

Agenda

Wednesday 6 June 2018, 11.30am

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, 2 May 2018
 - Audit Committee, 14 March 2018 For information
 8. Review of action tracker For information
-

Business performance

9. Q4 Financial performance report For information
 10. Q4 Corporate performance report For information
 11. Q4 Becoming world class improvement programme For information
 12. Data Protection update For information
-

Governance

13. 2017/18 Annual report on freedom of information and environmental information For approval
 14. 2017/18 Annual report on complaints For approval
 15. 2017/18 Annual report from the Chair of the Audit Committee For approval
 16. 2017/18 Annual report from the Chair of the Remuneration and Human Resources Committee For approval
 17. 2017/18 Governance statement on internal control and certificate of assurance For approval
 18. Policy on the provision of non-audit services by Audit Scotland's external auditor For approval
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19. Any other business

20. Review of meeting

21. Date of next meeting: 22 August 2018

Items to be taken in private

Governance continued

- | | |
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| 22. 2017/18 Annual report on Audit quality
[Item to be taken in private to support the effective conduct of business – information intended for future publication] | For approval |
| 23. 2017/18 Annual report on International work
[Item to be taken in private to support the effective conduct of business – information intended for future publication] | For approval |
| 24. 2017/18 Draft annual report and accounts
[Item to be taken in private to support the effective conduct of business – information intended for future publication] | For approval |

Wednesday 2 May 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
M Taylor, Assistant Director, Audit Services (item 9)
R Seidel, Audit Manager, Performance Audit and Best Value (item 9)
M Roberts, Senior Manager, Performance Audit and Best Value (item 9)
F Mitchell-Knight, Assistant Director, Audit Services (item 10)
A Clark, Assistant Director, Performance Audit and Best Value (item 11)
F McKinlay, Assistant Director, Performance Audit and Best Value (item 12)
T Meldrum, Senior Auditor, Performance Audit and Best Value (item 12)
A Devlin, Corporate Governance Manager (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 30 April 2018.

2. Declarations of interest

There were no declarations of interest.

3. Decision on items to be taken in private

The members agreed that item 18 the draft Corporate Plan would be considered in private as it is intended for future publication.

4. Chair's report

Ian Leitch provided a verbal update on meetings with Diane McGiffen and Caroline Gardner on general business matters.

The members welcomed the update.

5. Accountable Officer's report

Caroline Gardner advised the Board of a busy period for parliamentary engagement which included evidence sessions with the Public Audit and Post Legislative Scrutiny (PAPLS) Committee on NHS Tayside. Caroline advised that she and Mark Taylor were giving evidence

to the Social Security Committee on Thursday 3 May and invited members to note forthcoming events being hosted by the Budget Process Review Group.

Caroline also advised of the forthcoming publication of the early learning and childcare report, two section 22 reports on New College Lanarkshire and Edinburgh College and the Colleges Overview report.

Caroline advised she was taking part in a meeting of the Scottish Parliament's Women's Development network and was speaking at a conference of the College Development Network on 15 May 2018.

Caroline invited the Board to note the forthcoming recruitment campaign primarily for the new financial powers and social security work and to note the comparison for Audit Scotland in the gender median pay gap report published on 30 March 2018, reflecting the commitment to fairness and gender balance across the organisation.

Following discussion, the Board welcomed the update.

6. Accounts Commission Chair's report

Graham Sharp advised the Board that the Accounts Commission had considered the forward programme of performance audit work and had heard from the Improvement Service on the Local Government benchmarking framework at its meeting on 12 April 2018. At that meeting the Commission had a useful session on the strategic planning priorities for Audit Scotland led by Diane McGiffen, a report on the how council's work programme and a report on the principles of effective scrutiny.

Graham advised of a forthcoming meeting with Dundee City Council on a recent statutory report and that the May Accounts Commission meeting will consider two Best Value reports, review the draft annual quality report and discuss the Commission's strategic priorities.

Graham updated the Board on the recruitment of new Commission members.

The Board welcomed the update.

7. Review of minutes

Board meeting, 28 March 2018

The Board considered the minutes of the meeting of 28 March 2018, which had been previously circulated, and agreed these were an accurate record of the meeting, subject to the insertion of 'benchmarking' in the reference to the Local Government Benchmarking Framework at item 6, and the correction of the reference to the 2018/19 proposed operational budget at item 9.

8. Review of actions tracker

The Board noted the updates provided by the action tracker. The Chair asked for clarification in relation to actions ASB66 and ASB71 and Martin Walker, Assistant Director, Corporate Performance and Risk, confirmed both actions related to the report at item 10 of the agenda.

9. New financial powers and constitutional change update

Mark Taylor, Assistant Director, and Rebecca Seidel, Audit Manager and Mark Roberts, Senior Manager, joined the meeting.

Mark Taylor, Assistant Director introduced the New Financial Powers and Constitutional Change report, which had been previously circulated.

Mark advised the Board that Audit Scotland was building capacity for the additional work on new financial powers with two teams established for auditing social security and public financial

management. Mark also welcomed Mark Roberts to the team and advised that he would be leading on work relating to EU withdrawal.

Mark advised that the Social Security Bill had passed through Parliament and the Audit and Accountability Framework (AAF) remained under development by the UK and Scottish governments.

Russel Griggs asked how Audit Scotland would interface with the Department of Work and Pensions (DWP), noting the respective responsibilities of Audit Scotland and the National Audit Office (NAO). Mark advised that the draft AAF set out the basis of what would be reported and will include elements of devolved social security, including the extent of interaction with DWP. He advised that an appropriate AAF would be needed to ensure the audit could operate effectively in such areas, and that a Memorandum of Understanding with the NAO covers Scottish Income Tax arrangements.

The Board discussed other aspects of the report and Rebecca Seidel advised the Board of engagement with Committee clerks and the Scottish Parliament's Information Centre (SPICe) on the revised budget process, with drop-in sessions for MSPs and workshops on offer. She provided assurance about handling potential conflicts of interest.

The Board reflected on the work underway, the challenges around resources, skills and timing and Russel Griggs asked whether there were any in-year budget implications. Diane McGiffen advised that there were no in-year budget implications, the budget for the new financial powers work had been reviewed as part of the longer term workforce planning which had also identified opportunities for ongoing learning and development as well as upskilling.

Following discussion, the Board noted the work underway and welcomed the update.

Mark Taylor, Rebecca Seidel and Mark Roberts left the meeting.

10. Review of the new approach to auditing best value

Fraser McKinlay, Director, and Fiona Mitchell-Knight, Assistant Director, joined the meeting.

Fraser McKinlay, Director of Performance Audit and Best Value introduced the Review of the new approach to auditing best value report, which had previously been circulated.

Fraser invited the Board to note the Review of the approach to best value was to ensure the approach was fit for purpose and met the Accounts Commission's objectives. Fraser invited Fiona Mitchell Knight to summarise the report.

Fiona Mitchell Knight invited the Board to note the review was to ensure the work took a risk-based approach and was proportionate in order to provide assurance to the Accounts Commission about best value across all 32 councils.

Graham Sharp advised that the Commission recognise that best value audit is a substantial task with good progress made in year one of the new approach and that further development areas had been identified, including ongoing Commission engagement events with local government. Fiona advised of work underway to update audit manuals and issue guidance notes for auditors.

Heather Logan welcomed the report and asked how development actions were being monitored. Fiona Mitchell Knight advised of active monitoring of local risks through the audit plans and by the working groups which in turn forms part of the annual assurance to the Commission. Graham Sharp explained the role of the Local Government Benchmarking Framework in the context of the statutory performance indicators that the Accounts Commission prescribes.

The Chair welcomed the report and asked how the increase in work required had been managed. Fraser McKinlay advised that there had been an increased resource requirement in year one of the new approach and that this had been managed within existing resources using colleagues involved in the local audit team and colleagues from across Performance Audit and

Best Value and that resource needs were expected to reduce over the five year audit appointment. Fraser also advised that the best value audit work provided valuable context for financial reporting which in turn provided wider scope assurance to the Accounts Commission.

Following discussion, the Board welcomed the report.

Fiona Mitchell-Knight left the meeting

11. Work programme and publication schedule

Antony Clark, Assistant Director, joined the meeting.

Antony Clark, Assistant Director, Performance Audit and Best Value, introduced the work programme and publication schedule report, which had previously been circulated and which had been jointly agreed by the Auditor General for Scotland and the Accounts Commission and which is refreshed each year.

Russel Griggs asked whether the schedule was likely to change in light of the new financial powers coming to Scotland. Antony advised that the schedule is designed to provide some flexibility to adapt and respond to changing needs.

Heather Logan noted the openness and transparency briefing due to be published in May and asked whether public bodies were retaining an appropriate focus on this area. Antony advised that every annual audit reports on governance and that supplementary audit guidance would be issued as part of the annual planning guidance to auditors.

Caroline Gardner advised that the process around the work programme and publication schedule was much more robust, building on the extensive programme development work and based on the strategic priorities of the Auditor General and Accounts Commission.

Following discussion, the Board welcomed the report.

Antony Clark left the meeting.

12. Engagement with young people

Tricia Meldrum, Senior Auditor, joined the meeting.

Tricia Meldrum, Senior Auditor, Performance Audit and Best Value, introduced the Engagement with young people report, which had previously been circulated.

Tricia Meldrum invited the Board to note the continued work with young people and specifically the benefits this can bring to audit work.

The Board were keen to explore how the engagement informed programme development, audit scoping and the audit work and the added value it brought to the process and audit reports. Tricia advised that the engagement formed part of a broader engagement, which focussed on ensuring that the audits covered areas of interest to and sought views from 'hard to reach' groups, with a view to supporting diversity and equality. Diane McGiffen advised that the work also supported Audit Scotland's commitment to the Year of Young People 2018.

Following discussion, the Board welcomed the report.

Fraser McKinlay and Tricia Meldrum left the meeting.

13. Data protection policy

Alex Devlin, Corporate Governance Manager, joined the meeting

Alex Devlin, Corporate Governance Manager, introduced the data protection policy, which had previously been circulated.

Alex advised the Board that the date of implementation of the new data protection act was still to be announced while the requirements for GDPR came into effect from 25 May 2018. He invited the Board to approve the updated policy.

The Chair asked Alex to email Board members the link to the updated e-learning package and encouraged members to complete these before the end of May.

The Board discussed the lawful reason for processing personal information as part of audit work and approved the policy.

Action: Alex Devlin to send members the link to the updated e-learning package. (May 2018)

Alex Devlin, Corporate Governance Manager, left the meeting

14. Information security management policy

Martin Walker, Assistant Director, Corporate Performance and Risk, introduced the Information security management policy report, which had been previously circulated.

The Board was invited to approve the policy which had been updated to reflect changes for GDPR and following discussion, the Board approved the policy.

15. Any other business

Diane McGiffen provided a verbal update on pay negotiations, confirming that PCS had balloted its members and the results were expected on 9 May 2018.

16. Review of meeting

The members agreed that there had been a varied and comprehensive agenda with full discussion on the various reports and the Chair thanked everyone for their contribution.

17. Date of Next Meeting

It was noted that the next Audit Scotland Board meeting was scheduled for 11.30am on Wednesday 6 June 2018 in the offices of Audit Scotland, 102 West Port, Edinburgh.

The Board then moved into private session.

Items taken in private

18. Corporate plan 2018-21

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

Martin invited the Board to review and approve the Corporate Plan 2018-21 for publication.

The Board discussed and agreed a number of amendments to provide more emphasis in a number of areas including, audit quality, the expansion of the support for the Accounts Commission, the potential inclusion of KPIs, the work to support external engagement, independence and the overall value of audit as part of the Public Audit model in Scotland.

Following discussion, the Board approved the 2018-21 Corporate Plan subject to amendments which would be circulated by email for final approval.

Action: Martin Walker to circulate the amended 2018-21 Corporate Plan for approval by correspondence. (May 2018)

Audit Committee Meeting

Wednesday 14 March 2018, 10.00am

Audit Scotland offices, Nelson Mandela Place, Glasgow

Present:

H Logan (Chair)
R Griggs

Apologies:

G Sharp

In attendance:

C Gardner, Auditor General for Scotland
I Leitch, Chair of the Audit Scotland Board
D McGiffen, Chief Operating Officer
M Walker, Assistant Director, Corporate Performance and Risk
S Dennis, Corporate Finance Manager
A Devlin, Corporate Governance Manager
D Robertson, Digital Services Manager
C Robertson, BDO
A O'Donnell, BDO
S Cunningham, Alexander Sloan
J So, Alexander Sloan

0. Confidential Item – Internal audit procurement update

Agenda item 10 was taken in private at the start of the meeting.

The Corporate Governance Manager submitted a confidential report on the procurement of internal audit services, which had been previously distributed.

After discussion it was agreed to recommend the preferred supplier to the Board for approval at their next meeting on 28 March 2018.

1. Private meeting

A private meeting was held with BDO, the internal auditors, and Alexander Sloan, external auditors.

There were no issues raised from the private meeting.

2. Welcome and apologies

The Chair of the Audit Committee opened the meeting and noted that apologies were submitted by G Sharp who was attending the 2018 Accounts Commission strategy seminar.

3. Declarations of interest

There were no declarations of interest.

4. Minutes of meeting 15 November 2017

The Audit Committee members reviewed the minutes of the meeting of 15 November 2017, which had previously been circulated.

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

5. Review of actions tracker

The Audit Committee members reviewed the outstanding actions on the actions tracker. The members welcomed the actions which had been concluded and closed.

Updates were provided by Audit Scotland's officers and a number were covered as specific items later on the agenda.

The members welcomed the progress and noted the update.

6. Audit Committee terms of reference

The Chair invited comments from members on the report submitted by the Corporate Governance Manager, which had been previously circulated.

The members approved the updated terms of reference.

7. Internal audit reports

Claire Robertson, BDO submitted internal audit reports on IT service management, financial reporting, workforce planning/resource management and the follow-up review, which had been previously distributed.

IT service management

David Robertson, Digital Services Manager, joined the meeting.

Andrew O'Donnell, BDO provided an overview of the good practice points and key findings as well as the audit outcome of substantial assurance for design and reasonable assurance for operational effectiveness.

The Chair invited comments and questions on the report from the members.

Russel Griggs indicated that he wished to explore the substantial level of assurance that is awarded to most of Audit Scotland's internal audit reports but agreed with the Chair that it be covered when discussing the 2017/18 annual assurance report.

The Chair of the Audit Committee sought and received clarification on the term 'rented purchase' from the Digital Services Manager.

