

Corporate plan: 2003-05

October 2003



Audit Scotland is a statutory body set up in April 2000 under the Public Finance and Accountability (Scotland) Act 2000. It provides services to the Auditor General for Scotland and the Accounts Commission. Together they ensure that the Scottish Executive and public sector bodies in Scotland are held to account for the proper, efficient and effective use of public funds.

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Statement by the Auditor General and the Accounts Commission Chairman



Robert W Black,
Auditor General



Alastair MacNish,
Accounts Commission
Chairman

We are delighted to introduce Audit Scotland's second corporate plan which covers our proposed work programme to March 2005.

In this plan, you will find:

- a description of Audit Scotland, and our role and function in relation to public audit in Scotland
- a summary of our achievements since the formation of Audit Scotland in April 2000
- an analysis of the changing environment in which we operate – and the challenges these changes present to public sector audit
- our forward work programme – how we intend to meet those challenges
- an outline of our financial resources.

The plan reflects our priorities for the immediate future, to March 2005. We intend to roll this plan forward into a longer-term strategy document early in 2004.

Audit Scotland must live up to the standards expected of other public bodies and we aim to demonstrate best value in the delivery of public

audit. We have recently undergone a fundamental and comprehensive review of the audit services we provide and how we manage them. Three core themes underpinned this review:

- the needs of our major stakeholders – the Auditor General, the Accounts Commission, the Scottish Parliament and MSPs – and through them, the needs of the citizens of Scotland
- the needs of our clients – the public bodies we audit – to ensure the audit process adds value and leads to real improvements in services
- the need to ensure our own organisation operates economically, efficiently and effectively, and that we excel in meeting all our responsibilities in relation to diversity and equality.

The results of this review are reflected in the development goals we have set ourselves, outlined in our forward work programme.

Audit Scotland is well-placed in the UK audit environment, in that we have responsibility across all sectors of devolved public expenditure. We have had a successful three years.

We must now build on that success, and ensure we are fit to meet future challenges. We believe Audit Scotland can become a centre of excellence for public sector audit – this plan is a major step forwards in achieving that goal.

Robert W Black
Auditor General

Alastair MacNish
Chairman, Accounts Commission

Audit Scotland – our organisation

Our purpose

Audit Scotland operates under the Public Finance and Accountability (Scotland) Act 2000. We provide services to the Auditor General and the Accounts Commission, in line with the Directions they make. Our role is to:

- deliver comprehensive public audit
- promote high standards of governance, stewardship and management
- support service improvements and best value
- report in the public interest.

Public audit is based on three principles:

- independence of public sector auditors from the organisation being audited
- the wide scope of public audit, covering not only the audit of financial statements, but also regularity, probity, value for money and governance
- the ability of public auditors to make the results of their audits available to elected representatives and to the public.

The Auditor General and the Accounts Commission appoint auditors to most public bodies in Scotland, from either Audit Scotland's staff or firms of accountants. A common Code of Audit Practice is followed for all audited bodies,

whether the audit is conducted by an in-house or an external audit provider.

Audit Scotland is responsible for the audit of over 200 bodies, including:

- the departments of the Scottish Executive, its NDPBs¹ and agencies
- NHS boards and trusts
- further education colleges
- the water authority
- councils and joint boards.

Auditors provide assurance that public sector bodies meet high standards of financial management, governance and stewardship, and help ensure that they are achieving the best possible value for money.

We provide guidance and support to auditors on technical matters, and monitor their performance through a quality assurance process. Once appointed, auditors act independently in carrying out their responsibilities and exercising their professional judgment.

Audit Scotland also conducts studies and examinations on behalf of the Auditor General and the Accounts Commission into performance and value for money.

Audit Scotland was established to deliver an integrated public audit service in Scotland, enabling us to develop expertise, critical mass and economies of scale and improve the co-ordination of audits.

We aim to be able to demonstrate that:

- audit is contributing to improved delivery of public services and better management of public money
- audit and inspection activity is planned and co-ordinated to offer maximum benefits
- we have built substantial expertise in commissioning and delivering the wider public sector audit model across the public sector in Scotland
- we have met the expectations of the Auditor General and the Accounts Commission.

