

Audit quality

Audit Scotland's transparency report 2022/23



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Leadership statements

Delivering high-quality public audits has never been more important

Scottish public services are facing an unprecedented level of significant challenges. Public bodies are recovering from the pandemic while addressing the urgent need to reform their service delivery to meet rising demands, and deal with long-term issues such as inequalities and climate change commitments.

The role of Audit Scotland in providing independent assurance on public spending; holding public bodies to account; and carrying out effective scrutiny of, and supporting improvements in, public services has never been more critical. It is essential that we can demonstrate the independence and high quality of the financial audits carried out for the Auditor General and Accounts Commission, and that our performance audit programme is relevant, timely and agile.

High-quality audits are the foundation for building confidence across all our work. We are therefore committed to the consistent delivery of high-quality audits, and we aim to demonstrate that commitment through all our actions and behaviours. This report aims to enhance the trust and confidence of our stakeholders in the quality of the audits we deliver.

However, there are a number of challenges facing the audit profession generally:

- The profession has been under increased scrutiny for the last few years, and various activities have taken place recently in response to high profile corporate failures.
- The Financial Reporting Council has highlighted deficiencies in the private sector relating to a lack of professional scepticism, including failures to sufficiently challenge management's assumptions, as well as evidence of the poor application of professional judgement.
- There is increasing evidence of recruitment difficulties due to a shortage of skilled and qualified audit staff.
- The increased volume and use of data is requiring everyone in the profession to think differently about the way audit work is conducted in the future.

Meeting these challenges requires us to reflect strategically on the way in which we conduct our audit work and to embrace change. Going forward, we must build our capacity, focus on doing the right things in the most efficient way, be bolder in our recommendations, and ensure we have the right skills and resources to address the major challenges ahead.

We therefore need to be innovative to maximise the efficiency, quality and impact of our audits. In the longer term, this will entail transforming our audit approaches and ways of working, including the greater use of digital technology, as well as cultural changes to provide a stable underpinning environment.

It is also important that we ensure that Audit Scotland has a reputation for being a world-class employer so we can attract, develop, and retain the highest calibre of individuals.



John Cornett
Executive Director of Audit Services



Antony Clark
Executive Director of Performance
Audit and Best Value

Innovation and quality

The Innovation and Quality (I&Q) business group was established to drive continuous improvement in quality by leading audit and organisational transformation and development to ensure that Audit Scotland's work is at the forefront of the audit profession.

I&Q works collaboratively with the audit delivery business groups to support them in the delivery of high-quality audits, including conducting internal quality reviews. I&Q has a key role in making sure that Audit Scotland has the resources, skills, and capacity to enable us to meet the growing expectations placed upon us, and the challenges that John and Antony have set out, while safeguarding the health and wellbeing of our staff.

My long-term priorities are to ensure that Audit Scotland embeds a culture of innovation, taking full advantage of new technologies, in developing audit approaches that are efficient and impactful.



Kenneth Oliver
Executive Director of Innovation and Quality

Key messages

- 1** This report is aimed at providing public bodies in Scotland and other external stakeholders with assurance on the quality of audits delivered by Audit Scotland during the 2022/23 financial year.
- 2** Audit Scotland's Audit Quality Framework sets out three levels of assurance on audit quality. The first level of assurance is appropriately trained and supported audit teams delivering audits in accordance with professional standards. Some procedures related to the first level are carried out by audit teams (such as reviewing audit work and on the job coaching) while others (such as formal training and technical support) are provided centrally.
- 3** In order to strengthen our arrangements for supporting Audit Scotland teams, we established a new business group to drive continuous improvement in quality. This includes carrying out internal quality reviews which is the second level of assurance on audit quality.
- 4** Hot quality reviews were carried out at eight audits and the reviewers assisted auditors in making improvements to the audit outputs before they were issued.
- 5** Cold quality reviews are carried out after the audit output has been issued. The reviewer grades audits on a four-point scale: grade 1 (good); grade 2 (small number of improvements); grade 3 (some improvements); and grade 4 (significant improvements). In setting a grade, the reviewers consider the standard of documentation, sufficiency and quality of evidence, and appropriateness of significant judgements.
- 6** Internal cold reviews were carried out on six financial audits (five grade 2 and one grade 3), one performance audit (grade 3), and one briefing (grade 1).
- 7** External quality reviews carried out by an independent reviewer are the third level of assurance on audit quality. The independent reviewer carried out a cold review of five financial audits (four grade 2, and one grade 3), one performance audit (grade 2), and one statutory report (grade 1).
- 8** Across the internal and external cold reviews, twelve of fifteen audits and other outputs (80 per cent) were graded at 1 or 2.

- 9** We are carrying out a root cause analysis to identify the reasons underlying quality deficiencies and will update our rolling improvement action plan to address them.
 - 10** For 2019/20 and 2020/21 financial audits, the target dates for completing the audits were delayed due to the impact of the pandemic on audit delivery. However, the dates began to transition back to pre-pandemic dates for 2021/22 audits. We were able to complete 42 per cent of our 2021/22 financial audits by the target completion dates.
 - 11** For the 43 performance audits (and related outputs), 37 (86 per cent) were completed in accordance with planned timescales.
 - 12** A survey of colleagues sought views on how well they were supported to deliver high-quality audits. There was a small decrease in the percentage who said they were encouraged to deliver high-quality and a small increase in those who said they had sufficient time and resource to do so. However, there was a significant decrease in the percentage of staff who believed they had received enough training and development. This requires action and will be a key area of focus going forward.
 - 13** Feedback from an independent survey of audited bodies indicates satisfaction with the quality and impact of the financial audits and performance audits (and related outputs).
 - 14** Adding value is central to our audit approach. We therefore identify areas for improvement, and recommend and encourage good practice. During the year, we continued to promote improved standards of governance, better management and decision-making, and more effective use of resources in audited bodies.
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Introduction

Purpose and scope of report

1. This report is aimed at providing public bodies in Scotland and other external stakeholders with assurance on the quality of audits delivered by Audit Scotland during the 2022/23 financial year. It sets out:

- a brief overview of Audit Scotland
- information on Audit Scotland's role in the delivery of audits
- the arrangements for supporting and monitoring audit quality
- the results of audit quality reviews.

2. This report is part of a suite of corporate reports from Audit Scotland. Each report gives a distinct but complementary perspective; this report is framed from the perspective of Audit Scotland as a provider of public audit. It is designed to be read on a stand-alone basis but further information on Audit Scotland's wider role, the appointment of auditors, and the arrangements for independent monitoring of quality is provided in our Annual Report and Accounts and the Quality of Public Audit in Scotland (QPAS) report.

Overview of Audit Scotland

3. Audit Scotland is established under the Public Finance and Accountability (Scotland) Act 2000 as Scotland's national public sector audit agency. We provide the Auditor General for Scotland and the Accounts Commission with the services they need to carry out their duties.

4. The Auditor General, Accounts Commission and Audit Scotland lead the system of public audit in Scotland to ensure that it is independent, objective, and adds value. We carry out this 'system leader' role by coordinating and supporting the delivery of high-quality public audit in Scotland by all audit providers in consultation with key stakeholders. We work with professional regulators, audit and accountancy bodies and private-sector audit firms to promote and strengthen public audit and improve financial and performance reporting by public bodies.

5. The Auditor General and Commission appoint Audit Scotland staff in our Audit Services business group (ASG) to undertake two-thirds of the financial audits of public bodies across Scotland. They appoint private firms to carry out the remaining financial audits.

6. Audit Scotland delivers the performance audit programmes of the Auditor General and the Commission, comprising performance audits and related outputs (overview reports, Best Value Assurance Reports, statutory reports, briefings, blogs and other products) through our Performance Audit and Best Value business group (PABV).

7. Audit Scotland's new Innovation and Quality business group (I&Q) supports ASG and PABV in the delivery of high-quality audits.

Governance

Board and Audit Committee

8. Audit Scotland's Board sets and monitors the organisation's strategic direction. This includes approving the Audit Quality Framework discussed below.

