



## REPORT TO AUDIT COMMITTEE – 31 JANUARY 2019

### AUDIT SCOTLAND – CORRESPONDENCE AND WHISTLEBLOWING ANNUAL REPORT 2017/18

#### **1 Recommendation**

**1.1 The Committee is recommended to note the report.**

#### **2 Background / Discussion**

2.1 People or organisations write to Audit Scotland because they have concerns about an issue within a public body that falls under the remit of the Auditor General for Scotland or the Accounts Commission. An issue of concern may be something such as a breakdown in financial management or governance arrangements.

2.2 The key factor in determining whether Audit Scotland examines an issue is the relevance of the issue to Audit Scotland's role and functions. Audit Scotland and appointed auditors will make this judgement using their professional and technical knowledge. They will also take into consideration the costs of carrying out such work to ensure that they use resources efficiently.

2.3 All correspondence relating to issues of concern should be directed to and managed by the Audit Scotland Correspondence Team in the first instance, who will liaise with local auditors as appropriate. If the issue of concern does not fall within Audit Scotland's remit they may redirect the correspondent to a more appropriate body.

2.4 Under the Whistleblowing Act, people can raise concerns about an organisation with 'prescribed persons' i.e. independent regulators. The Auditor General and the Accounts Commission are prescribed persons under the Public Interest Disclosure Act. These bodies, through the auditors they appoint, can therefore consider any relevant concerns from whistleblowers and may investigate further.

2.5 Workers (as described by the guidance) can raise disclosures about fraud, corruption or wrong doing within the public bodies Audit Scotland audit. Their role is to provide workers with an alternative method for making a protected disclosure where they do not feel they can contact the body directly.

2.6 Attached at appendix 1 is Audit Scotland's Annual Report for 2017/18 covering correspondence received about issues of concern and whistleblowing. The Annual Report can be found on Audit Scotland's website <http://www.audit-scotland.gov.uk/contact-us> along with further information about their correspondence process.

2.7 Key points to note from the Annual Report include:

- 315 correspondence cases were dealt with in 2017/18 which included 136 new issues of concerns. New issues were spread between local government (79), central government (38), health bodies (12) and other (7)
- Members of the public raised 64% of new concerns, councillors raised 5%, MSPs 8% and employees accounted for 12%
- 27 out of the 315 correspondence cases were whistleblowing disclosures
- 97% of cases were responded to within Audit Scotland's target of 30 working days
- Matters raised through the correspondence process is used by Audit Scotland to inform their wider audit process.

2.8 The Committee is asked to discuss and note the report, attached as appendix 1.

2.9 The Head of Finance and Monitoring Officer within Business Services have been consulted in the preparation of this report and their comments are incorporated within the report and are satisfied that the report complies with the Scheme of Governance and relevant legislation.

### **3 Scheme of Governance**

3.1 The Committee is able to consider/comment on this item in terms of Section G.1.5 of the List of Committee Powers in Part 2A of the Scheme of Governance as the report relates to the Council's relationship with its external auditors.

### **4 Equalities, Staffing and Financial Implications**

4.1 An equality impact assessment is not required because this report informs the Committee on progress with planned audit activity and does not have a differential impact on any of the protected groups.

4.2 There are no staffing and financial implications as a direct result of this report.

4.3 The external audit process identifies risks and reports risks in the areas subject to review.

**Ritchie Johnson**  
**Director of Business Services**

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Senior Audit Manager, Audit Scotland  
8 January 2019

