

Agenda

Wednesday 28 November, 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:
 - Board meeting, 31 October 2018 For approval
 8. Review of action tracker For information
-

Strategy and planning

9. New financial powers and constitutional change update For information
 10. Digital Economy Act 2017 For information
-

Business performance

11. Q2 Financial performance report For information
 12. Q2 Corporate performance report For information
 13. Q2 Becoming world class improvement programme update For information
-

Governance

14. Annual review of corporate governance policies For approval
-

Conclusion

15. Any other business
16. Review of meeting
17. Date of next meeting: 29 January 2019

Wednesday 31 October 2018, 12.00pm

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

Present:

I Leitch (Chair)
C Gardner
G Sharp
H Logan
A Alexander

Apologies:

None

In attendance:

D McGiffen, Chief Operating Officer
M Walker, Assistant Director, Corporate Performance and Risk
G Greenhill, Senior Manager, Performance Audit and Best Value (item 9)
I Metcalfe, Corporate Performance Office (item 9)
A Devlin, Corporate Governance Manager (item 11)
S Dennis, Corporate Finance Manager (item 16)
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 29 October 2018.

The Chair welcomed Professor Alan Alexander, newly appointed member to his first meeting of the Board and formally proposed his appointment as Chair of the Remuneration and Human Resources Committee. The members welcomed the appointment.

2. Declarations of interest

There were no declarations of interest.

3. Decision on items to be taken in private

The members noted that items 16 and 17 would be taken in private to support the effective conduct of business as the information is 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 meetings with the Scottish Commission for Public Audit.

The members welcomed the update.

5. Accountable Officer's report

Caroline advised there were a number of Section 22 reports scheduled to be considered by the Public Audit and Post Legislative Scrutiny Committee (PAPLS) and reflected on what has been

a busy time for the audit teams. In particular, Caroline highlighted the publication of the NHS Overview report and advised that it would be considered by PAPLS in due course.

Caroline also invited the Board to note the forthcoming joint publication of the Health and Social Care integration report and the Audit Scotland Annual Planning Conference on 8 October 2018 at which she and Graham Sharp had spoken.

Caroline invited the Board to note forthcoming engagement events including the invitation for her to speak at the New Club Annual ladies dinner on 2 November 2018, speaking at the non executive directors event on the role of scrutinising government on 6 November 2018 and chairing the Fraser of Allander Institute event on 8 November 2018.

Caroline advised the Board of the recent nomination of Audit Scotland's Communications team for Best Integrated Campaign work on Early learning and child care from the Chartered Institute of Public Relations Scotland PRide awards. In addition, she advised that Audit Scotland had just launched the Best Companies survey for the tenth year and that graduate trainee recruitment campaign had commenced as well as campaigns to recruit a Communications Manager and Corporate Governance Manager following the retirement of both postholders.

Caroline advised of the forthcoming meeting of the UK Auditor Generals on 16 November 2018 in Dublin and invited members to note the inaugural meeting of the Performance Audit Forum on 1 November 2019 led by Fraser McKinlay.

The member welcomed the update.

6. Accounts Commission Chair's report

Graham Sharp invited the Board to note that the Accounts Commission meeting on 11 October 2018 had considered the East Lothian Best Value Audit Report with media coverage scheduled for today.

Graham invited members to note that the meeting on 8 November 2018 would consider the Dumfries and Galloway Best Value Audit Report, the draft Local Government Financial Overview report and receive a briefing on reducing child poverty before reviewing the performance indicators identified from the mid-year strategy and how they integrate with the Local Government framework.

Graham advised that he had attended a meeting with COSLA meeting on 11 October 2018 and the last of the Commission Connected events had taken place on 29 October 2018. He advised that the events had provided a valuable opportunity to engage with all 32 councils and the Commission will be looking to host every two years.

Graham invited members to note the reappointment of Stephen Moore to September 2022 and Ronnie Hind's extended term to September 2019 which will lead to the recruitment for a new deputy chair.

The Board welcomed the update.

7. Review of minutes

Board meeting, 28 September 2018

The Board considered the minutes of the meeting of 28 September 2018, which had been previously circulated, and agreed that these were an accurate record of the meeting, subject to inserting the word 'and' before 'considered annually by the Board' in the penultimate paragraph of item 14, Audit Quality and reputational risk.

8. Review of actions tracker

The Board noted the updates provided by the action tracker.

In relation to ASB79, the average cost per audit day for Performance Audit and Best Value group, Heather Logan asked whether there was anything from that discussion which the Board should be aware of. Graham Sharp advised the information provided at the meeting had provided him with clarification on the average cost per audit day in terms of gradings and charge-out rates and Heather agreed to discuss further with Martin Walker outwith the meeting.

On ASB85 Martin Walker advised Colin Pentland would be in contact directly with members regarding online access to the British Sign Language training.

9. Green Future Team – environment and sustainability annual report 2017/18

Graeme Greenhill, Senior Manager, and Ian Metcalfe, Corporate Performance Officer, joined the meeting.

Graeme Greenhill, Senior Manager, and Ian Metcalfe, Corporate Performance Officer introduced the Environment and sustainability annual report 2017/18, which had been previously circulated.

Graeme invited the Board to consider and approve the publication of the report. Graeme invited the Board to note Audit Scotland is on track to meet its 2019/20 target to reduce annual carbon emissions to no more than 292 tCO2e. With less significant reductions likely from 2021 the refreshed membership of the Green Future Team will be looking to take forward a range of actions.

Heather Logan noted the reduction in air and road travel corresponded with an uplift in rail travel and asked how efficient this was for the organisation. Ian Metcalfe advised that colleagues considered the best travel option, any business impact and our carbon footprint and often train journeys were seen as the best option in order to work while travelling. In addition, Ian also advised members to note the engagement and activities planned to support Climate Week which included raising awareness and practical ways to support paperless meetings.

Alan Alexander advised of a number of drafting comments on the report which he agreed to share outwith the meeting. He asked whether utilities within the office buildings were included within rent and Diane confirmed they were and would take forward the suggestion that the landlords could be encouraged to explore options to reduce usage.

Following discussion, the Chair thanked the team for their work and the Board approved the publication of the report noting Audit Scotland are regarded as exemplars in reporting.

Graeme Greenhill, Senior Manager, and Ian Metcalfe, Corporate Performance Officer, left the meeting.

10. Review of Ethical Standards policy

Elaine Boyd, Associate Director and John Gilchrist, Manager, joined the meeting.

Elaine Boyd introduced the Review of Ethical Standards policy report, a copy of which had been previously circulated and invited the Board to consider and approve the updated Ethical Standards Policy on Application.

The Board welcomed the updating of the application to reflect the new roles and responsibilities, appreciating this is taken seriously by the Auditor General, the Accounts Commission and Audit Scotland as public sector providers.

Following discussion, the Board welcomed the report and approved the Ethical Standards Policy on Application.

Elaine Boyd, Associate Director and John Gilchrist, Manager, left the meeting.

11. Reviews of information management arrangements

Alex Devlin, Corporate Governance Manager, joined the meeting.

Alex Devlin, Corporate Governance Manager introduced the reviews of information management arrangements paper, which had been previously circulated.

Alex invited the Board to note the outcome of the self evaluation process in compliance with the Public Records (Scotland) Act 2011 (PRSA) and the process for the mystery shopper exercise undertaken in compliance with the Freedom of Information (Scotland) Act 2002 and the most recent ISO 27001 audit.

Following discussion, the Board welcomed the assurance provided.

Alex Devlin, Corporate Governance Manager, left the meeting.

12. 2019 Board and Committee meeting dates

Diane McGiffen, Chief Operating Officer, introduced the proposed Board and Committee schedule for 2019, which had been previously circulated.

The Board noted the proposed sequencing of meetings for 2019 and following discussion approved the schedule of meetings.

13. Any other business

There was no further business.

14. Review of meeting

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

15. Date of next meeting

It was noted that the next Audit Scotland Board meeting was scheduled for 10.15am on Wednesday 28 November 2018 in the offices of Audit Scotland, 102 West Port, Edinburgh.

Items taken in private

16. 2019/20 SCPA Budget proposal

Stuart Dennis, Corporate Finance Manager, joined the meeting.

Stuart Dennis, Corporate Finance Manager, introduced the 2019/20 SCPA Budget proposal report, which had been previously circulated.

Diane invited the Board to note that the early draft budget proposal highlighted some of the uncertainties around public sector pay, expanded resource requirements in relation to EU withdrawal and the impact of Brexit together with the potential for increased audit fees in coming years which may require further discussion.

The Chair asked about Audit Scotland's preparedness for Brexit and Diane advised that key audit issues have been incorporated into the updated Code of Audit Practice which was shared at the Annual Audit Planning conference held on 8 October 2018, and regularly features at meetings with Audit Partners and internal audit teams. As such, auditors are keeping in touch with leaders of public bodies to ensure they consider the range of potential impacts.

In terms of Audit Scotland's spend on Brexit, Diane advised work was underway to ensure there is flexibility in the scope of the audit work programme which will be agreed with the Auditor

General and Accounts Commission. Caroline Gardner advised this will help support the increased expectation from audit providers. Heather Logan also highlighted that BDO, our internal auditors, are considering Audit Scotland's preparedness for Brexit as part of their internal audit work programme.

The Board discussed the report and welcomed the detailed consideration of the potential risks in an unpredictable landscape. The members considered a number of presentational aspects to the budget submission and following discussion, the Board approved the budget submission.

Diane invited the Board to note the budget proposal would be considered by the Scottish Commission for Public Audit on 12 December 2018.

Stuart Dennis, Corporate Finance Manager, left the meeting.

17. Discussion on proposals for Board development activity 2019

Diane McGiffen provided a summary of previous Board development discussions and noting members commitment for further development sessions sought their initial thoughts for an early 2019 session.

During discussion, the members agreed a number of development areas including preparedness for and responding to Brexit and with the devolution of new financial powers what that means for Scotland, audit and Audit Scotland in terms of budget and for staff, developing the Board's skill set and the capacity and skill set required to support the Auditor General and Accounts Commission in a continually challenging external operating environment.

Following discussion, Diane agreed to liaise with Judith Strange who facilitated the previous development sessions.

Action ASB86: Diane McGiffen to liaise with Judith Strange to take forward arrangements for an early 2019 Board development session. (November 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	30/11/2018	Diane McGiffen/Fiona Kordiak	Diane McGiffen/Fiona Kordiak	Ongoing		The report has been rescheduled for the next Board meeting on 29 January 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	Complete	No	Expenditure data is reported in the Q2 report at Item 11 at today's meeting.
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	Complete	Yes	A meeting took place on 10/10/18 to discuss the information required.
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	Yes	The revised Code of Conduct for members was circulated to members on 17/10/2018.
ASB81	Board	10	Annual review of information governance policies	Alex Devlin to liaise with Digital Services to incorporate testing archive integrity as part of the Records Management Policy.	28/09/2018	31/10/2018	Alex Devlin	Alex Devlin	Complete	Yes	Digital Services undertake a monthly check across all files, users and servers with any recovery issues reported and resolved.
ASB82	Board	10	Annual review of information governance policies	A further update of the Records Management policy to be considered by the Board. (November 2018)	28/09/2018	27/11/2018	Alex Devlin	Alex Devlin	Complete	Yes	The Board considered a report at item 11 at its meeting on 31 October 2018.
ASB83	Board	14	Audit Quality and reputational risk	Fiona Kordiak to report annually to the Board. (September 2019)	28/09/2018	Sep-19	Fiona Kordiak	Alex Devlin	Complete	Yes	This has been added to the annual reporting schedule.
ASB84	Board	16	2019/20 Budget	Stuart Dennis to prepare the 2019/20 budget submission.	28/09/2018	31/10/2018	Stuart Dennis	Stuart Dennis	Complete	Yes	The Board considered and approved the budget proposal at Item 16 of its meeting on 31 October 2018.
ASB85	Board	17	Audit Scotland Draft British Sign Language plan 2018-24	Elizabeth Gorrie to organise access to the online British Sign Language training for Board members.	28/09/2018	31/10/2018	Joanna Mansell	Colin Pentland	Complete	No	Colin Pentland has liaised with members to confirm their interest to register for the online training.
ASB86	Board	17	Discussion on proposals for Board development activity 2019	Diane McGiffen to liaise with Judith Strange to take forward arrangements for an early 2019 Board development session.	31/10/2018	28/11/2018	Diane McGiffen	Diane McGiffen	Ongoing		Diane McGiffen will provide a verbal update of discussions with Judith Strange at the meeting on 28/11/2018.

Purpose

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

Background

2. We provided an update to the Board in May 2018 on the new financial powers and constitutional change. Significant developments since then include:

- The EU Withdrawal Act received Royal Assent in June 2018. It did not receive legislative consent from the Scottish Government, which is concerned about what will happen to some powers in devolved areas when they return to the UK Parliament after EU withdrawal. The UK Government and the European Commission continue to negotiate the terms of the UK's departure from the EU, with a draft withdrawal agreement published on 14 November. We published a paper in October 2018 setting out key audit issues for the Scottish public sector.
- A new Scottish budget process is being introduced for the 2019/20 budget. As part of this, the Scottish Government published two new documents – its first medium-term financial strategy in May 2018 and the Fiscal Framework Outturn Report in September 2018. We published a paper in October 2018, providing an overview of the operation of the fiscal framework and setting out the risks that are now affecting the Scottish budget. The Scottish Government has announced that it will publish its 2019/20 budget on 12 December 2018.
- The Social Security (Scotland) Act received Royal Assent on 1 June 2018. A new Cabinet Secretary post for social security was created in the Scottish cabinet re-shuffle on 26 June 2018. Social Security Scotland began operating as an executive agency in September 2018 and has started making payments of the Carer's Allowance Supplement.
- The Auditor General for Scotland published a section 22 report on the 2017/18 audit of the Scottish Government consolidated accounts in September 2018. It was considered by the Public Audit and Post-Legislative Scrutiny Committee on 1 November 2018 and the committee agreed to invite the Scottish Government to give evidence.

EU withdrawal

3. The EU (Withdrawal) Act received Royal Assent on 26 June 2018. This will remove the competence of EU institutions to legislate for the UK and enables the transfer of existing EU law into UK law where appropriate after 29 March 2019. The Scottish Parliament did not consent to the UK legislation and is waiting for the Supreme Court to rule whether emergency legislation passed by the Scottish Parliament in March 2018 - the UK Withdrawal from the European Union (Legal Continuity) (Scotland) Bill – is within devolved powers. This Bill is intended to ensure there is continuity of EU legislation in Scotland after the UK has left the EU.
4. A draft withdrawal agreement between the UK Government and the European Commission was published on 14 November 2018. A European Council summit is planned for 25 November, with the aim of finalising the agreement. The UK Parliament will then debate the terms of the agreement and vote on it. If approved by the UK Parliament, individual EU member states and the European Parliament will need to ratify the withdrawal agreement before 29 March 2019. At the time of writing, there remains significant uncertainty about the outcome of this process.
5. The UK Government has published over 100 technical notes that are intended to provide guidance on how to prepare for the possibility of the UK leaving the EU without agreeing the terms of withdrawal. These notes cover topics including applying for EU funding, importing and exporting, and regulating

medicines. In September 2018, the Cabinet Secretary for Government Business and Constitutional Relations updated the Scottish Parliament on the progress of the EU negotiations. He stressed the scale of work required for leaving the EU, even with an agreement between the EU and the UK Government. On 15 October 2018, the Scottish Government published *Scotland's place in Europe: Our way forward*, which sets out its position on EU withdrawal negotiations and its proposal to keep Scotland and the UK in the European Single Market and Customs Union. The Scottish Government's view is that an extension to the negotiating period (i.e. beyond 29 March 2019) is preferable to leaving the EU without any agreement. On November 15 the Cabinet Secretary made a statement on the draft withdrawal agreement reaffirming the Scottish Government's position.

6. We are continuing to monitor issues as they develop, identify associated audit risks, and ensure they are reflected in the public sector audit risk register and our work programme. The impact of EU withdrawal will feature in our audit work for the foreseeable future. The audit planning guidance for the 2018/19 audits asks auditors to assess how audited bodies have prepared for EU withdrawal and how they continue to respond to any emerging risks after March 2019. We are preparing additional guidance for auditors to assist their understanding of the key issues for public bodies and help them to make audit judgements in this area. Our programme of performance audits will also consider the impact of withdrawal from the EU, where relevant. This is likely to include audits on local government and the NHS in Scotland, NHS workforce planning, Scotland's colleges and higher education finances.
7. We are also speaking to stakeholders across the public sector about the potential implications of EU withdrawal and how they are responding to this. In October, we published a paper that presents our view of the key issues that withdrawal from the EU presents to the public bodies we audit.¹ It focuses on three areas – people, finance, and rules and regulation. The paper suggests questions that all public bodies should be asking themselves in the months up to 29 March 2019 and sets out our current plans to reflect withdrawal from the EU in our audit work. The paper was well received by stakeholders.
8. We continue to identify the implications of the UK leaving the EU for Audit Scotland and to assess any business risks. Audit Scotland's Audit Committee undertook a 'deep dive' into the business risks associated with EU withdrawal at its meeting on 23 May 2018. Our internal auditors are currently assessing how we are preparing for EU withdrawal, as part of their 2018/19 work programme. We have assessed our response to EU withdrawal to date using the questions in the key issues paper that we published in October (see Appendix).
9. We regularly update Management Team and the New Financial Powers Steering Group on relevant developments in this area. Management Team held summits in August and November with colleagues from across the business, to discuss the potential implications for our audit work, our organisation and our priorities. We are updating staff on key developments and the potential impact on our work through presentations at team meetings, Yammer and staff drop-in sessions. We are also offering drop-in sessions for any colleagues who are personally affected or worried about what EU withdrawal means for them. We will continue to review and adapt our response as the outcome of negotiations between the UK Government and European Commission becomes clearer.