The Chair asked what led to observation three on KPIs. Claire Robertson explained that Digital Services did not have data for one of the KPIs during the audit. The Digital Services Manager also explained that KPIs had been introduced to help achieve ISO 27001 but in hindsight some of the KPIs did not result in meaningful data and were being reviewed and may be dropped if they did not add value.

Ian Leitch highlighted an inaccuracy in the text of the Root-cause-analysis section on page seven. BDO the internal auditors agreed to amend the text.

The report was noted.

David Roberson left the meeting.

Action 55AC: BDO to amend the wording of the root-cause-analysis section of the IT Service Management report and re submit it to Audit Scotland. (March 2018)

Financial reporting

Andrew O'Donnell, BDO gave an overview of the good practice points and key findings as well as the audit outcome of substantial assurance for both design and operational effectiveness.

The Chair invited questions on the report from the members. Russel Griggs noted the comments from those interviewed that the financial reports were too detailed and asked if the end users were really using the very detailed financial reports. Claire Robertson indicated that the reports were being used but that there was some scope for them to be simplified.

The Chief Operating Officer said that she welcomed the report as positive assurance to the Committee members that the changeover during the year of Finance Managers did not affect operational performance.

The members noted the report.

Workforce planning/resource management

Andrew O'Donnell, BDO gave an overview of the good practice points and key findings as well as the audit outcome of substantial assurance for both design and operational effectiveness.

The Chair of the Audit Committee asked about progress on the skills gap analysis recommendation. The Chief Operating Officer advised the members that action was underway and that it had been discussed at the Corporate Services Managers meeting on 13 March 2018.

A discussion took place on previous attempts to map skills and experience including what BDO's process was for this in their organisation. The consensus was that this was a challenging area of work that required careful management.

The members noted the report.

Follow-up review

Andrew O'Donnell, BDO gave an overview of the outcomes from the follow-up review. The members were informed that Audit Scotland had made good progress in implementing recommendations.

Russel Griggs asked if Audit Scotland managers were estimating the recommendation completion date accurately as 28% of recommendations were either not complete or only partially complete. The Chair of the Audit Committee shared the members concern regarding this citing a date of 30 September 2017 being set for implementing cold reviews when it was generally accepted that this date would not be fully met. Claire Robertson advised the members that there were good reasons given for recommendation not having met their implementation dates.

A discussion took place around the estimation of implementation dates by Audit Scotland Managers and the role internal audit could play in challenging dates if they seemed over ambitious. Claire Robertson agreed that this challenge should be integrated into the audit clearance process.

The Chair of the Audit Committee asked why the management response to the contract management recommendation was not more aligned to the status as at February 2018. The Corporate Finance Manager informed the Chair that more work was being done to the ishare page to make it more effective for those seeking guidance on procurement and contract details.

The members noted the two internal audit reports.

Action 56AC: Internal auditors to initiate a process for challenging managers on recommendation implementation dates where they seem to be over ambitious. (June 2018)

8. Co-operation between internal and external auditors

Claire Robertson, BDO introduced the report on co-operation between internal and external audit, which had been previously circulated.

The members noted the report.

9. 2017/18 Internal audit annual assurance report

Claire Robertson, BDO provided an overview of the internal audit annual report 2017/18, which had been previously circulated. Claire Robertson advised the members that the conclusion is positive for the audit year, and that internal audit provided reasonable assurance that there were no major weaknesses in the internal control systems for the areas reviewed in the year.

Russel Griggs returned to his comment previously raised under agenda item 7 in which he wished to explore the number of substantial assurances provided for the areas audited. Russel asked internal audit if they were satisfied that the 'bar' was set at the correct level for the audits or whether Audit Scotland's performance was strong in almost all areas. Claire Robertson assured the members that the 'bar' was set at the correct level and that due to continuity of auditing Audit Scotland over the past few years BDO were able to review previous work to see improvement and progress. The members were also informed that an Audit Needs Assessment would be undertaken shortly by internal audit at the start of the next contract and that internal audit may identify areas that would result in more areas for development and improvement.

The members welcomed the assurance the report had given on internal control.

The Chair informed the members that the annual assurance report brought to an end the internal audit work for 2017/18 and the current internal audit contract. The Chair thanked BDO for all their work during over the last three years.

10. Internal audit procurement update

This item was taken in private at the start of the meeting.

11. 2017/18 Year end statutory accounts timetable

The Corporate Finance Manager introduced the timetable for the completion of the statutory accounts to 31 March 2017, which had previously circulated.

The Audit Committee noted the timetable.

12. External auditors plan 2017/18

Steven Cunningham, Alexander Sloan introduced the external audit plan and timetable for the 2017/18 audit.

The Audit Committee welcomed the update and noted the plan.

13. Review of risk register

There was submitted a report by the Assistant Director, Corporate Performance and Risk, on the review of Audit Scotland's risk register, which had been previously circulated.

The Assistant Director, Corporate Performance and Risk, introduced the report by highlighting the changes made since the last report in November.

A discussion took place on risk 5 – Failure to assess the impact of and respond to the EU referendum result, and the risks and controls surrounding ‘Brexit’, including the impact it may have on Audit Scotland. The Chief Operating Officer informed the members that Management Team had discussed this matter, what was being done to manage the risks and that this area was the subject of the next risk interrogation to be considered by the Committee at its meeting on 23 May 2018.

The members noted the report.

14. Risk interrogation: Legitimacy, relevance and independence

There was submitted a report by the Assistant Director, Corporate Performance and Risk, on the risk interrogation: legitimacy, relevance and independence, which had been previously circulated.

The Chair of the Audit Committee informed the meeting that she valued these reports and the assurance they gave to the members on the work done to control the risks.

The Assistant Director, Corporate Performance and Risk provided an overview of the interrogation picking out the highlights and the controls in place.

A general discussion took place on the stress around the risk scores and the extent of any challenges to independence, legitimacy and relevance. The members were advised that the independence of the public audit model in Scotland and that of the Auditor General, the Accounts Commission and Audit Scotland are business critical, carefully managed and reflected in the risk scores.

Ian Leitch added that the independently appointed Board members were further evidence of the controls and could be covered in the report. The Assistant Director, Corporate Performance and Risk agreed to consider this for future risk reports and the risk register.

The members noted the report.

Action 57AC: The Assistant Director, Corporate Performance and Risk to consider the independently appointed Board members for future risk reports and the risk register. (May 2018)

15. Q3 financial performance report

There was submitted a report by the Corporate Finance Manager, on the Q3 financial performance report, which had previously been circulated.

The Chair reminded the members that the report had been discussed at the February Board meeting due to the sequencing and timing of the meetings this year.

The Corporate Finance Manager informed the members that our forecasts for the year had been reviewed and that we were consistent with the budget.

The Chair of the Audit Committee informed the members that she had met with Audit Scotland Officers on 7 March 2018 about the detail of financial detail needed for consideration by the Audit Committee members. It was agreed that a simplified report would come to the Audit Committee from the Corporate Finance Manager in future.

The members noted the report.

Action 58AC: The Corporate Finance Manager to simplify the quarterly financial reports for the Committee. (June 2018)

16. Digital security update

David Robertson, Digital Services Manager joined the meeting.

There was submitted a digital security update report by the Digital Services Manager, which had previously been circulated.

The Digital Services Manager provided the members an overview of the main points in the report.

Members of the committee sought clarification on a range of issues and were provided with further information. The areas covered included; the provider of cloud services, Crypto jacking, the extent to which Audit Scotland is targeted through low level cyber-attacks, the motion enabled security camera in the digital server room and the definition of multiple redundant systems for work stream 3.

The Chief Operating Officer informed the members that the investment in our Digital Services has been of great value to the organisation as witnessed most recently by the extremely low impact on our work as a result of the disruption caused to the UK from the winter weather in late February.

The Chief Operating Officer and Audit Committee Members thanked the Digital Services Manager and the Team for all their hard work.

The Audit Committee noted the report.

David Robertson, Digital Services Manager left the meeting.

17. Annual assurance and statement of control process

The Corporate Governance Manager submitted the annual assurance and statement of control process report, which had been previously circulated.

The Audit Committee noted the report.

18. Any other business

Two items of other business were raised on data incidents and whistleblowing prescribed persons.

The Corporate Governance Manager informed the members that there had been one data incident to report since the last meeting and that this involved the loss of a mobile phone; there was no risk to our information as the phone was remotely wiped.

The members were also updated on progress to have Audit Scotland reinstated as a prescribed person under the Public Interest Disclosure Act.

Action 59AC: The Corporate Governance Manager to provide an update at the next meeting of the Committee. (May 2018)

The members welcomed the updates.

19. Review of meeting

The Chair of the Audit Committee invited members to comment on the standard of the papers submitted to them and on the meeting itself.

Members were satisfied with the papers and the meeting.

20. Date of next meeting

The next meeting will be held at 10.00am on 23 May 2018 in the offices of Audit Scotland, Nelson Mandela Place, Glasgow.

Ref	FORUM	Agenda Item No	Item Title	Action Description	Meeting Date	Due Date	Responsible	Assigned to	Complete/Ongoing	Reported Yes/No	Progress Notes
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	02/06/2018	Antony Clark	Sarah Pollock	Complete	No	This report appears at item 23 of today's agenda.
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 was considered at item 10 - Review of the new approach to best value 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	Complete	No	This appears in the report at item 23 of today's agenda.
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 is scheduled to come to the Board meeting on 22 August 2018.
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		This paper now forms part of the auditor guidance which will be circulated to members by the end of May 2018.
ASB74	Board	13	Data protection policy	Alex Devlin to send members the link to the updated e-learning package. (May	02/05/2018	30/05/2018	Alex Devlin	Alex Devlin	Complete	No	The link to the e-learning package was emailed to members on 23 May 2018.
ASB75	Board	18	Corporate Plan 2018-21	Martin Walker to circulate the amended 2018-21 Corporate Plan for approval by correspondence.	02/05/2018	30/05/2018	Martin Walker	Martin Walker	Complete	No	The amended Corporate Plan was emailed to members on 23 May 2018.

Purpose

1. This report presents the financial results for the twelve months to March 2018.

Background

2. The management accounts report for the twelve months to March 2018 was discussed by Management Team on 8 May 2018 and is attached to the report submitted to the Audit Committee on 6 June 2018.

Discussion

3. In the twelve months to March 2018, Audit Scotland's Net Operating Expenditure was £8,514k which was £643k less than budget.
4. In-house income was in total £368k higher than plan with the 2016/17 audit year generating a surplus of £313k with £231k related to the European Agricultural Fund Audit (EAFA). The increase in EAFA income covered additional expenditure incurred on agency staff working on the audit. Progress on 2017/18 audit work was on average 0.28% above plan leading to a positive volume variance of £22k and a recognised price variance of £33k. Price variances relate to integrated joint boards fees and an increase to the indicative fee for the Scottish Police Authority.
5. Fee income earned for audits carried out by external firms net of fees and expenses paid to the firms were £4k higher than budget. Although income was £399k higher than budget this was offset by fees and expenses payable to the external firms being £403k higher than budget. This is in recognition of additional work the firms have carried out to generate the higher income earned.
6. Central charges income was £45k lower than budget and bank interest £18k was less than budget.
7. Staff costs including agency and secondment expenditure and net of secondment income were £210k more than budget.
8. IAS 19 pension costs were £192k less than budget and other expenditure/income contributed £360k to the favourable position. The valuation of unfunded schemes as at 31 March 2018 reduced the obligation from the 2016/17 and led to a favourable outcome.
9. Detailed information was provided in the report considered by the Audit Committee at its meeting immediately prior to the Board, the papers for which all members received.

Virement

10. There were no instances of budget virement in excess of £20k in the twelve months to March 2018.

Recommendation

11. The Board is invited to note the financial results for the 12 months to March 2018.

Purpose

1. This report provides the Board with an overview of Audit Scotland's performance during quarter four and an overview of 2017/18.

Background

2. Performance reports are considered by Management Team and the Board on a quarterly basis alongside the quarterly financial performance report and Becoming World Class improvement programme update.
3. The Board considered the quarter three report at its meeting on 28 February 2018.
4. This report was considered by Management Team at its meeting on 8 May 2018.
5. The performance information is structured around the three strategic objectives of Securing World Class Audit, Making a Difference and Building a Better Organisation.
 - Appendix 1 (pages 5 – 7) provides a one-page summary of performance for each strategic objective.
 - Appendix 2 provides the detailed performance information.

Q4 performance summary

6. The Q4 report demonstrates strong performance over all. Performance headlines include:
 - Securing World Class Audit – we are conducting relevant, timely and high-quality audits:
 - 98.6% of audit outputs scheduled were delivered in Q4.
 - 205 annual audit plans delivered.
 - Four performance audit and best value audit reports (Early learning and Childcare; Managing the implementation of the Scotland Acts, BVAR Clackmannanshire Council, BV follow-up Falkirk Council).
 - Devolution of financial powers, fiscal framework and social security – where we have established the social security and public financial management audit teams and published the latest report on the [implementation of the Scotland Acts](#) on 28 March 2018.
 - The EAFA 2017 audit was delivered by the statutory deadline of 15 February within the agreed budget and fee. The delivery of this complex audit is a success given the many challenges which have had a direct impact on the audit process.
 - The completion of scheduled quality work under the Audit Quality Framework.

- Making a Difference – we are getting our messages out effectively and delivering new and improved products:
 - Substantial parliamentary, mainstream media and social media interest in reports, in particular the Early Learning and Childcare report and associated material.
 - For the Early Learning and Childcare performance audit we developed additional audit outputs including a [guide for parents and carers](#) to answer some frequently asked questions, and we suggest some ways they can get [more information and help](#). The guide also covers how we carried out our audit and what we found and we developed videos for the [e-Hub](#).
- Building a Better Organisation – we are managing our workforce effectively and investing in learning and development. Financial planning and budget management are effective:
 - Staff complement (w.t.e): average number of staff employed in the to March 2018 was 271.9 w.t.e. – 3. w.t.e. lower than the establishment figure of 274.9.
 - Absence rate of 1.12 days.
 - Exams: 77 exams taken in Q4 with a 91% pass rate for professional trainees.
 - Net operating costs, staff costs and travel and subsistence costs are below budget.