The Auditor General's strategic statement *Public Audit in Scotland* and the Accounts Commission's *Strategy 2001-2004* provide the framework for Audit Scotland's activities.

The Auditor General has identified ten themes for public audit:

- supporting democratic scrutiny
- focusing on governance and financial stewardship
- challenging and supporting public bodies to achieve continuous improvement in their services
- responding to new forms of accountability
- taking a citizen perspective

¹ Non-departmental public bodies. In 2002, Audit Scotland published *How government works in Scotland*, a major reference work prepared for the Auditor General. This report set out, for the first time, the organisation of all public bodies in Scotland and their responsibilities and accountabilities.

- using information effectively to monitor and assess performance
- working with auditors to develop a relationship which is both innovative and responsive, while continuing to improve quality and efficiency
- strengthening partnerships with regulators, inspectors and funding bodies
- working with other audit agencies
- establishing Audit Scotland as an effective, well managed organisation which meets the standards expected of other public bodies.

The Accounts Commission's objectives are:

- maintaining propriety in local government, working with all other agencies to promote sound stewardship and high standards of conduct
- positioning the Commission as the advocate of improved performance in the interests of citizens as users and paymasters of local government services
- working with the Auditor General for Scotland and the Scottish Parliament to improve the process of accountability in the public sector in Scotland

- developing the contribution of the audit and inspection process to performance assessment and continuous improvement in local authority services, under best value.

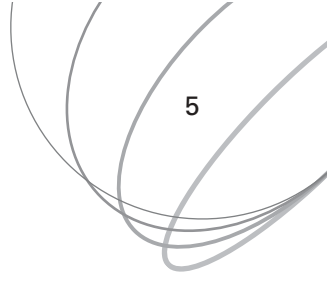
We have worked with our staff to develop a mission statement which sets out the way in which we will implement the strategies of the Auditor General and the Accounts Commission.

Our organisation

The board of Audit Scotland is made up of five people: the Auditor General (who is also the accountable officer for Audit Scotland), the Chairman of the Accounts Commission, and three others chosen by them. They are the

Our mission statement

“Audit Scotland will provide high-quality services to the Auditor General and the Accounts Commission. We will support effective democratic scrutiny by providing independent, objective assurance on governance, financial stewardship and performance. We will also support continuous improvement in public services and give priority to the interests of the people of Scotland.”



two Deputy Auditors General and an independent non-executive who acts as Chairman of the Audit and Remuneration Committees.

Audit Scotland employs around 230 people in six locations throughout Scotland. Staff are grouped under senior management as follows:

- Financial Audit and Assurance, including Audit Services teams
- Performance Audit
- Audit Strategy
- Corporate Services
- Communications

We have a set of **values** which govern the way we work as an organisation. We have agreed five key areas: people, performance, effective communication, sound management and integrity.

We continue to work with staff to embed these values in everything we do. We also have a Code of Conduct for staff, to ensure that our organisational culture is based on the highest standards of probity.

Our values

People	Audit Scotland will promote a climate of open and honest communication, mutual trust and respect, leading to an organisation which is worthy of loyalty and commitment, and which invests in training, developing and supporting staff to meet its corporate objectives
Performance	Audit Scotland will develop a clear purpose, where expectations are clear and realistic, and constructive feedback is given; where a premium is placed on value for money and efficiency in our work; and where staff are skilled and competent
Effective communication	Audit Scotland will encourage an open, responsive, customer-oriented approach to both external clients and internal colleagues, where staff write, speak and listen effectively
Sound management	Audit Scotland will promote a culture of professional management and leadership, where the focus is on people and performance; and where equality of opportunity and staff development are key management responsibilities
Integrity	Audit Scotland will aspire towards consistency, impartiality and fairness, where staff are regarded as professional, authoritative, objective and fair, and where we live up to the standards we expect of other public bodies

Our achievements – fulfilling our statutory role

In our first corporate plan, we agreed five corporate priorities, developed from the strategic priorities of the Auditor General for Scotland and the Accounts Commission and from our own mission statement:

- Supporting democratic scrutiny and continuous improvement
- Delivering the audit
- Maximising the value and benefit of audit
- Creating an integrated organisation with effective business processes
- Improving Audit Scotland by supporting learning and growth

In our first three years we have fulfilled our statutory role in delivering a comprehensive public audit. We have established the principles of a modern public audit model across most public bodies in Scotland, which is risk-based and performance-focused. Through the audit process, we have held public bodies to account for their delivery of public

services and made a significant contribution to the improvement of those services. Major achievements against our corporate priorities over the last three years are summarised below. More detailed information is available from our annual reports.

