



Audit Scotland
Corporate plan: 2005-08

Auditor General for Scotland

The Auditor General for Scotland is the Parliament's watchdog for ensuring propriety and value for money in the spending of public funds.

He is responsible for investigating whether public spending bodies achieve the best possible value for money and adhere to the highest standards of financial management.

He is independent and not subject to the control of any member of the Scottish Executive or the Parliament.

The Auditor General is responsible for securing the audit of the Scottish Executive and most other public sector bodies except local authorities and fire and police boards.

The following bodies fall within the remit of the Auditor General:

- departments of the Scottish Executive eg, the Health Department
- executive agencies eg, the Prison Service, Historic Scotland
- NHS boards
- further education colleges
- Scottish Water
- NDPBs and others eg, Scottish Enterprise.

The Accounts Commission

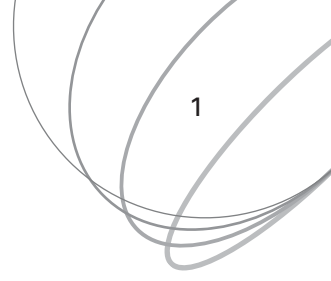
The Accounts Commission is a statutory, independent body which, through the audit process, assists local authorities in Scotland to achieve the highest standards of financial stewardship and the economic, efficient and effective use of their resources. The Commission has four main responsibilities:

- securing the external audit, including the audit of Best Value and Community Planning
- following-up issues of concern identified through the audit, to ensure satisfactory resolutions
- carrying out national performance studies to improve economy, efficiency and effectiveness in local government
- issuing an annual direction to local authorities which sets out the range of performance information they are required to publish.

The Commission secures the audit of 32 councils and 35 joint boards (including police and fire services). Local authorities spend over £13 billion of public funds a year.

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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Introduction by the Auditor General and by the Chairman of the Audit Scotland Board



We are pleased to present Audit Scotland's Corporate Plan 2005-08. The plan sets out what Audit Scotland will be doing over the next three years to contribute to an effective and efficient Scottish public sector.

In a time when demands on public services are constantly increasing, but the resources to meet that demand are finite, it is vital that every public pound is used as effectively as possible, and we are committed to the achievement of this goal.

After consulting widely and listening to the views of our clients and stakeholders Audit Scotland's priorities for 2005-08 will be:

- Supporting effective democratic scrutiny.
- Maximising the value of the audit.
- Building an effective and efficient organisation.

Through these priorities we shall maximise our support for the improvement of public services for

the benefit of those who use them. We shall also improve the efficiency and effectiveness of audit.

The statutory public audit is based on three 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.

We are committed to these principles and to ensuring that a consistent, robust public audit regime is applied in Scotland. We shall continue also to report in public on public bodies. We shall strive to secure value for money from our service providers, ourselves and our partners.

We believe that there is a commitment in the Scottish public sector to probity, proper governance and achieving Best Value in the delivery of services. We also believe that our modernised audit regime and performance auditing will play a significant part in supporting public services to improve.



Robert W Black
Auditor General



Alastair MacNish
Chairman,
Audit Scotland Board

Audit Scotland's role



Audit Scotland operates under the Public Finance and Accountability (Scotland) Act 2000. We provide services to the Auditor General and the Accounts Commission.

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.

Audit is a key part of democratic scrutiny and continuous improvement. Auditors appointed to undertake the audit of public bodies provide independent, objective assessment of the audited bodies' governance, financial stewardship and performance. The auditors' assessments of these arrangements are reported to the audited bodies and to the Auditor General or to the Accounts Commission.

Audit Scotland manages the appointment of auditors to audited bodies on behalf of the Auditor General and the Accounts Commission. These 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.

Audit Scotland also conducts studies and examinations on behalf of the Auditor General and the Accounts Commission.

[\(See Appendix 1 on page 13 for the summary of key functions of the Auditor General and the Accounts Commission.\)](#)

Our mission statement sets out the way in which we shall implement the strategies of the Auditor General and the Accounts Commission.

"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."

Governance

Audit Scotland has a board made up of five people: the Auditor General, the Chairman of the Accounts Commission and three others chosen by them. The board meets approximately five times per year.

Management Team

The Management Team is led by Bob Black, the Auditor General, who is Audit Scotland's Accountable Officer and includes Caroline Gardner, Deputy Auditor General, Hugh Hall, Managing Director of Audit Services, Russell Frith, Director of Audit Strategy and Diane McGiffen, Director of Corporate Services.

Values

Our staff are bound by a code of conduct that sets out the standards we shall adhere to in the course of our work. We also have a set of values for our work which are based on:

- effective communication
- quality
- commitment to learning, and
- respect.

