

# Agenda

Friday 28 September 2018, 11.45am

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

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1. Welcome and apologies
  2. Declarations of interest
  3. Decision on items to be taken in private For approval
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## 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:
    - Board meeting, 22 August 2018 For approval
  8. Review of action tracker For information
- 

## Business performance

9. Q1 Financial performance report For information
- 

## Governance

10. Annual review of information governance policies For approval
    - Freedom of Information policy
    - Records Management Policy
  11. Any other business
  12. Review of meeting
  13. Date of next meeting: 31 October 2018
- 

## Items to be taken in private

14. Audit quality and reputational risk For information

[Item to be taken in private to support the effective conduct of business – information intended for future publication]
  15. 2018/19 Spring budget revision For approval

[Item to be taken in private to support the effective conduct of business – information intended for future publication]
  16. 2019/20 Budget For approval

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

**17.** Audit Scotland Draft British Sign Language plan 2018-24

For approval

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

Wednesday 22 August 2018, 10.15am

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

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## 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  
A Devlin, Corporate Governance Manager (item 12)  
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 20 August 2018.

### 2. Declarations of interest

Russel Griggs advised of his interest with Mines Association Scotland, a Charity which receives funding from East Ayrshire Council. The Chair noted Russel's interest.

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

The members noted there were no items to be taken in private.

### 4. Chair's report

Ian Leitch provided a verbal update on regular meetings with Diane McGiffen and Caroline Gardner on general business matters and of meetings with Parliamentary officials on various issues.

The Chair advised he will be discussing the continued development of the Audit Quality assurance framework in the coming weeks.

The members welcomed the update.

### 5. Accountable Officer's report

Caroline Gardner advised the Board of Parliamentary engagement which included the meeting with the Scottish Commission for Public Audit (SCPA) on Wednesday 20 June, the report of which is at Item 11 of the agenda, together with sessions at the Public Audit and Post Legislative Scrutiny (PAPLS) Committee on the Colleges Overview report, Forth Replacement Crossing and the National Fraud Initiative.

Caroline highlighted forthcoming reporting on performance audits including Children and Young People's mental health and potential Section 22 reports.

Caroline advised of the developing work on new financial powers, social security and EU withdrawal.

Caroline advised of her attendance at PAPLS business planning meeting on 6 September 2018, and at the Education Committee.

Caroline advised she had written to the Scottish Government on the audit and accountability framework.

The Board noted the recruitment campaign currently underway to secure a new Audit Director, the appointment of Gilliam Woolman as the Chair of LASAAC and Caroline's role as professional adviser to the House of Commons panel recruiting the new Controller and Auditor General.

The Board noted the update and welcomed the intention to bring further updates on the New financial powers, constitutional changes and EU withdrawal.

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

Graham Sharp invited the Board to note that the Accounts Commission meeting on 9 August had considered useful briefings on housing and rural issues.

Graham advised the Best Value Assurance Report on Glasgow City Council would be published on Thursday 23 August 2018.

The Board noted the Accounts Commission meeting in September would consider the Local Government Overview following the Best Value Assurance Report on West Dunbartonshire Council in June and the follow up report.

Graham invited the Board to note forthcoming meetings with East Ayrshire, West Dunbartonshire and Fife councils to discuss the outcomes from best value reports and engagement events scheduled in September and October with councils.

Graham provided an update on the new members of the Accounts Commission. Andrew Burns, and Andy Cowie who attended their first meeting in August. He also advised of a further two members joining later in the year bringing a valuable and diverse range of experience to the Accounts Commission.

Graham advised that the Strategic Scrutiny Group met on Tuesday 21 August 2018 and considered shared risk assessments of local government.

Graham invited the Board to note that the Accounts Commission will hold its mid-year Strategy session on 12 September 2018 at which it will consider how the Commission and its members engage and promote its work.

The Board welcomed the update.

## **7. Review of minutes**

### **Board meeting, 6 June 2018**

The Board considered the minutes of the meeting of 6 June 2018, which had been previously circulated, and agreed these were an accurate record of the meeting, subject to a minor correction at item 6.

## **8. Review of actions tracker**

The Board noted the updates provided by the action tracker.

Heather Logan sought clarification on ASB70 and Diane McGiffen advised that the title of the action should be revised to Audit Quality and it consolidated discussions in both the Audit Committee and Board about the impact of FRC reports on audit quality. The September report would provide a briefing on the wide range of Audit Quality risks and Audit Scotland's response.

Diane also advised of the discussion with Audit Partners at its meeting on Monday 20 August on Audit Quality.

