



Annual Report 2004/05

accountability and performance

The role of Audit Scotland 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.

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An introduction to Audit Scotland

what we do

Audit Scotland operates under the Public Finance and Accountability (Scotland) Act 2000. We provide services to the Auditor General and the Accounts Commission and conduct studies and examinations on their behalf. Our work covers over 200 public bodies which together now spend over £26 billion a year.

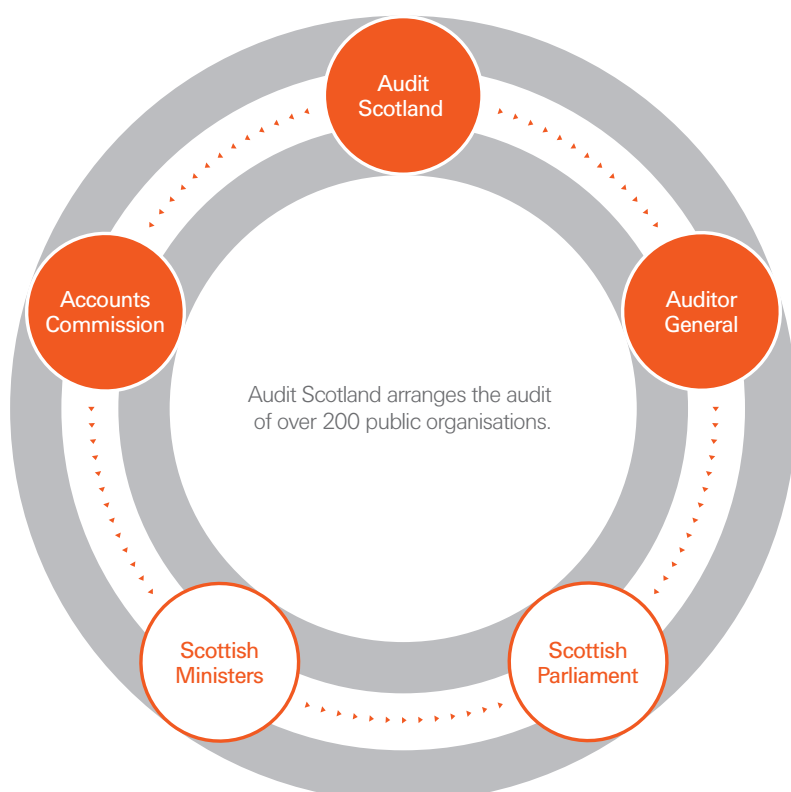
Our auditors provide independent, objective assessments of governance, financial stewardship and performance. Their reports are produced for the audited bodies, and reports

are also made to the Auditor General or the Accounts Commission. Our work directly supports a wide range of public sector organisations to deliver and improve their effectiveness and efficiency.

We manage the appointment of auditors to audited bodies. Appointed auditors are a mixture of direct employees of Audit Scotland and firms of accountants selected after competition. Audit Scotland operates a robust quality appraisal regime across all audit appointments.

Highlights of 2004/05

1. First four local government Best Value reports published
2. First modernised audit pilot completed in health
3. First performance overview report of the NHS in Scotland
4. The Auditor General's third report on Holyrood published
5. An in-depth analysis of the state of the nation's roads carried out
6. Internal restructuring largely completed
7. Surveys of audited bodies show increased satisfaction with the quality of audit services provided



Welcome to the 2004/05 annual report of Audit Scotland. The year saw a series of firsts for the organisation – the inaugural Best Value reports, new integrated NHS reporting and the first pilot of our new modernised audit approach.

We produced 53 reports, mostly focusing on the performance of services and organisations, delivered 110 client-facing reports and also developed an extensive and comprehensive study programme for the next two years. Internally as well as externally, the organisation is seeing the results of a planned programme of organisational change and development.

By the Accountable Officer and Board Chair

our year

Together with the Auditor General and the Accounts Commission, we help to ensure that the Scottish Executive and public sector bodies in Scotland spend public money properly, efficiently and effectively.

The Auditor General is appointed by the Crown and is independent. He reports to the Scottish Parliament and oversees the audits of departments of the Scottish Executive, NHS boards and special health boards, further education colleges, Scottish Water and government agencies.

The Accounts Commission is appointed by Scottish ministers, is independent of local councils and government and can make reports and recommendations to Scottish ministers. Scotland's 32 councils and eight joint police and fire boards are audited by auditors appointed by the Accounts Commission.

This year we are pleased to report that we began to see the clear results of some of the key changes and developments we have been working on in Audit Scotland over the past few years.

We are now organised and staffed to deliver the Best Value regime, looking at all 32 councils across the country over a three-year period, and the rolling out of our new modernised, risk-based audit in the NHS and local government, the first of which was carried out in Argyll & Clyde NHS Board. We published our first four Best Value reports in this year.

Our new structure enables our teams to become more specialised in the type of body that they audit, ensuring a greater depth of knowledge about the processes and issues distinctive to each sector. More information about the modernised audit is on pages 11 & 12 and details of our management structure are on pages 15 & 16.