2017/18 Performance summary

7. Performance over the course of 2017/18 has been strong.

Securing world class audit

8. We planned 496 audits/ reports and delivered 486 (97.9%).

	Planned	Delivered	%
Annual Audit Plans			
AS	126	126	100
Firms	100	100	100
Annual Audit Reports			
AS	126	126	100
Firms	100	100	100
Performance Audits	8	7	87.5
BV Assurance & Follow-up Reports	8	8	100
Overviews	4	3	75%
Housing Benefit Reports	9	6	66%
Statutory Reports	12	8	66%
Other ¹	3	2	66%

9. Five of the remaining reports will be delivered in Q1 of 2018/19 (the Local Government Overview Report¹ and the National Scrutiny Plan have already been published). One HB report was not

required based on a risk assessment and four statutory reports were provided for, for planning purposes, but were not required.

10. Overall audit costs are 3.12% above budget but within tolerance of 5%.
11. We have introduced the new Audit Quality Framework, established the Appointments and Assurance Team, Professional Support and the Audit Quality Committee. The quality measures indicate positive performance.

Making a difference

12. We are getting our messages out effectively, in Q4 we attended 26 meetings of the Public Audit and Post Legislative Scrutiny Committee and six other committees.
13. There were over 72,000 visits to the website, over 690,000 report downloads and over 20,000 twitter engagements and over 3,000 followers.
14. There is evidence over the year of impact at a national and local level and providing insight and increasing amounts of foresight.

Building a better organisation

15. We are managing our resources well:
 - we retained 'ones to watch' status and achieved our highest ever Best Companies staff engagement score and improvement in seven of the eight categories
 - net operating expenditure to March 2018; 7% below budget
 - efficiencies, cost reduction and additional income delivered £2.4m of budget savings against a target of £1.8m
 - average number of staff employed in the 12 months to March 2018 271.9 w.t.e (3.0 w.t.e lower than establishment figure of 274.9 w.t.e)
 - staff absence rate 4.2 days (5.3 days in 2016/17)
 - over 99% IT up time.
16. 2017/18 was the third year of the 2015-18 Corporate Plan, the quarterly and annual reports over the three years have demonstrated a sustained period of strong performance.

Performance management developments 2018/19

17. We have developed a new Corporate Plan for the period 2018-21. This sets out how we will deliver the Auditor General and the Accounts Commission's strategic priorities, our vision and our audit and organisational priorities for the years to come. The 2018/19 quarterly performance reports will be refined to ensure alignment with the strategic priorities and the new Corporate Plan.
18. One of our key priorities for 2018/19 will be the introduction of a new performance management framework and digital infrastructure to support this.
19. In 2017/18, we carried out two linked strategic reviews on:
 - the performance management framework (PMF) – including systems solutions
 - 'How we use our time' (HWUOT) – recognising that staffing costs, and so people time, represents our highest area of expenditure.

- 20.** The reviews had distinct and defined objectives and scopes, however we were aware that there would be several areas of shared interest and therefore maintained close links as the work progressed. While the PMF review focused on systems and how we use them, the HWUOT review focused on how people working in the organisation find our processes for recording their time.
- 21.** Management Team considered the review reports at its performance themed meeting on 13 February 2018 and agreed:
- a single time recording system for the organisation and that, subject to successful testing of a new release, this will be the TR module of MK insight
 - a business intelligence led PMF system be introduced.
- 22.** We have established a short life working group to develop the detailed implementation plan. This work is under-way, the priority workstreams are:
- engagement and communication (reflecting the fact that this project is as much about working culture as a technical implementation)
 - time recording (streamlined single set of codes, systems training and practical guidance)
 - data (sourcing data in systems, data transfer and cleansing, data warehouse development)
 - PMF dashboards (design and development)
 - tools and systems (change control, systems administration)
 - performance analysis and reporting.
- 23.** The working group and workstream leads are currently developing detailed timelines and resource requirements.

Recommendations

- 24.** The Board is invited to:
- review the Q4 and 2017/18 performance
 - consider whether additional management action is required in any areas
 - note the planned developments in 2018/19.

Appendix 1

Summary of 2017-18 Q4 performance

	<p>Our objective is to ensure that public audit in Scotland applies the highest professional and ethical standards, is efficient, proportionate and risk based. Audit work should be informed by an excellent understanding of the strategic and operational context and respond effectively to changing circumstances and emerging issues. We must report clearly and authoritatively and follow the public pound wherever it is spent. Audit must promote transparency, accountability and Best Value.</p>
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Headline: During quarter four we conducted relevant, timely and high-quality audits.

Objectives	2016-17				2017-18				Actions
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
We conduct relevant and timely audits and report in public.	G	G	G	G	G	G	G	G	
We make clear and relevant recommendations for improvement	A	A	G	G	G	G	G	G	
Audits are of high quality	G	G	G	G	G	G	G	G	Q3&4 Quality Report – April 18, Annual Audit Quality Report – June 18 Action from year 1 of new Audit Quality Framework (see p13)
We systematically improve the quality of our work	G	G	G	G	G	G	G	G	Ongoing implementation of the Audit Quality Framework.

Key performance indicators

<p>Annual Audit</p> <ul style="list-style-type: none"> 205 Annual Audit Plans delivered in Q4 (124 Audit Scotland 84 Firms) 3 Annual Audit Reports published 	<p>Performance/ best value/ overviews/housing benefit/statutory reports</p> <ul style="list-style-type: none"> 5 reports published in Q4 including 2 performance audits, 1 BVAR, 1 Best value follow up and 1 section 102
<p>On time in Q4</p> <ul style="list-style-type: none"> We planned 216 outputs in Q4 and published 213 (98.6%) 5 reports scheduled for Q4 were rescheduled to Q1 18/19 (two of these were published on 03/04 and 04/04) 18 Audit Scotland Annual Audit plans and 11 Firms Annual Audit Plans were submitted to AAT later than scheduled - but were delivered within the quarter 	
<p>On budget</p> <ul style="list-style-type: none"> Overall audit costs are 3.12% above budget up to the end of Q4; this is within the 5% tolerance limit. 	<p>Quality</p> <ul style="list-style-type: none"> Q3/Q4 quality report and 2017/18 Annual Quality Reports in Q1 2018/19.

	Our objective is to maximise the difference our audit work makes to public services in Scotland.
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Headline: We get our messages out effectively and there is evidence of recommendations leading to improvements.

Objectives	2016-17				2017-18				Actions
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
We get our messages out effectively	G	G	G	G	G	G	G	G	
We systematically deliver impact through our work	G	G	G	G	G	G	G	G	Further quantitative measures to be developed as part of the performance management framework (PMF) to supplement qualitative assessments.
We offer insight and foresight through our audit work					Y	Y	Y	Y	Develop a more comprehensive assessment framework to measure this objective more effectively in the new PMF.
We develop new and improved processes, products and services	G	G	G	G	G	G	G	G	

Key performance indicators

- To support the Early Learning and Childcare performance audit we developed additional audit outputs including a [guide for parents and carers](#) to answer some frequently asked questions, and we suggest some ways they can get [more information and help](#). The guide also covers how we carried out our audit and what we found and we developed videos for the [e-Hub](#).
- We attended five Public Audit and Post Legislative Scrutiny (PAPLS) committee meetings, one Education and Skills Committee and one Health and Sport Committee during Q4.
- The three reports receiving the most media coverage were; Early Learning and Childcare (ELC), Managing Scotland's new financial powers and BVAR Clackmannanshire Council.
- To support senior colleagues a media training session run by external experts was delivered during Q4 with a total of eight people attending.
- 95% of correspondence responses delivered within the 30-day deadline compared to 87% in 2016/17.

	<p>Our objective is to make the best use of our resources so that we can deliver audit work that improves the use of public money. We want to make Audit Scotland a great place to work so that we can attract and retain a highly skilled workforce which provides high-quality audit services.</p>
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Headline: We manage our workforce effectively and invest in learning and development.

Objectives	2016-17				2017-18				Actions
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
We manage our resources effectively	G	G	G	G	G	G	G	G	
We maximise our efficiency					G	G	G	G	
We manage information and intelligence effectively (internal)	A	A	A	A	A	A	A	A	Digital Audit Strategy and new PMF implementation under-way.
We empower and support our people to be engaged, highly skilled and perform well	A	A	A	A	A	A	A	A	Embedding substantial BaBO development work, including new role profiles, career development gates, time place and travel, 3D and developing approach to professional leadership.

Key performance indicators

People	Resources
<ul style="list-style-type: none"> Staff complement (w.t.e): Average number of staff employed in the 12 months to March 2018 271.9 w.t.e. (3.0 w.t.e. lower than establishment figure of 274.9 w.t.e.) Q4 absence rate: 1.12 days (1.28 days in Q4 2016/17). Resignations: 6.75 % (4.16% in 2016). L&D events: 22 in-house events covering 501 places. Exams: 77 exams with 91% pass rate for professional trainees. Career progression: 7 CDG applications received in Q4. First successful CDG applicant was promoted March 2018. 	<ul style="list-style-type: none"> Net operating (expenditure) to March 2018: 7% below budget Staff costs in the 12 months to March 2018: £94k less than budget. Property costs in the year to March 2018 were £8k higher than budget. Travel costs in the year to March 2018: 6.1% below the budget, but slightly higher than last year's expenditure. Travel and subsistence expenditure year to date: £56k less than budget and car lease costs (£28k) and travel/subsistence (£28k) are both underspent. IT uptime: 99.94%



We conduct relevant and timely audits and report in public

Key Performance Questions	RAG				Actions
	Q1	Q2	Q3	Q4	
Are relevant audits being delivered?	G	G	G	G	
Are audits delivered on time?	G	G	G	G	
Are audits delivered on budget?	G	G	G	G	

Relevant/ timely/ in public

In Q4 we planned 216 audits and reports and published 213:

- 205 Annual Audit plans.
- 2 Central Government Audits (EAFA and NDR)
 - The EAFA 2017 audit was delivered by the statutory deadline of 15 February within the agreed budget and fee. The delivery of this complex audit is a success given the many challenges which have had a direct impact on the audit process.
 - The NDR annual audit report resulted in a S22 report which delayed the production of the Annual Audit Report.
- 1 Further Education Annual Audit Report published in Q4 (originally scheduled for Q3).
- 4 performance audit and Best Value audit reports (Early learning and Childcare; Managing the implementation of the Scotland Acts, BVAR Clackmannanshire Council, BV follow-up Falkirk Council).
- Statutory report in relation to the significant fraud at Dundee City Council.
- The following reports were rescheduled to Q1: Local government: performance and challenges (published 03/04), the Local Government National Scrutiny Plan (published 04/04), the Scottish Fire and Rescue Service, West Dunbartonshire HB, City of Edinburgh HB.

On budget

Overall audit costs are 3.12% above budget up to end of Q4; this is within the 5% tolerance limit.

2017/18	£ Budget	£ Actual	£ Variance	% Variance
ASG	9,984,939	10,313,798	328,859	3.29%
PABV	2,238,153	2,290,116	51,963	2.32%
Total	12,223,092	12,603,914	380,822	3.12%

Key: ✓ = delivered, (QX) = rescheduled to (from quarter identified in the brackets). The planned outputs make provision for a number of statutory reports.

	Q1	Q2	Q3	Q4
Annual Audit Plans – AS (126)	✓2 FE			✓10 NHS ✓65 LG ✓49 CG
Annual Audit Plans – Firms (100)	✓19 FE			✓13 NHS ✓40 LG ✓28 CG
Audit – Audit Scotland (126)	✓10 NHS ✓5 CG	✓64 LG ✓27 CG	✓1 LG (Q2) ✓2 FE ✓15 CG	✓1 CG ✓1 CG (Q3)
Audit – Firms (100)	✓13 NHS ✓3 CG	✓38 LG ✓11 CG	✓1 LG(Q2) ✓18 FE ✓15 CG	✓1 FE(Q3)
Performance Audit (8)	✓CAP Futures update	✓NHS Workforce ✓Self Directed Support 2 ✓Equal Pay	✓Transport Scotland's Ferry services	✓Early learning and Childcare ✓Implementing the Scotland Act X Scottish Fire and Rescue Service (Q1 18/19)
Best Value Assurance Report (6)	✓Inverclyde	✓Renfrewshire	✓East Renfrewshire ✓West Lothian ✓Orkney (Q4)	✓Clackmannanshire
Best Value follow up (2)			✓East Dunbartonshire	✓Falkirk
Overview Report (4)	✓Scotland's Colleges 2017		✓NHS in Scotland 2017 ✓LG financial overview 2016/17	X Local government: performance and challenges (Q1) published 03/04
Housing benefit (9)	✓Stirling ✓East Dunbartonshire ✓HB Annual report	✓ Scottish Borders X Moray(Q3)	✓ Moray(Q2) ✓ Eilean Siar X Shetland Islands*	X West Dunbartonshire (Q1 18/19) X City of Edinburgh (Q1 18/19)
Statutory (12)	✓S22 Edinburgh College (Q4 16/17) ✓S22 Lews Castle College (Q4 16/17) ✓S22 Moray College (Q4 16/17)	✓S22 Scottish Government consolidated accounts	✓S22 NHS Tayside ✓S22 Scottish Police Authority ✓S22 Non Domestic Rates (NDR)	✓S102 2016/17 audit of Dundee City Council: Report on a significant fraud
Other (3)	✓Principles for a Digital Future ✓ National Scrutiny Plan			X National Scrutiny Plan (Q1 18/19) published 04/04 04/04
Planned 496	66	149	65	216
Published 486	63	146	64	213

* Removed from schedule based risk assessment

Best Value

In Q4 we published one Best Value Assurance Report (Clackmannanshire). The Orkney Island report, originally due in Q4, was published earlier than scheduled in Q3.

In Q4 the Accounts Commission considered the Controller of Audit's review report on the first year of the new approach to auditing Best Value. The review found the arrangements to be robust and well delivered and it highlighted positive feedback from the Accounts Commission and councils. It also identified some areas for improvement that will be taken forward during 2018/19. It noted that the scope of the first tranche of BVARs was ambitious and wider than we had anticipated, meaning that the time taken to produce the BVARs has exceeded planning assumptions and identified the need for tighter scoping of future BVARs and Best Value audit work and more concise reports. A total of 12 recommendations were agreed in areas such as audit scoping, planning and reporting. These are being taken forward by auditors, including through the updated Local Government Audit Manual and a Guidance note for auditors.

