

# Agenda

Wednesday 22 August 2018, 10.15am

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

---

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

## Standing items

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

## Business performance

9. Q1 Corporate performance report For information
  10. Q1 Becoming world class improvement programme report For information
- 

## Governance

11. Scottish Commission for Public Audit: Report on Audit Scotland's 2017/18 Annual report and accounts For information
12. Annual review of Codes of conduct For approval
13. Proposed Board and Committee meeting schedule 2019 For approval
14. Any other business
15. Review of meeting
16. Date of next meeting: 26 September 2018

Wednesday 6 June 2018, 11.30am

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

---

## Present:

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

## Apologies:

None

## In attendance:

D McGiffen, Chief Operating Officer  
M Walker, Assistant Director, Corporate Performance and Risk  
S Dennis, Corporate Finance Manager (items 9, 24)  
A Devlin, Corporate Governance Manager (items 12,13,14,15,17)  
E Boyd, Assistant Director, Appointments and Assurance (items 18, 22)  
O Smith, Senior Manager, Appointments and Assurance (items 18, 22)  
J Gilchrist, Manager, Appointments and Assurance (items 18, 22)  
A Clark, Assistant Director, Performance Audit and Best Value (item 23)  
J Gillies, Communications Manager  
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 4 June 2018.

## 2. Declarations of interest

There were no declarations of interest.

## 3. Decision on items to be taken in private

The members agreed that items 22, 23 and 24 would be considered in private as they are intended for future publication.

## 4. Chair's report

Ian Leitch provided a verbal update on regular meetings with Diane McGiffen and Caroline Gardner on general business matters and in preparation for the meeting with the Scottish Commission for Public Audit (SCPA) on Audit Scotland's 2017/18 Annual report and accounts.

The members welcomed the update.

## 5. Accountable Officer's report

Caroline Gardner advised the Board of parliamentary engagement which included a session with the Social Security Committee on the impact of the Scotland Act and the potential risks around implementation. Caroline invited members to note that she had been speaking at two workshops on Budget Process Review hosted by Audit Scotland and that there is a further

meeting with the Scottish Futures Trust scheduled for 15 June 2018. Caroline advised that she had taken part on an informal panel of the Scottish Parliament's Women's Network speaking about her role in public life.

Caroline advised of the recent Public Audit and Post Legislative Scrutiny (PAPLS) sessions on NHS Tayside, Scottish Colleges section 22 report and the Scottish Fire and Rescue Service.

Caroline advised that the health and central government audit teams were busy working to a deadline of the end of June reviewing annual reports and accounts and invited members to note Audit Scotland's significant recruitment campaign focused on building capacity around the new financial powers and social security. The Board noted the restricted market for recruiting highly skilled staff and welcomed the branding and marketing of Audit Scotland's culture to attract candidates.

Russel Griggs asked whether there was an increased focus on fraud and Caroline advised that Fiona Kordiak and Angela Canning would be leading this work.

Following discussion, the Board welcomed the update.

## **6. Accounts Commission Chair's report**

Graham Sharp advised the Board that the Accounts Commission had at its last meeting approved their Annual Report, strategy and engagement strategy which included the use of social media and local papers to encourage engagement with the public and continued engagement with Parliament. He advised the Commission also approved the next tranche of best value audits, considered the best value findings on East Renfrewshire Council and reviewed the Audit Quality annual report.

He invited members to note that at the Commission's meeting on Thursday 7 June, the Commission would be considering the Best Value report on West Dunbartonshire, a report from the Strategic Scrutiny Group, a draft report on Early Learning and Childcare and the review report on the East Renfrewshire best value audit.

Graham advised of the meeting with the Local Government and Communities Committee (LGCC), meetings with Bob Doris MSP and Jenny Marra MSP. Graham advised he had attended a meeting and dinner with SOLACE on 24 May 2018 and of planned engagement with local authority Chief Executives to share feedback on Best Value reports.

Graham advised of an introduction meeting with Councillor Alison Evison and Sarah Gadsden from the Improvement Service to the interaction between the organisation and the Accounts Commission.

Finally, Graham advised announcements of the appointments of the new Commission members would be made shortly.

The Board welcomed the update.

## **7. Review of minutes**

### **Board meeting, 2 May 2018**

The Board considered the minutes of the meeting of 2 May 2018, which had been previously circulated, and agreed these were an accurate record of the meeting subject to amended wording for Item 10, Review of the new approach to auditing best value.

### **Audit Committee, 14 March 2018**

The Board considered the minutes of the meeting of 14 March 2018, which had been previously circulated, and agreed they were content they were an accurate record of the meeting.

## 8. Review of actions tracker

The Board noted the updates provided by the action tracker and Diane McGiffen provided an update report on the developments within the Appointments and Assurance and Professional Support teams would come to the Board after the summer.

## 9. Q4 Financial performance report

*Stuart Dennis, Corporate Finance Manager, joined the meeting.*

Stuart Dennis, Corporate Finance Manager introduced the Q4 financial performance report, which had been previously circulated.

The Board reflected on the earlier discussion of this report at the meeting of the Audit Committee immediately preceding the Board meeting and agreed they were content with the report.

## 10. Q4 Corporate performance report

Martin Walker, Assistant Director, Corporate Performance and Risk, introduced the Q4 corporate performance report, which had been previously circulated.

The members discussed whether there were any perceived conflicts of interest in relation to joint working with other public sector scrutiny agencies. Caroline Gardiner advised that there were no issues and Graham Sharp, as Chair of the Strategy Scrutiny Group, advised that scrutiny bodies often work together in order to share information and contribute to risk assessments.

Following discussion, the Board welcomed the report.

## 11. Q4 Becoming world class improvement programme

Martin Walker, Assistant Director, Corporate Performance and Risk, introduced the Q4 becoming world class improvement programme report, which had been previously circulated.

Martin Walker advised that in compiling the report it had provided an opportunity to review the year in full and he invited members to note the overall achievements.

Russel Griggs asked what opportunities there are for Audit Scotland to consider international standards and best practice. Diane McGiffen advised colleagues work in clusters on the delivery of audits where they consider standards and best practice routinely as part of best value work.

Heather Logan reflected that the report reflected a very dynamic period.

Following discussion, the Board welcomed the achievements reported.

## 12. Data protection update

*Alex Devlin, Corporate Governance Manager, joined the meeting.*

Alex Devlin, Corporate Governance Manager, introduced the Data Protection update report, which had been previously circulated.

Alex Devlin invited the Board to note progress towards and compliance with the GDPR and Data Protection Act 2018 with 95% of colleagues having completed the updated training module. He also advised of recent letters to the Chief Executives of public bodies regarding an update of privacy notices to state that they supply information to us as part of our audit work.

Russel Griggs asked what the international implications of GDPR were for sharing information. Alex advised that while the legislation relates to keeping information within the European Union,

international organisations whom we work with have signed up to the Privacy Shield which provides adequate protection.

Following discussion, the Board welcomed the report.

### **13. 2017/18 Annual report on freedom of information and environmental information**

Alex Devlin, Corporate Governance Manager, introduced the 2017/18 annual report on freedom of information and environmental information, which had been previously circulated.

Alex Devlin invited the Board to note the report as part of the suite of assurance reports in support of the Accountable Officer's governance statement in the annual report and accounts.

Alex provided a summary of the statistics and analysis reported on the 51 freedom of information requests received in the year.

Following discussion, the Board welcomed the report.

### **14. 2017/18 Annual report on complaints**

Alex Devlin, Corporate Governance Manager, introduced the 2017/18 annual report on complaints, which had been previously circulated.

Alex Devlin invited the Board to note the report as part of the suite of assurance reporting. In response to a question from the Chair, Alex advised that complaints about audit judgements and audit quality were dealt with outwith the complaints handling process. Diane McGiffen advised that the audit judgements process was scheduled to be reported to Management Team in August 2018.

Following discussion, the Board welcomed the report.

### **15. 2017/18 Annual report from the Chair of the Audit Committee**

Heather Logan, Chair of the Audit Committee, introduced the 2017/18 annual report from the Chair of the Audit Committee, which had been previously circulated.

Heather Logan noted her thanks to members and Audit Scotland officers for their work in support of the Audit Committee over the past year.

Following discussion, the Board welcomed the report.

### **16. 2017/18 Annual report from the Chair of the Remuneration and Human Resources Committee**

*David Blattman, Secretary to the Remuneration and Human Resources Committee, joined the meeting.*

Russel Griggs, Chair of the Remuneration and Human Resources Committee (Remco), introduced the 2017/18 Annual report from the Chair of Remco, which had been previously circulated.

Russel Griggs noted his thanks to members and Audit Scotland officers for their work in support of the Remuneration and Human Resources Committee over the past year.

Following discussion, the Board welcomed the report.

*David Blattman, Secretary to the Remuneration and Human Resources Committee, left the meeting.*

## **17. 2017/18 Governance statement on internal control and certificate of assurance**

Alex Devlin, Corporate Governance Manager, introduced the 2017/18 Governance statement on internal control and certificate of assurance, which had been previously circulated.

The Chair invited members to note the Governance statement on internal control and certificate of assurance which had been considered at the earlier Audit Committee meeting.

The Board welcomed the assurance provided. There were no further comments and the Board approved the certificate.

*Alex Devlin, Corporate Governance Manager, left the meeting.*

## **18. Policy on the provision of non-audit services by Audit Scotland's external auditor**

*Elaine Boyd, Assistant Director, Owen Smith, Senior Manager and John Gilchrist, Manager, Appointments and Assurance, joined the meeting.*

Elaine Boyd, Assistant Director, Appointments and Assurance, introduced the policy on the provision of non-audit services by Audit Scotland's external auditor, which had been previously circulated.

The Board noted the recommendation by the Audit Committee to approve the policy and following discussion, approved the policy.

## **19. Any other business**

There was no further business.

## **20. Review of meeting**

The members agreed that business had been dealt with timeously and the Chair thanked everyone for their contribution.

## **21. Date of Next Meeting**

It was noted that the next Audit Scotland Board meeting was scheduled for 10.15am on Wednesday 22 August 2018 in the offices of Audit Scotland, 102 West Port, Edinburgh.

*The Board then moved into private session.*

## **Items taken in private**

### **22. 2017/18 Annual report on Audit quality**

*James Gillies, Communications Manager, joined the meeting.*

Elaine Boyd, Assistant Director, Appointments and Assurance, introduced the 2017/18 annual report on Audit Quality, which had been previously circulated.

Elaine invited members to note the independent assurance provided, which covered all audit work, and sought approval to publish the report alongside the suite of annual reports in June 2018.

The Board welcomed the assurance provided and discussed the process for ensuring fairness and consistency across the independent ICAS review and the cold reviews undertaken by the Appointments and Assurance Team.

Following discussion, the Board welcomed the assurance provided and approved the report for publication.

**Action ASB76: The Appointments and Assurance team to provide a published copy of the report to members. (June 2018)**

*Elaine Boyd, Assistant Director, Owen Smith, Senior Manager and John Gilchrist, Manager, Appointments and Assurance left the meeting.*

## **23. 2017/18 Annual report on International work**

*Antony Clark, Chair of the International Steering Group, joined the meeting.*

Antony Clark, Chair of the International Steering Group introduced the 2017/18 annual report on International Work, which had been previously circulated.

Antony invited members to note International Manager Sarah Pollock's work to forge and develop links with international agencies before highlighting key activities from the year which will inform our future audit work and opportunities to share learning with colleagues.

Heather Logan asked if there had been any direct impact from our international engagement. Antony advised of a secondment opportunity working with the Office of the Auditor General of the Cayman Islands and access to the Canadian database which provided insight on their approach to housing. Looking ahead the Board discussed topics likely to feature more in next year's report including fraud and corruption and EU withdrawal.

Following discussion, the Board welcomed the report and approved it for publication.

*Antony Clark, Chair of the International Steering Group, left the meeting.*

## **24. 2017/18 Draft annual report and accounts**

Stuart Dennis, Corporate Finance Manager introduced the 2017/18 Draft annual report and accounts, which had been previously circulated.

The Board approved the draft annual report and accounts which had been previously circulated and discussed at the earlier meeting of the Audit Committee and recommended that the Auditor General for Scotland, as Accountable Officer for Audit Scotland, sign the accounts on 12 June 2018.

*Stuart Dennis, Corporate Finance Manager, left the meeting.*

Ref	FORUM	Agenda Item No	Item Title	Action Description	Meeting Date	Due Date	Responsible	Assigned to	Complete/Ongoing	Reported Yes/No	Progress Notes
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.
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	Yes	A report was considered at the Board meeting on 6 June 2018.
ASB70	Board	11	2018 Audit Scotland staff conference update	A discussion on audit quality and reputational risk to be scheduled following consideration of the Annual Audit Quality report.	31/01/2018	22/08/2018	Diane McGiffen	Elaine Boyd	Ongoing		A report will be considered by Management Team on 4 September 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	Complete	Yes	This paper now forms part of the auditor guidance and a copy shared with members on 6 June 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	Yes	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	Yes	The amended Corporate Plan was emailed to members on 23 May 2018.
ASB76	Board	22	2017/18 Annual report on Audit quality	The Appointments and Assurance team to provide a published copy of the report to members.	06/06/2018	30/06/2018	Elaine Boyd	Elaine Boyd	Complete	No	The report was published on our website at the same time as the Annual report and Accounts in June 2018 and a link has been shared with members.

## Purpose

1. This report provides the Board with an overview of Audit Scotland's performance during quarter one of 2018/19.

## Background

2. Performance reports are considered by the Management Team and the Board on a quarterly basis alongside the quarterly financial performance report and Becoming World Class improvement programme update.
3. The quarter four report was considered at meetings of the Management Team and the Board on 8 May and 6 June 2018 respectively.
4. This report was considered by Management Team at its meeting on 31 July 2018.
5. The performance information is reported under the three strategic objectives of Delivering World Class Audit, Making a Difference and Being a Better Organisation.
  - Appendix 1 (pages 3 – 5) provides a one-page summary of performance for each strategic objective.
  - Appendix 2 provides the detailed performance information.

## Q1 performance summary

6. The Q1 report demonstrates strong performance overall. Performance headlines include:
  - Delivering World Class Audit - we are conducting relevant, timely and high-quality audits:
    - All annual audit plans and reports planned for Q1 were delivered on or ahead of schedule.
    - Local Government National Scrutiny Plan 2018/19 published in Q1.
    - 13 reports published in Q1: 3 statutory reports, 2 Performance Audits, 3 Best Value, 2 Overviews, 1 Housing Benefit, 2 impact reports.
    - 2017/18 Annual Audit Quality Report published in Q1 provided positive assurance.
  - 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 on the Local Government and Colleges overviews and the report on the Scottish Fire and Rescue Service.
    - Extensive engagement with parliament and its committees.
  - Building a Better Organisation - we are managing our workforce effectively and investing in learning and development. Financial planning and budget management are effective:
    - We have changed the assessment on the objective 'We empower and support our people to be engaged, highly skilled and perform well' from amber to green. The Performance and Risk.

Management Group considered the broad range of relevant indicators (and contra-indicators), for this objective and concluded the change was appropriate. Its' consideration included:

- extensive developments through BaBO and the mainstreaming of this development work (role profiles, 3D personal development, career development gateways, time place and travel)
- Best Companies engagement survey – best ever score achieved in December 2017
- extensive professional trainee programme and high pass rates
- revised learning and development strategy and portal and continued investment in personal development
- low sickness absence and turnover rates.

We continue to prioritise empowerment, support and performance and the 'green' assessment does not indicate a reduction of attention in this area. The next Best Companies survey later this year will provide another opportunity to assess this important area.

- Staff complement (w.t.e): 98.3% of 274.9 establishment at the end of the quarter (98.9% of 274.9 in Q4)
- Absence rate: 1.28% (1.12% in Q4 2017/18)
- Net operating cost: £56k less than budget – variance of 4.5% of net operating expenditure budget

## Recommendations

### 7. The Board is invited to:

- review the Q1 performance report and consider whether any additional management attention is required.

## Summary of 2017-18 Q1 performance

	Delivering world-class audit	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.
--	------------------------------	---

<b>Headline:</b>	Relevant audits published to schedule and under budget. Audit planning progressing is to schedule. Positive assurance on audit quality gained from the Annual Quality Report.
------------------	---

Objectives	2017-18				2018-19				Actions
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
We conduct relevant and timely audits and report in public.	G	G	G	G	G				
We make clear and relevant recommendations for improvement	G	G	G	G	G				
Audits are of high quality	G	G	G	G	G				
We systematically improve the quality of our work	G	G	G	G	G				

## Key performance indicators

<p><b>Annual Audit</b></p> <ul style="list-style-type: none"> <li>All planned annual audit reports and plans published on or ahead of schedule in Q1</li> </ul>	<p><b>Performance/ best value/ overviews/housing benefit/Section 22</b></p> <ul style="list-style-type: none"> <li>2018/19 National scrutiny plan published in April</li> <li>13 reports published in Q1: 3 statutory reports, 2 Performance Audits, 3 Best Value, 2 Overviews, 1 Housing Benefit, 2 impact reports</li> </ul>
<p><b>On budget</b></p> <ul style="list-style-type: none"> <li>Expenditure on audit work was 10.7% below budget in Q1.</li> </ul>	<p><b>Quality</b></p> <ul style="list-style-type: none"> <li>Annual Quality Report published in June 2018</li> </ul>

 Making a difference	Our objective is to maximise the difference our audit work makes to public services in Scotland.
--	--

<b>Headline:</b>	Substantial interest in reports published in Q1 (in terms of downloads, mainstream and social media). Extensive engagement with parliament.
------------------	---

Objectives	2017-18				2018-19				Actions
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
<b>We get our messages out effectively</b>	G	G	G	G	G				
<b>We systematically deliver impact through our work</b>	G	G	G	G	G				Further quantitative measures to be developed as part of the PMF2018 project to supplement qualitative assessments.
<b>We offer insight and foresight through our audit work</b>	Y	Y	Y	Y	Y				PMF2018 project developing KQs/KPIs on this objective
<b>We develop new and improved processes, products and services</b>	G	G	G	G	G				

### Key performance indicators

- 477 Media mentions of Audit Scotland and/ or Accounts Commission (Q1 17/18 329 an increase of 45%).
- 215,008 downloads (Q1 17/18 179,531 an increase of 16.5%).
- 7,286 social media engagements (Q1 17/18 5,932 an increase of 23%).
- Attended 12 Parliamentary committees including; seven Public Audit and Post Legislative Scrutiny (PAPLS), two Equalities and Human Rights, two Local Government and Communities and one Social security.
- Attended 11 other Parliamentary meetings including with; MSPs, Committee Clerks, SPICe and other events.
- 92% correspondence responses issued within 30 days (Once the ongoing cases are completed this is expected to be 100%).

 <p>Being a better organisation</p>	<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 who provide high- quality audit services.</p>
--	--

<b>Headline:</b>	<p>Our joint recruitment campaign to recruit up to 20 new colleagues to Audit Scotland commenced during the quarter. Net operating costs are £56k less than budget, a variance of 4.6%.</p>
------------------	---

Objectives	2017-18				2018-19				Actions
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
<b>We manage our resources effectively</b>	G	G	G	G	G				
<b>We maximise our efficiency</b>	G	G	G	G	G				
<b>We manage information and intelligence effectively (internal)</b>	A	A	A	A	A				Digital Audit Strategy implementation and review of performance management framework under-way.
<b>We empower and support our people to be engaged, highly skilled and perform well</b>	A	A	A	A	G				Embedding of BaBO, including role profiles, career development gates, time place and travel, and professional leadership development.

### Key Performance Indicators

<b>People</b>	<b>Resources</b>
<ul style="list-style-type: none"> <li>On the basis of the 'whole basket' of indicators and progress on BaBO we have changed the overall assessment on supporting our people from amber to green.</li> <li>Staff complement (w.t.e): 98.3% of 274.9 establishment at the end of the quarter (98.9% of 274.9 in Q4).</li> <li>Absence rate: 1.28% (1.12% in Q4 2017/18).</li> <li>Resignations: 1.08 ytd% (6.75% in 2017/18).</li> <li>L&amp;D events: 22 in-house events covering 310 places.</li> <li>Exams: 3 exams with 100% pass rate for professional trainees.</li> <li>Career progression: By the 30 June 2018 there were 17 CDG submissions and of these 11 were successful.</li> </ul>	<ul style="list-style-type: none"> <li>Net operating cost: £56k less than budget – variance of 4.5% of net operating expenditure budget.</li> <li>Staff costs: £41k less than budget – variance 1.1%</li> <li>Capital investment: £12k (ytd) on IT hardware</li> <li>Property costs: £7 k less than budget – variance of 3.3% on budget.</li> <li>Travel and subsistence expenditure: £7k less than budget – variance of 1.3%.</li> </ul>



**We conduct relevant and timely audits and report in public.**

Key Performance Questions	2017-18				2018-19				Actions
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
Are relevant audits being delivered?	G	G	G	G	G				
Are audits delivered on time?	G	G	G	G	G				New performance management framework being introduced 2018/19
Are audits delivered on budget?	G	G	G	G	G				New performance management framework being introduced 2018/19

### Relevant

The performance audits and overview reports published during Quarter 1 focussed on areas of audit work within the work programme that were informed by our ongoing programme development and audit risk monitoring work. In addition, three statutory reports were published for the City of Edinburgh Council (Edinburgh schools), Edinburgh College and New College Lanarkshire.

### Timely/ in public

We delivered 67 of the scheduled 68 audit reports in Q1 and published six corporate reports. One housing benefit report (City of Edinburgh) was not published in Q1 as the council requested an extension to the time for carrying out a factual accuracy check. The final report is on schedule for Q2.

