

# **Audit Scotland**

## **Accounts for the year ended 31st March 2001**

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<b>List of Contents</b>	<b>Page</b>
Foreword	1-3
Statement of Accountable Officer's Responsibilities	4
Statement on the system of internal financial control	5-6
Summary of resource outturn	7
Operating cost statement and statement of recognised gains and losses	8
Balance Sheet	9
Cash Flow Statement	10
Resources by aim and objectives	11
Notes to the Accounts	12-20
Accounts Direction	21
Report of the Auditors	22-23

# **Audit Scotland**

## **FOREWORD**

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### **Basis of Accounts**

These are the accounts of Audit Scotland, for the year ended 31 March 2001. This is the first set of accounts for Audit Scotland.

These accounts have been prepared in accordance with a direction given by the Scottish Ministers in accordance with section 19(4) of the Public Finance and Accountability (Scotland) Act 2000.

### **Statutory Background**

Audit Scotland was set up on 1 February 2000 (and commenced operations on 1 April 2000), following the transfer of staff and property from the Accounts Commission and National Audit Office, under the Public Finance and Accountability (Scotland) Act 2000. Part 2 of the Public Finance and Accountability (Scotland) Act 2000 established Audit Scotland as a corporate body.

### **Aims and Objectives**

To provide high quality support to the Auditor General and the Accounts Commission.

### **Principal Activities**

Audit Scotland supports both the Accounts Commission and the Auditor General for Scotland in the exercise of their respective functions.

Audit Scotland reports the results of its activities to the Parliament through the Auditor General for accounts of the Scottish Executives and agencies, Health Service bodies, NDPB's, Further Education Colleges and Water Authorities. Audit Scotland reports the results of its audits of Local Authorities, Police, Fire and other Joint Boards to the Accounts Commission.

Audit Scotland also carries out performance audits and value for money studies for both the Auditor General and the Accounts Commission.

### **Sources of Funding**

Audit Scotland may, under Part 2 of the Public Finance and Accountability (Scotland) Act 2000, make reasonable charges to audited bodies in respect of the exercise of its functions. Audit Scotland must seek to ensure that, taking one year with another, its charges are broadly equivalent to its expenditure. Any expenditure not met from charges is payable out of the Scottish Consolidated Fund.

# **Audit Scotland**

## **FOREWORD**

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### **Review of Results**

The results for the year are reported in the attached accounts. They record a net operating cost of £3,333,000 (schedule 2).

### **Post Balance Sheet Events**

There were no important events occurring after the year end.

### **Pensions and Early Departure Costs**

Details about the organisation's pension and early retirement costs are included in the notes to these accounts.

### **Board and management**

The Audit Scotland Board comprises the Auditor General, the Chairman of the Accounts Commission and the two Deputy Auditors General. A fifth member of the board was appointed following public advertisement in August 2001.

Robert W Black was appointed as Auditor General for Scotland on 1st February 2000 and holds office on such terms and conditions as the Parliamentary corporation may determine in accordance with Part 2 of the Public Finance and Accountability (Scotland) Act 2000.

Two Deputy Auditors General (R Hinds and C Gardner) were appointed during the financial year as employees of Audit Scotland. W Magee was appointed as Secretary to Audit Scotland and the Accounts Commission. These individuals together with the Auditor General for Scotland form the Senior Management Team.

Under the provisions of schedule 2 of the PFA (Scotland) 2000 Act the Auditor General and the Chairman of the Accounts Commission and any employee of Audit Scotland or member of the Accounts Commission are not entitled to any remuneration in respect of their membership of the Audit Scotland board.

Details of the remuneration and pension arrangements of the Auditor General and the senior management team of Audit Scotland are provided at note 2, within the Notes to the accounts.

Professor J P Percy was appointed Chairman of the Accounts Commission on 1st October 1992. The Accounts Commission was established under section 97 of the Local Government (Scotland) Act 1973. Details of the members of the Accounts Commission and their remuneration are provided in Notes to the accounts section 2.