Annual Audit Plans

In Q4 Audit Scotland produced 124 Annual Audit plans. 18 of these (7 LG and 11CG) were submitted to AAT later than scheduled. Over the same period the Firms produced 81, 11 of which were submitted to AAT later than scheduled (1 NHS, 2 LG, 8 CG). The majority were submitted to the audited body on time but were late in being forwarded to Audit Scotland. This administrative process will be tightened up. In some cases, the delay in submitting the plans were due to waiting until after the audited bodies audit committee had considered the plans (4 cases) and a delay in agreeing plan with audited body (2 cases). All Annual Audit Plans were published in the quarter.

Issues/ risks/ actions:

- The feedback and learning points obtained as part of the year 1 review of the new approach to the audit of Best Value will inform future audit work and reports.
- Procedures for submitting Annual Audit Plans will be tightened up.

Forward look – In Q1 2018/19 we will publish:

- the five-year rolling work programme approved by the Auditor General and the Accounts Commission
- the Local Government National Scrutiny Plan, 32 local scrutiny plans, the Local Government Overview Report and 3 best value assurance reports
- reports on health and social care integration, openness and transparency, ALEOs, the Scottish Fire and Rescue Services, Scotland's Colleges and Housing Benefit
- two s22 statutory reports in the further education sector, and a s102 statutory report on Edinburgh schools (City of Edinburgh Council).
- two housing benefit reports (due in Q4) one was delayed due to additional work being required and the other provided more time for the council to complete its self assessment and supporting documentation.

Trend data: [link](#)



We make clear and relevant recommendations for improvement

Key Performance Questions	RAG				Actions
	Q1	Q2	Q3	Q4	
Are there practical, clear and relevant recommendations in all audit published audit reports?	G	G	G	G	

Examples of recommendations from Q4 reports include:

A large part of the audit work is focussed on identifying the risks faced by the audited bodies. All ASG annual audit plans contain an appendix which highlights the most significant risks faced by the audited bodies. These risks are then followed up and the action taken to mitigate against the risk are reported in the auditors' annual audit reports. We ensure that the responses to address the risks are adequate to address the concerns and are considered at the appropriate level. Examples of significant risks identified by the audit work include:

- Local Government: in response to a recommendation in the BVAR to strengthen member scrutiny and challenge, the council has changed its Cabinet meetings so that officers now present agenda items instead of members.
- Local Government: A Council has acted on our advice and the Section 95 Officer is now present at every meeting of the Audit and Scrutiny Committee in order to improve scrutiny.
- Central Government: Our report on the 2017 European Agricultural Funds Accounts audit reported that there are areas of material non-compliance with Public Sector Internal Audit Standards in internal audit's work on the Agricultural Funds. The work of internal audit did not provide reliable and robust assurance for the Head of the Paying Agency and could not, therefore, be sufficiently relied upon. We also identified a very significant failure against PSIAS, relating to file documentation which brought into question the operation of the review process and compliance with ethical standards.

All Best Value Assurance Reports and performance audits completed during Q4 were plain English reviewed by external consultants. This included the key messages and recommendations for audited bodies within the reports. During Q4 a development workshop took place with Best Value audit teams focussing on report writing. Representatives from all year 2 BVAR audit teams participated in the workshop.

Issues/ risks/ actions:

Forward look:

During Q4 Professional Support refreshed the template for annual audit reports. The template includes a section on whether prior year recommendations have been implemented and any points that still require to be actioned. The refreshed template will be issued to audit teams in April 2018.

	Audit work is of high quality and we are systematically improving the quality of our work
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Key Performance Questions:	RAG				Actions
	Q1	Q2	Q3	Q4	
Are we assured about the quality of our work?	G	G	G	G	External quality assurance reviews took place in Q4 and will be reported to the Accounts Commission's committees and the Audit Committee in Q1 2018/19 Actions arising from the first year of the new Audit Quality Framework The Annual Audit Quality Report 2017/18 will be published in Q1
Are we improving the quality of our work?	G	G	G	G	

Quality in Q4:

- Seven internal cold reviews were carried out in Q4, five on the financial audit (one of which also included Best Value assurance work, one on the Scotland's colleges 2017 overview, and one on Supporting Scotland's economic growth: the role of the SG and its economic development agencies performance audit).
- Five external cold reviews were carried out by ICAS in Q4: three on the financial audit (two Audit Scotland and one Firm) and reviews of one Best Value audit and one performance audit.
- The new Audit Scotland Audit Quality Committee met in February 2018. It will continue to meet on a quarterly basis to drive continuous improvement in audit quality and ensure compliance with internal and external quality standards.
- The Accounts Commission considered the Controller of Audit's Annual Assurance and Risks Report on Local Government. This report provides assurance on the delivery of audit outputs across the local government sector and in relation to the Commission's Strategic Audit Priorities (SAPs). The report's key findings included:
 - Auditors have an effective approach to identifying and following up audit risks in individual councils, integration authorities and pension funds.
 - Auditors have provided good coverage of the Commission's five SAPs. There are some areas in which we could provide more assurance in future, such as the quality of public performance reporting, councils' approach to people development and the effectiveness of community engagement.
- The Professional Support team made a series of presentations to super teams on the new audit guide and other issues affecting the audit approach. These presentations were well received by ASG staff and a number of positive comments were made about the comprehensive nature of the audit guide and the clear way in which it has been written.
- During Q4 the Appointments and Assurance Team have produced the second 'in year' quality report and prepared the 2017/18 Annual Audit Quality Report, the actions arising are detailed below.

Issues/ risks/ actions:

Areas for improvement arising from the first year of the new Audit Quality Framework relating to financial audits include early actions on:

- the circulation of quality review findings to all ASG staff prior to this year's final accounts work
- issuing supplementary guidance to auditors (inc guidance asset valuations)
- the updating of audit programmes prior to the commencement of 2018/19 audits
- revisions to the annual audit report template
- the addition of good practice examples to ASG's good practice iShare site
- a training session led by ICAS and Professional Support at the end of May.
-

Areas for improvement arising from the first year of the new Audit Quality Framework relating best value and performance audits include early actions on:

- a new working group to consider and consult on the application of ISAs and other relevant standards and guidelines to best value audits and performance audits including discussion with the Accounts Commission and Auditor General
- circulation of quality review findings to PABV staff
- a quality feedback session at the next PABV team meeting in June
- a joint ICAS and Professional Support training session later in the year.

Forward look:

- Findings of internal and external quality reviews will be considered by the Accounts Commission's committees and Audit Scotland Quality Committee in Q1.
- The Annual Audit Quality Report 2017/18 will be published in Q1.
- Implementation of quality actions arising from the first year of the new Audit Quality Framework.

	We get our messages out effectively
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Key Performance Questions:	RAG				Actions
	Q1	Q2	Q3	Q4	
Are we getting messages getting out effectively?	G	G	G	G	

Media

The three reports receiving the most media coverage in Q4 were; Early Learning and Childcare (ELC), Managing Scotland's new financial powers and the BVAR report on Clackmannanshire Council. We secured external media training for eight colleagues in Q4.

Getting our message out

In Q4 we attended five Public Audit and Post Legislative Scrutiny (PAPLS) committee meetings, one Education and Skills Committee and one Health and Sport Committee.

This quarter was particularly marked by high levels of social media engagement (retweets, clicks through to our website, likes and replies) brought about by the level of interest in the Early Learning & Childcare (ELC) report. This was increased by a targeted Facebook campaign to encourage parents to visit our ELC Parents Guide on the website. The ELC report including additional support including an E-hub for further information and a for the first time a supporting Video.

Nearly 60% of the traffic to the site came via social media apps (principally Facebook and Twitter) accessed on a mobile device. Users also spent more time than usual on the Parents Hub – between four and five minutes, suggesting we targeted the right people effectively through social media and that the content engaged them when they clicked through to our website.

The Parliament's Public Audit and Post-Legislative Scrutiny Committee (PAPLS) received briefings and took evidence on a number of our reports during Q4. These included the Self-Directed Support, Transport Scotland's ferry services, and Early learning and Childcare performance audits, and the s22 report on the Scottish Police Authority.

The Audit Scotland conference in Q4 included a breakout session run by our communications team and external experts from 'Work on words' on getting our message across using effective infographics and plain English.

Media/ social media	Q1	Q2	Q3	Q4	YTD	16/17
Media	329	339	324	348	1,340	1,528
Downloads	179,531	146,283	178,281	186,018	690,113	704,996
Engagements*	5,932	5,592	4,335	4,777	20,636	15,470
Retweets	751	713	561	599	2,624	3,952

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

Correspondence

New correspondence cases	Q1	Q2	Q3	Q4	YTD	16/17
Number of cases	41	33	25	37	136	119
Acknowledgement within five working days	100	100	100	100	100	90%
Final response within 30 working days	95	97	100	95	97	87%

In Q4 we received a number of items of anonymous correspondence in relation to whistleblowing. These cases are more difficult to assess as we do not have the opportunity to engage with the correspondent to clarify any information provided or points raised. We have also had three FOI requests this quarter in connection with our correspondence (one in relation to a whistleblowing case).

During this quarter we also carried out our annual engagement round with the firms and have received very positive feedback which will be reflected in our annual correspondence report.

Issues/ risks/ actions:

Forward look:

In Q1 we will:

- review the media and social media KPIs to ensure that they are fit for purpose
- publish the annual correspondence and FOI reports.

Trend data: [link](#)



We systematically deliver impact through our work

Key Performance Questions:	RAG				Action
	Q1	Q2	Q3	Q4	
Is our work delivering impact?	G	G	G	G	
Are our recommendations leading to improvements?	Y	G	G	G	Further quantitative measures to be developed to supplement qualitative assessments as part of the new performance management framework.

Examples of making a difference through audit

Examples of impact during Q4 include:

- Central Government: Our report on the 2017 European Agricultural Funds Accounts audit reported that there are areas of material non-compliance with Public Sector Internal Audit Standards in internal audit's work on the Agricultural Funds. The work of internal audit did not provide reliable and robust assurance for the Head of the Paying Agency and could not, therefore, be sufficiently relied upon. We also identified a very significant failure against PSIAS, relating to file documentation which brought into question the operation of the review process and compliance with ethical standards.
- Local Government: Colleagues from PABV are supporting Education Scotland inspection work in several local authorities. In particular, they are supporting inspectors with the financial and governance aspects of their inspection work, with a focus on knowledge transfer to the Education Scotland teams and maximising the impact and value for money of inspection activity.
- Local Government: Following our criticisms on governance arrangements and subsequent recommendations, the Council's legal service have prepared deeds of constitution for three administered charities. Arrangements for freeing up and amalgamating funds have also been prepared. The expectation is that the deeds will shortly be approved by OSCR and the Council and that funds will become more easily available to potential beneficiaries. Governance arrangements have been regularised and are now more transparent.
- Local Government: The Council has acted on our advice and the Section 95 Officer is now present at every meeting of the Audit and Scrutiny Committee in order to improve scrutiny.
- Local Government: As part of planning, we identified that Internal Audit did not provide full reports to members of the Audit Committee or publish reports to the website. We conducted a review of all Councils in Scotland to identify the proportion of Councils who do and where they don't, if they provide internal audit reports to members through the internal systems. We found that 12 Councils provide the full IA reports to members and of these 12, seven Councils publish them on their website in some shape or form. The members of the Audit Committee have agreed to discuss this with officers about how to take this recommendation on board for the next audit committee.

Feedback received

Examples of feedback received in Q4 include:

- Local Government: After the 2017/18 Annual Audit Plan (AAP) was presented to the Scrutiny and Audit Committee; the Committee expressed its appreciation for the detailed explanation of the audit plan and the readability of our reports. (This was the first AAP for the members newly elected in May 2017).
- Local Government: In our 2016/17 annual audit report we recommended that the council's Annual Report should include a performance section that includes the summary position regarding the council's performance together with relevant detailed performance information. This would improve the accessibility of performance information and help to demonstrate greater transparency by the council. As a result, this was subsequently included in the Council's 2016/17 Annual Report.
- Local Government: The follow-up audit of the Best Value Report on East Dunbartonshire Council issued by the Accounts Commission in December 2016 was reported in our 2016/17 Annual Audit Report in September 2017. The Accounts Commission concluded that this approach in reporting the Best Value follow-up audit worked well and complimented the new approach to reporting Best Value audit work in Best Value Assurance Reports.

Issues/ risks/ actions:

- Development of further metrics as part of the new performance management framework to supplement the narrative around the impact of Audit Scotland's work. This is likely to include numbers of recommendations, agreed, implemented in the short term and positive impact in the longer term.

Forward look:

- Annual Report & Accounts 2017/18 and suite of annual reports (international, quality, equality) in Q1.

Trend data: [link](#)



We offer insight and foresight through our work

Key Performance Questions:	RAG				Action
	Q1	Q2	Q3	Q4	
Are we making information and intelligence available to others?	G	G	G	G	This is a priority in the next Corporate Plan and we will develop a more comprehensive assessment framework to measure this objective more effectively.

Examples of offering insight and foresight through our work in Q4 include:

- Audit Scotland was represented at the first OECD Auditors Alliance meeting, held in Paris.
- Colleagues engaged with the new Clerk to the Public Audit and Post Legislative Scrutiny Committee, and briefed the returning Chair of the committee on our forthcoming audit work.
- Central government body: Audit team penetration testing of user access to a new payroll system revealed that HR staff could get access to both HR and Payroll systems. This created a risk that employee records could be manipulated or ghost employees created. This was raised with appropriate staff and management and the client is seeking a solution, demonstrating professional attitudes towards IT and system security.
- The Correspondence Team met with representatives from each of the audit firms to discuss emerging issues and intelligence arising from our correspondence work.
- Technical guidance issued in Q4, including:
 - 3 technical guidance notes issued (one for all sectors, one for central government and one for health).
 - 5 technical training workshops.
 - the quarterly technical bulletin and 25 technical briefing notes.
 - 6 technical updates were provided to super teams and the ASG managers.
 - guidance on a new emerging risk- recognition of grant.
 - 3 external presentations delivered this quarter.
- Professional Support produced a good practice note on IJBs which focussed on key issues and risks which apply to the majority of IJBs. This should assist audit teams in making more insightful judgments when working on IJB audits.

Issues/ risks/ actions:

- The level of risk associated with foresight is inevitably higher than is the case with backward looking audit work.

Action:

- Consider our risk appetite for such content and the controls to mitigate such risks.

Forward look:

- Local Government Overview – challenges and performance overview report (Q1)
- Scotland Colleges Overview (Q1)
- Openness and transparency briefing paper (Q1)
- Output on health and social care integration as part of our online information hub (Q1)
- Audit Scotland's data analytics team is continuing to discuss common areas of interest with the other UK and Irish audit agencies with the intention of holding a data analytics conference in 2018/19.

