



**OFFICIAL REPORT**  
AITHISG OIFIGEIL

# Scottish Commission for Public Audit

**Wednesday 1 September 2021**

**Session 6**

© Parliamentary copyright. Scottish Parliamentary Corporate Body

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

---

**Wednesday 1 September 2021**

**CONTENTS**

|                                                                                                                              | <b>Col.</b> |
|------------------------------------------------------------------------------------------------------------------------------|-------------|
| <b>INTERESTS</b> .....                                                                                                       | 1           |
| <b>CHAIR</b> .....                                                                                                           | 3           |
| <b>DEPUTY CHAIR</b> .....                                                                                                    | 4           |
| <b>DECISION ON TAKING BUSINESS IN PRIVATE</b> .....                                                                          | 5           |
| <b>AUDIT SCOTLAND ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2021 AND AUDITOR'S REPORT ON THE ACCOUNTS</b> ..... | 6           |

---

**SCOTTISH COMMISSION FOR PUBLIC AUDIT**  
**1<sup>st</sup> Meeting 2021, Session 6**

**COMMISSION MEMBERS**

- \*Colin Beattie (Midlothian North and Musselburgh) (SNP) (Chair)
- \*Sharon Dowey (South Scotland) (Con) (Deputy Chair)
- \*Daniel Johnson (Edinburgh Southern) (Lab)
- \*Richard Leonard (Central Scotland) (Lab)
- \*Mark Ruskell (Mid Scotland and Fife) (Green)

\*attended

**THE FOLLOWING ALSO ATTENDED:**

Jane Williams (Secretary to the Commission)

**THE FOLLOWING ALSO PARTICIPATED:**

Professor Alan Alexander (Audit Scotland)  
Stephen Boyle (Auditor General for Scotland)  
Steven Cunningham (Alexander Sloan)  
Stuart Dennis (Audit Scotland)  
Diane McGiffen (Audit Scotland)  
Jillian So (Alexander Sloan)

**LOCATION**

The Sir Alexander Fleming Room (CR3)



# Scottish Commission for Public Audit

## Meeting of the Commission

*Wednesday 1 September 2021*

*[Colin Beattie opened the meeting at 12:30]*

### Interests

**Colin Beattie (Midlothian North and Musselburgh) (SNP):** Good afternoon, and welcome to the first meeting in session 6 of the Scottish Commission for Public Audit. As the oldest member of the commission, I have the pleasure of chairing this meeting until we formally choose the chair.

Agenda item 1 is declarations of interests. Each of us has to declare any interests that are relevant to the commission's work. Background information is provided in paper 1.

I have no relevant interests to declare.

**Sharon Dowey (South Scotland) (Con):** I have no relevant interests to declare.

**Richard Leonard (Central Scotland) (Lab):** I do not have any declarable interests. However, I draw the commission's attention to my voluntary entry in the register of members' interests.

**Mark Ruskell (Mid Scotland and Fife) (Green):** I have nothing to declare.

**Daniel Johnson (Edinburgh Southern) (Lab):** I point members to my declaration of interests. In particular, I am a director of a company with retail interests. I am also a trustee and vice chair of the ADHD Foundation charity.

I ask for clarification on declarations of interests from the secretary to the commission. Is it relevant to declare any governance or, indeed, audit roles with external organisations that we might have? Members might want to reflect on making those declarations.

**Jane Williams (Secretary to the Commission):** The SCPA is able to make its own procedures but, in practice, it has generally followed the same procedures that committees have followed. It is for each member to determine what they consider to be interests that are relevant to the commission's remit.

**Daniel Johnson:** I request that members reflect on whether they have any audit or governance roles with external organisations and maybe use the opportunity to declare those now.

**Colin Beattie:** In that regard, I am on the audit committee of the National Mining Museum Scotland.

It seems that no one else has any audit roles that they wish to declare.

## Chair

12:32

**Colin Beattie:** Agenda item 2 is choice of chair of the SCPA. I seek nominations for the position.

**Sharon Dowey:** I nominate Colin Beattie.

*Colin Beattie was chosen as chair.*

**The Chair (Colin Beattie):** Thank you. I look forward to working with you all.

## Deputy Chair

12:33

**The Chair:** Agenda item 3 is choice of deputy chair of the SCPA. I nominate Sharon Dowey.

*Sharon Dowey was chosen as deputy chair.*

**The Chair:** Congratulations, Sharon.

## Decision on Taking Business in Private

12:33

**The Chair:** Agenda item 4 is a decision on taking business in private. Is the commission content to take agenda item 6 in private?

**Members** *indicated agreement.*

## Audit Scotland Annual Report and Accounts for the Year Ended 31 March 2021 and Auditor's Report on the Accounts

12:33

**The Chair:** We have witnesses for agenda item 5, which is evidence on Audit Scotland's annual report and accounts for the year to 31 March 2021 and the auditor's report on the accounts. Members have a copy of the annual report and the accounts in their meeting papers.

I welcome to the meeting Professor Alan Alexander, chair of the board of Audit Scotland. Professor Alexander is accompanied by, from Audit Scotland, Stephen Boyle, accountable officer and Auditor General for Scotland; Diane McGiffen, chief operating officer; and Stuart Dennis, corporate finance manager.

Given that our witnesses are appearing remotely, I remind members that they should direct their questions to the Auditor General, who can invite witnesses to speak as appropriate. Should any of the witnesses wish to speak, they should type R in the chat function, and I will bring them in at the appropriate time.

I welcome our witnesses. I invite Professor Alexander and the Auditor General to make short introductory statements.

