reported. The follow up should reflect on the council response to the findings and progress with improvement actions.
128. Additional follow up work may be required by auditors where the Commission decides to use its powers to instruct further audit work or to hold a hearing in response to a BVAR.

Link to the shared risk assessment (SRA) process

129. The risks identified in local scrutiny plans influence the BVAR scope and timing for each council. The five year BVAR programme for the year 1 and year 2 BVARs was reviewed to reflect intelligence from the shared risk assessment process concluded in May 2017. The

timing of the BVARs for the other councils will be reconsidered when the current SRA process is concluded in March 2018.

130. Local area networks consider the scope of BV audit work for their five year BVAP as part of their shared risk assessment discussions. If the BV audit covers areas where scrutiny partners could provide useful information or contribute to audit work this should be considered by the LAN and reflected in local scrutiny plans. There is a review of the SRA process underway which will more clearly align the new audit of BV approach, into the process.

Impact of the BVARs

The BVARs have been the subject of discussion across the public sector and local media have reported on them. All councils have accepted the findings of the BVARs and are progressing improvement actions in response to them. Follow up of the improvement actions will be reported by auditors in 2017/18.

131. Councils have said the BVARs are a fair reflection of their activities and areas for improvement. Feedback is more mixed on whether the input to the BVARs from staff and auditors added value to the council. Rocket Science have reported the following feedback from councils:

- In general, there was strong support for the new approach. It was felt to involve a proportionate investment and matched well with current needs.
- The Final Best Value Assurance Reports were felt to be fair and balanced, with useful content and recommendations that were helpful to take forward improvement.
- There were significant variations in the experience of Local Authorities, ranging from 'extremely demanding' to 'less demanding than we were expecting', with related variations in perceived value.

This feedback has been considered in the assessment of the audit approach reported earlier in this report, paragraphs 62-63 are particularly relevant.

132. Statutory provisions ensure BVARs are subject to public discussion by each council. This raises the profile of any agreed improvement actions and as a result they are more likely to be implemented. Councils must consider the Commission's findings reported in the BVAR at a meeting within three months of receiving them or within such longer period as the Commission may specify in writing. This duty must be discharged by the full Council and not by a committee, sub-committee or officer. The meeting must be publicised and decisions made at the meeting minuted and published. After the Council has met, the Commission must be notified of any decisions made relating to the BVAR.
133. Auditors have commented on the fact that all audit reports on councils, other than the BVARs, are presented to the elected members of each council by the audit team. This is an effective

way to draw the conclusions and recommendations of audit work to the attention of councillors, helping to secure the implementation of the improvement recommendations. This has not been the approach taken with BV reports in the past as they are published as Accounts Commission reports. However, this should not necessarily be a barrier to the local audit team presenting the BVAR, if it is felt that this would achieve more impact. Presentation of each BVAR to full council by the engagement lead on behalf of the Commission could be part of the standard timeline. We propose to discuss this option with the Secretary, recognising the important differences in the roles of the Commission, the Controller of Audit and the appointed auditor.

Improvement Action 12

134. Accounts Commission members welcome the fact that the profile of BV has risen due to the new approach and the BVAR programme in particular. They are keen for the BVARs to be accessible to local communities and that they are read by citizens. The number of BVAR report downloads is monitored and reported to the Commission. Per the Secretary to the Commissions Paper to the Accounts Commission 11 January 2018, downloads to 15 December 2017 were:

	Publication date	Downloads	Podcasts
Inverclyde BVAR	1 June 2017	1336	307
Renfrewshire BVAR	31 August 2017	1257	0
East Renfrewshire BVAR	7 November 2017	855	158
East Dunbartonshire BV follow up	16 November 2017	363	79
West Lothian BVAR	23 November 2017	664	94
Orkney BVAR	14 December 2017	366	0
Clackmannanshire BVAR	25 January 2018	713	0

135. Members of the BV development group have discussed the new approach to auditing BV in a number of public sector forums e.g. the Public Service Improvement Framework (PSIF) learning group, the Scottish Performance Management Forum and with staff from the Improvement Service. These discussions have identified that the new approach to auditing BV has increased the amount of self assessment and improvement activity in some councils in anticipation of the auditors visits. The new approach is therefore having a positive impact in the local government sector.

Looking forward

The overall conclusion from this review is the new approach to auditing BV is fit for purpose and it meets the Commission objectives. A number of areas for improvement have been identified which will be actioned in 2018.

- 136. The audit approach has not stood still since its launch. Lessons learned from the work as it progressed have been shared amongst auditors and built into the support materials in real time.
- 137. A number of areas for improvement have been identified from this review, which require further consideration and action. These are summarised in Appendix A of this report. The good practice and learning points identified from this review have also been pulled together in Guidance Notes for Auditors at Appendix B.

Accounts Commission engagement events

- 138. The Commission is planning to hold some events to discuss its priorities with councils in spring 2018. The audit of BV and this review will be part of these discussions.

Year two BVAR programme

- 139. The national five year BVAR programme is updated each year and shared with auditors. The update reflects changes to risk assessments identified from the SRA process or annual audits. As part of the 2017/18 audits, BVARs are to be reported for East Ayrshire, Fife, West Dunbartonshire, Glasgow City, East Lothian and Dumfries and Galloway Councils. The BVARs will be reported by the Controller of Audit to the Accounts Commission during 2018/19.

2017/18 planning guidance

- 140. The 2017/18 planning guidance section on auditing BV was updated by the BV development team. It requires auditors of councils to report findings and judgements on BV audit work in the 2017/18 annual audit report, including following up previous BV audit findings reported in 2016/17 (in both the AAR and BVAR). The follow up is to reflect on the council's response to the findings and progress with improvement actions.
- 141. Auditor BVAPs will be updated to cover the remaining four years of the audit appointment. They will reflect the actual work completed in 2016/17 and the latest intelligence on the council. Scheduling of work will reflect on the local risk assessment, from the Shared Risk Assessment and annual planning processes. The BVAPs will include audit work to be carried out as part of the annual audit, the timing of the BVAR and follow up of BV findings reported in prior years.

Audit of BV in Integrated Joint Boards

142. The Code of Audit Practice sets out how BV duties apply to organisations across the public sector, not just councils. The 2017/18 planning guidance includes for the first time a reference to auditing BV in IJBs. The requirements reflect the statutory duty on IJBs, in the context of the small budget available to audit each IJB. Auditors have been directed to include in their 2017/18 annual audit reports comment on how the IJB demonstrates that it is meeting its BV duties. Auditors are to report on the IJBs own arrangements for doing this but not expected to carry out detailed audit work against the BV characteristics.
143. The 2017/18 AARs for councils and IJBs will then be used by the Controller of Audit to report on BV in both councils and IJBs in the Annual Assurance and Risk Report (AARR) in early 2019.
144. The national performance audit programme also includes work on IJBS in 2018. In December 2015, the Accounts Commission and Auditor General published the first of three national reports looking at the integration of health and social care. A second audit is scheduled in 2018 to look at progress and to follow up on the risks reported in 2015. This will also examine changes to the system, including evidence for shifts in service delivery from acute to community-based and preventative services, and for impact on the lives of local people.

Support for auditors

145. The Local Government Extranet Auditing Best Value Manual was updated in September 2017 to reflect the lessons learned to date from year one.
146. Work on Words are working with auditors on the 2018 BVARs.