## 9. Q1 Corporate performance report

Martin Walker, Assistant Director, Corporate Performance and Risk introduced the Q1 Corporate performance report, which had been previously circulated.

Martin invited the Board to note that strong performance continued, highlighting the outputs published. Martin advised the Board that the Performance and Risk Management Group had reviewed and changed the assessment in relation to people performance from amber to green (Page 5) before inviting any comments or questions.

Heather noted that there was some duplication between the performance report (item 9) and the Becoming World Class Update Report (item 10) and questioned whether these should be combined. Martin confirmed that there was some duplication and advised that Management Team valued the overview of the strategic improvement programme.

Heather asked about impact reports and the value they offer. Caroline advised that impact reports are significant and Fraser McKinlay, Director of Performance Audit and Best Value is considering the balance of reporting in impact reports and the focus we want them to have.

Heather sought more information on Audit Scotland's membership with Quality Scotland and efficiency reviews. Diane advised that Quality Scotland provide training on a variety of improvement techniques including EFQM and lean reviews and advised Business Support Services are conducting lean reviews on a range of operational support processes building on the more strategic efficiency reviews of previous years on accommodation, audit procurement and how people use their time.

Under Making a Difference, Heather asked about the number of downloads and asked whether Audit Scotland had considered the use of pop up surveys to gauge interest and seek feedback. Martin advised that he would discuss this option with the Communications team.

Heather asked how the value of e-hubs is assessed. Martin advised that positive feedback had been received through social media on the benefit of online resources. In addition, Diane advised that offering e-hubs provides a way of disseminating outputs and resources produced during the audit process. Martin advised that the e-hubs also gives longevity to our work as people access previous reports on related issues.

Heather noted the data on pages 19 to 21 and advised she would value seeing the expenditure on consultancy in future quarterly reports.

Graham Sharp noted the fluctuations in the average cost per audit day and the changes between the Audit Services Group (ASG) and the Performance Audit and Best Value Group (PABV). Martin Walker advised that this reflected the seniority and skills mix of colleagues applied to performance audits based on the subject area. Graham asked for further information in due course.

Russel Griggs asked how we review the value added to audited bodies of the audit work in addition to the data in the performance reports. Diane advised that auditors gather feedback on an ongoing basis from audited bodies and that we undertake stakeholder surveys as part of the Audit Quality Framework. Further development work is underway in this area.

Russel noted the small increase in sickness and the data on staff turnover. Diane advised the Health Safety and Wellbeing Committee has been actively reviewing sick absence, the approach to case management and that the HR team work closely with the relevant managers on individual cases.

The Board reflected on the amount of parliamentary engagement, welcomed the Forth Crossing report and noted the continuing impact of best value audits.

The Chair noted there were fewer audit days recorded in the year to date and asked whether this would result in an underspend across the year as a whole. Diane advised members that Management Team had considered a very early budget projection on Tuesday 21 August and Audit Scotland is not at this stage forecasting a significant underspend.

The Chair sought clarification on the resilience of our systems and how we are considering the issues around the move from ishare to Office 365 and SharePoint online. Martin advised that a report on digital security is scheduled to go to the Audit Committee on 19 September 2018 and on the resilience of our IT systems, and the Q2 Becoming World Class report would provide further information on the migration to the new systems.

Following discussion, the Board welcomed the report.

**Action ASB77** Martin Walker to discuss with the Communications team the use of pop up surveys to gauge interest and seek feedback from stakeholders. (September 2018)

**Action ASB78** Martin Walker to include expenditure data on consultancy in future quarterly reporting. (November 2018)

**Action ASB79** Martin Walker and Stuart Dennis to discuss with Graham Sharp what further information on the average cost per audit day for Performance Audit and Best Value group would be helpful. (September 2018)

## 10. Q1 Becoming world class improvement programme report

Martin Walker introduced the report Q1 Becoming world class improvement programme, a copy of which had been previously circulated.

Martin invited the Board to note the performance reported during the first quarter of 2018/19 and welcomed any questions.

Russel Griggs noted the potential resource implications of EU withdrawal and what preparations were being made. Caroline Gardner advised that Management Team had held a summit discussion on Tuesday 21 August with the team who are monitoring new financials powers, social security and EU withdrawal and key managers. During that discussion, Management Team had considered the impact of a deal or no deal withdrawal including the potential impact on audit responsibilities (the EAFA audit), funding streams and the complexities of the devolved powers from Westminster to Scotland, together with the risks for resourcing and what that might mean for Audit Scotland.

Heather referred to her earlier observations on the potential duplication of the report. The members recognised the value of both reports and Caroline advised the team will reflect on the discussion ahead of the next reporting cycle.