# Correspondence and Whistleblowing

## Annual report 2017/18

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

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# Introduction

1. Audit Scotland handles a wide range of correspondence from members of the public, elected representatives and organisations. Correspondence can be addressed to Audit Scotland, the Accounts Commission for Scotland, the Auditor General for Scotland, or individual auditors.
2. We consider issues of concern as part of our [Code of Audit Practice](#). As a public sector organisation, we understand that people will raise issues of concern about the bodies we audit or will enquire about our audit work. The Code states the key factor in determining whether we examine an issue of concern is the relevance of the issue to Audit Scotland's role and functions. Audit Scotland and appointed auditors use their professional and technical knowledge in determining how we deal with each issue of concern raised.
3. Audit Scotland's correspondence team responds to issues of concern, whistleblowing disclosures and audit enquiries. Auditors appointed by the Accounts Commission also have specific duties to consider formal objections to the accounts of local government bodies raised by members of the public.
4. Under the Whistleblowing Act, people can raise concerns about an organisation with 'prescribed persons' i.e. independent regulators. In October 2017 Audit Scotland was erroneously removed from the Whistleblowing prescribed persons list. The Auditor General and the Accounts Commission remain prescribed persons. This means that the auditors they appoint continue to consider whistleblowing disclosures. We are liaising with the Scottish Government and the UK Department for Business, Energy and Industrial Strategy about reinstating Audit Scotland as a prescribed person.
5. This report sets out the volume of correspondence we received during 2017/18, which sector it relates to, our performance in meeting target response times and an update on our continuous improvement programme. Statutory reporting about whistleblowing disclosures came into effect on 1 April 2017, so we have included our 2017/18 whistleblowing disclosures information in this report. Freedom of Information (FoI) requests, complaints about Audit Scotland and data subject access requests are covered in a separate annual report.

# Key messages

- The volume of correspondence remains similar to the previous four years. We dealt with over 300 correspondence cases in 2017/18. This includes 136 new issues of concern. A fifth of these (27) were whistleblowing disclosures. This is a significant increase on the nine whistleblowing disclosures we received the previous year.
- Performance against our target response times has continued to improve since 2014/15. During 2017/18, we acknowledged 100 per cent of issues of concern within our target of five working days. We issued a final response within our target of 30 working days for 97 per cent. This compares favourably with our 2014/15 performance of 61 per cent acknowledged within five working days and 58 per cent final responses within 30 days.
- Public expectation about Audit Scotland's role in dealing with correspondence is increasing all the time. The issues that people raise with us are also becoming more complex. Correspondents continue to share our responses with the wider public, increasingly through social media, which often generates further correspondence.
- We are committed to using intelligence generated through correspondence to inform our audit work. We are making better use of the management information available from our correspondence database. This enables us to identify more easily 'audit risks' (high level audit areas which help with planning) and 'audit themes' (detailed audit areas which are useful to local auditors). Most issues of concern we received in 2017/18 were recorded in the audit risk category of 'Effective leadership and scrutiny'. The most common audit theme from correspondence this year was 'Governance, accountability and scrutiny'. We continue to use this intelligence to inform current audit work and to help us plan future audit work across all business groups.
- During 2017/18, we successfully delivered many improvements in how we deal with correspondence across the organisation. For example, we introduced a correspondence leaflet for the public that sets out clearly the types of issues we deal with. These improvements have led to better response times and better quality of correspondence responses.