Our latest staff attitude survey, following up on our internal survey 2003, also shows how much progress our staff feel we have made internally on key issues, such as having the tools, support and development opportunities to enable them to do a good job. This gives us a strong foundation to move forward on as we launch the new corporate plan for 2005-08.

We also carry out surveys on the views of audited bodies regarding the quality of audit service delivered by auditors. During 2004/05 we surveyed health bodies and further education colleges (FECs). All health bodies and 97% of FECs considered that the service provided by their auditor was very good or good. In both cases the results represented an improvement in the views of audited bodies since the last survey. The improvement in the FE sector was significant.

In 2004/05 we audited £26 billion of public money. Our annual expenditure for the year was approximately £25 million. We will continue to ensure that robust public audits are delivered and that our work helps public bodies achieve value for money.

Looking ahead, we have now published our extensive and comprehensive study programme for 2005/06 and we invite you to take a look at it and to see for yourself the broad range of work we intend to carry out. It is available free as a published document or from our website.



Robert W Black
Accountable Officer



Alastair MacNish
Board Chair



Our work helps identify where resources can be better used and whether quality is improving.

In 2004/05, among other things, we reported:

- the potential for an increase of 10% (or 5700) on the number of day cases that could be treated at NHS hospitals
- possible extra rental income of £33.7 million that councils could collect if housing voids were better managed.

We also highlighted:

- councils collected 91.7% of council tax due, an increase for the fifth consecutive year.

And we established:

- £1.7 billion is needed to repair the 13% of Scotland's roads that are in an unacceptable condition.

Supporting improvements in public services

our work

In February 2005, we published our Study Programme 2005/06 which sets out the reports that will be produced or started over that period.

Audit Scotland consulted with the Scottish Executive, the Parliament's Audit Committee, local authorities and NHS organisations to ensure that the list of topics reflected the responsibilities covered by both the Auditor General for Scotland and the Accounts Commission and that they were the type of projects that would be of most benefit to the public interest.

The Board of Audit Scotland is grateful to those organisations involved for their positive and useful input.

Reports

The following reports were published during the year:

4 cross-cutting reports

(reports which cover Auditor General and Accounts Commission responsibilities)

4 central government reports

4 NHS reports

16 local authority reports

(including four Best Value, six Performance Indicators pamphlets, one leaflet and one guide)

1 joint report

(with Communities Scotland)

20 reports on accounts to the Scottish Parliament

(Section 22 reports – Auditor General reports raising issues arising from annual audits of public bodies under his responsibility)

110 client-facing reports

(these reports pull together our work in audited bodies in the course of the year, provide assurances and make recommendations for improvement.)

4 other publications

(including Corporate Plan 2004-07, two leaflets on fraud and one leaflet dealing with complaints about public bodies)

Details of most of the above reports can be found in the Reports Published section on the following pages.

All our reports are issued to the relevant audited body and most are sent to other stakeholders and published on our website. This allows organisations to share examples of good practice and act on any recommendations. Auditor General reports are considered by the Audit Committee of the Scottish Parliament, and local government reports are considered by the Accounts Commission, who then make their own findings.

Best Value audit

Best Value audits were developed in 2003/04 to assess how well councils are meeting their statutory duty to provide Best Value and to help give the public an overview of how well their council is performing. The Best Value audit also takes account of councils' performance on community planning which was made a priority for councils by the Local Government in Scotland Act 2003.

The first Best Value audits were carried out this year (2004/05) and we reported on Angus, North Ayrshire, Stirling and the Shetland Islands. Summaries of these are given overleaf. A Best Value audit of all of Scotland's 32 councils will be carried out in a three-year rolling plan.

Links with other scrutiny bodies

Audit Scotland and the other scrutiny bodies put a significant amount of effort into working together to minimise the burden we impose on public services. This is achieved primarily through meetings of the Joint Scrutiny Forum and the Inspectorates Forum, and through bilateral agreements. We also have a track record of joint work with inspectorates, such as our joint inspections of education authorities with HMIE, and joint studies with HMIE, HMIC and NHS Quality Improvement Scotland.

Efficient Government Initiative

The Scottish Executive published *Building a Better Scotland: Efficient Government* in November 2004, which sets out its plans for securing greater efficiency in public services and generating annual cash savings of £745 million by 2007/08. Audit Scotland supports this initiative in a number of ways:

- Much of our work is already designed to ensure that resources are used well and that public services improve. This focus will increase with the development of the modernised audit.
- Our overview reports aim to provide a high level picture of the use of resources; this is most developed in the NHS, but will increasingly be the case in local government and central government. This will be bolstered by the modernised audit approach in these sectors.
- We have commented on the adequacy of the Executive's Efficiency Technical Notes as a basis for it to monitor the realisation of the cash-releasing savings contained in the Efficient Government Plan. We are discussing with the Executive what future role we might play in providing assurance that efficiency savings have been achieved.
- The Deputy Auditor General is a member of the advisory panel of experts supporting the Initiative.

reports published in 2004/05 (continued overleaf)

Cross cutting

(Reports for both the Auditor General and the Accounts Commission)

Local economic forums:

a follow-up report (10 June 2004)

LEFs have sought to eliminate overlap and duplication in supporting businesses. They have successfully delivered local improvement actions through their influence and delivered most of the financial benefits expected of them. LEF partnerships are generally working well and provide a solid basis for delivering the economic development component of Community Planning.