Following discussion, the Board welcomed the report.

## 11. Scottish Commission for Public Audit: Report on Audit Scotland's 2017/18 Annual report and accounts

Diane McGiffen, Chief Operating Officer, introduced the Scottish Commission for Public Audit's report on Audit Scotland's 2017/18 Annual report and accounts, which had been previously circulated.

The Board discussed the report and looked forward to continuing engagement with the SCPA.

Following discussion, the Board welcomed the report.

## 12. Annual review of Codes of Conduct

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

Alex Devlin, Corporate Governance Manager, introduced the annual review of Codes of Conduct, which had been previously circulated.

Alex invited the Board to consider and approve the amended Codes of Conduct.

The Board reflected on the new provisions and welcomed the review in advance of the SCPA's recruitment of a new member to the Audit Scotland Board.

The members noted the importance of the registers of interest being comprehensive and the declaration of interest at meetings in terms of the real and perceived independence and neutrality of the Board. The members also discussed the formality of the process in declaring interests.

Heather noted there was no provision that members required to step down from any roles which they had with any audited body. In addition, Heather asked that the wording be amended which related to anyone arrested or charged with a criminal activity.

Alex Devlin agreed to circulate revised wording taking on board the issues raised in discussion.

Following discussion, the Board agreed to approve the Members Code of Conduct subject to amendments by correspondence.

**Action ASB80 Alex Devlin to circulate the revised wording to members for information. (August 2018)**

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

## 13. Proposed Board and Committee meeting schedule 2019

Martin Walker, Assistant Director, Corporate Performance and Risk, introduced the proposed Board and Committee schedule 2019, which had been previously circulated.

The Board welcomed the proposed schedule of meetings and indicative work programme for 2019.

Following discussion, the Board agreed the schedule.

## 14. Any other business

The Chair advised that Professor Russel Grigg's term of office concluded at the end of September 2018 and that this may be his last Board meeting. The Chair wished to record his and the Board's appreciation of his services to the Board and its Committees. He thanked Russel for his Chairing of the Human Resources and Remuneration Committee and his contribution over the course of his tenure on the Board.

## 15. Review of meeting

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

## 16. Date of Next Meeting

It was noted that the next Audit Scotland Board meeting was scheduled for 10.15am on Wednesday 26 September 2018 in the offices of Audit Scotland, 102 West Port, Edinburgh.

**Post meeting note:** The next meeting of the Audit Scotland Board has changed to Friday 28 September 2018.

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.
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	Fiona Kordiak	Complete	No	The report at item 10 will be considered by the Board on 28/09/2018.
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	Yes	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.
ASB77	Board	9	Q1 Corporate performance report	Martin Walker to discuss with the Communications team the use of pop up surveys to gauge interest and seek feedback from stakeholders.	22/08/2018	30/09/2018	Martin Walker	James Gillies	Ongoing	No	A verbal update will be provided at the meeting on 28/09/2018.
ASB78	Board	9	Q1 Corporate performance report	Martin Walker to include expenditure data on consultancy in future quarterly reporting.	22/08/2018	30/11/2018	Martin Walker	Martin Walker	Ongoing	No	Expenditure data will be reported in the Q2 report scheduled to come to the Board in November 2018.
ASB79	Board	9	Q1 Corporate performance report	Martin Walker and Stuart Dennis to discuss with Graham Sharp what further information on the average cost per audit day for Performance Audit and Best Value group would be helpful.	22/08/2018	30/11/2018	Martin Walker / Stuart Dennis	Stuart Dennis	Ongoing	No	A verbal update will be provided at the meeting on 28/09/2018.
ASB80	Board	12	Annual review of Codes of Conduct	Alex Devlin to circulate the revised wording to the Code of Conduct for members for information.	22/08/2018	31/08/2018	Alex Devlin	Alex Devlin	Complete	No	The revised Code of Conduct for members was emailed, comments received and a further revised code emailed to members on 20/09/2018.



## Purpose

1. This report presents the financial results for the three months to 30 June 2018.

## Background

2. The detailed finance performance report for the three months to 30 June 2018 is provided as Appendix 1 to this paper and Appendix 2 details budget virements to the approved operational budget.
3. The report was discussed by Management Team on Tuesday 31 July 2018.