# Correspondence in 2017/18

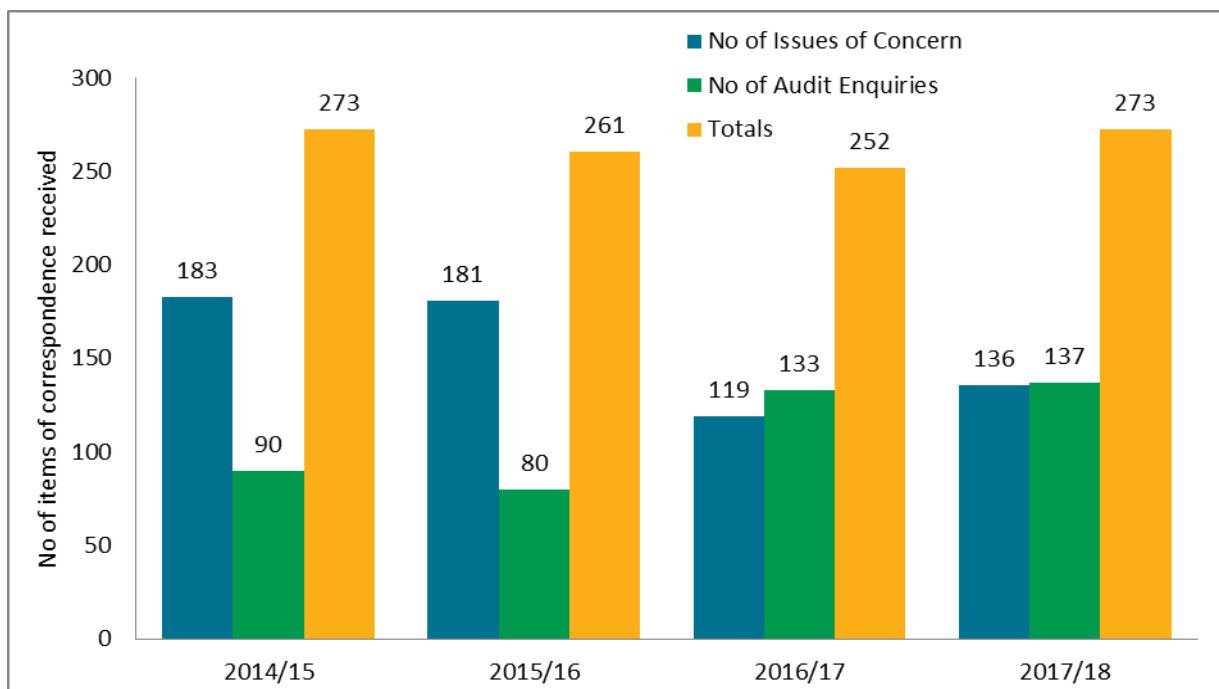
## The volume of correspondence has remained consistent over the last four years

6. In 2017/18, we dealt with 315 cases of correspondence ([Exhibit 1](#)). This consists of:
- 137 enquiries about our audit work
  - 136 new issues of concern (we refer to these as concerns in rest of this report)
  - nine concerns that were awaiting a final response as at 1 April 2017 and were carried forward to this reporting year
  - 33 concerns that we reopened.

### Exhibit 1

#### Volume of correspondence received, 2013/14 to 2017/18

The volume of correspondence we have received over the last four years remains steady



Note: The information above includes concerns, whistleblowing disclosures and audit enquiries. It does not include concerns carried forward from the previous year or reopened concerns. In 2015/16, we changed how we recorded concerns to capture those which were reopened.

Source: Audit Scotland

### Audit enquiries

7. Audit enquiries include requests for further data from performance audit reports, questions about legislation and information about the role of public bodies. The level of public interest