**Professor Alan Alexander (Audit Scotland):** Thank you very much, chair. Before I introduce our annual report and accounts for 2020-21, I congratulate you and your colleagues on your appointment to the commission and welcome you to your posts. Over the years, we have had a very constructive relationship with the commission—one that recognises your dual roles in holding Audit Scotland to account and supporting us to deliver independent public audit that provides assurance to the people of Scotland and scrutiny support to the Scottish Parliament and all of its committees. On behalf of my board and Audit Scotland's management team and staff, I look forward to working with the commission.

Over the past year, the world that we live and work in has changed. As we have all gone through upheavals on a scale that has not been experienced previously, the importance of public services to the Scottish people and of the people who deliver them could not have become clearer. I place on record my deep gratitude to all those who have worked so hard during the Covid-19 pandemic for all that they have done and will continue to do as we recover and rebuild.

As many other organisations have done, Audit Scotland has experienced 18 months of operating as a virtual organisation. We have had to find new ways to communicate and to support public audit. As with many organisations, the pandemic has resulted not only in finding ways to get through but in true innovation and developments that will result in permanent changes to the ways that we work.

I was struck time and again by the professionalism, empathy and resilience of Audit Scotland's staff as they pulled together to get the job done and to support one another. We have been clear that our priorities have been the safety and wellbeing of our colleagues and the provision of robust independent audit. The board has focused on driving those priorities by ensuring good governance and oversight in these difficult times. Our role as a board is to oversee the exercise of all Audit Scotland's functions. Crucially, that means ensuring that Audit Scotland effectively supports the Auditor General and the Accounts Commission to provide their scrutiny of and assurance about public spending and public services, all of which are vital to everyone in Scotland.

We have done that during a time when the board has gone through significant transition. To put that in context, I note that, of the five board members who were in post at the end of the 2019-20 financial year, I am the sole remaining member. I came into post as chair in April 2020, succeeding Iain Leitch, whom I thank for his stewardship over the previous five years. We have welcomed on to the board Elma Murray, as interim chair of the Accounts Commission, as well as new independent members Colin Crosby and Jackie Mann. I look forward, in the coming months, to meeting Colin and Jackie in person, but I emphasise that we have been very effective while working remotely.

As the commission knows, Stephen Boyle began his term as Auditor General in July 2020. I will hand over to him, as Auditor General and our accountable officer, in a moment. Before I do, I record my thanks and appreciation for his leadership and direction of Audit Scotland over the past 14 months. It is something of an understatement to say that taking on the leadership of a high-profile organisation and stepping into a crucial role in Scottish public life would have been challenging, to use a word that is often used by public servants, at the best of times, let alone during a global crisis. Stephen's calm resolve and clarity have been invaluable. As board chair, I am confident that Audit Scotland is in good hands.

**Stephen Boyle (Auditor General for Scotland):** Thank you for your kind words, chair. I record my congratulations to Mr Beattie and Ms

Dowey on their respective positions on the commission.

Before I talk about Audit Scotland and our activity over the 2020-21 financial year, I will pause for a moment and record my thanks to key workers in the public sector and elsewhere for saving lives, supporting communities and helping Scotland to cope with and address the impacts of the pandemic. As we become more used to living with Covid-19, it is important that we continue to remember the incredible sacrifices that so many have made on our behalf.

As I say in my accountable officer's report, Covid-19 is the biggest challenge that Scotland's public sector has faced since devolution and it will continue to shape our landscape for many years to come. The pandemic has significantly increased public spending and the pressures that public services and public bodies face, which were already significant before the pandemic. The existing stresses from inequalities, climate change, increasing demand, new powers and changing demographics have all been exacerbated.

That has significant impacts on our work, priorities and approaches; some of those are obvious, but some are still emerging. The assurance that we provide on public spending and the advice that we give public services to help them improve is more important than it has ever been. Put simply, our job has got bigger and we have had to change and grow to make sure that we can provide Scotland, and the Parliament, with the public service that is needed now and in the future.

With the support of the commission in the previous parliamentary session, during 2021 we began building and reshaping our capacity, skills and approaches to fit the new world. We reframed the performance audit programme that Audit Scotland delivers on behalf of me and the Accounts Commission to ensure that it is focused on the key issues that the public sector faces, that it is flexible and responsive and that it follows the significant amounts of public funding that have been required to address Covid-19's impacts, otherwise known as the pandemic pound.

In the face of fundamental disruptions to how we and organisations that we audit work, we delivered the financial audit of more than 200 public bodies to revised timescales and reshaped the scope of our audits where necessary to reflect the pandemic's rapidly emerging threats. Through all this, we have prioritised our colleagues' wellbeing and safety, and the rigour and independence of our audit work.

I thank all my colleagues at Audit Scotland and on our board for the support that they have

provided over the past year. As ever, we look forward to answering the commission's questions.

**The Chair:** Members have a number of questions and I ask that they ask all the questions that they have together.

**Daniel Johnson:** I begin by asking the big question. Covid-19 has clearly disrupted life over the past 18 months, but it strikes me, and has been alluded to by Professor Alexander and Stephen Boyle, that it has had a fundamental impact on how Audit Scotland conducts an audit. I always think of auditing as requiring some level of being able to eyeball and assure that what is on the accounts is actually there. If you are working remotely, it strikes me that that is fundamentally disrupted. In broad terms, how has that impacted your ability to conduct an audit?

More important, we are all aware that Covid-19's impact is not just temporary, but is likely to alter how we work in long-lasting ways. Which of the changes that you have made this year do you see persisting? What impact will that have on the way that Audit Scotland organises itself in the future?