9. The Audit Committee is one of the board's standing committees and plays a key role in the governance around audit quality. For example, the committee:

- provides assurance to the board on the arrangements for audit quality monitoring and reporting
- considers the assurances provided by AQA in the QPAS report prior to its submission to the board
- approves the publication of this report.

Audit Quality Committee

10. Audit Scotland's Audit Quality Committee oversees the programme of internal quality monitoring activity whilst working with ASG and PABV on ensuring appropriate action is taken in response to internal and external quality reviews.

11. We are currently reconsidering the committee's remit and membership to reflect the establishment of I&Q with a view to ensuring its effectiveness and impact are maximised.

Three levels of assurance on audit quality

12. The [Audit Quality Framework](#) (currently being refreshed) applies to all audit work and providers. In summary, the framework:

- aligns with [Public Audit in Scotland](#) (currently being refreshed) and the [Code of Audit Practice 2021](#)
- combines the highest professional standards with comprehensive quality review
- provides for systematic reporting on audit quality within Audit Scotland, to the Auditor General and the Accounts Commission, and to the public.

13. The Audit Quality Framework sets out a model comprising three levels of assurance on audit quality. [Exhibit 1](#) provides a summary of the three levels, and information on the activities carried out at each level is provided in the remainder of this report:

Exhibit 1.

Three levels of assurance for audit quality in Audit Scotland



- **First** – Appropriately trained and supported individuals and audit teams delivering high quality audits in accordance with professional standards and applicable legal and regulatory requirements.
 - **Second** – Organisation-wide internal quality monitoring and reviews in accordance with audit quality standards and guidance, and related planned improvement activity.
 - **Third** – External quality reviews to provide independent assurance.
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1. Delivering high-quality audits

Introduction

14. The delivery of financial audits and performance audits (and related outputs) is Audit Scotland's core business. Our audits provide independent assurance, recommend improvements, and support the basis for effective scrutiny.

15. ASG and PABV as audit providers have primary responsibility for achieving audit quality. The delivery of high-quality audits is therefore a fundamental objective of the leadership in both business groups.

Approach to quality in audit teams

16. Many of the activities related to the first level of assurance on audit quality set out in [Exhibit 1](#) are carried out by each member of the audit team. High-quality audit relies on auditors making appropriate judgments that are supported by evidence.

17. Key to the arrangements is the designation of an audit director in ASG and in PABV to act as a lead on audit quality and set the appropriate tone from the top. The quality leads work collaboratively with I&Q.

18. Some quality procedures are carried out by each audit team as the audits progress. Other quality procedures are organisation-wide (discussed in [chapter 3](#)).

Financial audits

19. ASG is Audit Scotland's in-house audit practice and delivers approximately two-thirds of the financial audits (with the rest carried out by private firms).

20. The Executive Director of ASG has overall responsibility for the audits which are delivered by audit teams led by audit directors (and for smaller bodies senior audit managers) who are appointed as auditor by the Auditor General and Accounts Commission for a period of (usually) five years. However, 2021/22 marked the final audit year of a six-year audit appointment period, which had exceptionally been extended by a year due to the impact of the pandemic.

21. The framework for financial audits is set out in the Code of Audit Practice approved by the Auditor General and the Commission and supplementary guidance provided by I&Q and AQA:

- At the core of the annual audit is the audit of a public body's annual accounts. This involves appointed auditors examining the material financial transactions and balances of each body in accordance with the applicable financial reporting framework. An audit of the annual accounts is required to be carried out in accordance with international standards on auditing in the UK (ISAs (UK)).

- The Code of Audit Practice requires the scope of financial audits to be wider than examining the accounts and for it to also encompass conclusions on certain aspects of public bodies' corporate arrangements, for example, relating to financial sustainability and governance. In local government, the annual audit from 2022/23 also includes the audit of Best Value.

22. The auditing standard ISA (UK) 220 deals with the specific responsibilities of the auditor regarding quality management at the individual audit level. This encompasses quality procedures that are performed by each audit team as the audits progress. This includes, for example:

- the work of audit staff being reviewed by more senior audit staff within the team to confirm that objectives are being met and the work is being performed in accordance with required methodologies
- the provision of on-the-job coaching by more senior audit staff to reinforce learning from formal training to support staff in the practical application of the audit approach.

23. The main reports relating to the annual audit are the:

- Annual Audit Plan
- Annual Audit Report
- Independent Auditor's Report.

24. In line with the principles of openness and transparency, these outputs are available on our [website](#). Depending on local circumstances, other outputs related to the annual audit may include management reports and certificates for grant claims and other financial returns.

Performance audit and related outputs

25. The Executive Director of PABV is responsible for the quality of performance audits and related outputs in the PABV [dynamic work programme](#).

26. We continue to refresh our work programme to ensure it remains up-to-date, agile, responsive to current risks and emerging audit intelligence, while reflecting the strategic priorities of the Auditor General and the Accounts Commission. More information on the audits and reports is available on our [website](#).

Performance audits

27. Performance audits focus on improving the economy, efficiency and effectiveness of public services. Performance audit work may relate to a particular sector or consider broader cross-cutting arrangements. The Auditor General and the Accounts Commission use feedback from stakeholder engagement and consultation to inform the themes and proposed topics for performance audit work.

28. We carry out performance audits in accordance with standards issued by the International Organisation of Supreme Audit Institutions (INTOSAI).

Statutory reports

29. Under the [Public Finance and Accountability \(Scotland\) Act 2000](#), the Auditor General can prepare a report on matters arising from the audits (section 22 reports). The Controller of Audit has similar powers under the [Local Government \(Scotland\) Act 1973](#) for local authorities (section 102 reports). Collectively, these are known as statutory reports.

30. PABV are responsible for supporting the Auditor General and Controller in the preparation of statutory reports. However, in practice it is often the appointed auditor that drafts the reports in accordance with specific guidance where they are best placed to do so. All statutory reports are available on our [website](#).

Additional audit products

31. We deploy an increasing range of methods to communicate our audit findings, engage our stakeholders and ensure our work is accessible and valuable to those who use and provide public services in Scotland. We draw on the wide range of material we have available and our unique insights to produce products in accordance with principles-based guidance which add value and promote continuous improvement. We monitor the impact and effectiveness of these additional outputs. They include:



Briefing papers that summarise key issues and future considerations

such as [Additional support for learning – the gap between ambition and reality for our children](#), [Inequalities in Scotland: A growing crisis of harms](#) and [Radical action needed on data](#).



Blogs that initiate debate, raise awareness and support improvement

including on [Social care](#), [Scotland's councils' approach to addressing climate change](#) and [Tackling child poverty](#).



Supplementary outputs and multi-media electronic resources

in support of our audit products and as standalone products, for example [e-hubs](#), web-based reports like our [Update on the Scottish Government's R100 programme](#) and videos and animations on our [YouTube channel](#).

Best Value audits

32. Best Value audits under the previous Code of Audit Practice issued in 2016 (which applied up to 2021/22 financial audits) were delivered by joint teams between PABV and appointed auditors in accordance with guidance that supplemented the Code. From 2022/23 financial audits, the new Code integrates Best Value fully into the annual audit. A team within PABV supports auditors in carrying out that work and provides guidance.

Volume of audit outputs

33. [Exhibit 2](#) summarises the number of performance audit and related outputs during 2022/23.

Exhibit 2.

Summary of outputs



- Seven statutory reports highlighting matters arising identified from the 2021/22 financial audits including on the [Scottish Environment Protection Agency](#), [National Records of Scotland](#) and [Orkney and Shetland Valuation Joint Board](#).
- Seven national performance reports and sector overview reports on a range of topics from new vessels for the Clyde and Hebrides and Scotland's financial response to Covid-19 to local government finances and performance and the NHS in Scotland.
- Three Best Value Assurance Reports which support local government bodies to improve governance and to manage resources effectively.
- 26 additional audit products, including blogs, briefing papers and other reports.



Adding value through audit

34. Adding value is central to our audit approach. We identify areas for improvement and recommend and encourage good practice. During the year, we continued to promote improved standards of governance, better management and decision-making, and more effective use of resources.