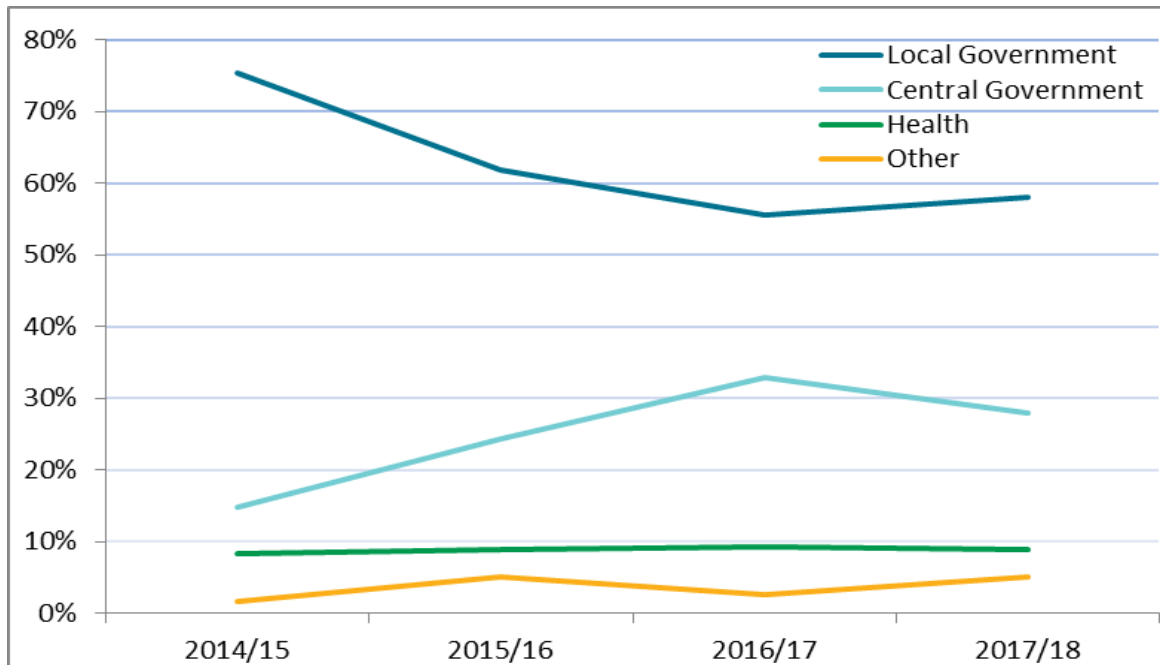
in audit reports can affect how many audit enquiries we receive. More people are downloading our reports from the Audit Scotland website. For example, *NHS in Scotland 2017* has had 6,685 downloads since its publication in October 2017. The number of enquiries about our audit work has also increased since 2014/15. Monitoring the volume of downloads for each audit report and the number of audit enquiries generated by our work helps us to better assess the impact of Audit Scotland's work.

## New concerns

8. The Accounts Commission and Auditor General appoint the auditors for each of the public bodies we audit. Most (95%) of the 136 concerns we received in 2017/18 were about public bodies we audit. The remaining five per cent of concerns were about bodies we do not audit.
9. 79 (58%) concerns we received in 2017/18 related to local government bodies; around a third of these were about councils. 38 concerns (28%) related to central government bodies and 12 (9%) to health bodies ([Exhibit 2](#)).
10. Most (62%) of the concerns we received in 2017/18 were by email and a fifth were by letter. Correspondents also continue to complete our online form with ten per cent using the form this year; an encouraging increase from four per cent in 2016/17. Eight per cent contacted us by other methods.
11. Members of the public raised 64 per cent of concerns. Councillors raised five per cent and MSPs raised eight per cent. This is consistent with previous years. Employees accounted for 12 per cent of concerns; a two per cent increase on 2016/17.
12. When dealing with concerns, the correspondence team works in partnership with the appointed auditor to provide the final response to the correspondent. This will include identifying how much work needs to be done and the resources we may need to review the concern. Concerns are increasing in complexity, for example many of this year's concerns involved more than one audited body. The time we spend dealing with concerns is also increasing.
13. Using our audit themes to categorise the concerns that we received in 2017/18, the most common concerns for councils related to financial management and governance, accountability and scrutiny. The most common for central government and health bodies related to governance, accountability and scrutiny.

**Exhibit 2****Percentage of concerns received by sector, 2017/18**

The proportion of concerns about Local Government had been falling over the previous three years but the trend has reversed this year. We've seen the opposite trend for central government concerns.



Source: Audit Scotland

## We have seen a significant increase in the number of Whistleblowing disclosures

14. The Accounts Commission, the Auditor General and the auditors they appoint, are prescribed persons under the Public Interest (Prescribed Persons) Disclosure Order (2014). Workers ([as described by the guidance](#)) can raise disclosures about fraud, corruption or wrongdoing within the public bodies we audit. Our role is to provide workers with an alternative method for making a protected disclosure where they don't feel they can contact the public body directly.
15. The Accounts Commission and the Auditor General and the auditors they appoint do not have the power to issue fines or enforcements on the public bodies we audit. The guidance does not place any additional power or duty on 'prescribed persons' and we do not have a legal obligation to act on a whistleblowing disclosure.
16. We take our responsibilities under the Public Interest Disclosure Act 1998 (PIDA) very seriously. Whistleblowing disclosures tend to be more complex and therefore more time-consuming. We have a process in place to ensure these are dealt with appropriately.