# **Audit Scotland**

## **FOREWORD**

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### **Staff relations and Equal Opportunities**

Audit Scotland is committed to ensuring that recruitment and management of employees is carried out on merit on the basis of equal opportunity for all. Full and fair consideration is given to applications for employment from disabled persons where they have the skills and abilities to perform the job.

Audit Scotland recognises the importance of good industrial relations and effective communication with all its staff. Regular meetings are held with staff representatives to discuss matters of mutual interest.

### **Payment to Suppliers**

In line with CBI Prompt Payment Code Audit Scotland has a policy to pay all invoices not in dispute in 30 days or the agreed contractual terms if otherwise specified. Of a sample of invoices monitored during the year, 87% were paid on or before the due date.

### **Auditors**

Accounts prepared by Audit Scotland must, under s(19) Public Finance and Accountability (Scotland) Act 2000, be sent to the Scottish Commission for Public Audit (SCPA) for auditing. The SCPA have appointed Mazars Neville Russell, as auditors to Audit Scotland for a three year period commencing January 2001.

R W Black  
Auditor General  
Accountable Officer  
Date: 10<sup>th</sup> January 2002

# Audit Scotland

## STATEMENT OF ACCOUNTABLE OFFICER'S RESPONSIBILITIES

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Under section 19(4) of the Public Finance and Accountability (Scotland) Act 2000 Audit Scotland is required to prepare resource accounts for each financial year, in conformity with the direction of the Scottish Ministers, detailing the resources acquired, held, or disposed of during the year and the use of resources by Audit Scotland during the year.

The resource accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of Audit Scotland, the net resource out turn, resources applied to objectives, recognised gains and losses and cash flows for the financial year.

The Scottish Commission for Public Audit has appointed the Auditor General for Scotland as Accountable Officer for Audit Scotland with responsibility for preparing the accounts of Audit Scotland and for submitting them for audit to the Scottish Commission for Public Audit.

In preparing the accounts the Accountable Officer is required to comply with the Resource Accounting Manual (RAM) and in particular to :

- Observe the accounts direction including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- Make judgements and estimates on a reasonable basis;
- State whether applicable accounting standards, as set out in the RAM have been followed, and disclose and explain any material departures in the accounts;
- Prepare accounts on a going concern basis.

The responsibilities of the Accountable Officer, including responsibility for the propriety and regularity of the public finances for which an Accountable Officer is answerable, for keeping proper books and for safeguarding assets, are set out in the “Accountable Officers Memorandum”.

# Audit Scotland

## STATEMENT ON THE SYSTEM OF INTERNAL FINANCIAL CONTROL

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This statement is given in respect of the resource account for Audit Scotland. As Accountable Officer for Audit Scotland, I acknowledge my responsibility for ensuring that an effective system of internal financial control is maintained and operated in connection with the resources concerned.

The system of internal financial control can provide only reasonable and not absolute assurance that assets were safeguarded, transactions authorised and properly recorded, and that material errors or irregularities are either prevented or would be detected within a timely period.

The system of internal financial control is based on a framework of regular management information, financial regulations, administrative procedures including the segregation of duties, management supervision and a system of delegation and accountability. Development and maintenance of the system is undertaken by executive managers within Audit Scotland. In particular, the system has been developed to include:

- comprehensive budgeting systems with an annual budget which is reviewed and agreed by the Audit Scotland Board;
- regular reviews by the Senior Management Team of periodic and annual financial reports which indicate financial performance against the forecasts;
- setting targets to measure financial and other performance;
- the preparation of regular financial reports that indicate actual expenditure against the forecasts;
- clearly defined capital investment control guidelines; and
- as appropriate, formal project management disciplines.

No independent internal auditor for Audit Scotland was appointed during the financial year as a consequence of the delayed appointment of the external auditors to Audit Scotland. The primary financial systems of Audit Scotland are those used by the former Accounts Commission. The former Head of Internal Audit (HIA) provided me with a report in October 2000 on internal audit activity in the Accounts Commission. The report included the HIA's independent opinion on the adequacy and effectiveness of the Commission's system of internal financial control which were adopted by Audit Scotland on 1st April 2000.