Commissioning community care services for older people (8 July 2004)

The report concluded that councils and their health partners need to plan now for the likely increase in demand for community care services for older people and the expected shortage of carers to ensure that there are sufficient services to meet the future needs of Scotland's ageing population.

Maintaining Scotland's roads

(3 November 2004)

In our first ever report into the state of the nation's roads, we found that £1.7 billion is needed to repair the 13% (7,000 km) of Scotland's roads that are in an unacceptable condition. We recommended that sufficient priority needs to be given to structural maintenance and tackling the backlog of repairs.

Adapting to the future:

Management of community equipment adaptations (26 August 2004)

This report looked at the provision of community equipment, which supports people with a wide range of needs to live in their own homes. It found that the way that these services are run is confusing for service users. Improved planning, organisation and delivery of equipment are required.

Central government

(Reports for the Auditor General)

Scottish Enterprise:

Account management services to high-growth businesses (17 June 2004)

Scottish Enterprise needed to do more to show that it was achieving value for money in providing some £40 million of support (over three years) to businesses with growth potential. The report found that Scottish Enterprise had yet to implement a consistent approach to selecting businesses for account management.

Management of the Holyrood building project (29 June 2004)

Published in time to inform the report by Lord Fraser of Carmyllie, the Auditor General's report concluded that the 20 months delay in the completion of the project was due to the production of detailed design variations and the late supply of information during the construction process. Project management should have done more to address the problems that were affecting costs and timescales. Design development and delays in the construction process were the main contributing factors to the increase in construction costs. Although a high quality building was being delivered, the same quality could have been achieved for less if the whole design and construction process had been better executed.

Scottish Prison Service:

Contract for the provision of prisoner escort and court custody services (30 September 2004)

The Scottish Prison Service (SPS) followed the rules when handling the process of tendering for prisoner escort and court custody services in Scotland. The SPS is actively monitoring the performance of Reliance, the successful bidder.

Scottish Prison Service:

Correctional opportunities for prisoners (21 January 2005)

Ex-prisoners are responsible for one-in-five of all crimes committed and 47% of prisoners return to prison within two years. This report found that prisons are inconsistent in the way they plan and manage correctional opportunities for prisoners. The Prison Service was found to have carried out little systematic evaluation of the effectiveness of its correctional programmes and work is required to develop appropriate measures for benchmarking purposes.

NHS

(Reports for the Auditor General)

Day surgery in Scotland – reviewing progress (29 April 2004)

In 2002/03, across Scotland as a whole, only seven of the 19 procedures looked at by Audit Scotland reached the national target levels for increasing the numbers of patients treated by day surgery. If all trusts reached the targets, the number of day case procedures would increase by a further 10% – an extra 5,700 cases a year.

An overview of performance in the NHS (5 August 2004)

The first ever Audit Scotland report on the overall performance of the NHS in Scotland found that much is being done to improve the health service and that important NHS targets are likely to be met. However, the report concluded the Scottish Executive must do more to demonstrate that increased funding and new ways of working are actually benefiting patients.

Overview of the financial performance of the NHS in Scotland 2003/04

(20 December 2004)

There is a need to improve long-term financial planning to help ensure that the large sums of money going into the NHS make a real difference to health services and patients.

A review of bowel cancer services:

An early diagnosis (24 March 2005)

NHS Scotland provides most bowel cancer patients with treatment in line with clinical standards, but waiting times must be improved and more staff trained to carry out diagnostic services.

Local government

(Reports for the Accounts Commission)

Overview of the 2002/03 local authority audits (8 April 2004)

Scottish councils were commended for improving their financial controls and maintaining sound financial stewardship of public funds. However, the Accounts Commission expressed concern that only one-third of councils have fully established audit committee arrangements.

A job worth doing:

Raising the standard of internal audit in Scottish councils. A follow-up report (22 July 2004)

The standard of internal audit in Scottish councils has improved since 2001. The report found that 27 of our 32 councils had made progress in complying with good practice. There remains scope for improvement in risk assessment, planning internal audit work and implementing recommendations for action.

Scottish Fire Services:

Second verification of the progress of modernisation (7 October 2004)

All fire authorities have made improvements since March 2004, but continued commitment at both local and national levels will be necessary to implement the changes required to improve fire services. Further checks on the progress of modernisation will be carried out in 2006.

Overview of the local authority audits 2004 (30 March 2005)

Scotland's councils are maintaining good financial control but scope remains for improving performance management, the work of audit committees and budget monitoring.