	We develop new and improved processes, products and services
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Key Performance Questions:	RAG				Action
	Q1	Q2	Q3	Q4	
Are new processes, products and services being developed?	G	G	G	G	
Are products and study programmes suitable and appropriate for emerging issues?	G	G	G	G	5 year rolling work programme (April 2018) Development work on requirements arising from the new financial powers and constitutional change.

Examples of new processes, products and services in Q4 include:

The promotion and supplementary outputs from of the Early Learning and Childcare audit (covered in more detail on page 12) has resulted in a great deal of interest.

Following consultation with key stakeholders, the Auditor General and Accounts Commission formally signed off the refreshed rolling audit work programme.

On 13 February 2018 Management Team considered two linked review reports covering how we use our time and proposals for the development of the performance management framework and a digital solution to support that. Management Team agreed a single solution for time recording and a Business Intelligence led approach for a new performance management system. These will be implemented during 2018/19.

Audit Scotland participated in the first of the Centre for Homelessness' Impact Advisory Panels. Involvement in the work of the panel will help to inform future audit work within this area.

An internal Knowledge Café took place focussing on 'auditing for outcomes'. This approach helps support quality audit work focussed on the achievement of outcomes rather than inputs.

Issues/ risks/ actions:

Forward look:



We manage our resources effectively and maximise efficiency

Key Performance Questions:	RAG				Action
	Q1	Q2	Q3	Q4	
Are we managing our resources effectively	G	G	G	G	Cross business group resourcing development work is progressing.
Are we maximising efficiency?	G	G	G	G	Business intelligence led approach to performance management development is under way.

Resources

Net operating (expenditure) to March 2018

	Q1	Q2	Q3	Q4	16/17
Actual	(942)	(1,861)	(4,016)	(8,514)	(7,350)
Budget	(1,016)	(1,936)	(4,221)	(9,157)	(7,423)
Variance	-7.3%	-3.9%	-4.9%	-7.0%	-1%

Staff

Own staff costs in the 12 months to March 2018 were £94k less than budget. The average number of staff employed in the 12 months to March 2018 at 271.9 w.t.e. was 3.0 w.t.e. lower than the establishment figure of 274.9 w.t.e. In Q3 we recruited 16 professional trainees in preparation for an increase in work load due to new financial powers work due to come online in 2018.

	Q1	Q2	Q3	Q4	16/17
2017/18 establishment w.t.e:	274.9	274.9	274.9	274.9	278.1
Average number of staff employed in 2017/18 w.t.e:	269.4	267.9	271.6	271.9	276.4
No. of staff at end of quarter w.t.e:	270.3	263.3	277.4	272.0	270.8

The new Career Development Gateway process went live during Q4. This will result in more flexibility around resourcing, and increased opportunities for colleagues to progress within the organisation. The Gateway process should also result in cost savings due to less need for external recruitment campaigns and the significant cost associated with these.

Capital expenditure

Capital investment in the 12 months to March 2018 was £197K, £3K less than the available budget of £200K.

Estate

Property costs in the year to March 2018 were £8k higher than budget.

£000 YTD	Q1	Q2	Q3	Q4	16/17
Actual spend	211	418	640	938	896
Budget	215	430	645	930	935
Prior year spend	206	442	672	896	

Costs of travel

Travel costs in the year to March 2018 were 6.1 per cent below the budget, but slightly higher than last year's expenditure. Travel and subsistence expenditure year to date is £56k less than budget and car lease costs (£28k) and travel/subsistence (£28k) are both underspent.

£000 YTD	Q1	Q2	Q3	Q4	16/17
Actual spend	204	428	654	866	863
Budget	201	438	677	922	985
Prior year spend	198	417	615	863	

IT network up time

The IT uptime was 99.94 per cent in Q4 which is similar to previous quarters. The majority of the downtime this quarter was due to a drop in the connection at West Dunbartonshire caused by a fault in the line. There was also an e-mail outage after the annual systems recovery testing, some supportworks outages and an issue caused by the e-mail spam filter preventing replies to some e-mails.

IT Network	Q1	Q2	Q3	Q4	16/17
IT uptime	99.9	99.9	98.58	99.94	99.9
Working hours lost	220	106	3300	132	67.25
Average time lost per person (minutes)	<1	<1	660	<1	13.1

IT Incident management summary

95.91% (821/856) of incidents were accepted within the response time SLA.

98.6% (844/856) of requests were closed within the fix time SLA

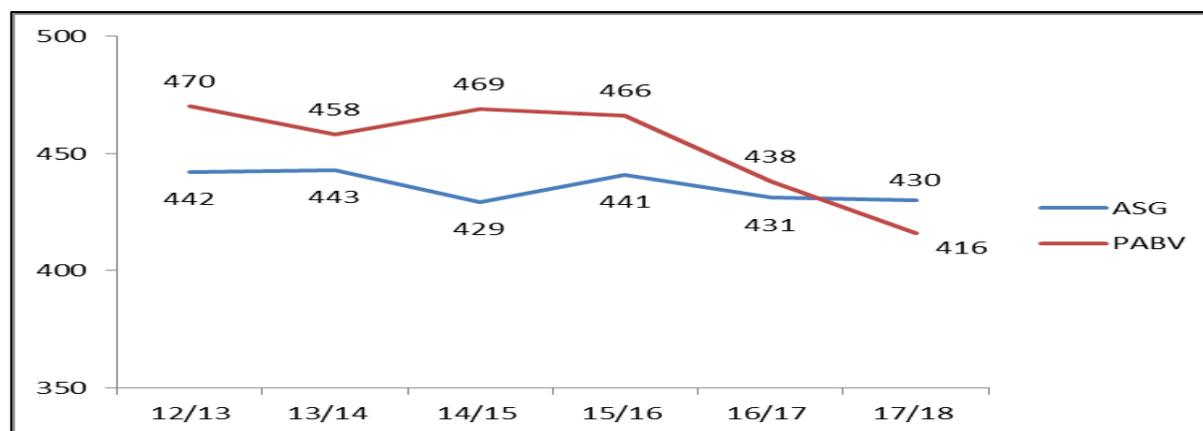
An average of 2.7 incidents logged per user.

Business group productivity:

Business group productivity remains broadly consistent with productivity/ planning assumptions.

	17/18 %				16/17 %			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
ASG	57	74	59	67	60	78	51	73
PABV	76	74	67	76	68	69	65	73

Average cost per Audit Day



Issues/ risks/ actions:

- Further analysis of the business group productivity and the average cost per audit day to be done to consider consistency and comparability.

Forward look:

- Introduction of business intelligence led approach to performance management framework over the course of 2018/19 has a focus on efficiency.

Trend data: [link](#)



We manage information and intelligence effectively (internal)

SWCA Objectives	2016-17				2017-18				Actions
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
Are we managing information and intelligence effectively (Internal)	A	A	A	A	Y	Y	Y	Y	Digital Audit Strategy implementation Digital Services Strategy implementation. Implementation on professional lead roles across members of the leadership group.

Examples from Q4 include:

Colleagues from the new financial powers and constitutional change programme team attended Superteam meetings to update colleagues on work in this area. Management Team held a Brexit 'summit', looking at the impact of leaving the EU for Scotland's public finances and services, and for our audit work.

[Data analytics guidance](#) published for colleagues in Q4.

Colleagues involved in joint inspection work with Education Scotland also presented to cluster meetings and Superteams, including emerging messages of relevance to our audit work.

The Audit Scotland all-staff conference took place during Q4.

Issues/ risks/ actions:

- The move to Office 365 may require additional training for some users.

Forward look:

- Roll out of Microsoft office 365 in Q1 including training sessions
- New MKI tool for audit data analysis expected in spring 2018.
- Preparations for GDPR continue in preparation for 25 May 2018.
- Cyber Security and Cyber Essentials work progressing.



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

Key Performance Questions:	RAG				Actions
	Q1	Q2	Q3	Q4	
Are our people empowered and engaged?	G	G	G	G	BaBO programme implementation/ embedding
Are our people highly skilled?	G	G	G	G	Learning & Development strategy implementation
Are people performing well?	Y	Y	Y	Y	3D discussions in Q4 and annual check-in re coverage and themes by PDGG
How effective is communication and collaboration across the organisation?	G	G	G	G	
Are career paths offered across the organisation?	G	G	G	G	Continuing gateway reviews in 2018/19 and recruitment and selection campaigns to increase capacity for new audit responsibilities.
Do we understand and support diversity within the workforce?	G	G	G	G	Annual Diversity Report to be published in Q1.

Empowered and engaged

Management Team hosted a people themed session in February 2018 to consider workforce planning, capacity, career development, learning and development and succession planning.

Strategic leadership conversations continued in Q4 and the scope of professional lead roles are being developed.

The first staff submissions as part of the Career Development Gateway (CDG) process were submitted during Q4. The first successful submission under the new arrangements was approved during the quarter. Additional awareness raising sessions for staff and managers were delivered, as were sessions on 3D and coaching.

We published our first Gender pay gap report on 30 March 2018. The information is based on a snapshot date of 31 March 2017. There are more men than women in the upper quartile of jobs, at 55.7% to 44.3%. This equates to more senior roles within Audit Scotland. However, 75 per cent of Audit Scotland's Management Team is female. Audit Scotland's Mean Gap is 8.49% and the Median Gap is 4.86%. This compares well overall with a national median of 9.9%.

Best Companies Business Group results were considered in Q4. High level results were discussed at Management Team on 30/01/18 and the Board on 31/01/18. This was followed by a presentation to Leadership Group on the 2 February 2018. We achieved our highest best companies score (635.1) and retained our one to watch status. Local teams have discussed results over the course of Q4 and are in the process of agreeing actions/next steps.

A series of cross-business group meetings took place to consider how the organisation supports development within resourcing and recruitment.

A new internal 'opportunities' section went live on iShare promoting opportunities across the organisation.

Colleagues from Audit Services and PABV joined new teams in Professional Support, Public Financial Management and Social Security Teams following an internal 'expressions of interest' campaign.

Highly skilled / Performing well

We continued to review 3D, including reporting on business group completion rates and sharing this data with the People Leads and we ran two manager and one employee 3D coaching sessions in Q4.

Career Paths

Recruitment Matters, an external training provider, trained the second tranche of CDG panellists in March 2018. This now provides us with 27 trained CDG panellists.

We ran two CDG manager awareness sessions and three CDG employee awareness sessions in Q4.

By the 31 March 2018 we received 10 CDG submissions. Our first successful CDG applicant was promoted on the 7 March.

During Q4, four Senior Auditors were appointed, all of whom were internal. We also saw five Trainees successfully promoted to Auditor.

Wellbeing

Wellness checks concluded in Q4, with a total of 163 staff attending representing 58% of the workforce.

Absence levels

Absence levels have increased slightly relative to the previous quarter, but remain low and are lower than in the last four years.

	Q1 days	Q2 days	Q3 days	Q4 days	ytd days
Audit Scotland - 17/18	0.69	1.16	1.07	1.12	4.40
Audit Scotland - 16/17	1.03	1.37	1.27	1.28	5.32
Audit Scotland - 15/16	0.89	0.98	1.49	2.05	5.62
Audit Scotland - 14/15	1.12	0.87	0.99	1.31	4.59
Audit Scotland - 13/14	1.6	1.14	1.57	1.40	5.99

Staff turnover

Turnover and resignations have decreased compared to the previous quarter, but both are higher than the full year figures for last year and is likely to be slightly above the CIPD benchmark figure for the whole year.

2017/18	Q1	Q2	Q3	Q4	YTD	CIPD benchmark	16/17
Resignations %	1.77	1.44	2.13	1.41	6.75	10.00	4.16
All Leavers %	2.48	3.23	3.90	3.18	12.79	16.50	11.11

Highly skilled

The number of events and attendees are in line with previous years.

	Q1		Q2		Q3		Q4		YTD		16/17	
	Events	Attendees	Events	Attendees	Events	Attendees	Events	Attendees	Events	Attendees	Events	Attendees
Health & Safety	0	0	0	0	1	25	0	0	1	25		
Knowledge Cafes	7	171	2	33	1	23	2	39	12	266		
Learning & Development	0	0	1	8	5	44	2	12	8	64		
Management Development	1	16	3	6	1	14	3	18	8	54		
Organisational Development	3	3	1	2	16	187	6	304	26	496		
Technical Training	5	61	0	0	17	280	9	128	31	469		
Total	16	251	7	49	41	573	22	501	86	1374	89	1,360

Exam results

In Q4 there were 77 exams taken and 70 passes and the year to date pass rate is 88%. This is slightly lower than last year's 90.5%.

	Q1	Q2	Q3	Q4	YTD	16/17
Exams taken	9	20	15	77	121	158
Exams passed	6	17	13	70	106	143
% pass rate	67	85	87	90.9	88	90.5%

Career paths and secondments

Secondments out: One secondee returned from secondment to Scottish Government Health Directorate in Q4 and a new secondee started with the Scottish Government Health Directorate.

Secondments in: One secondee ended their secondment from SRUC to PABV in Q4.

Vacancies filled	17/18 YTD	16/17
Internal	15	29
External	21	33
Total	36	62

Secondments	17/18	16/17
17/18 - New	0	4
17/18 - Existing	7	9

Issues/ risks/ actions:

Forward look:

- After a period of reducing our workforce in recent years we are increasing capacity to deliver on the new audit responsibilities relating to the new financial powers and social security. The target is to recruit an additional 20 auditors over the course of the next 6 months.
- We are embarking on a major attraction, recruitment and selection campaign which will present both risks and opportunities in terms of the challenging jobs market, resourcing the process, onboarding and developing new starts and developing our existing workforce skills and capacity. We will be doing all of this in the context of a full work programme.
- Wellness International will be sharing the aggregated results of the 2018 wellness checks of 2018/19 with the Health, Safety & Wellbeing Committee in Q1.
- The PDGG are meeting on the 26 April to discuss the draft L&D plan for 2018/19. This will be followed in May/June by a discussion on the L&D report; this report reviews progress in 2017/18 and sets out the strategic L&D priorities for 2018/19. Timescales for publishing this will be in line with those of the Corporate Plan, circa June 2018.
- The Professional Support team will be delivering a number of technical training workshops in Q1, including Professional Scepticism. Also taking place in April will be our first Peer to Peer training session on 'Leading an Audit', delivered by third year Trainees.
- As part of our continued commitment to Women in Leadership, sessions with Caroline Gardner, Diane McGiffen and Fiona Kordiak are taking place in April and May 2018.

