

## **SCOTTISH MINISTERS' REQUIREMENTS**

### **SCHEDULE 5 PART 5**

#### **AUDITS BY THE PERFORMANCE AUDIT GROUP**

<b>CONTENTS</b>	<b>Page No.</b>
<b>1. AUDITS BY THE PERFORMANCE AUDIT GROUP</b>	<b>1</b>
1.1 Introduction	1
1.2 Arrangements for Programmed Audits by the Performance Audit Group	1
1.3 Unannounced Audits	2
1.4 Conduct of Audits	2



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#### **AUDITS BY THE PERFORMANCE AUDIT GROUP**

#### **1. AUDITS BY THE PERFORMANCE AUDIT GROUP**

##### **1.1 Introduction**

1.1.1 The performance of the Operating Company in delivering the requirements of this Contract will be audited by the Performance Audit Group.

1.1.2 The Director and the Performance Audit Group shall undertake both unannounced and programmed audits. When the Performance Audit Group intends to carry out a programmed audit, it will give 10 Working Days' notice to the Operating Company.

The Operating Company shall allow the Performance Audit Group to have unrestricted access at all times to the Operating Company's Central Office, offices, depots and all other places where work is prepared or executed or documents and records are stored, including all personnel documentation and records, in connection with any part of the Operations.

The Operating Company shall ensure such access for the Performance Audit Group.

1.1.3 This Schedule does not apply to any other audits required under this Contract which are carried out by other organisations acting on behalf of the Director.

##### **1.2 Arrangements for Programmed Audits by the Performance Audit Group**

1.2.1 The arrangements for programmed audits by the Performance Audit Group are as follows:

- (i) no later than 30 days prior to the Commencement of Service Date, the Operating Company shall provide the Performance Audit Group in writing with the names and contact details of the persons whom the Performance Audit Group shall contact to arrange audits,
- (ii) the Operating Company shall notify the Performance Audit Group in writing of changes to the persons whom the Performance Audit Group shall contact to arrange audits,
- (iii) the Performance Audit Group shall contact the relevant persons to arrange audits at least 10 Working Days before the proposed audit date,
- (iv) the Performance Audit Group shall notify the Operating Company of the date, time and location of the audit and the name of the Performance Audit Group principal contact,
- (v) the Operating Company shall provide every assistance in ensuring unrestricted access for the Performance Audit Group and shall make available all necessary resources to allow the Performance Audit Group to carry out and complete the audits,
- (vi) at least five Working Days before the date notified for the audit, the Performance Audit Group shall write to the Operating Company confirming:
  - (a) the location, date, time and programme for the audit,

- (b) the activities, topics or records to be audited,
  - (c) the topics for which documented procedures shall be made available for review by the Performance Audit Group, and
  - (d) the names of the Performance Audit Group audit staff and the contact person who shall be undertaking the audit,
- (vii) the Operating Company shall contact the Performance Audit Group immediately on receipt of the audit details if it does not understand any matter in relation to the audit and shall clarify the requirements prior to the date of the audit.

### **1.3 Unannounced Audits**

- 1.3.1 The Performance Audit Group will conduct unannounced audits when instructed by the Director.

### **1.4 Conduct of Audits**

- 1.4.1 The Operating Company shall arrange for all requested data and other relevant and appropriate information to be available at the location of the audit and shall provide suitable working areas and facilities for the auditors. If requested by the auditors, the Operating Company shall provide photocopies or Electronic Copies of selected information. This requirement shall apply particularly to data in support of charges that are or may be included in invoices and statements for payments.
- 1.4.2 A brief entry meeting between the Operating Company and the Performance Audit Group shall be held immediately before the audit. A senior representative of the Operating Company shall attend this meeting, together with those staff who have direct responsibility for the data and activities to be audited. The purpose of the meeting is to ensure that the Operating Company's staff are aware of the purpose of the audit and that the required data and information are available.
- 1.4.3 Performance Audit Group staff shall not discuss contractual issues with the Operating Company during the audit but may take notes or request copies of documents to enable them to bring issues to the attention of the Director.
- 1.4.4 The Operating Company's staff shall not generally be required to be present at all times throughout the audit, but shall be readily available to deal with any questions that the Performance Audit Group may have. When requested, they shall initial the auditor's checklist or audit notes alongside points of fact recorded by the auditor to confirm the accuracy of these. They shall subsequently assist in any relevant discussions at the exit meeting.
- 1.4.5 An exit meeting between the Operating Company and the Performance Audit Group shall be held at the end of the audit. A senior representative of the Operating Company shall attend the exit meeting with a representative from each of the offices, departments and sections of the Operating Company which were audited.

The Performance Audit Group shall inform the Operating Company of any matters arising from the audit and of any data and information that were not made available for inspection as part of the audit. The Operating Company shall have an opportunity at the exit meeting to record any comments that it may have regarding the manner in which the audit was conducted.

- 1.4.6 Any findings that the Performance Audit Group identifies shall be explained to the Operating Company. The Operating Company shall sign the relevant forms in acknowledgement that it understands the issues raised.

Whenever possible, the actions and timescales required to:

- (i) correct the specific Non-Conformances identified in the audit,
- (ii) prevent recurrence of the Non-Conformances, and
- (iii) investigate the causes of the Non-Conformances and where necessary initiate further corrective actions,

to address the audit findings shall be agreed between the Operating Company and the Performance Audit Group at the exit meeting.

Subject to the other provisions of this Contract, the Operating Company shall take action to ensure the specific Non-Conformances are corrected within 10 Working Days after identification.

The Operating Company shall take immediate action to mitigate the effect of the Non-Conformances.

- 1.4.7 Where there is no agreement on actions and timescales reached at the exit meeting, the Operating Company shall write to the Performance Audit Group, providing the details stated in paragraph 1.4.6 of this Part, within three Working Days after the completion of the audit. In these circumstances, the Operating Company shall still be required to adhere to the actions and timescale requirements stated in paragraph 1.4.6 of this Part for mitigating and correcting Non-Conformances.
- 1.4.8 The Performance Audit Group shall issue a report on the audit to the Operating Company, copied to the Director, within five Working Days after completion of the audit.