Joint reports

Managing housing voids:

The impact of low demand properties (15 July 2004)

This joint report with Communities Scotland concluded that location in an unpopular area was the main reason for low demand and proposed a new performance indicator for councils and Registered Social Landlords to check on how well they manage empty homes, including those that are in low demand.

reports published in 2004/05 (continued)

Statutory performance indicators

(Reports for the Accounts Commission)

Six pamphlets were published summarising local performance and key performance issues in 2004/05. They cover corporate management; cultural and community services; education and children's services; environmental and regulatory services; housing and social work services; and police and fire services.

Police and fire – Performance Indicators 2003/04 (10 December 2004)

Scottish police forces cleared up nearly 47% of crimes in 2003/04 and 56% of serious violent crimes. The report also found that there has been a year-on-year reduction in the number of fires in the home.

Cultural & community services – Performance Indicators 2003/04 (13 January 2005)

The number of library items borrowed fell by 1.5 million to 32.5 million, the number of museums supported by councils rose from 59% to 70% and there were nearly 36 million attendances at council pools and sports facilities.

Corporate management – Performance Indicators 2003/04 (13 January 2005)

Council tax collection has improved for the fifth successive year with 91.7% of council tax in Scotland collected. Councils also paid 83% of invoices on time, an improvement of 8% on the previous year.

Housing & social work – Performance Indicators 2003/04 (27 January 2005)

This report found encouraging signs of further improvements in key areas of social work services last year. The number of appropriately trained staff working in council homes for older people increased by 2% on the previous year to 41%. With regards to housing, 7.9% of council rent was in arrears. Only 56% of council house sales were completed within the target time of 26 weeks.

Environment & regulatory services – Performance Indicators 2003/04 (3 February 2005)

Councils will need to improve if they are to meet the Scottish Executive target of having 25% of waste recycled by 2006. Only 12% of waste was recycled and composted in 2003/04. By 2006, the amount of waste going to landfill has to be down to 105 million tonnes, yet there had been an increase of 1.8 million tonnes.

Education & children's services – Performance Indicators 2004/04 (3 February 2005)

There are serious challenges ahead for councils in this area. In the financial year 2003/04, 60% of 16 and 17 year olds who left care or lived 'away from home' did not gain standard grades in English and Maths. Twenty per cent of children placed under supervision were not seen by a supervising officer within the 15-day target time. Thirty-three per cent of primary schools were seriously under-occupied.

Best value reports

(Reports for the Accounts Commission)

Angus Council:

The audit of best value and community planning (29 September 2004)

The inaugural Best Value report found that Angus council provides good community service and business-like administration. It suggested however that the council needed to improve customer focus and monitor its services more effectively.

North Ayrshire Council:

The audit of best value and community planning (24 February 2005)

The council has laid firm foundations for Best Value and Community Planning. However, the Accounts Commission urged the council to be more flexible and creative in the way it uses existing funds to respond to the needs of the local community.

Stirling Council:

The audit of best value and community planning (2 March 2005)

The Accounts Commission commended Stirling Council on its ambition and commitment to improvement. However, elected members need to become more actively involved in scrutiny. The council needs to strike a balance in the allocation of resources in order to maintain the best performing services while enabling improvements in poorer performing ones.

Shetland Islands Council:

The audit of best value and community planning (31 March 2005)

The current level of service delivery in the Shetland Isles is unsustainable without drawing on the council's reserves. The council needs to make some difficult spending choices.

Section 22 Reports

Auditor General reports, made under Section 22 of the Public Finance and Accountability (Scotland) Act 2000, raising issues arising from annual audits of public bodies under his responsibility. Twenty Section 22 reports were presented to Parliament. These reports were on:

The 2002/03 audit of West Lothian College

The 2003/04 audit of Argyll and Clyde Health Board

The 2002/03 audit of Water Industry Commissioner for Scotland

The 2002/03 audit of North Glasgow College

The 2003/04 audit of Lanarkshire Health Board

The 2003/04 audit of Water Industry Commissioner for Scotland

The 2002/03 audit of Inverness College

The 2003/04 audit of the National Galleries of Scotland

The 2003/04 audit of Forest Enterprise Scotland

The 2002/03 audit of Moray College

The 2003/04 audit of the Scottish Teachers' Pension Scheme Scotland Accounts

The 2003/04 audit of the Scottish Children's Reporter Administration

The 2003/04 audit of Fife Primary Care NHS Trust

The 2002/03 audit of Lews Castle College

The 2003/04 audit of the NHS Pension Scheme Scotland Accounts

The 2002/03 audit of Glasgow College of Food Technology

The 2003/04 audit of the Scottish Executive Consolidated Resource Accounts

The 2002/03 audit of the National Library of Scotland

The 2003/04 audit of the Scottish Commission for the Regulation of Care

The 2003/04 audit of the Scottish Prison Service

Other publications

(Audit Scotland)

Corporate Plan 2004-07 (17 May 2004)

Audit Scotland published its three-year corporate plan for 2004-07. This set out our priorities for the coming years, focusing on producing a modernised, risk-based audit across all sectors, and the Best Value audit for local authorities.