35. Examples of where we have added value through our audit work are briefly outlined in [Appendix 2](#).

2. Supporting high-quality audits

Introduction

36. In order to strengthen and enhance our arrangements for supporting auditors, we established I&Q at the end of 2022 to drive continuous improvement in audit quality.

37. I&Q has four primary functions:

- professional support and learning
- quality monitoring (explained in [chapter 3](#))
- digital audit and audit transformation
- organisational improvement.

38. I&Q also leads on ethics and driving Audit Scotland's role as system leader for public audit in Scotland.

39. The activities set out in this chapter contribute to the first level of assurance on audit quality set out in [Exhibit 1](#).

Professional Support and Learning

40. The Professional Support and Learning function within I&Q supports audit teams in the delivery of high-quality audits. The main activities are summarised in the following table:

Activity	Features
Preparation of guidance on the application of auditing and accounting standards to the public sector	The guidance supplements the Code of Audit Practice and is provided to ASG (and the appointed firms) to: <ul style="list-style-type: none"> • inform their judgement • maximise consistency • support the delivery of high-quality audits.
Development of approaches for financial audits and performance audits carried out by ASG and PABV	It is important ASG and PABV deploy robust and efficient audit approaches as this underpins the delivery of high-quality audits on a consistent basis. A consistent audit methodology supports the audit team in applying the principles and meeting the requirements set out in professional standards. However, this must be done in a way that is efficient and does not detract from critical thinking and professional scepticism.

Activity	Features
	<p>Professional Support and Learning produces the Audit Guide for ASG and the Audit Management Framework (AMF) for PABV. These guides set out methodologies that assist in the practical application of professional standards and support the consistent delivery of high-quality audits.</p>
<p>Provision of a central support ‘helpdesk’ for auditors to consult with on difficult or contentious matters</p>	<p>Consultation helps to improve overall audit quality by:</p> <ul style="list-style-type: none"> • improving the application of professional judgement • assisting the appropriate application of audit methodologies and professional standards • facilitating meaningful discussion and challenge which should result in more robust, defensible and better documented audit evidence.
<p>The delivery of professional learning and development to all Audit Scotland staff</p>	<p>A wide range of training on:</p> <ul style="list-style-type: none"> • key elements of the required audit approach • technical skills (including the use of appropriate technological resources) • personal development skills (such as critical thinking and handling difficult conversations).

Learning and development

Approach to professional learning and development

41. The increasing expectations placed on auditors coupled with a shortage of qualified and skilled staff across the audit profession means it is crucial that we retain and develop our staff as well as attract and recruit high calibre individuals. This emphasises the need for us to invest in continuous professional learning and development.

42. Our Personal Development and Growth internal working group focuses on learning, development and personal growth within Audit Scotland and works collaboratively with I&Q to ensure that the learning programme is delivered effectively.

43. We are developing a professional learning programme that is tailored to the growth and needs of each person as we believe this is key to unlocking their potential and enhancing Audit Scotland’s reputation as a great place to work. The broad range of topics in the programme focuses on helping our colleagues to develop the right knowledge, skills and behaviours to deliver high-quality audits and equip them for the future.

44. All planned learning is now accessed through our new corporate Learning Management System launched during 2022. This has already provided several benefits including:

- the automated allocation of new starter learning content

- allocation of a three-year learning plan for the Audit Officer grade in ASG and PABV
- colleagues new to the Senior Auditor grade in ASG being allocated learning when they move into the role
- allocation of the PABV first year learning plan.

45. The self-directed learning through the personal development process is designed to empower colleagues to take ownership of their development and tailor their learning to meet their individual professional needs and career aspirations.

Delivery of professional learning

46. During 2022, we provided a wide range of learning opportunities to support the delivery of high-quality audits. These included:

- technical training courses on subjects such as audit methodologies and data analytics
- personal development learning such as writing in plain language, management essentials, emotional intelligence, mental health learning and recruitment and selection.

47. We deliver training on a hybrid basis, which means it includes instructor-led training and e-learning. The number of days recorded for each member of staff during 2022 represented an average of 18 days (2021: 18 days).

48. We have planned learning and development opportunities for colleagues for 2023 and will continue to draw on the expertise of the Professional Support and Learning team and other colleagues as we deliver new training and support improvement. Our learning offer includes a range of online training courses and face-to-face events addressing technical knowledge, audit skills, business skills and initiatives to help colleagues with their health and wellbeing.

Qualified staff

49. ASG staff were appropriately qualified, with 95 per cent of staff either CCAB (Consultative Committee of Accountancy Bodies) or Chartered Institute of Management Accountants qualified, or in training for a CCAB qualification. Several ASG staff also hold qualifications in other specialist areas, such as IT.

50. PABV staff have a wide range of professional and policy backgrounds. These include audit, research, and public policy-related qualifications in disciplines such as economics and social sciences. This depth and breadth of knowledge and insight enhances the delivery of high-quality work. In addition, 19 per cent of PABV staff were also either CCAB qualified or in training for a CCAB qualification during 2022, which supports flexible working across Audit Scotland.

51. All qualified staff at Audit Scotland are required to maintain their Continuing Professional Development and take ownership of their own learning and development pathway.

Professional trainees

52. We remain committed to our professional trainee, modern apprenticeships, and school leavers programme as part of our workforce planning and long-term talent strategies. We also support audit officers with individual learning agreements to complete relevant qualifications.

53. Audit Scotland runs one of the largest public sector accountancy training schemes in Scotland, with 54 colleagues working towards Institute of Chartered Accountants in Scotland (ICAS) qualifications. In 2022, our trainees passed 121 out of 140 exams (86 per cent) on their first sitting, which is slightly higher than in previous years. We work with ICAS to review the syllabus and support for trainees.

Digital audit and audit transformation

54. The Digital Audit function within I&Q, working closely with Professional Support and Learning, seeks to use specialist expertise to identify, develop and apply technology to optimise both audit efficiency and quality. During 2022, the team further developed tools that electronically analyse source data to deepen the insights gained.

55. Going forward, the team will seek to harness the latest technologies to:

- transform audit methodologies to increase audit efficiency
- use automation to streamline audit processes and carry out routine work quicker with a view to freeing up staff time to focus on more complex matters where professional judgement requires to be exercised.

Organisational improvement

56. The Organisational Improvement function within I&Q is key to our whole system approach to fully supporting audit teams. An appropriate organisational culture is a key driver of high-quality audits.

57. Culture can be thought of as a combination of the values, attitudes and behaviours in an organisation and its relations with stakeholders. We believe that features that merit prominence in Audit Scotland's cultural design are the fundamental principles of integrity, objectivity, independence and professional scepticism.

58. I&Q has a key role in identifying elements of good practice that can be applied to enhance the Audit Scotland culture and will work with ASG and PABV to implement them.

Independence and ethics

59. The independence of auditors from the public bodies they audit is a fundamental principle of public audit. We consider that auditor independence is paramount and have stringent controls in place to mitigate conflicts of interest that may create actual or perceived threats to our independence.

60. Controls in place to protect our independence include those set out in the following table:

Area	Control
Ethical Standard	Adoption of the FRC's Ethical Standard and the preparation of a policy that applies the standard to the specific circumstances of public audit.
Ethics Partner and Deputy	The designation of an appropriate member of staff to carry out the role of Ethics Partner. The Executive Director of I&Q was designated our Ethics Partner during 2022, as this position has the necessary seniority, experience, and authority to ensure compliance with the Ethical Standard. We also took the opportunity to enhance our governance arrangements around ethics by also designating the Director of Quality and Support as Deputy Ethics Partner.
Hospitality register	A rigorous process in place for staff to declare hospitality and gifts whether received, declined, or provided. This includes maintaining a register of all such incidents.
Fit and proper declarations	The completion of 'Fit and Proper' forms by all staff annually which are reviewed by the Ethics Partner. The form confirms compliance with standards and discloses any possible conflicts of interest so that any necessary mitigations can then be put in place.
Non-audit services	Arrangements to control non-audit services (ie, professional services provided to an audited body other than core audit activity). Audit Scotland auditors are required to obtain permission from the Ethics Partner and AQA before committing to any non-audit services. The approval process includes consideration of both the Ethical Standard and the Code of Audit Practice, recognising the wider scope of public sector audit and the consequent increased risk of 'self-review' threats to independence. There were no non-audit services carried out during 2021/22 audits.