17. The volume of whistleblowing disclosures has increased this year; we received 27 whistleblowing disclosures (11 of these were anonymous disclosures) compared with nine in 2016/17 (four were anonymous disclosures).
18. We treated 16 of the 27 as whistleblowing disclosures, although they did not specify they were coming to us under PIDA. The breakdown by prescribed person is as follows:
  - four disclosures were addressed to the Account Commission
  - three to the Auditor General
  - four to Audit Scotland,
19. We shared eight of the disclosures with auditors as audit intelligence and redirected nine to the appropriate body/regulator. We were unable to assist in three disclosures because there was insufficient information, no contact details and the person did not qualify as a worker under PIDA.
20. Seven of the whistleblowing disclosures were or will be actioned as part of the annual audit of the body. Auditors report any recommendations that arise from the disclosures as part of the annual audit. This helps to maintain the anonymity of the whistleblower.

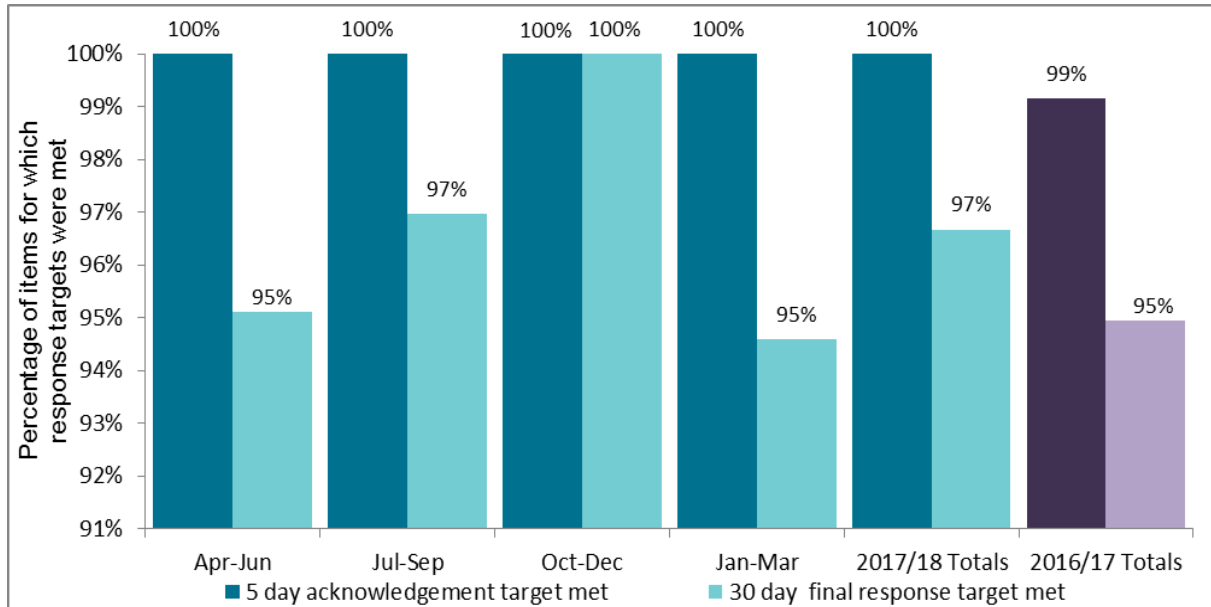
## We performed well in relation to target response times

21. We have two key performance targets relating to response times for concerns. We aim to acknowledge receipt of concerns within five working days and to provide a final response within 30 working days. During 2017/18 we acknowledged all concerns within five working days and 97 per cent received a final response within 30 working days. [Exhibit 3](#) shows our 2017/18 performance per quarter for both targets. [Exhibit 4](#) shows that we have continued to improve our performance since 2014/15.

**Exhibit 3**

**Performance in relation to target response times, per quarter for 2017/18 and overall performance for 2016/17 and 2017/18**

We acknowledged all the concerns within the target five working days, and 97 per cent received a final response within our 30 working days target.