### On budget:

In Q1 the audit spend is 10.67 percent below budget (see table below). This is outwith our tolerance of 5%. There are a range of factors that have influenced this including; changes in the actual versus planned resource mix within audit teams. For example, we have made greater use BSS resources for audit support activities and there have been efficiencies through joint working between PABV and Audit Services (for example, the use of FE auditors in support of the Scotland's Colleges overview and S22 work). Audits are also being completed in fewer days due to better use of resources and more refined/streamlined approaches to controls work. This includes consistent use of analytical procedures to reduce the amount of testing of detail required by audit teams. Both the streamlined controls work and better use of analytical procedures also allowed for an increased focus of audit time.

	2018/19			
	Budget	Actual	£ Variance	% Variance
<b>ASG</b>	£7,467,254	£6,650,093	£-817,160.69	-10.94%
<b>PABV</b>	£685,572	£634,581	£-50,991	-7.44%
<b>Total</b>	£8,152,826	£7,282,797	£-870,029	-10.67%

In 2018/19, we plan to publish 488 audit plans, audit and performance reports. Variation in the schedule is shown as ✓ = delivered, (XQ) = rescheduled to or from quarter identified in the brackets.

**Appendix 1 – Performance summary**

	Q1	Q2	Q3	Q4
Annual Audit Plans – AS (122)	2 FE ✓			10 NHS 66 LG 44 CG
Annual Audit Plans – Firms (99)	19 FE ✓			13 NHS 39 LG 28 CG
Audit – Audit Scotland (123)	10 NHS ✓ 4 CG ✓	66 LG 25 CG	2 FE 15 CG	1 CG
Audit – Firms (99)	13 NHS ✓ 5 CG	39 LG	19 FE 23 CG	
Performance Audit (7)	ALEOS ✓ Scottish fire and rescue services ✓	Forth Replacement Crossing Children & young people’s mental health Superfast broadband for Scotland: update	Health and social care integration: update	Scotland’s new financial powers: next in series
Best Value Assurance Report (7)	East Ayrshire Council ✓ Fife Council ✓ West Dunbartonshire Council ✓	Glasgow City Council	Dumfries and Galloway Council East Lothian Council	South Lanarkshire
Overview Report (5)	Local government in Scotland: challenges and performance ✓ Scotland’s Colleges ✓		NHS in Scotland Local Government: financial overview	Local government in Scotland: challenges and performance
Housing benefit (8)	✓West Dunbartonshire x City of Edinburgh (Q2)	East Renfrewshire Housing benefit annual report	Renfrewshire Glasgow	Perth Falkirk
Statutory (8)	s102 City of Edinburgh Council ✓ s22 Edinburgh College ✓ s22 New College Lanarkshire ✓	s22 Scottish Government Consolidated Accounts	3x s22 Health (provisional) s22 Scottish Police Authority	
Other (10)	National Scrutiny Plan ✓ Two Impact reports: Modern Apprenticeships ✓ Maintaining Scotland's roads: a follow-up report ✓	National Fraud Initiative Impact report: Community Planning in Scotland	Four Impact reports: Efficiency of Sherriff courts Scotland’s economic growth Higher education Social work in Scotland	How Councils Work: managing risk through internal controls
<b>Planned (488)</b>	<b>68</b>	<b>139</b>	<b>74</b>	<b>207</b>
<b>Published</b>	<b>67</b>			

The planned outputs make provision for several statutory reports. These are informed by audit risk monitoring and intelligence, and by local audit work. There may therefore be more / less statutory reports than indicated above dependent on audit risks, issues and other factors out with our control.

The agreed five year rolling work programme included a performance audit on the NHS Workforce: primary care workforce to be published during 2018/19. The timing of this audit is being finalised and agreed with the Auditor General, taking account of resource availability, the publication of updated NHS workforce data and progress in the implementation of primary care improvement plans. It is looking increasingly likely that publication will fall in quarter 1 or 2 of 2018/19.

The work programme also includes a performance audit looking at the value for money of non-profit distributing (NPD) models of capital investment. This audit is listed as an 2018/19 audit but reporting during early 2019/20 (quarter 1 or 2). This reflects the bulk of the audit work being undertaken during 2018/19, but with the final published audit report falling in 2019/20. As this is a joint Auditor General and Accounts Commission audit, this has been jointly agreed as part of the sign-off of the work programme.

We published six corporate reports, in Q1:

- [Corporate Plan 2018-21](#)
- [Annual diversity report 2017/18](#)
- [Annual report and accounts 2017/18](#)
- [Audit Quality annual report 2017/18](#)
- [International work annual report 2017/18](#)
- [Correspondence and whistleblowing annual report 2017/18](#)

**Issues/ risks/ actions:**

Actions relating to Housing Benefit audit include:

- Renfrewshire was scheduled originally for Q2 but as East Renfrewshire has been delayed due to annual leave of the Operations Manager the knock-on effect will be a delay in Renfrewshire's delivery putting the report now into Q3.
- Glasgow/Perth and Falkirk are all still on target for Q3/Q4/Q4. Please note that the DWP issues a speed processing update on 25/7/18 and depending on performance reported, the councils in the current programme (Glasgow/Perth/Falkirk) might be replaced.

**Forward look:**

- There are 3 NHS s22 currently planned for quarter 3; one is an Audit Scotland led audit (NHS Tayside) with the other two have lead responsibility by audit firms (NHS Highland and NHS Ayrshire and Arran). These will be laid in Parliament in October 2018.
- The annual refresh of the Auditor General / Accounts Commission rolling work programme will commence in quarter 2. Proposals will be presented to the AGS and Commission in December, for final sign off in quarter 4.

**Trend data:** [link](#)



Delivering  
world-class  
audit

## We make clear and relevant recommendations for improvement

Key Performance Questions:	2017-18				2018-19				Actions
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
Are there practical, clear and relevant recommendations in everything published?	G	G	G	G	G				

Examples of significant risks identified by the audit process (from the AAP and followed up and reported on in the AAR) include:

- NHSS – Accepted by the client that refresher training be undertaken by finance staff of the requirements for capitalisation and receipting of goods due to a number of issues found during the final accounts audit.
- NHST – Recommended the development of an overarching integrated clinical strategy which clearly articulates and priorities its clinical aims. The Board have committed to developing a strategy by the end of 2018
- NSHT - The board's performance information is not accumulated and made readily available on the website. In our experience other organisations have developed a performance page within their website for local residents to obtain ready access to performance information. The Board will publish this information from 2018/19 as the Boards performance management arrangements develop.

The annual audit report templates for local government, pension funds, central government, further education and IJB bodies were refreshed and rolled out. The templates now require auditors to monitor and report progress made by audited bodies in implementing audit recommendations. This will provide us with management information to gauge the impact of audit work.

All performance audit and Best Value reports published during the quarter contained clear and relevant recommendations for improvement.

**Issues/ risks/ actions:**

**Forward look:**

 Delivering world-class audit	<b>Audit work is of high quality and we are systematically improving the quality of our work</b>
---	--

Key Performance Questions:	2017-18				2018-19				Actions
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
<b>Are we assured about the quality of our work?</b>	G	G	G	G	G				Review of most appropriate standards for non-financial audit work is under way
<b>Are we improving the quality of our work?</b>	G	G	G	G	G				Refinements to the Audit Quality arrangements

### Assurance

In Q1 we published the [2017/18 Annual quality report](#), the report concluded ‘There is strong evidence of compliance with auditing standards and the Code, and overall good levels of other evidence of audit quality with some limited improvements identified for audit work delivered in the period 1 April 2017 to 31 March 2018. We reported on [planned improvement actions](#) to the Audit Committee in May 2018.

The ASG Quality Report on 2016/17 audits was reported in April 2018. The overall conclusion was positive. A sample review of 13 audits concluded that, for financial statements audit work, limited improvements were required for 11 audits and improvements required for 2 audits.

We have made changes to the final accounts programmes to improve quality and will use quality findings to update audit planning programmes before the start of the 2018/19 audit cycle.

In Q1 we signed up for membership with Quality Scotland (QS). QS is a charitable membership organisation working with over 250, private, public and third sectors, organisations across Scotland. We will use this resource to inform efficiency reviews.

### Improvement

In May we delivered joint training with ICAS for appointed auditors based on the findings of quality reviews of financial audit work. The session was filmed for unable able to attend.

Our relaunched Audit Quality Committee met for the first time in Q1. The committee oversees the internal quality monitoring activity for all our audit work and ensures action is taken in response to both internal and external quality reviews. During Q1 the committee considered the results of the internal cold reviews of 13 annual audits, 2 performance audits and external (ICAS) review of 2 annual audits, 1 performance audit and a Best Value Assurance Report. The high-level message is that the reviews provided good assurance on the quality of our work. Areas for improvement generally related to documentation and recording evidence – the results of the reviews are being shared with staff, with training sessions for staff scheduled, and other action such as new guidance and templates being developed. A review is under way to consider the most appropriate audit standards to be used for non-financial audit work.

In Q1 we launched several new initiatives to improve the quality of audit work, including:

- a new template for sample size justification. This was in response to ICAS quality findings which had reported that there were inconsistencies between audit teams in determining and justifying sample sizes for tests of detail.
- a new Team Risk Agenda Meeting (TRAM 2) to encourage auditors to document emerging findings, assess whether any changes to audit approach were implemented during the audit and to provide an audit trail for audit dimensions work. The TRAM 2 meeting ensures that auditors, prior to the financial statement audit, have carried out all planned work and addressed identified risks.
- training on the use of substantive analytical procedures
- final accounts audit programmes have been updated to reflect this training, this should lead to a more efficient and effective audit of key areas such as staff costs, council tax, housing rents and non-domestic rates.

**Issues/ risks/ actions:**

- 

**Forward look:**

- The Audit Quality Committee next meets on 08/08/18
- Updated ASG Audit Guide, audit planning programmes, and refreshed sectoral Annual Audit Plans in place by the start of Q3
- Report on cold reviews of audits by the end of Q3 to better inform training needs and allow audit testing programmes to be updated early.
- Working groups set up to discuss quality findings and to develop actions plans for improving quality. This covers all audit work including best value and performance audits. A report is to be taken to the Audit Quality Committee in early August outlining proposals.



## We get our messages out effectively

Key Performance Questions:	2017-18				2018-19				Actions
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
Are we getting messages getting out effectively?	G	G	G	G	G				

### Getting our messages out

In Q1 we attended 12 Parliamentary committees including; seven Public Audit and Post Legislative Scrutiny (PAPLS), two Equalities and Human Rights, two Local Government and Communities and one Social security. We also attended 11 other Parliamentary meetings including; MSPs Committee Clerks, SPICe and events.

	Q1	Q2	Q3	Q4	YTD	17/18
Media	477					1,340
Downloads	215,008					690,113
Engagements*	7,286					20,636

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

### Media:

Month	Broadcast coverage (radio & tv)	Print Coverage: National (newspapers & online)	Print Coverage: Local	Total
April	36	103	73	212
May	29	52	55	136
June	27	68	34	129
<b>Total</b>	<b>92</b>	<b>223</b>	<b>162</b>	<b>477</b>

Most media coverage was for Scottish Fire and Rescue Service, Overview: Local Government in Scotland, and S102: City of Edinburgh Council reports.

- The backlog on capital expenditure faced by the Scottish Fire and Rescue Service received significant coverage. Strong sub-stories around the retirement and leadership 'crisis' facing the Service, plus the rise in the number of fires started maliciously gave the report life beyond publication day.
- In keeping with previous years, the overview of Local Government in Scotland received attention at the national and local level. Meanwhile, the S102 report on Edinburgh Council's handling of the Oxbgangs Primary School wall issue also received attention, despite the issues raised by the report having been covered extensively previously. 'The Accounts Commission says...' resulted in the media revisiting the story.

- The Colleges Overview report was just outside the top three performing reports in terms of coverage, but coverage wasn't far behind the 2017 report, which painted a more challenging picture for the sector when there was more political pressure around the Scottish Government's handling of FE reform. The colleges' considerable estate backlog was the focus of much of the coverage. By the same token, strong local coverage of the S22 reports on New College Lanarkshire and Edinburgh College reflected the respective difficulties facing each college.
- There were four more reports published in this quarter than in the last quarter of 2017/18, and overall coverage levels were higher. But as all three BVARs were largely positive stories they generated modest amounts of local media coverage. Equally, the ALEOs report did not have a particularly strong news line and this was reflected in the level of coverage.

#### Downloads:

- The most heavily downloaded documents were NHS Overviews, Health Inequalities report and the Social Work report (consistently between 2.5-3k downloads each month).
- The local government overview report page was also in the top three of most visited pages on the website during April, with 1,351 views. This compares to the 1,498 views of our reports search page, consistently the second most popular page after our homepage.
- The top three April podcast downloads were; S102 Edinburgh (137); local government overview report (62) and S22 Colleges (58). This reflects the keen media interest in the Edinburgh report.
- May was a quieter month online with the ALEOs news story being the most popular in terms of report downloads (465). However, it was the Fire and Rescue Service report, published on 31 May, that headed the month's podcast list with 102 downloads in one day.
- The last week of June saw respectable report downloads for Scotland's Colleges Overview (456) and the Fire and Rescue report (427). And the local government overview report continued to receive attention with 426 downloads.
- Scotland's Colleges was the only report released in June to feature on the website's ten most visited pages – the report page picking up 593 views. June's podcasts were dominated by the Fire & Rescue report, with another 98 downloads. There were also reasonable podcast download numbers for the East Ayrshire BVAR (49), Scotland's Colleges (48) and the S22 Colleges (32).

#### Correspondence

Audit Scotland handles a wide range of correspondence from members of the public, elected representatives and organisations. Although we have no statutory duty to investigate issues of concern or respond to correspondence, we do so under our Code of Audit Practice.

<b>New correspondence cases</b>	<b>Q1</b>	<b>Q2</b>	<b>Q3</b>	<b>Q4</b>	<b>YTD</b>	<b>17/18</b>
<b>Number of cases</b>	24				24	136
<b>Acknowledgement within five working days</b>	100%				100	100
<b>Final response within 30 working days</b>	92%				92	97

- Two final response cases pending (8%). All are still currently within 30 working day deadline.
- For the same quarter last year, we reported 41 new cases with 100% acknowledgement and 95% final response targets achieved (two response targets missed)

- In addition, we had 25 audit enquiries (compared to 51, Q1 17/18) – relating to queries about our work (e.g. figures within our reports, guidance and access to materials/reports). Of which four of these were Freedom of Information requests about correspondence.

**FOI/EIR/Complaints**

There were 11 FOI requests, no EIRs and 2 complaints in Q1.

**Issues/ risks/ actions:**

**Forward look:**

- Revised engagement and communications strategy – Autumn 2018

**Trend data:** [link](#)

	<b>We systematically deliver impact through our work</b>
---	--

Key Performance Questions:	2017-18				2018-19				Action
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
Is our work delivering impact?	G	G	G	G	G				
Are our recommendations leading to improvements?	Y	G	G	G	G				Further quantitative measures to be developed to supplement qualitative assessments as part of the PMF2018 project.

**Performance:**

In Q1 we published two impact reports

The review of the [Modern Apprenticeship report](#) found that apart from one recommendation, the Scottish Government and Skills Development Scotland (SDS) has fully implemented the recommendations made in the original audit report. The recommendation that the Scottish Government and SDS *develop appropriate outcome-based measures to assess the long-term benefits of modern apprenticeships...and publish performance information against these* has been assessed as partially implemented, with work continuing to develop cost-benefit and return on investment measures.

The [Maintaining Scotland's roads impact report](#) summarised the Strategic Action Group (SAG) for roads maintenance response to the original audit recommendations. The response presents a mixed picture progress, with many of the actions outlined wither ongoing and / or long-term in nature. These will therefore take time to demonstrate impact. The SAG has however acknowledged the unsustainability of the current delivery model for roads maintenance, and highlighted progress in the development of Roads Authority asset management plans using a whole life costing basis, and improved collection and use of roads data and improved reporting of asset management and investment plans as examples of positive developments.

**Examples of where our work has made a positive impact include:**

## Financial sustainability

- We organised a NFI pilot on social care in partnership with a council identified payments made by councils for clients who have died. The pilot has now resulted in a new data match being rolled out across the UK on an optional basis to allow councils to match social care payments against deceased records.
- We are working with the Cabinet Office & the Wales Audit Office on the development of new data match. This looks to use HMRC and credit reference data to identify economically active residents in the same households as students who have not been declared on student funding applications. The match identifies undeclared people on student award applications meaning students may be awarded funding in excess of what they are entitled to. Despite previous attempts by SAAS, this is the first time HMRC have provided access to their data for such matching to happen in Scotland. This will be reviewed during summer 2018.

**Governance and transparency**

- We published a report on early learning and childcare in February 2018 which looked at how effectively the Scottish Government and councils are working together to expand funded early learning and childcare (ELC). One of our findings was that parents needed clearer information to help them understand how early learning and childcare works. Following publication of the audit report we set up an interactive e-hub for parents. This includes a guide for parents and carers to answer some frequently asked questions, and suggests some ways the public can get more information and help. The guide also covers how we carried out our audit and what we found.

**Feedback received:**

An update presentation for Public Services Directors of Finance Forum on the Government Financial Reporting Manual (FReM) was used by SFC as the basis for their updated accounts direction and they have advised they hope to use future presentations.

We supported NFI work through presentations and social media, including tweets. Feedback has been good and we have received several follow up questions and emails. This has raised awareness of NFI in advance of the next exercise. We have also been working with SG to extend counter fraud data matching through the identification of new bodies for inclusion in NFI- so far, we have some housing associations interested and a couple of councils interested in piloting a new NDR data match.

**Issues/ risks/ actions:**

Development of further metrics as part of the performance management framework project 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:**

Impact reports for several performance audits are due to be completed during 2018/19; the next report due to be finalised is the Community Planning in Scotland audit.

 Making a difference	<b>We offer insight and foresight through our work</b>
--	--

Key Performance Questions:	2017-18				2018-19				Action
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
<b>Are we making information and intelligence available to others?</b>	G	G	G	G	G				Development of an assessment framework and more systematic approach to measuring progress on this objective.

**Performance:**

We continue to offer insight and foresight through our work. Examples in Q1 include:

- Publication of the Local Government in Scotland: challenges and performance, and Scotland's Colleges overview reports
- Openness and transparency briefing paper
- Outputs on our e-hubs including:
  - Early learning and childcare interactive e-hub for parents - this includes a guide for parents and carers to answer some frequently asked questions, and suggests ways the public can get more information and help.
  - Year of Young People 2018 e-hub - this is part of our commitment to working and engaging with young people in Scotland, as well as publishing reports that directly involve and benefit them. Following a successful pilot project with Young Scot, we are developing a Youth Advisory Panel, working with Youth Scotland. Our ambition is that this panel will work with us to involve young people more in our work and use their voices and experiences as part of the audit process.
- The Director of Performance Audit and Best Value participated in the International performance audit IMPACT conference in Sydney Australia. Following the conference, the Director hosted an internal Knowledge Café focussing on a range of topics, including: the use of data, digital and artificial intelligence; citizen participatory auditing; auditing the UN's sustainable development goals; the auditor of the future - skills, experience and behaviors.

**Issues/ risks/ actions:****Forward look:**

- Briefings for the Auditor General and Accounts Commission on engaging with young people, housing and Scotland's response to the Grenfell tragedy
- 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.

 Making a difference	We develop new and improved processes, products and services
--	--

Key Performance Questions:	2017-18				2018-19				Action
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
<b>Are new processes, products and services being developed?</b>	G	G	G	G	G				
<b>Are products and study programmes suitable and appropriate for emerging issues?</b>	G	G	G	G	G				Development work on-going on the requirements arising from the new financial powers, social security and constitutional change.

#### Examples of new products and services in Q1 include:

- We developed new audit programmes for housing benefit risk assessment and performance audit work. This allows us to adopt a more consistent approach to documenting and evidencing audit work.
- The technical reference library has been refreshed to make it more user friendly.
- Introduction of revised AAR template to ASG for 2017/18 audits
- Introduction of sectoral ISA 580 letters whereas in prior years issued one generic ISA 580
- A senior manager joined colleagues from the Welsh Audit Office to discuss the WAO approach to auditing sustainable development.

#### Emerging issues:

- The work programme has contingency for responding to emerging risks and issues identified through audit intelligence, programme development and annual audit work. During the quarter there were statutory reports in local government and further education sectors covering issues identified through these channels.
- Our professional leads for health met colleagues from the Northern Ireland, Wales and National Audit Offices to discuss merging issues relating to health sector auditing.

#### Issues/ risks/ actions:

#### Forward look:

- An additional audit test to confirm compliance with GDPR requirements will be added to audit programmes where appropriate to remind auditors of their responsibilities.
- Consideration is being given to the audit reporting arrangements for the additional devolved responsibilities arising from the Scotland Acts. The final approach should be agreed with the Auditor General in Q2.



## We manage our resources effectively and maximise efficiency

Key Performance Questions:	2017-18				2018-19				Action
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
Are we managing our resources effectively	G	G	G	G	G				
Are we maximising efficiency?	G	G	G	G	G				

### Resource management

In the three months to June 2018:

- Audit Scotland's Net Operating Expenditure was £1,180k which was £56k less than budget.
- 17-18 audits £40k less than phased budget mainly due to completion percentage for Local Government being slightly lower than projections.
- Capital investment in the three months to June 2018 totalled £12k, with the total available budget for 2018/19 being £175k. The £12k year to date expenditure is on IT hardware comprising 4 laptops and an Apple MacBook Pro.
- Staff costs £41K (1.1%) less than budget.

Net operating (expenditure) to June 2018.