## Discussion

4. In the three months to 30 June 2018, Audit Scotland's Net Operating Expenditure was £1,180k which was £56k less than budget.
5. In-house income for 2017-18 audits was in total £34k less than budget with an adverse volume variance of £70k reduced by a positive price variance of £30k. Prior year income of £6k related to charitable trust fees within the local government sector.
6. Fee income earned for 2017-18 audits carried out by external firms net of fees and expenses paid to the firms was £49k better than budget. Income recognition was £203k higher than budget and this was offset by fees and expenses payable to the external firms being £154k higher than budget.
7. Staff costs including agency expenditure was £24k less than budget.
8. Other expenditure contributed £16k to the favourable position. The main areas of reduced costs were recorded in training/recruitment £10k and property costs £7k.
9. More detailed variance analysis and explanation is provided in Appendix 1 attached to this report.

## Virement

10. Following approval of an operational budget by the Board on 28 March 2018 further budget virements have been made to allocate the Audit Quality provision and also to fund the increase in pay award. A detailed reconciliation of the virements is provided in Appendix 2.

## Recommendation

11. The Board is invited to note the financial results for the 3 months to 30 June 2018.

FINANCE REPORT

Headline Results

The summary financial position to 30 June 2018:

£000	Annual Budget	Actual	Budget	Var.	% Var.	Prior Year	Note
Fee Income - In House	7,589	2,044	2,078	(34)	1.6%	2,105	1
Fee Income - Audit Firms	4,603	1,637	1,434	203	-14.2%	1,498	2
Central Charges	5,453	1,363	1,363	0	0.0%	1,376	
Rebate	0	0	0	0	-	0	
Interest	0	0	0	0	-	5	
Other Income	0	1	0	1	-	30	
IAS 19 Income	0	0	0	0	-	0	
<b>TOTAL INCOME</b>	<b>17,645</b>	<b>5,045</b>	<b>4,875</b>	<b>170</b>	<b>3.5%</b>	<b>5,014</b>	
Approved auditors	4,125	1,498	1,344	(154)	11.5%	1,381	2
Staff salaries and oncosts	15,628	3,845	3,886	41	-1.1%	3,726	3
Payroll provisions incl. severance	109	0	0	0	-	0	
Agency and secondment costs	70	19	2	(17)	850.0%	54	3
IAS 19 Pension costs	100	0	0	0	-	0	
Property costs	936	208	215	7	-3.3%	211	
Travel and subsistence	906	227	230	3	-1.3%	204	
Legal, professional and consultancy	919	54	53	(1)	1.9%	37	
Training	483	49	61	12	-19.7%	52	4
Recruitment	105	27	25	(2)	8.0%	31	4
Printing and office costs	271	66	62	(4)	6.5%	53	
Information technology	458	115	114	(1)	0.9%	92	
Audit	60	16	15	(1)	6.7%	15	
Depreciation	383	94	96	2	-2.1%	92	
Other costs	65	7	8	1	-12.5%	7	5
<b>EXPENDITURE</b>	<b>24,618</b>	<b>6,225</b>	<b>6,111</b>	<b>(114)</b>	<b>1.9%</b>	<b>5,955</b>	
<b>NET OPERATING (EXPENDITURE)</b>	<b>(6,973)</b>	<b>(1,180)</b>	<b>(1,236)</b>	<b>56</b>	<b>-4.5%</b>	<b>(941)</b>	

**FINANCE REPORT**

**Income and Expenditure Summary**

**1. Fee Income – In House**

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

The table below shows the performance by sector at 30 June 2018 for the in-house audits:

	2017/18 Audit Year		Prior Years	Total	
	Volume	Price			
	WIP %	£	£	£	
Local Government	-1.29	-55	+15	+6	-34
Health	+0.04	+1	-	-	+1
FE	-36.83	-16	-	-	-16
Central Government	+3.27	+31	+15	-	+46
Non-statutory	-3.98	-31	-	-	-31
<b>Total – June 18</b>	<b>-1.00</b>	<b>-70</b>	<b>+30</b>	<b>+6</b>	<b>-34</b>

**Local Government**

Local Government audits are 1.29% behind plan leading to an adverse volume variance of £55k. The positive price variance of £15k is due to increased fees being applied to local government bodies with the most significant increases being applied to North Lanarkshire Council, Aberdeenshire Council, Angus Council and Scottish Borders Council. The £6k prior year fee income relates to charitable trust fees for 2016/17 audits at Moray and East Lothian councils.

**Health**

All health audits are complete and within the expected fee. The minor positive volume variance is due to completion being slightly ahead of plan.

**Further Education (FE)**

ASG undertake 2 FE audits, Dundee & Angus College and Edinburgh College. When comparing the wip percentages with the audit firms the figure shown is a fair representation of the position of the audits. In this instance the variance to phased plan will smooth out in the next quarter.