Chiene and Tait have been appointed as internal auditors for the financial year 2001/02.

# Audit Scotland

## STATEMENT ON THE SYSTEM OF INTERNAL FINANCIAL CONTROL

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My review of the effectiveness of the system of internal financial control is informed by:

- the executive managers within Audit Scotland; and
- the external auditors in their management letter and other reports

As Accountable Officer, I am aware of the recommendations of the Turnbull Committee and I am taking reasonable steps to implement the full requirements of the guidance for the year ended 31 March 2002.

Robert W Black  
Accountable Officer  
Date 10<sup>th</sup> January 2002

## Summary of resource outturn for the year ended 31 March 2001

	£000	£000
<b>Net Total Costs</b>		<u>(3,333)</u>
<b>Net Cash Requirement</b>		<u>(4,020)</u>

<b>Reconciliation of resources to net cash requirement</b>		
<b>Net Total Costs</b>		<b>3,333</b>
<b>Capital:</b> Purchase of fixed assets (note 5)		<b>389</b>
<b>Adjustments</b>		
Non cash items (note 3)	<b>279</b>	
Payables transferred from Accounts Commission	<b>(4,041)</b>	
Recoverables (including cash) transferred from Accounts Commission	<b>3,836</b>	
Net debtors/creditors at 31 March 2001	<b>(192)</b>	
Creditor due to Consolidated fund at 31 March 2001 (note 7)	<u><b>180</b></u>	
		<u><b>298</b></u>
<b>Net Cash Requirement (Schedule 4)</b>		<u><b>4,020</b></u>

There were no approved resource estimates, indicative estimates were provided in support of Audit Scotland's funding request.



**Operating Cost Statement  
for the year ended 31 March 2001**

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	Notes	£000
<b>Administration Costs</b>		
Staff costs	2	7,844
Other Administration costs	3	<u>7,699</u>
<b>Gross administration costs</b>	4	<u>15,543</u>
<b>Operating Income</b>		<u>(12,210)</u>
<b>Net operating cost</b>		<u>3,333</u>

There were no discontinued operations during the period, neither were there any recognised gains or losses other than the reported results for the period as detailed above.

The notes on pages 12 to 20 form part of these accounts.

## Balance sheet as at 31 March 2001

	Notes	£000	£000
<b>Fixed Assets</b>			
Tangible assets	5		<b>342</b>
<b>Current Assets</b>			
Debtors	6	2,765	
Cash at bank and in hand		<u>180</u>	
		<u>2,945</u>	
<b>Creditors</b>			
Amounts falling due within one year	7	<u>1,818</u>	
			<u><b>1,127</b></u>
<b>Provision for early retirement</b>	8		<u><b>1,469</b></u> <u><b>(755)</b></u>
<b>Net Assets</b>			<u><b>714</b></u>
<b>Taxpayers equity</b>			
General Fund	9		<u><b>714</b></u>

The notes on pages 12 to 20 form part of these accounts.

Robert W Black  
Auditor General  
Accountable Officer  
10<sup>th</sup> January 2002

**Cash Flow Statement  
for the year ended 31 March 2001**

	Notes	£000
<b>Net cash outflow from operating activities</b>		<b>(3,631)</b>
<b>Capital expenditure and financial investment</b>		<b>(389)</b>
<b>Financing from the Consolidated Fund (supply)</b>		<b><u>4,200</u></b>
<b>Increase in cash in the period</b>		<b><u>180</u></b>

**Reconciliation of operating cost to operating cash flows**

Net operating cost (schedule 2)		<b>(3,333)</b>
Adjust for non -cash transaction	3	<b>279</b>
Payables transferred from Accounts Commission	13	<b>(4,041)</b>
Recoverables (including cash) transferred from Accounts Commission	13	<b>3,836</b>
Debtors at 31 March 2001	6	<b>(2,765)</b>
Creditors at 31 March 2001	7	<b>2,573</b>
Adjust for cash balance due to Consolidated Fund	7	<b><u>(180)</u></b>
<b>Net cash outflow from operating activities</b>		<b><u>(3,631)</u></b>