	Q1	Q2	Q3	Q4	17/18
<b>Actual</b>	(1,180)				(8,514)
<b>Budget</b>	(1,237)				(9,157)
<b>Variance</b>	-4.6%				-7.0%

**Staff** - The average number of staff in the quarter was 98.9% of the establishment and the number at the end of the quarter was 98.3% of establishment.

	Q1	Q2	Q3	Q4	17/18
<b>2018/9 establishment w.t.e:</b>	274.9				274.9
<b>Average number of staff employed in 2018/19 w.t.e:</b>	271.9				271.9
<b>No. of staff at end of quarter w.t.e:</b>	270.3				272.0

**Estate** - Estate costs in the year to June 2018 are lower than budget and previous years spend.

£000 YTD	Q1	Q2	Q3	Q4	17/18
Actual spend	208				938
Budget	215				930
Prior year spend	211	418	640	938	

**Costs of travel** - Travel costs in the year to June 2018 were higher than last year's expenditure but lower than budget.

£000 YTD	Q1	Q2	Q3	Q4	17/18
Actual spend	227				866
Budget	230				922
Prior year spend	204	428	654	866	

**Capital Expenditure and Funding:** Capital investment for the three months to June 2018 was £12k, with the total available budget for 2018/19 being £175k. The £12k year to date expenditure is on IT hardware comprising 4 laptops and an Apple MacBook Pro.

#### IT network up time Q1:

IT Network	Q1	Q2	Q3	Q4	17/18
IT uptime (%)	99.14				99.6
Working hours lost	1992.5				3758
Average time lost per person (minutes)	6.69 hours				660

The majority of the downtime this quarter was due to an outage with Office 365 affecting connection to OneDrive and Outlook. This was an outage with Microsoft themselves affecting a third of their global service and was out with our control. There was also an issue with the Netscaler, that lost all its configuration overnight that affected outlook and remote access for a day. We engaged third party suppliers on this and have improved our process and documentation around this so that if it happens again we will be able to resolve the issue more quickly. The Glasgow office connection failed over six times, affecting users' ability to connect first thing in the morning. This is an ongoing issue with the line, which we are taking steps to replace and improve. In the short term we are increasing our notification and monitoring arrangements to resolve any of these issues earlier with less disruption. There have been

ongoing issues with the connection at Stirling council. All the main hardware has been replaced however this remains an intermittent issue which we are monitoring closely.

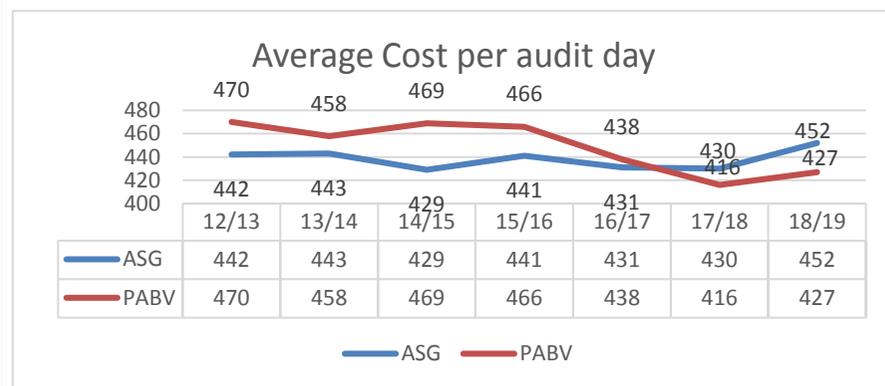
**IT Incident management summary**

- 94.7% (1002/1058) of incidents were accepted within the response time SLA.
- 98.6% (1043/1058) of requests were closed within the fix time SLA
- An average of 3.6 incidents were logged per user.

**Business group productivity:**

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

	18/19%				17/18%			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
<b>ASG</b>	60				57	74	59	67
<b>PABV</b>	70				76	74	67	76



The average cost per audit day of PABV and ASG audits fluctuates between audits and throughout the year. This is due to the timing of audit work, the grade mix deployed and any changes in the daily rate for audit staff made by the finance team each April. The increase from 17/18 that can be seen for Q1 18/19 is an average of £11 per day for PABV and £22 for ASG. The overall average cost per audit day increase for PABV are 2.6% and ASG 4.8%.

**Issues/ risks/ actions:**

**Forward look:**

**Trend data:** [link](#)



Being a better organisation

## We manage information and intelligence effectively (internal)

Key Performance Questions:	2017-18				2018-19				Actions
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
<b>Are we managing information and intelligence effectively (Internal)</b>	Y	Y	Y	Y	Y				PMF2018/19 project under way

### Examples of managing information and intelligence during Q1 were:

- New 'Cluster Live' ishare sites have been set up to aid the timely sharing of information and intelligence amongst and between our policy clusters. These sites include more up to date audit intelligence and emerging issues, policy developments, external engagement information and progress with work already underway.
- The Data Analytics Group published a new [online guide](#) to support colleagues in making more efficient and effective use of data in their work.
- Microsoft office 365 and OneDrive were rolled out across the business in Q1.
- Preparations for the new GDPR continued in Q1 and GDPR came into force on 25 May 2018.
- Cyber Security and Cyber Essentials work progressing.
- A new Professional Support web homepage was developed for easier access to information and guidance. Feedback from auditors to date is positive.
- We delivered a series of workshops for colleagues across audit teams on the revised Scottish budget process, including how parliament scrutinise the budget and the role of audit.

### Issues/ risks/ actions:

### Forward look:

- New MKI tool for audit data analysis expected in summer 2018.
- Performance Management Framework 2018/19 project is ongoing.


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

Key Performance Questions:	2017-18				2018-19				Actions
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
Are our people empowered and engaged?	G	G	G	G	G				
Are our people highly skilled?	G	G	G	G	G				
Are people performing well?	Y	Y	Y	Y	G				
How effective is communication and collaboration across the organisation?	G	G	G	G	G				
Are career paths offered across the organisation?	G	G	G	G	G				
Do we understand and support diversity within the workforce?	G	G	G	G	G				

**Empowered and engaged**

On the basis of the ‘whole basket’ of indicators and progress on BaBO we have changed the overall assessment on supporting our people from amber to green. The Performance and Risk Management Group considered the broad range of relevant indicators (and contra-indicators), for this objective and concluded the change was appropriate. Its’ consideration included:

- extensive developments through BaBO and the mainstreaming of this development work (role profiles, 3D personal development, career development gateways, time place and travel)
- Best Companies engagement survey – best ever score achieved in December 2017
- Extensive professional trainee programme and high pass rates
- Revised learning and development strategy and portal and continued investment in personal development
- Low sickness absence and turnover rates

We continue to prioritise empowerment, support and performance and the ‘green’ assessment does not indicate a reduction of attention in this area. The next Best Companies survey later this year will provide another opportunity to assess this important area.

In Q1 we started a major recruitment campaign to recruit up to 20 new colleagues to Audit Scotland and the interviews took place in June. The campaign was successful in identifying appointable candidates across all grades. There remain some specialist roles / positions (including ASG qualified accountants

and PABV Audit Managers) where further targeted efforts are required to source the required number and calibre of people. This will continue throughout Q2, and will also align with the upcoming Professional Trainee recruitment (due to conclude Q3).

As part of our continued commitment to Women in leadership, sessions with Caroline Gardner, Diane McGiffen and Fiona Kordiak took place during April and May. Further sessions with members of the Accounts Commission will take place in late Summer / Autumn.

Several team check-in sessions took place in PABV in Q1. These focussed on organisational and business group specific priorities for the 12/18 months.

We continued to review 3D, including reporting on business group completion rates and sharing this data with the People Leads.

**Career Paths** - In Q1 we received a further nine CDG applications and ran a further CDG manager awareness session in May. Since we began CDG in December 2017, we have received a total of 17 submissions. Of those 17, 11 colleagues have demonstrated the required evidence and are progressing into the next zone.

**Wellbeing** - The Chief Operating Officer and PCS chair issued a joint communication sharing the results of the stress survey with colleagues. This illustrated how the learning points will be woven into our 2018/19 wellness calendar, and reminded colleagues about our zero tolerance to bullying at Audit Scotland.

**Absence levels** - Absence levels have increased slightly in relation to previous quarters. However, our absence levels remain low.

	Q1 days	Q2 days	Q3 days	Q4 days	ytd days
<b>Audit Scotland - 18/19</b>	1.28				
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

**Staff turnover** - lower than the same quarter last year (1.77) and lower than the previous quarter (1.41)

2018/19	Q1	Q2	Q3	Q4	YTD	17/18	CIPD benchmark
Resignations %	1.08					6.75	5.5
All Leavers %	1.08					12.79	13.6

**Exam results:** In Q1 there were three exams taken and three passes.

	Q1	Q2	Q3	Q4	YTD	17/18
Exams taken	3					121
Exams passed	3					106
% pass rate	100					88

**Career paths and secondments**

We received 17 submissions since the start of the Career Development Gateways(CDG) December 2017. Through this process 11 colleagues demonstrated the required evidence and are therefore progressing into the next zone.

Vacancies filled	18/19 YTD	17/18
Internal	0	15
External	2	21
<b>Total</b>	<b>2</b>	<b>36</b>

Secondments	18/19 YTD	17/18
17/18 - New	1	0
17/18 - Existing	3	7

**Equalities**

In Q1 we published an [annual diversity report](#) and two equality impact assessments (EIAs). The EIAs covered the [Career Development Gateways](#) and [Reward processes](#).

**Highly skilled** - L&D events are summarised below.

	Q1		Q2		Q3		Q4		YTD		17/18	
	Events	Attendees	Events	Attendees	Events	Attendees	Events	Attendees	Events	Attendees	Events	Attendees
Health & Safety	1	1									1	25
Knowledge Cafes	2	15									12	266
Learning & Development	1	6									8	64
Management Development	4	41									8	54
Organisational Development	2	20									26	496
Technical Training	12	227									31	469
<b>Total</b>	<b>22</b>	<b>310</b>									<b>86</b>	<b>1,374</b>

**Issues/ risks/ actions:**

**Forward look:**

- An external training provider will be training the third tranche of CDG panellists in October 2018. We currently have 27 trained CDG panellists and hope to train another 8-10 colleagues at this session.
- Wellness – the focus of the wellness calendar in Q2 is emotional health, resilience and stress. Free NHS Healthy Working Lives sessions on these topics have been promoted through the L&D portal along with a further mindfulness awareness session in Glasgow. A TED talk on stress has also been scheduled to promote discussion of this important area between colleagues.
- Best Companies Survey – autumn/ winter 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 (Q4) was considered by the Management Team on 8 May 2018 and the Board on 6 June 2018.
3. This report was considered by Management Team at its meeting on 31 July 2018

## Progress on the BWC improvement programme

4. We continue to make good progress on the programme. The programme has been updated to reflect the strategic objectives in the [2018 -21 Corporate Plan](#) and where development work is complete and the new arrangements have been mainstreamed. Progress headlines since the last report include:
  - Delivering World Class Audit:
    - Audit Quality – [Annual Quality Report 2017/18](#), the [Q3/Q4 report](#) have been produced and [improvement actions](#) to respond to these have been developed
    - New financial powers and constitutional change – engagement with a wide range of stakeholders and new financial powers and social security teams in place.
  - Being a Better Organisation (BaBO):
    - Extensive recruitment and selection campaign to build capacity in accordance with the workforce plan
    - [Learning and Development Strategy](#) published and promotion of the [Learning and Development Portal](#)
    - Career Development Gateways – to date we have had 18 submissions and 12 evidenced transitions.
    - Work is progressing on the business intelligence led performance management framework project PMF2018.
  - Making a Difference:
    - Auditing Best Value – the new approach is now embedded and the Accounts Commission, the Management Team and the Audit Scotland Board has considered the [review of year one](#).
    - Extensive parliamentary engagement
    - Innovative products – including the [Year of Young People e-Hub](#) and increased use of video [animations](#) to support reports.
5. The appendix provides more detailed information on each of the BWC workstreams.

## Recommendations

6. The Board is invited to note the progress made in Q1.

	<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>On 23 May 2018 the Audit Committee considered the he Q3/Q4 update report, the draft 2017/18 Annual Quality Report and a report <a href="#">planned improvement actions</a>.</p> <p>The <a href="#">Audit Quality Committee</a> met on 17/04/18</p> <p>The 2017/18 Annual Quality report was <a href="#">published</a> on 15/06/18.</p> <p>The report found that ‘there is strong evidence of compliance with auditing standards and the Code, and overall good levels of other evidence of audit quality with some limited improvements identified for audit work delivered in the period 1 April 2017 to 31 March 2018’.</p>	<p>The key milestones are:</p> <ul style="list-style-type: none"> <li>• Next meeting of the Audit Quality Committee – 08/08/18</li> <li>• Consider standards required for PABV work and compliance with International Standards on Auditing (ISA’s) – September 18</li> <li>• Develop an audit quality issues escalation process (triggered by internal QA or an external complaint) – September 18</li> <li>• Audit Quality Project lessons learned review – September 18</li> <li>• Development of a new, more co-ordinated approach to client engagement on quality integrated with other corporate engagement activities – proposal to Management Team September 18.</li> <li>• Implement improvement actions arising from the first year’s operation under the new audit quality framework during 2018/19.</li> </ul>

Project/ initiative/ product	Status update	Next steps
<p>New financial powers and constitutional change (NFPCC) including EU withdrawal</p>	<p>We published the most recent report on the <a href="#">implementation of the Scotland Acts</a> on 28 March 2018.</p> <p>The Board considered an <a href="#">update report</a> on the new financial powers and constitutional change at its meeting on 2 May 2018.</p> <p>The Audit Committee considered a <a href="#">risk interrogation</a> on the risk of failure to assess and respond to the impact of EU withdrawal at its meeting on at its meeting on 23 May 2018.</p> <p>We have established two new cross-organisation teams, with responsibility for the audits of social security and wider public financial management work. Colleagues were invited to express an interest in this work and both teams have a mix of people from ASG and PABV. We are identifying the particular skills that are needed in these two teams, and for our wider work, and will be targeting learning and development activity in these areas.</p> <p>We have identified a professional lead for EU withdrawal, who is leading our programme of engagement in this area. They will work with colleagues across the organisation to develop our audit work programme and manage any organisational implications.</p> <p>Communications - we continue to use a <a href="#">dedicated Yammer site</a> to share information and seek the views of colleagues. We have shared reports/ briefings from a wide range of sources including, Scottish Government, Scottish Parliament, Scottish Fiscal Commission, Spice, HMRC, EHRC, Fraser of Allander Institute.</p>	<p>The key milestones are:</p> <ul style="list-style-type: none"> <li>• Developing our audit approach and work programme for the audits of social security and public financial management – ongoing</li> <li>• Developing our programme of engagement and audit work in response to EU withdrawal – ongoing</li> <li>• Providing a briefing paper to the AGS and Accounts Commission on the potential implications of EU withdrawal on public bodies – Autumn 2018</li> </ul>



Being a better organisation

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"> <li>• Job Design</li> <li>• Reward &amp; Recognition</li> <li>• Performance Appraisal</li> </ul>	<p>The focus for 2018-21 is on getting the benefits of the significant BaBO developments over the last three years.</p> <p>Wellness checks concluded in Q4, with a total of 163 staff attending, representing 58% of the workforce.</p>	<p>The key milestones are:</p> <ul style="list-style-type: none"> <li>• Wellness International will be sharing the aggregated results of the 2018 wellness checks of 2018/19 with the Health, Safety &amp; Wellbeing Committee in Q2.</li> <li>• TED Lunch &amp; Learn event on stress 4 September 18</li> </ul>
<p>How we learn and develop</p> <ul style="list-style-type: none"> <li>• planning careers</li> <li>• developing skills</li> <li>• professional training schemes</li> </ul>	<p>Learning &amp; Development (L&amp;D)</p> <p>In July we published the <a href="#">L&amp;D strategy</a> and a refreshed <a href="#">L&amp;D portal</a> that makes accessing learning easier.</p> <p>Career Development Gateways</p> <p>To date we have received 18 CDG submissions, 12 have been 'evidenced', three have been 'needs more evidence' and three have been 'no evidence'. One of the evidenced submissions was a resubmission.</p> <p>We carried out a CDG review involving 18 panellists in June. We trialled several amendments to the process as a result of ongoing feedback from colleagues making submission e.g. advising an individual of the outcome as soon as it is known, these are now a permanent part of the process. We also introduced a CDG submission checklist.</p>	<p>The key milestones are:</p> <ul style="list-style-type: none"> <li>• Implementation of L&amp;D Strategy and Plan during 2018/19</li> <li>• One-year review of CDG – Winter 2018</li> </ul>

Project/ initiative/ product	Status update	Next steps
Resourcing	<p>We recently ran an extensive recruitment and selection campaign to ensure we have the people we need to meet new and increasing audit responsibilities and to fill vacancies created from internal moves, promotions and leavers.</p> <p>On 17 July 2018 Management Team considered a report on the outturn of the recruitment and selection campaign. Key points included: use of internal and external social media campaigns, extensive campaign promotion including dedicated web hub, and the use of CDGs. We received 201 applications, 23 of which were internal (and a further six CDG submissions) and made 19 appointments. Our professional trainee scheme will continue to play a key role in bringing talented people into Audit Scotland.</p> <p>We have also started the assessment and interview process for our graduate and school leaver professional trainee schemes where we're looking for around 10-12 talented people to start their careers in public audit with us.</p>	Complete recruitment and selection process and onboarding.
Strategic leadership	<p>Professional leadership areas for members of the Leadership Group (LG) were confirmed in December. Professional lead scope documents have been developed along with a <a href="#">development agenda for 2018</a> including; 360 feedback, a programme of personal development (inc. MBTI), and external speakers</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.</p>	<p>The key milestones are:</p> <ul style="list-style-type: none"> <li>• Development of scope and objectives for professional leadership areas – ongoing 2018</li> <li>• Themed MT meetings – ongoing 2018</li> </ul>
Performance management and business intelligence	We have established a short life working group to develop the detailed implementation plan. This work is under-way, the priority workstreams are:	<p>The key milestones are:</p> <ul style="list-style-type: none"> <li>• Implementation of a new Business Intelligence led approach to performance management during 2018/19.</li> </ul>

Project/ initiative/ product	Status update	Next steps
	<ul style="list-style-type: none"> <li>• Engagement and communication (reflecting the fact that this project is as much about working culture as a technical implementation)</li> <li>• Time recording (streamlined single set of codes, systems training and practical guidance)</li> <li>• Systems (sourcing data in systems, data transfer and cleansing, data warehouse development)</li> <li>• PMF dashboards (design and development)</li> <li>• PMF reports (a suite of performance reports)</li> <li>• PMF analytics (a tool for more specific analysis)</li> <li>• Systems administration (change control, systems administration)</li> </ul> <p>The working group and workstream leads are currently developing detailed scopes, timelines and resource requirements.</p>	
SharePoint Online	<p>During 2018/19 we will complete the Office 365 implementation by introducing a new cloud based version of ishare.</p> <p>The O365 project has already delivered cloud based versions of Outlook, Office 2016 products and OneDrive. The next stages are the design, build, test and transfer of files to SharePoint Online.</p> <p>The O365 Project Board meet monthly, have held development workshops and are currently consulting with business groups on the new design, streamlining metadata and simplifying the file retention and disposal arrangements. The project is at an early design phase and will be adopting a thorough testing process throughout. This will ensure the confidentiality, integrity and availability of our information is not impacted as a result of the transition to the new SharePoint Online environment.</p> <p>Progress updates will be provided to colleagues through the O365 Yammer channel.</p>	<p>The key milestones are:</p> <ul style="list-style-type: none"> <li>• Initial site structure and design for ASG, PABV, Digital Services, Communications, AAT and Corporate Governance – Summer 18</li> <li>• Confirmation of file transfer process - Autumn 2018</li> </ul>



Making a difference

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.