**Central Government**

Central Government chargeable audits are 3.27% ahead of schedule leading to a positive volume variance of £31k. The positive price variance of £15k is attributable to increased fees being applied to audited bodies with the most significant increases being applied to the Scottish Police Authority and Scottish Land Commission.

**Non-statutory**

The European Agricultural Fund Account (EAFSA) audits are slightly behind schedule by 3.98% but are 12.2% ahead of the reported position in 2017/18. It is projected that this variance will reduce by the end of the next quarter.

**FINANCE REPORT**

**2. Fee income and expenditure – Audit Firms**

The positive income variance of £203k should be offset with the adverse expenditure variance of £154k for approved auditors. Effectively this approach highlights a net favourable variance of £49k on chargeable audits.

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

The table, below, shows the performance for approved auditors by sector to 30 June 2018:

	2017/18 Audit Year		Prior Year	Total
	Volume	Price	Price	
	WIP %	£	£	£
Local Government	+1.33	+36	+38	- +74
Health	+0.72	+7	+28	+3 +38
Water	+15.00	+21	-	- +21
FE	+3.26	+13	-	+12 +25
Central Government	+9.46	+36	+9	- +45
<b>Total – June 18</b>	<b>+2.44</b>	<b>+113</b>	<b>+75</b>	<b>+15 +203</b>

**Local Government**

Audits on the local government sector are 1.33% ahead of plan leading to a favourable volume variance of £36k. In addition audit firms have agreed fees above expected fees leading to a price variance of £38k. The most significant increases to fees have been agreed by Aberdeen City Council, City of Edinburgh Council and Midlothian Council.

**Health**

Health audit completion was 0.72% ahead of trajectory based on the prior year actuals. All 2017/18 audits are complete which has generated a positive volume variance of £7k. In addition to the volume variance there is a £28k price variance recognised in the accounts for 2017/18 audits. This is mainly due to agreed fees being higher than expected for 3 health boards (Lothian, Ayrshire & Arran and Highland). The prior year income of £3k is in relation to an additional audit fee for the 2016/17 audit of NHS Health Scotland.

**Water**

The favourable volume variance is due to completion of the audit ahead of the planned trajectory which was based on prior year actual.

**Further Education (FE)**

Progress on 2017/18 audits is 3.26% ahead of schedule leading to the recognition of £13k fee income ahead of plan. As at the end of June there have been no changes to the expected fee. The prior year fee income of £12k relates to fee increases agreed by Moray College and Glasgow Kelvin College.

**Central Government**

Central government audits are ahead of schedule leading to a positive volume variance of £36k. The £9k price variance is mainly due to the recognition of agreed fee increases for Crown Estate Scotland and Historic Environment Scotland.

FINANCE REPORT

3. Staff & Agency Costs

Business Group	Annual Budget £000	Actual £000	Budget £000	Variance £000	Actual Average w.t.e.	Budget w.t.e.	Note
ASG staff costs	7,835	2,006	1,959	(47)	147.6	140.7	a)
ASG agency & secondments	70	0	2	2			
NFP staff costs	480	72	75	3	5.8	5.8	b)
NFP agency & secondments	0	0	0	0			
PABV (incl Professional Support) staff costs	3,773	878	943	65	59.1	64.4	c)
PABV agency & secondments	0	0	0	0			
CSG (incl Audit Assurance) staff costs	1,996	500	499	(1)	36.3	35.3	d)
CSG agency & secondments	0	12	0	(12)			
Business Support staff costs	649	148	162	15	17.3	18.1	e)
Business Support agency & secondments	0	7	0	(7)			
Governance & Other staff costs	1,104	243	248	6	18.0	20.0	f)
Governance & Other agency & secondments	0	0	0	0			
<b>Total staff costs</b>	<b>15,837</b>	<b>3,846</b>	<b>3,886</b>	<b>41</b>	<b>284.1</b>	<b>284.4</b>	
<b>Total agency &amp; secondments</b>	<b>70</b>	<b>19</b>	<b>2</b>	<b>-17</b>			