Areas for improvement

Improvement Area	Improvement Action	Responsibility and timescale	Para Number
<p>1 The BVAR reporting timetable needs to be effectively coordinated with other work programme and annual audit pressures. BV audit work needs to be planned as early as possible. To facilitate this the year 3 BVAR programme is to be discussed with auditors as soon as possible.</p>	<p>A draft year three BVAR programme is in place. The scheduling of reports will be discussed with auditors, councils and the Secretary to the Commission when the next Local Scrutiny Plans and Annual Audit Plans are published in March 2018.</p>	<p>Lead of BV development group to coordinate – May 2018</p>	<p>Para 48 & 99</p>
<p>2 All BVARs include overall judgements on the pace, depth and continuity of improvement. Auditors form these judgements based on assessment of the improvement made in the BV characteristics and service performance.</p>	<p>Future BVARs are to include more explanation on how the overall judgements are reached.</p>	<p>Auditors – 2018 BVARs</p>	<p>Para 70</p>
<p>3 The scope of each BVAR is designed to reflect the specific risks and context for each council. There is evidence that not all councils understand this.</p>	<p>Communication of the BV audit approach should explain the five year approach and the proportionate and risk based nature of each BVAR to councils. How the auditor selected areas for coverage is to be included in BVARs.</p>	<p>Accounts Commission Spring engagement events Auditors as part of their ongoing engagement with council officers</p>	<p>Para 73</p>

Improvement Area	Improvement Action	Responsibility and timescale	Para Number
4 The time taken to produce the first six BVARs has exceeded our planning assumptions. We can scope future BVARs more tightly and deliver more concise reports.	The 2018 BVAR audit teams have agreed that the scoping of the 2018 BVARs will be tightened up and more concise reports published.	Auditors – 2018 BVARs	Para 74
5 Reporting on service performance based on a range of evidence is a key part of the BV assessment. How this information is used by auditors needs to be more clearly explained to councils and in BVARs.	Future BVARs are to include: - explanation that improved performance is not expected in all services at all times - comment on how service performance is evaluated by auditors.	Auditors – 2018 BVARs Auditors also to discuss as part of their ongoing engagement with council officers.	Para 77
6 Work on Words say that the impact of the BVARs would increase if some commonly used BV terms e.g. strategic direction are explained to readers.	Consideration is to be given to how best to do this in the 2018 BVARs. Training is being provided to BVAR auditors.	BV development group and BVAR Auditors –2018 BVAR ‘editors’ to attend an event in Feb 2018	Para 94
7 Auditors have said that the resourcing of BV audit work has been a challenge and delays in confirming team members have hindered the start and scheduling of work.	Coordinated resource planning covering BVARs, the annual audit and the PABV work programme needs to be progressed sooner.	Auditors & PABV link managers – Immediate	Para 48 & 99
8 The range of time spent in both ASG and PABV on each council for BV work, indicates audit teams are inconsistent in their approach to recording time spent on the local BV work.	There is currently a project ongoing in Audit Scotland which is looking at how staff spend their time. Coding of audit inputs is being considered as part of this work	Associate Director PABV - 2018	Para 100
9 Auditors have said that the reporting, publication and promotions process can take	The BVAR reporting process is to be reviewed in an attempt to streamline it and make it more	BV development team and Communications	Para 102

Improvement Area		Improvement Action	Responsibility and timescale	Para Number
	too long can take up a relatively significant amount of resource. It also increases the risk that findings are out of date and lose credibility with councils.	effective.	Manager - May 2018	
10	A communications plan is useful to prepare for publication of each BVAR. However, auditors have commented about the amount of time that is currently being used to feed into this part of the audit.	A meeting is planned in February between members of the BV development team, the Secretary to the Commission and the communications team, to review the approach used for the first 6 BVARs and to identify areas for improvement.	BV development team, Secretary to the Commission and Communications Manager - May 2018	Para 103
11	The areas of good practice and areas for improvement identified from this review need to be incorporated into the 2018 BV audit approach.	The Guidance Notes for Auditors compiled from at Appendix B, will be shared with all appointed auditors, PABV link managers and BV audit teams. They will also be built into the Local Government Audit Manual - Auditing Best Value.	BV development group – March 2018	Para 121
12	BVARs are not presented to Council meetings by the audit team. The impact of the reports could increase with their presentation to members.	Presentation of each BVAR to full council by the auditor on behalf of the Commission could be part of the standard reporting process. This is to be discussed with the Accounts Commission.	Controller of Audit and Commission Secretary, March 2018	Para 134

Guidance notes for auditors

1. The Local Government Audit Manual - Auditing Best Value provides guidance and should be used by auditors. These notes supplement this guidance with good practice and learning points from the February 2018 review of the BV audit approach.

Working effectively in integrated teams

2. For integrated teams to work well the roles and tasks assigned to team members need to be clear from the start of each BVAR project. The roles of team members should reflect the strengths of the team members based on their experience and taking account of their availability.
3. The profiling of your BVAR work needs to be discussed with the PABV and ASG resourcing groups as early as possible to reflect the project plans.
4. Each BVAR project plan should be discussed with all team members.
5. Weekly catch up telephone calls for team members worked well for some teams. They can to keep everyone involved and up to date with the audit and are good for sharing intelligence and reaching collective judgements.

Audit Scotland audits

6. PABV staff found using MKI a steep learning curve. Some teams recorded audit evidence outwith MKI first and then copied it into MKI later but found this problematic and inefficient. Teams are advised to record all evidence straight into MKI. PABV staff found using MKI as steep learning curve. Teams need to agree at the start of each BV project how they will structure their MKI files. They need to decide how they will record 'matters arising' to provide summary points for reporting key judgements, areas of improvement and good practice examples. Speak to previous BVAR teams for tips on how best to do this. PABV staff should seek support from their ASG colleagues if they need help on using MKI.

Firm audits

7. Integrated teams consisting of firm local auditors and PABV staff need to discuss their risk assessments and plans each year. The teams need to agree their approach to recording their audit work at the start of each BVAR project. The West Lothian Council BVAR team prepared tools that may assist other teams.
8. Councils should not be charged additional fees for audit work on BVARs. Audit Scotland may in some circumstances pay firms for additional work on BVARs. The firm needs to establish

what work is required, who's going to do it (between PABV colleagues/ firm, staff) and what additional costs (if any) over and above the fee are to be discussed. The starting point is to have that conversation with the Audit Scotland link manager as part of the planning process.

Resourcing all BV audit work

9. The pattern of audit resources applied needs to change, to balance the needs of the local BV audit work with BVARs more effectively. This is needed to resource follow up of findings from early BVARs and annual audit BV work. It should also reduce the input required to publish BVARs later in the five year programme.
10. Resource planning of the integrated team needs to be progressed sooner each year to enable the audit work to be scheduled and carried out more effectively alongside other audit work. The audit team members for the BVARs have all been identified. The profiling of BVAR work needs to be agreed by each audit team and discussed with the PABV and ASG resourcing groups as early as possible to reflect the project plans. PABV link managers are to work with the local auditors and the PABV programme resourcing group to secure BV audit resources earlier each year.

BVARs

Planning for BVARs

11. The scope of future BVARs can be tightened, with the aim of producing more concise reports.
12. Auditors should speak to colleagues from other BVAR teams to learn about their experiences and share good practice. For example the Orkney audit team will have useful approaches to share with other island audit teams.
13. Local area networks consider the scope of BV audit work for their five year BVAP as part of their shared risk assessment discussions. If the BV audit covers areas where scrutiny partners could provide useful information or contribute to audit work this should be considered by the LAN and reflected in local scrutiny plans.

Drafting BVARs

14. BVARs are to include an explanation of the proportionate and risk based nature of the approach and an explanation on how the scope of the audit was decided i.e. using the intelligence from annual audit and LANs.
15. Auditors need to include overall judgements on the pace and depth of continuous improvement in all BVARs. Comment needs to be included in BVARs for councils on how these judgements are reached.

16. When emerging findings/ areas for discussion are being documented for discussion with officers, they should include the overall judgements on pace and depth of continuous improvement. This enables them to be discussed with councils at the earliest stage of the clearance process. This avoids surprises for councils, which are not conducive to acceptance of audit findings. A number of audit teams presented their key messages in a slide show format which they found worked well in discussing them with council officers prior to the draft reports being issued.
17. The BVAR template is to be used for year 2 reports but sections and content will vary in length in different audits. Exhibits should only be included if they support the story being told on the council. The only compulsory exhibits are :
 - Appendix 1 the BV audit timeline
 - table showing the BV judgements in the last BV report and today ('exhibit 12' in Inverclyde)
 - standard performance data (to be advised by the PABV link managers group).
18. A link to the latest Annual Audit Report is to be included in each BVAR.
19. When auditors report on an area, judgements should be clear. For example it is felt that auditor judgements on the effectiveness of a councils own self evaluation and its self awareness could be clearer in future BVARs.
20. Councils have commented that they would like to be provided with examples of good practice in any areas of suggested improvement included in BVARs. Auditors should consider the AARR, Local Government Overview reports and previous BVARs to identify and report on 'good practice' in areas where they are making improvement recommendations.
21. All audit recommendations should include cross references to the relevant paragraphs in the BVAR.
22. When drafting reports, auditors are to use plain language techniques such as average sentence length and avoiding or explaining jargon.

Using focus groups to gather audit evidence

23. Focus groups are useful for gathering evidence and triangulation. Some issues for audit teams to consider:
 - Ensure the purpose of the focus group is clear and the questions are clearly focussed around what you want to know / emerging judgements you want to test out
 - Timing - often it is useful if focus groups are timed towards the end of the fieldwork as they can be used to test judgements but also gives time to react to any new issues raised
 - Focus groups can be useful where senior officers tend to run to a corporate script but middle managers often provide more useful input

- The political make up of elected members groups - they can work best if political groups are not mixed
- Trade union focus groups can work well to gain a different, non management perspective
- Community groups can be challenging and should only be used with a clear purpose and careful planning. Not appropriate for all audits.
- The need to ensure the council's input to who attends each focus group does not unduly influence the likely outcome of the discussions.