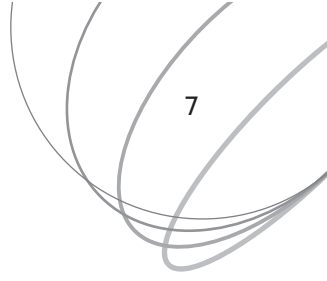
Priority: Supporting democratic scrutiny and continuous improvement

Since devolution, public audit has taken on a new significance due to its role in supporting the Scottish Parliament's scrutiny of the Scottish Executive and other public bodies in Scotland.

We have completed a wide-ranging programme of work over the last three years to support effective democratic scrutiny and promote continuous improvement. The reports our auditors make to audited bodies provide assurance on their financial position and help them to improve the delivery of services. The reports the Auditor General and the Accounts Commission make on the performance of those bodies play an important part in the process of democratic scrutiny. A list of all our

publications and reports since our formation in April 2000 is available on our web site. Major areas of work have included:

- Publication of over 40 performance audit reports covering a range of services from all the main public sector areas – with a particular emphasis on local government and health.
- Reviewing projects or service areas with significant financial implications for the public sector, for example our reports into the Holyrood building, and the use of PFI funding to build or refurbish schools
- Publication of regular overviews of individual sectors eg health, further education and local government, reporting sector-wide issues of financial stewardship and performance. When an overview report highlights a particular issue across a sector, we may conduct a more in-depth performance study of that area, for example, internal audit in local government.



- Annual publication of local authority performance information which brings to the attention of stakeholders, including the public, the main messages arising from council performance information.
- Supporting inquiries of the Parliament's Audit Committee, and providing information to a range of subject committees of the Scottish Parliament including the Education, Health, Local Government and Justice committees.
- Investigating complaints from members of the public and their representatives on issues of concern about public expenditure.

Our unique position in being able to review performance across the public sector has enabled us to look at cross-cutting issues, where different organisations, with funding from different sources, all have a role to play in delivering a service. Our reports on dealing with youth offending and on the arrangements for mainstreaming children with special education needs are examples of how we are building on the opportunities provided by the innovative structure of public sector audit in Scotland to look at themes which transcend organisational boundaries.

We are committed to working closely with other regulatory and inspection agencies, to ensure that democratic scrutiny of public bodies in Scotland is conducted both efficiently and effectively. We have developed protocols for working with a range of inspectors and regulating agencies, including Communities Scotland and HMI Education, and have conducted a number of joint inspections and performance reviews. Joint working with other agencies allows us to combine our respective skills and expertise in the

review of public bodies, without compromising the related but distinct roles of each agency.

Priority: Delivering the audit

Since April 2000 we have been responsible for the audit of over 200 public sector bodies each year – most of the devolved public sector in Scotland.

Each year, we have delivered all of our audit responsibilities. Each audit includes the certification of the financial statements, local reports on stewardship and performance and action plans for management.

In 2001, we completed a major procurement exercise for external audit services for a five-year period and appointed firms of accountants to carry out around a third of the audit work. This allows us to retain the benefits of a mixed economy approach while ensuring value for money from the audit process.

We introduced tighter deadlines for completing and reporting on audits and have made year-on-year improvements with 89% of audits now completed within statutory or Accounts Commission deadlines.

We developed, consulted on and successfully implemented a new charging regime for the audit of most public bodies. This introduces greater flexibility for audited bodies and has the potential to reward soundly managed bodies with lower audit costs.

We prepared and issued a single and comprehensive new Code of Audit Practice which provides the framework within which auditors operate. The new Code places greater emphasis on corporate governance, risk management and performance audit and will ensure consistency across all audit bodies.