- a) In the first 3 months of the year the average number of staff employed in ASG has been 6.9 w.t.e. more than the funded budget. The establishment is based on 145.1 w.t.e. with the application of a 3% vacancy/turnover factor reducing the funded w.t.e. to 140.7. Overall the additional cost of employing the increased staffing level (£95k) has been partially funded by the reduction in average actual salary costs per employee (£48k). From 1 May 2.2 w.t.e. staff moved to new financial powers teams. As in previous years there will be an intake of professional trainees in October and current projections indicate that there will be sufficient staff turnover to accommodate this.
- b) As part of the budget submission the SCPA approved a budget to increase staff resources to meet the demands of additional new financial powers. Following an internal recruitment exercise staff have been identified to fill positions to meet this additional work. During April and May the staff have been moving across to the new financial powers teams taking on their additional responsibilities. As the year progresses the average w.t.e. will increase to planned levels to meet the increased budget allocation. The minor underspend year to date is due to lower average salary costs.
- c) PABV is on average 5.3 w.t.e. below budget (£78k) and this is being reduced by the average actual salary cost being above plan (£13k). From 1 April 2 w.t.e. staff moved to new financial powers and a further 3.5 w.t.e. staff transferred on 1 May. A significant recruitment exercise has been undertaken in May/June and it is projected that vacant positions will be filled by September.
- d) The average staff resource requirements in CSG has been higher than the funded w.t.e. (£14k) due to the 3% vacancy factor. This overspend is currently funded by the favourable variance on average actual salary costs (£13k) and savings within other expenditure budget headings. Agency costs have been incurred to provide essential cover for vacancies.
- e) Business support w.t.e. below funded figure (£9k) due to one supernumerary member of staff currently providing maternity cover in Human Resources and a manager vacancy that has now been filled. In addition to a positive volume variance the actual average salary costs are better than budget (£6k). Agency expenditure covers a vacant post and plans are in place to fill this position on a permanent basis.
- f) The reduced w.t.e. in Governance & Other is due to two non-exec vacancies within the Accounts Commission (£6k).

**FINANCE REPORT****4. Training and recruitment**

Training expenditure underspend is mainly due to reduced expenditure on external training courses. The expenditure pattern for quarter 1 is in line with previous years and a review of the budget phasing will be undertaken to more accurately reflect the pattern of expenditure. The overspend on recruitment is due to the significant recruitment campaign undertaken in May and June to bring in a mix of qualified and unqualified staff to backfill vacancies generated through the creation of teams to work on new financial powers.

**5. Other costs**

The main reason for the underspend is attributable to the allocation of a budget for complaints/correspondence with no expenditure incurred year to date.

**Management Contingency**

The 2018/19 budget includes a contingency allocation of £150k which is controlled by the Management Team. The budget is included within the legal, professional and consultancy subjective heading.

To date no allocations have been made from the Management Contingency.

**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.

**Stuart Dennis**

Corporate Finance Manager

22 August 2018

BUDGET VIREMENT

AUDIT SCOTLAND BUDGET: 2018/19

£(000)'s	SCPA Approved 2018-19	Operational							Proposed Budget 2018-19	
		Budget 2018-19	INCREASE PAY AWARD	MGT CONTINGENCY	1% VACANCY INCREASE	2018/19 FEE INCREASE	L&D SAVING	QUALITY		AAAT
Basic Salaries	11,372	11,372	201		(70)				74	11,577
Employer's On costs	3,439	3,439	64		(24)				22	3,501
Agency Staff	70	70								70
Payroll provisions	730	730						(250)		480
Former AGS pension	25	25								25
Pension Adjustments	100	100								100
Accounts Commission Members	164	164	2							166
	15,900	15,900	267	-	(94)	-	-	(250)	96	15,919
Approved Auditors	3,991	4,081	44							4,125
Rent & Rates	525	525								525
Accommodation Costs	410	410								410
Travel & Subsistence	894	894								894
Legal & Professional Fees	615	615							154	769
Printing & Stationery	148	148								148
Training	528	528					(45)			483
Recruitment	105	105								105
Communications (telephone, postage)	46	44								44
Insurance	79	79								79
Information technology	456	458								458
Internal Audit	30	30								30
External Audit	30	30								30
Other	65	65								65
Depreciation	384	384								384
Management Team Contingency	150	296		(146)						150
	8,456	8,692	44	(146)	-	-	(45)	-	154	8,699
<b>GROSS ADMINISTRATIVE COSTS</b>	<b>24,356</b>	<b>24,592</b>	<b>311</b>	<b>(146)</b>	<b>(94)</b>	<b>-</b>	<b>(45)</b>	<b>(250)</b>	<b>250</b>	<b>24,618</b>
Corporation Tax	-	-	-	-	-	-	-	-	-	-
Bank Interest	-	-	-	-	-	-	-	-	-	-
Secondment Income	-	-	-	-	-	-	-	-	-	-
Other Income	-	-	-	-	-	-	-	-	-	-
<b>OTHER INCOME</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>NET EXPENDITURE</b>	<b>24,356</b>	<b>24,592</b>	<b>311</b>	<b>(146)</b>	<b>(94)</b>	<b>-</b>	<b>(45)</b>	<b>(250)</b>	<b>250</b>	<b>24,618</b>
<b>FEES &amp; CHARGES INCOME</b>	<b>(17,383)</b>	<b>(17,619)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(26)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(17,645)</b>
<b>NET OPERATING COST</b>	<b>6,973</b>	<b>6,973</b>	<b>311</b>	<b>(146)</b>	<b>(94)</b>	<b>(26)</b>	<b>(45)</b>	<b>(250)</b>	<b>250</b>	<b>6,973</b>

## Purpose

1. This report invites the Audit Scotland Board to note the annual review of Audit Scotland's information governance policies and re-approve them for a further year.