Project/ initiative/ product	Status update	Next steps
Auditing Best Value (BV) in councils	<p>The new approach to auditing Best Value is now mainstreamed. The Audit Scotland Board considered the <a href="#">review report</a> at its meeting on 2 May 2018.</p> <p>To date East Ayrshire, Fife and West Dunbartonshire have been published in 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"> <li>• End of 2018 - The second tranche of six BVARs will be reported to the Commission by December 2018.</li> </ul>
World Class Programme Development	<p>The <a href="#">rolling five-year programme</a> was published on 28 March 2018.</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 for Scotland 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>	<p>The key milestones are:</p> <ul style="list-style-type: none"> <li>• Strategic work programme stock take – Summer 2018</li> </ul>
Communications and engagement	<p>We are reviewing and refreshing the Communications and Engagement Strategy.</p>	<p>The key milestones are:</p> <ul style="list-style-type: none"> <li>• Revised strategy for consideration by Management Team and Board – September 2018</li> </ul>

Project/ initiative/ product	Status update	Next steps
Strategic approach to Parliamentary Engagement	<p>An important focus for 2018/19 involves supporting the Parliament in responding to the Budget Process Review Group (BPRG) and Commission on Parliamentary Reform reports recommendations. The revised budget process for 2019/20 started on 31 May with the publication of the SG's medium-term financial strategy.</p> <p>In May we hosted two workshops on the revised budget process. They involved around 80 attendees from the Scottish Parliament (committee clerks and researchers), the Scottish Government, COSLA, central government and health bodies, and auditors. The discussion focused on how we can work together to help implement the new process and support improved budget scrutiny. Feedback on the workshops was positive and we continue to work with colleagues in the Scottish Parliament and others to help communicate and support implementation of the revised budget process.</p>	<p>The key milestones are:</p> <ul style="list-style-type: none"> <li>• Communication of work programme to key Parliamentary stakeholders – March/April.</li> <li>• Budget scrutiny workshops - May</li> <li>• Implementation of the Accounts Commission's new approach to Parliamentary engagement – Spring 2018</li> <li>• Strategic planning engagement with PAPLSC – Summer 2018</li> <li>• Budget scrutiny support – Autumn 2018</li> </ul>
Digital Audit	<p>The Board approved the <a href="#">Digital Audit Strategy</a> in October 2017. The strategy contains a variety of commitments under three main streams of work:</p> <ul style="list-style-type: none"> <li>• Auditing digital</li> <li>• Digital auditing</li> <li>• Digital capacity and resilience</li> </ul> <p>The <a href="#">Digital Services Strategy 2018-21</a> 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 <a href="#">Data analytics guidance</a> for colleagues.</p> <p>In the audit analytics workstream we have demonstrated end-to-end journal collection, analysis and risk assessment on six NHS bodies, 1 central government, 4 councils and 2 pension funds. The multi-factor risk assessment performed well against other sampling methods and was built to be sector neutral. The GLiQ</p>	<p>Implementation of the Digital Audit and Digital Services strategies 2017-21.</p> <p>Co-hosting workshop with LG digital office on digital opportunities and audit – September 2018</p> <p>Auditing digital – rolling work programme includes:</p> <ul style="list-style-type: none"> <li>• Superfast Broadband (2018/19)</li> <li>• Digital progress in CG &amp; health (reporting early2019/20))</li> <li>• Digital progress in LG (reporting early 2020/21)</li> <li>• Digital services (learning or justice tba) (reporting 2021/22)</li> <li>• Progress against digital strategy – five years on (reporting 2022/13)</li> </ul>

Project/ initiative/ product	Status update	Next steps
	<p>Excel app is highly automated and is tailored to the public-sector audit environment.</p> <p>Meetings have been held with the other UK agencies and topics for collaboration and lead agencies were agreed.</p>	<ul style="list-style-type: none"> <li>• Digital progress across government (X cutting) (2022/13)</li> </ul> <p>Digital auditing/ capacity - Audit analytics - Autumn 18</p> <p>Improve and enhance GLiQ</p> <ul style="list-style-type: none"> <li>• end-user experience</li> <li>• front-end for audit planning and control testing</li> <li>• collaborate with Statistics Group (and external consultant) to improve methodology</li> <li>• share with other audit agencies</li> </ul>
Innovative audit products	<p>We developed a <a href="#">video</a> to support the publication of the Annual Report and Accounts 2017/18.</p> <p>We have also developed an <a href="#">e-Hub</a> on the Year of Young People</p>	

## **Purpose**

1. This report updates the Board on the Scottish Commission for Public Audit's (SCPA) report on Audit Scotland's 2017/18 annual report and accounts. A copy of the report is attached.

## **Background**

2. The SCPA considered the 2018/19 Annual report and accounts at its meeting on 20 June 2018. The minute and the official report of the meeting are available on the SCPA pages of the Scottish Parliament's website.

## **Recommendations**

3. The Board is invited to note the SCPA official report.



**OFFICIAL REPORT**  
AITHISG OIFIGEIL

**DRAFT**

# **Scottish Commission for Public Audit**

**Wednesday 20 June 2018**

**Session 5**

© Parliamentary copyright. Scottish Parliamentary Corporate Body

Information on the Scottish Parliament's copyright policy can be found on the website - [www.parliament.scot](http://www.parliament.scot) or by contacting Public Information on 0131 348 5000

---

**Wednesday 20 June 2018**

**CONTENTS**

	<b>Col.</b>
<b>DECISION ON TAKING BUSINESS IN PRIVATE .....</b>	<b>1</b>
<b>AUDIT SCOTLAND ANNUAL REPORT AND ACCOUNTS FOR THE YEAR TO 31 MARCH 2018 .....</b>	<b>2</b>

---

**SCOTTISH COMMISSION FOR PUBLIC AUDIT**

**1<sup>st</sup> Meeting 2018, Session 5**

**COMMISSION MEMBERS**

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

\*attended

**THE FOLLOWING ALSO PARTICIPATED:**

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

**LOCATION**

The Adam Smith Room (CR5)

# Scottish Commission for Public Audit

## Meeting of the Commission

*Wednesday 20 June 2018*

*[The Chair opened the meeting at 09:30]*

### Decision on Taking Business in Private

**The Chair (Colin Beattie):** Welcome to the first meeting in 2018 of the Scottish Commission for Public Audit. As always, I ask that all members and witnesses keep questions and answers concise and to the point. I also ask that everyone ensures that their electronic devices are switched to silent mode. We have apologies from Jenny Marra.

Agenda item 1 is consideration of a decision on whether to take item 3 in private. Do members agree to take that item in private?

**Members** *indicated agreement.*

# Audit Scotland Annual Report and Accounts for the Year to 31 March 2018

09:30

**The Chair:** Agenda item 2 is evidence on Audit Scotland's annual report and accounts for the year to 31 March 2018. Members have a copy of the annual report and accounts in their meeting papers.

I welcome to the meeting Ian Leitch, who is the chair of Audit Scotland's board. He is accompanied by Caroline Gardner, who is the Auditor General for Scotland and, from Audit Scotland, Diane McGiffen, who is the chief operating officer, and Stuart Dennis, who is the corporate finance manager.

I invite Ian Leitch, and then the Auditor General, to make short, introductory statements of no more than a couple of minutes.

**Ian Leitch (Audit Scotland):** Thank you, chair. Good morning, members. As you know, our role as a board is to oversee the exercise of all Audit Scotland's functions. Audit Scotland supports the Accounts Commission and the Auditor General in their roles of providing independent assurance to the people of Scotland that public money is spent properly and provides value for money. Audit Scotland must also demonstrate the same things in managing its finances prudently.

As you will see from this year's annual report, we have managed to deliver £2.4 million in efficiencies, cost reductions and additional income against a target of £1.8 million. That was 9.6 per cent of our total expenditure budget. Most savings came from revised external firms' audit contracts, staffing costs following organisational changes and reduced consultancy expenditure and training costs.

In 2017-18, Audit Scotland spent £25.6 million on services for the Auditor General and the Accounts Commission. Of those costs, £18 million was recovered through charges to audit bodies and from other income. The balance of £7.6 million net operating expenditure and the net finance costs of £0.9 million were met from direct funding provided by the Scottish Parliament, on the recommendation of the commission. That sum of £8.5 million was £0.6 million below the estimate—budget—for the year.

The board has met eight times during the year. Its committees—the audit committee and the remuneration and human resources committee—met nine times in all. I am very grateful for the support of fellow board members. This year, we welcomed Dr Graham Sharp as the new chair of

the Accounts Commission, who was appointed by ministers. I thank Ronnie Hinds, who is the vice-chair, for carrying out that role on an acting basis.

**Caroline Gardner (Auditor General for Scotland):** This is a time of significant change for public bodies, with new challenges and demands on public audit. We are responding by investing in our people and strengthening our audit quality regime. The focus on audit quality reflects the risks associated with increasing pressures on audited bodies and the cost reductions that we have achieved through the most recent round of audit appointments.

We have set up two new teams—the appointments and assurance team and the professional support team. One of the first tasks of the appointments and assurance team was to develop a new audit quality framework that combines the highest professional and ethical standards, with strengthened arrangements for internal quality reviews, external quality reviews commissioned from the Institute of Chartered Accountants of Scotland and enhanced reporting on audit quality to me, the Accounts Commission, the Audit Scotland audit committee and the public. We consider that that is the most rigorous approach of any public audit agency in the United Kingdom.

The new professional support team works closely with the appointments and assurance team to provide guidance, advice and support to auditors. We are represented on and engage with a wide range of UK and international professional bodies and audit agencies, allowing us to influence professional standards and share good practice.

We have maintained our focus on the implementation and impact of Scotland's new financial powers. That is a critical area, where Scotland's overall budget will be far more closely tied to the performance of the Scottish economy, with much more volatility and uncertainty than in the past, and therefore there is a greater need to ensure financial sustainability.

As always, we will do our best to answer the commission's questions.

**The Chair:** Thank you for that. We will open up the session to questioning; I will ask the first question.

Staff costs represent around 67 per cent of Audit Scotland's budget. Obviously, anything that affects staff terms and conditions can have a fairly profound effect on that budget. On page 10 of the annual report, Audit Scotland stated that it has

"implemented a new strategic approach to managing and developing people".

That is a recurring theme in the report. On page 56, Audit Scotland reported that it has

"developed a new, simpler and more flexible approach to pay, reward, career progression and how we resource the audit work."

Will you give some background information on and explanations of the new strategic approach and identify the expected outcomes and improvements?

**Caroline Gardner:** I will kick off on that and then ask Diane McGiffen to pick up on how we are doing that.

That is a really important issue for us. As the commission knows, we can carry out our work only by having the appropriately skilled and qualified staff to do it, and we quite rightly work within the constraints of the Scottish Government's pay policy, which means that we have to work hard to ensure that we can recruit and retain staff who are also in demand by professional accountancy firms and public bodies more widely. That means that we have to think about our overall reward package, the way we develop people, and the way we shape jobs to make them attractive to people now and for the longer term.

Diane McGiffen has been leading on that work. I ask her to talk members through how we do that.

**Diane McGiffen (Audit Scotland):** We have worked with colleagues in Audit Scotland for around three years to build and redesign how we organise work and create career progression, and on how we handle promotion and development, and therefore how we can recruit in the external market and internally when we come to do that.

We have organised our job roles into three job families. There are proposals for colleagues to progress within those job families and to use the career development gates process in order to make a case that they are able to take on additional work or for the business to decide that it has opportunities and would like to invite people to gain new experiences and broaden their opportunities. For the first time, we have a single structure of job families for the whole organisation that includes people who work on financial audits, best-value audits and performance audits, and our corporate support services team. Therefore, everyone can see clearly how they work together in the different parts of the business.

Taking quite a hard look at how the previous systems that we used worked or did not work for us was key. We found that internal and external recruitment and promotion opportunities caused quite a lot of dissatisfaction for colleagues, as there was a time-consuming process, and it was felt that the feedback process could be improved for candidates. We have turned that around, and we use internal recruitment and professional

development, and our annual process of recording conversations to promote professional and technical development, which we call 3D. We use all of that to enable everyone in the organisation to build a portfolio of their experience and to be able to make a case for moving to do different things and expand their skills and experience.

Our investment in professional training and professional development underpins all of that. Our graduate trainee scheme fits into that model, but it also has the goal of delivering professionally qualified auditors at the end of it.

We are looking to enhance the sense of everyone working for one organisation rather than on individual projects or outputs for the business. That has gone really well for us. It enables us to offer in the jobs market something that is attractive and simple and to give people a clearer idea of career progression. That is because all those changes have been linked to a much simpler pay model that has simple incremental steps.

As a business, we try to ensure that we offer flexible employment opportunities, a rich development and career training environment and the great experience that comes from working for an organisation that is able to look across the whole public sector and produce reports and outputs that can help to make a difference to public services. In the external recruitment market, that approach is successfully attracting applicants to come and work with us. As you know from our need to expand to meet the responsibilities of the new financial powers, attracting new people is one of the things that we need to do well this year.

**The Chair:** That sounds good. I have had a look at your retention levels, but the approach does not seem to have had a huge impact on them yet.

**Diane McGiffen:** The retention levels this year are a combination of a number of factors. They include some fixed-term contracts that came to an end, some retirements and some student placements that came to an end. I will have to take my specs off to see this, but I think that the underlying resignations were 18, which is about 6 per cent of the turnover.

We examine all departures from the organisation to understand what is happening. We need some turnover to help with organisational rejuvenation. We discuss departures with individuals and managers to ensure that we pick up any signals that things are not going well. The turnover rate that is published in the annual report is similar to last year's. The underlying picture includes a number of people whose departure from the organisation would be known or planned.

**The Chair:** Information technology skills are important going forward and at the moment. They

are difficult to secure across the public sector. How are you handling that?

**Diane McGiffen:** You are absolutely right. That is the case for everybody, including us. We have been building a strong team. We have been focusing on investing in and developing the people who work with us and diversifying the number of posts that we have in IT. We have introduced some new systems in IT to bring greater resilience to the team. We have a senior manager on call 24/7. That rotates around a pool of three people. We have also brought in some external expertise.

We have been considering the benchmarking of pay in IT services and have had a discussion with the remuneration committee about the potential to recruit in a slightly different market for the skills that we need if necessary. So far, we have been able to develop our own people and source specific skills for short-term needs when we have them. We have also used a variety of external benchmarking. The strategic plan around our digital strategy is consistently focused on improving the security of our own digital services. We have built the skills of the team behind that. However, we are very aware that, should we need to recruit in the external market, that would be quite difficult.

**The Chair:** Is there a specific audit qualification in IT? Being able to carry out an IT audit is a specialised skill.

**Diane McGiffen:** The short answer is yes. There are a variety of things, but I would need to get better-equipped people than me to give you the detail. Some of those skills are in our organisation.

**Caroline Gardner:** Beyond that, it is increasingly the case that our auditors need to be skilled in digital matters. In the past, we had a small number of computer auditors who would go and examine the computer systems and the controls around them. We still have those people, but our digital strategy recognises that more and more public services are provided digitally and that auditors need to be able to understand what that means for the risks that they audit and when they need to bring in specialist expertise.

Our digital strategy is about what we audit, how we audit it and what skills that we need to do that. That involves a long-term investment programme, but we do not think that it will change the need to keep developing those skills for the future.

**Rona Mackay (Strathkelvin and Bearsden) (SNP):** Good morning. I would like to ask you about the process for prompt follow-up when risks and areas for improvement are identified in an audit. Can you explain how quickly you follow those up and why prompt follow-up has been identified as a priority for 2018-19?

**Caroline Gardner:** Can you refer me to the page that you are looking at, so we can focus on it?

**Rona Mackay:** I do not have the page in front of me at the minute.

09:45

**Caroline Gardner:** It operates in two ways. First, all of the audit work that we do is based on a proper understanding of the risks in the specific audited body. There are some risks that the auditor has to assume in planning their audit work, and a key one of those is the risk of material misstatements in the financial statements themselves.

Beyond that, everybody will have different risks. There are specific risks that we need to think about with regard to the new social security agency because of the scale of payments involved, the people affected and the importance of the payments to people's lives. The risks that are associated with things such as the common agricultural policy futures programme IT system are quite different from those and are closer to the sort of area that Mr Beattie was just asking about.

In that context, the starting point of the auditor's work every year is to make sure that they understand the organisation that they are auditing, what the risks are likely to be and what that means for the audit work that they carry out.

In Audit Scotland, our internal and external auditors go through a similar process. It is informed, to an extent, by our approach to risk management as a board, which is to make sure that we understand it. The process is obviously also designed to test that understanding and make sure that we have not missed things and that our response to a risk is the right one.

That feeds directly into the internal audit programme that is agreed by our audit committee with our internal auditors, and the results are reported back. We have quite a rigorous and transparent system in which the internal auditors' recommendations are reported back to the audit committee of the board on a regular cycle, together with updates from the management team on what progress we have made and what is still outstanding. The internal auditors do an annual report that provides assurance to the audit committee and the board that the process is working well, and that recommendations have not been lost as a result of that. There is a parallel between the two, but the process operates very rigorously within Audit Scotland.

**Rona Mackay:** Does the fact that it has been identified as a priority for improvement suggest that there was a weakness before?

**Caroline Gardner:** No. I think that that is referring to the audit work that we do on audited bodies. It is a recognition of the fact that there are increasing pressures on audited bodies as financial pressures continue to affect them and demand continues to rise.

We are seeing new areas of pressure, such as the new financial powers and, potentially, the UK's withdrawal from the European Union. Therefore the need to ensure that we focus on the most important risks is rising in priority each year.

Diane McGiffen might want to add to that.

**Diane McGiffen:** On the audit work that we do, the approach is also about how we discuss priorities within teams and how we prioritise resources, and about enabling us to do that a bit more quickly than we might have done in the past, which requires us internally to have good information about how we are deploying everyone. It is a continuous, on-going improvement process. We are always asking ourselves how we can get better at doing this. This year we are saying that we really think that there is something in this for us to focus on.

**Rona Mackay:** Thank you.

**Alison Johnstone (Lothian) (Green):** Good morning. On page 19 of the annual report, Audit Scotland states that a priority for 2018-19 is to "streamline" your audit work. However, on page 36, you state that fee income from audited budgets exceeded budget by £0.7 million due to additional work that was undertaken by in-house teams and external audit firms.

Can you explain how audit work might be streamlined in 2018-19, given the experience of 2017-18, when additional work was undertaken by in-house teams and external audit firms?

**Caroline Gardner:** I will kick off, if I may, on the reference to streamlining on page 19, and then I will ask Diane McGiffen and Stuart Dennis to pick up from there.

In a sense, this follows on directly from the question that Rona Mackay just asked. The expectations on us and the range of things that we are required to do are expanding, with new financial powers, increasing pressures and EU withdrawal all in the mix. We are conscious that we need to make sure that we prioritise the audit work that we do in individual audited bodies.

One benefit of the public audit system in Scotland is that we are able to benchmark the approaches that the Audit Scotland teams take with those that are taken by the various firms that carry out audit work on my behalf and that of the Accounts Commission.

There are some differences in the audit methodologies and the approaches that are taken. There is scope for making sure that people are carrying out that risk assessment and planning process and that it really drives through the audit work that they do—that they are clear about why they are carrying out each piece of audit work and that they are not carrying out audit work that is not related to the risks and priorities in that body.

There is a balance to be struck. We clearly need to make sure that we have a wider view of the body and that our antennae are open for other problems that we should follow up, but there is scope to streamline the audit approach in some areas and, more particularly, its application in individual bodies. Beyond that, we carry out the work that is required in an individual body when particular risks arise.

**Diane McGiffen:** In our model, there is always scope for appointed auditors and audited bodies to agree additional fees for additional audit work. That is not necessarily the same as saying that the audit was not streamlined. In a particular year, an audited body may be dealing with something for which it would like additional audit coverage, and it would agree an additional fee for that.

We are trying to do two things at the same time: we are making sure that our core audit provides risk-based coverage while being streamlined in terms of costs and how we are delivering it, and we are also giving auditors the ability to agree additional fees, if necessary, for additional work that is beyond the scope of what they were planning to do.

I will hand over to Stuart Dennis in a moment to tell you more about the additional fees that we generated in the past year. We monitor the situation closely and know what additional fees are being agreed between auditors and audited bodies. We follow that closely so that we can form a view about whether it is appropriate, but there is scope for the auditor on the ground to agree something locally.

**Alison Johnstone:** As a commission, we are seeking assurances that Audit Scotland has sufficient resources, reasonable plans and realistic budgets in place to complete the planned audits.

**Caroline Gardner:** We can absolutely give you that assurance.

The other thing to add to what Diane McGiffen has said is that, as well as having the ability to agree additional fees, if we think that additional audit work is required we can, effectively, impose an additional fee. One of the reasons why income was above budget last year was that additional fees were required for the work that we carried out at the Scottish Police Authority, for example, where a range of problems emerged during the

audit planning process, and in the audit of the European agricultural funds. The problems that arose from the limits of the ability of the CAP futures IT system to do what was required meant that additional audit work was required to fulfil the EU's requirements.

We have that safeguard that we can impose an additional fee when required, but you have my assurance that we have the resources that we need to fulfil our responsibilities, with the support of this commission and the additional resources that you have approved for us over the past couple of years.

**Stuart Dennis (Audit Scotland):** I can add a small amount. As the Auditor General said, a lot of the income came from the additional complexities around the European agricultural fund. We have a core indicative fee for what we are expecting to audit, but complex issues sometimes arise. One example was Aberdeen City Council, which had a corporate bond. That was a unique area, so the council agreed an additional fee for that with the audit firm. There are specific areas across the board for which an additional fee will be charged for extra work.

**Alison Johnstone:** On the issue of local government, Audit Scotland states on page 36 of its annual report that £0.4 million of additional fee income was raised due to—as you have said—

“complexity and additional work within the local government sector”.

In its budget proposal for 2018-19, considered by the commission in January 2018, Audit Scotland provided for a minimal increase of £18,000 in the fee income that it estimates as being receivable from the local government sector. Are you satisfied that the complexities and matters requiring additional work and fees in 2017-18 have been resolved and that the budget proposal for 2018-19 remains realistic, particularly in relation to the local government sector?

**Caroline Gardner:** It is certainly realistic overall. As the commission knows, we have refined the approach that we take to recovering our income through fees. Three-quarters of it comes through fees to audited bodies and about a quarter comes through the funds that are approved by this commission. With the board's support and encouragement, we have moved to a position where we now plan each year's budget on a sector-based basis and then reconcile that at the end of the year. Within local government and the other sectors that pay for their audit, there is always the ability for additional fees to be raised, where the work merits that, and that is one of the mechanisms that we use for balancing income and expenditure by sector. The complexities tend to arise at the level of an individual body, rather than

the sector as a whole, and that body will pay for the work that is required as a result of that, but we now monitor and report the sector balance in that way. It is something that the board has been keen to encourage, and I know that the commission has shown an interest in it as well.

**Alison Johnstone:** You have repeatedly advised us that audited bodies require certainty in respect of the cost of the audit. The additional work that was carried out in 2017-18 appears to have been unplanned and unbudgeted, so I think that the commission would like to seek an assurance that the additional costs in 2017-18 will not keep recurring.

**Diane McGiffen:** It may be helpful if we were to set out for you what is covered in the audit that we set the budget around, and the opportunities and need that we have as we deliver the audit to adjust fees as necessary. We try to keep that to a minimum, but I am afraid that it will always be necessary in some cases, because we have to recover the costs of additional work that is required. In the years that Stuart Dennis outlined, we had particular issues with the European agricultural funds audit. We are taking stock on the planning for those audits for next year, to see whether there were any systemic issues or whether they were one-off issues.