Priority: Maximising the value and benefit of audit

One of our aims is to ensure the audit process is of value both to our stakeholders – the Auditor General, the Scottish Parliament and the Accounts Commission – and to our clients, the public bodies we audit.

We have established a rolling programme of surveys of our clients in the different sectors. The first survey conducted since the new audit appointments were made covered NHS bodies. Conducted in 2002-03, 98% of respondents assessed the overall quality of the audit as good or very good – a clear indication of the added value that the audit process can bring to the management of public sector bodies.

In 2002 we introduced a new quality appraisal process to ensure we provide Best Value in delivery of audit in both our own teams and firms of appointed auditors.

The role we have played in the development of the uniquely Scottish Best Value audit regime demonstrates our commitment to the continuous improvement process for local government and the independent monitoring and reporting of performance.

Our performance audit studies have resulted in real improvements in services. For example, following publication of national reports in these areas, national specifications for levels of cleanliness in hospital are being developed, and the list of 'deferred' hospital patients was scrapped which will provide more transparency about waiting times. Our study on how young offenders are dealt with in Scotland led to the development of new national standards, and improvements in the police warning system.

Priority: Creating an integrated organisation with effective business processes

One of our key organisational priorities is to ensure that we are an integrated organisation, with effective internal communication and that we do not let the geographical spread of our staff and our wide-ranging portfolio of work become a barrier to effective performance and knowledge management.

We completed the merger of former NAO and Accounts Commission staffing and conditions of service effectively, on time and at minimal cost. We have rationalised our office accommodation in East Kilbride and Edinburgh, bringing together staff from various locations throughout the central belt and Fife. This will help us to deliver an integrated audit service, share good practice, enable us to benefit from economies of scale and improve the co-ordination of audits. We continue to occupy offices in Inverness and Aberdeen to provide services to our clients in the north of Scotland.

Over the last three years we have reviewed and restructured our Corporate Services directorate to support the organisation's needs. We have improved our corporate and business planning processes, developing effective arrangements for performance management and improving our systems of financial planning, budgeting and reporting. We conducted a major risk assessment exercise and a systematic approach to risk management is now an integral part of our business planning.

Audit Scotland is committed to valuing and promoting diversity and will work towards increasing the diversity of its staff. Over the last three years, we have developed a policy statement and ongoing work programme on diversity and equality,

and we are currently implementing our race equality strategy.

We have also made considerable progress in relation to health and safety, and conducted workplace inspections at all major locations in which our staff are based, with a view to ensuring the safety and quality of our accommodation.

Priority: Improving Audit Scotland by supporting learning and growth

Audit Scotland's key asset is our staff. Some of our 230 staff are based in Edinburgh where we have our headquarters, and others are in offices throughout Scotland. Our fifth corporate priority is all about our staff and our commitment to supporting their learning and growth.

Our major achievements over the last three years include:

- the introduction of a Personal Development System which is supported by thorough training for all staff
- development of an award-winning trainee scheme to ensure our graduate recruits acquire high level financial audit skills
- improved communications through the introduction of a newsletter on Human Resources and management issues and the development of an on-line staff handbook
- setting up a web-based knowledge bank for management development
- carrying out a comprehensive training needs analysis leading to a programme of training courses and other solutions

Challenges for the future – the changing public sector environment

We operate in an ever-changing environment. In this section, we review recent developments within the public sector which have significant implications for the audit process.

The public sector continues to grow and become more complex. Legislation, Government policy initiatives and changes in public sector finance all have a knock-on effect on the audit process. Significant amounts of new money have been allocated to public services such as education and health.

The government has stated that the public sector needs to demonstrate that the increases in resources lead to real improvements in performance. This in turn increases the need for appropriate targets to be set and for robust systems of monitoring and verification to be in place. Audit Scotland and our appointed auditors can add value

both for audited bodies and the Parliament by reviewing and reporting on the systems and verification arrangements in place.

Scale and complexity of the public sector

The amount of money available to the Scottish Parliament has increased substantially since devolution and is expected to continue rising as shown in Table 1 below.