Managing the public finances

10. In June 2017, the Budget Process Review Group recommended a framework for a revised budget process. This included a year-round approach to budget setting, scrutiny and evaluation, with increased emphasis on outcomes and what spending is achieving. The Scottish Parliament backed changes to the budget process and the new approach is being introduced for the 2019/20 budget, which is expected to be published on 12 December 2018.
11. As part of the new budget process, the Scottish Government has published two new documents. It published its first medium-term financial strategy on 31 May 2018. The five-year strategy sets out the funding arrangements that the Scottish Government now operates within, its approach to financial management, and possible funding scenarios for the Scottish Budget based on modelling using the Scottish Fiscal Commission forecasts. The Scottish Government published the Fiscal Framework Outturn

¹ http://www.audit-scotland.gov.uk/uploads/docs/report/2018/paper_181011_eu_withdrawal.pdf

Report on 20 September 2018. This provides information on the reconciliation process for income tax, Land and Buildings Transaction Tax and Scottish Landfill Tax, and the operation of the Scotland Reserve and the Scottish Government's borrowing powers.

- 12.**Earlier this year we established a cross-organisation team to lead on our programme of work on public financial management. The team published its first output on 16 October 2018, which was a paper on the operation of the fiscal framework.² It provides an overview of how the Scottish budget operated in 2017/18, the effect of the main components of the fiscal framework, and the range of risks to the budget and what these mean for the management of the Scottish public finances. We shared a copy of this paper with the Finance and Constitution Committee to help support its pre-budget scrutiny.
- 13.**We are engaging with parliamentary committees and colleagues to ensure our audit work helps support the new budget process and improved scrutiny. This includes briefing committees on the new budget process and how audit work can contribute to the basket of evidence used to support budget scrutiny. The AGS provided written evidence to the Finance and Constitution Committee and participated in a round-table evidence session on 26 September 2018 as part of the committee's pre-budget scrutiny.³ Our parliamentary engagement lead is coordinating our ongoing engagement and support to committees.

Social security powers

- 14.**The Social Security (Scotland) Act received Royal Assent on 1 June 2018. The Act sets out the overarching approach to delivering the devolved social security benefits. Detailed arrangements for implementing each devolved benefit will be set out in secondary legislation. The Act provides for the establishment of a Scottish Commission on Social Security, which would be responsible for scrutinising the new social security system including any secondary legislation. Scottish ministers are expected to appoint the chair and members of the Commission by early 2019 and the AGS will appoint the auditor.
- 15.**In the Scottish cabinet re-shuffle on 26 June 2018, Shirley-Anne Somerville was appointed to the new post of Cabinet Secretary for Social Security and Older People. She will be responsible for Scottish social security policy and all devolved benefits.
- 16.**Social Security Scotland began operating as an executive agency in September 2018, to coincide with its first payments of the Carer's Allowance Supplement. It expects to start delivering the Best Start Grant by the end of 2018 and Funeral Expense Assistance by summer 2019. The Scottish Government has also committed to introducing a new Young Carers Grant by autumn 2019. The Scottish Government will have operational responsibility for the remaining eight devolved benefits by the end of the current parliamentary term (2021).
- 17.**Audit Scotland is the appointed auditor for Social Security Scotland and the payments that it administers. Earlier this year we established a team that is responsible for all our financial and performance audit work on social security, including our existing housing benefit performance audit work. The team is currently developing its audit approach, built around our four audit dimensions (financial sustainability, financial management, governance and transparency, value for money). The first annual audit of Social Security Scotland (for part of 2018/19) will be conducted during 2019. We continue to report on how the Scottish Government is implementing the powers in the 2012 and 2016 Scotland Acts. Our next performance audit report in this series will examine how effectively the Scottish Government is managing the delivery of the devolved social security powers. We plan to publish a report for the AGS in spring 2019. We will continue to review our resource needs for this work and build additional capacity as more social security benefits are devolved through to 2021.

Audit arrangements

- 18.**Discussions are continuing between the Scottish Government and HM Treasury on audit and accountability arrangements for devolved services provided by UK public bodies (such as HMRC and DWP). The AGS gave evidence to the Public Audit and Post-Legislative Scrutiny Committee (PAPLSC) on

² http://www.audit-scotland.gov.uk/uploads/docs/report/2018/briefing_181016_financial_powers.pdf

³ http://www.parliament.scot/S5_Finance/General%20Documents/Roundtable_evidence.pdf (from page 27)

the draft framework in February 2018. After inviting views from other committees on the proposed arrangements, PAPLSC wrote to the Cabinet Secretary for Finance, Economy and Fair Work and the Chief Secretary to the Treasury to highlight concerns that the draft framework does not fully satisfy the Parliament in its scrutiny of devolved matters.⁴ PAPLSC wrote a further letter to the Cabinet Secretary on 27 September 2018, seeking an update on the progress made to address the concerns of the committee.⁵ The Scottish Government has formally consulted with Audit Scotland on a draft framework, and we are continuing to engage with them. Ultimately, the framework will be agreed by the Scottish and UK Governments at a Joint Exchequer Committee.

Audit reporting

19. The Auditor General published a section 22 report on the 2017/18 audit of the Scottish Government consolidated accounts on 27 September 2018, which was considered by PAPLSC on 1 November. The committee agreed to write to the Permanent Secretary on issues raised during the discussion and invited her to give oral evidence at a future meeting. The key messages from our report were as follows:

- The arrival of new borrowing powers has enhanced the Scottish Government's ability to manage and control its spending each year. The Scottish Government needs to finalise the policies and principles within which it will manage its borrowing powers. This will help to improve decision making about the level, type and timing of borrowing.
- The Scottish Government has taken some important steps to improve its financial reporting. The publication of its first medium-term financial strategy and Fiscal Framework Outturn Report are significant developments in the Scottish Government's annual financial reporting and form a key component of the Scottish Parliament's new budget process. However, the Government has not yet published a consolidated account covering the whole public sector in Scotland. This is an important commitment that will improve strategic public financial management, support Parliamentary scrutiny and enable better decision making.
- In July 2017, a new role of Director General Scottish Exchequer was created to better reflect Scotland's new fiscal responsibilities. With the main powers from the Scotland Acts now in operation, there has been slow progress in finalising the roles and responsibilities within the Scottish Exchequer directorate and recruitment is ongoing to fill key posts. Until arrangements for the Scottish Exchequer are finalised, it will be harder for the Scottish Government to manage effectively the fiscal risks and opportunities that may arise in the interim period.
- As Scotland's fiscal responsibilities continue to grow, there is an increasing need for the Scottish Government to produce more detailed and transparent performance reporting, that better links spending with outcomes. The Parliament's new budget process emphasises the need for better performance reporting to provide a clearer focus on the delivery of outcomes. This includes providing better information about what activity public spending will support, its aims, and the contribution it expects to make to national outcomes. The launch of the revised National Performance Framework provides the opportunity for the Scottish Government to make progress in this area.

20. The National Audit Office (NAO) expects to report on its 2017/18 audit of HMRC's implementation of Scottish income tax by the end of the year. This report will cover the first year of the Scottish Parliament's powers over non-savings non-dividend income tax rates and bands for Scottish taxpayers. As in the previous three years, the AGS will publish a report alongside this, providing additional assurance to the Scottish Parliament on the NAO's audit work in this area.

Organisational arrangements

21. The SCPA approved proposals for growth in Audit Scotland's budget for 2018/19, to accommodate additional work in response to financial devolution and constitutional change. We have put in place the initial capacity we need for this additional work by establishing two cross-organisation teams, with

⁴ http://www.parliament.scot/S5_Public_Audit/Inquiries/20180405_Letter_to_Cab_Sec-Chief_Secretary_to_the_Treasury.pdf

⁵ http://www.parliament.scot/S5_Public_Audit/General%20Documents/20180925_Letter_to_Cab_Secretary.pdf

responsibility for the audits of social security and wider public financial management work. We ran an extensive recruitment campaign in May and June 2018 for roles in our two audit business groups. We also continue to build capacity through our professional trainee and school leaver schemes, as part of our integrated approach to workforce and recruitment planning. The people who have joined Audit Scotland through these recent campaigns will help to ensure we have the people we need to meet new and increasing responsibilities. Some of our new recruits have provided backfill for the colleagues who are taking on new work in response to financial devolution.

22. There will be significant developments through to 2021 that will have implications for our work. We continue to review our resource needs, to ensure people are available at the right time and in the right place to allow us to respond effectively as further financial and social security powers are introduced. This includes assessing and planning for the potential impact of EU withdrawal on resources for the European Agricultural Funds Accounts (EAFA) audit. We are also capitalising on opportunities presented by Career Development Gateways and 'one organisation' working to ensure we continue to retain and develop our existing staff and provide opportunities for new and innovative ways of working.

23. The New Financial Powers Steering Group (NFPSC) oversees and coordinates Audit Scotland's work associated with financial devolution and constitutional change. The role and membership of the group was refreshed in June 2018, to better reflect the focus of its work going forward as the new financial powers move from implementation to operation. Given the constantly changing environment that we are working in, the steering group has agreed to meet more frequently until at least summer 2019. This will help to keep members up to date with developments, in particular around EU withdrawal and social security, and ensure we are in a position to respond quickly and effectively where relevant.

24. Business risks in this area are identified in the corporate risk register and the risk register for the new financial powers and constitutional change programme. Audit Scotland's Audit Committee carried out a risk interrogation into the business risks associated with EU withdrawal in May 2018. During November and December 2018, our internal auditors are assessing how we are preparing for our new audit responsibilities and a changing operating environment. This includes the potential impact of financial devolution, devolved social security powers and EU withdrawal.

25. We are continually monitoring the audit and business risks in this area and reviewing our priorities to ensure we can respond effectively to the fast-changing environment. For the remainder of 2018/19, our priorities are to:

- continue to work with colleagues across the organisation to mainstream elements of our work on the new financial powers
- continue to monitor, assess and plan for the organisational and audit implications of the terms by which the UK will leave the EU, including the potential impact on resources for the EAFA audit
- continue to review our resource needs for work in response to financial devolution and EU withdrawal and reflect this in our workforce planning for 2019/20 onward
- work with the Scottish Government to help to develop an effective audit and accountability framework
- work with the Scottish Parliament and others to review the first year of the new Scottish budget process and consider how we can best support budget scrutiny within this new framework.

Conclusion

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

Appendix

EU withdrawal: key audit issues for the Scottish public sector

Audit Scotland's response (November 2018)

People

1. How are we communicating with staff about the potential impact of EU withdrawal and preparing to support any employees who may be affected?

The HR team estimates around 12 colleagues may have citizenship with EU27 states. This month, Audit Scotland will be providing tailored advice sessions for staff who are personally affected or worried about the impact of EU withdrawal. We are encouraging colleagues to get in touch with HR in the first instance, so that support can be tailored to meet their requirements. Staff will then have an opportunity to speak directly to Audit Scotland's legal advisors or other specialists about their individual concerns (e.g. applying for settled status). Meanwhile, the HR and OD Manager will consult with Management Team on 27 November and with PCS to agree how best to contact colleagues, assess the potential impact, and further support those from the EU27 states. We will continue to offer more sessions and signpost to other forms of support as we approach the end of March 2019.

More generally, we are delivering a significant amount of internal communication on EU withdrawal. This has involved discussion with audit teams and staff across the organisation about the potential impact of EU withdrawal for Audit Scotland, the bodies we audit and the wider Scottish public sector through a variety of presentations, workshops and drop-in sessions. These have provided opportunities for colleagues to ask questions and contribute ideas to the direction of EU withdrawal work. We will continue to communicate up to date information with staff as the situation becomes clearer.

2. Which parts of the workforce (sectors / skills / services / regions) are most at risk from the impact of EU withdrawal?

The HR team have identified which business groups colleagues who are thought to have citizenship with EU27 states belong to. Any potential gaps resulting from a reduction in staff to these areas will be mitigated by our more agile approach to workforce planning and recent recruitment intake. This will reduce the likelihood of risk materialising by ensuring that our work is adequately resourced, that we build capacity in the right areas and can capitalise on opportunities for cross-organisation working.

Resourcing for the European Agricultural Funds Accounts (EAFA) audit will be impacted the most by EU withdrawal. We have considered this in detail and have subsequently reflected resourcing requirements in the latest workforce plan.

3. How are we reflecting the implications of EU withdrawal in our long-term workforce planning?

As outlined above, Audit Scotland has an increasingly agile approach to workforce planning. This ensures that we have sufficient capacity if something urgent happens and we need to respond quickly. We adopt this approach for all areas of work – including EU withdrawal. Our latest recruitment campaign resulted in the appointment of around 20 new staff across the organisation. This will ensure that we have the right capacity and skills to deal with changes resulting from EU withdrawal.

The requirement to audit EAFA will continue in the short to medium term. With the confirmation that the UK will continue to comply with EU regulations during the proposed transition period, Audit Scotland plans to undertake full audits for the European Agricultural Funds Accounts for financial years 2019 and 2020, and a partial audit for financial year 2021. It is likely that these audits will be required to comply with the European Commission's revised audit guidelines which will involve more work than previous year's audits. The 'wind-down' of the EAFA audit and any plans for a replacement system (which are still speculative at this stage) will be reflected in plans from 2021 onwards. Colleagues involved in the EAFA audit will move onto other suitable work. In the longer term, it is assumed that any UK or Scottish replacement scheme will require audit, though at this stage it is too early to determine the level of resource required. At this stage we are not able to quantify this within the future projections though the situation will be closely monitored and assessed.

In future, there may also be a smaller pool of candidates to recruit from and greater competition from other employers. We will need to ensure that Audit Scotland continues to remain an attractive proposition for potential employees.

4. What are the workforce implications for the third sector and private organisations that provide services in partnership with us or on our behalf?

We discussed EU withdrawal with audit firms at the last audit partners' meetings and the audit planning conference. To date, the audit firms have not flagged any direct impact of EU withdrawal on their workforces.

On 12 October 2018, the UK Government issued a technical notice relating to accounting and audit in preparedness for a "no deal" scenario. It states that in the event of a "no deal" departure from the EU, the UK Government will unilaterally apply a transition period until the end of 2020 for EU qualified auditors but will expect them to take a UK aptitude test before the end of that period (this would not apply to Irish qualified auditors).

5. How are we reflecting the implications for the local workforce in our economic strategies?

Not applicable.

Finance

6. What level of funding do we, and our partners, receive from the EU and through which funding streams?

Currently, the European Agricultural Fund Account (EAFA) audit requires significant resources. The audit generates a fee income of £874,000 per year from the NAO, which receives funding from the EU to conduct the audits in the UK.

7. What financial risks are associated with any changes after the UK has left the EU, during any transition period and beyond?

The uncertainty surrounding the UK's withdrawal from the European Union is likely to have an impact on the budget. It is difficult to quantify at this stage but in the short term it is possible that the cost of goods/services might increase putting pressure on budgets. It is expected that the EU withdrawal will affect public sector workforce planning, funding streams and lead to regulatory uncertainty in certain areas. Audits could therefore become more challenging which could lead to resourcing issues to successfully complete audits within the required deadlines. In the longer term there could be recruitment issues as well as financial market volatility that could lead to employer pension contributions increasing above assumed levels.

Currently, the EAFA audit generates a fee income of £874,000. Following EU withdrawal, we anticipate that the requirement to audit EAFA will continue in the short to medium-term. In the longer term it is assumed that any UK or Scottish replacement scheme will require audit. At this stage it is too early to determine the level of resource that will be required. If the UK Government is unable to agree a deal on leaving the EU this is likely to change the position in the short-term, leading to a significant impact on the scope of the audit and ultimately a risk in achieving the projected fee income in 2019/20. This is a significant budget risk and we are continually monitoring and assessing the situation. We are also communicating with the Scottish Commission for Public Audit over our level of exposure.

8. How are we reflecting the implications of EU withdrawal in our long-term financial planning?

As outlined above, we are continuing to respond to the financial risks identified, particularly in relation to the EAFA audit. We will continue to maintain some flexibility in our audit approach so that we are well placed to respond to financial risks.

In respect of longer term planning, a draft Medium-Term Financial Plan (MTFP) for Audit Scotland covering 2019/20 to 2023/24 has been discussed by Management Team and will be presented to the Board in early 2019. The MTFP highlights all of the issues and potential risks facing Audit Scotland as a result of EU withdrawal.

9. How can we capitalise on opportunities to access alternative funds or redesign replacement funding streams?

We are continuing to monitor arrangements for any funding that may replace EAFA and are considering ways to contribute to the redesign of this.

Rules and regulations

10. What are the potential implications of changes to trade and customs rules to our supply chains and the cost and availability of products and services?