61. Auditor independence was maintained across all aspects of our audit work in 2021/22 financial audits and in the PABV work programme.

System leader for public audit

62. Audit Scotland's responsibilities for leading the system of public audit in Scotland are driven by I&Q working closely with senior colleagues in ASG and PABV. Some key activities in this regard are summarised in the following table:

Area	Activity
Parliamentary scrutiny	<p>Our work is used by the Public Audit Committee (PAC) and Parliamentary subject committees. We hold briefing and evidence sessions with the committees, attended business planning meetings and contributed to committee enquiries.</p> <p>Feedback from MSPs on the quality and value of Audit Scotland's work in supporting parliamentary scrutiny continues to be strong.</p>
Professional bodies	<p>We provide representation on professional bodies and share good practice. Directors and other senior staff participate on LASAAC (Local Authority (Scotland) Accounts Advisory Committee), the CIPFA/LASAAC Board, ICAS panels, the ICAEW Scotland strategy board, ICAEW public sector advisory board and the NHS Technical Accounting Group.</p> <p>Owing to our unique position in the public sector and the perspective we offer, as well as the accumulated knowledge and experience of our staff, we are often asked to contribute to conferences, seminars and other forums.</p>
Technical and other guidance	<p>We provide guidance to all appointed auditors, including the appointed firms, to supplement the Code of Audit Practice, all of which are available on the website.</p>
Sharing good practice in financial reporting	<p>We carry out thematic reviews of specific disclosures in the audited annual accounts of public bodies. We share the good practices, and any areas of improvement, to help drive up the quality of financial reporting.</p>
Discussion forums	<p>We host periodic meetings between Audit Scotland audit staff and the appointed firms to discuss the key audit risks and issues arising in each sector. We also host roundtable events for deeper discussions on a particular issue.</p>
Public Audit Forum	<p>Audit Scotland is a member of the Public Audit Forum (PAF), a consultative and advisory body made up of the four UK national audit agencies. We work with them to enhance the efficiency and effectiveness of public audit and promote high standards of audit across the public sector through active cooperation between the national audit agencies, and the sharing of knowledge and good practice on the application of audit standards and codes of audit practice.</p>

Area	Activity
Influencing developments in the audit profession	<p>We closely monitor developments in the auditing profession and consider how these may impact our audit approaches and the work we do to drive forward quality in public audit in Scotland more generally.</p>
Scrutiny bodies	<p>We contribute to consultations and discussion papers to ensure that Audit Scotland's distinctive voice is heard.</p> <p>We work with other scrutiny bodies to make sure that the scrutiny of local government bodies is better targeted and more proportionate to identified risks. These include the scrutiny bodies for health and social care, education and housing.</p>

3. Internal audit quality reviews

Introduction

63. The second level of assurance on audit quality described at [Exhibit 1](#) is based on having robust internal audit quality monitoring arrangements in place across Audit Scotland. These include:

- the Quality team within I&Q performing systematic reviews of financial audits and the PABV work programme.
- audit directors carrying out engagement quality reviews.

64. Individuals performing the quality monitoring activities are required to have the competence and capabilities, including sufficient time, to perform the reviews effectively and objectively.

Applicable audit quality standards

65. For 2021/22 financial audits, the applicable audit quality standard was International Standard on Quality Control 1 (ISQC1), which set out our responsibilities for a system of quality control for audits. However, ISQC1 is being replaced by two new audit quality standards.

66. International Standard on Quality Management (ISQM) 1 applies from 22 December 2022 and requires a system of quality management to be implemented which provides reasonable assurance that:

- we fulfil our responsibilities and conduct audits in accordance with professional standards and applicable legal and regulatory requirements; and
- audit reports are appropriate.

67. ISQM 1 applies for the first time to 2022/23 financial audits and the PABV work programme from 22 December 2022. We have carried out extensive reviews on our systems of quality management to ensure that they comply with the new requirements.

68. ISQM 2 deals with the appointment and eligibility of an engagement quality reviewer, and the performance of the engagement quality review. ISQM 2 is effective for audits commencing after 22 December 2022, with earlier adoption permitted.

Types of internal quality reviews

69. The different types of quality review undertaken are summarised in the following table:

Type	Activity
Quality reviews of a sample of completed audits (cold reviews)	The I&Q Quality team carried out a cold review programme of a sample of completed audits (ie, after the audit output had been issued) during January to mid-April 2023. Audits subject to cold reviews are graded (see below for information on grades).
Quality reviews of a sample of audits in progress (hot reviews)	Hot reviews are carried out before the related audit output is issued and therefore directly contribute to the quality of the audit.
Thematic and in-flight reviews	These reviews of both in-progress and completed audits assess particular areas of interest or risk, sometimes over a range of multiple audits.
Engagement quality reviews	Engagement quality control reviews (retitled as engagement quality reviews under ISQM) are an objective evaluation of the significant judgments made by the audit team and the conclusions reached thereon. They are conducted before the report is issued to provide additional audit assurance. We are required by ISQM 2 to establish policies addressing audits that are required to be subject to engagement quality reviews. We are revisiting our policies to ensure that appropriate criteria are considered when deciding where an engagement quality review is appropriate. Audit Scotland intends to adopt ISQM 2 early for financial audits and apply it to 2022/23 audits.

Grading methodology

70. We use the same four-point grading methodology that the Financial Reporting Council uses for their quality reviews of companies in the private sector and local audit in England. The grades depend on the extent of concerns over:

- documentation of the audit work
- sufficiency and quality of evidence
- appropriateness of significant judgements
- other areas (individually or collectively).

71. A description of each grade is set out in [Exhibit 3](#).

Exhibit 3.
Grades used in cold review

Grade	Standard	Description			
		Weaknesses in documentation	Concerns over sufficiency of evidence	Concerns over appropriateness of significant judgements	Concerns over other areas
1	Good	Limited	None	None	Limited
2	Generally acceptable but a small number of improvements required	Restricted	Limited	Limited	Some
3	Some improvements required	Widespread	Some	Some	Significant
4	Significant improvements required	—	Significant	Significant	Very significant

72. The results of the internal quality reviews for 2021/22 financial audits and the PABV work programme for 2022 are set out in [chapter 4](#).

4. Results of audit quality monitoring

Introduction

73. This chapter sets out the results of the audit quality monitoring carried out on 2021/22 financial audits and the 2022 PABV work programme.

Financial audits

Hot reviews

74. For financial audits, the I&Q Quality team's programme of hot reviews covered six audits. Areas where the audits were improved as a result of the hot reviews included:

- the assessment of control activities
- inquiries of management in respect of possible areas of fraud
- testing of related party disclosures
- evaluating accounting estimates
- auditing group accounts.

Internal cold reviews

75. The Quality team carried out a cold review of the financial audit at six audited bodies. Five (83 per cent) demonstrated a satisfactory level of quality (grade 2): an improvement on last year's four out of six (66 per cent).

A summary of the results is set out at [Exhibit 4](#).

Exhibit 4.

Results of internal cold reviews

Grade	2021/22	2020/21
1 Good	0	1
2 Generally acceptable but a small number of improvements required	5	3
3 Some improvements required	1	2
4 Significant improvements required	0	0

76. The above scores are arrived at after a moderation process involving senior colleagues in I&Q with input from the quality reviewer for each audit.

Follow-up reviews

77. The Quality team also carried out restricted follow-up reviews for two 2020/21 financial audits which had scored a grade 3. The overall finding was that both audit teams had demonstrated good progress in implementing prior year quality findings, with only some documentation improvements recommended.