Reporting on Service Performance / outcomes in BVARs

24. The Accounts Commission's strategy says 'Our overriding aim is holding councils to account for their pace, depth and continuity of improvement facilitated by effective governance. It is for councils to make choices in where they focus their improvement work but they need to be able to show how they have arrived at such choices.'
25. All BVARs are to explain that the Commission does not expect continuous improvement in all service areas, but it is looking for improved outcomes in a councils strategic priority areas. Having said that councils also need to understand the impact that their decisions are making on all services. E.g. if they identify education as a priority service and target resources to it, do they understand the impact on the quality of roads. An analysis of a range of wide reaching benchmarks is therefore appropriate in the BVARs, not just those of service priority areas.
26. Auditors should include comment in BVARs on:
- the councils own assessment of its performance and in particular the impact this has on outcomes (its performance over time is reviewed to identify its pace of improvement)
 - the council position compared to the national picture based on key published indicators. We support the continued use of a core set of indicators for all BVARs. This year we will base this on those published in the 2018 Local Government Overview, as the basis for the national comparisons.
 - the LGBF data is considered to be an appropriate source of nationally published comparable information. Auditors should use 'benchmarking' and report comparisons between a councils position compared to national and family group averages where it contributes to the judgements being made. Comparing a councils own performance over time, 'trend analysis' will also be a useful source of evidence for measuring a councils improvement in its priority service areas.
27. We need to clearly articulate in the BVARs why we are reporting these indicators , reflecting on the national picture that they are painting, and then interpret this data locally in a way that supports the conclusions and judgements we are reporting on each council.

28. A small team of PABV auditors is being coordinated to prepare the service performance assessment data for all six BVAR councils in 2018. This will help ensure consistency and further develop skills in the interpretation of the data for future BVARs. Auditors should liaise with their PABV link managers regarding this work.

2017/18 Council Annual Audits

29. When making and reporting BV judgements, auditors should consider the AARR, Local Government Overview reports and previous BVARs to identify and report on 'good practice' in areas where they are making improvement recommendations.

Reporting on the SAP: Reporting performance in a way that enhances accountability to citizens and communities

30. Whilst auditors reported in their AARs a judgement on each councils arrangements for publishing performance information relating to the two SPIs, there was limited commentary on the quality of the reporting. Auditors are to provide more detail on the quality of performance information published by councils in 2017/18.

Annual Audit Reports

31. The planning guidance says that 'Auditors should report findings and judgements on BV audit work in the 2017/18 annual audit report, including following up previous BV audit findings reported in 2016/17 (in the annual audit report and BVAR). The follow up should reflect on the council response to the findings and progress with improvement actions.'

Councils where a year one BVAR has been published

32. The 2017/18 AARs are to include the council's overall response to their BVAR and a clear judgement on the progress made against each recommendation included in the BVAR and any additional recommendations made by the Accounts Commission in their findings.
33. Auditors should make reference to the judgement on the pace and depth of continuous improvement included in the BVAR together with an updated overall judgement based on the results of 2017/18 follow up work.

2017/18 IJB Annual Audit Reports

34. 'The Code of Audit Practice sets out how BV duties apply to organisations across the public sector, not just councils. 2017/18 IJB AARs are to include comment on how the IJB demonstrates that it is meeting its BV duties. Auditors are to report on the IJBs own arrangements for doing this it does not require detailed audit work against the BV characteristics.'

MEETING: 8 MARCH 2018
MINUTES OF PREVIOUS MEETING

Minutes of the 443rd meeting of the Accounts Commission held in the offices of Audit Scotland at 102 West Port, Edinburgh, on Thursday 8 February 2018, at 10.15am

PRESENT: Graham Sharp (Chair)
 Alan Campbell
 Sandy Cumming
 Sophie Flemig
 Sheila Gunn
 Ronnie Hinds
 Tim McKay
 Christine May
 Stephen Moore
 Pauline Weetman
 Geraldine Wooley

IN ATTENDANCE: Paul Reilly, Secretary to the Commission
 Fraser McKinlay, Controller of Audit and Director of Performance Audit and Best Value (PABV)
 John Gilchrist, Appointments and Assurance Manager [Item 10]
 Fiona Mitchell-Knight, Assistant Director, Audit Services Group (ASG) [Items 8 and 9]
 Tommy Yule, Senior Auditor, ASG [Items 8 and 9]

Item No Subject

1. Apologies for absence
2. Declarations of interest
3. Decisions on taking business in private
4. Minutes of meeting of 8 December 2017
5. Audit Scotland Board update
6. Update report by the Secretary to the Accounts Commission
7. Update report by the Controller of Audit
8. Annual Assurance and Risks Report
9. New approach to auditing Best Value: review
10. Proposed change of audit appointment
11. Commission business matters

1. Apologies for absence

It was noted that no apologies for absence had been received.

2. Declarations of interest

The following declarations of interest were made:

- Christine May, in item 8, as a former member of Fife Council, in relation to references to Dunfermline Flood Prevention Scheme.

3. Decisions on taking business in private

It was agreed that the no items needed to be taken in private.

4. Minutes of meeting of 11 January 2018

The Commission approved as a correct record the minutes of the meeting of 11 January.

5. Audit Scotland Board Update

The Commission considered a verbal report by the Chair and Secretary to the Commission.

During discussion, the Commission agreed that the Secretary discuss with Audit Scotland the profile of the Commission in Audit Scotland's Digital Services Strategy.

Following discussion, the Commission agreed to note the report.

6. Update report by the Secretary to the Accounts Commission

The Commission considered a report by the Secretary to the Commission providing an update on significant recent activity relating to local government and issues of relevance or interest across the wider public sector.

During discussion, the Commission:

- In relation to paragraph 13, in response to a query from Ronnie Hinds, noted advice from the Director of PABV that references to the Commission's performance audit on early learning and childcare, to be published on 15 February, in the Scottish Government's report *The Expansion of Early Learning and Childcare: Evaluation Report 2017*, did not contradict or compromise the messages of the performance audit.
- In relation to paragraph 24, in response to a query from Sandy Cumming, that a representative of the Scottish Crown Estate be part of the Commission's programme of lunchtime speakers.

Action: Secretary

- Further in this regard that the Secretary share with members for comment a list of proposed speakers.

Action: Secretary

- In relation to paragraph 25, in response to a point by Sophie Flemig, agreed that the issue of homelessness and vulnerable people be considered by the Commission as part of its consideration of its work programme and at its Strategy Seminar.

Action: Secretary

- Further in relation to paragraph 25, in response to a query from Pauline Weetman, it was agreed that equalities related issues in relation to homelessness in Scotland be considered by Audit Scotland's Health, Care and Communities Policy Cluster and the Diversity and Equalities Steering Group as appropriate.

Action: Director of PABV and Secretary

Following discussion, the Commission noted the report.

7. Update report by the Controller of Audit

The Controller of Audit provided a verbal update on his recent activity including meetings and discussions with stakeholders.

During discussion, the Commission:

- In relation to a query from Christine May, noted advice from the Controller of Audit that Audit Scotland was monitoring the implications of recent problems associated with large-scale outsources service providers, and he would report further to the Commission as appropriate.
- Further in this regard, in relation to a query from Stephen Moore, noted advice from the Controller of Audit about the role of the new audit quality framework in reporting the performance of audit service providers.
- In relation to a point by Sophie Flemig, agreed that monitoring by the Controller of Audit in relation to recent issues arising in the care home sector include associated wider matters in relation to support for older and vulnerable people.
- In relation to a query from Tim McKay, agreed that further information be provided on the General Data Protection Regulation.

Actions: Controller of Audit

Following discussion, the Commission noted the update.

8. Annual Assurance and Risks Report

The Commission considered a report by the Controller of Audit introducing the Annual Assurance and Risks Report (AARR).

During discussion, the Commission agreed:

- In relation to paragraph 30, in response to a query from Tim McKay, that details of the 270 registered charities within 91 sets of charity accounts be provided for information to members via the members' extranet portal.

Action: Secretary

- In response to a point by Ronnie Hinds, that it consider further at its forthcoming Annual Strategy Seminar how reporting of outcomes is reflected in its strategic audit priorities and associated work.
- That consideration be given by the Commission and the Controller of Audit to how its strategic audit priority in relation to the reporting by councils of performance to citizens be reported more prominently.
- Further in this regard, to note advice from the Secretary that such consideration will include the Commission's commitment to reviewing, by the end of 2018, its statutory performance information Direction.