**Stephen Boyle:** I will start and I might invite Diane McGiffen to say more about the experience of colleagues across Audit Scotland.

We absolutely agree with you that Covid-19 has caused a fundamental disruption to how we carry out our audit work. That is borne out in a number of ways. In essence, timescales were extended for the completion of our audit work during 2020-21. We were keen to set a framework so that deadlines could be negotiated but the audit quality and the wellbeing of our people could not.

12:45

We have now completed all of our 2020-21 audit work, to extended timescales. The audits took longer, but to varying degrees, which was partly due to the circumstances that audited bodies found themselves in and, to an extent, the degree to which they had invested in technology to support remote audit activity. We should recognise that neither Audit Scotland, the auditors that we contract with nor public bodies had anticipated that, by the middle of March last year, we would have to switch to a remote audit function almost overnight. That was borne out in the longer timescales for the completion of the audit work, as we maintained a focus on wellbeing and audit quality.

We are now thinking about what it means for the future. Like everything else in this environment, we are not entirely confident in predictions as to what the future will hold and whether we will snap back to how our audit work took place previously. We

are treating the issue carefully. We are engaging with audited bodies and conducting regular discussions with our colleagues as we plan for the future. Those discussions are framed around our new strategic improvement programme, which sets out how we will ready ourselves for the years ahead. We are thinking carefully on a number of fronts about the investment that we want to make in specialist skills, new technologies and our digital auditing work in order to set out our stall and give as realistic an assessment as possible. However, we expect that there will be a position of hybrid working across our audit work in years to come.

That gives an overall flavour of our thinking, but I will pass over to Diane McGiffen, who can perhaps say a little more about how our teams felt over the past year.

**Diane McGiffen (Audit Scotland):** The issue that Daniel Johnson touched on first was about how we exercise professional scepticism in the environment of remote working. In reflecting back on the year, our teams have found that one thing that was helpful was that we are in the final years of our audit appointments, so teams have already built up strong relationships and understanding about the business of the public bodies that they audit, without compromising their independence. Those things are key.

There is absolutely no doubt that auditors want to taste and smell an organisation and to get a feel for what is going on, and they have found innovative ways to do that remotely. Some of those ways would not be the first choice if we had the option of working in a different environment, as we are moving into now. The auditing profession is looking carefully at what remote working means for exercising professional scepticism and for the training and development of auditors. In our graduate training scheme, we are looking closely at that and at how coaching, mentoring and learning the craft of auditing can be undertaken properly when not everyone is in the same place at the same time and as we move into a mode of hybrid working.

Among the other issues that we will take into account as we look at what we can retain from what we have learned in the past 18 months are the many downsides of travel. We will balance those with the many plus sides of direct engagement with bodies. We have our environmental targets and goals to meet. As the previous commission signalled to us we should do, we will think carefully about our property portfolio for the medium to long term, and about the use of technology. Over the past year, we have learned about the importance of our investment in technology, but we have also learned about the limits of the investment in technology that public

bodies have made in enabling us to complete accounts effectively.

We have engaged closely with colleagues throughout the year. We conducted 10 pulse surveys to understand how people were finding different elements of working through the pandemic. We are currently undertaking our third working preferences survey on how people think that they want to work. We have a comprehensive quality agenda in the coming year, which will pick up some of those issues as we move forward.

I hope that I have answered the question in the round. We are thinking about how to exercise professional scepticism in a hybrid mode; we are developing our training scheme and our coaching and mentoring of graduate trainees in particular; and we are taking a long-term view of our environmental footprint and property portfolio to make sure that we retain the innovations that we have developed over the past year.

**Daniel Johnson:** Thank you very much for those answers, which provide us with a good overview of the challenges and changes that Covid has brought.

I started with the macro, but I hope that you will forgive me for diving straight into the micro. In looking at your accounts for this year, I see a number of variances that I might expect, such as a decrease in expenditure on stationery and an increase in information technology spend, but two line items jump out at me, the first of which is a 44 per cent increase in rent and rates. I would like an explanation of that, because it is quite a large increase not only in percentage terms, but in actual terms, especially at a time when people were using buildings less. I am keen to understand why that occurred.

Likewise, expenditure on staff recruitment was up by 44 per cent. That might not be a significant amount in actual terms, but I would be concerned if that indicated underlying staff churn. I would be interested in an explanation of why staff recruitment costs increased so significantly in the year.

**Stephen Boyle:** I am happy to start to answer those questions, and I will invite Stuart Dennis to supplement my remarks.

I will kick off with the point about rent and rates. As the commission may be aware, we have limited flexibility when it comes to our rental costs. We lease offices in Edinburgh, Inverness and Glasgow. That alludes to the point that Diane McGiffen made in her response about the commission's request that we evolve our thinking on how to make the most efficient use of our office estate. That increase speaks to the inflexibility that we have in dealing with those costs.

We also incurred additional expenditure in our staff recruitment over the year. Although we have embarked on additional recruitment, I would not say that there was considerable churn in our staff. The market for auditors will always remain difficult at certain grades, but we look to give all our colleagues the right experience. We have talked about having a real focus on wellbeing over the past year, but there will inevitably be some costs that we incur as we look to broaden our reach. Over the past year, we have had a particular focus on our thinking on diversity and equality, to ensure that, as an organisation, we are reaching out to as wide a talent pool as possible across the country.

All those factors play into the costs in those areas. Stuart Dennis can perhaps provide a bit more detail behind the two numbers that you cited.