Prior to the start of the audit year every November we consult the Accounts Commission, in relation to local government, and the Auditor General, in relation to health and central Government, in order to take stock of the fee levels that we propose for those audits, and we will use the intelligence that we have from the year in practice to see what we are recommending. There will always be some departure from the budget that we set. That is unavoidable and it would not be right for me to assure you otherwise, but perhaps after the meeting we could give you a breakdown in greater detail of exactly what that was. Please be assured that we will examine all of that as we set fees for the autumn.

There is a dynamic process for preparing the budget that comes to you, preparing the audit fees budget and discussing everything with stakeholders. It is an iterative process that goes on all the time, but on some individual audits that is not possible, because events will have happened that we have to respond to.

**Alison Johnstone:** Are there ever occasions when unexpected increases in costs are a real issue for local government?

**Caroline Gardner:** No. The point that I would like to add to what Diane McGiffen has outlined for you is that the audit fees for the body are set on the assumption that they have in place good systems of internal control, that they are able to

prepare their financial statements and that those financial statements do not undergo significant change between the time when they are provided to the auditor and the end of the audit. In most cases, that assumption is sound and we are able to deliver the audit for the fee that is set out in the plan. However, in the case of the SPA over the past three or four years, we have seen real problems with some elements of the financial statements and a lot of additional work has been required to get them to the point where they can be audited and can be queried by the auditors.

Those are the sorts of circumstances where additional work is carried out, so an additional fee is required to recover the costs. If the audited body has in place robust systems and strong approaches to producing its financial statement, we deliver the audit for the amount of the fee that was originally planned. A lot of that variation is in the control of the audited bodies. It is a small number of audits and a small proportion of our overall costs, but we have made that more transparent and we are happy to give you a breakdown of the figures, if that would be useful to the commission.

**The Chair:** That breakdown would be very useful.

10:00

**Bill Bowman (North East Scotland) (Con):** I mention for the record that I am a member of the Institute of Chartered Accountants of Scotland and used to be a KPMG partner.

Professional training represents a significant investment not just in money, but in time when staff are not available to do their professional work. On page 10, you state that Audit Scotland has

“worked with ... graduate trainees to improve the trainee scheme”,

but on page 23 you show that there has been a decrease in the number of trainees achieving exam success, from a peak of 92.7 per cent in 2015-16 to 88 per cent in 2017-18, and on page 36 you say that training and recruitment costs were £0.1 million “less than budget”.

What actions are being taken to identify the reasons for the recent decrease in exam performance by trainees? How will it be addressed? Why was the training budget underspent? Can that be linked to the reduction in exam success?

**Caroline Gardner:** Our trainee scheme is a very important part of our overall workforce planning and is part of the overall approach that Diane McGiffen outlined earlier in the meeting. It is worth being clear to start with that our success

rate is still very high for professional examinations. ICAS has no concerns, and we discuss the matter with it regularly. Because of the numbers of students that we have going through, quite a small number can have a significant-looking impact on the pass rate. I ask Diane to talk you through the approach that we are taking to the trainee scheme, and the action that we are taking.

**Diane McGiffen:** I am very happy to do so. We began training in the ICAS scheme in 2010, and 38 trainees qualified across the 2010 to 2014 intakes. It takes about four years to qualify. I add, just to give you a sense of scale, that our total intake since we began is 92 trainees.

The 2016 intake of eight trainees got their exam results in January 2018, and 100 per cent of that cohort passed at the first attempt. In any year, we have people at different stages of training. The 2015 intake of 11 trainees sat various examinations last year and there were four examination failures. Those were single failures of a part of the exam, and they are all being resat. Two of the trainees have already passed, I think, and two are resitting in the current year, 2018-19.

We monitor the exam results closely and support the students closely, and we discuss the results with ICAS and with managers. ICAS believes that we have a good training scheme, and we have—as the Auditor General said—very strong results. What you see each year is a snapshot of people at different stages, but please be assured that we look at the matter very closely. We celebrate all the passes with our colleagues and we provide support to help them to get through to the next stage if, unfortunately, they have been unsuccessful.

The overall percentages vary each year because, if the numbers are relatively small, they can adjust the overall figure. Typically, 30 to 40 exams are sat in a year, but it depends on the numbers and the stages that people are at.

As we say in the annual report, over the past year we have been working with the cohort of trainees—who are a key part of our workforce—to understand how they would like the scheme and the support that we provide to work for them: we have had some brilliant initiatives this year that have gone very well. A cohort of trainees who have been developing their training skills have delivered training to the next cohort about what it is like as a trainee to do final-year accounts, for example. That has been really successful both for the people delivering the training, who have experienced something that will stand them in good stead when they are in front of audit committees and so on, and for the trainees who, when they face that experience for the first time, will have heard from and been coached directly by their peers about how to go about it and what to

do. We are continually enriching the scheme, which is very important.

We look closely at the exam results. We understand the process for, and experience of, every single person, and we have in place plans for every one of them. The position at the end of the year is not a concern in its own right.

I know that that was a detailed answer, but I know that the issue is important to the commission—it is important to us—but I wanted to give you an insight into the level at which we manage the graduate trainee scheme.

**Bill Bowman:** Maybe you could bring a trainee to the commission, to enrich their experience—if that is what it would do for them. [Laughter.]

**Diane McGiffen:** We currently bring trainees to the Public Audit and Post-legislative Scrutiny Committee.

**Bill Bowman:** How do you reward exam success?

**Diane McGiffen:** Our scheme has a cash payment for first-time exam passes. As part of our recent pay and reward negotiations, we have increased the amount. I am slightly sad to say that that is, I think, the first time in 14 years that we have done that. Although it is a small token, it is valued by trainees.

**Bill Bowman:** What are the consequences of not passing first time?

**Diane McGiffen:** There is support to try again and discussions about how the course and work are going. If there were repeated failures to progress, we would have a conversation about whether it was the right career choice for the person.

**Bill Bowman:** Do you have people in that circumstance?

**Diane McGiffen:** Occasionally, we do.

**Bill Bowman:** Generally, do you get people through?

**Diane McGiffen:** Generally, yes—we get people through. I would need to go back to check the data, but my sense is that we pick up in the first year or so if the scheme is not working for someone.

**Rona Mackay:** Page 22 of your report says that you have

“carried out an efficiency review of performance management and how we use our time.”

What was the outcome of that review? What improvement actions have been identified? I know that we routinely ask you about that topic, but will you fill us in on the position?

**Diane McGiffen:** I am happy to do so. The outcome of this year's reviews is that there is a need to integrate our time-recording systems. Our systems are fit for purpose, but they operate on two different packages, which means that there is a cost to us to process and bring together the information. The time-recording systems exist in that form for good historical reasons, but it is time to move on. Following the review, we have been working to develop an implementation plan. We will report back to the audit committee and the board this year.

We are looking to draw together our systems. There is a heap of IT complexity behind the issue, which I am happy to talk about.

**Rona Mackay:** You might lose me entirely. [Laughter.]

**Diane McGiffen:** Working through how the different systems work together now, how we future proof and how we manage data are tricky issues to resolve, but we have a way forward and we are working on its implementation. As I said, we will discuss the issue with the audit committee, which is, similarly, interested in that area.

**Rona Mackay:** Will the process give you an indication of how to measure improvement?

**Diane McGiffen:** Yes. We have loads of data, and the new approach will make it much easier for individuals to extract data for managers to use, and for everyone to know in real time how we are working and so on. At the moment, that is more difficult to do than it should be. As I said, the systems are fit for purpose and they give us good data, but they require more work than we want to put into them. Better options are available.

**Rona Mackay:** Will that mainly be achieved through IT?

**Diane McGiffen:** Yes—although there will be a mix of things. It is partly an IT project, and it is partly a culture change project—as is the case for all IT projects—in order to simplify time-recording codes and so on behind the scenes. We have a good project team working on it and we have had lots of dialogue in the business about it. We have clear agreement about the goal and we are working on the implementation plan.

**Rona Mackay:** I will take a different tack. On page 34, you report that, in 2017-18,

“273 new issues of concern”

were raised, that “Twenty-seven of those items” arose

“as prescribed persons under the Public Interest Disclosure Act 1998”.

and that “prescribed persons” are sometimes “referred to as ‘whistleblowers’”. That is quite an

increase on previous years. Could you expand on that? In general, how are “new issues of concern” dealt with?

**Caroline Gardner:** We take very seriously those contacts from members of the public—we sometimes get them from MSPs and others—because they are an important way for us to keep our feelers out there about what is going on in an individual audited body. If we receive a number of complaints about a council or health board, that alerts us to the possibility that the auditor might want to have a closer look at it.

Because of that, and because of the range of issues that such contacts from members of the public can cover, over the past few years we have concentrated on fine tuning the approach that we use to handle them, on making sure that it is properly resourced, and that we are very clear about what we can and cannot look at. Some things are not within our area of responsibility, in which case we try to signpost the concerned person to somebody who can help them. In cases in which we can deal with the issue that has been raised, we felt that we could do that more quickly and more satisfactorily than we had done it in the past, so the procedure is on our website and is very closely monitored by the management team and the audit committee.

A range of issues of concern about audited bodies can be raised, from concerns about how decisions have been made to sell or buy local assets, to concerns about whether to continue or reduce public services, or about how a contract was let. The issues that are raised vary a great deal. We produce a very detailed annual report on complaints handling that provides more information on the subject, but the key feature is variation.

**Diane McGiffen:** From an operational point of view, we provide an opportunity for people to raise concerns—which can come from a number of sources—through our website, as the Auditor General said, through auditors or through correspondence. We have a small team who handle all correspondence. They document it, review it and share the information from it. Every Monday, all the members of the leadership team in Audit Scotland get an email that documents any changes in the correspondence and how those have been handled, along with the responses that have been issued, the relevant timescales and whether those have been met. Those are discussed actively with teams in relation to the audited bodies concerned and the use of public money. A variety of actions might follow that, and we track and manage them all.

This year, there have been some changes. In the past, there have been years in which a particular sector or a particular topic has featured

more strongly in correspondence or in concerns that members of the public have raised. This year, no pattern is particularly dominant; it is simply the case that there has been a volume increase across a number of fronts.

**Rona Mackay:** My next question was going to be whether there is a recurring theme in the new issues of concern that have been raised.

**Diane McGiffen:** There is nothing that is particularly distinctive compared with previous years, except in some isolated cases. The team produce an annual report for the audit committee and the board, and we look systemically at which issues come up and why they come up. This year, there have been volume increases, but no new issues for us to deal with.

**Rona Mackay:** Has the increase, which is significant, resulted in additional audit work for you?

**Diane McGiffen:** On occasion, it has resulted in additional work. Sometimes, an issue of concern will be raised when we are already actively auditing an area, so investigation of that will be folded into work that is already planned.

**Rona Mackay:** So, there has been nothing terribly surprising this year—no issue has stood out. There has just been a general upsurge.

**Diane McGiffen:** Some of the issues that were raised with us were issues on which an audit was already being carried out and reported on in public, and some correspondents simply wished to contribute to our knowledge base.

**Rona Mackay:** Does anyone else want to comment?

10:15

**Caroline Gardner:** If we look at the new issues of concern, we can see that the trend over the past couple of years has been downwards, but there is a lot of variation from year to year. A couple of years ago, we received an awful lot of correspondence about one particular issue in the west of Scotland. It showed up in the numbers, but it did not require additional audit work because we were already looking at it.

On the whole, the issues tend to be quite small in the overall scheme of what we do, although they are clearly important to the people who contact us. The amount of extra work by the audit team that is needed to resolve the issues does not blow the budget, because we plan to do some of that work anyway; we do our best to accommodate the extra work. Only if the issue is very significant do we need to consider whether there is a requirement to ask the audited body for an additional fee if there has been a failure on its part, or to reallocate

resources within the audit plan to deal with the issue. However, that is unusual.

**Bill Bowman:** Do you have a total of the revenues and the assets in all the financial audits that you perform? That would give us an idea of the scale. You might not know the answer to that, so you can perhaps tell us later.

**Caroline Gardner:** I can give you an indication of the total. However, as you know, one of the challenges is that lots of related party transactions are included. The overall expenditure is more than £40 billion, at the moment. On the assets and liabilities, about three years ago we tried to produce an estimate of what a balance sheet for Scotland would like look. I think that we came up with a figure of about £120 billion of assets and liabilities. However, I would need to come back to you on what is included in and excluded from that figure.

**Bill Bowman:** I am not asking you to do a lot of work. It would just be good to get a feel for the size of the clientele.

**Caroline Gardner:** I can refer you back to the figure that we produced three or four years ago. The £40 billion expenditure figure is the more robust one. That is the overall devolved budget that is spent in Scotland.

**Bill Bowman:** That is what Audit Scotland audits.

**Caroline Gardner:** That is what is audited on behalf of me, as the Auditor General, and the Accounts Commission for local government. As you know, we appoint firms of auditors to do about a third of the work.

**Ian Leitch:** Yes: they do a third.

**Bill Bowman:** On the financial statements, you have a process for dealing with complaints. Page 34 of the report says that one complaint

“about a recruitment campaign ... was upheld.”

I will not ask about the details of that complaint, but what action has been taken to ensure that the circumstances that resulted in that upheld complaint have been addressed and will not recur?

**Caroline Gardner:** We got that matter wrong. During a recruitment campaign, we were informed of a candidate's additional support needs in advance. However, on the day, we failed to take those needs into account and the candidate complained to us. We investigated what had happened and apologised to them. We have tightened our procedures to ensure that that does not happen again.

**Bill Bowman:** If someone complains and is not happy, what can they do?

**Caroline Gardner:** We respond through our complaints process. We have a complaints procedure for people who wish to complain about our work and the actions that we have taken. That process has within it levels that you would expect—including, where necessary, a review by a member of the board. If the complainant is not happy, they can complain to the Scottish Public Services Ombudsman, which has happened, on occasion.

**Bill Bowman:** Has that happened recently?

**Caroline Gardner:** I think that there was one referral to the ombudsman during 2017-18, but the ombudsman concluded that we had handled the complaint properly and was not minded to investigate it further.

**Bill Bowman:** During the past year, a member remarked in the chamber that they did not know about something because the auditors had not raised it. I read in the newspaper recently that a chief executive at an employment tribunal had said that they did not know about something because the auditors had not raised it. We will set aside the rights and wrongs of the specific cases. I am sure that your reports, engagement and contracts all make clear the responsibilities of the auditors and the responsibilities of management, but do you need to do more to make boards and chief executives or other senior people aware of their and your responsibilities?

**Caroline Gardner:** We have been reflecting on that issue over the past few months for reasons that you will understand. In many ways, it is difficult to know what more we can do. As Bill Bowman said, in the letters of appointment to the firms, it is very clear what their responsibilities are. The Accounts Commission and I produce a statement—"Public audit in Scotland"—which makes clear our responsibilities and the responsibilities of boards and those who are charged with governance. That runs through the "Code of audit practice", the annual audit plan and the annual audit report. The annual audit report is a full-form document that accompanies the financial statements to the audit committee and the board at the end of each year, and is then published on our website as well as being available through the audit committee papers.

In the case of national health service bodies and central Government bodies, all those documents—the financial statements and the annual audit reports—are laid in Parliament: they are public documents. We try to be clear about what people's responsibilities are. Most such documents are laid in Parliament by the Government. For the NHS, they are sent to the Scottish Government health directorate for laying; I assume that the directorate has a process for reviewing them for any significant items and for taking action where it

needs too. We engage with it regularly about our concerns.

As members of the Public Audit and Post-Legislative Scrutiny Committee, Bill Bowman and Colin Beattie know that we have reported on a number of those issues through the formal statutory section 22 process, as well. I struggle to know what else we can do to ensure that people who are charged with governance take that responsibility seriously, but it is obviously a concern if that is not happening routinely.

**Bill Bowman:** There is always a risk that blaming you becomes a standard response. What you describe is fair enough, but it sounds a little bit passive compared with recording your concerns with the bodies when you meet them face to face to do your planning or your closure.

**Caroline Gardner:** I assure you that that happens routinely. Our auditors meet the audited body's director of finance and his or her team regularly, particularly at the planning stage and during the final accounts period. Because the annual audit report is a public document, there is a process of reviewing the draft of it to ensure that any comments that they have are taken into account, so there should be no surprises in it.

The auditors routinely attend audit committees across the public sector and present their findings to them. There is a concern that, in some instances, an audit committee is unwilling or unable to fulfil its responsibilities in the way that you and I would expect it to. The auditors will continue to engage with it and make as clearly as they can the points about the issues that such a committee needs to be sighted on.

The most persuasive levers that we have are, first, that we report in public, and secondly the role of the parliamentary Public Audit and Post-Legislative Scrutiny Committee, which is very much focused on following up the issues. However, we have been reflecting on what it means that some of those statements have been made over the past few months.

**Alison Johnstone:** Pay for senior staff is a matter of public interest. I note that, on page 54 of the annual report, Audit Scotland reports that the highest-paid member of Audit Scotland is paid 3.4 times the median remuneration paid to Audit Scotland staff. Do you have any idea how that compares to the wider public sector?

**Caroline Gardner:** We think that it is not atypical for the wider public sector and is probably quite low, but not for reasons for which we can take much credit, to be frank. There are two reasons for that. One is that my salary is set not by Audit Scotland but by the Parliament—I am an office-holder of Parliament—and that sets the context for our pay overall. Secondly, we have

fewer low-paid staff than many public bodies. Most of our staff are professionally qualified accountants and we do not have many staff in close-to-living-wage roles. The ratio tends to be smaller than it would be for a council or a health board for those reasons rather than reasons to do with our pay policy.

Is there anything that you want to add to that, Diane?

**Diane McGiffen:** No. That is fair. The ratio has stayed in a pretty similar area over time; it has not shifted much. We are an accredited Scottish living wage employer and we have extended Scottish living wage provisions to contracts that we let for cleaning services, for example, and built them into the contracts.

We are conscious of the low-pay agenda and we actively discuss it with the Public and Commercial Services Union, our trade union, every year. The figures have been pretty stable over time. The composition of our workforce is dissimilar to that of large public sector bodies, which makes direct comparisons difficult.

**Alison Johnstone:** Thank you for your comments.

**The Chair:** A comparison between Audit Scotland's budget proposal for 2017-18 and the actual expenditure on page 80 of the annual report and accounts shows that Audit Scotland significantly underspent on a number of budget lines, with the exception of fees and expenses to appointed audit firms, other accommodation costs and staff recruitment. Obviously, we welcome any cost savings, but are those underspends recurring and will they form the basis of future budget proposals?

**Caroline Gardner:** I do not think that we had a significant underspend at all in the year. I think that our overall underspend was about £0.6 million, of which £0.2 million was to do with the pension adjustments that we are required to make at the end of the financial year and about £0.4 million was due to a limited number of underspends. Rather than mislead the commission, I ask Stuart Dennis to keep me straight on what made up the £0.4 million underspend.

**Stuart Dennis:** Principally, it would have been made up of training and consultancy costs, which we have a budget for and which is where the management contingency is. We saved there.

A big reduction from 2016-17 is shown on page 80. In 2016-17, we had the national fraud initiative, which costs around £190,000. We did not have that in 2017-18, but it is in the budget for 2018-19. We need to have a budget allocation for that every two years.

**The Chair:** There are significant drops in things such as training and, to get down to the nitty-gritty, stationery and printing.

**Caroline Gardner:** Schedule 4 on page 80 shows the actuals for 2017-18 and 2016-17. There are some differences between the two years. That is partly to do with our continuing drive to generate efficiencies where we can do so without affecting the quality of the work. As Stuart Dennis said, between 2017 and 2018, the £200,000 that is required for the national fraud initiative, which is a biennial exercise, was taken out. That shows up in legal and other professional fees. The differences are actual to actual between 2016-17 and 2017-18.

**The Chair:** I would like to whip through one or two items that stick out for me in the report. Page 12 mentions a new audit quality framework. Would it be possible to get a copy of that? I am not going to interrogate you about it but, out of interest, can members see it?

**Ian Leitch:** Yes.

**Caroline Gardner:** Of course. That has been a big area of investment for us this year. We will happily let you have a copy of the framework and a copy of the annual audit quality report that we publish.

**The Chair:** Perfect. On page 11 of the report, you say that you have

"implemented a new approach to auditing Best Value".

Out of interest, would it be possible to get details of that, as well?

**Caroline Gardner:** Certainly.

**The Chair:** Page 36 mentions

"reduced consultancy expenditure and training costs".

We have talked about training costs. There has been a significant drop in them. What drove the drop in consultancy expenditure? How have you been able to accommodate that?

**Caroline Gardner:** The consultancy expenditure is a budget that we maintain because of the range of topics that our performance audit programme in particular can cover. We need to ensure that we have the professional expertise to carry out our work, and sometimes that means bringing in specialist support to help us. However, we can bring in that support in other ways. For example, we have had a significant number of secondments from other public bodies to help us with that. The commission will see a trade-off between agency and secondment costs versus consultancy costs. That is part of what happened there.

**The Chair:** I refer to the cash-equivalent transfer value at 31 March 2018, on page 54. You

can tell me if I have got this wrong, but does that imply that some of the people who are mentioned are reaching their pension cap?

**Caroline Gardner:** Yes, it does.

**The Chair:** Indeed, one has exceeded it.

**Caroline Gardner:** Yes.

**The Chair:** Are there any implications for employment?

10:30

**Caroline Gardner:** There are implications for an individual's personal tax affairs. As commission members will know, over the past few years, the UK Government has introduced both a lifetime allowance limit and an annual allowance limit. A number of people who are employed across the public sector and who are in or are reaching their mid-50s are likely to be breaching those caps, which were introduced at a high level—I think they were initially £1.8 million—and have gradually been reduced to a point at which they are now about £1 million.