The nature of audit means that the volume and value of goods and services is less significant than in other sectors of the economy. A high-level analysis of our supply chains (including software licenses) indicates that there are no areas of significant risk at this stage.

Any procurement of goods or services with an expected value of more than £164,176 (exc. VAT) must comply with EU tendering requirements. Any changes to procurement regulations are unlikely to affect our current contracts, but we will need to factor potential changes into future planning for larger contracts, such as the next round of tendering for audit services. This work is due to start once arrangements for leaving the EU become clearer.

11. What EU regulations / legislation are directly relevant to our role (e.g. monitoring compliance)?

Our core audit work will not be directly affected by changes to EU regulations or legislation. We will continue to monitor developments in this area and will assess the impact of any changes to legislation or regulations that may affect our corporate policies, for example health and safety regulations.

12. What impact would potential changes to regulations / legislation have on how we deliver services and our service users?

No direct implications given the legislative basis for our work.

13. How can we capitalise on opportunities to streamline or improve the regulatory environment?

We will consider how our audit work can provide assurance on the new regulatory environment.

14. How are we planning for the possibility that the UK Government and the EU fail to reach an agreement on arrangements for the UK's exit from the EU?

We are monitoring the progress of the withdrawal agreement closely. Our Audit Committee carried out a risk interrogation into EU withdrawal in May 2018 and are likely to undertake similar work in the event of a "no deal" exit. Our internal auditors plan to assess how we have and are preparing for EU withdrawal, in November / December 2018.

Our more agile approach to workforce planning and resourcing will ensure that Audit Scotland is able to react quickly and undertake any new work arising from the UK's exit from the EU without an agreement. Our forward work programme of performance audits contains a proposal to conduct a performance audit relating to EU withdrawal during 2019/20. The precise scope of this will depend on whether or not the UK leaves the EU with an agreement on withdrawal arrangements, including a transition period. We are liaising closely with the Wales Audit Office about plans for audit work in this area.

Purpose

1. This report updates the Board on proposals to add Audit Scotland to Schedule 8 of the Digital Economy Act 2017 as a specified person for the purposes of fraud. This would support our work in leading data matching exercises conducted as part of the National Fraud Initiative (NFI).

Background

2. Audit Scotland carries out data matching exercises under statutory powers added to the Public Finance and Accountability (Scotland) Act 2000 by Section 97 of the Criminal Justice and Licensing (Scotland) Act 2010. This enables Audit Scotland to conduct data matching exercises for the purpose of assisting in the prevention and detection of fraud or other crime and in the apprehension and prosecution of offenders. Audit Scotland can require organisations audited under the powers of the Auditor General or Accounts Commission to submit data for data matching for the above purposes. Other organisations may submit data on a voluntary basis.
3. Audit Scotland uses this legislation to participate in the NFI. This is a counter-fraud exercise across the UK public sector. The Cabinet Office oversees this exercise and Audit Scotland leads the exercise in Scotland. The NFI enables public bodies to use computer data matching techniques to detect fraud and error. Our most recent NFI report, published in July 2018, identified outcomes of £18.6 million in Scotland.

The Digital Economy Act 2017

4. The UK Digital Economy Act 2017 (DEA) introduces new information sharing provisions to support more efficient and effective public services. It allows the UK Government, as well as devolved governments, in certain cases, to specify additional objectives for which data can be shared, and to name the individuals and organisations that can make use of the data sharing powers the Act provides.
5. The Scottish Government is developing Regulations to support the Act. Part 5 of the Act regulates what data can be shared and for which purposes. It also includes safeguards to make sure that the privacy of individuals is protected. The Scottish Government would like public bodies in Scotland, where it is appropriate and safe, to be able to make use of the new data sharing powers set out in the Act.
6. Chapter 4 of Part 5 of the Act relates to fraud against the public sector. An organisation specified in Scottish Regulations may disclose information for the purpose of taking action in connection with fraud against a public body.
7. The advantages of Audit Scotland being included in these Regulations are:
 - This would allow Audit Scotland (and the Cabinet Office) to carry out data matching with other Scottish, and UK wide bodies e.g. HMRC, for counter-fraud purposes either within or out with the NFI. For example, currently the NFI only matches benefits, licensing data etc to public sector payrolls. Adding wider public and private sector payroll information would enhance the quality of the NFI matches and potentially identify more fraud (and error).
 - The Cabinet Office is currently able to use the DEA. It is starting to use HMRC data to risk assess NFI matches in England. To date, the Cabinet Office has undertaken some prototype data sharing with HMRC involving sharing anonymised data and plans to extend this to a full pilot using personal data (subject to approval from the DEA Review Board and the Minister) from December 2018 to March 2020.

- Including Audit Scotland in the Regulations would allow us to make use of this facility and the learning coming from the Cabinet Office pilot to better risk assess NFI matches. This would help focus limited counter-fraud resources on higher quality matches.
 - The NFI IT supplier is looking to develop predictive analytics which will reduce the false positive rate of the NFI matches. Including additional data sets in the NFI e.g. HMRC will aid this process.
- 8.** No disadvantages have been identified for Audit Scotland being included in the Regulations. We have consulted our lawyers, Burness Paull LLP, who have advised that:
- The DEA will not encroach on any of Audit Scotland's existing data sharing powers.
 - It appears there will be no detrimental effect in Audit Scotland being included in the Regulations in respect of other powers being devolved to the Scottish Parliament from Westminster.
 - The DEA would allow Audit Scotland to share data with other organisations, but would not compel us to do so. Any data sharing would be subject to the Code of Practice, and a business case for the data share agreed by all parties.
 - The only disadvantage the solicitor could envisage for Audit Scotland being included in the Regulations would be a potential increase in workload as a result of the data matching. Any risks associated with sharing personal data could be addressed through data sharing agreements set up between the relevant organisations.
- 9.** We consider that Audit Scotland is included in the draft Regulations relating to Chapter 4 of Part 5 of the Act which covers fraud against the public sector. The Scottish Government will consult on the draft Regulations over the next few months.

Considerations

- 10.** We anticipate that the resource implications of being included in the Regulations will be minimal and can be absorbed within current operations. We envisage that this will involve ensuring that any data sharing will be subject to the appropriate governance arrangements including adhering to the DEA Code of Practice, completing data protection impact assessments and preparing a business case for any data sharing for agreement by all parties.

Conclusion

- 11.** We consider that Audit Scotland should be included in the Regulations for Chapter 4 of Part 5 of the Act which covers fraud against the public sector. This will enable us to extend our NFI data matching and include valuable data sets from other bodies such as the HMRC. This will greatly enhance the quality of the NFI data matches and so the NFI exercise overall.

Recommendations

- 12.** The Board is invited to note the planned Scottish Government consultation on draft regulations relating to the Digital Economy Act which would extend Audit Scotland's ability to conduct counter fraud activity.

Purpose

1. This report presents the financial results for the six months to 30 September 2018.

Background

2. The detailed finance performance report for the six months to 30 September 2018 is provided in Appendix 1 to this paper.
3. The report was discussed by Management Team on Tuesday 30th October 2018.

Discussion

4. In the six months to 30 September 2018, Audit Scotland's Net Operating Expenditure was £2,165k which was £104k less than budget.
5. In-house income for 2017-18 audits was in total £98k more than budget with a positive volume variance of £22k and a positive price variance of £76k. 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 £31k better than budget. Income recognition was £178k higher than budget and this was offset by fees and expenses payable to the external firms being £147k higher than budget.
7. Staff costs including agency expenditure was £19k more than budget.
8. Other expenditure £19k worse than budget. The main positive variances were recorded in property costs (£35k) and training (£18k) with the main adverse variances appearing in legal, professional and consultancy (£34k) and recruitment (£25k).
9. More detailed variance analysis and explanation is provided in Appendix 1 attached to this report.

Recommendation

10. The Board is invited to note the financial results for the 6 months to 30 September 2018.

Headline Results

The summary financial position to 30 September 2018:

£000	Annual Budget	Actual	Budget	Var.	% Var.	Prior Year	Note
Fee Income - In House	7,589	4,384	4,280	104	2.4%	4,332	1
Fee Income - Audit Firms	4,603	3,225	3,047	178	5.8%	3,187	2
Central Charges	5,453	2,727	2,727	0	0.0%	2,752	
Rebate	0	0	0	0	-	0	
Interest	0	1	0	1	-	7	
Other Income	0	6	0	6	-	49	3
IAS 19 Income	0	0	0	0	-	0	
TOTAL INCOME	17,645	10,343	10,054	289	2.9%	10,327	
Approved auditors	4,125	2,815	2,668	(147)	-5.5%	2,807	2
Staff salaries and oncosts	15,628	7,764	7,797	33	0.4%	7,453	4
Payroll provisions incl. severance	109	0	0	0	-	0	
Agency and secondment costs	70	111	59	(52)	-88.1%	244	4
IAS 19 Pension costs	100	0	0	0	-	0	
Property costs	936	392	427	35	8.2%	418	
Travel and subsistence	906	455	452	(3)	-0.7%	428	
Legal, professional and consultancy	919	150	116	(34)	-29.3%	97	5
Training	483	156	174	18	10.3%	160	6
Recruitment	105	70	45	(25)	-55.6%	52	6
Printing and office costs	271	130	120	(10)	-8.3%	108	
Information technology	458	230	227	(3)	-1.3%	192	
Audit	60	30	30	0	0.0%	30	
Depreciation	383	186	192	6	3.1%	183	
Other costs	65	19	16	(3)	-18.8%	16	7
EXPENDITURE	24,618	12,508	12,323	(185)	-1.5%	12,188	
NET OPERATING (EXPENDITURE)	(6,973)	(2,165)	(2,269)	104	4.6%	(1,861)	

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 September 2018 for the in-house audits:

	2017/18 Audit Year		Prior Years	Total	
	Volume		Price		
	WIP %	£	£	£	
Local Government	+0.25	+11	+49	+6	+66
Health	+0.04	+1	-	-	+1
FE	-34.70	-15	+2	-	-13
Central Government	+6.22	+60	+25	-	+85
Non-statutory	-4.27	-35	-	-	-35
Total – September 18	+0.32	+22	+76	+6	+104

Local Government

Local Government audits are 0.25% ahead of plan leading to a positive volume variance of £11k. The positive price variance of £49k 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 as the audit deadline approaches towards the end of the calendar year.

Central Government

Central Government chargeable audits are 6.22% ahead of schedule leading to a positive volume variance of £60k. The positive price variance of £25k 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 (EAFA) audits remain behind schedule by 4.27%, however we are 9.65% ahead of the reported position last financial year and we expect to be on trajectory by November.

2. Fee income and expenditure – Audit Firms

The positive income variance of £178k should be offset with the adverse expenditure variance of £147k for approved auditors. Effectively this approach highlights a net favourable variance of £31k 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 September 2018:

	2017/18 Audit Year		Prior Year	Total
	Volume	Price	Price	
	WIP %	£	£	£
Local Government	-2.37	-63	+112	- +49
Health	+0.72	+7	+35	+3 +45
Water	+15.00	+21	-	- +21
FE	+1.54	+6	+3	+12 +21
Central Government	+6.53	+24	+18	- +42
Total – September 18	+0.03	-5	+168	+15 +178

Local Government

Audits on the local government sector are 2.37% behind plan leading to an adverse volume variance of £63k. The audit firms have agreed fees above expected fees leading to a price variance of £112k. The most significant increases to fees have been agreed by Aberdeen City Council, City of Edinburgh Council and Midlothian Council.

Health

Health audit completion remains 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 £35k 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 1.54% ahead of schedule leading to the recognition of £6k fee income ahead of plan. As at the end of September there have been some changes to expected fees leading to a positive variance of £3k. The main fee increases have been agreed with Lewis Castle College and Moray College. 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 £24k. The £18k price variance is mainly due to the recognition of agreed fee increases for Crown Estate Scotland and Historic Environment Scotland.

3. Other Income

Other income is mainly the recovery of costs (£5k) for a member of ASG staff who is on an 18 month secondment with Deloitte. The balance (£1k) is the receipt of royalty income.

4. 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 (incl NFP)	8,315	4,199	4,091	(108)	156.3	147.5	a)
ASG agency & secondments	70	67	59	(8)			
PABV (incl Professional Support) staff costs	3,773	1,769	1,886	118	59.1	64.4	b)
PABV agency & secondments	0	8	0	(8)			
CSG (incl Audit Quality & Appointments) staff costs	1,996	1,006	998	(8)	36.4	35.3	c)
CSG agency & secondments	0	24	0	(24)			
Business Support staff costs	649	301	324	24	17.5	18.3	d)
Business Support agency & secondments	0	12	0	(12)			
Governance & Other staff costs	1,104	490	497	7	18.7	20.0	e)
Governance & Other agency & secondments	0	0	0	0			
Total staff costs	15,837	7,764	7,797	33	288.0	285.5	
Total agency & secondments	70	111	59	(52)			

- a) In the first 6 months of the year the average number of staff employed in ASG has been 8.8 w.t.e. more than the funded budget. The establishment is based on 151.9 w.t.e. with the application of a 3% vacancy/turnover factor reducing the funded w.t.e. to 147.5. Overall the additional cost of employing the increased staffing level (£244k) has been partially funded by the reduction in average actual salary costs per employee (£136k). 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. The agency expenditure overspend of £8k is due to workload demand and the full year projection is a £10k overspend.
- b) PABV is on average 5.3 w.t.e. below budget (£155k) and this is being reduced by the average actual salary cost being above plan (£37k). A significant recruitment exercise was undertaken in May/June and vacant positions have been filled in August and September. The £8k secondment costs relate to a Scottish Government employee working in PABV before they were a successful candidate in the recruitment exercise.
- c) The average staff resource requirement in CSG has been higher than the funded w.t.e. (£31k) due to the 3% vacancy factor. This overspend is currently funded by the favourable variance on average actual salary costs (£23k) and savings within other expenditure budget headings. Agency costs have been incurred to provide essential cover for a vacancy within Digital Services.
- d) Business support w.t.e. below funded figure (£15k) 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 (£9k). Agency expenditure covered a vacant post which has now been filled.
- e) The reduced w.t.e. in Governance & Other is due to two non-exec vacancies within the Accounts Commission to the end of July.

5. Legal, professional and consultancy

The main reasons for the year to date overspend are due to specific requirements of legal advice and professional services. Legal advice has been sought on specialist procurement (car lease contract) and the statutory land tax return. Professional fees include a payment for specialist advice to challenge the business rates uplift. This has proved successful in reducing our business rates charges for which a rebate was received for 2017/18 and the base charges for 2018/19 will also be significantly less than planned.

6. Training and recruitment

Training expenditure underspend is mainly due to reduced expenditure on professional trainees and professional subscriptions. Expenditure in these headings will increase in the second half of the year as professional membership fees become due and the induction of new trainees as they join us in October. There was a 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.

7. Other costs

The main reason for the overspend is attributable to occupational health expenditure. Full year projections expect that this adverse variance will be absorbed by sufficient budget by the end of the financial year.

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 six months to September 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.

Expenditure plans have been discussed with Digital Services and the allocation will be spent in full by the end of the financial year.

Stuart Dennis

Corporate Finance Manager

14 November 2018

Purpose

1. This report provides the Board with an overview of Audit Scotland's performance during quarter two 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 one report was considered at meetings of the Management Team and the Board on 31 July and 22 August 2018 respectively. This report was considered by the Management Team on at its meeting on 6 November 2018.
4. 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.

Q2 performance summary

5. The Q2 report demonstrates strong performance over all. Performance headlines include:
 - Delivering World Class Audit - we are conducting relevant, timely and high-quality audits:
 - 140 annual audit reports, 3 Performance audits and 1 Best Value Assurance Report published on or ahead of schedule
 - 1 Statutory report, the NFI report and an impact report on Community Planning reports published on schedule
 - The Q1/Q2 quality report provides positive assurance on audit quality.
 - 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; Children and Young People's Mental Health, Broadband follow-up and Forth Replacement Crossing
 - Extensive engagement with parliament and its committees.

We have changed the assessment on the objective 'we offer insight and foresight through our work' from yellow (insufficient data) to green. The Performance and Risk Management Group considered the broad range of relevant indicators for this objective and concluded the change was appropriate. Its' consideration included the cumulative effect of:

- More examples (and better recording of) engagement with stakeholders around national and local work (round table meetings, speaking at events, engagement with audited bodies)
- Additional audit outputs to provide wider access to audit messages and information (e-Hubs, videos, animations, briefings)
- Positive feedback from audited bodies and other stakeholders

The revised assessment does not indicate a reduced focus on this important area.

- Building a Better Organisation - we are managing our workforce effectively and investing in learning and development. Financial planning and budget management are effective:

- 99.6% of 279.5 establishment in place at the end of the quarter
- Absence rate: 0.76%
- Net operating cost: £104k less than budget – variance of 4.6% of net operating expenditure budget.

Despite being at establishment and a low absence rate we are conscious that there continues to be pressures on colleagues and limited ‘spare capacity’ to respond to unplanned demands and the increasingly complex and rapidly changing operating environment. The Best Companies survey results in Q3 may provide more insight into this area and our ability to maximise our organisational agility will continue to be an area of focus. Management Team summit discussions on Being a Better Organisation and flexible resourcing and deployment will be taking place in November and early in 2019 respectively.