**Capital expenditure and financial investment**

Purchase of fixed assets	5	<b><u>(389)</u></b>
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**Analysis of financing**

From Consolidated Fund (Supply)		<b>4,200</b>
Increase in cash		<b><u>(180)</u></b>
Net cash requirement (Schedule 1)		<b><u>4,020</u></b>

**Resources by Departmental Aims and Objectives  
For the year ended 31 March 2001**

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**Aim: To provide high quality support to the Auditor General and the Accounts Commission**

	<b>Gross £'000</b>	<b>Income £'000</b>	<b>Net £'000</b>
<b>NET OPERATING COSTS</b>	<b>15,543</b>	<b>12,210</b>	<b>3,333</b>

## AUDIT SCOTLAND

### Annual Report and Accounts 2000-01

#### Notes to the resource accounts

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#### Statement of Accounting Policies

The Accounts have been prepared in accordance with the accounts direction issued by Scottish Ministers under section 19(4) of the Public Finance and Accountability Act 2000 and also in accordance with the Resource Accounting Manual applicable for the year. The particular accounting policies adopted by Audit Scotland are described below. They have been applied consistently in dealing with items considered material in relation to the accounts.

#### Basis of Accounting

In accordance with resource accounting, the gross funding received from the Scottish Executive is recorded directly within the General Fund (note 9) and therefore is not included in the operating income received in the year in Schedule 2. The accounts have been prepared under the historical cost convention modified to account for the revaluation of fixed assets at their value to the business by reference to their current cost.

#### Tangible fixed assets

All property occupied by the Audit Scotland is leasehold. The minimum level of capitalisation of a tangible fixed asset is £5,000 for individual or group purchases.

#### Depreciation

Depreciation has been provided at a rate calculated to write off cost in equal annual instalments over their estimated useful lives. Asset lives are normally:

Furniture and office equipment	5 years
Computer Equipment	3 years

#### Operating Income

Operating income is income which relates directly to the operating activities of Audit Scotland. It principally comprises, fees and charges for services provided on a full cost basis to audited bodies. Payments received on account of work in progress in excess of the value of carrying out the relevant work are included in creditors.

#### Capital Charge

A charge reflecting the cost of capital utilised by Audit Scotland is included in the operating statement. The charge is calculated on the average value of fixed assets and working capital held during the year at the Government's standard rate of 6% per annum.

#### Pensions

Audit Scotland makes pension provision for present and former employees through three pension schemes. The Auditor General has benefits provided through a scheme by analogy to the Local Government Pension scheme. Employees joining Audit Scotland after 1st April 2000 and those transferring to Audit Scotland from the former Accounts Commission have benefits provided through the Local Government scheme. Employees transferring to Audit Scotland at 1st April 2000 from the NAO are covered by the provisions of the Principal Civil Service Pension Scheme.

# AUDIT SCOTLAND

## Annual Report and Accounts 2000-01

### Notes to the resource accounts

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#### 2 Staff Numbers and Costs

Staff costs consists of:

	£000	£000
<b>Administrative Staff</b>		
Salaries	6,121	
National Insurance	542	
Superannuation	755	
Provision for early retirement costs	<u>350</u>	7,768
<b>Accounts Commission Members</b>		
Salaries	65	
National Insurance	2	
Travel and Subsistence	<u>9</u>	76
<b>Total</b>		<u>7,844</u>

The remuneration of the Chairman of the Accounts Commission for the period was £20,092. The average number of other Members of the Commission throughout the period was 10, and their remuneration was:

Deputy Chairman	£7,911
Other Commissioners	£3,927 each.

The average number of directly employed staff during the period was 195.