**Stuart Dennis (Audit Scotland):** In adding to what the Auditor General said, I will start with recruitment. We are going through a capacity-building phase. In order to build capacity, we sought additional funding, which was approved by the SCPA in January. We were looking to build capacity and that was the cost of the recruitment campaigns. We wanted to front load that work so that we could get the staff in at an early point in the new financial year. We did that, with the new staff onboarding in May and June. That is the reason for that increase. As the Auditor General said, there is no real underlying churn of staff.

On rent and rates, you are absolutely correct to say that there has been a big increase in spend. The main reason behind that is the provision that we have in the accounts for a rent review of our West Port office. The rent review was due on 1 April 2020. Just as we were looking to finalise our accounts at the end of April 2021, we heard from the landlord's agent that month, with a proposed significant increase as part of the review. We are in negotiations to finalise the review of the West Port office.

**Daniel Johnson:** Thank you. I will end my questions there, chair.

**The Chair:** I call Sharon Dowey. Please keep the questions and answers fairly concise, as time is tight.

**Sharon Dowey:** Okay. On Audit Scotland's work programme, we know the reasons for the change of focus—that is because of the impact of the pandemic. Can you provide us with further information on how parts of the former work programme were identified as suitable for deferment or cancellation? How does the board assure itself that any risks or issues in those areas have not subsequently deteriorated?

**Stephen Boyle:** I am happy to kick off. I am sure that Professor Alexander will want to respond

about the board's assurance of the work programme.

As the SCPA will be aware, Audit Scotland carries out the work programme on behalf of me as the Auditor General, and the Accounts Commission oversees local government work. In the early throes of the pandemic, we paused the delivery of our programme, for a number of reasons. For example, in March and April 2020, public bodies' availability to interact with us and provide evidence to clear reporting was compromised. We are sensitive to the extent to which we are able to meet our responsibilities of providing assurance of public funds, and we are particularly mindful of how life was at that moment. The extent to which senior people were available to interact with the audit programme was not what it would otherwise have been.

We also looked at the detail of the work programme and took a view about where our resources were best spent. We had a report on skills planning due towards the end of 2020. We also had a report on school education outcomes due for publication at that time. That report has now been completed.

However, the main reason for pausing the work programme was to allow us to reflect the huge sums of public money that were coming to Scotland in 2020-21—more than £9 billion, as it eventually transpired. We also wanted to ensure that, as and when the immediacy of the pressures on officials and public bodies eased and their availability increased, we were able to interact with them, and provide assurance to the Parliament about how well that public money was being spent, and the extent of the risk and issues that public bodies were facing.

During the summer, we took a little bit of time to reframe our work programme, so that it is agile, responsive and reflects all the issues. The Accounts Commission and I now have a quarterly refresh process of our work programme. Keeping the programme under regular review allows us to flex items into it, to defer others where we think that that is necessary and to look at timescales.

I look forward to discussing that with the Public Audit Committee tomorrow, when we will give a bit more detail about how we have prioritised and identified our programme. However, I hope that that gives you a sufficient overview of the thinking at the time.

I pass over to Professor Alexander, who may want to respond about how the board has reassured itself about that process.

**Professor Alexander:** The question goes right to the heart of a very important distinction in how we work. As I am sure that the SCPA will recognise, that is the distinction between

governance and management. The management of the business—that is, ensuring that the work gets done—is the responsibility of Stephen Boyle as the accountable officer, the rest of the management team and the entire staff. Governance is the responsibility of the board.

13:00

In overseeing the work programme, we have no input into what is in it; that is the responsibility of the Auditor General and the Accounts Commission. Our responsibility is to ensure that Audit Scotland provides them with the expertise and, frankly, the labour that is necessary to do a high-pressure job. In doing that, we rely on a tiered system of scrutiny, utilising the remuneration committee, the audit committee and the board.

In that context, the roles of the independent members of the board, which is to say myself, Colin Crosby and Jackie Mann, are particularly important. I say that because the composition of the board means that two members of the board are also customers, as it were, of Audit Scotland. In that context, the extent to which the board in its various forms crawls over the work programme and, indeed, everything else about the running of Audit Scotland is very important. The independent members in particular bring a remarkably wide range of professional experience to their role. I think that I can also say with some confidence that our colleagues in management and staff know that they are being scrutinised, and they appreciate the extent to which board members inform themselves about what is required of Audit Scotland and ensure that it is delivered.

I am happy to go into further details if members of the commission require it.

**The Chair:** We need to keep the length of answers to questions fairly tight, otherwise we are not going to get through everything. Diane McGiffen wants to come in on this.

**Diane McGiffen:** I apologise, chair, but I have an answer to a previous question. On page 49 of our accounts, you will see that our turnover rate was 5 per cent, which is slightly down on last year. I just wanted to provide assurance to the commission on the earlier question.

**Sharon Dowey:** I will move on to internal audit arrangements. On page 37, Audit Scotland confirms that five of the six internal audits in 2020-21 achieved substantial assurance. Will you give us further information on the reasons for and the response to the one internal audit that received a reasonable assurance conclusion from BDO?

**Stephen Boyle:** I will pass the question to Diana McGiffen to give the commission more

detail on that. In general terms, we recognise the huge value that our internal auditors provide, and we are particularly pleased in governance terms about the assurance provided for the five out of the six, providing that substantial assurance recognises the difficulties of remote working and the solidity of the control environment during that period. Diana McGiffen can say more about the one that did not quite get top marks.

**Diane McGiffen:** The internal audit under discussion is the information technology procurement internal audit. It received reasonable assurance on design and operational effectiveness. There were three low-level issues for us to adopt, and one of medium interest. Those were about updates to the handbook of procurement, having an independent digital procurement policy and practice, and liaison between different parts of Audit Scotland. All those actions have been completed or are in train. In fact, immediately prior to this meeting, we were in the Public Audit Committee reporting back on progress against internal audit actions, including those ones.