Trend data: [link](#)

Purpose

1. To invite the Board to consider the progress made to date on the Becoming World Class (BWC) improvement programme and the planned actions.

Background

2. The BWC strategic improvement programme is a key enabler for achieving our vision to be a world class audit organisation. The last quarterly BWC update report was considered by the Board on 28 February 2018.
3. This update report was considered by Management Team on 8 May 2018.

Progress on the BWC improvement programme

4. We continue to make good progress on the programme. Progress headlines since the last report include:
 - Securing World Class Audit:
 - Devolution of financial powers, fiscal framework and social security – where we have established the social security and public financial management audit teams and published the latest report on the [implementation of the Scotland Acts](#) on 28 March 2018.
 - Audit Quality – where the Audit Quality Committee has been established, the Q3/Q4 and annual audit quality reports have been produced and improvement actions to respond to these have been developed.
 - Building a Better Organisation (BaBO):
 - The 2018/19 pay award has been supported by the local PCS branch and 92.85% of those who voted agreed with the PCS Branch recommendation to accept Audit Scotland's pay and reward offer.
 - We have developed the 2018/19 Workforce Plan and the Learning and Development Strategy.
 - Career Development Gateways – where we have received 10 submissions, five have been 'evidenced', three have been 'needs more evidence', one was 'no evidence' and one is in progress.
 - The reviews of our performance management framework and the efficiency review on how we spend our time have concluded and an implementation plan is being developed.
 - Making a Difference:
 - The refreshed [rolling five-year work programme](#) was published in March.
 - Best Value – where the first year of Best Value audits under the new approach has been concluded, the Accounts Commission has considered Controller of Audit's first [Annual Assurance and Risks Report](#) and the review of year one of the audits.
 - Innovative audit products - to support the Early Learning and Childcare performance audit we developed additional audit outputs including a [guide for parents and carers](#) to answer some

frequently asked questions, and we suggested some ways they can get [more information and help](#). The guide also covers how we carried out our audit and what we found, and we developed videos for the [e-Hub](#).

- The second phase of parliamentary engagement is under-way.

5. The appendix provides additional information on each of the BWC workstreams.

The improvement programme

6. The Becoming World Class Improvement programme was developed in 2015 to deliver the strategic priorities captured in the 2015-18 Corporate Plan. Over the course of the last three years we made a huge amount of organisational change through the programme. This provides us with very solid foundations on which to improve even further as we pursue our vision to be a world class organisation.

Securing world class audit

7. Over the past three years we:

- published [Public Audit in Scotland](#) in conjunction with the Auditor General and the Accounts Commission, this sets out the shape, principles and common themes of public audit and the priorities identified by the Auditor General and the Accounts Commission.
- published a new [Code of audit practice](#) for public audit in Scotland
- supported the Auditor General and the Accounts Commission in their appointment of auditors for 2017/18 - 2021/22 and ensured that there was a smooth transition to the new audit appointments
- introduced a new [Audit Quality Framework](#) which covers all of the audit work
- implemented a new approach to auditing [Best Value](#) in local authorities
- restructured our teams to improve quality assurance and professional support
- delivered a new, simpler and more transparent system for determining audit fees
- informed the scrutiny and accountability arrangements around the new financial powers and fiscal framework.

Making a difference

8. Over the past three years we:

- refreshed the [rolling five-year programme](#) of audit work based on extensive engagement and by focusing on the key risks facing Scotland's public sector
- strengthened our approach to development work underpinning our programme, by engaging on an on-going basis with a wider group of stakeholders and improving how we use data to inform what, when, and where we audit
- developed a new communications and engagement strategy and engaged extensively with the Scottish Parliament, committees and SPICe to support effective Parliamentary scrutiny and ensure that our work reflects key issues of concern to parliamentarians
- supported the Accounts Commission in the delivery of its [engagement strategy](#)
- introduced a new [website](#) and enhanced our range of audit outputs and products available through it, including briefing papers, web resource pages, case studies, guidance and checklists for decision-makers, interactive data tools and infographics and animations
- developed our use of social media and a [Social Media Strategy](#) to help get our messages out, share information and engage with stakeholders and the public

- developed [our international strategy](#) and our approach to international work
- developed a [Digital Audit Strategy](#) to guide how we audit digital services, harness analytics in the audit process and build our digital capacity
- refreshed our [equality outcomes](#) and further embedded equality in our work
- introduced improved [arrangements for investigating matters of concern](#) raised by members of the public.

Building a better organisation

9. Over the past three years we:

- developed a new strategic approach to managing our workforce and developing our people, this includes job roles, grading, pay and reward and career progression and wellbeing, all based on the principles of simplicity, transparency, fairness and flexibility
- developed more flexible arrangements for organisational development and working practices
- built flexibility and resilience into how we deploy our workforce
- reviewed our professional trainee scheme to ensure it is attractive to candidates, provides the best support and provides a flow of professionals for the future
- rationalised our office accommodation, providing a more flexible working environment at a reduced cost
- reviewed the efficiency of our business groups, how we use our time and our performance management arrangements
- refreshed our equality outcomes, improved the accessibility of our offices and extended our Living Wage accreditation to cover the procurement of services.

10. This report is the last quarterly report covered by the 2015-18 Corporate Plan. A number of the projects in the programme (including programme development, auditing best value and how we work together) have now concluded and are mainstreamed into core business. Over the period 2018-21 we want to consolidate on the progress we have made over the last three years, embed the improvements we have developed over that period and continue to be responsive and flexible to the rapidly changing operating environment.

11. The next update report will reflect the strategic priorities identified in the new Corporate Plan 2018-21 and the organisational improvement themes and projects which support them.

Objective	Improvement priority theme
Delivering world class audit	Audit quality
Making a difference	Digital Audit Follow-up and impact Diversity and equality
Being a better organisation	Being a better organisation in action Workforce capacity, planning and deployment Efficiency and effectiveness Sustainability

Recommendations

12. The Board is invited to:

- note the progress made in Q4
- note the progress made in the 2015-18 improvement programme over all
- note the next steps in terms of current projects and future reporting arrangements.

 <p>SECURING WORLD CLASS AUDIT</p>	<p>Our objective is to ensure that public audit in Scotland: • applies the highest professional and ethical standards • is efficient, proportionate and risk based • is informed by an excellent understanding of the strategic and operational context • responds effectively to changing circumstances and emerging issues • reports clearly and authoritatively • follows the public pound wherever it is spent • promotes transparency, accountability and Best Value.</p>	
Project/ initiative/ product	Status update	Next steps
<p>Implementing the Audit Quality Framework</p>	<p>The first tranche of external quality reviews carried out by ICAS has concluded.</p> <p>The new Audit Quality Committee, including representatives from all business groups met in February and April 2018.</p> <p>Management Team considered the Q3/4 audit quality report at its meeting on 9 April and the Accounts Commission's committees considered the report at their meetings on 26 April 2018. The draft annual audit quality report was considered by Management Team at its meeting on 1 May 2018.</p> <p>The reports highlight that there is strong evidence of satisfactory compliance with auditing standards and the Code of Audit Practice and overall good levels of qualitative performance with some limited improvements identified.</p> <p>Improvement actions have been developed and were considered by the Management Team at its meeting on 8 May 2018.</p> <p>The Audit Committee considered the Q3/Q4 report and the draft Annual Audit Quality Report at its meeting on 23 May 2018.</p>	<p>The key milestones are:</p> <ul style="list-style-type: none"> • Publication of the Annual Audit Quality Report – June • Consider standards required for PABV work and compliance with International Standards on Auditing (ISA's) – September • Audit Quality Project review – September • Develop new more co-ordinated approach to client engagement on quality integrated with other corporate engagement activities. • Implement improvement actions arising from the first year's operation under the new audit quality framework.
<p>Development of: Appointments and Assurance Team (AAT) Professional Support</p>	<p>The new Appointments and Assurance Team (AAT) and Professional Support (PS) took effect from October 2017.</p> <p>The AAT submitted a workplan and resourcing plan to Management Team on 23/01/18 and has held two team development workshops.</p> <p>The Professional Support Operational Plan was considered by the Management Team on 13 March 2018.</p>	<p>The key milestones are:</p> <ul style="list-style-type: none"> • Implementation of the plans during 2018/19.

Project/ initiative/ product	Status update	Next steps
New financial powers and constitutional change (NFPCC) including EU withdrawal	<p>On 16 January 2018 Management Team considered an update paper and met with a range of internal stakeholders to discuss the implications of EU withdrawal. Diane McGiffen is the lead for our approach to EU withdrawal and Mark Roberts is the professional lead in this area.</p> <p>Management Team considered a briefing paper on the new social security landscape at its meeting on 27 February 2018.</p> <p>We published the latest report on the implementation of the Scotland Acts on 28 March 2018.</p> <p>The Board considered an update paper on the new financial powers and constitutional change at its meeting on 2 May 2018.</p> <p>Management Team considered a risk interrogation report on the risk of failure to assess and respond to the impact of EU withdrawal at its meeting on 1 May 2018. The risk interrogation was considered by the Audit Committee at its meeting on 23 May 2018.</p> <p>We have started to build capacity for 2018/19 and have established two new teams to lead on our audits of social security and public financial management.</p>	<p>The key milestones are:</p> <ul style="list-style-type: none"> • Audit Committee EU withdrawal risk interrogation – 23 May 2018 • Building capacity in social security and public financial management teams – ongoing, the target is to recruit an additional 20 auditors over the course of the next 6 months • Reviewing resource needs for 2019/20 in response to new financial powers and EU withdrawal – summer 2018 • Developing our programme of engagement and audit work in response to EU withdrawal - ongoing



Our objective is to make Audit Scotland a great place to work so that we can attract and retain a highly skilled workforce. We want to make the best use of our resources so that we can deliver audit work that improves the use of public money.

Project/ initiative/ product	Status update	Next steps
<p>How we work together:</p> <ul style="list-style-type: none"> • Job Design • Reward & Recognition • Performance Appraisal 	<p>Band profiles have been agreed and the Remuneration Committee approved the Career Development Gateways (CDGs) at its meeting on 5 October 2017. It also approved the reward structure, pay progression arrangements and transitional plan for members of the Leadership Group.</p>	<p>The key milestones are:</p> <ul style="list-style-type: none"> • Gateway panels during 2018 • Wellness International will be sharing the aggregated results of the 2018 wellness checks of

Project/ initiative/ product	Status update	Next steps
	<p>The 2018/19 pay award has been supported by the local PCS branch and 92.85% of those who voted agreed with the PCS Branch recommendation to accept Audit Scotland's pay and reward offer.</p> <p>Wellness checks concluded in Q4, with a total of 163 staff attending representing 58% of the workforce.</p>	<p>2017/18 with the Health, Safety and Wellbeing Committee in Q1 2018.</p>
<p>How we learn and develop:</p> <ul style="list-style-type: none"> • planning careers • developing skills • professional training schemes • becoming better managers and leaders 	<p>The first CDG panellists were trained in October 2017 and we have been running awareness sessions for managers and colleagues since then. This now provides us with 27 trained CDG panellists. Gateways went live for submissions in December 2017.</p> <p>We have now received 10 CDG submissions, five have been 'evidenced', three have been 'needs more evidence', one was 'no evidence' and one is in progress.</p> <p>The L&D strategy and plan are progressing to plan.</p> <p>In May 2018 we will be conducting an organisational survey on 3D and we are in the process of sampling 43 3D forms.</p>	<p>The key milestones are:</p> <ul style="list-style-type: none"> • 3D survey and review • L&D Strategy and Plan – June 2018
<p>Strategic leadership</p>	<p>Professional leadership areas for members of the Leadership Group (LG) were confirmed in December. LG met on 07/02/18 to discuss development priorities for 2018. Professional lead scope documents are being developed along with a programme of personal development including MBTI and external speakers for 2018.</p> <p>Management Team has also reviewed how to improve the strategic focus of meetings and scheduled regular strategic conversations involving an extended range of internal stakeholders throughout the year. These include themed meetings on EU withdrawal (Jan), Performance (Feb), People (Feb) and Strategy (Mar).</p>	<p>The key milestones are:</p> <ul style="list-style-type: none"> • Development of scope and objectives for professional leadership areas – February – May 2018 • Themed MT meetings - ongoing • Revised Management Team Terms of Reference – May 2018.
<p>Programme of efficiency reviews</p>	<p>The 'How we spend our time' (HWSOT) review has completed its second phase and identified areas for action and recommendations. MT considered the HWSOT report at its performance themed meeting on 13/02/18. An implementation</p>	<p>HWSOT milestones are:</p>

Project/ initiative/ product	Status update	Next steps
	<p>plan is being developed as part of the performance management framework project (see below).</p> <p>The review on securing external capacity (consultants, agency, internal audit and legal) is progressing.</p>	<ul style="list-style-type: none"> • Implementation of new time recording arrangements during 2017/18 including a review of time codes and a single TR system for the whole organisation. <p>External capacity review milestones are:</p> <ul style="list-style-type: none"> • Conclude analysis – May 2018 • Report to Management Team – June 2018
<p>Performance management and business intelligence</p>	<p>Management team considered the external consultants review report on the performance management framework at their performance themed meeting on 13/02/18. The report was considered alongside the HWUOT report noted above as the reviews had arrived at very similar conclusions in a number of areas and are closely linked.</p> <p>Management Team considered the review reports at its meeting on 13 February 2018 and agreed:</p> <ul style="list-style-type: none"> • A single time recording system for the organisation and that, subject to successful testing of a new release, this be the TR module of MK insight. • A business intelligence led PMF system be introduced. <p>We have established a short life working group to develop the detailed implementation plan. This work is under-way, the priority workstreams are:</p> <ul style="list-style-type: none"> • Engagement and communication (reflecting the fact that this project is as much about working culture as a technical implementation). • Time recording (streamlined single set of codes, systems training and practical guidance). • Data (sourcing data in systems, data transfer and cleansing, data warehouse development). • PMF dashboards (design and development). • Tools and systems (change control, systems administration). 	<p>The key milestones are:</p> <ul style="list-style-type: none"> • Implementation of a new Business Intelligence led approach to performance management during 2018/19.