- In relation to paragraph 104, in response to queries from Tim McKay and Sheila Gunn, that further consideration be given by the Commission and the Controller of Audit to the reporting the effectiveness of shared services, including skills of elected members in this regard.
- In relation to paragraph 129, in response to a point by Sophie Flemig, that it consider further at its Strategy Seminar how community empowerment is reflected in its strategic audit priorities.
- In relation to paragraph 159, in response to a query from Tim McKay, that it further consider how to engage with health and social care integration authorities.

Action: Secretary

- In relation to paragraph 191, that the suggestions made by the Controller of Audit in relation to refining its strategic audit priorities be considered further at its Strategy Seminar.
- In relation to paragraph 157, in response to a point by Pauline Weetman and in relation to paragraph 4 of the minutes of the Financial Audit and Assurance Committee of 30 November 2017, noted its previous agreement of the Committee's recommendation that it advise council chief executives to stress to them the importance of councils ensuring the highest quality final accounts process.

Following discussion, the Commission agreed:

- To endorse the Annual Audit and Assurance Report and thereby the assurance provided by the Controller of Audit on how matters arising in audit work is reported to the Commission.
- Agreed that the Chair write to all councils advising of the Commission's endorsement of the AARR and including reference to the point set out above in relation to paragraph 157 of the AARR.
- Agreed that further development of the report, in advance of next year's report, include consideration of:
 - A greater degree of reporting of risk issues.
 - A greater degree of coverage of matters beyond the Commission's strategic audit priorities.

Actions: Secretary & Controller of Audit

9. New approach to auditing Best Value: review

The Commission considered a report by the Secretary introducing the Director of PABV's review of the first year of the new approach to auditing Best Value.

The Chair welcomed Richard Scothorne, Director, Rocket Science, who had as part of the review undertaken independent engagement with the councils who had been subject of the first six Best Value Assurance Reports.

During discussion, the Commission agreed:

- To note advice from Richard Scothorne on general observations that he had drawn from his engagement with council stakeholders on their experience of the process.
- To note advice from the Director, in response to a query from Christine May, that he would continue to monitor the robustness of auditors' annual audit

plans in order to provide the Commission with assurance about the coverage of Best Value across the five years of auditors' appointments.

- To note that further feedback and review of the audit will be reported to the Commission in the annual audit quality report, to be considered by the Commission at its April meeting.
- In relation to paragraph 93, that the feedback from consultants on accessibility and plain language issues associated with audit reports, be shared with members via the extranet portal.

Action: Secretary and Director of PABV

Thereafter, the Commission agreed:

- To endorse the Director's report on his review of the first year of auditing Best Value, thereby noting the effectiveness of the new approach in meeting much of the Commission's expectations and the generally positive experience articulated by councils.
- Thereby endorsing the recommended areas of improvement in the Director's report, subject to:
 - Including the following areas of improvement:
 - Considering further how to introduce more responsiveness in individual audits where ongoing feedback from councils on their experience is not positive.
 - Considering how the Commission's strategic audit priorities are defined and reflected in audit work and associated guidance.
 - Considering the effectiveness of the reporting of outputs to the public.
 - Considering the relationship between Commission findings and subsequent press releases and other promotion material.
 - Ensuring more testing of councils' approaches to benchmarking.
 - Improvement in relation to the integrated audit approach (i.e. paragraphs 104 to 107)
 - Engagement between the Commission, auditors and councils around audit reporting.
 - Giving further consideration to improvement action 12, in relation to how the conclusions of audit work are presented to audited bodies.

Actions: Director of PABV and Secretary

- To continue the role of the Commission's Best Value Working Group, to allow it to take forward the conclusions of the review and report to the Commission as appropriate.
- To engage directly with councils on the outcome of the review, to follow the model of the engagement events undertaken in late 2016 following the agreement of the auditing framework.
- As part of this, to advise stakeholders in advance of the Commission's endorsement of the review.

Actions: Secretary

- To note advice from the Director that he would write to auditors advising of the outcome of and matters arising from the review.

10. Proposed change of audit appointment

The Commission considered a report by the Assistant Director, Appointments and Assurance Team recommending a change of the appointment to audit the East of Scotland European Consortium (ESEC) from KPMG to the Director of Audit Services, Audit Scotland.

Following discussion, the Commission agreed to:

- Accept KPMG's withdrawal from the appointment to audit ESEC.
- Appoint Fiona Kordiak, Director of Audit Services, Audit Scotland, to audit ESEC.

11. Commission business matters and closing remarks

The Chair, having advised that there was no business for this item, closed the meeting.

Purpose

1. This report updates the Board on the reports and other outputs that we plan to publish during 2018/19 and 2019/20 on behalf of the Auditor General and the Accounts Commission. It also provides a summary of the longer-term five year rolling work programme.

Background

2. The Auditor General for Scotland (AGS) and Accounts Commission (AC) recently agreed the refreshed rolling work programme for the next five years. This includes a two year programme of confirmed work and a further three years of indicative work. Further information on the programme including the high level scope of the audits planned for 2018/19 and 2019/20 can be found on our website: www.audit-scotland.gov.uk/our-work/future-work/our-work-programme

Rolling work programme 2018/19 to 2022/23

3. The programme includes overview reporting, performance audit, Best Value, How Councils Work, impact reporting, statutory reporting and the Shared Risk Assessment of councils. All of these pieces of work either build on or complement the core local annual audit work that takes place in each audited body every year. Flexibility has been built into the programme to allow Audit Scotland to undertake investigatory work and respond quickly to new and emerging audit risks on behalf of the AGS and AC, working where appropriate with our audit partners in the audit firms.
4. In developing and refreshing the programme, careful consideration has been given to ensure that the audit work reflects:
 - the Auditor General and Accounts Commission strategic audit priorities
 - Audit Scotland's four audit dimensions as outlined in the Code of Audit Practice: value for money; governance and transparency; financial management; financial sustainability
 - significant changes in the public sector policy environment, such as changes to education governance and the decision to leave the European Union
 - new and emerging risks and issues informed by our audit intelligence and monitoring of public sector audit risks
 - the need to balance ongoing areas of interest (including follow-up work) with potential new pieces of audit work.
5. Within the programme we have sought to provide a balance of work that provides coverage across the areas outlined in paragraph 4. This includes a mixture of one-off pieces of work (e.g. Forth replacement crossing), longer-term audit programmes (e.g. new financial powers; health and social care, early learning and childcare), thematic work (e.g. digital; workforce) and audit activity to follow up on the impact of previous audits.

6. The programme includes several additional outputs linked to the ongoing programme development work undertaken by our three policy clusters – Health, care and communities (HCC), Justice, education and lifelong learning (JELL) and Public finances, investment and economic development (PIE). These are being taken forward during 2018/19 and 2019/20 and take the form of internal briefings, published public briefings, and round tables. This programme development work covers areas such as:
- potential impact of Brexit for Scotland’s public services;
 - reducing child poverty, including early progress toward Child Poverty Bill 2017 improvement goals;
 - Housing, including a Round Table with key external stakeholders to inform the scoping of the Housing performance audit which is scheduled to take place in 2019/20; and
 - potential impact on local authorities of benefit changes and devolved social security powers.
7. The five year rolling programme is set out within appendix 1. Arrangements are in place for regular engagement with both the AGS and AC to ensure the programme is in line with their expectations. The AGS and AC consult with key stakeholders as part of the annual refresh of the programme, with this engagement informing the final proposals. Audit Scotland also consults its Equality and Human Rights Advisory Group (EHRAG) to ensure that equality considerations are taken into account appropriately when planning and delivering our audit work. Ongoing engagement with the EHRAG will take place with individual audit teams as audits are scoped to ensure that equality issues are reflected in the delivery of the work programme. The feedback from the most recent consultation and engagement process was positive, providing assurance that the programme is proportionate and focussed on the right areas.

Publication schedule 2018/19 through 2019/20

8. Audit Scotland plans to publish in the region of 60 outputs over the course of the next two years on behalf of the AGS and AC, plus any additional statutory reports as required. The outputs are listed in appendix 2 along with indicative publication dates. The list does not include any corporate publications, impact reports or Annual Audit Reports arising from the financial audit of public bodies. It does not at this stage include any public outputs arising from our programme development work, such as the areas listed at paragraph four of this report. Should any of this work progress to public facing published outputs they will be added into the overall publication schedule as appropriate.

Recommendations

9. The Board is invited to note the approved five year work programme and indicative publication schedule for the next two years.