The other audits all received substantial assurance on both design and operational effectiveness and, for information, they covered business continuity planning, performance audit and best value, adoption of quality standards, preparedness for changes to the Audit Scotland board and for the Auditor General, preparing for responding to reviews of the audit profession, and IT strategy and service capacity.

**Sharon Dowe:** Okay. Let us jump on to the year-end financial position. Will you give a further explanation about why the final budget position, identified as £1.5 million in January 2021, improved significantly by March 2021? Was the funding that was made available but not required returned to the Scottish consolidated fund? Will the £1 million savings that occurred in 2020-21 be made in subsequent years or were they a one-off?

**Stephen Boyle:** I am sorry, Ms Dowe, but your microphone cut out at our end halfway through your question. I would be most grateful if you would repeat it.

**Sharon Dowe:** No bother. On the year-end financial position, the final budget position, identified as £1.5 million in January 2021, had improved significantly by March of that year. Was the funding that had been made available but which was not then required returned to the Scottish consolidated fund? Moreover, will the £1 million in savings delivered in 2020-21, as shown on page 30 of the report, recur in subsequent years, or are they just a one-off underspend due, perhaps, to the pandemic?

**Stephen Boyle:** Thank you for that. I am happy to start off, and I am sure that Stuart Dennis and perhaps also Diane McGiffen will want to contribute, too.

On the £1.5 million additional budget allocation that Audit Scotland requested and gratefully received from the previous commission at the end of last year, we were at a really difficult point. The fact is that our finances and financial reporting are based on an annual cycle, and our organisation is not able to hold reserves and is obliged to break even.

Our income, particularly from the delivery of audit work, was compromised by the pandemic, with our ability to recognise income severely constrained. When we requested the budget uplift from the commission, we were facing the significant prospect of not breaking even and all the ramifications of not complying with legislation with regard to the qualification of our accounts. As the year progressed, some of the restrictions eased, and we were able to complete additional work; that meant that we were able to break even, for which we were grateful. We said at the time that any underspends would be returned to the consolidated fund.

Before I invite Stuart Dennis to comment, I will say a word about the issue of efficiencies, which I think brings us back to our earlier conversation with Mr Johnston. There are some budget headings in our accounts on which we have continued to underspend; as one would expect, they include travel, printing and stationery and subsistence rates, as we have moved away from being an audit organisation that is out and about in public bodies to one that delivers its work remotely. We are reviewing all of that, and I am particularly conscious that, as recipients of public funding and as Scotland's public auditor, we need to be as efficient as we can and to demonstrate that to the commission, the Parliament and users of public services. As we remodel and change how we deliver our work, we need to be as efficient as we possibly can, but at the same time we need to be realistic. Although the efficiency savings under those headings are what they are in the accounts that we are looking at, there might be an expectation that that might continue into next year or there might be other budget headings that we will look to flex. Nevertheless, we will want to be as efficient as we possibly can to deliver public audit through the use of the public money that the commission provides to us.

I will stop there and invite Stuart Dennis to add to that response.

**Stuart Dennis:** On the additional £1.5 million, we used robust assumptions to build a forecast of where we thought we would be come the end of the year. Based on that forecast of a budget, we

spent £29.6 million; the outturn actually ended up being just about 2 per cent from that, so overall we were quite close in our forecast assumptions. Obviously things changed, but as the Auditor General said, we needed that assurance that we had sufficient funding to break even at the end of the year, which we did.

I can confirm the Auditor General's comment that some savings will recur—for example, travel and subsistence will probably reduce—but, as he also said, spending on some things will increase. There are also one-off savings and a small amount of capital that we did not spend. In short, some savings will recur, but a lot of them are just one-off savings in the year.

**Mark Ruskell:** My question has been partially answered. The reduction in travel and subsistence expenditure was significant—more than half a million pounds. On your way of working, how much do you expect you will bounce back and be doing much more travel and overnight work to engage with the public bodies that you audit? Will some of the beneficial practices that you have developed be sticky? Can you forecast how you intend to work in relation to Covid? Will the extent of in-person auditing that you were doing previously be suitable as you move forward, and how much money you will need for that work?

**Stephen Boyle:** I will make a start, then Stuart Dennis might want to come in to say a word or two. To go back to our opening statements, the short answer is that we do not expect to snap back to the ways of working that we deployed as an audit organisation in previous years. We used to travel a considerable amount. I regularly used the Glasgow to Edinburgh train and colleagues travelled to all parts of Scotland by public transport in order to have a physical presence to deliver our audit work. Some of that will continue—in particular, if we need to get audit evidence on public bodies' underlying financial records and evidence to complete our performance audit programme.

However, if anything, the pandemic has taught us that there are alternatives to being there. We have remotely delivered our audit work successfully over the past 16 months and we will do some thinking over the next few years, as we deploy our green futures agenda. There is lots of thinking going on; we are careful about our sustainability and about showing that there are alternative ways of doing things.

We do not have a precise recipe for whether we will do one thing or the other, but what we do will undoubtedly capture our intention to be more considerate and careful about our travel arrangements.

**Mark Ruskell:** Do you want me to continue with my other questions, chair?

**The Chair:** Are they on the same theme?

**Mark Ruskell:** I will kind of build on the theme then move on to something else.

**The Chair:** Okay. Be brief.

**Mark Ruskell:** I think that Diane McGiffen mentioned the point about the lack of seamlessness between Audit Scotland's IT and that of the bodies that you audit. To what extent will that continue to be a challenge? Will it get better? It could slow down the auditing process and mean more in-person visits if you cannot exchange online the data that you need, or whatever. Is that a bit of a headache or is it something that will resolve itself as we get into the new normal, which is to work more online?