Thematic review

78. The Quality team, with support from ASG colleagues, also conducted a thematic review to assess the quality of audit work supported by Audit Scotland's data analytics tool. The review covered a sample of five 2021/22 financial audits focusing on testing of journal entries in response to the risk of management override of controls.

79. The review concluded that the data analytics tool supported high-quality audit work where the data has been effectively obtained from the audited bodies, but some documentation improvements for related audit work were identified.

External independent cold reviews

80. In addition to the internal quality reviews carried out by the I&Q Quality team, there are also external quality reviews carried out by an independent reviewer. External reviews are the third level of assurance on audit quality set out at [Exhibit 1](#). AQA commissioned the Institute of Chartered Accountants in England and Wales (ICAEW) to carry out external cold reviews of a sample of 2021/22 to 2026/27 financial audits and the PABV work programme over the equivalent period.

81. External quality reviews are carried out by ICAEW on audits performed by Audit Scotland and the appointed firms. These reviews also use the FRC grading methodology which facilitates comparability with the internal reviews.

82. ICAEW carried out a cold review of the financial audit at five audited bodies, of which four (80 per cent) were graded at 2. A summary of the results is set out at [Exhibit 5](#).

Exhibit 5. Results of external cold reviews

Grade	2021/22	2020/21
1 Good	0	1
2 Small number of improvements required	4	2
3 Some improvements required	1	1
4 Significant improvements required	0	1

Overall cold review results

83. Our target is for all audits to score a grade of 2 or above. Across the internal and external cold reviews, nine of the eleven were graded at 2. This means that 82 per cent achieved our target, compared to last year's 64 per cent.

84. The remaining two financial audits this year were graded as requiring some improvements (grade 3); no audits therefore were graded as 'significant improvements required' (grade 4).

Good practice and improvement areas

85. Quality reviews are also used to identify strengths and good practice that may be shared as well as areas for improvement. We are considering the findings from the quality reviews to understand the main issues arising and common themes, so we maximise learning from quality monitoring activities.

Strengths and good practice

86. The quality reviews highlighted good practice, including the examples summarised in the following table:

Area	Good practice identified
Documentation	<p>The documentation on the audit file was clear and comprehensive, and demonstrated a good understanding of the client and relevant audit risks.</p> <p>The working papers were very clearly documented, easy to follow and with a good audit trail from identification to resolution of matters arising.</p>
Supervision and review	Engagement Lead and management supervision and review is clearly evident in critical areas of audit judgement and risk.
Narrative information	Work to review the narrative sections of the annual accounts is well documented and to a good standard.

Areas for improvement

87. The quality reviews identified areas for further improvement, including those set out in the following table:

Area	Improvement
Group audits	The group audit team should request that the auditors of significant component entities provide their detailed working papers for review.
Sampling	Justification of sample sizes could be documented better to ensure they properly reflect the circumstances of the audit.
Management expert	<p>Insufficient work was carried out to confirm the accuracy of the information provided to the actuary and valuer.</p> <p>The audit team did not obtain sufficient evidence to enable them to challenge the assumptions of management's expert in respect of the valuations.</p>
Journals testing	The audit team did not carry out any procedures over the journals population to ensure that it was complete.
Service organisations	There were some examples where the audit team's approach to identifying and placing assurance on controls operating at service organisations was unclear.

Performance audit reports and related outputs

Hot reviews

88. Two hot reviews of the PABV programme were carried out. They were focussed on two themes: risks assessment and making recommendations. Issues arising from the reviews were flagged with the relevant audit teams which allowed them to make improvements to the reports before they were published. The reviews also identified areas where our guidance in the two themes could be enhanced and that is being taken forward by I&Q.

Cold reviews

89. Two internal and two external quality reviews of the PABV programme were carried out. Fifty per cent were scored as grade 1 (one internal and one external review), which is the first time PABV outputs had received the highest score. A summary of the results is set out at [Exhibit 6](#).

Exhibit 6.

Results of cold reviews

Grade	2021/22	2020/21
1 Good	2	0
2 Small number of improvements required	1	3
3 Some improvements required	1	0
4 Significant improvements required	0	0

90. Some examples of good practice and areas for improvement identified from the quality reviews are summarised in the following table:

Good practice	Areas for improvement
<p>The recommendations made were clear and well written.</p> <p>The combination of narrative and exhibits makes it easier to read.</p> <p>The use of a timeline graphic provided useful clarity on the events detailed in the report</p>	<p>The report should be as clear and concise as the subject matter permits and phrased in unambiguous language.</p> <p>Consideration should be given to a peer review to provide feedback on the clarity and conciseness of the report.</p> <p>There was a lack of evidence of sufficient involvement of stakeholders at key points during the audit.</p>

Remediation and follow up from cold reviews

91. The overall improvement in quality grades provides assurance on the quality of audits being delivered. However, further work will be carried out in some areas to ensure that all of the audit work meets the recognised standards expected by the Auditor General, Accounts Commission and other stakeholders.

Sharing findings

92. Reports setting out the findings from the reviews have been issued directly to the relevant audit teams.

93. General findings are also shared with other audit teams to highlight common areas for improvement and good practice more widely. Findings are shared in a number of ways including periodic Quality Bulletins and feedback sessions, including a joint session with I&Q and ICAEW.

Improvement action plans

94. We are analysing the quality findings and, after due root cause analysis, will update our improvement action plan to reflect them. The improvement action plan sets out:

- the significant quality deficiencies identified
- proposed improvement actions, such as enhancing audit test programmes, providing additional guidance, and informing training
- the individuals assigned to each action
- a planned timeline to implement each action.

95. We carry out a root cause analysis to identify the reasons underlying quality deficiencies so we can focus improvement actions on their causes rather than the symptoms.

96. A formal root cause analysis is being facilitated by the Quality team for all audits graded a 3. For those audits with a grade of 2, the teams are conducting their own internal root cause analysis. Audits graded 1 will also be subject to review to identify and share good practice.

97. The planned improvements to audit quality in the plan represents a rolling programme of actions updated on a continual basis throughout the year. The phasing of implementing the actions is determined by the different stages of the audit process, with improvements either being actioned immediately or over the medium or longer term if they involve more significant changes. The project management of the improvement plan is overseen by I&Q, in liaison with quality leads from ASG and PABV, and is a focus of regular monitoring by the Audit Quality Committee.

Feedback from audit teams

98. A survey of colleagues in ASG and PABV sought views on how well they were supported to deliver high-quality audits in 2022. The survey response rate was 42 per cent for ASG and 35 per cent for PABV, both of which are lower than last year's response of 49 per cent and 42 per cent respectively. We will strive to encourage a higher response rate in the future to enhance the reliability of the results.

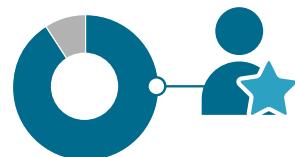
99. The detailed results and comparison with previous years are shown in [Exhibit 7](#).

Exhibit 7.

Staff survey results (for those who responded to the survey)

Percentage of staff who said that they were encouraged to deliver high-quality audit work.

91%
96% in 2021
93% in 2020



Percentage of staff who felt that they had sufficient time and resources to deliver high-quality audits.

39%
36% in 2021
46% in 2020



Percentage of staff who thought that they received enough training and development to enable them to deliver high-quality audits.

54%
71% in 2021
70% in 2020



100. 91 per cent of staff who responded to the survey felt encouraged to deliver high-quality audit work. Although this is five percentage points lower than last year, it reflects the continuing commitment of audit teams to high-quality audit and our focus on building a strong quality culture.

101. 39 per cent of staff who responded said that they had sufficient time and resources to deliver high-quality audits. Although this shows a slight increase compared with 36 per cent last year, there continues to be the challenges of securing appropriate audit resource and adopting efficient audit methodologies, and we have plans to address these going forward.

102. 54 per cent of staff who responded said they received enough training and development for high-quality audits. This is significantly lower than the last couple of years and is a matter that requires attention. We will carry out a root cause analysis, so our improvement actions address the underlying causes.