Therefore, the implications are for the tax liabilities of the individuals themselves, and will need to be met by them. As the Public Audit and Post-legislative Scrutiny Committee has discussed, there is at least a risk that it will affect future career decisions that individuals take. However, I can only speak for myself and say that, in my personal circumstances, my role is a privilege and I fully intend to see out the end of my term of office.

**The Chair:** We are relieved.

**Caroline Gardner:** Thank you, chair.

**The Chair:** I turn to page 56 of the annual report. I am looking at the staff report and the information under gender balance. Overall, the balance is slightly in favour of the female side, which is fine. However, there seems to be a huge disparity under management.

**Caroline Gardner:** The disparity is that, in a management team of four, three of us are women and one is a man.

**The Chair:** That puts into perspective the fact that it is a small team.

**Caroline Gardner:** Yes.

**Ian Leitch:** Yes.

**The Chair:** Page 59 deals with early retiral and severance. You have an on-going voluntary early release arrangement.

**Caroline Gardner:** We do not have an on-going voluntary release arrangement. We have a policy for voluntary severance and, each year, the board

considers whether there is a business case for making a voluntary severance scheme available within the terms of that policy. As we say in the report, last year, five members of staff left under that policy. However, it is not a standing scheme—it is not available unless the board agrees that there is a business case for it.

**The Chair:** Is it the case that the board will periodically go out to the staff and say that, for a limited period, voluntary release is available?

**Ian Leitch:** We expect the Auditor General and the chief operating officer to advise us if there is a particular issue. For example, if two offices are merged into one, issues will arise at the new office location, such as duplication of front-office staff. We will look at that and, if we see a case for it, we will approve a scheme for that year. However, each year, we have to be satisfied before we will give the green light. If there is no case, there will not be a scheme.

**The Chair:** The Auditor General has been looking at the business case for early or voluntary release in other public bodies. In this case, the total cost was £156,000.

**Caroline Gardner:** The total cost for five departures was £156,000. The policy that we have is that, in order for there to be a business case for an individual to go, as well as the savings from the post that is being released, we have to generate savings of 25 per cent that will continue into the future. There is both a scheme that applies overall and a business case for invoking it in a particular year. Individual applications are then judged against that criterion to make sure that it is good value for money for the public purse and that the governance stands up.

Diane McGiffen might want to add to that.

**Diane McGiffen:** Every year, we produce a governance report for the remuneration committee to track the delivery of savings from previous departures under the early release scheme. It is an annual feature of that committee's governance of staffing matters in the business.

**The Chair:** Turning to page 70 of the annual report, I have a couple of quick questions. Will you remind me what "intangible assets" are? I know that I ask you that every year.

**Caroline Gardner:** You do ask me every year, chair, and every year I tell you that they are software licences, which we are required to capture in that way.

**The Chair:** Of course they are. Moving down, there is a section on current assets. Within that, you have prepayments of £508,000. What are those?

**Caroline Gardner:** I will bring in Stuart Dennis. Will you point us to the exact page reference, chair?

**The Chair:** It is note 9 on page 70, on current assets. There has been quite a significant increase in current assets, or receivables, at least.

**Caroline Gardner:** I think it will be to do with the way in which we bill audited bodies for their audit fees and pay the firms for the work that they have carried out. There is a work-in-progress calculation, which always tries to match the amount of work that we have billed and the amount we have paid for with the point in the financial year at which the accounts are prepared.

**The Chair:** It is about timing.

**Caroline Gardner:** Exactly. In effect, there is a mix of prepayments and accruals.

**The Chair:** Let us move on to current liabilities, which is the next item on that page. Deferred income is £585,000.

**Stuart Dennis:** That would be the same. It is where we have invoiced—

**The Chair:** It is the other side.

**Stuart Dennis:** Yes, but in advance.

**The Chair:** The final question that we want to ask is about internal audit. Audit Scotland has internal auditors—are they in-house or are they bought in?

**Caroline Gardner:** We have just appointed BDO LLP for a three-year term. Diane McGiffen can tell you more about that.

**Diane McGiffen:** The chair of the audit committee, Heather Logan, leads on that matter with the audit committee and supports the board. Through the procurement register, we put out to tender this year for internal audit services and BDO was appointed for three years. It made a submission to us and we are maintaining our level of investment in internal audit at about the same level as in previous years. There is a full three-year programme of work that is broken down by year. That is fully discussed with the audit committee, as are the terms of reference for each individual piece of work. The work is reported to the audit committee and shared with the external auditors, as are all the audit committee papers.

**The Chair:** Can you remind me how much it costs?

**Diane McGiffen:** I think that it is about £27,000 or £29,000.

**Stuart Dennis:** It is £27,000.

**The Chair:** Is that £27,000 a year?

**Stuart Dennis:** Yes.

**Bill Bowman:** Let us go back to the ICAS reports. Perhaps I missed it in the papers, but could you say a little bit more about what ICAS does?

**Caroline Gardner:** Yes. In a sense, it goes back to the chair's short question about the quality framework and the annual audit quality reports. We recognised that there are increasing risks in audited bodies, given the financial pressures that they are under, and that our recent appointment round had, again, generated price and cost savings in the firms that we use and the benchmarking that we do with our own teams. At that point, we had appointed ICAS for a period of six years to carry out reviews of the financial statement audits that were carried out by our in-house teams, which had been very helpful to us in providing assurance and in identifying areas in which we could improve our audit approach.

I was conscious that that gave us only a partial view across the work that is carried out on behalf of me and the Audit Commission and that there was no direct external review of the financial statements audit work that was carried out by the firms that we appoint. The Financial Reporting Council, the Institute of Chartered Accountants in England and Wales and ICAS regulate those firms in different ways, but it is very unlikely that they would look at any of the audits that the firms carry out on our behalf. The review of the performance audit and best-value audit work was done by means of peer review with the other audit agencies.

As part of the new audit quality framework, we have put in place a clear understanding of the role of hot reviews and cold reviews under the international standard on quality control. We have also put in place an ICAS contract that covers all the audit work and all the audit providers over the five-year term of the appointments. The annual audit quality report pulls all that together with other sources of assurance around elements of the International Auditing and Assurance Standards Board's quality framework, primarily to provide me, the Audit Commission and the board with assurance about the quality of audit work but also as part of the accountability to the SCPA and more widely.

**Bill Bowman:** Who selects the files that ICAS reviews?

**Caroline Gardner:** ICAS does.

**Bill Bowman:** That is absolutely clear—it is not you deciding, "We won't do this one this year."

**Caroline Gardner:** Absolutely—it is ICAS's decision. That was very much part of the approach that we put out to tender. ICAS won the tender, but whoever won would have had full freedom to choose whichever audits they thought appropriate.

**Ian Leitch:** The question of quality is a matter that the board, and I in particular, have taken an interest in. The question that we all asked was whether the very competitive nature of the quotes that we received was to the detriment of the quality that we were going to get. That is why we spent so much time on the tender. Some of the information that we were given is set out in the audit quality annual report, which you have asked for.

We are conscious, against the background of other matters elsewhere in the commercial world, of the need to be on top of the issue of quality and to ensure an independent element of it. You can be assured that your board is very much alert to that issue.

**Bill Bowman:** Does the review focus on internal work, not just contracted-out work?

**Caroline Gardner:** It covers all the audit work—

**Ian Leitch:** All of it.

**Caroline Gardner:** Sixty-five per cent of it is in-house, so internal work is obviously very important. We have done that for longer—I believe since about 2010. The shift is that it is now being done on a common basis across all the audit work.

**Bill Bowman:** Are the details in the audit quality annual report?

**Caroline Gardner:** Yes.

**Ian Leitch:** Yes.

**Alison Johnstone:** You have previously published information on EU withdrawal, and you have mentioned a couple of times this morning its potential implications. In one of your reports, you said that all public bodies are likely to face capacity issues, to some extent, as they try to manage the implications of EU withdrawal and maintain business as usual. Does that apply to Audit Scotland?

**Caroline Gardner:** It does. We have had to think hard about what EU withdrawal means for our work, for the bodies that we audit and for us. We have built on the approach that we have taken to the new financial powers by developing a small team of people whose job is to do the thinking, the research and the understanding but then to work with colleagues in all the audits to help them think about what withdrawal means for their particular audits.

We are in a good place with this year's audit planning guidance. We have been clear with auditors that the likely effects are going to be on funding, the workforce and regulation and that they will apply differently in different audited bodies. As part of the planning process that we discussed earlier, the auditors should be thinking

about and discussing that with the bodies that they audit.

Internally, we are thinking about what EU withdrawal means for the seven or so staff that we have who are from other EU countries, who will have concerns about their future ability to live and work in Scotland. We are making sure that we support them. We are also doing the best that we can, given the level of uncertainty that we all face, to think about what EU withdrawal might mean in terms of additional audit work for the Scottish Government or for bodies that are particularly affected by it. However, at the moment, lacking a crystal ball, we are having to just make sure that our plans are resilient and can respond to different scenarios, depending on what happens over the next nine months or so.

**Alison Johnstone:** Thank you. It is clearly a challenge.

**The Chair:** Members have no other questions. Does the Auditor General or the chair of the board have anything to add before we wind up?

**Ian Leitch:** Just my thanks.

**The Chair:** Thank you very much for attending the committee.

10:43

*Meeting suspended.*

10:44

*On resuming—*

**The Chair:** I welcome to the meeting Steven Cunningham, a partner, and Jillian So, the audit manager, from Alexander Sloan. Are there any comments that you would like to make before we open our questioning?

**Steven Cunningham (Alexander Sloan):** Good morning, chair. I apologise for our late arrival. I confirm that we have received all the information and explanations that will allow us to undertake our audit for the year that ended on 31 March 2018. I also confirm that there were no limitations on the scope of our audit work.

I will give you a brief overview of our work. Alexander Sloan was appointed to carry out the external audit of the 2018 financial statements of Audit Scotland. During the year, we attended all audit committee meetings of Audit Scotland. We attended Audit Scotland offices to carry out interim audit work in February and the final audit work was carried out in May. Our work was carried out in accordance with international standards for auditing.

We reviewed all internal audit reports during the year and held discussions with the internal auditor.

As I have mentioned, we received all the information and the explanations that were required to carry out our work, and our audit was completed without any problems.

In accordance with our tender and quality control procedures, the audit file and accounts have also been subject to a second partner audit review.

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

Being satisfied with the audit evidence, we signed our audit report on 12 June. Our audit report is unmodified—that is, we are satisfied that the accounts give a true and fair view and are in accordance with the legislation and the accounting rules. There are no significant matters to bring to the attention of the commission or other readers of the accounts.

**The Chair:** Thank you—that answers my first question. How does Alexander Sloan assure itself that the internal audit process that is undertaken is robust and in accordance with the appropriate standards?

**Steven Cunningham:** We attend all the audit committee meetings with the internal auditor. Prior to those meetings, we are also in attendance at a private closed session at which the internal auditor is present. We hold discussions about and review all the papers that are presented to the committee. On the basis of that, we make a decision on whether we are satisfied with the internal audit work that has been carried out and on whether there are any implications for the external audit.

**The Chair:** What about the internal audit programme?

**Steven Cunningham:** We get to see the internal audit programme and have the opportunity to comment on it if we consider that there are any areas missing that should be in the programme.

**The Chair:** You are satisfied that the process is robust.

**Steven Cunningham:** Yes, I am.

**The Chair:** Do you receive internal audit reports?

**Steven Cunningham:** Yes, we receive all the reports in the audit year, which we review to identify whether there are any audit implications.

**The Chair:** There is nothing of concern of which you are aware.

**Steven Cunningham:** No, nothing that would cause any concern for the audit of the financial statements.

**Rona Mackay:** I want to clarify an issue that you more or less covered in your opening statement. In your report to those charged with governance and in your report to the audit committee of Audit Scotland, did you raise any matters that the commission should be aware of?

**Steven Cunningham:** No. No matters arose in our audit work that we consider that the commission should be aware of.

**Rona Mackay:** Was there anything in your own side notes that you wanted to keep a record of in case such actions were repeated?

**Steven Cunningham:** No. Once we have carried out the audit work, we have a closing meeting that is attended by the chief operating officer and the director of audit. That is the vehicle through which we would clarify matters, but there were no matters of any significance that we needed to bring to the board of Audit Scotland or to you.

**Bill Bowman:** We rely greatly on what you say. There are highly technical accounting requirements on pension costs and the calculation of liabilities. Are you satisfied with all the disclosures in the accounts?

**Steven Cunningham:** Yes. We spend a lot of time in the audit looking over and considering the assumptions and making sure that they are reasonable before they go into the final accounts.

**Bill Bowman:** I may have missed this, but do you disclose the materiality level?

**Steven Cunningham:** No, we do not do that as a practice.

**Bill Bowman:** You do not. Can you tell us what it is?

**Steven Cunningham:** I do not have that figure, but I will get a note of that to you if you want.

**Bill Bowman:** Were you here earlier to hear that Audit Scotland audits about £120 billion of assets?

**Steven Cunningham:** Yes.

**Bill Bowman:** Are you comfortable in auditing the auditor of that huge amount?

**Steven Cunningham:** Yes, we are. We believe that we have in place all the procedure to carry out an efficient audit.

**Bill Bowman:** Just an efficient audit?

**Steven Cunningham:** Sorry—an efficient and effective audit.

**The Chair:** Audit Scotland has included in its accounts £1.6 million of income that relates to work that is completed but not yet charged to audited bodies. Are you satisfied that that calculation is robust?

**Steven Cunningham:** A prime focus of the audit is the work-in-progress calculation. We spend a lot of time on reviewing the calculation—we look at it from the angle of the agreed fees, the proportion of work carried out and how the calculation is done to make sure that we are happy with it.

**The Chair:** Do members have any other questions?

**Bill Bowman:** Nothing other than the usual question about whether there is anything else that we should know.

**Steven Cunningham:** No, there is nothing further.

**The Chair:** Do you have any other comments to make before I wind up?

**Steven Cunningham:** I have no other comments to make, thank you.

**The Chair:** In that case, I thank you for your attendance.

10:50

*Meeting continued in private until 11:17.*

This is a draft *Official Report* and is subject to correction between publication and archiving, which will take place no later than 35 working days after the date of the meeting. The most up-to-date version is available here:  
[www.parliament.scot/officialreport](http://www.parliament.scot/officialreport)

Members and other meeting participants who wish to suggest corrections to their contributions should contact the Official Report.

Official Report  
Room T2.20  
Scottish Parliament  
Edinburgh  
EH99 1SP

Email: [official.report@parliament.scot](mailto:official.report@parliament.scot)  
Telephone: 0131 348 5447  
Fax: 0131 348 5423

The deadline for corrections to this edition is:

**Monday 23 July 2018**

---

Published in Edinburgh by the Scottish Parliamentary Corporate Body, the Scottish Parliament, Edinburgh, EH99 1SP

All documents are available on  
the Scottish Parliament website at:

[www.parliament.scot](http://www.parliament.scot)

Information on non-endorsed print suppliers  
is available here:

[www.parliament.scot/documents](http://www.parliament.scot/documents)

For information on the Scottish Parliament contact  
Public Information on:

Telephone: 0131 348 5000

Textphone: 0800 092 7100

Email: [sp.info@parliament.scot](mailto:sp.info@parliament.scot)

---



The Scottish Parliament  
Pàrlamaid na h-Alba

## Purpose

1. This paper invites the Board to note the annual review of the Codes of Conduct and re-approve the codes for a further year.

## Background

2. As part of our corporate governance arrangements the Board reviews and re-approves our corporate governance policies and Codes of Conduct.
3. There are two Codes of Conduct, one for Board members and one for Audit Scotland staff.
4. Normally the Standing Orders, Financial Regulations, Scheme of Delegation and Codes of Conduct are re-approved in August each year. However, due to changes in the Management Team with the retirement of the Assistant Auditor General in December 2017 the Standing Orders, Financial Regulations and Scheme of Delegation were re-approved by the Board at its meeting on 29 November 2017. These came into effect on 1 January 2018. Therefore, only the Codes of Conduct have been reviewed at this time.

## Review

5. The review of the Codes of conduct found that:
  - The Members' Code of Conduct remains consistent with the Scottish Governments model code of conduct for devolved public bodies.  
However, the following sections have been updated to reflect legislation and good governance practice:
    - Paragraphs 30 and 31 – the section on appointment to partner organisations has been deleted. This section of the model code is more applicable to other central government bodies and local councils where members and senior staff may be appointed to an arm's length external organisations or partnerships. The section has been replaced with text on other appointments and conflicts of interests. The text reflects that being used by SCPA in its current recruitment campaign for a new Board member.
    - Paragraph 84 has been added to reflect the Lobbying (Scotland) Act 2016.
  - The staff Code of Conduct is still up to date. Minor changes have been made to the Ethics section and the Compliance Partner table to better align with the Audit Scotland's Ethical Standard Application Guide which will be presented to the Board in September for re-approval.

## Recommendation

6. The Board is invited to note the reviews and re-approve the Codes of Conduct for a further year.

# Members' Code of Conduct



Prepared for Audit Scotland Board  
August 2018

Audit Scotland is a statutory body set up in April 2000 under the Public Finance and Accountability (Scotland) Act 2000. We help the Auditor General for Scotland and the Accounts Commission check that organisations spending public money use it properly, efficiently and effectively.

---

# Contents

<b>Guidance on the Code of Conduct .....</b>	<b>5</b>
Introduction .....	5
Key principles of the Code of Conduct.....	5
<b>General conduct.....</b>	<b>7</b>
Conduct at meetings .....	7
Relationships with Board Members, employees of Audit Scotland and others .....	7
Remuneration, allowances and expenses .....	7
Bribery and corruption .....	7
Gifts and hospitality .....	8
Confidentiality requirements .....	9
Use of Audit Scotland's facilities .....	10
Appointment to partner organisations .....	<b>Error! Bookmark not defined.</b>
<b>Registration of Interests .....</b>	<b>11</b>
Introduction .....	11
Remuneration.....	11
Related undertakings .....	12
Contracts.....	12
Houses, land and buildings .....	12
Interest in shares and securities .....	13
Non-financial interests .....	13
Related party disclosure .....	13
<b>Declaration of interests .....</b>	<b>15</b>
Introduction .....	15
Interests which require declaration .....	15
Your financial interests .....	16
Your non-financial interests .....	16
The financial interests of other persons .....	17
The non-financial interests of other persons .....	17
Making a declaration .....	18
Frequent declarations of interest .....	18

---

**Lobbying and access to members of public bodies..... 19**

    Introduction ..... 19

    Rules and guidance..... 19

**Appendix 1: Definitions ..... 21**

# Guidance on the Code of Conduct

## Introduction

1. The Scottish public has a high expectation of those who serve on the boards of public bodies and the way in which they should conduct themselves in undertaking their duties for the public body. You must meet those expectations by ensuring that your conduct is above reproach and by embracing our core values, which are:
  - Independence, integrity and objectivity.
  - Valuing people and ensuring equality and fairness.
  - Effective communication.
2. As a member of Audit Scotland, it is your responsibility to make sure that you are familiar with, and that your actions comply with, the provisions of this Code of Conduct.
3. You must observe the rules of conduct contained in this Code. It is your personal responsibility to comply with these and review regularly, and at least annually, your personal circumstances with this in mind, particularly when your circumstances change. You must not at any time advocate or encourage any action contrary to the Code of Conduct.
4. The Code has been developed in line with the key principles listed in paragraph 6 and provides additional information on how the principles should be interpreted and applied in practice. No Code can provide for all circumstances and if you are uncertain about how the rules apply, you should seek advice from the Chief Operating Officer. You may also choose to consult your own legal advisers and, on detailed financial and commercial matters, seek advice from other relevant professionals.
5. You should familiarise yourself with the Scottish Government publication “On Board – a guide for board members of public bodies in Scotland”. This publication will provide you with information to help you in your role as a member of a public body in Scotland and can be viewed on the Scottish Government website.

## Key principles of the Code of Conduct

6. The general principles upon which this Code of Conduct are based are:

### **Duty**

You have a duty to uphold the law and act in accordance with the law and the public trust placed in you. You have a duty to act in the interests of Audit Scotland of which you are a member and in accordance with its core functions and duties.

### **Selflessness**

You have a duty to take decisions solely in terms of public interest. You must not act in order to gain financial or other material benefit for yourself, family or friends.

### **Integrity**

You must not place yourself under any financial, or other, obligation to any individual or organisation that might reasonably be thought to influence you in the performance of your duties.

### **Objectivity**

You must make decisions solely on merit and in a way that is consistent with the functions of Audit Scotland when carrying out public business including making appointments, awarding contracts or recommending individuals for rewards and benefits.

### **Accountability and stewardship**

You are accountable for your decisions and actions to the public. You have a duty to consider issues on their merits, taking account of the views of others and must ensure that Audit Scotland uses its resources prudently and in accordance with the law.

### **Openness**

You have a duty to be as open as possible about your decisions and actions, giving reasons for your decisions and restricting information only when the wider public interest clearly demands.

### **Honesty**

You have a duty to act honestly. You must declare any private interests relating to your public duties and take steps to resolve any conflicts arising in a way that protects the public interest.

### **Leadership**

You have a duty to promote and support these principles by leadership and example, to maintain and strengthen the public's trust and confidence in the integrity of Audit Scotland and its members in conducting public business.

### **Respect**

You must respect fellow members of Audit Scotland and its employees and the role they play, treating them with courtesy at all times. Similarly, you must respect members of the public when performing duties as a member of Audit Scotland.