## Background

2. Audit Scotland has in place policies and procedures to ensure compliance with the Freedom of Information (Scotland) Act 2002 (FOISA), the Data Protection Act 2018 (DPA) and the Public Records (Scotland) Act 2011 (PRSA).
3. The policies are reviewed each year to ensure they are up-to-date and are submitted to the Knowledge, Information and Technology Governance Group (KITGG), Management Team and Board for approval and as part of the annual assurance process leading to the Accountable Officers Governance Statement.

## Annual review of information governance policies

4. A review of our Freedom of Information (FOI) and Records Management (RM) policies took place in June 2018. The review found that both policies were up-to-date and that only minor changes required. PCS has not been consulted as the changes were minor.
5. The KITGG and Management Team have reviewed the policies and recommended they proceed to the Board for re-approval.
6. The Data Protection policy was reviewed in March and re-approved by the Board on 2 May 2018 to reflect changes required by the introduction of the new General Data Protection Regulation and Data Protection Act 2018.
7. Audit Scotland has been informed that our Records Management Plan (RMP) which was approved by the Keeper of the Records in 2013 will have to be resubmitted in July 2019 for assessment by the Keepers team.

## Recommendations

8. The Board is invited to note the annual review of Audit Scotland's information governance policies and re-approve them for a further year.



# Freedom of Information and Environmental Information Policy

Owned and maintained by:	Corporate Governance Manager				
Approved from:	August 2018	Next review:	August 2019	Version:	09

## Introduction

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

## Our approach

2. Reporting in public is a principle of the public audit model. It contributes to openness and transparency in the conduct of public bodies in Scotland. Our audit work is carried out in the public interest and we believe that it is enhanced by the principles of the Freedom of Information and Environmental Information legislation. We embrace the legislation and are committed to its continued successful implementation.
3. There are some special considerations which relate to the audit process and these are recognised in the legislation. We will make use of relevant exemptions and exceptions only where we consider that this is necessary in the public interest.
4. We have one Publication Scheme covering the Auditor General, the Accounts Commission and Audit Scotland and we will follow a consistent approach to information handling and requests.
5. A professional relationship with the bodies we audit and other stakeholders is very important. If a request is made to us for disclosure of information obtained from a public body as part of our audit work we will, where reasonably practical, consult the body before complying with the request. We will also continue to liaise with other audit and scrutiny bodies in developing best practice in this area.

## Scope

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

## Roles and responsibilities

7. Audit Scotland provides support to the Auditor General and the Accounts Commission and therefore we have established clear information management roles and responsibilities. The Auditor General is Audit Scotland's Accountable Officer and to support her duties under this legislation we have established the Knowledge, Information & Technology Governance Group (KITGG).
8. It is the KITGG's remit to ensure that information risks are assessed and mitigated to an acceptable level by having in place robust policies, procedures and processes.
9. The KITGG have established an Information Requests Panel to meet and decide on using exemptions in complex FOI requests and exceptions in EIR requests.

## Information we hold

10. We are committed to openness and transparency in our work. We are committed to supplying information to a request unless there is a valid reason for withholding it under the legislation.
11. When a request is received for information you must not alter, deface, block, erase, destroy or conceal applicable information with intent to prevent disclosure. To do so is an offence under the Act and will result in action under Audit Scotland's disciplinary policy and could incur a risk of personal prosecution.

## Training and awareness

12. We are committed to full staff awareness and training in Freedom of Information, Environmental Information and Data Protection legislation and its implications for our work. We are committed to maintaining effective systems for information requests to meet our obligations under this legislation.
13. Guidance on the application of FOISA and the EIRs are available on [ishare](#).

## Charges

14. Audit Scotland may invoke a charge for providing information, which is not contained in our publication scheme, in accordance with the costing threshold within FOISA and the EIRs.
15. When a request is estimated to exceed £600 to fulfil, we will, whenever possible, attempt to narrow its scope and provide what we can within the threshold rather than refusing it outright.