**Diane McGiffen:** The first thing to say is that we have the ability to determine our own IT and we invest in that. It is as absolutely critical for us as it is for others.

There is a very mixed picture across public bodies, and we have reported on that. We have a very good handle on the technology issues in all the audits that we do, as do the audit firms that work with us. There is a bit of assurance in that we managed to find solutions to everything and complete all the audits in March this year.

We will keep working on that. If it is difficult for us, it is difficult for the public bodies too, and we are very empathetic about that. We are having discussions in our audit planning meetings with public bodies this week about what arrangements we will put in place.

On the earlier question on budgeting, we will be back later this year with our budget proposals. My guess at the moment is that we need to retain a bit of flexibility on travel and subsistence in order to build new working practices and to build back confidence in public bodies and our team about how to conduct audits. We can guarantee that we will make the assumptions on which we build our budgets very clear for the commission. I am guessing that we will, on a number of budgeting points, need to think about including flexibility to accommodate unexpected changes.

13:15

**Mark Ruskell:** I have a question about the home nations Covid-19 group that you have been part of and which has been sharing the experiences of public audit across these islands. What have been the main areas of learning from that group, and will it continue? Is it also benchmarking experiences outside the UK?

**Stephen Boyle:** We frame our engagement with the other UK audit agencies and those of the Republic of Ireland as part of the UK and Ireland Public Audit Forum, which manifests itself across a number of different groups in those organisations. I and the other auditors general meet twice a year, as do Diane and the other chief operating officers, and business leads engage across all our functions. We therefore have opportunities for sharing of learning and experiences.

As the commission would expect, the main focus has been on Covid and the extent to which organisations share good practice. We find it to be an open and helpful grouping. As public auditors, as distinct from the auditing profession, we are focused exclusively on delivering public audit, so it is a very helpful group. The group was in place before the pandemic and will continue.

As I mentioned, Covid-19 has been the real focus of discussions. To touch on the answer to Ms Dowey, I note that what Audit Scotland did was very similar to what the other audit agencies did in pausing its forward work programme and making work agile, flexible and responsive. The products and assurance that have come from that—particularly the Covid trackers and the briefing papers model—supplemented by the more traditional performance audit reporting, have all been discussed, with ideas being exchanged through the Public Audit Forum.

On our reach beyond the UK and Ireland, Audit Scotland has had a fairly well-embedded international programme for many years. Clearly, travel and face-to-face engagement have been curtailed over the course of the pandemic. However, where appropriate, we have engaged in online arrangements with many other audit agencies about sharing and learning, because we aspire to be a learning organisation that can draw on the experiences of other organisations. We supplement that with colleagues' engagement with auditing and accounting institutes across the world. We are therefore tapped in to developments in the accounting and auditing professions in the UK, Ireland and beyond.

**Richard Leonard:** One of the things that struck me from the report was on page 20, on internal and external quality assurance review. The conclusion that was drawn that

“only four of the 11 financial audits we reviewed achieved our target standard of quality. Of the remainder, three were graded ‘improvements required’ and four were graded ‘significant improvements required’”.

The commentary also refers to “mixed results”. Will you give us more details of those mixed results? What are the particular areas for improvement, what is their seriousness, and what is the work plan to address them?

**Stephen Boyle:** I will answer Mr Leonard's question. However, Diane McGiffen might equally wish to come in to supplement, as might Professor Alexander on the assurances that Audit Scotland's board has received on those matters.

As I said in my accountable officer's report, in essence, the results were not what we had hoped they would be from the external quality assessment that took place on our financial audit.

To step back for a moment, first of all, we have in Audit Scotland a quality framework that covers our financial work and all of our performance audit work. Its breadth is unique among the UK audit agencies and allows us to provide assurance to the commission and to Audit Scotland's board on all aspects of our work.

The results from the independent assessment that was carried out by the Institute of Chartered Accountants of Scotland is one component of our annual transparency and quality report. I will come back to that in more detail. In that report, we also reflect on the results of surveys that we undertook with audited bodies about their experience of the audit, and the results of surveys with Audit Scotland staff and the staff of firms that conduct public audits. They tell us that they have had more time to conduct public audit work this year. The satisfaction of audited bodies has increased.

However, the results from some of our financial audits this year were not what we wanted. To capture the feedback that we received from the Institute of Chartered Accountants of Scotland, we implemented an improvement programme of 15 actions, 13 of which have been completed. We talked earlier about the additional investment that the commission has provided for Audit Scotland this year. We have used some of that money to invest in our quality arrangements. We have enhanced our team of in-year quality assessors, so that we have early warning of issues.

None of the issues that were identified by ICAS compromised the integrity of the audit or of the judgements and conclusions that auditors were making. There were some issues with process and some with the documentation that we have in our audit files. I hope that the commission is reassured that we take that seriously. It is part of our corporate plan to be world-class public auditors, so we must receive and take action on that kind of feedback. We will continue to report publicly, through our transparency and quality report, on the results of the independent assessments that will take place following conclusion of this year's audits. That process will begin in the next few weeks; I will be delighted to update the commission on our progress.