Feedback from audited bodies

103. AQA commission an independent survey of key individuals in audited bodies to gather feedback on their views of the quality and impact of the financial audits and the PABV work programme. Individuals were asked to respond to questions using a scale of 1 (very poor) to 5 (very good).

104. In respect of financial audits:

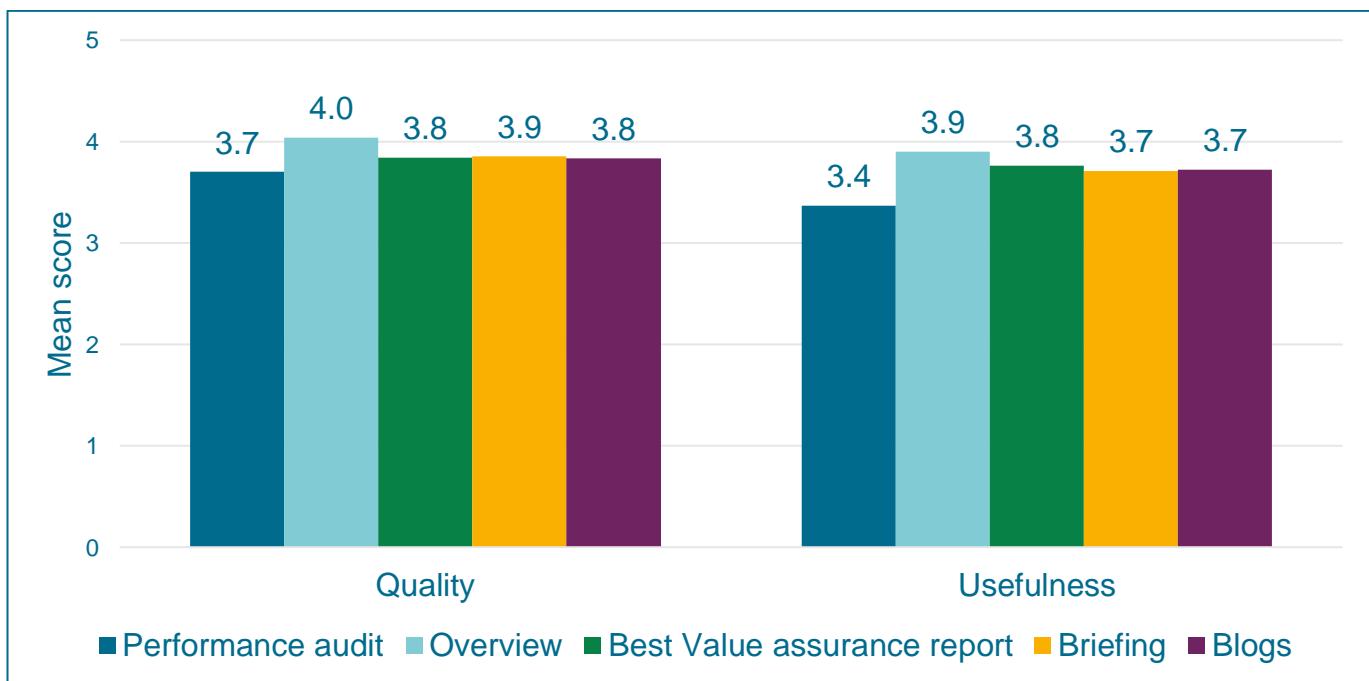
- The overall performance of ASG audit teams was scored at 4.4 (same as 2020/21).
- The quality of Annual Audit Reports was scored at 4.3 (4.4 for 2020/21).

105. Respondents expressed positive views on the quality and usefulness of performance audits and related outputs. However, perceptions of all reports decreased compared to the previous year in both quality (4.3 to 3.9) and usefulness (4.2 to 3.7).

106. The results for each output are set out in [Exhibit 8](#).

Exhibit 8.

Quality and usefulness of performance audits and related outputs



Outputs on time

107. The following paragraphs summarise our performance against audit completion targets and our other outputs.

Financial audits

108. Timely completion of financial audits supports effective scrutiny and improvement. We work to the target completion dates set by the Auditor General and Accounts Commission.

109. Audit Scotland's policy is not to compromise on audit quality. For 2019/20 and 2020/21 audits, the Auditor General and Accounts Commission agreed to delay their target audit completion dates as a result of the impact of the pandemic on audit delivery. The target audit completion dates began to transition back to pre-pandemic dates for 2021/22 audits. Meeting these aspirational dates was extremely challenging, but we were able to complete 42 per cent of our 2021/22 financial audits by the target completion dates.

110. [Exhibit 9](#) shows our performance in delivering key audit outputs, along with figures for the previous year.

Exhibit 9.

Percentage of outputs delivered by target dates

Audit output	Local government (%)	Central government (%)	Health sector (%)	Further education (%)
Annual audit plans				
2021/22	61	30	20	100
2020/21	91	81	90	100
Independent auditor's report				
2021/22	37	40	90	100
2020/21	85	81	100	100
Annual audit report				
2021/22	32	42	90	100
2020/21	83	81	100	100

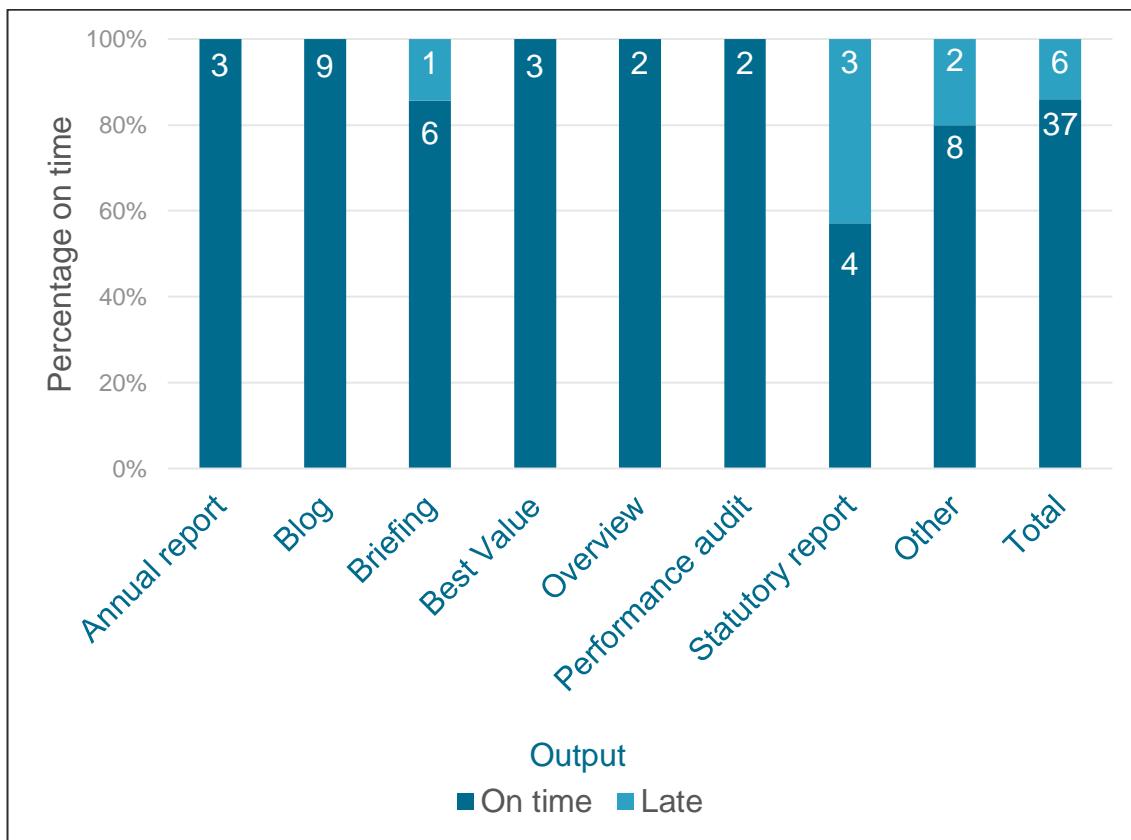
111. The target completion dates set for 2022/23 audits have returned to pre-pandemic timescales. It is expected that a significant number of audits will not be able to meet those dates without impacting adversely on audit quality. It may be a number of years before the proportion of audits completed by the target dates reaches pre-pandemic levels.