#### Senior Management

The salaries paid (including any overtime and bonus payable, but excluding employer's superannuation and national insurance contributions), pension entitlements (including the annual increase in real terms) and benefits in kind of the most senior managers of Audit Scotland during the year ending 31 March 2001 were in the bands on the next page:

## AUDIT SCOTLAND

### Annual Report and Accounts 2000-01

#### Notes to the resource accounts

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#### 2 Staff Numbers and Costs (continued)

Name and Title	Age at 31/3/2001	Salaries and Benefits in kind £000	Total accrued Pension at 31/3/2001 £000
Robert Black Auditor General	54	115-120	0-5
Bill Magee Secretary	51	85-90	0-5
Caroline Gardner Deputy Auditor General (Performance Audit)	37	75-80	0-5
Ronnie Hinds (Appointed September 2000) Controller of Audit and Deputy Auditor General	46	45-50	0-5

#### Pension costs

Audit Scotland operates 3 pension schemes.

#### Local government scheme

Audit Scotland have an agreement with City of Edinburgh Council under which all staff are eligible to enter the Lothian Pension Fund (being the name of the Local Government Superannuation Scheme managed by the Council) in accordance with the rules thereof. It is a defined benefit scheme providing pension benefits and life assurance for all permanent staff.

The contributions are determined by a qualified actuary on the basis of triennial valuations using the projected accrued benefit method. The most recent valuation was at 31 March 1999. The assumptions, which have the most significant effect on the result of the valuation are those relating to the rate of return on investments and the rates of increase in salaries and pensions. The full actuarial report on the 31 March 1999 valuation is available. This report assumed at 31 March 1999 that investment returns on equities would be 6.3% per annum and that salary increases would average 4.3% per annum.

During the period to 31 March 2001, Audit Scotland paid an employer's contribution of £549,835 representing 13.5% of contributing employees' pensionable pay, into Lothian Pension Fund. Under Superannuation Regulations contribution rates are set to meet 100% of the overall liabilities of the Fund.

Further information can be found in Lothian Pension Fund's Annual Report, which is available on request from City Chambers, Edinburgh.

#### By analogy scheme

Mr R W Black has benefits provided by analogy to the Local Government pension scheme.

# AUDIT SCOTLAND

## Annual Report and Accounts 2000-01

### Notes to the resource accounts

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#### 2 Staff Numbers and Costs (continued)

##### PCSP Scheme

Employees of the NAO transferring to Audit Scotland on 1 April 2000 have pension benefits provided through the Principal Civil Service Pension Scheme(PCPS). Audit Scotland makes payments of superannuation contributions to PCPS at rates set by the Government Actuary. For 2000-01 rates recommended by the Government Actuary were between 12% and 18.5% of pensionable pay.

During the period to 31 March 2000, Audit Scotland paid an employer's contribution of £189,438 into the PCPS.

##### Early Departure Costs

In addition certain costs arising from the early retirement are payable by Audit Scotland. These relate mainly to the granting of compensatory added years which employers must make to the pension fund. In 2000/01 the total cost of these was £350,129.

#### 3 Administration Costs

	£000	£000
Fees and Expenses to Approved Auditors:		
Local authorities	2,606	
National Health Service	1,515	
Scottish Executive	<u>7</u>	
		4,128
Rent and Rates		631
Other Accommodation Costs		175
Travel and subsistence		485
Legal and Other Fees		289
Stationery and Printing		310
Training		128
Staff Recruitment		83
Communications (telephone, postage)		59
Insurance		56
Information Technology		361
Audit Fee		20
Other		695
Depreciation		252
Notional interest on capital		<u>27</u>
		<u>7,699</u>

*Rent and rates includes £437,000 in respect of property leases(see note 11). Other expenses include the write off £453,000 of early retirement costs previously recognised by the Accounts Commission in accordance with their accounting policies (see note 8).*



# AUDIT SCOTLAND

## Annual Report and Accounts 2000-01

### Notes to the resource accounts

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#### 4 Operating Income

	<b>£000</b>
Fees paid by Local Authorities	7,690
Fees paid by National Health Service bodies in Scotland	3,621
Fees paid by Scottish Executive	717
Bank Interest	145
Miscellaneous Income	<u>37</u>
	<u>12,210</u>