Rolling work programme

2018/19 to 2022/23



AGS – Auditor General for Scotland

AC – Accounts Commission

Joint – Auditor General and Accounts Commission Audit

	2018/19	2019/20	2020/21	2021/22	2022/23
Overview reports 	<ul style="list-style-type: none"> NHS in Scotland (AGS) Scotland’s colleges (AGS) Local government financial overview (AC) Local government overview: challenges and performance (AC) 	<ul style="list-style-type: none"> NHS in Scotland (AGS) Scotland’s colleges (AGS) Local government financial overview (AC) Local government overview: challenges and performance (AC) 	<ul style="list-style-type: none"> NHS in Scotland (AGS) Scotland’s colleges (AGS) Local government financial overview (AC) Local government overview: challenges and performance (AC) 	<ul style="list-style-type: none"> NHS in Scotland (AGS) Scotland’s colleges (AGS) Local government financial overview (AC) Local government overview: challenges and performance (AC) 	<ul style="list-style-type: none"> NHS in Scotland (AGS) Scotland’s colleges (AGS) Local government financial overview (AC) Local government overview: challenges and performance (AC)
					Cont

	2018/19	2019/20	2020/21	2021/22	2022/23
Performance audit reports 	<ul style="list-style-type: none"> Broadband update (AGS) Digital progress in central government & health (reporting early 19/20-AGS) Forth replacement crossing (AGS) New financial powers and constitutional change (AGS) NHS workforce(2) – community based workforce (AGS) Scottish fire and rescue service (AGS) ALEOs (AC) Children & young people’s mental health (Joint) Health & social care integration: part 2 (Joint) Value for money of NPD projects (reporting early 2019/20) (Joint) 	<ul style="list-style-type: none"> A9 dualling (AGS) HE (finances) (AGS) New financial powers and constitutional change (AGS) Skills planning and investment (AGS) Digital progress in local government (reporting early 2020/21) (AC) Supporting economic growth: the role of local authorities (reporting early 2020/21) (AC) Community assets (Joint) Educational outcomes (Joint) Housing (Joint) Innovative Financing: City Deals (Joint) Waste management (Joint) 	<ul style="list-style-type: none"> New financial powers and constitutional change (AGS) NHS workforce (3) (AGS) Supporting economic growth: impact of enterprise and skills review (AGS) Commonwealth Games legacy – six years on (Joint) Digital services (learning or justice) (reporting 2021/22) (to be agreed) Flood risk management (Joint) Health & social care integration: part 3 (Joint) Improving outcomes for looked after children (Joint) Teacher workforce planning (NEW) (Joint) Youth justice (Joint) 	<ul style="list-style-type: none"> Development of Scotland’s new agriculture and fishing policy post Brexit (AGS) New financial powers and constitutional change (AGS) Progress against digital strategy – five years on (reporting 2022/23) (AGS) Social security (AGS) Community justice (Joint) Early learning and childcare series (Joint) Housing (2) (Joint) Innovative Financing - City Deals (2) (Joint) Outcomes for children with additional support needs (Joint) 	<ul style="list-style-type: none"> New financial powers and constitutional change (AGS) Digital progress across government (cross cutting) (Joint) Mental health 3 (to be agreed) Progress in addressing child poverty (Joint) Replacing structural funds (Joint)
					Cont

	2018/19	2019/20	2020/21	2021/22	2022/23
Best Value reports 	<ul style="list-style-type: none"> • 6 Best Value Assurance Reports (BVARs): <ul style="list-style-type: none"> – Dumfries and Galloway Council – East Ayrshire Council – East Lothian Council – Fife Council – Glasgow City Council – West Dunbartonshire Council <p>Best Value assessments featured in the annual audit reports for the other 25 councils.</p>	<ul style="list-style-type: none"> • 7 BVARs <p>To be confirmed following the 2018/19 shared risk assessment process.</p> <p>Best Value assessments featured in the annual audit reports for the other 25 councils.</p>	<ul style="list-style-type: none"> • 7 BVARs <p>To be confirmed following the 2019/20 shared risk assessment process.</p> <p>Best Value assessments featured in the annual audit reports for the other 25 councils.</p>	<ul style="list-style-type: none"> • 7 BVARs <p>To be confirmed following the 2020/21 shared risk assessment process.</p> <p>Best Value assessments featured in the annual audit reports for the other 25 councils.</p>	<p>End of five-year audit appointment cycle.</p> <p>Next steps to be confirmed in 2021.</p>
How councils work report 	<p>The Commission has committed to publishing a How Councils Work output during 2018/19. The topic will be confirmed during spring 2018.</p>	<p>It is assumed that one HCW audit will take place in 2019/20.</p>			

Cont.

	2018/19	2019/20	2020/21	2021/22	2022/23
Impact reports 	<ul style="list-style-type: none"> • Efficiency of Sheriff Courts (AGS) • Higher education (AGS) • Modern Apprenticeships (AGS) • The role of Scotland's Enterprise Agencies (AGS) • Social work in Scotland (AC) • Community planning: an update (Joint) • Roads maintenance (Joint) 	<ul style="list-style-type: none"> • NHS workforce (1) (AGS) • Transport Scotland's ferry services (AGS) • Equal pay in Scottish Councils (AC) • Early learning and childcare (Impact Update) (Joint) • Self-directed support follow-up (Joint) 	<ul style="list-style-type: none"> • Forth replacement crossing (AGS) • NHS workforce (2) (AGS) • Scottish fire and rescue: follow-up (AGS) • ALEOs (AC) • Children and young people's mental health (Joint) • Innovative financing: City Deals (Joint) 	<ul style="list-style-type: none"> • A9 dualling (AGS) • Digital in central government & health (AGS) • HE finances (AGS) • Skills planning and investment (AGS) • Community assets (Joint) • Educational outcomes (joint) • Housing (1) (Joint) • VFM of NPD projects (Joint) • Waste management (Joint) 	<ul style="list-style-type: none"> • Youth justice (AGS) • Digital in local government (AC) • Supporting economic growth – role of local authorities (AC) • City Deals (2) (Joint) • Flood risk management (Joint) • Improving outcomes for looked after children (Joint)

Further information on our work programme is available at www.audit-scotland.gov.uk/our-work/future-work/our-work-programme 

Impact report publication dates may change in response to significant policy developments that impact on audit recommendations and the final scheduling of the original audit work / report publication.

Appendix 2- Indicative publication schedule 2018/19 through 2019/20

The table below summarises reports we plan to publish during the next two years. Indicative publication timescales are included.

Publication	AGS / AC / Joint	Indicative publication
National Scrutiny Plan and 32 Local Scrutiny Plans	AC	4 April 2018
S102 City of Edinburgh Council	AC	3 April 2018
Local government in Scotland 2018 – challenges and performance	AC	5 April 2018
Health and social care integration briefing	Joint	April 2018
Further education s22s statutory reports	AGS	April 2018
Openness and transparency briefing paper	Audit Scotland	April / May 2018
Are ALEOs improving public services?	AC	17 May 2018
Best Value Assurance Report – Fife Council	AC	24 May 2018
Best Value Assurance Report – East Ayrshire Council	AC	29 May 2018
Scottish Fire and Rescue Service – an update	AGS	31 May 2018
Housing benefit annual update	Audit Scotland	15 June 2018
Scotland's colleges 2018 overview	AGS	21 June 2018
Best Value Assurance Report – West Dunbartonshire Council	AC	28 June 2018
National Fraud Initiative in Scotland	Audit Scotland	5 July 2018
Forth replacement crossing	AGS	2 August 2018
Best Value Assurance Report – Glasgow City Council	AC	23 August 2018
Children and young people's mental health	Joint	13 September 2018
S22 Scottish Government Consolidated accounts	AGS	September 2018
<i>Provisional</i> – Health s22 statutory reports	AGS	October 2018
NHS in Scotland 2018 overview	AGS	25 October 2018

Publication	AGS / AC / Joint	Indicative publication
Best Value Assurance Report – East Lothian Council	AC	30 October 2018
Health and social care integration – update on progress	Joint	15 November 2018
Best Value Assurance Report – Dumfries and Galloway Council	AC	November 2018
Local government in Scotland – a financial overview	AC	November 2018
S22 Scottish Police Authority	AGS	December 2018
How Councils Work – topic to be agreed	AC	Spring 2019
NHS Workforce – community based workforce	AGS	
Digital in central government and health	AGS	
Local government in Scotland 2019 – challenges and performance	AC	
New financial powers and constitutional change – next in series of audits	AGS	
<i>Provisional</i> – Further education s22 statutory reports	AGS	
<i>Provisional</i> – Local government s102 statutory reports	AC	
National Scrutiny Plan and 32 Local Scrutiny Plans	AC	
Housing benefit annual update	Audit Scotland	Summer 2019
Innovative financing – value for money of non-profit distributing models	Joint	
National Fraud Initiative in Scotland	Audit Scotland	
Scotland's colleges overview	AGS	
A9 Dualling	AGS	Autumn 2019
Community assets	Joint	
S22 Scottish Government Consolidated accounts	AGS	
<i>Provisional</i> – Health S22 Statutory reports	AGS	
NHS in Scotland overview	AGS	
Early learning and childcare – update and impact	Joint	Winter 2019/20
Educational outcomes	Joint	
Innovative financing – City Deals	Joint	
Local government in Scotland – a financial overview	AC	
Skills planning and investment	AGS	
Waste management	Joint	