Project/ initiative/ product	Status update	Next steps
	<ul style="list-style-type: none"> Performance analysis and reporting. <p>The working group and workstream leads are currently developing detailed timelines and resource requirements.</p>	

	<p>Our objective is to maximise the difference our audit work makes to public services, the people that they serve, the outcomes that those people experience and the use of public money.</p>
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Project/ initiative/ product	Status update	Next steps
Auditing Best Value (BV) in councils	<p>BV assurance reports on all six councils scheduled for 2017/18 have been considered by the Accounts Commission and published.</p> <p>The Controller of Audit's Annual Assurance and Risks Report was considered by the Accounts Commission at its meeting on 08/02/18.</p> <p>The Commission also considered a review report on the first year of the new approach to auditing Best Value at that meeting. The Audit Scotland Board considered the review report at its meeting on 2 May 2018.</p> <p>The Scottish Government working group's review of the statutory BV guidance has concluded its work. The Scottish Government are now arranging the public consultation of the draft guidance. No timetable has been provided for this to date.</p>	<p>The key milestones are:</p> <ul style="list-style-type: none"> End of 2018 - The second tranche of six BVARs will be reported to the Commission by December 2018.
World Class Programme Development	<p>The Auditor General and the Accounts Commission considered proposals for refreshing their joint five year rolling work programme (2018/19 to 2021/22) in December. The Accounts Commission consulted with councils, trade unions, COSLA and SOLACE (Scotland) on both the detailed proposals for the next two years and the longer-term programme during Q4.</p> <p>The new rolling five year programme was published on 28 March 2018, following which the programme has been communicated</p>	<p>The key milestones are:</p> <ul style="list-style-type: none"> Communication of work programme to key stakeholders – March/April 2018. Strategic work programme stock take – Summer 2018

Project/ initiative/ product	Status update	Next steps
	<p>to key stakeholders, including Chief Executives and Leaders of councils, Chief Executives and Chairs of Health Boards and NDPBs, MSPs and key officials at relevant national bodies such as COSLA and the Improvement Service.</p> <p>Ongoing external engagement and programme development activity continues to be taken forward by PABV's three cluster groups (PIE, JELL, and HCC) which is reported routinely to the Auditor General and the Accounts Commission.</p> <p>A strategic stocktake of key public-sector risks, issues arising from programme development activity and potential areas of future audit work is planned later in the summer to inform the AGS and Accounts Commission's 2018 work programme refresh.</p>	
Strategic approach to Parliamentary Engagement	<p>We refreshed our strategy for parliamentary engagement earlier this year drawing on the lessons learnt from implementing phase 1 (understanding, informing and engaging with the Parliament). The refresh was informed by the wide range of feedback on progress to date received from MSPs, clerking teams, SPICe and staff from across Audit Scotland.</p> <p>An important feature of our refreshed strategy involves supporting the Parliament in responding to the Budget Process Review Group (BPRG) and Commission on Parliamentary Reform reports recommendations. In particular, the recommendations that Parliament develop a stronger focus on outcomes by robustly scrutinising what budgets have achieved and aim to achieve over the long-term.</p> <p>The revised budget process for 2019/20 will be starting 31 May with the publication of the SC's medium-term financial strategy. This will involve significant changes in how Parliament scrutinises the Scottish Budget, with a greater role for our work in supporting this scrutiny.</p> <p>For that reason, we are currently working with the clerks of the Finance Committee to organise two workshop events in May to explore the implications for parliamentary scrutiny as a result of</p>	<p>The key milestones are:</p> <ul style="list-style-type: none"> • Communication of work programme to key Parliamentary stakeholders – March/April • Budget scrutiny workshops - May • Implementation of the Accounts Commission's new approach to Parliamentary engagement – Spring 2018 • Strategic planning engagement with PAPLS – Summer 2018 • Budget scrutiny support – Autumn 2018

Project/ initiative/ product	Status update	Next steps
	<p>the new budget process and discuss how to get the best out of the new process as it is introduced this year. Colleagues from the Scottish Parliament (committee clerks and researchers), Scottish Government and public bodies will be taking part in these workshops.</p> <p>The Auditor General for Scotland briefed the Public Audit and Post-Legislative Scrutiny Committee (PAPLS) on her work programme on 26 April. Further work is planned with the Committee over the summer to:</p> <ul style="list-style-type: none"> • brief the committee on the Scottish Public Audit Model (including the role of internal audit) • discuss key recurring strategic themes arising from our audit work and how best they can be presented to the committee • support the Committee in developing its longer-term strategic work programme. <p>The Accounts Commission is currently developing its approach to Parliamentary engagement following its strategy seminar in March. This includes ongoing engagement with key conveners (e.g. Local Government and Communities Committee) and routine briefing of relevant committees on the Commission's audit work.</p>	
Digital Audit	<p>The Board approved the Digital Audit Strategy in October 2017. The strategy contains a variety of commitments under three main streams of work:</p> <ul style="list-style-type: none"> • Auditing digital • Digital auditing • Digital capacity and resilience <p>The Digital Services Strategy 2018-21 has also been approved and sets out how digital services will support the delivery of the strategy and core business delivery.</p> <p>In April 2018 we published Data analytics guidance for colleagues.</p>	Implementation of the Digital Audit and Digital Services strategies 2017-21.

Project/ initiative/ product	Status update	Next steps
Innovative audit products	To support the Early Learning and Childcare performance audit we developed additional audit outputs including a guide for parents and carers to answer some frequently asked questions, and we suggest some ways they can get more information and help . The guide also covers how we carried out our audit and what we found and we developed videos for the e-Hub .	

Purpose

1. This report updates the Audit Scotland Board on our compliance with the General Data Protection Regulation (GDPR) and Data Protection Act 2018.

Background

2. The EU General Data Protection Regulation 2016/679 (GDPR) came into effect on 25 May 2018. The Data Protection Bill [HL] achieved royal assent on 23 May 2018, and came into force on 24 May 2018 as the Data Protection Act 2018 (the Act). The Act includes the GDPR and the areas of the GDPR which required UK domestic data protection arrangements/laws.

GDPR compliance update

3. The Act 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 joint data protection policy for Audit Scotland, the Auditor General and the Accounts Commission, approved by the Board on 2 May 2018, is a key document in demonstrating accountability for the personal information we process in undertaking our work.
4. The information Commissioner published 12 steps that organisations should take to ensure compliance with the GDPR; this was presented to the board in a paper on 2 May 2018. The following table updates the board on our progress and compliance against the 12 steps.

Step	ICO Description	Update
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 10 GDPR Essential newsletters to everyone from August 2017 to May 2018. • Our Data Protection Policy May 2018 approved by the Board and communicated to all staff. • GDPR training for all staff. 67% of staff have completed the e-learning by 25 May 2018.

Step	ICO Description	Update
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 showed the personal information collected by each business group.</p> <p>A personal processing register has been completed which records the personal information processed and its lawful basis.</p> <p>Data processing agreements are in place for suppliers processing personal information.</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 has been updated to ensure compliance and has been published on the Audit Scotland website.</p> <p>A personnel privacy notice has been published on ishare to inform staff of our data handling arrangements for their personal information.</p> <p>A privacy notice has been drafted for the National Fraud Initiative (NFI).</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>Individuals' rights have been included in our internal and external privacy notices.</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 has been prepared which identifies each lawful basis for processing personal information.</p> <p>Our privacy notices and online forms contain our lawful basis.</p> <p>In addition, we wrote to all public bodies we audit on 23 May to inform them of our lawful basis for processing audit information and their lawful basis for providing it.</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.</p>

Step	ICO Description	Update
		Only payroll deductions for trade union subscriptions rely on consent. Evidence will be held in the HR/finance section.
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. This should not impact our 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 effect 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.

5. In summary we have in place the necessary policies, procedures and processes for complying with the Act and this will be tested by internal audit in quarter two of 2018/19. However, we will continue to review and refine our arrangements over the next six months as guidance is issued on the application of the Act by the UK Information Commissioner. Thereafter, the data protection officer must monitor our compliance with data protection legislation. This will be done by preparing an audit/review schedule to ensure that our policies, processes, procedures and personal data handling arrangements are working as designed.
6. The outcomes of our review/audit of our data handling arrangements will be reported to the Audit Committee as part of the data incident/loss reporting and included in the 2018/19 annual report on data protection and incidents.

Recommendation

7. This report invites the Audit Scotland Board to note our progress towards and compliance with the GDPR and the Data Protection Act 2018.

Corporate Governance Manager

Purpose

1. This is the 2017/18 annual report to the Board on our Freedom of Information (FOI) and Environmental Information Regulations (EIRs) arrangements, requests and performance. This report forms part of a suite of assurance reports in support of the Accountable Officer's governance statement in the annual report and accounts.
2. The report concludes that our FOI/EIR arrangements are working well and that there are no significant issues that should be brought to the attention of the Board.
3. The Board is invited to note the contents of this report.

Background

4. Audit Scotland, the Auditor General and the Accounts Commission are subject to the Freedom of Information (Scotland) Act 2002 (FOISA) and the Environmental Information (Scotland) Regulations 2004 (EIRs).
5. Audit Scotland developed and implemented suitable joint arrangements for the discharge of FOISA/EIRs in 2005 for all three bodies. These arrangements are reviewed annually.
6. The Scottish Ministers' Code of Practice on the discharge of functions by Scottish public authorities under FOISA and the EIRs require us to monitor our handling of information requests.
7. Since 1 April 2013 public bodies are required to submit their FOI and EIR handling statistics, on a quarterly basis, to the Scottish Information Commissioner (SIC). Audit Scotland has complied timeously with this requirement.

FOI/EIR overview for 2017/18

8. This annual report has been prepared to fulfil our FOI/EIR good practice requirements under the Scottish Ministers section 60 Code of Practice and incorporates our SIC quarterly returns.

Governance

9. The Knowledge, Information and Technology Governance Group (KITGG) provide oversight of our FOI/EIR arrangements and report their activity to Management Team, the Audit Committee and the Board as necessary. The Corporate Governance Manager is responsible for day-to-day management of our FOI/EIR arrangements.
10. The FOI/EIR policy was reviewed by the KITGG, re-approved by the Board in August 2017 and staff acknowledged compliance with the policy via the fit and proper form in November 2017.
11. We reviewed our FOI publication scheme to ensure it remained up-to-date. Additional information was added to the scheme on open data as required by the Scottish Information Commissioner's model publication scheme update.

Approach to requests

12. It is our policy to be as open and transparent as possible, and therefore our approach to FOI/EIR requests is to treat them as a 'business as usual' activity. This means that where we would normally supply information to those we work with we will continue to do so without treating them as FOI/EIR requests.

13. For complex 'business as usual' requests and all other requests, which may have to be considered by a FOI panel, these are recorded in our FOI/EIR system.
14. Where it is appropriate and legal we can apply exemptions and exceptions to the information being requested. Audit Scotland has established a group of senior managers (FOI panel) trained in considering FOI/EIR exemptions and exceptions to complex requests. This year a further two managers were trained and joined the FOI panel pool.
15. The following statistics and analysis are based on our recorded FOI/EIR requests for 2017/18.

Statistics and Analysis

Number of requests received

16. Audit Scotland recorded 51 FOI and no EIR requests this year. These were received in:

Requests received	2017/18 requests		2016/17 requests	
	FOI	EIR	FOI	EIR
Q1 (April – June)	7	0	12	1
Q2 (July – September)	19	0	14	0
Q3 (October – December)	11	0	17	0
Q4 (January – March)	14	0	13	0
Total	51	0	56	1

17. Forty nine FOI requests were addressed to Audit Scotland and two to the Accounts Commission.

Type of requester

18. We categorise the requests we receive for analysis purposes. This year we received:

Requester type	2017/18 requests		2016/17 requests	
	FOI	EIR	FOI	EIR
Media	11	0	4	0
MSP/MP	8	0	4	0
Organisation	8	0	21	0
Members of the public	22	0	21	1
Public body	0	0	5	0
Other	2	0	1	0

19. Themes emerging from the information being requested are:

- 22% - Audit Scotland: staff, finance, cars
- 6% - Information Technology: equipment, contracts
- 41% - Audit Scotland: reports, draft reports and correspondence
- 23% - Data held on other organisations
- 6% - Audit Scotland: governance, policies, procedures
- 2% - Other

Responding to requests

20. All information requested was released in full on 16 (31%) occasions, partially released on 19 (37%) occasions, the information requested was not held by us on 14 (28%) occasions, clarification not received on one occasion (2%) and one (2%) neither confirm nor deny.

Cost of administrating and responding to requests

21. Time spent on specific requests is generally recorded to the job code for the audit work concerned. In addition, the time spent on FOI/EIR training is coded to the general training and development job code.
22. However, 12 members of staff recorded 410 hours (501 in 16/17) for administering our FOI systems and procedures, replying to some requests and dealing with complex requests at FOI panels. This equates to approximately £20,574 (£30,115 in 16/17) using the average hourly rate from the Time Recording System. However, the true cost to Audit Scotland of complying with FOI/EIRs will be higher due to the way some FOI/EIR work and training is recorded.

Time taken to respond

23. FOISA and the EIRs require public bodies to reply to requests within 20 working days and within 40 working days for complex or voluminous EIRs. Audit Scotland met this requirement on 50 (98%) occasions and failed to meet it on one (2%) occasion. This is a slight improvement on last year's 96.5%.

Charging for dealing with requests

24. Public bodies are able to make certain charges for dealing with FOI and EIR requests. Where this is appropriate we issue a fee notice. We issued no fee notices in 2017/18.
25. Public bodies are also able to refuse a request where it will cost more than £600 to deal with it. However, where public bodies estimate the cost to be greater than £600 they are to inform the requester that they may be able to supply some information if they narrow their request. No requests were refused by Audit Scotland on excessive cost of compliance this year.

FOI/EIR panels, reviews and appeals

26. Panels met five times this year to consider applying exemptions to some or all of the information being requested. In 19 requests, we applied exemptions to the information we held. This included information otherwise accessible, law enforcement, personal information and the audit function. The most common exemption used was for personal information.
27. Where an applicant is not satisfied with our initial response to their request they can ask Audit Scotland for a review and in 2017/18 there were no requests for a review.
28. If an applicant remains dissatisfied with how we dealt with their request after a review they can make an appeal to the SIC. There was one appeal to the SIC from a dissatisfied applicant this year that related to a request from 2016/17. The decision of the SIC was received on 19 April 2017; the SIC found that Audit Scotland had not complied with the Freedom of Information (Scotland) Act 2002 by responding late to a request for information. The SIC does not require us to take any further action.

Information requested but not held by Audit Scotland

29. Audit Scotland issued 14 FOISA section 17 notices this year informing the applicant that the information they were requesting was not held by Audit Scotland, the Auditor General or the Accounts Commission.