6. The assessments of performance based on the data and KPIs indicates strong performance overall. Our commitment to continuous improvement also means that we are always seeking to ‘raise the bar’ in terms of performance. We are currently reviewing the key performance objectives, questions and targets as part of the performance management framework. This will help to ensure that we continue to challenge ourselves to achieve our vision of being world class.

Recommendations

7. The Board is invited to review the Q2 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.
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Headline:	Relevant, high quality audits published on or ahead of schedule and under budget.
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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	G			
We make clear and relevant recommendations for improvement	G	G	G	G	G	G			
Audits are of high quality	G	G	G	G	G	G			
We systematically improve the quality of our work	G	G	G	G	G	G			

Key performance indicators

Annual Audit <ul style="list-style-type: none"> 140 annual audit reports published on or ahead of schedule in Q2. Two annual audit reports were published later than scheduled due to circumstances out-with the auditors control. 	Performance/ best value/ overviews/housing benefit/Section 22 <ul style="list-style-type: none"> 3 Performance and 1 BVAR reports published on schedule in Q2 1 Statutory report, the NFI report and an impact report on Community Planning reports published on schedule 1 Housing Benefit report published in Q2 and two delayed to Q3.
On budget <ul style="list-style-type: none"> Expenditure on audit work was 3.5% below budget in Q2 – this is within the 5% tolerance range 	Quality: the Q1/Q2 quality report found <ul style="list-style-type: none"> Auditors delivered 98% of local government opinions and 100% of PABV reports on time, including BVARs. Audit plans are of a high quality and comply with the 2016 Code of Audit Practice. Non-audit services requests comply with the Ethical Standard, the Code and were reviewed and approved by Audit Quality and Appointments (AQA). Improvements have been made in response to areas reported in last year's Q1/Q2 report by most auditors.

 Making a difference	Our objective is to maximise the difference our audit work makes to public services in Scotland.
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Headlines:	Substantial interest in reports published in Q2 (in terms of downloads, mainstream and social media). Increased evidence of additional audit products and engagement activity has led us to change the rating to green for offering insight and foresight
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Objectives	2017-18				2018-19				Actions
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
We get our messages out effectively	G	G	G	G	G	G			
We systematically deliver impact through our work	G	G	G	G	G	G			Further quantitative measures to be developed as part of the PMF2018 project to supplement qualitative assessments.
We offer insight and foresight through our audit work	Y	Y	Y	Y	Y	G			PMF2018 project developing KPQs/KPIs on this objective
We develop new and improved processes, products and services	G	G	G	G	G	G			

Key performance indicators

- 268 Media mentions of Audit Scotland and/ or Accounts Commission (Q2 17/18 339).
- 215,008 downloads (Q2 17/18 146,283 an increase of 47%).
- 6,420 social media engagements (Q2 17/18 6,305 an increase of 2%).
- Attended seven Parliamentary committee meetings; four Public Audit and Post Legislative Scrutiny (PAPLS), one Justice, one Education & Skills and one Finance & Constitution.
- Attended seven other Parliamentary meetings including with; SCPA and with Committee Clerks.
- 82% correspondence responses issued within 30 days once the ongoing cases are completed this is expected to be 100%).

 Being a better organisation	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.
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Headlines:	Staff complement is 99.6% of establishment and sickness absence rate was below 1% in the quarter. Net operating costs are £56k less than budget, a variance of 4.6%. Expenditure on agency, secondments and legal, professional and consultancy costs is above budget. Campaign to recruit up to 20 new colleagues to Audit Scotland commenced during the quarter.
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Objectives	2017-18				2018-19				Actions
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
We manage our resources effectively	G	G	G	G	G	G			Management team summits on Being a Better Organisation (Nov 18) and organisational agility and flexible resourcing (early 2019).
We maximise our efficiency	G	G	G	G	G	G			
We manage information and intelligence effectively (internal)	A	A	A	A	A	A			Digital Audit Strategy implementation and review of performance management framework under-way.
We empower and support our people to be engaged, highly skilled and perform well	A	A	A	A	G	G			People focussed management team summit 27 November 2018 including review of progress on/ impact of embedding of BaBO, role profiles, career development gates, time place and travel, and professional leadership development. Best Companies survey results due December 2018.

Key Performance Indicators

People	Resources
<ul style="list-style-type: none"> Staff complement (w.t.e): 99.6% of 279.5 establishment at the end of the quarter (95.7% of 274.9 in Q2 2017/18). Absence rate: 0.76% (1.16% in Q2 2017/18). Resignations: 3.9% ytd% (3.41% in Q2 2017/18). L&D events: 11 in-house events covering 103 places. Exams: 20 exams with 80% pass rate for professional trainees. To date we received 20 Career Development Gateways(CDG) submissions. 12 colleagues have demonstrated the required evidence and are therefore progressing into the next zone. 	<ul style="list-style-type: none"> Net operating cost: £104k less than budget – variance of 4.6% of net operating expenditure budget. Staff costs: £33k less than budget – variance 0.4% Agency and secondment costs: £52k more than budget Capital investment: £12k (ytd) on IT hardware Property costs: £35 k less than budget – variance of 8.2% on budget. Travel and subsistence expenditure: £3k more than budget – variance of 0.7%. Legal, Professional and consultancy costs £34k more than budget – variance of 29.3%.



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	G			
Are audits delivered on time?	G	G	G	G	G	G			New performance management framework being introduced 2018/19
Are audits delivered on budget?	G	G	G	G	G	G			will provide additional data and analysis in these areas

Relevant

During Q2 three health s22 reports were confirmed for NHS Ayrshire and Arran, NHS Highland and NHS Tayside. Most of the work to prepare these reports was undertaken during the quarter and the reports are to be laid in Parliament during quarter three. An additional two s22 reports will also be produced during the next quarter for Community Justice Scotland, and the Scottish Public Pensions Agency. This was in addition to already planned s22 for the Scottish Police Authority and the s22 Scottish Government Consolidated Accounts (completed during quarter two).

In Q2 we reported to Glasgow City Council on the results of the Best Value and Assurance Report (BVAR). This report contained several significant recommendations.

Timely/ in public

In Q2 we published 148 Audits/reports, this is more than the 139 planned. This was due to a greater number of central Government reports being delivered early.

The three performance audits due for completion during the quarter were all delivered on time (*Broadband update; Forth Replacement Crossing; Children and young people's mental health*). the tenth of the Accounts Commission's Best Value Assurance Reports (Glasgow City Council) was published in August. We remain on track to meet the Commission's commitment to producing at least one assurance report for each of Scotland's 32 councils during the five-year audit appointment period.

The report on the *National Fraud Initiative* was published during July and generated widespread national press coverage. Members of the team have also presented to conferences and other groups following publication of the report.

Two Local Government reports (1 Audit Scotland and 1 Firm) were delivered later than scheduled. The auditors completed the work in time for the accounts to be signed by the deadline, but the reports were not signed off on time as council officers were not able to complete all the required signatures before the deadline.

Two Housing benefit reports (East Renfrewshire and HB Annual) are behind schedule. The draft Annual HB audit update report was considered by the Accounts Commission in September and will be published in Q3 the East Renfrewshire HB report will also be published in Q3.

In addition to the published audits and reports we also published technical documents including; technical guidance note on FE annual accounts, the quarterly technical bulletin and the Code of Data Matching Practice was published to support the start of the for the next NFI exercise.

Audits on budget: In Q2 the expenditure on Audit is almost 3.5% below budget and within our 5 percent budget tolerance.

	2018/19			
	Budget	Actual	£ Variance	% Variance
ASG	10,061,933	9,708,023	-353,910	-3.52
PABV	£1,099,245	£1,065,928	-£33,317	-3.03%
Total	£11,161,178	£10,773,951	-£387,227	-3.47%

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.

	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 ✓ 6 CG ✓	66 65LG✓ 25 28CG	1LG (Q2) 2 FE 10 CG	1 CG
Audit – Firms (99)	13 NHS ✓ 5 CG ✓	39-38 LG✓ 9 CG✓	1LG (Q2) 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: Social security (X Q1)
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 ✗ City of Edinburgh (Q2)	City of Edinburgh (Q1) ✓ East Renfrewshire (Q3) ✗ Housing benefit annual report(Q3) (Q3)✗	East Renfrewshire (Q2) Renfrewshire Glasgow* Housing benefit annual report(Q2)	Perth* Falkirk* Midlothian Aberdeenshire
Statutory (8)	s102 City of Edinburgh Council ✓ s22 Edinburgh College ✓ s22 New College Lanarkshire ✓	s22 Scottish Government Consolidated Accounts✓	s22 Scottish Police Authority s22 NHS Ayrshire and Arran s22 NHS Highland s22 NHS Tayside s22 Community justice s22 Scottish Public Pensions Agency	
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 Sheriff courts Scotland's economic growth Higher education Social work in Scotland Issues paper: EU Withdrawal Briefing: Public Financial Management	How Councils Work: managing risk through internal controls Protecting public money
Planned (488)	68	139	74	207
Published	69	148		

* Due to changes in DWP risk assessments Glasgow will be reported in Q1 2019/20 and Perth and Falkirk are replaced by Midlothian and Aberdeenshire, both to be completed and reported in Q4.

Issues/ risks/ actions: Proposals for new HB resourcing and reporting arrangements to be considered by the Accounts Commission in December 2018.

Forward look:

- Six s22 reports are due to be laid in Parliament during quarter 3
- The refreshed rolling 5-year work programme will be presented to the Auditor General and Accounts Commission in December for approval. The programme will thereafter enter a consultation period prior to final sign-off during quarter 4
- The topic of the next performance audit in the New financial powers and constitutional change series was confirmed as *Social security*. Due to the complexity of auditing a new body and social security arrangements, in addition to statutory financial audit, the timescale for publication of the performance audit has been revised from the final quarter of 2018/19 to quarter one of 2019/20.

 Delivering world-class audit	We make clear and relevant recommendations for improvement
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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	G			

Examples of significant risks identified by the audit process (from the Annual Audit Plan and followed up/ reported on in the Annual Audit Report) include:

- **Central Government:** The audit team presented an additional management letter at the August 2018 Audit Committee at the request of the Chair. The letter set out good practice for Audit Committees drawing from a review of relevant guidance and comparison with other similar bodies. The Chair welcomed this letter as a useful summary for committee members.
- **Central Government:** The 2017/18 draft accounts contained a material omission. The audit team sought the advice of Professional Support who supported the concerns about the seriousness of the omission. Some client officers were initially reluctant to make the required changes. Non-executive directors were supportive of the external audit process and agreement was reached with the client about what needed to be disclosed.
- **Central Government:** Following discussions with client officers and noting previous recommendations the management commentary was significantly improved. Positive feedback was received from both the Audit Committee and Director of Finance.
- **Local Government:** The council's group accounts had been prepared using the unaudited accounts of most of its component entities in previous years. This risked a material error making its way into the group accounts. Following an 2016/17 audit recommendation, the council ensured that audited accounts were obtained more promptly from the group entities. The audited 2017/18 group accounts were based on the audited component accounts.
- **Local Government:** The audit committee said AAR was 'incredibly helpful' and thanked the audit team 'for support and guidance', and that their work 'provided a good foundation'.
- **Health:** The audit team worked closely with finance officers to improve the management commentary in the annual accounts, in particular the need for the Performance Report to provide a clear and comprehensive picture of performance.
- **Health:** The AAR was presented to the committee for a second time at the request of the Audit and Risk Committee to allow the committee more time to consider the wider dimension issues raised in the report. A non-executive member described the report as "really good with clear messages."
- **Health:** The audit team provided a training session to members on better understanding the financial statements. Following the session, the audit committee members raised several relevant queries on the draft accounts. Following positive feedback from members, the audit team have been asked to provide another session in November to new members.
- **Health:** The audit team recommended the board have an independent review of Internal Audit within 2017/18 or it risked non-compliance with Public Sector Internal Auditing Standards. An independent external review of the board's internal audit arrangements was carried out in February 2018, by the Chartered Institute of Internal Auditors.

Issues/ risks/ actions: Continued encouragement of teams to record and report value added impacts in impact logs and annual audit reports.

Forward look: 6 s22 reports, 4 impact reports and 2 briefings/ issues papers in Q3



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

Key Performance Questions:	2017-18				2018-19				Actions
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
Are we assured about the quality of our work?	G	G	G	G	G	G			Review of most appropriate standards for non-financial audit work is under way
Are we improving the quality of our work?	G	G	G	G	G	G			Ongoing refinements to the Audit Quality arrangements including client surveys and issues escalation process.

Assurance

The Q1/Q2 Quality report highlights that

- Auditors delivered 100% of NHS and 98% of local government opinions and 100% of PABV reports on time, including BVARs.
- Audit plans are of a high quality and comply with the 2016 Code of Audit Practice (the Code).
- Non-audit services requests comply with the Ethical Standard, the Code and were reviewed and approved by Audit Quality and Appointments (AQA).
- Improvements have been made in response to areas reported in last year's Q1/Q2 report by most auditors.

The report will be considered by the Audit Committee at its meeting on 14 November 2018.

In September the Board considered a report on the reputation of audit and the controls in place in the public audit model in Scotland.

Improvement

The findings from the cold reviews on 2016/17 audits have been used to inform revised audit programmes and identified training requirements. Follow-up reviews of the recommendations of the cold reviews commenced in Q2.

In Q2 assistance for auditors to improve financial and performance audit skills included:

Training

- Introductory sessions for new colleagues joining the organisation.
- Revisions to the Audit Guide to improve clarity
- 3 MKI training sessions for colleagues across the organisation new to using MKI
- 3 technical training workshops delivered which assisted auditors in understanding technical guidance
- New database on the 2017/18 unaudited local authority accounts to provide comparative information during the financial statement audit process

- Developing a range of training courses to support auditors in the delivery of high quality audits (including introduction to performance audit, I&I matrices, interviewing skills, finance for non-finance specialists and MKI training)

Guidance

- All planning and key controls audit files have been revised for technical developments and to improve the recording of the financial audit.
- Guidance on 11 emerging risk areas identified (inc. pension asset valuations, impairments)
- 5 frequently asked questions (FAQs) outputs were published to provide guidance and support through financial statement audits.
- Technical guidance note issued to provide support to auditors working in the further education sector.

Performance audits

- Approval from the Management Team on the proposed quality standards for performance audit and preparation of a paper for the Audit Quality Committee on the proposed quality monitoring arrangements for 2018 performance audits
- Developing a draft template for 2018 cold reviews of performance audits
- Coordinating peer reviews of Wales Audit Office performance audit reports

Issues/ risks/ actions:

- The FRC inspections show that most firms' audits are of high quality, but that the proportion of audits judged good or limited improvements required is falling. The FRC is increasing its monitoring work as auditors are not delivering fast enough improvement towards its target.
- The Scottish Public-sector model operates controls that mitigate a number of the weaknesses highlighted in recent FRC investigation reports.

Forward look:

- The Q1/Q2 Quality report will be considered by the Audit Committee in October 2018
- There will be 11 2017/18 audit cold reviews carried out across sectors. The work and results will be completed and reported in Q3.
- A revised web page is to be developed to draw together information and the reports on audit quality and the public audit model in Scotland.



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	G			

Getting our messages out

In Q2 we attended seven Parliamentary committees including; four Public Audit and Post Legislative Scrutiny (PAPLS), one Justice, one Education & skills and one finance & constitution. We also attended seven other Parliamentary meetings including the SCPA and with Committee Clerks.

Recent work undertaken on behalf of the Accounts Commission featured in a Holyrood magazine article on local government funding. In a wide-ranging article, there is a focus on national issues such as funding additional childcare and lifting of the public sector pay gap, within the context of the Commission's report on Local Government in Scotland.

The Audit Scotland Communications Team were shortlisted for a prestigious Chartered Institute of Public Relations (CIPR) Pride Award. The team were nominated for their work on communication the Early Learning and Childcare report.

Media

	Q1	Q2	Q3	Q4	YTD	17/18
Media	477	268			745	1,340
Downloads	215,008	191,886			406,894	690,113
Engagements*	7,286	6,420			13,706	20,636

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

The top 3 published reports by media coverage were Children and Young People's Mental Health, Broadband follow-up and Forth Replacement Crossing

- Children and Young People's mental health was one of our most downloaded reports this quarter (1,228) and was our most visited report page in September (1,195).
- Our podcast on the Forth Crossing was particularly popular this quarter with a very high number of listens (412)
- Last year's NHS Overview report continues to feature in the top 20 downloads for July-Sep and interest is building for NHS in Scotland 2018.

Media

Month	Broadcast coverage (radio & tv)	Print Coverage: National (newspapers & online)	Print Coverage: Local	Total
Jul	0	16	13	29
Aug	12	74	22	108
Sept	22	71	38	131
Total	34	161	73	268

All reports published over the last three months have received strong social media engagement. The children and young people's mental health report was shared widely by charities and mental health groups. The Forth Crossing report followed closely behind the mental health report in terms of the amount of engagement on social media, with users of the bridge replying to tweets.

Aside from the reports noted above some of the most popular content on our social media channels over the last quarter has been in relation to recruitment, including promoting recruitment campaigns for the new Audit Scotland Board Member, Audit Director, HR vacancies etc. LinkedIn continues to be of value in terms of recruitment campaigns.