7. You should apply the principles of this Code to your dealings with fellow members of Audit Scotland, its employees and other stakeholders. Similarly, you should also observe the principles of this Code in dealings with the public when performing duties as a member of a public body.

# General conduct

8. The rules of good conduct in this section must be observed in all situations where you act as a member of Audit Scotland.

## Conduct at meetings

9. You must respect the chair, your colleagues and employees of Audit Scotland in meetings. You must comply with rulings from the chair in the conduct of the business of these meetings.

## Relationships with Board Members, employees of Audit Scotland and others

10. You will treat your fellow board members and any staff employed by Audit Scotland with courtesy and respect. It is expected that fellow board members and employees will show you the same consideration in return. It is good practice for employers to provide examples of what is unacceptable behaviour in their organisation. Public bodies should promote a safe, healthy and fair working environment for all. As a board member you should be familiar with the policies of Audit Scotland in relation to bullying and harassment in the workplace and also lead by exemplar behaviour.
11. Relationships may be developed with you by others to influence our work or to acquire confidential or sensitive information for personal gain. Those seeking to develop a relationship with you may also offer a financial or other benefit to supply them with information. These relationships are inappropriate and bring risks to your personal reputation and that of Audit Scotland (see Section on Bribery and Corruption). You must inform the Chair of the Board and Chief Operating Officer of any such approaches, relationships or offers of financial or other benefits, and you should discuss any concerns about any such issues as soon as possible so that Audit Scotland can support and advise you.

## Remuneration, allowances and expenses

12. You must comply with any rules of Audit Scotland regarding remuneration, allowances and expenses.

## Bribery and corruption

13. Bribery is the offering, giving, receiving, or soliciting of any item of value or advantage to influence the actions of an official or any other person in charge of a public or legal duty.
14. It is important that you are aware that it is a serious criminal offence for you to:
  - give, receive or solicit a bribe (i.e. to corruptly receive or give any gift, loans, fee, reward or advantage) in return for doing or not doing anything
  - show favour or disfavour to any person in the course of your work with Audit Scotland.

15. It is also important to be aware that an act of bribery by an individual may render Audit Scotland liable of committing an offence.
16. Audit Scotland has a zero tolerance to bribery and corruption therefore corrupt actions, including bribery, can lead to dismissal and prosecution.

## Gifts and hospitality

17. You must never ask for gifts or hospitality.
18. You must not accept any offer by way of a gift or hospitality which could give rise to a real or substantive personal gain or reasonable suspicion of influence on your part to show favour, or disadvantage, to any individual or organisation. You should also consider whether there may be any reasonable perception that any gift received by your spouse or cohabitee or by any company in which you have a controlling interest, or by a partnership of which you are a partner, can or would influence your judgement. The term 'gift' includes benefits such as relief from indebtedness, loan concessions, or provision of services at a cost below that generally charged to members of the public.
19. You are personally responsible for all decisions connected with the offer or acceptance of gifts or hospitality offered to you and for avoiding the risk of damage to public confidence in Audit Scotland. As a general guide, it is usually appropriate to refuse offers except:
  - isolated gifts of a trivial character, the value of which must not exceed £50;
  - normal hospitality associated with your duties and which would reasonably be regarded as appropriate; or
  - gifts received on behalf of Audit Scotland.
20. You must not accept any offer of a gift or hospitality from any individual or organisation which stands to gain or benefit from a decision Audit Scotland may be involved in determining, or who is seeking to do business with us, and which a person might reasonably consider could have a bearing on your judgement. If you are making a visit in your capacity as a member of Audit Scotland then, as a general rule, you should ensure that Audit Scotland pays for the cost of the visit.
21. You must not accept repeated hospitality from the same source.
22. Members of Audit Scotland should familiarise themselves with the terms of the Bribery Act 2010 which provides for offences of bribing another person and offences relating to being bribed.
23. You **must declare the giving and acceptance of any gifts or hospitality received by you or gifts and hospitality declined in your capacity as a member of Audit Scotland** to the Chief Operating Officer who will record the declaration in a register kept for that purpose.

Audit Scotland only recognises and approves the giving of gifts or hospitality if recorded in the register and the expenditure is detailed in our financial accounting system. All reimbursement

claims for gifts or hospitality given through expenses must be in accordance with the remuneration, allowances and expenses policy.

To assist Members the following guidance indicates items that do not require recording or disclosure:

- Working lunches at audited bodies, partner firms, working groups/committees/boards, professional institutes and other public bodies.
- Meals and accommodation incidental to the attendance at conferences, seminars and workshops.
- Giving or receiving gifts of modest value such as a pen or book.

Items that do require disclosure would therefore include:

- Isolated gifts in excess of £50.
- Meals in external restaurants whether working or not.
- Attendance at functions organised/hosted by professional bodies eg Institute Annual Dinners.
- Receptions held by public bodies, partner firms or other parties where there is a widespread range of attendees eg gallery viewings.
- Functions where the focus of the event is an awards ceremony which involves a public sector element.
- Meals paid for by visiting delegations from other audit offices, organisations and Parliaments/Governments.
- Provision of accommodation, travel or corporate hospitality to others.

24. Details of any gift or hospitality will be made available for public inspection through publication of the register on Audit Scotland's website.

## Confidentiality requirements

25. Audit Scotland carries out its work in the public interest and is committed to the principle of openness. However, there may be times when you will be required to treat discussions, documents or other information relating to the work of Audit Scotland in a confidential manner. You will often receive information of a private nature which is not yet public, or which perhaps would not be intended to be public. There are provisions in other legislation, such as the Data Protection Act 2018 and the Freedom of Information (Scotland) Act 2002, on the categories of confidential and exempt information and you must always respect and comply with the requirement to keep such information private.
26. It is unacceptable to disclose any information to which you have privileged access, for example derived from a confidential document, either orally or in writing. In the case of other documents and information, you are requested to exercise your judgement as to what should or should not be made available to outside bodies or individuals. In any event, such

information should never be used for the purpose of personal or financial gain, or used in such a way as to bring Audit Scotland into disrepute.

27. Breaches of confidentiality or information security will be treated with utmost seriousness and could prompt an investigation. Any wilful breach such as, unauthorised access or supply of information to others could lead to termination of your position with Audit Scotland and could lead to a criminal prosecution under Data Protection legislation. If you are in any doubt about a matter of confidentiality or information security, please check with the Chief Operating Officer.
28. If you are involved in an act that could cause Audit Scotland reputational risk or bring the organisation into disrepute e.g. you are arrested or charged for a criminal offence, you must inform Audit Scotland at the earliest available opportunity.

## Use of Audit Scotland's facilities

29. Members of Audit Scotland must not misuse facilities, equipment, stationery, telephony, computer, information technology equipment and services, or use them for party political or campaigning activities. Use of such equipment and services, etc must be in accordance with Audit Scotland's policy and rules on their usage. Care must also be exercised when using social media networks not to compromise your position as a member of Audit Scotland.
- 30.

## Other Appointments

31. Non-Executive Members must seek the approval of the SCPA prior to accepting any additional office, employment or appointment or engaging in any other occupation.

## Conflicts of Interest

32. You may not hold any other office, employment or appointment or engage in any other occupation which would conflict with your responsibilities and duties as a member of Audit Scotland.

# Registration of Interests

## Introduction

33. The following paragraphs set out the kinds of interests, financial and otherwise which you have to register. These are called 'Registerable Interests'. You must at all times ensure that these interests are registered, when you are appointed and whenever your circumstances change in such a way as to require change or an addition to your entry in the Register. It is your duty to ensure any changes in circumstances are reported within one month of them changing. It is a breach of this Code not to comply with these requirements.
34. You should review regularly and at least once a year your personal circumstances. The interests which require to be registered are those set out in the following paragraphs and relate to you. It is not necessary to register the interests of your spouse or cohabitee.

## Remuneration

35. You have a registrable interest where you receive remuneration by virtue of being:
  - employed;
  - self-employed;
  - the holder of an office;
  - a director of an undertaking;
  - a partner in a firm; or
  - undertaking a trade, profession or vocation or any other work.
36. In relation to 34 above, the amount of remuneration does not require to be registered and remuneration received as a member does not have to be registered.
37. If a position is not remunerated it does not need to be registered under this category. However, you must note that unremunerated directorships may need to be registered under the category of 'Related undertakings'.
38. If you receive any allowances in relation to membership of any organisation, the fact that you receive such an allowance must be registered.
39. When registering employment, you must give the name of the employer, the nature of its business, and the nature of the post held in the organisation.
40. When registering self-employment, you must provide the name and give details of the nature of the business. When registering an interest in a partnership, you must give the name of the partnership and the nature of its business.
41. When registering a directorship, it is necessary to provide the registered name of the undertaking in which the directorship is held and give a broad indication of its business.

42. Where you undertake a trade, profession or vocation, or any other work, the detail to be given is the nature of the work and its regularity. For example, if you write for a newspaper, you must give the name of the publication and the frequency of articles for which you are paid.
43. Registration of a pension is not required as this falls outside the scope of the category.

### Related undertakings

44. You must register any directorships held which are themselves not remunerated but where the company (or other undertaking) in question is a subsidiary of, or a parent of, a company (or other undertaking) in which you hold a remunerated directorship.
45. You must register the name of the subsidiary or parent company or other undertaking and the nature of its business, and its relationship to the company or other undertaking in which you are a director and from which you receive remuneration.
46. The situations to which the above paragraphs apply are as follows:
  - You are a director of a board of an undertaking and receive remuneration declared under remuneration - and
  - You are a director of a parent or subsidiary undertaking but do not receive remuneration in that capacity.

### Contracts

47. You have a registrable interest where you (or a firm in which you are a partner, or an undertaking in which you are a director or in which you have shares of a value as described in 50 below) have made a contract with the public body of which you are a member:
  - under which goods or services are to be provided, or works are to be executed; and
  - which has not been fully discharged.
48. You must register a description of the contract, including its duration, but excluding the consideration.

### Houses, land and buildings

49. You have a registrable interest where you own or have any other right or interest in houses, land and buildings, which may be significant to, of relevance to, or bear upon, the work and operation of Audit Scotland to which you are appointed.
50. The test to be applied when considering appropriateness of registration is to ask whether a member of the public acting reasonably might consider any interests in houses, land and buildings could potentially affect your responsibilities to the organisation to which you are appointed and to the public, or could influence your actions, speeches or decision making.

## Interest in shares and securities

51. You have a registerable interest where you have an interest in shares comprised in the share capital of a company or other body which may be significant to, of relevance to, or bear upon, the work and operation of (a) the body to which you are appointed and (b) the nominal value of the shares is:
- (i) greater than 1% of the issued share capital of the company or other body; or
  - (ii) greater than £25,000.
52. Where you are required to register the interest, you should provide the registered name of the company in which you hold shares; the amount or value of the shares does not have to be registered.

## Non-financial interests

53. You may also have a registerable interest if you have non-financial interests which may be significant to, of relevance to, or bear upon, the work and operation of Audit Scotland to which you are appointed. It is important that relevant interests such as membership or holding office in other public bodies, clubs, societies and organisations such as trades unions and voluntary organisations, are registered and described.
54. In the context of non-financial interests, the test to be applied when considering appropriateness of registration is to ask whether a member of the public might reasonably think that any non-financial interest could potentially affect your responsibilities to the organisation to which you are appointed and to the public, or could influence your actions, speeches or decision-making.

## Related party disclosure

55. Related Party Disclosures is a requirement of International Accounting Standard 24. It is a requirement of the Code of Conduct that Board Members and Directors sign an annual declaration at the financial year end stating that you were not aware of any related party transactions in the year.
56. A related party is a person or entity that is related to the entity that is preparing its financial statements.
- (a) A person or a close member of that person's family is related to a reporting entity if that person:
    - (i) has control or joint control over the reporting entity;
    - (ii) has significant influence over the reporting entity; or
    - (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.
  - (b) An entity is related to a reporting entity if any of the following conditions applies:

- (i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment defined benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
- (vi) The entity is controlled or jointly controlled by a person identified in (a).
- (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

# Declaration of interests

## Introduction

57. The key principles of the Code, especially those in relation to integrity, honesty and openness, are given further practical effect by the requirement for you to declare certain interests in proceedings of Audit Scotland. Together with the rules on registration of interests, this ensures transparency of your interests which might influence, or be thought to influence, your actions.
58. Public bodies inevitably have dealings with a wide variety of organisations and individuals and this Code indicates the circumstances in which a business or personal interest must be declared. Public confidence in Audit Scotland and its members depends on it being clearly understood that decisions are taken in the public interest and not for any other reason.
59. In considering whether to make a declaration in any proceedings, you must consider not only whether you will be influenced but whether anybody else would think that you might be influenced by the interest. You must, however, always comply with the objective test ('the objective test') which is whether a member of the public, with knowledge of the relevant facts, would reasonably regard the interest as so significant that it is likely to prejudice your discussion or decision making in your role as a member of Audit Scotland.
60. If you feel that, in the context of the matter being considered, your involvement is neither capable of being viewed as more significant than that of an ordinary member of the public, nor likely to be perceived by the public as wrong, you may continue to attend the meeting and participate in both discussion and voting. The relevant interest must however be declared. It is your responsibility to judge whether an interest is sufficiently relevant to particular proceedings to require a declaration and you are advised to err on the side of caution. If a board member is unsure as to whether a conflict of interest exists, they should seek advice from the board chair.
61. As a member of Audit Scotland you might serve on other bodies. In relation to service on the boards and management committees of limited liability companies, public bodies, societies and other organisations, you must decide, in the particular circumstances surrounding any matter, whether to declare an interest. Only if you believe that, in the particular circumstances, the nature of the interest is so remote or without significance, should it not be declared. You must always remember the public interest points towards transparency and, in particular, a possible divergence of interest between Audit Scotland and another body. Keep particularly in mind the advice in paragraph 31 of this Code about your legal responsibilities to any limited company of which you are a director.

## Interests which require declaration

62. Interests which require to be declared, if known to you may be financial or non-financial. They may or may not cover interests which are registerable under the terms of this Code. Most of the interests to be declared will be your personal interests but, on occasion, you will have to consider whether the interests of other persons require you to make a declaration. The

paragraphs which follow deal with (a) your financial interests (b) your nonfinancial interests and (c) the interests, financial and non-financial, of other persons.

63. You will also have other private and personal interests and may serve, or be associated with, bodies, societies and organisations as a result of your private and personal interests and not because of your role as a member of Audit Scotland. In the context of any particular matter you will need to decide whether to declare an interest. You should declare an interest unless you believe that, in the particular circumstances, the interest is too remote or without significance. In reaching a view on whether the objective test applies to the interest, you should consider whether your interest (whether taking the form of association or the holding of office) would be seen by a member of the public acting reasonably in a different light because it is the interest of a person who is a member of Audit Scotland as opposed to the interest of an ordinary member of the public.

### Your financial interests

64. You must declare, if it is known to you, any financial interest (including any financial interest which is registerable under any of the categories prescribed in the remuneration section of this Code).
65. There is no need to declare an interest which is so remote or insignificant that it could not reasonably be taken to fall within the objective test.
66. You must withdraw from the meeting room until discussion of the relevant item where you have a declarable interest is concluded. There is no need to withdraw in the case of an interest which is so remote or insignificant that it could not reasonably be taken to fall within the objective test.

### Your non-financial interests

67. You must declare, if it is known to you, any non-financial interest if:
- (i) that interest has been registered under Non Financial Interests (paragraphs 52 and 53) of the Code; or
  - (ii) that interest would fall within the terms of the objective test.
68. There is no need to declare an interest which is so remote or insignificant that it could not reasonably be taken to fall within the objective test.
69. You must withdraw from the meeting room until discussion of the relevant item where you have a declarable interest is concluded. There is no need to withdraw in the case of an interest which is so remote or insignificant that it could not reasonably be taken to fall within the objective test.

## The financial interests of other persons

70. The Code requires only your financial interests to be registered. You also, however, have to consider whether you should declare any financial interest of certain other persons.
71. You must declare if it is known to you any financial interest of:-
- (i) a spouse, a civil partner or a co-habitee;
  - (ii) a close relative, close friend or close associate;
  - (iii) an employer or a partner in a firm;
  - (iv) a body (or subsidiary or parent of a body) of which you are a remunerated member or director;
  - (v) a person from whom you have received a registerable gift or registerable hospitality;
  - (vi) a person from whom you have received registerable expenses.
72. There is no need to declare an interest if it is so remote or insignificant that it could not reasonably be taken to fall within the objective test.
73. You must withdraw from the meeting room until discussion of and voting on the relevant item where you have a declarable interest is concluded. There is no need to withdraw in the case of an interest which is so remote or insignificant that it could not reasonably be taken to fall within the objective test.
74. This Code does not attempt the task of defining “relative” or “friend” or “associate”. Not only is such a task fraught with difficulty but is also unlikely that such definitions would reflect the intention of this part of the Code. The key principle is the need for transparency in regard to any interest which might (regardless of the precise description of relationship) be objectively regarded by a member of the public, acting reasonably, as potentially affecting your responsibilities as a member of Audit Scotland and, as such, would be covered by the objective test.

## The non-financial interests of other persons

75. You must declare if it is known to you any non-financial interest of:-
- (i) a spouse, a civil partner or a co-habitee;
  - (ii) a close relative, close friend or close associate;
  - (iii) an employer or a partner in a firm;
  - (iv) a body (or subsidiary or parent of a body) of which you are a remunerated member or director;
  - (v) a person from whom you have received a registerable gift or registerable hospitality;
  - (vi) a person from whom you have received registerable expenses.

- 76. There is no need to declare an interest if it is so remote or insignificant that it could not reasonably be taken to fall within the objective test.
- 77. There is only a need to withdraw from the meeting if the interest is clear and substantial.

### **Making a declaration**

- 78. You must consider at the earliest stage possible whether you have an interest to declare in relation to any matter which is to be considered. You should consider whether agendas for meetings raise any issue of declaration of interest. Your declaration of interest must be made as soon as practicable at a meeting where that interest arises. If you do identify the need for a declaration of interest only when a particular matter is being discussed you must declare the interest as soon as you realise it is necessary.
- 79. The oral statement of declaration of interest should identify the item or items of business to which it relates. The statement should begin with the words “I declare an interest”. The statement must be sufficiently informative to enable those at the meeting to understand the nature of your interest but need not give a detailed description of the interest.

### **Frequent declarations of interest**

- 80. Public confidence in Audit Scotland is damaged by perception that decisions taken by us are substantially influenced by factors other than the public interest. If you would have to declare interests frequently at meetings in respect of your role as a board member you should not accept a role or appointment with that attendant consequence. If members are frequently declaring interests at meetings then they should consider whether they can carry out their role effectively and discuss with their chair. Similarly, if any appointment or nomination to another body would give rise to objective concern because of your existing personal involvement or affiliations, you should not accept the appointment or nomination.

# Lobbying and access to members of public bodies

## Introduction

82. In order for Audit Scotland to fulfil its commitment to being open and accessible, it needs to encourage participation by organisations and individuals in the decision-making process. Clearly however, the desire to involve the public and other interest groups in the decision-making process must take account of the need to ensure transparency and probity in the way in which Audit Scotland conducts its business.
83. You will need to be able to consider evidence and arguments advanced by a wide range of organisations and individuals in order to perform your duties effectively. Some of these organisations and individuals will make their views known directly to individual members. The rules in this Code set out how you should conduct yourself in your contacts with those who would seek to influence you. They are designed to encourage proper interaction between members of public bodies, those they represent and interest groups.
84. The Lobbying (Scotland) Act 2016 (the Act) makes provisions about lobbying a member of the Scottish Parliament, a member of the Scottish Government, a junior Scottish Minister, a special adviser or the permanent secretary. Communications with the Scottish Government and Parliament by Audit Scotland are not classed as regulated lobbying by the provisions in section 22 (d) of the Schedule to the Act. This exemption only applies to engagement by members on Audit Scotland business and members should be mindful of the legislation if engaging with any of the above in any other capacity.

## Rules and guidance

85. You must not, in relation to contact with any person or organisation who lobbies, do anything which contravenes this Code of Conduct or any other relevant rule of Audit Scotland or any statutory provision.
86. You must not, in relation to contact with any person or organisation who lobbies, act in any way which could bring discredit upon Audit Scotland.
87. The public must be assured that no person or organisation will gain better access to, or treatment by, you as a result of employing a company or individual to lobby on a fee basis on their behalf. You must not, therefore, offer or accord any preferential access or treatment to those lobbying on a fee basis on behalf of clients compared with that which you accord any other person or organisation who lobbies or approaches you. Nor should those lobbying on a fee basis on behalf of clients be given to understand that preferential access or treatment, compared to that accorded to any other person or organisation, might be forthcoming from another member of Audit Scotland.

88. Before taking any action as a result of being lobbied, you should seek to satisfy yourself about the identity of the person or organisation who is lobbying and the motive for lobbying. You may choose to act in response to a person or organisation lobbying on a fee basis on behalf of clients but it is important that you know the basis on which you are being lobbied in order to ensure that any action taken in connection with the lobbyist complies with the standards set out in this Code.
89. You should not accept any paid work:
- which would involve you lobbying on behalf of any person or organisation or any clients of a person or organisation
  - to provide services as a strategist, adviser or consultant, for example, advising on how to influence Audit Scotland and its members. This does not prohibit you from being remunerated for activity which may arise because of, or relate to, membership of Audit Scotland, such as journalism or broadcasting, or involvement in representative or presentational work, such as participation in delegations, conferences or other events.
90. If you have concerns about the approach or methods used by any person or organisation in their contacts with you, you must seek the guidance of Audit Scotland.