## Supplementary documentation

16. The following documents should be used to support and supplement this policy:
  - Freedom of Information (Scotland) Act 2002
  - Freedom of Information (Scotland) Act 2002 section 60 and 61 codes of practice
  - Environmental Information (Scotland) Regulations 2004

# Records Management Policy

<b>Owned and maintained by:</b>	Corporate Governance Manager				
<b>Approved from:</b>	August 2018	<b>Next review:</b>	August 2019	<b>Version:</b>	06

## Introduction

1. The Public Records (Scotland) Act 2011 (the Act) places a duty on us to prepare and implement a records management plan which sets out proper arrangements for the management of our public records.
2. We recognise that the efficient management of our knowledge, information and records is essential to support our work, to facilitate our governance and management, to manage risk and to comply with our legal obligations under the Act and other legislation as enacted from time to time.
3. Records, like any other company asset, are vital to our past, present and future work. They show decisions made and the steps taken towards those decisions. Records and the information they contain form part of our corporate memory and therefore must be managed systematically from creation to disposal.
4. Records help with our professional standards and best practices.

## Scope

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

## Definition

6. A record is information in any medium, created, received and maintained as evidence and information by an organisation or person, in pursuance of legal obligations or in the transaction of business.

## Roles and responsibilities

7. The Chief Operating Officer is responsible for ensuring there are appropriate arrangements for managing information and records.
8. In support of the Chief Operating Officer the Corporate Governance Manager is responsible for the day-to-day records management arrangements for Audit Scotland, the Accounts Commission and the Auditor General. The security of our electronic information systems is the responsibility of Audit Scotland's Digital Services Manager.

9. It is the Knowledge, Information & Technology Governance Group's (KITGG) role to ensure this policy remains relevant, represents good practice and is implemented effectively.
10. However, records management is the responsibility of everyone and this principle is embedded in our Code of Conduct. We are all expected to ensure the effective management of our records and the information we collect, create, store, share and dispose of, and to under go training as required.

## The principles of good records management

11. It is our policy to fully comply with the Public Records (Scotland) Act 2011 and to apply the guiding principles of records management to ensure that information is available when and where it is needed, in an organised and efficient manner, and in a well maintained environment.

12. We must therefore ensure that our records are:

1. Authentic

It must be possible to prove that records are what they purport to be and who created them is known, by keeping a record of their management through time. Where information is later added to an existing document within a record, the added information must be signed and dated. With electronic records, changes and additions must be identifiable through audit trails.

2. Accurate

Records must accurately reflect the transactions and other business activities that they describe.

3. Accessible

Records must be readily available when needed.

4. Complete

Records must be sufficient in content, context and structure to reconstruct the relevant activities and transactions that they describe.

5. Comprehensive

Records must document the complete range of an organisation's business.

6. Compliant

Records must comply with any record keeping requirements resulting from legislation, audit rules, professional standards and other relevant regulations.

7. Effective

Records must be maintained for specific purposes and the information contained in them must meet those purposes. Records will be identified and linked to the business process to which they are related.

#### 8. Secure

Records must be securely maintained to prevent unauthorised access, alteration, damage or removal. They must be stored in a secure environment, the degree of security reflecting the sensitivity and importance of the contents. Where records are migrated across changes in technology, the evidence preserved must remain authentic and accurate.

13. Guidance in support of this policy has been prepared and is available to all staff in ishare.

### Training and awareness

14. It is vital that everyone understands their information and record management responsibilities as set out in this policy. Therefore, directors and managers will ensure that staff are appropriately trained/briefed on how to manage records in accordance with this policy and our records management guidance.
15. In addition, training has been established to ensure that all staff are aware of their information obligations regarding Data Protection, Data Security and Freedom of Information.

### Supplementary documentation

16. The following Acts, policies, standards, procedures and guides should be used to support and supplement this policy:
- Public Records (Scotland) Act 2011
  - Data Protection Act 2018 & General Data Protection Regulation (GDPR)
  - Freedom of Information (Scotland) Act 2002 (FOISA)
  - Audit Scotland's Data Protection Policy
  - Audit Scotland's Freedom of Information Policy
  - Audit Scotland's Clear Desk and Screen Policy
  - Audit Scotland's Information Security Management Policy
  - FOSIA section 61 Code of Practice on records management
  - Managing records - a staff guide
  - Procedure for transferring information to the National Archive of Scotland
  - Audit Scotland's records retention schedule
  - Audit requirements:
    - Audit standards eg ISA's
    - Audit Services audit and MKI guidance
    - Performance Management Framework.