Facebook continues to demonstrate its value in its advertising reach. In August we promoted the Glasgow BVAR on Facebook using paid advertising, this helped us gain an extra 237 visits to the report web page.

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.

New correspondence cases	Q1	Q2	Q3	Q4	YTD	17/18
Number of cases	24	28			52	136
Acknowledgement within five working days	100%	96			98	100
Final response within 30 working days	92% 100%*	82			91	97

*Note: change in what was reported in quarter 1. At the time of submitting data, we had achieved 92% of responses within 30 days; the remaining two responses were issued within the deadline, so this figure now shows as 100%.

In Q2:

- Four final responses are pending (18%), all are still currently within 30 working day deadline.
- One acknowledgement and one final response have been missed this quarter to date. This is due to auditors prioritising final accounts work.
- We received five objections to local authority accounts
- In addition, we had 35 audit enquiries relating to queries about our work (e.g. figures within our reports, guidance and access to materials/reports)
- (compared to 30 in Q2 17/18)

Freedom of Information (FOI), Environmental Information Regulations (EIR)and Complaints

- During Q2 there were 7 FOI requests, no EIRs and 1 complaint that was not upheld.

Issues/ risks/ actions:

- Creation of central resource library for presentations to support efficiency of production and consistency of quality, content and messages

Forward look:

- Publication of British Sign Language (BSL) and video interpretation in BSL in Q3.
- Revised engagement and communications strategy – early 2019

 Making a difference	We systematically deliver impact through our work
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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	G			
Are our recommendations leading to improvements?	Y	G	G	G	G	G			Further quantitative measures to be developed to supplement qualitative assessments as part of the PMF2018 project.

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

On 4 September, prior to publication of the [Children and Young People's Mental Health report](#), the Scottish Government announced an additional £250 million to improve mental health services. This includes funding to recruit an additional 250 school nurses and 350 school counsellors, to expand the availability of mental health first aid training for teachers and developing community wellbeing services for 5 to 25-year olds. Our report found that access to services to intervene early in mental health problems, such as school counselling, varies widely across Scotland. We also found that more mental health training is needed for teachers and other professionals who work with children and young people.

Update and impact reports help to ensure that issues and themes remain on the agenda in a range of areas, these include:

An [update report on superfast broadband](#) published in September found that the Scottish Government met its target of providing access to fibre broadband to 95 per cent of premises in Scotland by 31 December 2017 and higher than expected take-up and lower than expected costs are expected to allow the programme to reach 60,300 more premises than planned. The report also found that average broadband speeds experienced have increased across Scotland but continue to be lowest in rural areas and that Community Broadband Scotland (CBS) did not deliver the anticipated benefits for rural community broadband projects.

The [impact report on Community Planning in Scotland](#) found a mixed picture of progress against recommendations, including progress in some areas, but also some areas where it is too early to assess the full effect of changes. COSLA noted that our *Community Planning: an update report* "was very helpful in taking stock of community planning progress, and in focusing national and local government and wider public services on further improvement."

The Improvement Service and NHS Health Scotland are leading work to provide improvement support and identify and share good practice within CPPs on engaging with communities. There are concerns amongst some community planning partners about the extent to which community planning is still seen as central to the Scottish Government's broader public service reform agenda. The Scottish Government has launched its refreshed National Performance Framework and continues to review performance frameworks and indicators across specific sectors to increase the emphasis on outcomes, but CPPs still operate within a complex network of accountability frameworks.

Issues/ risks/ actions:

Forward look:

- Four further impact reports are due to be published in Q3 and the schedule of future impact reports is under review.
- We will provide an update on the impact of and response to the NHS overview report (published 25 October) in Q3.

	Making a difference	We offer insight and foresight through our work									
Key Performance Questions:		2017-18				2018-19				Action	
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4		
Are we making information and intelligence available to others?		G	G	G	G	G	G			Development of an assessment framework and more systematic approach to measuring progress on this objective.	
<p>We continue to offer insight and foresight through our work by delivering a range briefings and presentations and material on the website. These include:</p> <ul style="list-style-type: none"> • New Digital e-hub – the hub pulls together different resources from past audit work and other relevant sources and sets out our future plans for auditing digital and digital audit. • Welcoming a delegation from the National Development and Reform Commission – a government organisation in China that formulates and implements strategies of national economic and social development. We shared our experience of auditing the Scottish Government and local authorities. • A member of the <i>National Fraud Initiative</i> team presented to a conference focussed on public sector fraud. The focus of the presentation was “sharing best practice and fresh knowledge”. Members of the team also delivered a session on counter-fraud at the Scottish Chief Internal Auditors Group • Briefings to the Auditor General and Accounts Commission on our approach to engaging with young people, housing, and Scotland’s response to the Grenfell tragedy. • Participating in 8 external working groups/meetings arranged by external organisations. • Responding to 4 consultations and delivering 5 external presentations 											
<p>The 2017/18 annual audit reports produced in Q2 contained examples of where the audit has provided insight and foresight through our audit work:</p> <ul style="list-style-type: none"> • Local Government: Most of the annual governance statements (GSt) were up to date with the new CIPFA guidance, however we worked hard on many to get the right balance between management commentary and GSt on the location and substance of the material. The s95 officer expressed appreciation of guidance of audit team. • Local Government: We encouraged the council to revise the management commentary to ‘tell the story’ more effectively. • Health: We worked closely with finance officers to improve the management commentary in the annual accounts. In particular, we have ensured the body have a more complete and clearer Performance Report since our appointment in 16/17. Improvements include disclosures of the financial position (memorandum for in year outturn) which follows the Audit Scotland good practice note, as well as the clarity of reporting against non-financial performance targets. • Health: The Boards performance information is not accumulated and made readily available on the website. Following recommendation that this information should be available the client agreed that that reports will be made available on the website in 2018/19. 											
Issues/ risks/ actions											
Forward look: EU withdrawal briefing paper in Q3. MSP feedback due in Q3.											

 Making a difference	We develop new and improved processes, products and services
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Key Performance Questions:	2017-18				2018-19				Action
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
Are new processes, products and services being developed?	G	G	G	G	G	G			
Are products and study programmes suitable and appropriate for emerging issues?	G	G	G	G	G	G			

Examples of new products and services in Q2 include:

The **Children and young people's mental health** performance audit report was accompanied by a 'key facts' animation and a video. This is part of a broader effort to improve the accessibility of our reports in a range of alternative formats.

The new **Digital e-hub** pulls together different resources from past audit work and other relevant sources and sets out our future plans for auditing digital and digital audit. It is our intention to make available further resources and guidance, including fact sheets on specific digital topics. Internally the Digital Audit Strategy recognises the need to embed digital risks and thinking into our audit processes, including through targeted training for auditors. To support this an externally facilitated workshop took place in September focussing on digital transformation.

The new approach to **auditing devolved financial powers**, including social security and public financial management, was agreed. This includes a specific performance audit considering the new **social security** arrangements in Scotland, and a briefing / issues report on **Public financial management**.

We hosted a **round-table event** looking at how we define and assess **progress within communities**, including transformational change and what success looks like. Amongst those attending were representatives from the Scottish Government, SCVO, COSLA, Scottish Community Safety Network, the Scottish Parliament and the International Futures Forum.

We appointed **Youth Scotland** as our partner to set up and support Audit Scotland's **new young people's advisory panel**. Recognising 2018 as the Year of Young People, we see the panel helping to shape our audit work over the next two years. The panel of 20 young people, known as #Inform100, had its first residential weekend at the end of September. This was an opportunity for the young people to get to know each other and the staff from Youth Scotland and Audit Scotland. It was also an opportunity for them to hear more about what we do in Audit Scotland and start to think about how we can work together. We are continuing to recruit more people to join the 'virtual panel'. This is intended to be a larger group of young people working with the youth advisory panel online to feed in a wider range of views and experiences. The panel will be meeting approximately six times a year over the two years. In-between meetings, they'll be keeping in touch with each other and with Youth Scotland through a new online group. The group plan to meet up again in November, when we'll start to get into more of the detail about auditing public services.

We published the *revised audit guide* which contains several important changes which stemmed from the findings of 2016/17 ICAS and internal quality reviews including:

- clearer reference to wider dimension work
- removing the concept of a 1% default level for overall materiality and encouraging auditors to make and document their judgements based on a scale of 0.5 to 2% of gross expenditure
- referencing specific materiality which may be used for account balances or classes of transactions
- introduction of TRAM 2 agenda (for team risk assessments)
- refreshing the guidance on internal audit and areas auditors can place reliance on re IA work
- providing additional guidance on audit sampling.

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

- An additional audit test to confirm compliance with Audit Scotland's GDPR requirements will be added to audit programmes where appropriate to remind auditors of their responsibilities.



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	G			
Are we maximising efficiency?	G	G	G	G	G	G			

Resource management

In the six months to September 2018:

- Audit Scotland's Net Operating Expenditure was £2,165k which was £104k less than budget.
- Capital investment totalled £12k, with the total available budget for 2018/19 being £175k.
- Staff costs £33K (0.4%) less than budget.

Net operating (expenditure) to June 2018.

	Q1	Q2	Q3	Q4	17/18
Actual	(1,180)	(2,165)			(8,514)
Budget	(1,237)	(2,269)			(9,157)
Variance	-4.6%	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
2018/9 establishment w.t.e:	279.5	279.5			274.9
Average number of staff employed in 2018/19 w.t.e:	271.9	274.2			271.9
No. of staff at end of quarter w.t.e:	270.3	278.3			272.0

Staff and Agency costs

Total staff costs in the six months to September 2018 are below budget.

Business Group	Annual Budget	Actual	Budget	Variance	Actual Average W.T.E	Budget W.T.E
ASG Staff costs (inc NFP) ASG agency & secondments	8,315 70	4,199 67	4,091 59	(108) (8)	156.3	147.5
PABV (inc Professional support) staff costs PABV agency & secondments	3,773 0	1,769 8	1,886 0	118 (8)	59.1	64.4
CSG (inc Audit Quality) staff costs CSG agency & secondments	1,996 0	1,006 24	998 0	(8) (24)	36.4	35.3
Business Support staff costs Business Support agency & secondments	649 0	301 12	324 0	24 (12)	17.5	18.3
Governance & Other staff costs Governance & Other agency & secondments	1,104 0	490 0	497 0	7 0	18.7	20.0
Total Staff costs	15,837	7,764	7,797	33	288.0	285.5
Total agency & secondments	70	111	59	-52		

Expenditure on agency staff by ASG is significantly less than in 2017/18. Expenditure in PABV was on a secondment who has subsequently been appointed in the recent recruitment campaign. Expenditure in CSG and BSS has provided temporary cover where recruitment campaigns are under way.

Legal, professional and consultancy

In the six months to September 2018 expenditure is £34k more than budget. Legal advice has been sought on specialist procurement (car lease contract) and the statutory land tax return. Professional fees include a payment for specialist advice to challenge the business rates uplift. This has proved successful in reducing our business rates charges for which a rebate was received for 2017/18 and the base charges for 2018/19 will also be significantly less than planned.

Estate - Estate costs in the year to September 2018 are £35k (8.2%) lower than budget and lower than previous years spend of £418k.

£000 YTD	Q1	Q2	Q3	Q4	17/18
Actual spend	208	392			938
Budget	215	427			930
Prior year spend	211	418	640	938	

Costs of travel - Travel costs in the year to September 2018 were £3k higher than budget and 24 k higher than last year.

£000 YTD	Q1	Q2	Q3	Q4	17/18
Actual spend	227	455			866
Budget	230	452			922
Prior year spend	204	428	654	866	

Capital Expenditure and Funding: Capital investment for the six months to September 2018 was £12k, with the total available budget for 2018/19 being £175k. The £12k year to date expenditure is on IT hardware. Expenditure plans have been discussed with Digital Services and the allocation will be spent in full by the end of the financial year.

IT network up time Q2

IT Network	Q1	Q2	Q3	Q4	17/18
IT uptime (%)	99.14	99.38			99.6
Working hours lost	1992.5	1432.1			3758
Average time lost per person	6.69 hrs	4.77hrs			660

Most of the downtime this quarter was due to an issue with the password server that was preventing connection to office 365 including outlook. There were several outages in Glasgow the most severe caused by power cuts followed by a failure of the local IP address server. We have since replaced the server and installed a UPS in the Glasgow office to prevent a reoccurrence of this, as well as including more proactive monitoring out of hours.

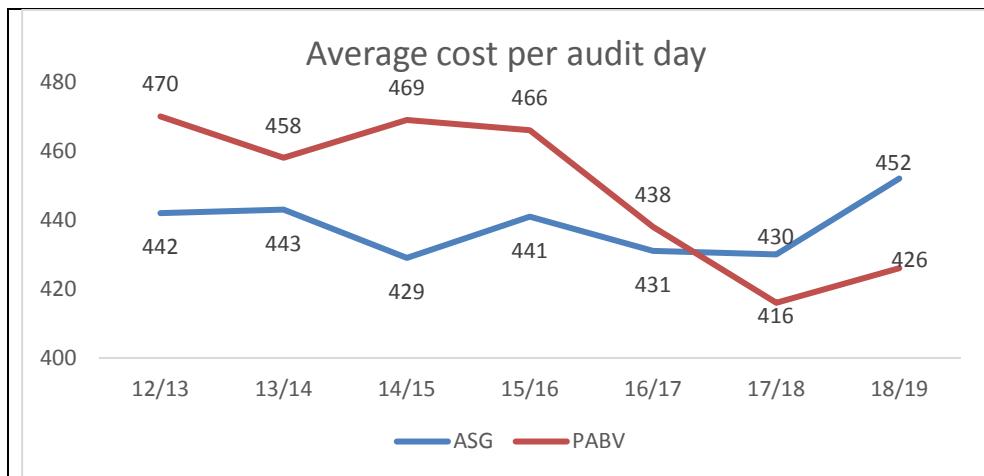
IT Incident management summary

- 95.75% (1232/1248) of incidents were accepted within the response time SLA.
- 98.6% (1195/1248) of requests were closed within the fix time SLA.
- An average of 4.2 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
ASG	60	73			57	74	59	67
PABV	70	70			76	74	67	76



At the end of Q2 the cost per audit day for ASG is £452 and PABV £426. 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 at the start of each new financial year.

Issues/ risks/ actions:

Forward look:

- New car lease contract procurement under-way

 Being a better organisation	We manage information and intelligence effectively (internal)							
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Key Performance Questions:	2017-18				2018-19				Actions
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
Are we managing information and intelligence effectively (Internal)	Y	Y	Y	Y	Y	Y			PMF2018/19 project under way

Examples of managing information and intelligence during Q2 were:

The EU withdrawal team delivered a series of lunchtime drop-in sessions for colleagues about our work in this area.

Extensive use of Yammer to share information on a wide range of subjects including the new financial powers and social security, international work, cyber security, recruitment campaigns and charitable activities.

We received three external scrutiny reports on information management in Q2 (ISO27001 audit, Keeper of the Records progress update report and a mystery shopper exercise conducted on behalf of the Scottish Information Commissioner. All of the reports were positive about our information management arrangements.

The workstream scopes for Performance Management Framework project, were finalised during the quarter. This project includes workstreams that will facilitate better internal sharing of business management and performance information in areas such as audit costs, how staff use their time, and business delivery.

Issues/ risks/ actions:

Forward look:

- Performance Management Framework 2018/19 project is ongoing
- External reviews of information management report to Board October 2018.

 Being a better organisation	We empower and support our people to be engaged, highly skilled and perform well
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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	G			
Are our people highly skilled?	G	G	G	G	G	G			
Are people performing well?	Y	Y	Y	Y	G	G			
How effective is communication and collaboration across the organisation?	G	G	G	G	G	G			
Are career paths offered across the organisation?	G	G	G	G	G	G			
Do we understand and support diversity within the workforce?	G	G	G	G	G	G			

Empowered and engaged

During Q2 we:

- Launched our new Learning and Development Portal. This includes online learning and a new online learning calendar for 2018/19.
- Published our [Learning & Development Report and strategy for 2018/19](#).
- Concluded our significant one organisation auditor recruitment campaign, with some colleagues starting new promoted roles and external new starters joining the organisation in September. The induction arrangements for the new starts and internal promotions was overseen and delivered by a cross business group team from ASG, PABV and Corporate Services. This model is also being applied to the next major staff intake – Professional Trainees in October 2018.
- Completed the annual Health, Safety and Wellbeing review and forward plan
- Hosted the next in the series of Women in Leadership events with members of the Accounts Commission leading these sessions and sharing their experience of being women in leadership positions
- The ASG / PABV joint resourcing group met during Q2 – the group focussed on the earlier planning of joint audit work in areas such as overview reporting to inform the annual audit planning process in October.

Wellbeing –

Absence levels - Absence levels remain low and in line with previous years.

	Q1 days	Q2 days	Q3 days	Q4 days	ytd days
Audit Scotland - 18/19	1.28	0.76			2.04
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 - All leavers are lower than the same quarter last year (3.41) but higher (1.08) than in Q1 2018-19

2018/19	Q1	Q2	Q3	Q4	YTD	17/18	CIPD benchmark
Resignations %	1.08	0.70			1.78	6.75	5.5
All Leavers %	1.08	2.82			3.9	12.79	13.6

Exam results: In Q2 there were twenty exams taken and sixteen passes. The Cipfa exams consist of 12 modules and the pass rate for each module varies. The average pass rate for all modules for 2017 was 76 percent.