Performance audits and related outputs

112. 86 per cent (37 out of 43) of performance audits and related outputs were completed to planned timescales during 2022/23. This is analysed over each type of product in [Exhibit 10](#).

Exhibit 10.

Performance audit and related outputs on time



113. Reasons for the six late outputs were as follows:

- Three were statutory reports which were late due to the late completion of the audit of the relevant audited body.
- A joint briefing by the Auditor General and the Accounts Commission on Tackling Child Poverty was agreed to be published closer to the Public Audit Committee where it was being presented.
- The two remaining outputs, 'Data gaps' and 'Resourcing the benefit service', were delayed due to resource capacity and a data validation issue respectively.

Appendix 1.

Examples of added value

Adding value through 2021/22 annual financial audit work

We aim to add value through our audit work by being constructive and forward looking, recommending improvements, and encouraging good practice. In so doing, we help audited bodies promote improved standards of governance, better management, and decision-making and more effective use of resources.

Adding value is part our approach and what our teams aim to deliver. For example, in our day-to-day meetings with elected representatives, non-executives and senior staff across the public sector and beyond, we draw on our deep, cross-sector understanding to challenge and support. We participate in audited bodies' audit committees where, alongside our audit reports, we provide insight on wider issues affecting the organisations we audit and the public sector more generally.

We often provide technical assistance on accounting and reporting issues.

Examples of technical assistance

- The audit team identified errors relating to the timing of the capitalisation of expenditure at a health board. The issues arose due to a lack of communication within the capital finance section. The team recommended a review of the capitalisation process including consideration of the communication channels between the capital finance section and other business areas, including the capital planning group. The board agreed to put in place a new process to ensure regular communication between all parties.
- The body carried out an interim asset revaluation exercise using the application of indices. This resulted in a net upward movement of £38.2 million in the accounts presented for audit. The audit team challenged the selection of the indices and identified that the body had not used the services of a professional valuer. The body has agreed to use a valuer which will result in a more reliable asset value in the accounts.
- The audit team challenged a body to demonstrate that the carrying amount in the statement of financial position of those property assets not subject to a valuation exercise were not materially different from their current value at the year end. The body's valuer applied indexation to the carrying amounts which indicated that they were materially different from current value. A material adjustment was then made to bring the carrying amounts into line.
- The body accounts for its retirement benefits on a defined benefit accounting basis. As the body prepares its draft annual accounts in May each year, the report provided by its actuary includes estimates for the return on investments for the final quarter of the year. The audit team found that the body had not subsequently approached the actuary for the actual figures when they became available. At the request of the audit team, the body obtained the actual figures from the actuary which resulted in a material adjustment.

Examples of technical assistance

- The audit team identified that a central government body had not applied appropriate discount rates when accounting for a scheme which required to be accounted for as a ‘soft loan’ due to being below commercial rates. The team worked with the body in making the necessary calculations.

We encourage public bodies to enhance the content of their annual report and accounts to provide better information about their finances and performance.

Through this we aim to support further improvements in transparency about how public money is used and what it achieves.

Examples of improved reporting

- The audit team used Audit Scotland’s Good Practice Note: Judgements and Estimates to review the disclosures made by a number of public bodies in relation to judgements and estimates. The team identified some areas for improvement which the council implemented.
- In response to an audit recommendation arising from the 2020/21 audit, a council implemented a new asset register during 2021/22. Audit testing identified that some revalued assets had not been charged depreciation. The result was an increase of £4.1 million to the 2021/22 depreciation charge. The team also identified that accumulated depreciation balances of £8.1 million needed to be eliminated.
- Over the course of the audit appointment, a local government body had presented accounts for audit which required significant amendments and contained material errors. In previous years, the audit team had highlighted the importance of a robust review process of the accounts before being presented to audit. In 2021/22, there was a marked improvement in the quality which in turn improved the helpfulness of information reported to stakeholders.
- A body used its asset management system to calculate a depreciation charge. As the calculation leads to large fluctuations between years, a smoothing approach has been adopted which takes account of a five-year trend. The audit team identified errors in the depreciation charge in the 2021/22 accounts presented for audit which meant expenditure had been materially overstated by £26 million. The body corrected the overstatement.
- As a result of the revaluation of non-current assets, the element of the depreciation charge that relates to the difference between the assets’ historical cost and the current value should be charged to the revaluation reserve rather than to the general fund. In the accounts presented for audit, the adjustment involved a transfer from the general fund to the revaluation reserve of £1,344 million. The audit team worked with the finance team to identify that the correct transfer should have been £272 million the other way. The body reversed the original entry and made the necessary correction which resulted in a total material adjustment of £1,616 million.
- The audit team’s review of a health board’s Remuneration and Staff Report identified issues with the content and accuracy of the information presented. The team recommended a ‘cold’ review by an individual independent of the preparation process prior to the report being submitted for audit. This was accepted and resulted in an improvement in quality.

Examples of improved reporting

- The audit team identified a number of areas where the Performance Report of a central government body did not comply with the Government Financial Reporting Manual. The team also recommended the length of the report be reduced and highlighted other areas that could be improved. The body made the enhancements to the report.
- The audit team identified that a central government body's equalities mainstreaming report did not comply with The Public Sector Bodies (Websites and Mobile Applications) (No.2) Accessibility Regulations 2018. The body made the necessary corrections to ensure compliance.

We also add value through our wider audit scope work. For example, we encourage public bodies to consider the longer-term to ensure that they have a wide-ranging picture of their finances and the challenges they face in meeting their objectives over time. We also make recommendations for improvements in audited bodies' financial management such as budget monitoring and scrutiny, encourage enhanced openness and transparency and promote effective governance and performance management.

Examples of wider audit scope impact

- As part of the Certificates of Assurance process on governance arrangements, a central government body did not have accompanying documentation to support the certificates completed by senior leadership. Following a recommendation from the audit team, the body agreed to implement supporting documentation in the form of a checklist to be completed by the senior leadership team alongside their Certificates of Assurance.
- Recommendations by the audit team regarding a politically neutral scrutiny role has prompted the administering authority of a pension fund to commit to training and development to support improved scrutiny.
- In testing a sample of grants provided by a central government body to third parties, the audit team identified that one capital grant of £1 million had not been fully evidenced (in line with the grant conditions) at the point of payment. When the body requested evidence retrospectively, it found that many of the claimed areas of spend had not yet occurred. The body adjusted the accounts to reflect a portion of the transaction as a prepayment and amended its internal control processes including enhanced checks by a senior member of the finance team of all grant claims over £100,000.

Examples of other impacts

- Positive feedback from an audit committee chair at one local government body related to the presentation and explanation of key messages in the Annual Audit Report. Committee members commented the report was presented in a way that allowed non-accountants to understand the purpose of the Annual Audit Report, the audit process, the annual accounts sign off process, and the various assurances and information that they were being provided to enable them to approve the annual accounts for issue.
- The audit team providing training on the role of Audit Scotland, the Accounts Commission and external audit as part of the induction Programme for new elected members following

Examples of other impacts

the local government elections. This provided an opportunity for members newly appointed to the audit committee to ask focussed questions in a training environment about the role and work of Audit Scotland.

- A small central government body expressed appreciation regarding the support provided by the audit team to help meet accounting and other statutory requirements during the body's first year of operations.

Examples of early impact of PABV outputs in 2022

Performance audit – Planning for skills

We reported that the Scottish Government had not provided the necessary leadership or oversight for joint working between Skills Development Scotland (SDS) and the Scottish Funding Council (SFC), with insufficient clarity on what it wanted to achieve and what success would look like. We said that current arrangements were unlikely to achieve the Scottish Government's ambitions for skills alignment at the pace required.