# Appendix 1: Definitions

1. “Remuneration” includes any salary, wage, share of profits, fee, expenses, other monetary benefit or benefit in kind. This would include, for example, the provision of a company car or travelling expenses by an employer.
2. “Undertaking” means:
  - (a) a body corporate or partnership; or
  - (b) an unincorporated association carrying on a trade or business, with or without a view to profit.
3. “Related undertaking” is a parent or subsidiary company of a principal undertaking of which you are also a director. You will receive remuneration for the principal undertaking though you will not receive remuneration as director of the related undertaking.
4. “Parent undertaking” is an undertaking in relation to another undertaking, a subsidiary undertaking, if a) it holds a majority of voting rights in the undertaking; or b) it is a member of the undertaking and has the right to appoint or remove a majority of its board of directors; or c) it has the right to exercise a dominant influence over the undertaking (i) by virtue of provisions contained in the undertaking’s memorandum or articles or (ii) by virtue of a control contract; or d) it is a councillor of the undertaking and controls alone, pursuant to an agreement with other shareholders or councillors, a majority of voting rights in the undertaking.
5. “Group of companies” has the same meaning as “group” in section 474(1) of the Companies Act 2006. A “group”, within s 474(1) of the Companies Act 2006, means a parent undertaking and its subsidiary undertakings.
6. “A person” means a single individual or legal person and includes a group of companies.
7. “Any person” includes individuals, incorporated and unincorporated bodies, trade unions, charities and voluntary organisations.
8. “Spouse” does not include a former spouse or a spouse who is living separately and apart from you.
9. “Cohabitee” includes a person, whether of the opposite sex or not, who is living with you in a relationship similar to that of husband and wife.
10. “Code” code of conduct for members of public bodies.

# Code of Conduct

## Staff policy



Prepared for Audit Scotland

August 2018

Audit Scotland is a statutory body set up in April 2000 under the Public Finance and Accountability (Scotland) Act 2000. We help the Auditor General for Scotland and the Accounts Commission check that organisations spending public money use it properly, efficiently and effectively.

---

# Contents

<b>Code of Conduct</b> .....	<b>4</b>
Introduction .....	4
Diversity and Equality.....	5
Relationships.....	5
Contractors, suppliers and consultants.....	6
Independence, objectivity and conflicts of interest.....	6
Openness, disclosure and protection of information .....	7
Paid employment outside Audit Scotland .....	7
Hospitality .....	8
Gifts .....	9
Bribery and corruption.....	10
Use of resources .....	10
Appointments .....	10
Media .....	11
Political neutrality .....	11
Health and safety at work.....	11
Fair and reasonable treatment at work.....	11

# Code of Conduct

## Introduction

1. Audit Scotland and our staff must demonstrate high standards of corporate and personal conduct. This can be achieved by embracing our core values, which are:
  - Independence, integrity and objectivity.
  - Valuing people and ensuring equality and fairness.
  - Effective communication.
2. This Code of Conduct gives you clear and helpful advice about the standards of behaviour expected of you as a member of staff. The Code will be reviewed regularly and is subject to change. A serious breach of the Code may lead to disciplinary action.
3. In addition, you are expected to comply with the principles of the Ethical Standards for Auditors issued by the Financial Reporting Council. Guidance on the application of those standards can be found in the Staff Handbook ('Ethical Standards'), which must be read as part of the annual Fit and Proper process. Our Ethical Standards Application Guide has five main sections which cover:
  - General requirements and guidance.
  - Financial, business, employment and personal relationships.
  - Long association with the audit engagement and with entities relevant to engagements.
  - Fees, remuneration and evaluation policies, gifts and hospitality, litigation.
  - Non-audit / Additional services provided to entities.
4. You should also keep to the Codes of Conduct of the professional bodies of which you are a member.
5. The general principles upon which this Code of Conduct is based are:
  - **Duty** - You have a duty to uphold the law and act in accordance with the law and the public trust placed in you. You have a duty to act in the interests of Audit Scotland of which you are a staff member and in accordance with its core functions and duties.
  - **Selflessness** - You have a duty to take decisions solely in terms of public interest. You must not act in order to gain financial or other material benefit for yourself, family or friends.
  - **Integrity** - You must not place yourself under any financial, or other, obligation to any individual or organisation that might reasonably be thought to influence you in the performance of your duties.
  - **Objectivity** - You must make decisions solely on merit and in a way that is consistent with the functions of Audit Scotland when carrying out public business including making appointments, awarding contracts or recommending individuals for rewards and benefits.

- **Accountability and stewardship** - You are accountable for your decisions and actions to the public. You have a duty to consider issues on their merits, taking account of the views of others and must ensure that Audit Scotland uses its resources prudently and in accordance with the law.
- **Openness** - You have a duty to be as open as possible about your decisions and actions, giving reasons for your decisions and restricting information only when the wider public interest clearly demands.
- **Honesty** - You have a duty to act honestly. You must declare any private interests relating to your public duties and take steps to resolve any conflicts arising in a way that protects the public interest.
- **Leadership** - You have a duty to promote and support these principles by leadership and example, and to maintain and strengthen the public's trust and confidence in the integrity of Audit Scotland and its members in conducting business.
- **Respect** - You must respect colleagues and the role they play, treating them with courtesy at all times. Similarly, you must respect members of the public when performing duties as a staff member of Audit Scotland.

## Diversity and Equality

6. We value and promote diversity and equality of opportunity. We expect you to carry out your work following the principles within our Diversity and Equality policy.

## Relationships

7. You may have contact with audited bodies, other organisations or members of the public. You should deal fairly, equitably and consistently with those you come in contact with, and you should always be polite and portray a positive and professional image of Audit Scotland.
8. People may develop a relationship with you to influence our work or to acquire confidential or sensitive information for personal gain. They may also offer a financial or other benefit to supply them with information. These relationships are inappropriate and bring risks to your personal reputation and that of Audit Scotland (see Bribery and Corruption paragraphs 39 - 41). You must tell your line manager of any such approaches, relationships or offers of financial or other benefits, and you should do this as soon as possible so that Audit Scotland can support and advise you.
9. Audit Scotland recognises that close personal or domestic relationships with colleagues may exist or develop during the course of their employment. In order that Audit Scotland's business is conducted and perceived to be conducted in a professional and proper manner it is necessary to distinguish between, and take account of, personal relationships which overlap with professional ones in the workplace. If you have any close personal or domestic relationships where that relationship may impinge on your duties and responsibilities this must be declared in confidence to your line manager or senior manager. If necessary upon disclosure of such a relationship and after consultation with both parties, reasonable

arrangements will be made to ensure that future working arrangements and potential conflicts do not arise.

## **Contractors, suppliers and consultants**

10. You must be fair and impartial in your dealings with contractors, suppliers and consultants. If you are involved in the procurement or tendering process to appoint contractors, suppliers or consultants you must follow Audit Scotland's procurement handbook, and any other guidance issued.
11. If you have access to confidential information on tenders or costs for contractors, suppliers or consultants you must not show that information to any unauthorised person or organisation.
12. All private relationships with actual or potential contractors, suppliers or consultants must be declared, as set out in paragraph five below.

## **Independence, objectivity and conflicts of interest**

13. It is important that you carry out your work with independence and objectivity, and that you do not allow any private interest to influence your decisions. You must not use your position to further your own interests or the interests of others who do not have a right to benefit from our work.
14. You, or a member of your family or household, may have a private interest which relates to the work of Audit Scotland. It may be a financial one or one which a member of the public might reasonably think could influence your judgement. For example, you may be a member of a public body, an organisation or club and membership might lead to a conflict of interest with your work. This also applies to membership of organisations or clubs which are not open to the public e.g. Freemasonry.
15. You must declare all such interests to your Compliance Partner / Compliance Manager. A Compliance Partner is appointed for each business group within Audit Scotland. The best way of making such a declaration is to use the Fit & Proper Self-Assessment Form. This information is then retained in a secure area of ishare for three years, after which it is destroyed. The Compliance Partner / Manager will contact you and discuss any issues arising from your disclosure, as appropriate.
16. Fit & Proper Self-Assessment forms are completed by all new staff and other workers when starting their employment / assignment with Audit Scotland. Audit Scotland annually requests that the Form is refreshed. If, between the annual cycle, your circumstances change and you have information that should be reported to the Compliance Partner then it is your responsibility to do so immediately.

17. The Fit & Proper Self-Assessment form is available to download from the Staff Handbook within ishare. Your completed form should be emailed to your business groups Compliance Partner using the email address on the form. Business group Compliance Partners are:

Business Group	Compliance Partner
Audit Services	Fiona Kordiak
Corporate Services	Diane McGiffen
Performance Audit & Best Value	Fraser McKinlay

## Openness, disclosure and protection of information

18. Audit Scotland carries out its work in the public interest and is committed to the principle of openness. You should follow the Freedom of Information (Scotland) Act and our FOI policy.
19. There are occasions when information gathered during the course of your work must be kept confidential, both inside and outside the organisation and after leaving Audit Scotland. For example, when its disclosure would prejudice an investigation, breach confidentiality or contravene Data Protection legislation. This does not apply where there is a legal duty to provide information. You should follow our information management policy and procedures, including completing information management training if asked to do so.
20. We take information security very seriously. You must protect our information from inappropriate access, abuse, loss or damage. You must report any instance of this as quickly as possible and help fully in any investigation. Any breach of confidentiality or security may lead to an investigation under our discipline policy. Any wilful breach, such as unauthorised access or supply of information to others, could lead to the termination of your employment and to a criminal prosecution under Data Protection legislation. If you are in any doubt about a matter of confidentiality or security, please check with your manager.
21. If you are involved in an act that could cause Audit Scotland reputational risk or bring us into disrepute, e.g. you are arrested or charged for a criminal offence, you must tell Audit Scotland as soon as possible.

## Paid employment outside Audit Scotland

22. We will normally allow you to undertake paid employment outside Audit Scotland in your own time unless there is a conflict of interest, or it is likely to have an adverse effect on the work of Audit Scotland or on your own performance. A conflict of interest can arise where a member of staff seeks to do work for an audited body or to carry out work which relates to the work of Audit Scotland. Outside employment can adversely affect the work of Audit Scotland if it damages the organisation's reputation. It can affect your own performance if it significantly reduces your ability to carry out your duties. If you do work outside Audit Scotland you must first get the approval of your director/assistant director and then advise the Human Resources team. This procedure is in your interests and will protect you. It will also allow us to meet our

legal obligations in relation to family friendly benefits and Working Time Regulations. You are not allowed to use the equipment and resources of Audit Scotland in any outside employment.

23. If you receive a fee for a publication, broadcast, speech or lecture where you have used official information or your own work experience you must remit that fee to Audit Scotland. This also applies to external work carried out in working hours which attracts a fee. You may keep tokens of appreciation such as book tokens or commemorative items. You should let the Chief Operating Officer know of any tokens received as it will be recorded in a register kept for that purpose.

## Hospitality

24. You should not accept or offer hospitality connected with your work unless you can justify it and be sure that it will not lead to criticism from colleagues or the public. In general, modest hospitality may be acceptable in some circumstances for example, a sandwich lunch.
25. Accepting, declining or giving of hospitality should be declared and recorded in the register kept for that purpose. When accepting or giving hospitality, you should get approval from your director/assistant director and then let the Chief Operating Officer know. Hospitality given must be recorded in the register and the expenditure detailed in our financial accounting system. You must make sure that you charge the hospitality to the hospitality code 1255 and the appropriate cost centre for your business group. All reimbursement claims for hospitality given through expenses must follow the travel and expenses policy.
26. To help you decide what to declare, the following guidance may be useful:

### Reporting hospitality received

27. Items not requiring declaration and recording are:
- Working lunches at audited bodies, partner firms, working groups/committees, boards, professional institutes and other public bodies.
  - Meals and accommodation related to attendance at conferences, seminars and workshops.
28. Items that would require disclosure include:
- Meals in external restaurants, whether working or not.
  - Attendance at functions organised/hosted by professional bodies.
  - Receptions held by public bodies, partner firms or other parties where there is a widespread range of attendees, e.g. gallery viewings.
  - Functions where the focus of the event is an awards ceremony which involves a public-sector element.
  - Meals paid for by visiting delegations from other audit offices and Parliaments/ Governments.

29. You should not accept offers to attend social or sporting events unless it would be of benefit to Audit Scotland or where Audit Scotland would expect to be represented.
30. In exceptional circumstances it may be appropriate to accept hospitality in order to avoid embarrassment or offence for example, hospitality offered from overseas hosts when we are carrying out international work.
31. You should not accept repeated hospitality from the same source.

### **Reporting hospitality declined**

32. Any offers of hospitality that you decline must be recorded.

### **Reporting hospitality given**

33. Items not requiring declaration and recording are:
  - Working lunches when hosting meetings and conferences with audited bodies, partner firms, working groups/committees/boards, professional institutes and other public bodies. Lunches should be modest in scale and may typically consist of a buffet/sandwiches and tea and coffee throughout the day.
  - Travel costs as part of recruitment.
  - Consultant travel and accommodation costs where this is part of the consultant's fee.
34. Items that would require disclosure would therefore include:
  - Meals provided in external restaurants whether working or not.
  - Meals provided to international visitors/groups.
  - Provision of overnight accommodation.
  - Provision of travel, e.g. flights or train tickets.
  - Hospitality at or the provision of theatre or sporting event tickets.

## **Gifts**

35. As a general rule, you must not accept personal gifts although you may keep isolated gifts of a trivial character such as a pen or diary, the token value of which must not exceed £50. Sometimes it may be appropriate to accept a gift of more than token value, for example where refusal would embarrass Audit Scotland or damage an important relationship. The acceptance of such a gift should be approved by your director/assistant director. Where an inappropriate gift is received and you are unable to return it or the donor refuses to accept its return, you should report the circumstances to your director/assistant director.
36. All gifts above token value will belong to Audit Scotland and are not a personal gift to you. The Chief Operating Officer keeps a register to record gifts, whether they are accepted or declined and to show that acceptance was authorised. The International Liaison Manager keeps a subsection of the gifts register for work with other countries. Any gifts received while carrying out work for other countries should be recorded in the register.

37. The giving of gifts is generally limited to international visits, the rules for which are set out in the Policy on visits, and the provision and acceptance of gifts & hospitality in relation to work with other countries. Gifts to visiting delegations are given as mementoes of their visit to Audit Scotland. They should be of modest value (e.g., book, Quaich, paper weight) and should exclude alcohol. Gifts given to non-international visitors or organisations should be recorded in the hospitality and gifts register. Items that would not require disclosure are modestly priced books and pens; alcohol should not be given as a gift.
38. Gifts recorded in the register must have the expenditure detailed in our financial accounting system. You must make sure that you charge the gift to the hospitality code 1255 and the appropriate cost centre for your business group. All reimbursement claims for gifts given through expenses must follow the travel and expenses policy.

## Bribery and corruption

39. Bribery is the offering, giving, receiving, or soliciting of any item of value or advantage to influence the actions of an official or any other person in charge of a public or legal duty.
40. It is a serious criminal offence for you to:
- give, receive or solicit a bribe (i.e., to corruptly receive or give any gift, loans, fee, reward or advantage) in return for doing or not doing anything
  - show favour or disfavour to any person in the course of your work.
41. An act of bribery by an individual may make Audit Scotland liable of committing an offence. We have a zero tolerance to bribery and corruption, and such an act can lead to dismissal and prosecution.

## Use of resources

42. You and your colleagues serve the public, and you must remember this principle when you use Audit Scotland's equipment, materials and resources to ensure value for money and economy, efficiency and effectiveness.
43. The equipment of Audit Scotland is available to you for use in your personal affairs, provided that:
- it is in your own time
  - the cost of any consumables, e.g. paper, postage, telephone calls is met by you
  - you are not receiving any fee or reward for the purpose
  - you don't store your personal (non-work related) information on Audit Scotland equipment
- you follow our policy on the use of electronic media such as email and the Internet.

## Appointments

44. All appointments must be made on merit. If you are involved in the recruitment and selection process and have any kind of relationship which might affect your ability to be impartial, it

must be declared to your director/assistant director. Your director/assistant director and the person chairing the selection process will decide whether you can take part in the process. The same procedure must be followed in other HR processes such as grievance, discipline or performance reviews.

45. You must not try to influence board members or a colleague either directly or indirectly to secure your own appointment or promotion, or the appointment or promotion of another person. You must report any instances of this occurring to your director/assistant director and the HR & OD Manager.

## Media

46. 46. In your work with Audit Scotland, any contact with the media is likely to come from the Audit Scotland Communications team. If you are approached directly by the media, you should speak with the Communications Manager or one of the communications officers, unless circumstances make that impossible and it is better for you to respond to the media enquiry. In this case you must tell the Communications team afterwards. More detailed advice for Audit Services staff can be found in the Audit Manual. Media training is available for staff most likely to need it. Contact the Communications team or your line manager for more information.

## Political neutrality

47. 47. The public expects you to carry out your work in a politically neutral way. You must follow our policies, despite any personal views, and you must not do anything which might call into question the independence and political neutrality of Audit Scotland. You have the right to be a member of a political party, but it would be unsuitable to take part in high profile public party-political activity. If you are in any doubt, you should take advice from your director/assistant director.

## Health and safety at work

48. We have a duty to ensure that all reasonable steps are taken to provide staff with a safe and healthy working environment. We will comply with the Health and Safety at Work Act, any other associated legislation and statutory codes of practice.
49. You have a duty under the Health and Safety at Work Act for the health, safety and welfare of yourself and others, including members of the general public who may be affected by what you do or fail to do at work. You must comply with our Health and Safety policy and cooperate with us in our compliance with health and safety legislation.

## Fair and reasonable treatment at work

50. You should expect fair and reasonable treatment from your colleagues and managers. If you feel that you have been unfairly treated or have been discriminated against, there is a grievance procedure that you can use.

51. We expect you to support and comply with our policies, practices and procedures, both in your dealings with colleagues and those outside the organisation. You should not do anything which might undermine or adversely affect any position or decision of Audit Scotland.
52. We also have a whistleblowing policy. You should refer to this if you feel that you have been required to act in a way, or have become aware of practices in the organisation, which might be illegal, improper, unethical or in conflict with the principles of this Code.

## Purpose

1. To invite the Board to consider the proposed meeting schedule for the Board and its committees during 2019.

## Background

2. At its meeting in October each year the Board typically agrees its schedule of meeting dates for the year to come. Between 2015/16 and 2017/18 the Board has typically met on eight occasions each year.
3. We have reviewed the content, timing and profile of board work from previous years to inform the schedule for the year to come. In doing so we have also considered key dates and actions, for example the timing of meetings to take account of:
  - the budget submission
  - the annual assurances process
  - the annual report and accounts
  - review dates for strategies, plans, policies and procedures
  - performance reporting
  - meetings of parliamentary committees and the Accounts Commission.
4. A proposed schedule of meeting dates is attached as appendix 1 and a schedule of indicative board items is attached as appendix 2.
5. The Standing Orders provide for any additional meetings to be called should they be required.

## Recommendations

6. The Board is invited to consider the proposed meeting dates for 2019.

## Proposed meeting schedule 2019

Audit Committee	Human Resources and Remuneration Committee	Board
		29 January 2019 <sup>+</sup>
27 February 2019 <sup>*</sup>	27 February 2019 <sup>*</sup>	
		20 March 2019 <sup>+</sup>
22 May 2019 <sup>*</sup>	22 May 2019 <sup>*</sup>	1 May 2019 <sup>+</sup>
5 June 2019 (AR&Accs) <sup>+</sup>		5 June 2019 (AR&Accs) <sup>+</sup>
4 September 2019 <sup>*</sup>	4 September 2019 <sup>*</sup>	18 September 2019 <sup>+</sup>
13 November 2019 <sup>*</sup>	13 November 2019 <sup>*</sup>	27 November 2019 <sup>+</sup>

\* Committee meetings will be held in the Glasgow office.

<sup>+</sup> Board meetings will be held in EH1 and EH2, West Port and will be open to the public.

## Indicative Work Programme 2019 – Audit Scotland Board

29 January 2019	20 March 2018	1 May 2019	5 June 2019	18 September 2019	27 November 2019
<p>Agenda items include:</p> <ul style="list-style-type: none"> <li>• Standing items</li> <li>• Environmental scan</li> <li>• Publication programme</li> <li>• SCPA report on budget submission</li> <li>• Openness and transparency</li> <li>• Best companies results</li> </ul>	<p>Agenda items include:</p> <ul style="list-style-type: none"> <li>• Standing items</li> <li>• Q3 performance reporting</li> <li>• Annual report and accounts timeline and outline plan</li> <li>• NFPs update</li> <li>• Equality outcomes</li> <li>• Board development</li> </ul>	<p>Agenda items include:</p> <ul style="list-style-type: none"> <li>• Standing items</li> <li>• Draft Annual report and accounts</li> <li>• Review of information, governance and security policies</li> </ul>	<p>Agenda items include:</p> <ul style="list-style-type: none"> <li>• Standing items</li> <li>• Q4 performance reporting</li> <li>• Annual report and accounts</li> <li>• Annual reporting</li> <li>• Governance and assurance reporting</li> </ul>	<p>Agenda items include:</p> <ul style="list-style-type: none"> <li>• Standing items</li> <li>• Q1 performance reporting</li> <li>• Audit Scotland's draft budget submission</li> <li>• PSRA Annual statements</li> <li>• Openness and transparency/meeting schedule</li> <li>• Review of FOI, EIR and records management policies</li> </ul>	<p>Agenda items include:</p> <ul style="list-style-type: none"> <li>• Standing items</li> <li>• Q2 performance reporting</li> <li>• Audit Scotland's budget submission</li> <li>• Review Scheme of delegation/Financial regulations and Standing orders</li> <li>• Board development/self evaluation</li> </ul>