Much of the above expenditure passes through more than one public body before being spent on services. For example public financing of further education passes from the Scottish Consolidated Fund through the Scottish Executive Enterprise, Transport & Lifelong Learning Department to the Scottish Further Education Funding Council from where it is distributed to the Further Education Colleges that spend the money. The complexity is increased by the different sources of funding which a body may receive. Taking the

further education example, colleges may also put on courses funded by European Social Fund money, provided by the Scottish Executive and governed by rules laid down by the European Union. Colleges may also enter into agreements with other public bodies such as prisons and local enterprise companies for the provision of training.

One of the benefits of Audit Scotland's position is that we are able to track this complex route of public expenditure throughout each sector. However, these diverse funding arrangements mean our auditors need to have expertise in both national and European funding regimes, and in-depth understanding of the structure and function of all the different public sector bodies in Scotland.

Within this complex structure, there are also significant risks facing a number of individual audited bodies, for example in the NHS and further

Table 1

Total managed expenditure of the Scottish Executive

£m	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06
Total expenditure	17,993	19,890	21,098	22,764	24,003	25,653
Annual percentage increase		10.5	6.1	7.9	5.4	6.9
Cumulative percentage increase		10.5	17.3	26.5	33.4	42.6

Source: The Scottish Executive budget documents

education sector, who are experiencing financial difficulties. All these factors increase the amount of audit effort required.

Legislative changes and policy developments

Best Value

Best value is being introduced to local government by statute and in other parts of the public sector through changes to the Accountable Officer's responsibilities. The Local Government in Scotland Act 2003 extends auditors' responsibilities to cover Best Value and Community Planning.

The Scottish model of Best Value in local government, and the related audit responsibility, is one of the most exciting and significant developments in public audit in the UK. It provides an opportunity to take the public audit model to a new level of effectiveness and added value, resulting in a shift in emphasis towards performance audit and "reporting in the round" (providing comprehensive reports on an audited body or a whole sector which include information on performance results, management and financial arrangements, results of other inspection reports etc). Financial audit reporting will continue to play a very significant and essential role, but this will often be a part of "reporting in the round".

NHS reform

The reorganisation of the NHS towards 15 unified NHS systems with the resulting abolition of trusts will eventually provide opportunities for NHS bodies and their auditors to work more efficiently. However during the transitional phases there are increased risks to governance and systems operation, and in some cases additional part-year accounts to be audited.

The proposed new contract for general practice medicine also brings risks and challenges in the development and audit of new systems and bases for remuneration of general practitioners.

New ways of working

The development of e-government is a significant structural change. A large ICT investment programme is built into the Scottish spending plans. These projects will raise VFM issues and also challenges for auditors as business processes become more heavily reliant on computer controls.

The government is actively encouraging public sector bodies to work across traditional boundaries in order to improve the efficiency and effectiveness of service delivery. A major example is joint resourcing between local authorities and NHS bodies for the delivery of community care. These new forms of service delivery raise new risks and control issues for audited bodies and new challenges for the monitoring and measurement of performance. Audit Scotland is uniquely placed to be able to look across sector boundaries and review the performance of all the public sector bodies involved in joint initiatives.

The financial environment

Procurement methods

The search for better ways of delivering services, together with restrictions on the availability of capital, mean that public sector bodies will continue to seek to use PFI/PPP routes for some significant projects. For most audited bodies these are large and unusual contracts which have a high public profile and where many of the skills needed to arrange and manage the projects have to be bought in. Audit will have a role for the foreseeable future in examining these projects at the procurement stage and also,

increasingly, in examining the operation of mature projects.

Local authority capital expenditure

Local authorities have historically been subject to detailed capital expenditure and borrowing controls operated by the Scottish Executive. From April 2004 a new Prudential Regime will be introduced under which local authorities will determine for themselves the amount of capital expenditure that they can afford to incur. This change requires local authorities to introduce a new way of planning and budgeting which places far more emphasis on local governance and decision making.

Whole of Government Accounts

The UK government is committed to producing Whole of Government Accounts over the next few years. As a first step Central Government Accounts are being produced with local authorities and public corporations being added later. This project is creating a number of challenges for audited bodies in aligning the accounting standards applied to different parts of the public sector and challenges for both audited bodies and auditors in bringing forward the production of audited accounts so that Whole of Government Accounts can be prepared within a reasonable period after the end of the financial year.