Publication	AGS / AC / Joint	Indicative publication
Digital progress in local government	AC	Spring 2020
Housing	Joint	
Higher education finances	AGS	
How Councils Work	AC	
New financial powers and constitutional change – next in series of audits	AGS	
Supporting economic growth – the role of local authorities	AC	
<i>Provisional</i> – Further education S22 statutory reports	AGS	
7x Best Value Assurance Reports – councils to be agreed	AC	Throughout 2019/20
<i>Provisional</i> Central government S22 Statutory reports	AGS	
<i>Provisional</i> Local government S102 Statutory reports	AC	

Purpose

1. This report updates the Board on progress implementing the actions agreed following pilot work with Young Scot, future plans for engaging with young people and plans to mark the Year of Young People 2018.

Background

2. Following a pilot with Young Scot and a group of young people, the Board received a briefing on 31 March 2017 on the pilot, what we learnt from it, and plans to build on this work. This paper provides an update on progress against these actions, both specific to our work with young people and how we have applied some of the broader learning in relation to other audit work.
3. Following the pilot, we agreed the following actions:
 - Introduce a Youth Advisory Panel, and through the Panel
 - consider how to involve young people in our monitoring work
 - consider opportunities for young people to be involved in audits.
 - Involve young people when tailoring our outputs
 - highlight what it really means to them
 - use real stories to create greater impact.
 - Tell people what we have done and how we used their feedback and suggestions.
4. Appendix 1 sets out the commitments that we made at the end of the pilot project in full, and gives an update on progress.

Working with young people

5. At the start of May we will be issuing an invitation to tender for a partner to establish a standing panel of young people to work with us. The panel will be in place for two years, involving young people aged 14 to 18 at the start. Knowledge transfer to Audit Scotland staff is part of the requirements. The expected outcomes from this engagement with young people are:
 - young people are able to influence and participate in all stages of our audit work
 - our audit work has more impact among young people
 - young people are able to provide us with advice on a range of issues
 - young people are involved in some of our audits
 - the young people involved gain valuable experience and skills
 - increased skills and capacity among Audit Scotland staff to do more direct engagement with young people.

6. We will evaluate the cost and impact of this arrangement, including the cost of internal staff time. We are continuing to developing our broader approaches to community engagement, and will draw on the learning points for engaging with other groups of the population.
7. One of the first areas that we will want the panel to consider is school education. We recently held a round table on educational outcomes involving a range of stakeholders, including third sector organisations that work with young people. We plan to have a different type of event with young people to increase our understanding of the key issues as they affect pupils and former pupils. This will help us plan for an audit on educational outcomes in 2019/20. We will also engage with the panel on our planned audits on improving outcomes for looked after children, youth justice, outcomes for children with additional support needs, and child poverty.
8. As part of the audit of Children and young people's mental health (CYPMH), the team worked with a group of young people affected by mental health at the scoping stage of the audit. They will be working with that group again as they develop and refine the key messages, and will tell the group how they have used their suggestions.
9. A member of the Scottish Youth Parliament is a member of the external advisory group for the CYPMH audit, and we will consider the learning from this experience to inform future audits.

Communicating and promoting our messages

10. One of the recommendations coming out of the pilot project was about better communicating the messages in our report to people who may be interested or affected. Our actions include:
 - using real people's stories to explain and highlight our messages in a way that people can more easily relate to
 - communicating our messages using different methods.
11. We put this into practice in our recent reports for the Auditor General and Accounts Commission on Early learning and childcare (ELC) and on Self-directed support (SDS). The ELC team commissioned research with parents and used their stories throughout the ELC report. The SDS team carried out their own research with people supported by SDS and their carers, and their stories were included to illustrate points in the report. The team also worked with the Scottish Commission for Learning Disability to produce an easy-read version of the report aimed at people with learning disabilities. The Communications team commissioned a short video on ELC aimed at parents, which has been promoted on our website as part of a parent's hub, and using social media. We have had positive feedback on the use of people's stories in both reports, and on the easy-read version of the report for people who use SDS. The ELC video has been viewed over 3,000 times since it was launched on 26 February.
12. We are planning to work with young people on how best to communicate the messages from the report on CYPMH so that they are more accessible to young people. Communicating our messages will be a key area of focus for the standing panel of young people.

Year of Young People 2018

13. The Scottish Government has designated 2018 as the Year of Young People, defined as people aged 8 to 26. We see this as an opportunity to fully implement our Young Scot pledges and also to widen out activity and focus across the organisation and more widely promote our work with young people. This will help to make activity more sustainable and part of our working practices in the long term. We are coordinating a range of activity to address this, and an action plan is outlined in Appendix 2. This includes:
 - developing a page on our external website to highlight how we are working with young people, both at a corporate level and on audits
 - improving our external engagement with young people, as set out in this report
 - raising awareness among staff of the issues that affect young people, the work that young people are doing themselves and opportunities to work with them, by inviting external speakers such as members of the Scottish Youth Parliament and other youth organisations

- agreeing plans to open up recruitment to more school leavers
 - using the new page on the external website to promote and share audit work that we are already doing that is of particular relevance to young people.
14. We will be working with a group of members of staff aged 26 and under throughout the year to harness their ideas and put agreed actions into practice.

Recommendation

15. The Board is invited to note the report and to support these actions going forward.

Appendix 1. Update on our commitments from the pilot with Young Scot

Commitment	Update
To consider opportunities for young people to be on our audit teams	This will be considered by the standing panel.
More work experience and modern apprenticeships at Audit Scotland	This is already happening and we will develop this further as one of the actions in the Year of Young People.
Involving young people when tailoring our outputs - podcasts, videos, highlighting what it really means to them	This is already happening on the audit of CYPMH and will be taken forward by the standing panel.
Provide support by funding their involvement	We have committed to pay expenses, ethical incentives and possible payments to young people who are involved in the standing panel and in our audits, depending on the extent of their involvement.
Consider how to involve young people in the justice, education and lifelong learning (JELL) cluster, which is a way we use to monitor what's happening in these areas	This will be considered by the standing panel.
To introduce standing or ad hoc young person's panels or advisory groups	We are issuing a tender for a partner to work with us to set up a standing panel for a period of two years.
Have more person centred recommendations – find the real stories	We are already doing this in a number of audit reports and we will continue to do this.
Use real stories for creating greater impact	We are already doing this in a number of audit reports and we will continue to do this.
To tell people what we have done and how we used their feedback and suggestions	We will do this when we work with people on our audits and on the standing panel.
Provide travel expenses to audit contributors	We have committed to pay expenses to young people who are involved in the standing panel and in our audits.
To have smaller audits looking at issues young people care about	This will be considered by the standing panel and will feed into our programme development activity.

