

A REPORT BY THE AUDITOR GENERAL FOR SCOTLAND UNDER SECTION 22(3) OF THE
PUBLIC FINANCE AND ACCOUNTABILITY (SCOTLAND) ACT 2000

THE 2003/04 AUDIT OF THE SCOTTISH CHILDREN'S REPORTER ADMINISTRATION

1. I have received the audited accounts of the Scottish Children's Reporter Administration (SCRA) for the year ended 31 March 2004. The auditors' report on the regularity of expenditure is qualified due to SCRA's procurement of recruitment services which was not in accordance with legal requirements.
2. I submit these accounts and the auditor's report in terms of sub-section 22(4) of the Public Finance and Accountability (Scotland) Act 2000, together with this report which I have prepared under sub-section 22(3) of the Act.
3. Under section 22(1) of the Public Finance and Accountability (Scotland) Act 2000, auditors are required to include within their annual audit report an opinion as to whether, in all material respects, the expenditure and income shown in the accounts were incurred or applied in accordance with applicable enactments and guidance issued by Scottish Ministers. This element of the audit report is known as the 'regularity assertion'.
4. The SCRA is a non-departmental public body whose main responsibilities are to facilitate the Principal Reporter in the performance of his statutory duties in relation to children, and to provide suitable accommodation and facilities for Children's Hearings throughout Scotland. Following a Policy and Financial Management Review in June 2002, Scottish Ministers announced that SCRA's annual funding would increase from around £17 million in 2002/03 to over £21 million in each of the three years to 2005/06. The additional funds in 2003/04 were partly to be used to recruit additional staff to strengthen frontline services and help improve the administration of Children's Hearings.
5. During the audit of SCRA's 2003/04 financial statements, the auditor found that SCRA had engaged the services of a recruitment company but without following its own tendering and procurement requirements that all services procured over £5,000 be subject to a formal tendering process. During 2003/04 SCRA spent £216,457 with this company.
6. At the auditors' request, SCRA obtained legal advice on the applicability of EU procurement regulations to these recruitment services. Counsel's opinion confirmed that the Public Services Contract Regulations 1993 (as amended) apply to these services and that the relevant tender thresholds had been breached when the payments to the recruitment company are considered collectively. The Public Services Contract Regulations 1993 (as amended) together with obligations placed on the Crown by the EEC Council Directive 92/50 require public sector bodies to seek competitive tenders where the value of a service contract will exceed pre-determined thresholds. The pre-determined threshold applicable to SCRA's procurement of recruitment services was EU200,000 which at the relevant rate of exchange was equivalent to £154,477.
7. SCRA has now introduced a more robust procurement policy and reviewed its procurement arrangements for recruitment advertising. The Principal Reporter and Director of Finance have also reported to the SCRA board on the circumstances on the breach and how procurement procedures have been tightened significantly. I shall expect the appointed auditor to monitor these developments and to report to me as necessary.



ROBERT W BLACK
Auditor General for Scotland
8 December 2004