Changes in the auditing profession

Recent proposals from the International Auditing Practices Board emphasise the need for auditors to thoroughly understand the business of the audited body and the risks facing it and to design their audit procedures accordingly. The demise of ENRON and others has also led to several reviews of the auditing profession, resulting in proposals for change, some of which could have implications for the public sector.

Arrangements for audit and inspection

The increasing emphasis on performance and reporting also focuses attention on how audit and inspection is organised in Scotland. A balance needs to be maintained between delivery of services and audit and inspection. Audit Scotland is committed to working with all the regulatory and inspection agencies to ensure that both the Scottish Parliament and our clients benefit from an effective and efficient scrutiny process.

While Audit Scotland has responsibility across all public sectors, there have been a number of developments and proposals which affect the regulation and

inspection of particular service areas, including:

- Communities Scotland’s role in regulating and inspecting local authority housing services
- HMI Education’s role in inspecting education authorities
- the roles of HMI Constabulary and HMI Fire Services in Best Value inspection of police and fire authorities
- Care Commission’s role in regulating and inspecting care services
- Quality Improvement Scotland’s role to inspect clinical services in the NHS

- the Bain report’s suggestion that audit agencies might take on an inspection role in fire services.

While audit and inspection are complementary, we recognise there is an element of overlap in our work (Exhibit 1).

Exhibit 1

The respective interests of audit and inspection



However, auditors and inspectors use different approaches. In particular auditors provide a continuous presence at a local level; have an emphasis on value for money and can focus on the whole organisation. Inspectors have a greater emphasis on professional staff and standards and will tend to investigate in greater depth on a periodic basis. Most importantly, audit is independent and reports to the Parliament and the independent Accounts Commission, whereas inspectorates are accountable to Ministers. It is important for the Scottish Parliament and for our clients that we:

- ensure that our respective roles are understood
- co-ordinate our activities with all relevant inspection agencies, so that our work is complementary and we do not duplicate or leave service gaps
- incorporate findings from other agencies into our Best Value assessments of local authorities.

The strength of this approach is the potential to bring together different skills and experience, and provide a more holistic assessment of public bodies' performance.

Our forward work programme – meeting the challenges

During 2003 we carried out a fundamental review of our organisational structure and working practices to ensure we are the best position to meet the challenges we face. We reconfirmed our support for our five strategic priorities – these priorities guide and direct our work, and we believe they provide a sound basis for moving forward. As stated earlier, our five priorities are:

- Supporting democratic scrutiny and continuous improvement
- Delivering the audit
- Maximising the value and benefit of audit
- Creating an integrated organisation with effective business processes
- Improving Audit Scotland by supporting learning and growth

During our review, we looked at our progress in achieving these priorities, and considered how we might take the organisation to higher levels of effectiveness. Three themes underpinned our planning:

- the needs of our major stakeholders – the Auditor General, the Accounts Commission, the Scottish Parliament and MSPs – and through them, the needs of the citizens of Scotland
- the needs of our clients – the public bodies we audit – to ensure the audit process adds value and leads to real improvements in the services provided by these organisations

- the need to ensure our own organisation operates economically, efficiently and effectively, and that we excel in meeting all our responsibilities in relation to diversity and equality.

Within each strategic priority, we have areas of core work, which we will continue to deliver against. We have also identified specific development goals, as a result of our review, with agreed priority actions for each goal.

We have developed a set of performance indicators and outcome measures to track the progress of our core work and our development goals. We are currently developing systems to ensure we have robust baseline data against which to measure our progress.

The plans for each strategic priority are summarised in the following pages.

Priority: Supporting democratic scrutiny and continuous improvement

Core work:

To carry out a programme of Performance Audit studies, outlined in Appendix 1. We will continue to respond to specific requests from the Scottish Parliament to investigate areas of concern relating to public expenditure and to relevant matters of concern raised by members of the public and their representatives. We will also continue to contribute to improvement initiatives in the public sector such as Community Planning and joint working.