Appendix 2: Year of Young People 2018 action plan

Actions	Who	When
Set up a page on our external website to set out our commitment to YOYP and bring together relevant work and corporate developments	Communications Team Diane McGiffen to talk to Comms initially Gemma Diamond/Tricia Meldrum to follow-up with Comms and write a blog for the website	April 2018
Set up a Yammer group to promote developments internally and involve staff across the organisation	Communications Team DMcG to talk to Comms initially GD/TM to follow-up	April 2018
Invite staff members aged 26 and under to join a group to develop and take forward our plans (trainees, MA) – this is the age group targeted for YOYP	TM / GD	April 2018
Establish a programme inviting up to 3 external speakers to talk to staff over the rest of the year, e.g. <ul style="list-style-type: none"> Members of Scottish Youth Parliament Members of Girl Guides Scotland Members of First Minister’s Advisory Council on Women and Girls Care experienced young people 	TM / GD	To start May/June
Establish and promote standing panel of young people, working with an external partner. The expected outcomes from this engagement with young people are: <ul style="list-style-type: none"> Young people are able to influence and participate in all stages of our audit work Our audit work has more impact among young people Young people are able to provide us with advice on a range of issues Young people are involved in some of our audits The young people involved gain valuable experience and skills Increased skills and capacity among Audit Scotland staff to do more direct engagement with young people. 	TM	Tender for external partner issued in May; Appoint partner end of June
Agree and implement plans to open up recruitment to Audit Scotland to more young people, particularly school leaver trainees	HR: DMcG to talk to HR	TBC
Agree and implement our approach to managing work experience opportunities for young people so that they are of most value	Group of younger staff members, working with HR	May/June
Take up opportunities for presentations at schools, colleges etc. to raise understanding of who we are and what we do, tailored at a young audience	Work with Comms, group of younger staff members, and staff	As opportunities arise

Actions	Who	When
<ul style="list-style-type: none"> • Prepare presentation • Identify a small number of potential opportunities 	experienced in presenting to schools etc.	
<p>Use the new external page to promote and share audit work that we are already doing that is of particular relevance to young people, e.g.</p> <ul style="list-style-type: none"> • Audit of children and young people's mental health • Round table for young people on school education, to help scope audit in 2019/20 • Audits on further education and higher education • Examples of good engagement with young people highlighted in BVARs • Others – think about our work through a young person's lens 	TM /GD / Comms, working with group of younger staff members	From April
Consider opportunities to build on the actions above to further support young people, such as opportunities for staff to volunteer to mentor young people.	DMcG/GD/TM	Ongoing

Purpose

1. This report invites the Audit Scotland Board to approve a revised data protection policy.

Background

2. The EU General Data Protection Regulation 2016/679 (GDPR) will replace the existing UK Data Protection Act 1998 (DPA) on 25 May 2018. As a Regulation, all EU member states will have to implement it in the same way. Member states can introduce supplementary and/or specific data protection requirements to support the GDPR.
3. The UK government is doing this through the Data Protection Bill which is currently going through parliament (awaiting the reporting and third reading in the House of Commons before going back to the House of Lords, then royal assent). The Bill fully encompasses the Regulation and areas that the regulation does not cover, such as other general processing, Law Enforcement processing, Intelligence Service processing, derogations and the powers of the Information Commissioner.
4. The GDPR goes much further than the DPA and introduces new and significantly changed data protection concepts. There is a wide range of new rights for individuals in respect of their personal data. These include the right to be forgotten, the right to request the porting of one's personal data to a new organisation, the right to object to certain processing activities and also to decisions taken by automated processes.
5. Our data protection policy has been rewritten to account for the changes to data protection legislation, and is appended to this report.
6. The Knowledge, Information and Technology Governance Group and Management Team have reviewed the policy and are recommending the Audit Scotland Board approve it.

Policy changes

7. The policy has been rewritten to reflect the language and concepts in the regulation. It is meant to be a high-level document and will be supported by a suite of additional guidance, procedures and arrangements.
8. The GDPR says the controller (Audit Scotland, the Accounts Commission and the Auditor General) is **accountable** for, and must be able to demonstrate compliance with, the principles for processing personal information. The data protection policy, approved by the Board, is a key document in demonstrating accountability for the personal information we process in undertaking our work.

Progress update towards GDPR compliance

9. The information Commissioner in May 2017 published 12 steps that organisations should take to ensure compliance with the GDPR by 25 May 2018. The following table shows our progress against the 12 steps as at 18 April 2018.
10. Guidance still awaited from the Information Commissioner's Office (ICO) on some of the interpretation of the Regulation as to the Bill progresses through the parliamentary process.

Step	ICO Description	Current position
1	<p>Awareness You should make sure that decision makers and key people in your organisation are aware that the law is changing to the GDPR. They need to appreciate the impact this is likely to have.</p>	<p>Awareness raising was covered in:</p> <ul style="list-style-type: none"> • The Data Protection update newsletter to everyone in June 2016 and 2017, data protection day newsletter January 2017, • The 2015/2016 & 2016/17 annual information governance and security report to Management Team and the Audit Committee. • The eight GDPR Essential newsletters to everyone from August 2017 to January 2018. • Our Data Protection Policy May 2018 approved by the Board and communicated to all staff. <p>Communication will continue throughout 2018.</p>
2	<p>Information you hold You should document what personal data you hold, where it came from and who you share it with. You may need to organise an information audit.</p>	<p>A personal information inventory was conducted by each business group in August 2017. This was used for identifying suppliers that required a data processing agreement and general personal information handling and security arrangements for our work.</p>
3	<p>Communicating privacy information You should review your current privacy notices and put a plan in place for making any necessary changes in time for GDPR implementation.</p>	<p>Our privacy notice is being updated to ensure compliance. The Data Protection Bill may impact our notice, we remain vigilant on this.</p>
4	<p>Individuals' rights You should check your procedures to ensure they cover all the rights individuals have, including how you would delete personal data or provide data electronically and in a commonly used format.</p>	<p>The exclusions in the Data Protection Bill will influence what we need to tell people and what rights they may have. The Bill has exclusions for Audit Functions which limits individual's rights. However, staff will have rights and a guide to individual's rights is being prepared.</p>
5	<p>Subject access requests You should update your procedures and plan how you will handle requests within the new timescales and provide any additional information.</p>	<p>Our data subject access request procedure has been updated and is GDPR compliant.</p>
6	<p>Lawful basis for processing personal data You should identify the lawful basis for your processing activity in the GDPR, document it and update your privacy notice to explain it.</p>	<p>A personal information processing register is being prepared which will identify each lawful basis for processing personal information. Our draft privacy notice contains our lawful basis.</p>
7	<p>Consent You should review how you seek, record and manage consent and whether you need to make any changes. Refresh existing consents now if they don't meet the GDPR standard.</p>	<p>We do not rely on consent for processing personal information in most cases therefore this will have only a limited impact on our arrangements. Where we will rely on consent we are making the necessary adjustments and gathering the evidence that consent has been freely given.</p>

Step	ICO Description	Current position
8	Children You should start thinking now about whether you need to put systems in place to verify individuals' ages and to obtain parental or guardian consent for any data processing activity.	This aspect is mainly focussed towards online service providers such as Facebook, snapchat, online games providers, etc. We are currently examining whether this will impact our audit work.
9	Data breaches You should make sure you have the right procedures in place to detect, report and investigate a personal data breach.	Our new data breach reporting arrangements came into affect in January 2018.
10	Data Protection by Design and Data Protection Impact Assessments You should familiarise yourself now with the ICO's code of practice on Privacy Impact Assessments as well as the latest guidance from the Article 29 Working Party, and work out how and when to implement them in your organisation.	Our Privacy Impact Assessment (PIA) process has been updated to the new requirement to conduct Data Protection Impact Assessments (DPIA). Assessment will be conducted when there are major changes to how we do our work and store personal information.
11	Data Protection Officers You should designate someone to take responsibility for data protection compliance and assess where this role will sit within your organisation's structure and governance arrangements. You should consider whether you are required to formally designate a Data Protection Officer.	The Corporate Governance Manager is our Data Protection Officer. The role is now mandatory in public bodies and the duties they are required to undertake has been expanded.
12	International If your organisation operates in more than one EU member state (i.e. you carry out cross-border processing), you should determine your lead data protection supervisory authority. Article 29 Working Party guidelines will help you do this.	Not applicable to us. However, we have been reviewing where we store personal information to ensure it remains in the EU or in the USA if our supplier has signed up to the Privacy Shield.

Next steps

11. Work continues apace and some of the main focus going forward will be:

- GDPR e-learning for all staff
- personal information processing register
- completion of our privacy notice and data handling notice for staff
- completing detailed guides for audit staff on personal information handling during audits.

Recommendation

12. This report invites the Audit Scotland Board to approve the revised data protection policy.

Data Protection Policy

Owned and maintained by:	Corporate Governance Manager				
Approved from:	May 2018	Next review:	April 2019	Version:	13

Introduction

1. 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.
2. As Data Controllers, we are committed to processing personal data (information) lawfully, fairly and in a transparent manner.
3. 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 Auditor Generals, clients, suppliers, correspondents, complainants, people covered by the audit process and others with whom we communicate.
4. 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:
 - 4.1. ensuring that all personal information is processed lawfully and in compliance current data protection legislation
 - 4.2. ensuring that our digital systems are secure and that personal information will be stored securely
 - 4.3. 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)
 - 4.4. designing systems, processes and methods of working that protect personal information entrusted to us (privacy by design and default)
 - 4.5. undertaking data protection impact assessments as necessary for major new projects or when considering new software
 - 4.6. 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
 - 4.7. implementing effective systems for handling security breaches and data loss.

5. 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

6. 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'*.
7. It applies only to living individuals and covers their personal information held on physical or digital medium.