#### 5 Fixed Assets

	Furniture and Fittings £000's	Computer equipment £000's	Total £000's
<b>Cost</b>			
Transferred from Accounts Commission	216	674	890
Additions	84	305	389
Disposals		(293)	(293)
At 31 March 2001	<u>300</u>	<u>686</u>	<u>986</u>
<b>Depreciation</b>			
Transferred from Accounts Commission	183	502	685
Provision for the year	33	219	252
Disposals		(293)	(293)
At 31 March 2001	<u>216</u>	<u>428</u>	<u>644</u>
<b>Net book value</b>			
At 31 March 2001	<u>84</u>	<u>258</u>	<u>342</u>

Fixed assets are shown at historic cost. It is the opinion of Audit Scotland that inclusion of fixed assets at current costs would have no material effect upon the financial position of Audit Scotland.

## AUDIT SCOTLAND

### Annual Report and Accounts 2000-01

#### Notes to the resource accounts

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#### 6 Debtors

	<b>2001</b>
	<b>£000</b>
Fee debtors and work in progress	802
Value Added Tax	1,254
Prepayments	370
Trade debtors	<u>339</u>
	<u>2,765</u>

#### Value Added Tax

Audit Scotland is not yet registered with Customs and Excise for Value Added Tax purposes, but has applied to Customs and Excise for approval as a body, which would be specified under section 33(k) of VAT Act 1994. The consequences of approval would be that Audit Scotland would be able to recover value added tax on its expenses, even though its income was outside the scope of value added tax. The Accounts Commission, Audit Scotland's predecessor, was a body specified under this section of the legislation. The matter is currently in the hands of the Treasury. The amount of £1,254,000 shown in the Balance Sheet is the total input tax charged to Audit Scotland since its inception on 1/4/2000 and not yet recovered

#### 7 Creditors

	<b>2001</b>
	<b>£000</b>
Cash balance payable to Consolidated fund	180
National Health Service bodies in Scotland	123
Ombudsman	60
Accruals	380
Trade creditors	737
Superannuation	117
Other taxes and social security costs	<u>2,211</u>
	<u>1,818</u>

The cash balance payable to the Consolidated Fund is based on the accounting conventions adopted for resource based supply. The item for Ombudsman represents the difference between cash collected and monies expended on behalf of the Commissioner for Local Administration in Scotland, as at 31 March 2001.

## AUDIT SCOTLAND

### Annual Report and Accounts 2000-01

#### Notes to the resource accounts

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#### 8. Provision for early retirement

The provision represents the actuarially computed early retirement added years pensions, this being the estimated future liability of Audit Scotland. The movement during the year was as follows:

	<b>2001</b>
	<b>£000</b>
Balance transferred from Accounts Commission	453
Additions	350
Utilised in year	<u>(48)</u>
Closing balance	<u>755</u>

#### 9. General Fund

	<b>2001</b>
	<b>£000</b>
Gross funding from Scottish Executive	4,200
Cash balance payable to the Consolidated Fund	(180)
Net funding from Scottish Executive	<u>4,020</u>
Notional interest on capital	27
Net cost of operation	<u>(3,333)</u>
Closing balance at 31 March 2001	<u>714</u>

## AUDIT SCOTLAND

### Annual Report and Accounts 2000-01

#### Notes to the resource accounts

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#### 10 Leases

During the period to 31 March 2001 the amounts charged to revenue in respect of operating leases for premises and equipment were as follows:

	<b>£000</b>
Premises (note 3)	437
Equipment	297
	<u>734</u>

The amounts payable in the next financial year in respect of such leases are as follows:

	<b>Equipment £000</b>	<b>Premises £000</b>
<b>Lease expiry</b>		
Within one year	19	64
In two to five years	-	200
After five years	418	-
	<u>437</u>	<u>264</u>

#### 11 Related Party Transactions

Audit Scotland is a statutory body funded by the Scottish Parliament. The latter is regarded as a related party. Audit Scotland's income arises from audit fees to public sector bodies. During the period none of Audit Scotland management staff has undertaken any material transactions with related parties.