Development goal:

To deliver a successful best value audit regime, initially in local authorities, but also to other parts of the public sector through the application of risk-based auditing approaches. **Priority actions:** The new Best Value audit is being piloted in two councils during the summer of 2003. We will evaluate the pilots, and the first round of full audits is planned to start in January 2004 building up to a three year cycle covering all 32 local authorities. We will also develop the methodology further in 2004, to enable the approach to be extended to other parts of the public sector.

Development goal:

To enhance and develop the content, coverage and impact of our products and services that support democratic scrutiny. **Priority actions:** We will pilot a new approach to reporting with the overview report on the NHS. We will review the purpose and nature of our products designed for external use to identify opportunities to improve their content, impact and accessibility, and we will develop measures to assess their usefulness and impact. We will review the way in which Performance Audit work is carried out and resourced.

Measuring our progress:

Our performance indicators for this goal relate to the number of performance reports published. We track their progress against agreed project plans to ensure reports are delivered on time and to budget. We also have agreed response times for replying to items of correspondence relating to issues of concern about public expenditure, which are monitored quarterly. Our outcome measures for the development goals include:

- Change happening as a result of audits
- Scottish Parliament and Accounts Commission satisfied with new regime and holistic reporting
- Raised understanding among MSPs and members of the public about which public bodies are performing well and which need to improve.

Priority: Delivering the audit

Core work:

To deliver over 200 annual audits of public bodies across Scotland in the required timescales and to the highest quality standards in accordance with the public audit model as set out in the Code of Audit Practice approved by the Accounts Commission and the Auditor General.

To continue to provide technical support and guidance to auditors through the provision of published bulletins, training and a technical information service. We will also continue to contribute to groups developing accounting and auditing standards for the public sector.

During 2004 we will review our overall procurement strategy.

Development goal:

To improve the quality of the audit through consistently applying a revised risk-based approach to our work, so our audit plans reflect national and local risks and are done on the basis of consistent, uniform, systematic risk assessment procedures. **Priority actions:** We will develop and pilot a revised risk-based approach to audit in two NHS areas in the audit year 2003-04. This will include the development of a guide to national risks and issues for use by all appointed auditors. In the 2004-05 audit year, we will adopt this revised approach in all NHS audits, and pilot it on local government (linked with Best Value audits) and central government audits.

Measuring our progress:

Our performance indicators for this priority relate to the number of audits completed within statutory and Accounts Commission deadlines. We also monitor the publications from our Technical Support Unit to ensure they are delivered against plans. Our

outcome measures for our development goal include:

- Improved quality control results
- Increased staff and client satisfaction
- Early identification of issues before they become high profile concerns over control of public expenditure.

Priority: Maximising the value and benefit of audit

Core work:

To deliver audits and reports to audited bodies that add value to the audited body and to continue to appraise the quality of auditors' work incorporating the views of audited bodies.

Development goal:

To develop the delivery of optional audit services as part of our business in order to allow auditors to tailor their work to maximise its added value. **Priority actions:** During the 2003-04 audits, we will develop and pilot material on the effectiveness of audit committees in the NHS, as an area where auditors could offer additional benefits to NHS clients. In the longer term we will identify further areas where value can be added by offering such additional services within the overall remit of audit work, eg in the areas of governance, systems and performance measurement.

Measuring our progress:

Our performance indicators for this work include reporting on the results of our quality control reviews of audit providers, and the results of our client surveys. Our outcome measures for the development goal include:

- Improvement in clients' performance/services
- Positive feedback from clients where optional services have been delivered

Priority: Creating an integrated organisation with effective business processes

Core work:

To provide efficient and effective support across Audit Scotland for audit work and business management. We will continue our investment in information technology and ensure we provide high quality ICT support to all our staff.

The Audit Scotland offices at 18 George Street, Edinburgh, no longer provide appropriate office space and require capital expenditure to meet the requirements of the Disability Discrimination Act. We will review our accommodation needs following the rationalisation of our regional audit offices and the implementation of Best Value audit, and examine our options in relation to refurbishment.