Data protection principles

8. The EU 2016/679 General Data Protection Regulation (GDPR) contains six principles for processing personal information. They specify the standards that must be met when obtaining, handling, processing, transporting and storing personal information. We will only process personal information where we have a lawful purpose for doing so.
9. To comply with the six data protection principles we will:
 - 9.1. process personal information lawfully, fairly and in a transparent manner in relation to the data subject
 - 9.2. only collect personal information for specified, explicit and legitimate purposes and not further process it in a manner that is incompatible with those purposes
 - 9.3. 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
 - 9.4. 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
 - 9.5. 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
 - 9.6. 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').

Disclosure of personal information

10. We will only disclose personal information to:
 - 10.1. those who are entitled to the information
 - 10.2. any authority we are required to do so by law eg HMRC
 - 10.3. anyone to whom we are required to disclose it, such as individuals seeking to access their own personal data.

Data protection officer

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

Personal responsibility

12. 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 under go training as required.

Training and awareness

13. We are committed to full staff awareness and training in Data Protection, Information Security, Freedom of Information and Environmental Information Regulations legislation and its implications for our work. We are committed to maintaining effective systems for handling personal data to meet our obligations under this legislation.
14. Guidance on the application of data protection is available on [ishare](#).

Misuse of personal information

15. 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.

Purpose

1. This report invites Board to review and approve the updated Information Security Management Policy.

Background

2. The Information Security Management Policy is the overarching policy for the management of the Information Security Management System (ISMS) and sets out the commitments and responsibilities of Audit Scotland colleagues, contractors and consultants, in relation to how information security is managed.
3. The policy was reviewed and updated by the Knowledge, Information, Technology, Group (KITGG) on 12 April 2018, as part of an annual effectiveness process, and by Management Team on 17 April 2018. The policy was last approved by the Board on 5 May 2017.
4. The policy clearly outlines Audit Scotland's continued commitment to ISO 27001:2013 certification.
5. The diagram in Appendix 1 describes the documentation within the Information Security Management Environment which supports the function of the ISMS. Minor updates were made by KITGG, a new commitment has been added for GDPR and the diagram in Appendix 1 has been updated to include the Risk Treatment Plan. The changes have been highlighted in the attached policy.

Recommendations

6. The Board is invited to review and approve the Information Security Management Policy, as part of the annual effectiveness review of the Information Security Management System.

Information Security Management Policy

Version:	1.4	Status:	For Board review
Author/Owner:	Digital Services Manager	Approval/Review:	Audit Scotland Board
Approval Date:		Review Date:	2 May 2018

Introduction

1. This policy sets out that Audit Scotland will:
 - 1.1. ensure the confidentiality, integrity, quality and availability of all the information it holds and processes
 - 1.2. ensure all the information it holds and processes will meet its contractual, legal and regulatory obligations.
2. This policy is supported by supporting 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

4. Audit Scotland will:
 - 4.1. produce, maintain and test business continuity plans to ensure the availability of its information and information systems
 - 4.2. treat information security as a business-critical issue
 - 4.3. ensure that its information is open and not restricted by financial or legal agreements
 - 4.4. ensure legislative and regulatory requirements are met (including intellectual property rights)
 - 4.5. ensure compliance with the General Data Protection Regulation and implement privacy by design in all information systems
 - 4.6. identify and implement appropriate controls for information assets proportionate to levels of risk

Comment [NP1]: New commitment added for GDPR

- 4.7. communicate all appropriate information security policies to all employees, contractors, consultants, clients and other stakeholders
- 4.8. allocate individual accountability for compliance with all appropriate information security policies, standards, guidance and procedures
- 4.9. continue to improve its information security management
- 4.10. develop, implement and maintain an Information Security Management System (ISMS) in accordance with best practice contained within ISO/IEC 27001:2013 and ISO/IEC 27002:2013.

Responsibilities

5. Audit Scotland's Board through its Audit Committee has oversight of risks, including information risks.
6. Audit Scotland's Accountable Officer, with support from the Management Team, has overall responsibility for ensuring this policy is effectively implemented and delivered.
7. 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.
8. 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.
9. 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 and providing assurance.
10. 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.
11. The KITGG will ensure all information security policies and our performance in meeting their requirements is monitored and reviewed on an annual basis.
12. The Digital Services Management Team (DSMT) will maintain 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.
13. The Corporate Governance Manager is responsible for updating Audit Scotland's Data Protection Policy, managing data subject access requests and providing advice to staff.
14. Information Asset Owners must understand what information is held by their business area, and approve the permissions required to access it.

Comment [NP2]: SIRO acronym added

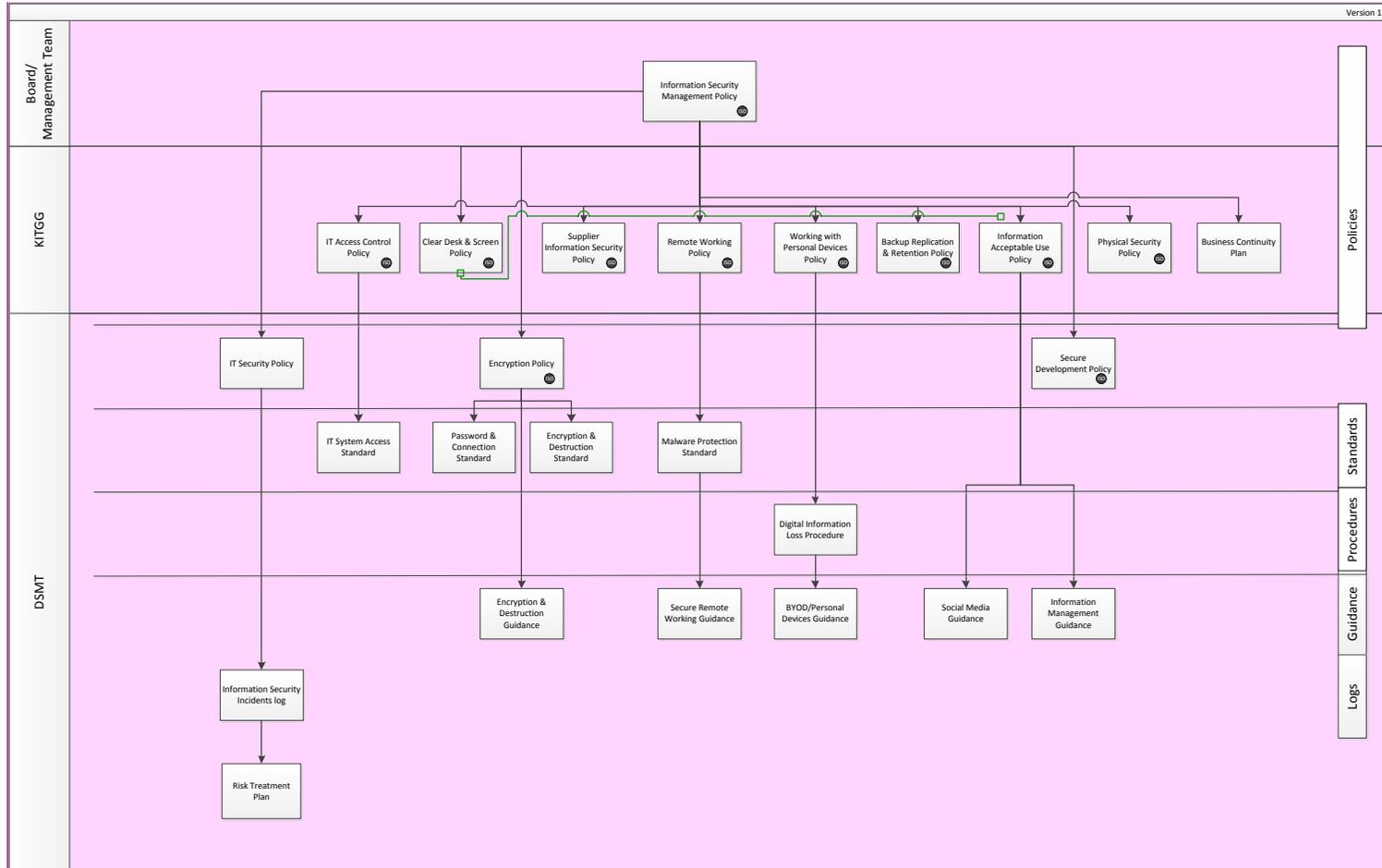
Comment [NP3]: Changed from data protection notification to Data Protection Policy

15. All Managers will be responsible for implementing and communicating appropriate information security policies, guidance and procedures.
16. 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.

Appendix 1 - Information Security Management System Environment



Comment [NP4]: Risk Treatment Plan added