Don't turn a blind eye: what should you do if you suspect fraud or corruption?

and

Don't turn a blind eye: how should you react to suspected fraud, corruption or other wrongdoing? (2 September 2004 for a second time)

These two leaflets were re-issued by Audit Scotland and Public Concern at Work due to demand.

Route map: Your guide to complaining about Public Services in Scotland (18 October 2004)

This leaflet provided a brief guide to the agencies which deal with complaints about public bodies in Scotland.

Overview reports showed that:

- NHS Scotland, at both a national and local level, needs to ensure that increases in spending are leading to better outcomes and services for patients
- sound financial stewardship was maintained in local authorities but there are some areas of concern in a number of councils.

Progress in delivering the audit and maximising its value

delivering the audit

Public audit is based on three key principles:

- the 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.

Delivering a modernised audit

Further significant progress was made in modernising the audit process in 2004/05. The audits at the NHS pilot sites were successfully completed and a comprehensive new Audit Guide was developed in time to support staff training events for taking the approach forward in the other sectors this year.

The final report on the Argyll & Clyde NHS Board reflected our revised risk-based audit approach and this new style was particularly well received by both clients and stakeholders.

We are now rolling out the modernised audit approach across all of our NHS audits, and pilots are taking place at two councils in the local government sector. In central government we have pilots taking place in three departments of the Scottish Executive.

These ongoing developments will increasingly enable us to identify the key risks and priorities within and across sectors, to have a positive impact on the performance of public sector bodies throughout Scotland

Reporting arrangements

In 2004/05, 218 audits were completed. Around two-thirds of the audit work was carried out by Audit Scotland and the remainder by private accountancy firms.

Auditors report to the Auditor General and the Accounts Commission. In some cases their work results in further reports on specific issues, or the

audits may be used as the basis of wider overviews of entire sectors. Auditors also report directly to public bodies, enabling them to identify problems and plan improvements themselves.

In 2004/05 auditors reported a range of issues to the Auditor General which he drew to the attention of the Scottish Parliament. This resulted in 20 reports on accounts (Section 22 reports), some of them relating to technical accounting issues, others on more substantial matters including those on the National Galleries of Scotland, the Scottish Prison Service, Argyll and Clyde Health Board and a number of FE colleges.

There were two qualifications to the accounts of local authorities (East Lothian and Highlands & Islands Fire Board). There were no qualifications in the previous year. There were no reports to the Accounts Commission as a result of illegality, loss or impropriety in the way a local authority conducted its financial affairs.

Breakdown of Audited Bodies

Central government	61
NHS boards and trusts	48
Further education	42
Councils	32
Joint boards	35
Total	218

Providing quality

We are committed to ensuring that an efficient, effective and economic service is delivered to clients. To this end, a quality appraisal process is operated for all auditors, both firms and in-house providers. Auditors are appointed for a five-year term and each is appraised at least once every two years. We continue to develop our quality assessment procedures.

We also carry out surveys of clients' views of the quality of audit service delivered by auditors. During 2004/05 we surveyed health bodies and further education colleges (FECs). All health bodies and 97% of FECs considered that the service provided by their auditor was very good or good. In both cases the results represented an improvement in views of audited bodies since the last survey. The improvement in the FE sector was significant. The local authority and central government sectors will be surveyed in 2005/06.

To help ensure that a broad knowledge and skill base are available to our clients, the Auditor General and the Accounts Commission appoint private accountancy firms to conduct some audits. In 2004/05 95 audits were conducted by private firms. This provides Scotland with a mixed economy for the supply of public sector audit work and allows benchmarking across suppliers.

All audits have defined timetables and deadlines so that reporting is timely and, in some cases, complies with statutory deadlines. During the year, 98% audits were completed on time (88% the previous year). The completion of an

audit can be delayed for a number of reasons, ranging from draft accounts being provided in an incorrect format to the need to consider complex audit or accounting issues.

Correspondence and complaints

In 2004/05, Audit Scotland received 193 items of correspondence (144 in 2003/04) raising issues about the organisations that we audit. We investigate where we assess that there may be an audit issue.

The nature and complexity of complaints varied widely. In examining them, Audit Scotland focused on whether audited bodies had incurred expenditure in accordance with their statutory powers, and whether they had taken steps to deliver financial probity and make best use of resources.

During 2004/05 Audit Scotland met its target of acknowledging correspondence within ten working days in 98% of cases; and in 80% of cases we met our target of providing a full response within one month of the date of acknowledgement. This compares with 95% and 67% respectively in 2003/04.

Audit Scotland underwent restructuring in 2003/04. The new structure bedded-down in 2004/05, refocusing on sectors and rolling out a modernised audit across NHS boards. The new structure allows auditors to become more specialised in the types of body that they audit, ensuring a greater depth of knowledge about the processes and issues distinctive to each sector. We have also reorganised staff around the main elements of the business.