**Richard Leonard:** I am sure that we will come back to that and keep an eye on it.

I am sorry to dwell more on the negative than on the positive, but the other area of the annual report that struck me was the section a couple of pages later that refers to professional training for audit and included the pass-rate statistics. In 2018-19, the pass rate was 85.7 per cent; in 2019-20 it was down to 84 per cent; in 2020-21 it had gone down to 79 per cent. I think there was a previous suggestion that the variation might have been due to the introduction of a new exam a couple of years ago. Why is the pattern like that? What are you doing to address it? Do you have insight into why the pattern has been going in that direction?

**Stephen Boyle:** I am sure that Diane McGiffen will want to come in on that question. We are not yet sure that that is a long-term pattern. If the pass rate for our trainees is just shy of 80 per cent, it is holding up pretty well. That benchmarks well against the overall pass rate for ICAS trainees and the results of those who complete their training with other providers.

There is no doubt that 2020-21 was a tough year for all our trainees. All the exams were taken remotely on laptops. The trainees were not in a physical exam setting, and some have told us that that affected them. There were some instances of poor quality or unreliable home broadband on exam day, which impacted on our trainees' performance.

As an employer, we are determined to support our trainees and to look after their wellbeing. We have high expectations and standards, but we recognise—especially this year—that it is too soon to draw any conclusions from exam performance. We want to give trainees the right environment and support to progress successfully through their training contracts with us.

The commission can, I hope, be reassured that we accord the success and wellbeing of our trainees the highest priority. We are one of Scotland's biggest training providers for ICAS—for the profession. We want to look after our trainees and to examine the results closely as we move through the rest of the year. Our main focus is on their success and on the support that we provide them. Diane McGiffen might say a bit more about the actions that we are taking.

**Diane McGiffen:** We have looked at the results in the round—the snapshot at the end of the year and the first-quarter results for this year. We have met representatives of ICAS in order to understand what, if any, issues there are about the new curriculum and the new style of exams. We are thinking about our support for trainees and about how we learn from and build on that.

Our trainee cohorts operated very strongly pre-Covid. In thinking about early action as we return to office working in some way, we consider

rebuilding connections for trainees, so that they can have mentoring relationships, to be an early priority for us, as we move into the next phase of work.

We are getting right under the skin of it. We are not sure yet that there is enough data to suggest that the issue is a systemic problem for us, but it is definitely one that we take very seriously. We want to give people an absolutely brilliant experience as graduate trainees; that is what we are focused on. We have a team of people across the business who support and mentor trainees, and we are working closely on that. We would be very happy to give the commission updates later in the year.

**The Chair:** I have one or two questions. I am conscious that we may not get through them all by 1.30, which is our drop-dead time.

The first question is about working remotely. What impact has it had on staff and their ability to deliver the financial audits and the performance audit work programme to a high standard?

**Stephen Boyle:** It has no doubt been challenging and tough for our people. We have all lived through the pandemic and we have all had different experiences of it. As we know from our personal lives and from what our colleagues have told us, it has been particularly challenging for those who have been dealing with caring responsibilities, particularly home schooling. We knew early on that that was going to have an impact on deliverability and on the timescales according to which we have been operating, and that led us to what we were discussing earlier—the need for financial support in order for Audit Scotland to break even.

As Diane McGiffen said, we have had extensive communication and engagement so that we are living up to our professions and prioritising the wellbeing of our colleagues and the quality of our work, with regular pulse surveys, communication through our incident management team on a weekly basis, blogging, and feedback sessions, all of which we use to ensure that we understand what is happening and make the necessary responses.

It has been a disruptive, challenging year and, like many organisations, we are still figuring out what the future will now bring as restrictions ease across the country.

**The Chair:** I assume that the board is overseeing the evaluation of the robustness and effectiveness of remote working in terms of the quality of the work done and the wellbeing of the staff concerned. Is there a mechanism for reporting to the board on that?

**Stephen Boyle:** I will let Professor Alexander comment in a minute. Yes, we have reported at

every meeting of the board and the audit committee: Covid-19 is a standing item on our agenda. In those conversations, we update the board, we answer their questions and we give feedback about how remote working is impacting on all our colleagues.

We have touched briefly on our pulse surveys and engagement sessions, and we have also continued to carry out our annual survey of colleagues through Best Companies. In that regard, we were delighted to receive our best ever result from Audit Scotland colleagues and to be categorised for the first time as a one-star organisation. Much of that is based on people's experience over the year, but Professor Alexander might wish to say a word or two about that, too.

13:30

**Professor Alexander:** Perhaps the best way of answering the question is to say that, at the beginning of the pandemic, when we were all feeling our way through a dark tunnel, we did not have enough meetings to give the kind of scrutiny that was required. We normally have a gap between June and September, but I insisted on having a board meeting in August so that we could immediately monitor how well we were doing, what we were doing well or less well and what we had to do to change the pattern.

That approach has continued, and as Stephen Boyle has said, at every meeting we have looked at all aspects of the impact of Covid, not only—*[Inaudible.]*—but of the audit committee and, where relevant to its remit, the remuneration committee. In my introduction or in answer to a previous question, I talked about the breadth of experience that I have access to in my two co-independent members, and during the past year, it has been remarkably valuable to have that experience of other organisations under other kinds of pressure so that we can ask the kinds of questions that do not put the management under undue pressure but which allow us to be confident that we are giving good governance to a very difficult set of management decisions.

**The Chair:** We have come to the end of our time for this evidence session, but there are still one or two questions that I would certainly like to ask and which we will send you in writing, if you would be so kind as to come back to us on them.

I thank the witnesses and suspend the meeting for a few minutes so that we can set up the next panel.

13:32

*Meeting suspended.*

13:32

*On resuming—*

**The Chair:** I welcome to the meeting our second panel of witnesses: Steven Cunningham, partner, and Jillian So, audit and accounts manager, Alexander Sloan. I invite members to direct questions to Steven, and he will bring Jillian in as appropriate.