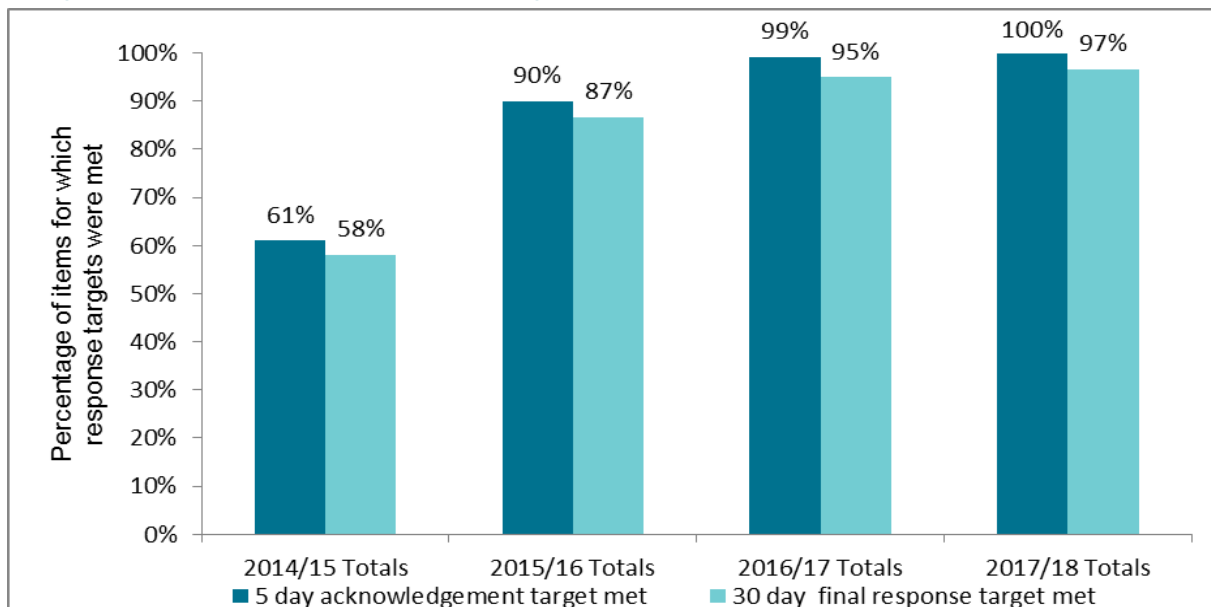


Source: Audit Scotland

**Exhibit 4**

**Performance in relation to target response times, 2014/15 to 2017/18**

Our performance shows considerable improvement since 2014/15.



Source: Audit Scotland

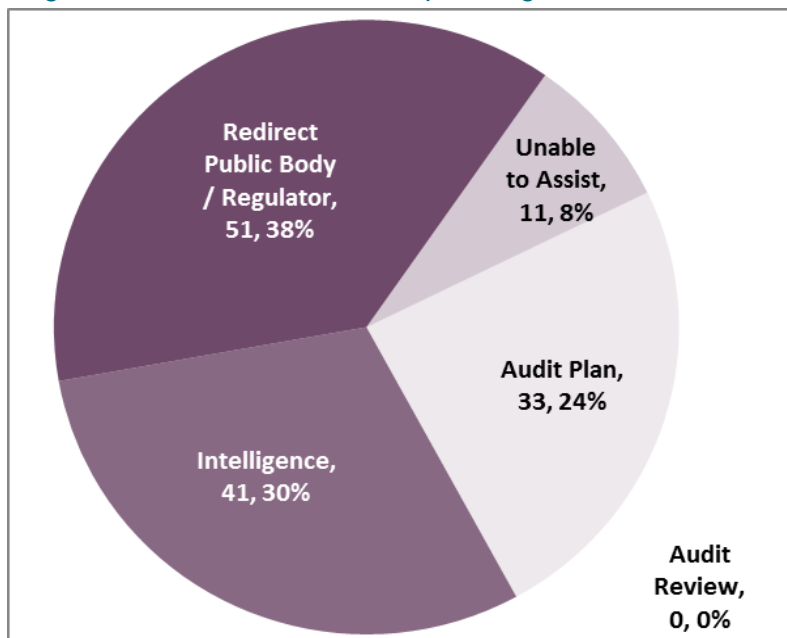
## We use correspondence to inform our audit work