Improving performance

running the business

Audit Scotland's mission statement:

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

Supporting learning

There was a continued emphasis on training and development in Audit Scotland. A suite of training courses provided staff with training in plain English, performance audit, the modernised audit, IT skills, financial reporting, updates on current relevant issues for each directorate, freedom of information and report writing style.

In addition, there is an ongoing comprehensive technical training programme for staff with the Institute of Chartered Accountants of Scotland (ICAS) and the Chartered Institute of Public Finance and Accountancy (CIPFA).

IT

In 2004/05, Audit Scotland continued to invest in the development of IT to support more flexible-based working.

In the 2005 staff survey, almost 80% of staff agreed or strongly agreed that the organisation has the level of technology required to deliver the required levels of customer service. This compares with 34% in the 2003 report.

Freedom of Information

We welcome the introduction of the Freedom of Information legislation and are committed to its successful implementation. Our work is carried out in the public interest and we believe that it will be enhanced by the principles of the legislation.

We provide a wide range of information in response to requests every day. We also proactively publish the results of our work and issue press releases. Additionally, a wide range of information is available through our publication scheme.

We keep a log of the requests which are less straightforward to deal with and in the first quarter of 2005 seven such Freedom of Information requests were logged. The number of these requests does not reflect the volume of requests we receive or the amount of information we routinely provide.

In two cases the information was provided in full and in the remaining cases partial information was provided.

The legislation includes an exemption which recognises the special nature of the audit process, although we have not used this.

Priorities

Following consultation with clients and stakeholders, we have refined the major strategic priorities for Audit Scotland for the next three years. These are:

1. **Supporting effective democratic scrutiny** – Audit Scotland will deliver a revised, modernised approach across the public sector, resulting in more timely and better informed reports to the Auditor General and the Accounts Commission as well as the bodies it audits.
2. **Maximising the value of the audit** – Audit Scotland will improve its audit processes, aiming to help improve the standards of financial stewardship and performance, probity and governance throughout the public sector.
3. **Building an effective and efficient organisation** – Audit Scotland will change and develop its business processes to support the new ways of working that will be emerging over the next three years.

Audit Scotland Board

Audit Scotland provides services to the Auditor General and the Accounts Commission to enable them to carry out their duties. Its work is overseen by a board which meets around six times a year to consider plans and strategic direction. The board is chaired by Alastair MacNish.

The board comprises:



Alastair MacNish
Chair, Accounts Commission



Robert W Black
Accountable Officer and Auditor General



Phil Taylor
Non-executive member



Caroline Gardner
Deputy Auditor General



John Baillie
Member of Accounts Commission

The Audit Scotland Board and Management Team

who we are

The Audit Scotland Management Team

Members of the Audit Scotland Management Team are Robert Black, Caroline Gardner, Hugh Hall (Managing Director of Audit Services), Diane McGiffen (Director of Corporate Services) and Russell Frith (Director of Audit Strategy)

Caroline Gardner

Deputy auditor general and controller of audit

Caroline works with the directors of performance audit on investigations and thematic reports examining issues of public concern. She produces the overview reports on health, local government and central government. Caroline also manages the performance studies of public sector organisations and audits of Best Value in councils.

Hugh Hall

Managing director of audit services

Hugh leads the audit services group. They carry out or manage the audits of more than 100 public sector bodies in Scotland. Hugh works with the directors of audit to encourage and support higher standards of accountability in the public sector.

Russell Frith

Director of audit strategy

Russell is responsible for procurement and resources, auditing and accounting standards, technical support and quality assurance.

Diane McGiffen

Director of corporate services

Diane manages the development of Audit Scotland as an organisation. She leads on business planning and performance reporting and heads up the following services: human resources and training, information technology, finance, administration, and communications.

Bill Magee

Secretary to both the Accounts Commission and the Audit Scotland Board

Bill is also responsible for legal and procedural advice.

The work we carry out is managed by three teams.

Central government

Arwel Roberts is director of central government. His team works with the departments of the Scottish Executive, national public sector organisations such as Historic Scotland and Scottish Water, and further education colleges.

They are responsible for investigating issues of public concern, overview reports and performance studies.

Arwel also manages the audit service we provide to these organisations, including the audit of financial statements, governance and performance management matters.

Health and community care

Audit services director **Lynn Bradley** manages the audit service we provide to the NHS, mainly examining the performance of health boards. Her work includes financial statements, governance, and performance management matters.

Barbara Hurst is director of performance audit. She reports on themes and issues within the health service. Barbara's team also produces overview reports and performance studies of health bodies and their community care partners. Typical reports include *Bowel cancer services* and *Day surgery in Scotland*.

Local government

As director of performance audit **David Pia** reports on themes and issues within local authorities, police boards and fire boards. David's team also produces overview reports, performance studies and Best Value audits of local government. Typical reports include: *Overview of the local authority audits* and *Maintaining Scotland's roads*.

Audit services director **Gavin Stevenson** manages the audit service we provide to local authorities, police boards and fire boards, examining their individual performance. His work includes financial statements, governance and performance management matters.