	Q1	Q2	Q3	Q4	YTD	17/18
Exams taken	3	20			23	121
Exams passed	3	16			19	106
% pass rate	100	80			82.6	88

Career paths and secondments

To date we have received 20 Career Development Gateways(CDG) submissions. Through this process 12 colleagues demonstrated the required evidence and are therefore progressing into the next zone.

Vacancies filled	18/19 YTD	17/18
Internal	10	15
External	11	21
Total	21	36

Secondments	18/19 YTD	17/18
17/18 - New	1	0
17/18 - Existing	2	7

Highly skilled - L&D events are summarised below. There is traditionally a lower number of events in Q2 due to it being a peak audit time for Local Government Accounts and for the number of staff taking annual leave during this period.

	Q1		Q2		Q3		Q4		YTD		17/18	
	Events	Attendees	Events	Attendees	Events	Attendees	Events	Attendees	Events	Attendees	Events	Attendees
Health & Safety	1	1	3	15					4	16	1	25
Knowledge Cafes	2	15	0	0					2	15	12	266
Learning & Development	1	6	1	7					2	13	8	64
Management Development	4	41	2	24					6	65	8	54
Organisational Development	2	20	3	24					5	44	26	496
Technical Training	12	227	2	33					14	260	31	469
Total	22	310	11	103					33	413	86	1,374

Issues/ risks/ actions:

Forward look:

- Recruitment of nine new ICAS trainees in October 2018, to work across business groups and 1 school leaver who will undertake AAT training and on completion of this has the option to further train to a professional CCAB qualification.
- 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.
- Best Companies Survey – results due November/December 2018.

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. On 14 November the Audit Committee considered a report on the [strategic improvement programme](#). The report set out how the development objectives in the [Corporate Plan](#) will be achieved through a combination of core audit work, working groups forums and professional leads and development projects.
3. The quarterly update reports provide a summary of recent activity and the future plans and milestones in key areas of work.

Progress on the BWC improvement programme

4. We continue to make good progress on the programme over all. Headlines since the last report include:
 - Delivering World Class Audit:
 - New financial powers and constitutional change – briefing papers published on the [new financial powers and fiscal framework](#) and [EU withdrawal](#), ongoing development of social security methodology and engagement with the new Social Security Scotland agency and the National Audit Office. There is a separate report on this area on the agenda for today's meeting of the Board.
 - Audit Quality – further development of the Audit Quality Framework, including work on auditing and ethical standards, an issues escalation process and arrangements for client engagement surveys
 - Being a Better Organisation (BaBO):
 - Professional trainee induction under way
 - Feedback survey on 3D and promotion of the L&D portal
 - Progress on digital projects include Office 365 and the new performance management framework.
 - Making a Difference:
 - Extensive parliamentary engagement
 - Innovative products – including e-Hubs, briefing and issues papers, videos and animations and round table meetings.
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 Q2 and the next steps and milestones.

Appendix

	<p>Our objective is to ensure that public audit in Scotland:</p> <ul style="list-style-type: none"> • 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.
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Project/ initiative/ product	Status update	Next steps
Implementing the Audit Quality Framework	<p>The Audit Quality Committee continues to meet on two monthly basis. The last meeting was on 09/10/18.</p> <p>The annual planning guidance for 2017/18 was agreed by Management Team (MT) on 25/09/18.</p> <p>The Q1/Q2 Audit Quality Report was considered by the Management Team at its meeting on 09/10/18. The report highlighted:</p> <ul style="list-style-type: none"> • Auditors delivered 100% of NHS and 98% of local government opinions and 100% of PABV reports on time, including BVARs. • Audit plans are of a high quality and comply with the 2016 Code of Audit Practice (the Code). • Non-audit services requests comply with the Ethical Standard, the Code and were reviewed and approved by Audit Quality and Appointments (AQA). • Improvements have been made in response to areas reported in last year's Q1/Q2 report by most auditors. <p>The report will be considered by the Audit Committee at its meeting on 14/11/18.</p> <p>Ongoing development of the Audit Quality Framework includes:</p> <ul style="list-style-type: none"> • Revised ethical standards policy – approved by Board 31/10/18 • Non-audit services policy statement –agreed and implemented October 2018 • Appointments process – agreed and implemented October 2018 	<p>The key milestones are:</p> <ul style="list-style-type: none"> • Development of communications on public audit model and quality arrangements in Scotland – revised webpage and content December 2018 • Audit issues escalation process - under consultation, implementation planned for January 2019. • Staff survey on quality – Jan-Feb 2019 • KPIs -under consultation until December 2018. A revised suite of indicators will be introduced in 2019/20.

Project/ initiative/ product	Status update	Next steps
	<ul style="list-style-type: none"> • Audit standards for non-financial audit work – proposals considered by Audit Quality and MT September/October 2018 • Staff survey on quality – considered by MT 04/09/18 <p>The Board considered a report on audit quality and the perception of audit at its meeting on 28/09/18.</p>	
New financial powers and constitutional change (NFPCC) including EU withdrawal	<p>We have established two new cross-organisation teams, with responsibility for the audits of social security and wider public financial management (PFM) work.</p> <p>The PFM team published a briefing paper on the operation of the fiscal framework on 16/10/18. We sent a copy to Parliament's Finance and Constitution Committee to help support their pre-budget scrutiny, as part of the new budget process.</p> <p>The social security team are developing their approach to financial and performance auditing, including engagement with the new Social Security Scotland agency and the NAO.</p> <p>A professional lead for EU withdrawal is working with colleagues across the organisation to develop our audit work programme and manage any organisational implications. MT held a summit on EU withdrawal on 21/08/18. We published a paper on 11/10/18 setting out what we think are the key issues for public bodies and questions that all bodies should be asking themselves, and our current plans for reflecting EU withdrawal in our audit work.</p> <p>We continue to use a dedicated Yammer site to share information and seek the views of colleagues. We use social media and our e-hub on financial devolution to share our work and other useful resources in this area with an external audience.</p>	<p>The key milestones are:</p> <ul style="list-style-type: none"> • Updating Management Team on EU withdrawal activity on 06/11/18 • Developing our audit approach and work programme for the audits of social security and public financial management – ongoing <ul style="list-style-type: none"> ○ Agree assurance arrangements for social security with NAO – Jan/Feb 2019 ○ Agree social security financial audit plan Feb 2019 ○ Agree PFM work programme – Dec/Jan 2019 ○ Next in the series of our performance audits on the Scotland Act – Apr 2019 ○ First (1/2 year) Social Security annual audit report – June/July 2019 • Developing our programme of engagement and audit work in response to EU withdrawal – ongoing • Internal audit on preparedness re NFPCC and EU withdrawal – Nov/Dec 2018

 <p>Being a better organisation</p>	<p>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.</p>
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Project/ initiative/ product	Status update	Next steps
<p>How we work together</p> <ul style="list-style-type: none"> • Job Design • Reward & Recognition • Performance Appraisal 	<p>The focus for 2018-21 is on getting the benefits of the significant BaBO developments over the last three years. Wellness International have shared the aggregated results of the 2018 wellness checks of 2018/19 with the Health, Safety & Wellbeing Committee in Q2.</p> <p>TED Lunch & Learn event on stress 4 September 18.</p>	<p>The key milestones are:</p> <ul style="list-style-type: none"> • Management Team summit discussion on our people & Building a Better Organisation – Nov 2018 • Best Companies Survey Oct-Dec 2018 • Wellness checks – Jan – March 2019 • New Performance Management clinics taking place Jan 2019 onwards
<p>How we learn and develop</p> <ul style="list-style-type: none"> • planning careers • developing skills • professional training schemes 	<p><i>Learning & Development (L&D)</i></p> <p>Refreshed L&D portal promoted July 2018. Ongoing promotion includes; bi-monthly all staff emails, ishare, office screens/, Yammer and discussions on what people want from L&D at business group and super-team meetings (Sept/Oct 2018).</p> <p><i>Career Development Gateways</i></p> <p>To date we have received 20 CDG submissions, 12 have been ‘evidenced’, 4 have been ‘needs more evidence’ and 2 have been ‘no evidence’.</p> <p><i>3D personal development</i></p> <p>A review of 3D this found that most colleagues prefer the flexible, simpler 3D process to the previous traditional performance appraisal system. For some their experience is not as good and was reflected in the free-text comments more so than the data. Around 10% - 20% of colleagues reported that they may not have had a 3D discussion within the previous 12 months. We are exploring whether this is due to under-reporting on e-HR or the meetings not taking place.</p>	<p>The key milestones are:</p> <ul style="list-style-type: none"> • Implementation of L&D Strategy and Plan during 2018/19 and ongoing promotion of L&D portal • CDG employee / manager training sessions and workshops taking place Nov 2018 • 3D completion statistics are considered in quarterly meetings between HR and business group people leads and the fit and proper and 3D forms have been amended to encourage and remind colleagues on the requirements and their responsibilities.

Project/ initiative/ product	Status update	Next steps
Resourcing	<p>Risk interrogation on capacity and one organisation working – Audit Committee 28/09/18</p> <p>9 Professional Trainees started in October. Their comprehensive induction programme is ongoing.</p> <p>Budget development and SCPA submission preparation – ongoing reports to MT and Board July - October.</p> <p>MT considered medium term financial strategy 09/10/18.</p>	<p>Key milestones are:</p> <ul style="list-style-type: none"> • SCPA budget submission 2019/20 – Dec 18 • Management Team summit discussion on organisational capacity and flexibility – Jan 2019 • Discussion on updated medium term financial strategy with Audit Directors – Jan 2019 and revised strategy to Management Team and Board by March 2019 • Review of work programme cluster resourcing – Dec – Mar 2019
Strategic leadership	<p>Professional lead scope documents have been developed along with a development agenda for 2018 including; 360 feedback, a programme of personal development (Inc. MBTI), and external speakers</p>	<p>The key milestones are:</p> <ul style="list-style-type: none"> • Themed MT summit meetings – ongoing 2018/19 • Programme of external speakers at Leadership Group – ongoing 2018/19 • LG 360 feedback –feedback on pilot – Dec 2018, roll out to LG – Jan – June 2019
Performance management and business intelligence	<p>Implementation of a new Business Intelligence led approach to performance management during 2018/19 ongoing. Update report to Management Team 09/10/18</p>	<p>The key milestones are:</p> <ul style="list-style-type: none"> • Design phase – Oct – Dec 18 • Build and test phase Dec 18 – March 19 • User guidance & training – Feb 19- April 19 • Single TR go live April 19 • Dashboards and reports – April – June 19
SharePoint Online	<p>During 2018/19 we will complete the Office 365 implementation by introducing a new cloud-based version of ishare to maximise security and enhance functionality. 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 key milestones are:</p> <ul style="list-style-type: none"> • Build and test phase – to Feb 2019 • Delivery and file transfer phase Feb – Dec 19

Project/ initiative/ product	Status update	Next steps
	The project is using the Agile approach and is running slightly behind schedule as some O365 performance/ response time issues are being prioritised.	
Digital projects	We have a range of other digital development projects underway. These include; MKI and Finance system upgrades, the Commission Connected project and HR system replacement.	<p>The key milestones are:</p> <ul style="list-style-type: none"> • MKI upgrade – Nov/Dec 18 • Finance upgrade Nov/Dec 18 • Commission connected pilot phase re user requirements– Nov/Dec 18 • HR system – Nov 18 – June 19

 <i>Making a difference</i>	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.
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Project/ initiative/ product	Status update	Next steps
World Class Programme Development	The five-year rolling work programme is currently being reviewed by cluster groups.	<p>The key milestones are:</p> <ul style="list-style-type: none"> • Refreshed proposed programme to AGS and Accounts Commission – Dec 18 • Accounts Commission consultation – Jan/Feb 19 • Revised programme agreed – Mar 19
Communications and engagement	The planned review of the Communications and Engagement Strategy scheduled for Autumn has been rescheduled to early 2019 to ensure the new Communications Manager has the opportunity to shape the strategy.	<p>The key milestones are:</p> <ul style="list-style-type: none"> • Revised strategy for consideration by Management Team and Board – March 2019

Project/ initiative/ product	Status update	Next steps
Strategic approach to Parliamentary Engagement	We continue to work closely with the Parliament and its committees through our audit work and by support the scrutiny of the budget. Since the last update this has included 25 engagements with committees, clerks and forums covering evidence sessions and business planning.	The key milestones are: <ul style="list-style-type: none"> MSP feedback – Dec 2018 Evidence sessions and scrutiny support – ongoing Joint stocktake on parliamentary scrutiny support – March/April 2019
Digital Audit	<p>The Digital Audit Strategy contains a variety of commitments under three main streams of work:</p> <p>Auditing digital</p> <ul style="list-style-type: none"> New Digital e-Hub published Broadband progress report published 20/09/18 Co-hosted workshop with local government digital office 09/18 <p>Digital auditing</p> <ul style="list-style-type: none"> Refinements to audit analytics in ASG MT agreed participation in NIAO led GovTech audit analytics project <p>Digital capacity and resilience</p> <ul style="list-style-type: none"> Ongoing review of digital audit capacity (current & future needs) Ongoing meetings with the other UK agencies and topics for collaboration and lead agencies agreed. 	<p>The key milestones are:</p> <p>Auditing digital – rolling work programme includes:</p> <ul style="list-style-type: none"> Digital progress in CG & health (reporting early 2019/20) Digital progress in LG (reporting early 2020/21) Digital services (learning or justice tba) (reporting 2021/22) <p>Digital auditing/ capacity - Audit analytics</p> <ul style="list-style-type: none"> staff workshop on SG technical assurance framework – Dec 18 Audit analytics (ASG) – stocktake report to ASGMT NIAO led GovTech analytics project (phase 1 Dec 18 – Jul 19)
Follow -up and impact	In October we received an internal audit report on follow up and impact which concluded substantial assurance re design and operational effectiveness.	The key milestones are: <ul style="list-style-type: none"> Internal audit report to Audit Committee 14/11/18 Refresh schedule of follow-up and impact reports – Dec 18

Project/ initiative/ product	Status update	Next steps
Innovative audit products	<p>New products include:</p> <ul style="list-style-type: none"> • Briefing papers on new financial powers and EU withdrawal • Children and young people's mental health – video and key facts animation • Major project and procurement – lessons report and investment and infrastructure e-Hub • Digital e-hub • British Sign Language Plan, including a sub-titled video with BSL interpretation. 	<p>Ongoing delivery of new products and processes</p> <p>Risk Interrogation on Innovation – Feb 2019</p>

Purpose

1. This paper invites the Audit Scotland Board to approve the Standing Orders, Financial Regulations and Scheme of Delegation for a further year.

Background

2. The Standing Orders state that Audit Committee is to keep under review the Standing Orders, Financial Regulations and Scheme of Delegation and recommend to the Board any amendments. The last update was in December 2017 and came into force on 1 January 2018.
3. The Audit Committee's Terms of Reference (TOR) states that they will advise the Board on corporate governance requirements and are to be provided with a report on policy documentation reviews.
4. This paper covers updates to the Standing Orders, Financial Regulations and Scheme of Delegation.
5. If approved by the Board the policies will come into effect on 1 December 2018.

Annual review of the corporate governance policies

6. A review of our Standing Orders, Financial Regulations and Scheme of Delegation took place in September 2018. The review found that they were up-to-date and that only minor changes required.
7. The changes were required due to:
 - 7.1. Assistant Directors being renamed as either Associate or Audit Directors.
 - 7.2. Making clear that it is the Auditor General, Chief Operating Officer, Director of Audit Services and Director of Performance Audit and Best Value that formed the Management Team (in the Financial Regulations and Scheme of Delegation).
 - 7.3. The Audit and Appointments Team (AAT) being renamed as Audit Quality and Appointments (AQA).
 - 7.4. The Board meeting in public. Sections 31 and 55 of the Standing Orders were updated to reflect that employees and advisors may attend 'private' sessions of the Board by invitation.
8. All changes are shown as tracked changes in the attached documents.
9. The Audit Committee discussed the changes at their meeting on 14 November 2018 and agreed to recommended to recommend them to the Board for approval.

Recommendations

10. The Board is invited to approve the Standing Orders, Financial Regulations and Scheme of Delegation for a further year.

Standing Orders



Prepared for Audit Scotland
January 2018–December 2018

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

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Standing orders

Introduction

1. The Constitution and membership of Audit Scotland is unusual in having both members appointed by the Scottish Parliament and members with or having access to Direction giving powers. The Board will seek to operate on a consensus basis recognising that on occasion a majority decision may be reached and that the Auditor General and the Accounts Commission may issue Directions for the purpose of or in connection with the exercise of Audit Scotland's functions in relation to either or both of them.