#### 12 Capital Commitments and Contingent Liabilities

At 31 March 2001 there were no capital commitments or contingent liabilities.

## AUDIT SCOTLAND

### Annual Report and Accounts 2000-01

#### Notes to the resource accounts

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#### 13 Assets and Liabilities transferred from Accounts Commission

Under the provisions of the Public Finance and Accountability (Scotland) Act 2000 all the assets and liabilities of the Accounts Commission were transferred to Audit Scotland. These are analysed as:

	£000	£000
<b>Tangible assets (at net book value)</b>		<b>205</b>
<b>Current Assets</b>		
Debtors	3,260	
Cash at bank and in hand	<u>576</u>	
	<u>3,836</u>	
<b>Creditors</b>	<u>3,588</u>	
<b>Net current assets</b>		<u>248</u>
		<b>453</b>
Provision for early retirement		<u>(453)</u>
		<u>0</u>

## **AUDIT SCOTLAND**

### **DIRECTION BY THE SCOTTISH MINISTERS**

**In accordance with section 19(4) of the Public Finance and Accountability (Scotland) Act 2000**

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1. The resource accounts for the financial year ended 31 March 2001 and subsequent financial years, shall comply with the accounting principles and disclosure requirements of the edition of the Resource Accounting Manual which is in force for the year for which the resource accounts are prepared.
2. The statement of accounts shall give a true and fair view of the net resource outturn and cash flows for the financial year, and the state of affairs as at the end of the financial year.
3. This direction shall be reproduced as an appendix to the resource accounts.

Signed by the authority of the Scottish Ministers

25 April 2001

**INDEPENDENT AUDITORS' REPORT  
TO THE SCOTTISH COMMISSION FOR PUBLIC AUDIT  
(under section 25(3) of the Public Finance Accountability (Scotland) Act 2000)**

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**AUDIT SCOTLAND**

We have audited the accounts on pages 7 to 20. These accounts have been prepared under the historical cost convention and the accounting policies set out on page 12.

**Respective responsibilities of Audit Scotland and auditors**

As described in the Statement of Accountable Officer's Responsibilities, Audit Scotland is responsible for the preparation of the accounts in conformity with the direction of the Scottish Ministers. The Accountable Officer is responsible for the propriety and regularity of the public finances, for keeping proper books and for safeguarding assets, as set out in the Accountable Officers Memorandum.

Our responsibility is to audit the accounts in accordance with the terms of our appointment, relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you on the matters set out in section 22(1)(a) and (b) of the Public Finance and Accountability (Scotland) Act 2000 and our opinion as to whether the Resource Accounts give a true and fair view and are properly prepared in accordance with section 19(4) of that Act. We also report to you if, in our opinion, the Foreword is not consistent with the accounts, if the organisation has not kept proper accounting records, or if we have not received all the information and explanations we require for our audit.

We read the other information contained in the Statement on the System of Internal Financial Control, and consider whether it is consistent with the audited accounts. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the accounts. Our responsibilities do not extend to any other information.

**Basis of opinion**

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Board in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Audit Scotland's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts.

**INDEPENDENT AUDITORS' REPORT  
TO THE SCOTTISH COMMISSION FOR PUBLIC AUDIT  
(under section 25(3) of the Public Finance Accountability (Scotland) Act 2000)**

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**Opinion**

In our opinion, the accounts give a true and fair view of the state of affairs of Audit Scotland as at 31 March 2001 and of its net resource outturn for the year then ended, have been properly prepared in accordance with section 19(4) of the Public Finance and Accountability (Scotland) Act 2000, and the expenditure has been incurred and receipts have been applied in accordance with section 22(1)(a) and (b) of the Public Finance and Accountability (Scotland) Act 2000.

MAZARS NEVILLE RUSSELL  
Chartered Accountants  
and Registered Auditors  
90 St Vincent Street  
Glasgow  
G2 5UB

5<sup>th</sup> February 2002