The task of auditing Scotland's public bodies has expanded greatly since 2000. In 2004/05, Audit Scotland spent £25 million on services for the Auditor General and the Accounts Commission: this is less than 0.1% of the £26 billion spent by the bodies that are audited. The majority of these costs are recovered through charges to these organisations with the balance received as direct funding from the Scottish Parliament.

A summary of income and expenditure

financial summary

Audit Scotland is required to produce accounts for each financial year detailing the resources acquired, held or disposed of during the year and the way in which they were used. The Auditor General has been appointed as Accountable Officer and is responsible for the preparation of these accounts.

Audit Scotland's accounts are independently audited on behalf of the Scottish Commission for Public Audit (SPCA), which appointed Mazars, LLP, to carry out the audit.

The following section provides a summary of selected items from the accounts. To view the accounts in full visit the website

www.audit-scotland.gov.uk

Value Added Tax

During the year ended 31 March 2004, HM Customs & Excise confirmed its view of Audit Scotland's VAT position that all VAT expense is irrecoverable.

Up to 31 October 2004 input VAT was recorded as a separate expense and met through funding from the Scottish Consolidated Fund. From the beginning of the 2004-05 audit year, November 2004, input VAT has been included in all costs. In a full year the effect of this change is estimated to add, around £1.2 million to the costs which require to be recovered through audit fees.

Sources of income

Most income is from charges to audited bodies and can be broken down as shown in the table right.

Analysis of expenditure

In 2004/05, 75% of expenditure was spent on staff and fees to auditors. This compares with 75% in the previous year.

Income	2004/05		2003/04	
	£000	% total	£000	% total
Fees paid by local authorities	9,619	58	9,022	59
Fees paid by health bodies	4,293	26	4,079	27
Fees paid by water bodies	201	1	142	1
Fees paid by further education colleges	605	4	514	3
Fees paid by Scottish Executive & sponsored bodies	1,591	10	1,166	8
Bank interest	134	1	105	1
Miscellaneous	227	1	351	2
Other finance income (pensions)	(68)	(1)	(202)	(1)
Total	16,602	100%	15,177	100%

Expenditure	2004/05		2003/04	
	£000	% total	£000	% total
Staff and members' costs	12,926	52	10,733	51
Fees and expenses to appointed auditors	5,675	23	4,986	24
Buildings, rent and depreciation	1,495	5	1,322	6
Operating costs	4,816	20	3,931	19
Total	24,912	100%	20,972	100%

Staff and members' costs

During the year, the average number of directly employed staff was 274 (242 in 2003/04). The number of staff, excluding the Auditor General, whose salaries were over £70,000 was 5 (3 in 2003/04).

	Salary £000
Auditor General	125-130
Deputy Auditor General	105-110
Managing Director of Audit Services	90-95
Director of Audit Strategy	80-85
Director of Audit Central Government	75-80
Director of Corporate Services	70-75

The Accounts Commission Chair and members were remunerated as follows:

	Banding £000
Chair	20-25
Deputy chair	5-10
Commission members	0-10

Payments made during the year to the independent member of the Audit Scotland board fell within the band £5,000-£10,000.

Delivering the audit

Performance indicator	Outcome								
Percentage of audits delivered against statutory or Accounts Commission timescales for each sector	<p>98% of audits were completed on time (88% in 2003/04).</p> <p>By sector:</p> <table border="0"> <tr> <td>Health</td> <td>100%</td> </tr> <tr> <td>Central government</td> <td>100%</td> </tr> <tr> <td>Further education</td> <td>100%</td> </tr> <tr> <td>Local authorities</td> <td>97%</td> </tr> </table>	Health	100%	Central government	100%	Further education	100%	Local authorities	97%
Health	100%								
Central government	100%								
Further education	100%								
Local authorities	97%								

Creating an integrated organisation with effective business processes

Performance indicator	Outcome
Percentage of invoices paid within 30 days	94% were paid within the target time (94% in 2003/04).
Sickness absence	<p>Sickness levels were, on average, 4 days per employee (central government = 11 days, education = 9.6 days, local government = 10.9 days, health = 11.6 days, other public sector = 10.1 days).</p> <p>Source: CIPD info July 2004</p>
Staff turnover	13 people (5.5%) left during the year (18 or 7% in 2003/04).

Maximising the value of audit

Performance indicator	Outcome
Percentage of audit plans submitted and fees agreed within specified timescales	<p>78% of audit plans submitted to Audit Scotland within specified timescales (88% for 2003/04)*</p> <p>37% of fees agreed within specified timescales (67% for 2003/04).</p> <p>*Some audit plans were delivered on a later timescale in 2004-05 as a result of the development of a new modernised audit approach in Audit Scotland.</p>
Results of quality appraisal reviews	All the auditors reviewed during 2004/05 obtained acceptable grades. (In 2003/04 one C [unacceptable] grade was awarded).