22. [Our flow chart](#) provides correspondents with detail about the five potential outcomes and what correspondents can expect when they contact us. [Exhibit 5](#) shows how we handled the concerns we received in 2017/18. Over half of the concerns were used by auditors, either as intelligence about the audited body, or to inform the annual audit process. 38 per cent of concerns were for the audited body itself to handle. For example, where the concern was about a particular service such as street lighting, we directed the correspondent to the relevant body. Where appropriate, we also referred the correspondent to another regulator such as Scottish Housing regulator (SHR) or Scottish Public Services Ombudsman (SPSO).

### Exhibit 5

#### Concern outcomes for 2017/18

We consider a large volume of concerns when planning what audit work to perform.



Source: Audit Scotland

## Cost of administrating and responding to all correspondence

23. The cost for 2017/18 was approx. £161,000. This includes time spent by our dedicated correspondence team, training and the cost of auditors' input. The overall cost is likely to be higher, as auditors who consider concerns, may record their time as part of the annual audit.

## We continue to make improvements to our correspondence work

24. Areas we have been working on in 2017/18 include:

- More internal and external engagement with the audit teams. This has improved consistency in how we deal with concerns across the organisation and with the appointed firms. We have also provided audit teams with helpful information and case studies that inform their audit work.

- Continuing to learn from, and use the information available from the SPSO. Information on the complaints that people raise with the SPSO has helped us to enhance our knowledge of the public bodies we audit. We have used the SPSO information in different ways, for example to build a risk profile of the public bodies we audit and identify key themes across the public sector.
  - Promoting how correspondence is managed; the service standards and outcomes correspondents can expect when they raise concerns and why Audit Scotland would or would not consider a particular concern.
  - Making better use of the management information available from our correspondence database. This has enabled us to identify more easily audit risks and audit themes. We have also mapped the concerns to the four [audit dimensions](#). All of this intelligence helps to inform our current audit work and plan future work. We have provided useful information for the six monthly intelligence reports on local government to the Accounts Commission and the Controller of Audit's annual report.
  - Training and development has also continued. We provided training to Business Support Services to increase knowledge of the correspondence function and improve reception staff awareness about how to appropriately redirected telephone calls.
  - Redesigning the 'contact us' area within the Audit Scotland website. This now provides a clear statement about our role and remit in relation to the different types of correspondence we deal with. We included a new leaflet to provide the public with additional information on what types of concerns we can consider. Feedback from the forms that we launched in 2016 remains mostly positive about our correspondence service. We will continue to use this to identify ways we can improve our website.
  - We welcome feedback to help improve our correspondence service so in January 2016, we launched feedback forms for our website and final responses.
  - Reviewing our reopened cases and complaints to learn more about why the correspondent asked additional questions on the concern they had previously raised. We implemented some improvements to our processes following this review. For example, being clearer in our response about how we deal with correspondence that contains both a concern and a complaint.
25. We plan to make further improvements to the way we deal with correspondence during 2018/19. These include:
- developing further contacts with other bodies to share intelligence. For example, we plan to engage with other public sector regulators such as Scottish Housing Regulator. This will improve our knowledge of the bodies we audit.
  - developing briefings for our website which cover common issues correspondents write to us about, for example community engagement, issues around common good, fraud and corporate governance arrangements.
  - delivering specialised training about data protection issues arising from of the new General Data Protection Regulation (GDPR)

- reviewing the correspondence function review to reflect changes arising from GDPR
- incorporating into our Quality Assurance Framework, a quality review process for work that audit teams do on concerns
- documenting our procedures for recording, filing and destruction of casework.