Information otherwise accessible

30. Where the information requested is already publicly available e.g. in the authority's publication scheme/website the public authority does not need to provide it. However, there is a duty to provide advice and assistance, which means informing the requester where the information is published.
31. Audit Scotland issued five section 25 notices informing the applicant that the information was publicly available.

FOI/EIR Training

32. Audit Scotland staff undertake basic FOI/EIR training when they join Audit Scotland and refresher training is given as necessary. In November 2017, 11 senior managers attended the advanced FOI training. The advanced training is to allow managers to support staff in dealing with Freedom of information requests. Following the training two of the managers joined the pool of FOI panel members.
33. In addition staff updates are published when changes occur. A staff brief was issued in September 2017 and on FOI Day in March 2018 to remind staff of our FOI/EIR arrangements, performance and changes to legislation.

34. Maintaining training records is dynamic process due to staff joining and leaving the organisation at any point during the year and at the 31 March 2018 no one had FOI/EIR training outstanding.

Recommendation

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

Purpose

1. This is the 2017/18 annual report to the Board on complaints received by Audit Scotland about its work. This report forms part of a suite of assurance reports in support of the Accountable Officer's governance statement in the annual report and accounts.
2. The report on complaints handling concludes that there are no significant issues that should be brought to the attention of the Board.
3. The Board is invited to note the contents of this report.

Background

4. The Public Services Reform (Scotland) Act 2010 (the Act) required the Scottish Public Services Ombudsman to introduce a set of complaint handling principles, to which all public bodies have to adhere.
5. Audit Scotland, the Auditor General and the Accounts Commission introduced a joint complaints handling process in December 2012. The joint complaints handling process was reviewed and updated in late 2014. A further review of our guides for staff and members of the public was undertaken in January 2017.
6. A feature of the arrangements is the systematic analysis of the complaints received and reporting on them to Management Team and the Board.
7. This is the fifth annual report on complaints handling under our complaints handling procedure.
8. Our complaints handling procedure continues to work effectively.

Complaints received

9. Audit Scotland staff actively engage with the public through a number of channels for example: the inspection period for local government unaudited accounts, the correspondence process, freedom of information requests, our main office receptions, our telephone switchboard, etc. If our interaction with the public is handled well it enhances our reputation and contributes to our goal of becoming world class. However, if handled poorly it may harm our reputation and lead to dissatisfaction and complaints.
10. This is a transitional year with the formation of the Appointments and Assurance Team to monitor and report on Audit Quality. We are reviewing our current complaint handling arrangements to establish a process specifically for issues raised about audit quality. A proposal on our arrangements will be submitted to Management Team.
11. Complaints should be dealt with at stage 1, front line resolution within five working days. However, when complaints are more complex or are not resolved at stage 1 they are investigated at stage 2, within 20 working days.
12. Corporate Services maintains the register of complaints received. The register shows that there were four complaints received in 2017/18 (7 in 2016/17).
13. One complaint was rejected as it was outwith our complaints handling procedure i.e. it was about our audit opinions and judgements. The complainant appealed to the SPSO on our determination that it was outwith our complaints handling process. The SPSO rejected the appeal.

14. A further complaint was found to be invalid as the complainant had claimed that we had not responded to their correspondence. This was incorrect and a duplicate copy of our acknowledgement and formal reply was sent to them from our correspondence records.
15. The third complaint was made to us anonymously via Glassdoor, which is a website where employees and former employees anonymously review companies and their management. The complaint about a recruitment campaign process was upheld and an invitation published on Glassdoor for the complainant to contact us to discuss the issue.
16. The fourth complaint contended that investigations undertaken by Audit Scotland staff did not appear to have been conducted in accordance with the International Standards on Auditing. This complaint, as at the 31 March 2018, is ongoing at stage 2 of our complaints handling procedure.

Scottish Public Services Ombudsman (SPSO)

17. The Scottish Public Services Ombudsman Act 2002 (the Act) provides a framework for matters that can be considered by the SPSO for investigation. This year the SPSO received one appeal about Audit Scotland; it was rejected by the SPSO.
18. The SPSO finally determined an appeal by a complainant about Audit Scotland to a complaint from 2016/17. The SPSO initially found in favour for the complainant on four issues and Audit Scotland on a further three issues. The complainant was dissatisfied with this outcome and requested the SPSO review the findings/decision. The SPSO concluded the review in March 2018 and decided that the original decision by the SPSO's investigating officer was correct.

Recommendation

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

Chair of the Audit Committee

Introduction and purpose

1. The Audit Committee is a standing Committee of the Board established under Audit Scotland's Standing Orders. The Audit Committee consists of the members of the Board, other than the Chair and Accountable Officer, who are not employees of Audit Scotland. The Audit Committee met five times in 2017/18.
2. During the year the membership of the Audit Committee changed following Graham Sharp's appointment as Chair of the Accounts Commission. The Audit Committee thanked Ronnie Hinds, the Acting Chair of the Accounts Commission, for his time on the Audit Committee.

Programme of work

3. During the year the Audit Committee extended its role by agreeing to monitor Audit Scotland's Audit quality and arrangements.
4. The Audit Committee considered the annual report from the External Auditors, Alexander Sloan Chartered Accountants, relating to the certification of Audit Scotland's 2016/17 accounts. The audit of the 2017/18 accounts has concluded and was reported to the Audit Committee on 6 June 2018.
5. The Audit Committee approved the timetable to facilitate the completion of the Statutory Accounts for the Year ended 31 March 2018.
6. BDO conducted seven internal audits and one follow-up review in 2017/18. The Audit Committee considered all the internal audit reports, the 2017/18 annual audit report and four audit progress reports from BDO prior to 31 March 2018.
7. The annual review of Audit Scotland's principal governance policies (Standing Orders, Financial Regulations and Scheme of Delegation) was undertaken. The reviews resulted in minor changes to them. In addition, the Audit Committee considered its Terms of Reference at each of its meetings; minor amendments were made during the year.
8. The Members' Code of Conduct was reviewed to ensure it remained up-to-date and in line with the model code published by the Scottish Government. The Code is published on the Audit Scotland website along with the annual declaration of Members' interests.
9. The Audit Committee approved version twelve of Audit Scotland's business continuity plan and arrangements.
10. The Audit Committee considered 2017/18 annual assurance reports on Health and Safety, Information Governance and Security, Audit Quality, Correspondence Handling, Risk Management, Hospitality and Gifts, Data Incidents, Whistleblowing and Bribery and Fraud.
11. The Risk Management Framework was last presented to and approved by the Audit Committee on 23 May 2018.
12. The corporate risk register was considered by the Audit Committee on four occasions as part of its internal controls and governance arrangements. A programme of risk interrogations of individual risks was undertaken and scrutinised at Audit Committee meetings in 2017/18.
13. The Audit Committee considered reports on data incidents and noted the corrective actions proposed by Audit Scotland to reduce further incidents.

14. At its meeting in March 2018 the Audit Committee considered a report from the internal and external auditors on their joint working.
15. The members of the Audit Committee carried out the annual review of its effectiveness basing it on the National Audit Office's Audit Committee self-assessment checklist. A report on the outcome and actions was presented to the meeting of the Audit Committee on 23 May 2018.

Overview of external audit

16. Alexander Sloan, Chartered Accountants, who are appointed by the SCPA, completed the audit of Audit Scotland's 2016/17 accounts and provided a report to the June 2017 Audit Committee. The external auditor advised the Audit Committee that they would be issuing an unqualified audit opinion.
17. The external audit had been completed on time and the Audit Committee was satisfied that the work had been delivered to the required standard in accordance with Alexander Sloan's quality control procedures.
18. There were no recommendations in the external auditor's management letter for 2016/17.
19. The audit of the 2017/18 accounts was reported to the Audit Committee at its meeting on 6 June 2018.
20. The external auditors have attended all the Audit Committee meetings during 2017/18. At each meeting there is a private session with both external and internal auditors at which they have the opportunity to raise any issues, none were raised for 2017/18.

Overview of internal audit

21. BDO carried out seven internal audits and one follow-up review during 2017/18; all reports were presented to the Audit Committee. An overall assurance assessment is given in each internal audit report for the design and operational effectiveness of systems and internal controls.
22. Audits and overall assurance assessments were:
 - Business Continuity Management (substantial assurance)
 - Quality Management (reasonable assurance)
 - Procurement and Contract Management (substantial (design) reasonable (operational effectiveness) assurance)
 - Audit Efficiency (substantial assurance)
 - Core Financial Controls (substantial assurance)
 - IT General Controls (substantial assurance)
 - Workforce Planning and Resource Management (substantial assurance)
 - Follow-up review (good progress).
23. There were 18 recommendations from the seven internal audits. Two recommendations were classed as medium and 16 as low significance. There were no recommendations of high significance. Management responses have been given for all audit recommendations and work is being undertaken to implement them as appropriate.
24. The internal audit service and scrutiny provided by BDO offered reasonable assurance for the 2017/18 annual internal audit report.
25. The Audit Committee was satisfied with the performance of internal audit and that the internal audit programme had been delivered to the required standard for the year.
26. The cost of the internal audit work, completed by 31 March 2018, was £28,004.10. The number of days used by BDO was 57, two more than in the 2017/18 plan.
27. The internal auditors have attended all the Audit Committee meetings during 2017/18. At each meeting there is a private session with both internal and external auditors at which they have the opportunity to raise any issues, none were raised for 2017/18.

Audit quality

28. The new Audit Quality Framework was approved by the Board on the 25 October 2017. This framework commits to providing regular reporting to the Audit Committee on audit quality as well as to the Auditor General and the Account's Commission.
29. The Appointments and Assurance Team, in their first report to the Committee in November 2017, conclude that there are no major concerns on the quality of the audit work reviewed to date or in the delivery of audit reporting to timescales.
30. The quarter three and four audit quality monitoring report and draft 2017/18 audit quality annual report were presented to the May 2018 meeting of the Audit Committee. The annual report concluded that for all auditors, there is strong evidence of high compliance with auditing standards and the Code of Audit Practice and overall good levels of other evidence of audit quality with some limited improvements required.

Governance statement

31. The Audit Committee considered a report on the effectiveness of the systems of internal control. There were no matters arising from Audit Scotland's business groups which would require to be raised specifically in the Accountable Officers governance statement.
32. Internal auditors provided Audit Scotland with reasonable assurance that, there are no major weaknesses in the internal control system for the areas reviewed in 2017/18.
33. It is the Audit Committee's opinion, based on our scrutiny and oversight of the work of Audit Scotland, that the Accountable Officer and Board can take assurance that there are sound systems of internal control in place within Audit Scotland to support the achievement of the organisation's policies, aims and objectives as set out by the Audit Scotland Board.

Recommendation

34. On the basis of the work reviewed and progress made during 2017/18, the Audit Committee can advise the Board that, in its opinion, the internal control systems in Audit Scotland are adequate.

Chair of the Remuneration and Human Resources Committee

Purpose

1. This paper informs the Audit Scotland Board that the Remuneration and Human Resources Committee (Remco) has completed the review of the past twelve months performance of Remco and identified the future priority areas for 2018/19.

Background

2. Remco Terms of Reference (ToR) state that a review of Remco past performance and the identification of future priorities is an annual item of business. This process follows good practice for the operation of remuneration committees and the discussion forms the basis of a report to the Audit Scotland Board and Accountable Officer. Remco considered this matter in May 2018.

Progress update

3. During 2017/18 Audit Scotland's Remco met on four occasions. Key items of business considered by Remco are shown below:
 - review of the operation, impact and savings achieved from earlier years' Voluntary Early Release Arrangement (VERA) and redundancy schemes
 - consideration of Audit Scotland's approach and effectiveness of talent management and succession planning
 - progress and impact of Audit Scotland's organisational development programme – *Building a Better Organisation* (BaBO). This included implementation of the new career development gateway system, leadership group development and approval of a new reward system for Assistant Directors, Directors and Chief Operating Officer following the provision of research and independent reward advice from the Institute for Employment Studies
 - consideration and approval of the parameters relating to the 2018 pay award and negotiations with the Public and Commercial Services (PCS), including the latest public sector pay policy in Scotland and the implications of this upon Audit Scotland's pay settlement, budget and fee strategy, and
 - adjustment to Audit Scotland's pension policy statement in relation to changes in HMRC annual contribution allowances.
4. All of this work has been achieved in accordance with good employment practice and is consistent with public sector policy guidance affecting organisations such as Audit Scotland.

Future priority areas

5. Remco has agreed that the following list of potential items will be considered as priority items for future discussion:
 - the effectiveness of Audit Scotland recruitment strategy in support of workforce growth in response to the demands arising from new financial powers;

- the changing environment for public sector pay in Scotland and Scottish Government pay policy – how this will influence our future budget, fee strategy and approach to employee relations with the PCS union;
- an update on BaBO as it matures to focusing upon *Being a Better Organisation*, including Audit Scotland's learning & development strategy and the work in support of employee wellbeing.

Conclusion

6. The operation of the Remco during 2017/18 has been effective and in accordance with the terms of reference. Good governance exists and the Committee has continued to challenge and support the effective and efficient operation of Audit Scotland.

Recommendation

7. Board members are invited to:
 - note and comment on the work of Remco during 2017/18, and
 - comment on the areas which Remco is planning to take forward as priority areas for 2018/19.

Next steps

8. The Remco Chair will facilitate the next review of Remco performance at the meeting scheduled in May 2019. A report will then be submitted to the Audit Scotland Board and Accountable Officer in June 2019.

Chief Operating Officer

Purpose

1. This report informs the Board of the review of Audit Scotland's internal controls that support the achievement of the organisation's policies, aims and objectives as set by the Board. The report also provides the Certificate of Assurance on Audit Scotland's internal controls.

Background

2. The Audit Committee considered a report on the review of Audit Scotland's internal controls. After discussion the Audit Committee agreed to recommend the report and certificate of assurance to the Board and Accountable Officer to support the Governance Statement.

Recommendation

3. The Board is invited to note the recommendation from the Audit Committee to approve the Certificate of Assurance in support of the annual assurances and signing of the annual accounts.

Purpose

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

Background

2. The Audit Committee immediately prior to the Board meeting will consider a report on the policy on the provision of Non-Audit Services by Audit Scotland's external auditor. All Board members have received copies of the papers for the Audit Committee meeting. A verbal update will be provided at the Board meeting on the Audit Committee's recommendation.

Recommendations

3. The Board is invited to approve the policy as recommended by the Audit Committee.