Constitution

2. Audit Scotland is a body corporate established under section 10 of the Public Finance and Accountability (Scotland) Act 2000 ("the Act").
3. The function of Audit Scotland is to provide such assistance and support as the Auditor General and the Accounts Commission require in the exercise of their respective functions and, in particular, to provide them, or ensure that they are provided, with the property, staff and services which they require for the exercise of those functions. The Auditor General and the Accounts Commission may give directions to Audit Scotland in connection with the exercise of their functions. Detailed provisions about the operation of Audit Scotland are contained in Schedule 2 to the Act as amended by the Public Services Reform (Scotland) Act 2010.
4. The Board remains responsible for the exercise of all functions of Audit Scotland. It exercises its powers and authorities through the Scheme of Delegation, which it determines and approves.
5. The members of Audit Scotland are the Auditor General, the Chair of the Accounts Commission and three other members appointed by the Scottish Commission for Public Audit.
6. The three other members will be appointed under terms and conditions, including remuneration, as determined by the Scottish Commission for Public Audit. The Auditor General and the Chair of the Accounts Commission may not receive any remuneration as members of Audit Scotland.
7. Members of Audit Scotland may terminate their appointments at any time by notifying, in writing, the appropriate appointing body, and following the prescribed period in the letter of engagement.
8. In these Standing Orders the members of Audit Scotland meeting together to discharge their functions are referred to as the Board.

Chair

9. The Scottish Commission for Public Audit will appoint one of the members of Audit Scotland which it has appointed to preside at the meetings of the Board ("the Chair").

Meetings

10. Meetings will be held in public at times, dates and places agreed by the members. In addition, a meeting may be called at any time by the Chair or by not less than three members giving the Chief Operating Officer a written request for such a meeting stating the business to be transacted. The use of video or telephone conferencing by members will be deemed as attendance at the meeting.

Agenda and Papers

11. The Chair will approve the Board agenda, including the consideration of items to be taken in private, 10 working days prior to the scheduled meeting, following discussion with the Chief Operating Officer.
12. At least five clear working days before a meeting of the Board the Chief Operating Officer will send written notice of the approved time and place of the meeting and of the business to be transacted to each member. So far as possible, reports and other papers relating to agenda items will be circulated with the agenda.
13. At least two clear working days before a meeting of the Board the Chief Operating Officer will publish the meeting agenda and reports and papers to be taken in public on the Audit Scotland website.

Conduct of Business

14. The Chair, if present, will preside. If the Chair cannot be present the Board must appoint one of the other members appointed by the Scottish Commission for Public Audit to preside at the meeting.
15. No business other than that stated in the notice of the meeting will be transacted at that meeting other than with the consent of the Chair and a minuted explanation of why the matter had to be conducted without the standard notice.
16. The Chair of the meeting will decide all questions of order, relevancy and conduct of business during the meeting.
17. A quorum for a meeting of the Board is three members including those present by telephone or video conference call. The Auditor General and the Chair of the Accounts Commission must be present for a quorum to be constituted, save that in the event that the Auditor General and/or the Chair of the Accounts Commission are unable to attend a meeting of the Board, either may confirm, by giving notice in writing, by email or where circumstances require verbally by telephone prior to the commencement of the meeting, that (i) they consent to the meeting proceeding in their absence; (ii) that the meeting may be deemed to be quorate

notwithstanding their absence provided the other requirements for a quorum to be constituted as set out in paragraphs 17, 18 and 19 are met; and (iii) that any business detailed on the agenda circulated pursuant to paragraph 12 and transacted at the meeting shall be deemed to be transacted validly provided that all other requirements of these Standing Orders are complied with.

18. Where the Auditor General and/or the Chair of the Accounts Commission consents to a meeting proceeding in their absence, they shall, within five working days of the date of the meeting, be provided with a copy of the draft minutes of the meeting produced pursuant to paragraph 21.
19. No business which is not detailed on the agenda circulated pursuant to paragraph 12, and which the Board deems to be material to the operation of Audit Scotland, shall be transacted at a meeting at which either the Auditor General and/or the Chair of the Accounts Commission is not present.
20. At any meeting the Board may suspend Standing Orders for the duration of the meeting or of any item of business provided a majority of the members present so agree.

Minutes

21. Minutes of every meeting of the Board will be drawn up and will be approved at the following meeting.

Vacancy

22. The proceedings of the Board will not be invalidated by any vacancy in membership or by any defect in the appointment of any person.

Code of Conduct

23. Each member will abide by the Code of Conduct for Members of the Audit Scotland Board current at any time.

Committees

24. The Board may appoint standing or ad hoc committees consisting of such numbers as the Board may determine. Committees may consist of members and other suitable persons chosen by the Board.
25. The Board will establish an Audit Committee with the terms of reference contained in Appendix 1.
26. The Board will establish a Remuneration & Human Resources Committee with the terms of reference contained in Appendix 2.
27. The Board will establish an Appeals Committee with the terms of reference contained in Appendix 3.

28. Any committee will operate within the terms of remit and any delegation made to it by the Board.

Deeds and Documents

29. Any deed or document requiring formal execution by Audit Scotland will be signed for and on behalf of Audit Scotland by the Chair of the Accounts Commission or the Auditor General for Scotland and the Chief Operating Officer.

Advisers and Committee Co-optees

30. The Board may appoint advisers and/or co-optees to Committees and pay them such remuneration and expenses as the Board decide. The co-option appointment procedure is contained in Appendix 4.
31. Employees of Audit Scotland, advisers and others may attend be present at items taken in private at meetings of the Board at the invitation of the members.

Openness and Transparency

32. The Board will meet in public and will publish agendas, minutes and papers to be taken in public on the Audit Scotland website.

Board Effectiveness

33. The Board will conduct a self-evaluation of its effectiveness on an annual basis.

Application of Standing Orders

34. These Standing Orders will apply to meetings of committees of the Board subject to any due modification of details.

Alteration

35. These Standing Orders may be altered by the Board provided that the alteration is approved by a majority of the members of the Board.

Appendix 1: Audit Committee remit

36. The Audit Committee will consist of members of the Board. The Board may appoint persons who are not members of the Board to be members of or advisers to the Audit Committee, and may pay them such remuneration and expenses as the Board decides. The Chair of the Board and the Accountable Officer may not be members of the Audit Committee but may attend meetings.
37. The purposes of the Audit Committee are detailed in the Audit Committee terms of reference. The key points are:

Internal Control and Corporate Governance

38. To evaluate the framework of internal control, strategic processes for risk and corporate governance comprising the following components:
 - Control Environment.
 - Risk Management.
 - Information and Communication.
 - Control Procedures.
 - Monitoring and Corrective Action.
 - Audit quality monitoring and arrangements.
39. To review the system of internal financial control, which includes:
 - The safeguarding of assets against unauthorised use and disposal.
 - The maintenance of proper accounting policies and records and the reliability of financial information used within the organisation or for publication.
 - To ensure that Audit Scotland's activities are within the law and regulations governing them.
 - To monitor performance and best value by reviewing the economy, efficiency and effectiveness of operations.
 - To present an annual statement of assurance to the Board to support the Accountable Officer's governance statement.

Internal Audit

- To review the Terms of Reference and appointment of the internal auditors.
- To review and approve the internal audit strategic and annual plans.
- To monitor audit progress and review audit reports.

- To monitor the management action taken in response to the audit recommendations through an appropriate follow up mechanism.
- To consider internal audit's annual report and assurance statement.
- To review the operational effectiveness of internal audit by considering the audit standards, resources, staffing, technical competency and performance measures.
- To ensure that there is direct contact between the Audit Committee and internal audit and that the opportunity is given for discussions with internal audit who should attend every meeting of the Committee.

External Audit

40. To consider all audit material, in particular:
 - Audit Reports.
 - Annual Reports.
 - Management Letters.
 - Management Reports.
41. To monitor management action taken in response to all external audit recommendations.
42. To hold meetings with the external auditors at least once per year and, as required, without the presence of senior management.
43. To review the extent of co-operation between external and internal audit.
44. The external auditor will be appointed by the Scottish Commission for Public Audit under Section 25 of the 2000 Act. The external auditor will examine and certify the account and report on the account to the Commission. The Commission must lay before the Parliament a copy of the account and the auditor's report and publish the account and that report.

Annual Accounts

45. To review and recommend approval of the Annual Accounts.

Standing Orders, Financial Regulations and Scheme of Delegation

46. To keep under review the Standing Orders, Financial Regulations and Scheme of Delegation and recommend to the Board any amendments.

Other duties

47. The Audit Committee may take on other duties as determined by the Audit Scotland Board.

Appendix 2: Remuneration & Human Resources Committee remit

48. The Remuneration & Human Resources Committee will consist of members of the Board. The Board may appoint persons who are not members of the Board to be members of or advisers to the Remuneration & Human Resources Committee, and may pay them such remuneration and expenses as the Board decided.
49. The purposes are detailed in the Remuneration & Human Resources Committee terms of reference.

Remuneration & Human Resources Committee responsibilities

50. In relation to members of Audit Scotland's Management Team, are to:
 - Review and approve all terms & conditions of employment, including job descriptions, all pay and benefit reward elements associated with each post.
 - Ensure remuneration policy and strategy is aligned to the relevant public sector policies being implemented by the UK and Scottish Governments.
 - Set and review the overall reward structure, including the value of pay ranges and general annual pay award strategy.
 - Assure itself that effective arrangements are followed for performance assessments in respect of Audit Scotland's Management Team, including any changes to pay and benefits arising from the assessment of performance during the review period.
 - Review talent management and succession planning arrangements.
 - Approve remuneration packages for newly appointed members of the Management Team.
 - Recommend appointments and changes affecting Management Team to the Board.
 - Decide on applications for early retirement.
 - Determine compensation payments for loss of office.
 - Agree, oversee and review the operation of expenses policy.
 - Review the expense claims of the Accountable Officer on an annual basis.
51. In relation to other staff employed by Audit Scotland, are to:
 - Determine the remuneration policy governing all terms and conditions of employment, including pay, benefits, retirement policy and other policies relating to compensation for loss of office.

- Ensure remuneration policy and strategy is aligned to the relevant public sector policies being implemented by the UK and Scottish Governments.
- Approve the parameters for the annual pay award cycle.
- Review, not less than annually, the application of remuneration policy.
- Assure itself about any issues relating to the overall performance of employees.

Other duties

52. The Remuneration & Human Resources Committee may take on other duties as determined by the Audit Scotland Board.

Appendix 3: Appeals Committee remit

53. The Appeals Committee will consist of at least two members of the Board.
54. The purpose of the Appeals Committee is:
 - To consider and dispose of any matters requiring independent deliberation which may be referred to it by the Board.
 - To hear and dispose of appeals by members of the Management Team under the Audit Scotland disciplinary and grievance procedures.

Appendix 4: Co-option procedure

Introduction

55. Audit Scotland's standing orders state that:

- The Board may appoint standing or ad hoc committees consisting of such numbers as the Board may determine. Committees may consist of members and other suitable persons chosen by the Board.
- The Board may appoint advisers and/or co-optees to Committees and pay them such remuneration and expenses as the Board decide. Employees of Audit Scotland, advisers and others may ~~attend be present at items taken in private at~~ meetings of the Board at the invitation of the members.

Reasons for co-option

56. There may be times when specialist expertise is required which the Board may be unable to fulfil, or when the current or future balance of skills available to the Board's committees may need strengthened.

57. The Board should discuss and agree the specification of skills and experience being sought through co-option.

Nominations process

58. If the Board agrees to co-opt to its committees to fulfil requirements identified under 55 above, an advertisement seeking expressions of interest will be placed on Audit Scotland's website.

Application process

59. Applicants for co-option should provide a written statement of their relevant skills and a CV.

60. Following a shortlisting process, applicants will be interviewed by the Chair of the Board and the Chair of the relevant committee, plus one other member of the Board.

61. Candidates and interviewers must declare any relationships or potential conflicts of interest to the Chair.

62. The Board should approve the final recommendation from the Chair.

Term of Office

63. Co-option is intended to provide specific skills for a fixed term as determined by the Board.

64. There is potential for renewal, subject to the approval of the Board.

Remuneration

65. Remuneration, where applicable, will be determined by the Board and will be no greater than the rate set by the SCPA for Board members.

Conduct of co-opted members

66. Co-opted members will be required to follow the Audit Scotland Code of Conduct for Board members, and the associated disclosure requirements, and their appointment may be terminated by the Chair, subject to the approval of the Board.

Scheme of Delegation



Prepared for Audit Scotland
January 2018–December 2018

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

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Scheme of Delegation

Introduction

1. The Board remains responsible for the exercise of all the functions of Audit Scotland. Regardless of the provisions of this Scheme of Delegation the Board may at any time determine any matter within the competence of Audit Scotland either at the Board's initiative or on the recommendation of an officer to whom the matter is delegated.
2. This Scheme sets out the matters reserved for determination by the Board. All powers which have not been retained as reserved to the Board or specifically delegated in this Scheme will be exercised by the Management Team or their nominees.

Conditions of delegation

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

Reservations to the Board

4. The following matters are reserved for determination by the Board:
 - 4.1. Approval of the Corporate Plan.
 - 4.2. Approval of annual estimates of expenditure and income.
 - 4.3. Approvals of strategic policies relating to the governance of Audit Scotland are a matter for the Board. (Approval of operational policies of Audit Scotland are a matter for the Accountable Officer and the Management Team).
 - 4.4. Approval of Standing Orders, Financial Regulations and Scheme of Delegation.
 - 4.5. Approval of Annual Accounts and Annual Reports.
 - 4.6. Approval of internal audit arrangements.
 - 4.7. Approval of conditions of service affecting all employees.
 - 4.8. Approval of specific matters referred to in the attached Schedule.

5. In exceptional circumstances where a decision of the Board is required and it is not possible to convene a meeting of the Board, a member of the Management Team in consultation with the Chair, or another Board member if the Chair is unavailable, may take the necessary decision and report the action taken to the next meeting of the Board.

Quorum for Management Team

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

Making, revocation and variation

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

Schedule

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

	Team		
2.7	Variation of conditions of service for <u>Assistant</u> <u>Associate</u> / <u>Audit</u> Directors and all other staff	Management Team	All staff have a right of appeal to the Remuneration & Human Resources Committee or the Board following discussion by the Remuneration & Human Resources Committee
2.8	Decisions on applications for early retirement: • Management Team • All other employees	Board Management Team	
3	Financial matters		
3.1	Approval of expenditure for which there is no provision in the overall budget.	Board	Financial Regulations 15
3.2	Approval of virement within agreed budget: • Virement between budget groups • Virement between budget heads • Virement between budget lines	Management Team Relevant Directors Budget Holders	Financial Regulations 16
3.3	Virement of salary budget over £250,000, cumulatively in one year	Board	Financial Regulations 16
3.4	Approval of Accounting Policies	Board	Financial Regulation 22
3.5	Approval for the issue of credit cards to members of staff and credit limit to be applied. (To be reported at next Management Team meeting) Credit Card default limits: • Management Team £1,500	Accountable Officer and Chief Operating Officer	Financial Regulation 30 – 31 See also Credit Card Procedures. Default amounts may be varied by Management Team for individuals on either a permanent or

Scheme of Delegation

	<ul style="list-style-type: none"> • Other staff £1,000 		temporary basis.
3.6	Acceptance of tenders and placing of orders: <ul style="list-style-type: none"> • Above £250,000 • Between £100,000 and £250,000 • Up to £100,000 • Below £50,000 	Board Accountable Officer and Chief Operating Officer Management Team Budget Holders	Financial Regulations 46 See also the Procurement Handbook
3.7	Acceptance of offers for disposal of assets	As for acceptance of tenders and placing of orders	
3.8	Approval of expenditure within agreed budget: <ul style="list-style-type: none"> • Any budget group • Specific budget group • Specific cost centre budget 	Management Team Relevant Director Budget Holder	Financial Regulations 52
3.9	Payment of accounts other than to approved auditors: <ul style="list-style-type: none"> • Above £50,000 • Below £50,000 	Management Team Member of Management Team or as delegated	Financial Regulations 51 – 58 Delegated signatories are approved by Management Team and are responsible for the expenditure approved. As evidence a delegated purchasing authority letter will be issued. Those with delegated authority may request authority to be passed to members of their staff, but the limit of authority granted must be notified to Management Team and Finance who will maintain a list of those approved.
3.10	Payment of accounts for orders placed using electronic purchase	Member of Management Team or as delegated	Electronic purchase orders are sent, via email, to be

	orders.		authorised. The process requires the authoriser to be selected from a list, maintained within the finance system, of signatories delegated to sign for the cost centre and for the value of goods or services being ordered. The signatories are the same as those delegated in the previous section.
3.11	Parameters for automatic payment of electronic purchase orders.	Management Team	<p>Financial Regulations 58</p> <p>Where an invoice is received as the result of an order placed using the electronic purchase order system it can be processed by Finance for payment if:</p> <ul style="list-style-type: none"> • The order has been marked as received in the electronic purchase order system, • The value shown on the invoice is within the parameters of +5% or - 10% of the value authorised for that order. <p>Any invoice where the value is outwith these parameters must be sent for an additional, manual, authorisation before payment can be made.</p>
3.12	<p>Certification of accounts for payment to approved auditors:</p> <ul style="list-style-type: none"> • Interim invoices up to £50,000 and final invoices up to £10,000 • Interim invoices over £50,000 	<p>A member of the Appointments and Assurance Audit Quality and Appointments team Assistant Associate</p>	Financial Regulations 59

	and final invoices over £10,000	Director, <u>Appointments and Assurance Audit Quality and Appointments</u> or member of Management Team	
3.13	Miscellaneous expenditure (including travel & subsistence)	The Chief Operating Officer, Secretary to the Accounts Commission, senior managers & other line managers as appropriate. (Details available in Finance)	Financial Regulations 76 - 78 Delegation requires appropriate Director approval and notification to Finance. The initial delegation is £2,000. Variations from this amount may be agreed by the Budget Holder and notified to the Management Team and Finance who will maintain a list of those approved.