I will ask a couple of initial questions for the purposes of the *Official Report*. Will Alexander Sloan confirm that it has received all the necessary information and explanations that it requires to form its opinion on the financial statements?

**Steven Cunningham (Alexander Sloan):** Good afternoon. Yes, I can confirm that that is the case and that the audit of Audit Scotland was completed without any limitation on the scope of the audit work.

If I may, chair, I will just give a quick overview of our work. Alexander Sloan was appointed by the commission to carry out the external audit of Audit Scotland's 2020-21 financial statements. During the year, we attended all Audit Scotland's audit committee meetings. Although with Covid restrictions our work this year was done remotely, I assure the commission that working remotely did not impact on our ability to gain sufficient evidence, and the audit was completed without any significant problems.

As part of our work, we also reviewed all internal audit reports within the year and held discussions with Audit Scotland's internal auditors, BDO. In accordance with the firm's quality control procedures, the audit file was also subject to a second partner review. The review was carried out by our senior partner prior to the signing of the audit report. All our audit work was carried out in accordance with international standards in auditing, and, as mentioned earlier, we received all information and explanations where required to form our opinion.

Based on our audit work, we form an opinion on whether the accounts give a true and fair view and have been prepared in accordance with international financial reporting standards as interpreted and adapted by the financial reporting manual, and confirm that they have been prepared in accordance with the Public Finance and Accountability (Scotland) Act 2000 and directions by Scottish ministers. We were satisfied on all three points and issued an unmodified audit report—in other words, we were satisfied that the accounts gave a true and fair view in accordance with legislation and accounting standards. The audit report and accounts were signed on 8 June.

We also prepare a management letter based on our audit findings, the purpose of which is to summarise some of the key issues arising from our audit and to report any weaknesses in accounting systems and internal controls that come to our attention. I confirm that no such weaknesses were identified during the course of the audit.

Finally, I thank the staff at Audit Scotland and the SCPA support staff for their assistance during the audit review.

**The Chair:** Thank you for that additional reassurance. I have one other question. Audit Scotland has made certain accounting estimates that are material to the overall income and expenditure in 2020-21. Work in progress of £1.287 million is included as income on the basis of a judgment of work completed but not yet charged to audited bodies. Audit Scotland also created a Covid-19 provision at a cost of £886,000, which is a judgment of extra fees that are payable to external firms due to the additional time spent on the audit of certain public bodies.

Those estimates require detailed consideration and scrutiny by the auditors, so I would like you to confirm that you are content with the judgments made by Audit Scotland and their disclosure in the annual report and accounts.

**Steven Cunningham:** Yes, we are. A significant proportion of the audit involves looking at work in progress and its provision. We make sure that the work is carried out in accordance with international standards in auditing. We were happy with the work that was performed and the figures stated in the accounts.

**The Chair:** Thank you. Do members have any questions that they would like to ask Alexander Sloan?

**Sharon Dowey:** Alexander Sloan's work on the audit of Audit Scotland's annual report and accounts was delivered remotely during the period of Government restrictions and guidance to work at home where possible. Will you tell us about the changes to Alexander Sloan's approach to the audit, to allow us to understand the challenges that remote auditing presents, and the impact that it had on the audit?

**Steven Cunningham:** I will start off, but Jillian So might want to come in and comment. This is the second audit that we have had to carry out for Audit Scotland while working remotely. Last year, we could carry out the interim work, but the final audit field work was done remotely. We have made use of technology—we can hold meetings remotely and view any screens at Audit Scotland. We can assure you that we managed to get all the audit evidence that we required. There were certainly no changes in what we required of the

auditor to be able to sign off the audit report. We were happy that we still managed to get all the audit evidence that we needed.

**Jillian So (Alexander Sloan):** This is the second year that we have been working remotely with Audit Scotland, and any information that we requested was provided to allow the smooth flow of audit information. We did not experience any issues with remote working on the Audit Scotland audit.

**Sharon Dowey:** Has working remotely led to any beneficial innovations in the audit process that could be adapted going forward?

**Steven Cunningham:** Aspects of the technology we used will be carried on for future audits. Previously, we used photos to help the safe transfer of information, but the use of technology for meetings and to view screens remotely has helped this year's audit, and aspects of that will be carried forward for future audits.

**Mark Ruskell:** In previous discussions with Audit Scotland, it talked about the importance of being able to get the taste and smell of an organisation—to use Audit Scotland's words—when auditing it. Are you confident that you were able to get a taste and smell of Audit Scotland through doing the work remotely, or, in hindsight, do you think that you could have done with going in there and spending time on X or Y, or doing things slightly differently?

**Steven Cunningham:** Like Audit Scotland, we have been auditors for a number of years, so we have a good understanding of the organisation, which certainly helps. We employ a very senior team to carry out the audit. On that basis, and with the use of technology, we are happy that we can give an assurance that we did smell and taste the organisation, and had a proper feel for carrying out the audit.

**The Chair:** Steven, would you like to add anything before we draw the session to a close?

**Steven Cunningham:** I have nothing further to add.

**The Chair:** In that case, I thank you both for your attendance. We will move into private session.

13:42

*Meeting continued in private until 13:58.*



This is the final edition of the *Official Report* of this meeting.

---

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

---

All documents are available on  
the Scottish Parliament website at:

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

Information on non-endorsed print suppliers  
is available here:

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

---

For information on the Scottish Parliament contact  
Public Information on:

Telephone: 0131 348 5000

Textphone: 0800 092 7100

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

---