Supporting democratic scrutiny and continuous improvement

Performance indicator	Outcome
Number of performance audit reports published	<p>17 performance audit reports were published* (9 in 2003/04)</p> <p>* This number does not include Best Value or Statutory Performance Indicator reports.</p>
Impact of performance audit reports	<p>Health and community care</p> <ul style="list-style-type: none"> Review of bowel cancer services – 35 recommendations made to health departments and NHS bodies The overview of the financial performance of the NHS in Scotland 2003/04 reported some emerging factors will challenge NHS bodies' ability to maintain financial balance in the future Management of community equipment and adaptations report – 25 recommendations made to councils, NHS bodies and the Scottish Executive The overview of the performance of the NHS in Scotland reported varied performance against national targets and highlighted some of the major cost pressures facing the NHS Commissioning community care for older people – 21 recommendations made to health departments, councils and NHS partners Day Surgery in Scotland follow up shows a continued rise in day surgery Managing medical equipment follow up found that there are still significant risks for patients where medical equipment is not managed well and there remains substantial room for improvement.

Supporting democratic scrutiny and continuous improvement (continued)

Performance indicator	Outcome
Impact of performance audit reports	<p>Local government</p> <ul style="list-style-type: none"> A follow-up report in October 2004 showed progress by Fire authorities in improving services highlighted in a Performance Audit report published earlier that year. Maintaining Scotland's roads report – new PI identified to report councils' annual performance. Data collection methodology being used by councils and SE to monitor performance. Internal audit study found 27 councils had improved their internal audit arrangements since the study published in 2001. All councils received a local report with further recommendations for improvement which will be monitored through annual audits. <p>Central government</p> <ul style="list-style-type: none"> Local economic forums follow-up report provided assurance to Parliament on a new initiative to coordinate the delivery of economic development services. Scottish Enterprise account management report led to a 15 point action plan to improve delivery of services and to examine variations in recorded outcomes. Holyrood report – clarified the reasons for increases in costs and weaknesses in management of the project to Parliament. Scottish Prison Service correctional services report led to improvements in financial planning, the availability of services and the evaluation of effectiveness
Response times for correspondence from members of the public concerning potential audit issues	<p>In 2004/05 193 items of correspondence were received. 98% was acknowledged on time. In 2003/04 144 items were received and 95% were acknowledged in time.</p> <p>80% of correspondence was responded to in full within one month of being acknowledged (67% in 2003/04).</p>

Freedom of Information: Audit Scotland's publication scheme

Much of the information we hold is freely available for downloading from our website (www.audit-scotland.gov.uk). If you do not have internet access, or if the information is not available in electronic format, we will provide a single copy in print or an alternative format.

You can contact us in the following ways:

Tel: 0131 477 1234

Email: info@audit-scot.gov.uk

Fax: 0131 477 4567

In writing: Mandy Gallacher
Audit Scotland
110 George Street
Edinburgh EH2 4LH

If the information you require is not in our publication scheme you can make a request for it using the contact options above.

When requesting information, please include the following details: your name and address, and the information or documents you want to see.

If you are having difficulty in identifying the information you require please contact us and we will be happy to help.

Classes of information

Class and Description	All information is held by Audit Scotland. The information relates to:		
	Auditor General	Accounts Commission	Audit Scotland
1. Who we are and what we do Information about how we are structured, our roles and responsibilities and how to contact us, including: <ul style="list-style-type: none"> • Quick guide to Audit Scotland, the Auditor General and the Accounts Commission • Office addresses and contact details • Who the Audit Scotland board members are • Accounts Commission members and their interests 	✓	✓	✓
2. Our work programme and how we do the work Information about the work we are doing and how the work is done including guidance and instructions on the audit process and who does the work, including: <ul style="list-style-type: none"> • Audited bodies and their auditors • Our code of audit practice • Statement of responsibility of auditors • Our performance audit work programme • Briefing note on the Best Value audit • Statutory Performance Information for local authorities 	✓	✓	✓
3. The findings of our work Information that explains what we found through the audit process including: <ul style="list-style-type: none"> • Annual reports by auditors • Auditor General reports to Parliament including section 22 reports 	✓	✓	✓

Class and Description	All information is held by Audit Scotland. The information relates to:		
	Auditor General	Accounts Commission	Audit Scotland
<ul style="list-style-type: none"> • Statutory reports to the Accounts Commission including Best Value reports and the Commission's findings • Performance audit reports • Local authority performance information • Media releases and statements 	✓	✓	✓
4. Our budget and how we spend it Information about how we are funded and how we spend our budget including: <ul style="list-style-type: none"> • Annual report • Our accounts 	✓	✓	✓
5. How we are managed Information about how we manage ourselves including our business planning and performance reporting and how we are structured, including: <ul style="list-style-type: none"> • The Audit Scotland Corporate Plan • The strategies of the Auditor General and the Accounts Commission • Minutes of Audit Scotland Board, Management Team and Accounts Commission meetings (These will be available within three months of meetings) • Our policies 	✓	✓	✓