Reaction to the report

When the report was published, the Scottish Government accepted its relevance, accuracy and timeliness and the newly established Reform Division was tasked with leading on addressing the report's recommendations. The chair of the board of SDS welcomed the 'catalytic' audit report, and the report's clarity was praised by the head of the UK Statistics Authority.

Progress recorded since publication

Since the report was published coordination between the Scottish Government, SDS and the SFC has improved, with new governance arrangements having been established to oversee a number of collaborative projects. The audit has been credited with influencing the direction pursued by the Scottish Government, with the Minister and relevant Scottish Government Director-General both citing it as a key influence/catalyst in shaping their approach to planning for skills.

Briefing paper – Social care

Following the social care briefing publication:

- It was discussed at First Minister's Questions in the Scottish Parliament and considered by the Health, Social Care and Sport Committee and Public Audit Committee. The Public Audit Committee took evidence from COSLA and the Scottish Government.
- There was good national media coverage which primarily focussed on the necessity of workforce investment and the detrimental impact on people's lives using poor social care services. There were strong links in the media articles to the quotes from people who had lived experience of providing, or receiving, social care support. A Holyrood article emphasised the need for urgent action to be made.

- The Interim Director of PABV and Controller of Audit wrote an opinion piece on the key challenges facing the National Care Service for the Alliance.
- The team has presented the findings to the Chief Social Work Officers in Scotland group.

We are continuing to monitor the progress made by the Scottish Government across social care and the National Care Service reform programme and will propose future audit products in this area through the quarterly work programme updates.

Blog – Children and young people with additional support for learning needs

Following publication of the blog:

- The blog was referenced in newspaper articles which triggered a letter to a member of the Accounts Commission from an anonymous council employee expressing concern about the situation in the primary school the person works in.
- A national radio show held a live discussion on the subject matter of the blog and referenced it.
- There was engagement via the Accounts Commission's and Audit Scotland's social media platforms.

We are considering options for a full performance audit looking at the learner journey from pre-school to post-school for children and young people who need additional support. This would allow us to look at transition points. We will engage with stakeholders around the potential for joint work and to ensure the timescales for any work are of most value.

Example of early impact through Best Value auditing in 2022

Best Value Assurance Report – Falkirk

We reported that progress at Falkirk Council had stalled over the past three years, and that the Commission could not have confidence the council would be able to make savings of £70 million over the next five years. While there were many services for local people in Falkirk performing well, there remained significant underlying issues to be addressed, including making longer-term financial decisions. There had been little change or impact from a programme set up four years ago to transform how the council works and address a growing future funding gap.

Reaction to the report

Despite being a highly critical report, the findings were fully accepted by the council. It has clearly provided a focus for future improvement in the council as evidenced by a [video from the chief executive](#) to staff, the [council's media statement](#) and the [Best Value strategic action plan](#), which the council agreed when it considered the report.

There were 57 livestream views of the Accounts Commission's meeting where it considered the report. This is significantly higher than any other previous livestream. In part, the higher viewing figures may be due to the media promotion of the report prior to publication and active promotion of the livestream on our social media and by the local third sector interface.

Appendix 2.

Transparency report disclosures – Compliance with statutory requirements

The following table sets out Audit Scotland compliance with disclosures required by Article 13 of Regulation (EU) 537/2014 as it forms part of the UK law, by virtue of section 3 of the European Union (Withdrawal) Act 2018, and as amended by the Statutory Auditors and Third Country Auditors (Amendment) (EU Exit) Regulations 2019/177.

Provision of Regulation (EU) 537/2014	How Audit Scotland complies with Regulation (EU) 537/2014
A description of the legal structure and ownership of the statutory auditor, if it is a firm.	Appointed auditors are employees of Audit Scotland which is the statutory public audit body for Scotland.
Where the statutory auditor or the audit firm is a member of a network:	Audit Scotland is not part of a network.
<ol style="list-style-type: none"> 1. a description of the network and the legal and structural arrangements in the network 2. the name of each member of the network that is eligible for appointment as a statutory auditor, or is eligible for appointment as an auditor in an EEA State or in Gibraltar 3. for each of the members of the network identified under paragraph (2), the countries in which they are eligible for appointment as auditors or in which they have a registered office, central administration, or a principal place of business 4. the total turnover of the members of the network identified under paragraph (2) resulting from statutory audit work or equivalent work in the EEA States or Gibraltar. 	
A description of the governance structure of the statutory auditor if it is firm	Audit Scotland's governance structure is set out in its annual report.

Provision of Regulation (EU) 537/2014	How Audit Scotland complies with Regulation (EU) 537/2014
<p>A description of the internal quality control system of the statutory auditor and a statement by the management body on the effectiveness of its functioning.</p>	<p>Audit Scotland's internal quality control system is set out chapter 3 of this report. As described, the system is made up of a range of reviews and processes.</p> <p>Based on an ongoing analysis of all aspects of the internal quality control system, the Executive Team is satisfied that it is functioning effectively.</p>
<p>An indication of when the last quality assurance review referred to in Article 26 of Regulation (EU) 537/2014 was carried out.</p>	<p>The results from the most recent reviews (January to April 2023) of the performance of our financial audits and performance audits and related outputs are set out in this report.</p> <p>Audit Scotland appoints an independent third party to carry out a programme of external quality assurance reviews (currently ICAEW).</p>
<p>A list of public interest entities for which the statutory auditor carried out statutory audits during the preceding financial year.</p>	<p>John Boyd, Audit Director, Audit Scotland carried out the audit of a public interest entity (PIE) in 2021/22, Glasgow City Council. No other Audit Scotland employees carried out the audit of a PIE in 2021/22.</p>
<p>A statement concerning the statutory auditor's independence practices which also confirms that an internal review of independence compliance has been conducted.</p>	<p>Details of our independence procedures for individual members of staff are set out in chapter 2 of this report.</p>
<p>A statement on the policy followed by the statutory auditor concerning the continuing education of statutory auditors referred to in paragraph 11 of Schedule 10 to the Companies Act 2006.</p>	<p>Audit Scotland staff do not undertake any audits under the Companies Act. However, policies and practices are designed to ensure that our staff maintain their auditing knowledge, professional skills, and values at levels appropriate to support our focus on audit quality.</p>
<p>Information concerning the basis for the remuneration of members of the management body of the statutory auditor, where that statutory auditor is a firm.</p>	<p>Information on the remuneration of the Executive and non-Executive Directors of Audit Scotland is provided in our annual report.</p>
<p>A description of the statutory auditor's policy concerning the rotation of key audit partners and staff in accordance with Article 17(7) of Regulation (EU) 537/2014.</p>	<p>Audit Scotland employees who are appointed as auditors for financial audits are rotated every five years and are required to ensure that other team members are not involved in an audit for more than six years.</p>

Provision of Regulation (EU) 537/2014	How Audit Scotland complies with Regulation (EU) 537/2014
<p>Where not disclosed in its accounts, information about the total turnover of the statutory auditor, divided into the following categories:</p>	<p>Audit Scotland audits are funded by fees charged to the audited bodies and by funding from the Scottish Parliament. The audited bodies are required to disclose the fee for the audit in all cases. Where there is no cash fee, a 'notional' fee is agreed and disclosed.</p> <p>Details of our finances are included in our annual report.</p>
<p>1. revenues from the statutory audit of accounts of public-interest entities and members of groups of undertakings whose parent undertaking is a public-interest entity</p>	<p>2021/22 PIE audit fee income: £670,000 (2020/21 – £658,000k)</p>
<p>2. revenues from the statutory audit of accounts of other entities</p>	<p>2021/22 other statutory audit fee income: £12.9 million (2020/21 – £12.7 million)</p>
<p>3. revenues from permitted non-audit services to entities that are audited by the statutory auditor</p>	<p>There were no non-audit services in 2021/22 (2020/21: £3,000). Revenues permitted from joint agreed audit with NAO in connection with EU agricultural funds work: £550,000 (2020/21 – £710,000)</p>
<p>4. revenues from non-audit services to other entities</p>	<p>None</p>

Audit quality

Audit Scotland's transparency report 2022/23

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