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

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

Financial Regulations



Prepared for Audit Scotland
January 2018–December 2018

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

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Financial regulations

Introduction

1. Audit Scotland is a body corporate established under section 10 of the Public Finance and Accountability (Scotland) Act 2000. It came into existence on 1 April 2000 under the Public Finance and Accountability (Scotland) Act 2000 (Commencement) Order 2000 (SSI 2000 Number 10(c.1)).
2. The Board of Audit Scotland consists of the Auditor General, the Chair of the Accounts Commission and three other members appointed by the Scottish Commission for Public Audit, one of which will be appointed as Chair.
3. Audit Scotland's function is to provide such assistance and support as the Auditor General and the Accounts Commission require in the exercise of their respective functions and, in particular, is to provide them, or ensure that they are provided, with the property, staff and services which they require for the exercise of those functions.
4. Audit Scotland may impose reasonable charges in respect of the exercise of its functions. In determining the amounts of the charges Audit Scotland must seek to ensure that the total sum received in respect of the charges is, taking one year with another, broadly equivalent to its expenditure. Any expenditure not met out of sums received is payable out of the Consolidated Fund.
5. The Scottish Commission for Public Audit (SCPA), established under section 12 of the Public Finance and Accountability (Scotland) Act 2000, has the duty to designate an accountable officer for Audit Scotland. The SCPA has designated the Auditor General as the Accountable Officer. The responsibilities of the Accountable Officer are set out in section 18 of the 2000 Act. They are:
 - 5.1. signing the accounts of the expenditure and receipts of Audit Scotland;
 - 5.2. ensuring the propriety and regularity of the finances of Audit Scotland; and
 - 5.3. ensuring that the resources of Audit Scotland are used economically, efficiently and effectively.
6. All members of the Board and all employees, shall conduct their business with diligence and with a view to the security of the property of Audit Scotland, avoiding loss, exercising economy and efficiency in the use of resources and conforming with the requirements of Standing Orders, Financial Regulations and the Scheme of Delegation.
7. The Board has made Standing Orders, these Regulations and a Scheme of Delegation to govern the operation of Audit Scotland. They should be read together.

Definitions and interpretation

8. In these Regulations terms will have the following meanings:

- 8.1. "the 2000 Act" means the Public Finance and Accountability (Scotland) Act 2000
- 8.2. "the 1973 Act" means the Local Government (Scotland) Act 1973
- 8.3. "the Board" means the members of Audit Scotland acting together to discharge the functions of Audit Scotland
- 8.4. "the Management Team" consists of the Auditor General, the Chief Operating Officer, the Director of Audit Service and the Director of Performance Audit And Best Value and the Audit Scotland Directors, or such other combination of officers as may be determined from time to time by the Board.

Corporate Plan

- 9. A Corporate Plan will be prepared and will be reviewed annually by the Board. It will set out the strategic approach to be adopted by Audit Scotland in performing its functions. So far as possible, it will outline the financial consequences of proposals contained in it.
- 10. The Corporate Plan will be approved by the Board.

Budget

- 11. The financial year of Audit Scotland is 1 April to 31 March.
- 12. Proposals for the use of resources and expenditure for each financial year will be submitted to the SCPA at such times as the Commission requires to enable it to examine the proposals and report to the Parliament under section 11(9) of the 2000 Act.
- 13. Estimates of expenditure and income will be submitted as budget proposals to the Board for approval prior to the submission to the SCPA. Provided the SCPA report has been submitted to and approved by Parliament, a final version of the budget will be submitted to the Board not later than 31 March in the year preceding the financial year to which it relates.
- 14. In the event that Parliament has not approved the budget, a version of the budget that includes our best estimate of operational changes will be submitted to the Board by 31 March. A final version to be submitted when the Scottish Government budget is passed.
- 15. No expenditure will be incurred unless there is provision for the expenditure within the overall budget approved by the Board. Approval of expenditure where there is no provision within the overall budget will be made by the Board. (Scheme of delegation 3.1)
- 16. There may be virement within the budget, in accordance with the Scheme of Delegation. (Scheme of delegation 3.2 and 3.3)

Budgetary control and reporting

- 17. Financial performance will be monitored against budget and reported regularly to the Management Team and at least quarterly to the Board.
- 18. Systems of budgetary control will be devised and maintained to include:

- 18.1.** Regular financial reports as prescribed above containing -
 - 18.1.1.** income and expenditure to date and, when relevant, forecast year end position
 - 18.1.2.** explanations of any material variations
 - 18.1.3.** details of any corrective action necessary
 - 18.1.4.** virement
 - 18.2.** The issue of timely, accurate and comprehensible advice on financial reports to each budget holder covering the areas for which they are responsible
 - 18.3.** Arrangements for the authorisation of virement.
- 19.** Each budget holder will be responsible for the management of their budgets within the approved policies of the Board.

Accounting

- 20.** An effective system of internal financial control will be maintained including detailed financial procedures and systems incorporating the principles of separation of duties and internal checks. These will be documented and maintained.
- 21.** Proper records will be maintained to show and explain Audit Scotland's transactions in order to disclose, with reasonable accuracy, the financial position of Audit Scotland at any time.
- 22.** Accounting policies will be set consistent with appropriate guidance and all accounting procedures and records will be consistent with any form of accounts prescribed. Accounting policies will be approved by the Board. (Scheme of delegation 3.4)
- 23.** Annual Accounts will be prepared and submitted to the Board for approval no later than 31 August in respect of the financial year finishing on the 31 March.

Bank accounts

- 24.** HM Treasury require public bodies to operate a bank account through the Government Banking Service (GBS), to allow the transfer of monies from central accounts to public bodies and vice-versa.
- 25.** Apart from the requirement to use a bank specified by the GBS for the transfer of central funds, Audit Scotland will, for day to day banking and transactions, make arrangements for the appointment of bankers in accordance with the provisions for the letting of contracts set out in these Regulations.
- 26.** No Audit Scotland monies will be held in any bank accounts outwith those approved by the Board.
- 27.** Detailed arrangements and instructions on the operation of bank accounts will be prepared and maintained as Treasury Management Procedures by the finance department, and will include:

- 27.1. The conditions under which each bank account is to be operated.
 - 27.2. The limit to be applied to any overdraft.
 - 27.3. Those authorised to sign cheques or other orders drawn on Audit Scotland's bank accounts, and the limits of their authority in accordance with the Scheme of Delegation.
28. Banking arrangements will be reviewed at regular intervals to ensure that they reflect best practice and represent best value for money.
 29. Controlled stationery (e.g. cheques) will be held securely at all times and proper records will be maintained in relation to such stationery.

Credit Cards

30. Credit cards will be offered to members of the Management Team automatically. Credit cards will also be offered to other members of staff, with the specific approval of the Accountable Officer and the Chief Operating Officer, where there is an on-going requirement for credit card use.
31. The default credit limit for all cards will be set in the Scheme of Delegation and variations for individual cards will be approved by the Management Team. (Scheme of delegation 3.5)

Income

32. Systems will be designed and maintained for the proper recording, invoicing, collection and coding of all monies due to Audit Scotland.
33. All monies received will be banked promptly.
34. Arrangements will be made for appropriate recovery action on all outstanding debts.
35. Fees and charges, including fees to audited bodies, will be determined in accordance with policies decided by the Board.

Investments and borrowings

36. No borrowing or investments will be made without the expressed agreement of the Board. In exceptional circumstances the Accountable Officer may consult with the Chair of the Board and agree a short term borrowing strategy, but this must be reported to, and ratified by the full Board at the earliest opportunity.
37. All short term borrowings will be kept to the minimum period of time possible, consistent with the overall cash flow position.
38. Any long term borrowing must be consistent with policies decided by the Board.
39. Detailed procedural instructions will be prepared on the operation of investment accounts and regular reports will be made to the Board on the performance of any investments held.

Insurance

40. Arrangements will be made to ensure that all insurance cover is effected, periodically reviewed and adjusted as necessary.
41. Insurance arrangements will be reviewed regularly and the market will be competitively tested and costs will be sought for insurance services in accordance with the provisions set out in these Regulations at least every three years.

Tendering procedures

42. Tendering procedures are contained in the Procurement Handbook, which is published on the intranet. This document provides information on the procedures to be adopted by Audit Scotland staff when purchasing any goods and services and the need to follow value for money principles when carrying out this activity.
43. No contract for the supply of goods and materials, the provision of services or for the execution of works will be made where the probable cost, over the contract period, exceeds £50,000 unless tenders have been invited by advertisement on Public Contracts Scotland, the Scottish Government procurement system.
44. In exceptional circumstances the Chair of the Board, on a report by the Accountable Officer, may except a contract from the above provisions and direct adoption of such other procedure for the letting of the contract as seems appropriate. The decision will be notified to the full Board at the earliest opportunity.
45. Standing contracts for the provision of goods, materials, services or works will be kept under review and competitive tenders for such standing contracts will be sought at least every three years, or later if the contract has been extended under the terms of the original contract. No extension will be greater than three additional years before retendering.
46. The overall value of the tender will determine who is required to approve the acceptance of the tender and place the order for the goods, materials or service. The Scheme of Delegation will list those authorised to accept and place orders. (Scheme of delegation 3.6)
47. All orders will be printed on Audit Scotland headed stationery unless generated through the electronic ordering system. Orders on headed stationery will be signed by the member of staff authorised under the Scheme of Delegation to do so. Where the order has been generated electronically it will be sent for authorisation in accordance with the procedure contained within the Scheme of Delegation (Scheme of Delegation 3.10). All orders must be made in accordance with the procedures and controls and within the terms of the Scheme of Delegation.
48. Official orders will be issued for all work, goods or services to be supplied to Audit Scotland except for supplies of public utility services or periodical payments such as rent or rates or such other exceptions as may be approved by the Management Team.

49. Directives by the Council of the European Union prescribing procedures for awarding forms of contracts shall have effect as if incorporated in these Regulations and Audit Scotland's Procurement Handbook should be followed as appropriate.
50. The appointment of auditors under section 97(6) of the 1973 Act and section 21(3) of the 2000 Act will be recommended to the Accounts Commission and the Auditor General respectively at such intervals as they require. With the exception of the interval between awards (see paras 42-44), the procedure relating to these contracts should follow the procedure set out in these Regulations.

Payment of accounts

51. Before an invoice is paid the certifying officers will satisfy themselves that the account has not been previously passed for payment and is a proper liability of Audit Scotland and that:
 - 51.1. The works, goods or services to which the account relates have been received or carried out satisfactorily.
 - 51.2. Prices, extensions, calculations, trade discounts, other allowances, credits and tax are correct.
 - 51.3. The expenditure has been authorised and is within the relevant estimate provisions.
52. All duly certified invoices shall be authorised for payment by the officer authorised under the Scheme of Delegation. (Scheme of delegation 3.8)
53. An officer shall not add any additional items to an invoice rendered to Audit Scotland by a supplier.
54. When an order has been placed using the electronic purchase ordering (EPO) system, this process incorporates authorisation of the payment prior to an order being placed. In these circumstances the authoriser will be advised of the cost of the goods or services, or an estimate if a firm cost is not available, at the time they receive the EPO. Authorisers are required to satisfy themselves that the cost displayed is reasonable and represents value for money, before they electronically sign the order. Once an EPO is signed the system will not allow any changes to the order by the authoriser or the originator.
55. The EPO system maintains a list of staff with delegated authority to authorise expenditure, as per para. 51 above.
56. When the goods or services have been received the originator records the receipt through the EPO system.
57. On receipt of the invoice, Finance will check whether the goods or services have been marked as received. The invoiced amount charged will be checked against the EPO submitted and, if the amount is within the parameters agreed by the Management Team, the invoice will be accepted and paid. (Scheme of delegation 3.10)

58. Management Team will set agreed parameters and if the value of the invoice is outwith the agreed parameters it will be sent back to the authoriser for an additional manual authorisation. The invoice will not be paid until the second authorisation has been received. (Scheme of delegation 3.11)
59. The receipt, certification and payment of accounts to approved auditors are subject to separate arrangements under the Scheme of Delegation. (Scheme of delegation 3.12)

Audit

60. The Board will establish an Audit Committee with clearly defined terms of reference under Standing Orders.
61. The external auditor is appointed by the SCPA to report on whether expenditure and income have been applied lawfully and the accounts comply with the accounts direction. The external auditor will report to the SCPA who must lay the report and accounts before Parliament and publish them.
62. The internal auditor is appointed by Audit Scotland and reports to the Management Team and the Audit Committee on systems of internal control.
63. The external and internal auditor are entitled to:
 - 63.1. enter any Audit Scotland establishment at all reasonable times with or without previous notice;
 - 63.2. have access to all records, documents and correspondence (including computer records) relating to financial and other transactions of Audit Scotland;
 - 63.3. require and receive explanations as are necessary concerning any matter under examination;
 - 63.4. require any employee of Audit Scotland to produce cash, equipment or any other property under his/her control; and
 - 63.5. direct access to the Chair of the Audit Committee.

Security and Fraud Prevention

64. Arrangements will be made to develop and document effective policies on:
 - 64.1. Prevention of fraud and irregularity.
 - 64.2. IT security.
 - 64.3. Security of assets.
65. Proper security must be maintained, at all times, for all buildings, stores, furniture, equipment, cash, information, etc.

66. A register of secure key containers will be maintained by Business Support and kept under review by the Chief Operating Officer. Keys removed from the secure key containers will be signed for and are to be kept safe at all times until returned. The loss of any such keys must be reported immediately to Business Support staff.
67. A register of staff ID (office access) badges and building access fobs will be maintained by Business Support. The loss of ID badges will be reported immediately to Business Support and the Corporate Governance Manager. The ID badges will be deactivated immediately.
68. The Chief Operating Officer is responsible for maintaining proper security and privacy relative to information held in the computer installations.
69. Under the terms of the Counter Fraud Policy, employees are required to notify their Business Group Director or Assistant Associate/Audit Director of any financial irregularity or suspected irregularity. Such concerns may be raised under the terms of the Whistleblowing Policy if considered appropriate. The employee, or senior management to whom the concerns are reported, must also advise the Chief Operating Officer. Details of these policies are to be available to all staff through the staff handbook.

Salaries, wages and pensions

70. Arrangements will be made for the payment of all salaries, wages, pensions, compensation and other emoluments due to all employees or former employees of Audit Scotland or the Accounts Commission, the Auditor General for Scotland, appropriate members of the Board and to members of the Accounts Commission.
71. Salaries and other payments will normally be paid by direct transfer to a nominated bank account.
72. A record of all matters affecting the payment of such emoluments shall be kept and in particular the following information will be recorded:
 - 72.1. appointments, resignations, dismissals, suspensions, secondments and transfers;
 - 72.2. absences from duty for sickness or other reason, including approved leave;
 - 72.3. changes in remuneration, including those arising from normal increments and pay awards and agreements of special and general application;
 - 72.4. information necessary to maintain records of service for superannuation, income tax, national insurance and the like;
 - 72.5. particulars of any deduction from salary for loans, subscriptions and the like, and the authority for such deduction.
73. All deductions and changes in gross pay entitlement will be certified by Human Resources or other appropriate person and checked by a second officer prior to payment.
74. Pension payments are paid to former staff through the appropriate pension agency. Audit Scotland's role is to make the required deductions from salary and to provide the information

which is required from time to time by the pension supplier to allow them to maintain their records, provide information about pensions and make payments.

75. There are special arrangements in place relating to pensions for former Ombudsman staff and the former Auditor General for Scotland, which are separate from the arrangements for Audit Scotland.

Travelling, subsistence, expenses and other allowances

76. The Secretary to the Accounts Commission shall review, authorise and ensure all travelling or other allowances are paid to Commission Members and advisers who are entitled to claim them upon receipt of a fully completed expense claim form.
77. The Chief Operating Officer shall review, authorise and ensure all travelling or other allowances are paid to Board members and advisers who are entitled to claim them upon receipt of a fully completed expense claim form.
78. All claims by staff for payment of car mileage allowances, subsistence allowances, travelling and incidental expenses and any advances shall be submitted duly certified and made up to the end of each month and in accordance with the current travel and subsistence policy, published in the staff handbook, and the expenses procedures published on the intranet. The officers authorised to certify such records shall be determined by the Scheme of Delegation. Initial delegation is £2,000. (Scheme of delegation 3.13)

Observance of Financial Regulations

79. It shall be the duty of the Accountable Officer to ensure that these regulations are made known to the appropriate Audit Scotland staff and to ensure that they are adhered to.
80. Any breach or non-compliance with these Regulations must, on discovery, be reported immediately to the Chief Operating Officer who will discuss the matter with the Accountable Officer in order to determine the proper action to be taken. Such concerns may be raised under the terms of the Whistleblowing Policy if considered appropriate.

Variation of Financial Regulations

81. These Regulations may be varied from time to time by the Board on receipt of a report and recommendations from the Accountable Officer.
82. The Chair of the Board may authorise, on a report from the Accountable Officer, exceptional treatment of a matter covered by these Regulations. Any such exceptions will be reported in writing to the next available meeting of the Board.