Development goal:

To modernise and re-engineer our audit processes so that we deliver our work efficiently, effectively and economically. **Priority actions:** During 2003/04, we will review our current working practices in audit delivery to ensure that we can deliver the new approach to risk-based based audit, as it is rolled out to the different sectors. We will introduce new audit documentation software (TeamMate) to improve the efficiency of the audit process. This is being piloted on 2003-04 audits and will be rolled out over the following year.

Measuring our progress:

We have a number of performance indicators relating to efficient business processes, including payment rate of invoices and income collection ratios. Our outcome measures for the development goal include:

- Evidence that we deliver best value in relation to our own activity
- Increased staff satisfaction.

Priority: Improving Audit Scotland by supporting learning and growth**Core work / Development goal²:**

To ensure that we have the right people in place with the right skills in the right numbers at the right time. This includes the provision of effective support to our people covering recruitment, retention, training and development. **Priority actions:** High quality financial and audit skills continue to be vital for many of our staff. We will maintain our commitment to our programme of professional training for financial and auditing skills, and conduct regular reviews of the quality of training delivered. From 2004, we will create and deliver a corporate training programme to support the skills and competencies required to deliver on our Development Goals, focusing in particular on IT, management development, communication skills and relationship management, and change management skills.

Measuring our progress:

Our performance indicators relating to human resources include sickness absence, recruitment and retention rates, delivery against planned programmes on training and development, and health and safety. Our outcome measures for the development goal include:

- Increased staff satisfaction
- Evidence of success in professional training and development
- An exemplar employer in diversity and equal opportunities
- Improved HR statistics.

² For this priority, our development goal encompasses all our core work.

Our financial resources

Audit Scotland meets its costs from charges to audited bodies, and from the Scottish Consolidated Fund for activities directly funded by the Parliament. Audit Scotland's budget is subject to scrutiny by the Scottish Commission for Public Audit. For 2004/05, Audit Scotland's proposal to the Commission is outlined in Exhibit 2.

Exhibit 2

Summary of resource requirements, 2004/05

	2004/05	2003/04
	£000	£000
Accounts and governance	14,252	13,366
Performance audit	6,929	5,579
Other	186	525
Best Value development	0	500
VAT	336	325
Total net expenditure	21,703	20,295
Income from charges to audited bodies	15,903	14,271
Net operating cost	5,800	6,024
Capital	1,305	400
Total resource requirements	7,105	6,424

Appendix 1: Performance Audit forward work programme

The reports which Audit Scotland plans to publish on behalf of the Auditor General (AGS) and/or the Accounts Commission (AC) from the autumn of 2003 until March 2004 are set out in the table below. This list excludes annual publications such as those on council performance against the statutory performance indicators, and the overview reports for

different public sectors, such as health and local government. The list also excludes reports produced in response to public and parliamentary concern.

	Planned publication date	Comments
Day surgery follow up	Autumn 2003	AGS
Following the public pound – statutory report on arms-length bodies	Autumn 2003	AC
Hospital catering	Autumn 2003	AGS
Review of performance management in Historic Scotland	Autumn 2003	AGS
Youth justice follow up	Autumn 2003	Joint AC/AGS
Business support services	Winter 2003/04	Joint AC/AGS
Commissioning community care for older people	Winter 2003/04	Joint AC/AGS
Community equipment and adaptations	Winter 2003/04	Joint AC/AGS
Local Economic Forums follow up	Winter 2003/04	Joint AC/AGS
Medical equipment follow up	Winter 2003/04	AGS
Scottish Prison Service: Opportunities for prisoners	Winter 2003/04	AGS
Housing voids	Spring 2004	AC
Quality of customer service in councils	Spring 2004	AC

In addition, we plan to start work on the following areas in 2003/04 for reporting in 2004/05:

- Child and adolescent mental health services
- Colorectal cancer
- Delayed discharges
- Homelessness (study to be finalised)
- Housing stock transfer
- Internal audit in local authorities follow up
- Maintenance of roads in Scotland
- NHS supplies follow up
- NHS waste management follow up
- PFI – Scottish Water
- Police (study area to be finalised)
- Property management in the public sector
- Review of the implementation of the McCrone agreement
- Using medicines in hospitals

Corporate plan: 2003-05



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