Quality

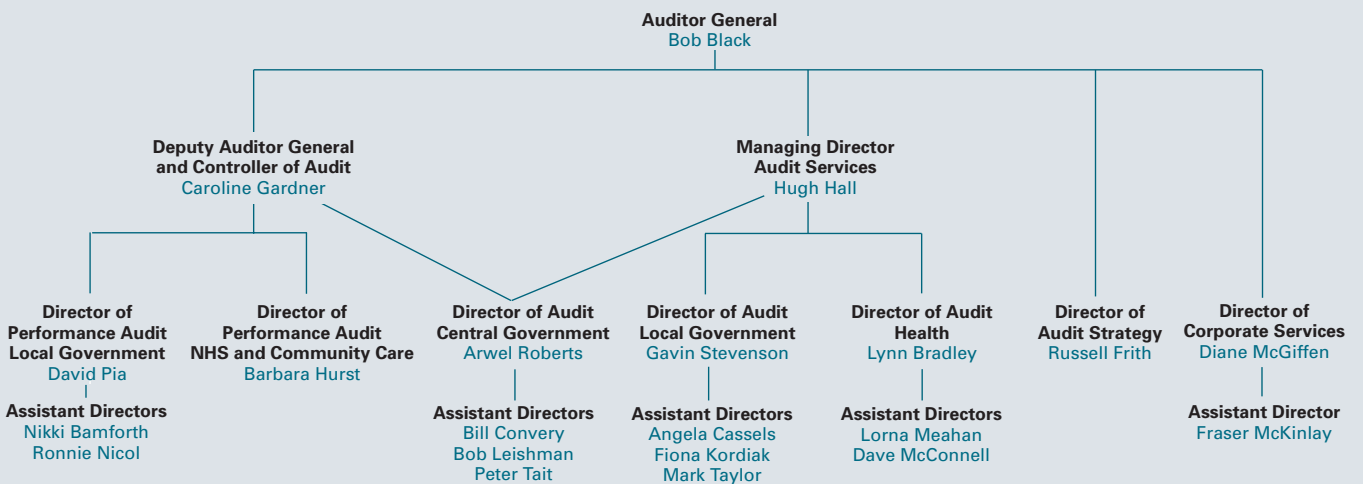
During the life of this plan, we shall be further developing our approach to quality, through revisions to both our overarching quality appraisal regime which applies to all auditors, including the firms, and by integrating our internal quality process.

Staffing

Audit Scotland employs around 270 people in six locations throughout Scotland. We keep our structure under regular review to ensure that our organisation is in the best position to deliver efficiently the programme outlined in this plan. Staff are grouped under the Management Team as shown in Exhibit 1 below.

Exhibit 1

The Audit Scotland Management Team



Strategic context



Audit Scotland's role is to deliver a public audit regime which meets the strategic objectives of the Auditor General and the Accounts Commission.

Audit Scotland's strategic context is determined by the strategic concerns of the Auditor General and the Accounts Commission and the environment in which we work.

The key factors in our strategic environment over the next three years are likely to be:

- The need for public services to demonstrate that the extra resources being invested in Scotland are being used economically and efficiently, and are having a direct and significant impact on services.
- The impact of Best Value legislation in local government and the extension of the best value principles across the rest of the public sector.
- New ways of working, including the need for collaboration between agencies to deliver services and policy objectives through initiatives such as Joint Futures and community planning, e-government and related investment in ICT.
- Global developments in the accounting and audit world, which will lead to more standard, sharper and earlier reporting requirements for public bodies.
- Increasing competition for skilled staff across the public sector, including audit.
- The increasing importance and involvement of the public and consumers of services in policy development and service choice.

Opportunities

Audit Scotland, working on behalf of the Auditor General and the Accounts Commission, has a unique place in the Scottish public landscape. Because we audit across the whole of the public sector – central and local government and the NHS – we have the ability to report in public on the governance, regularity and performance of all public bodies, and on £26 billion of public money spent in Scotland each year.

In assessing the performance of public bodies, we shall sometimes work with other inspectors and regulators. Audit and inspection are both important, and they have distinct and complementary roles. Auditors have a particular focus on value for money; focus on the whole organisation; and provide a continuous presence at local level. Inspectors have a greater emphasis on professional standards and staffing specific to a service area,

and tend to investigate in greater depth on a periodic basis. Audit is independent whereas inspectorates are directly accountable to ministers. We work hard to ensure that our work is coordinated with that of inspectorates and are committed to taking this further.

A comprehensive review of the services we provide and how we are organised was completed during 2004. As a result we have restructured the audit and performance delivery arms of the organisation into three sectors, as follows:

- Local government
- Central government
- Health.

The aim of our restructuring is to maximise the value of our audit work, and during the life of this plan we shall be developing our ways of assessing the impact of our work.

Our forward work programme



The following pages set out what we intend to achieve over the next three years. This corporate plan is supported by annual business plans and a robust performance and financial reporting framework. We shall demonstrate the efficiency and effectiveness of our work through performance indicators and outcome measures that track our progress. We shall report publicly on progress against this plan in our annual reports. Our internal performance indicators are listed in [Appendix 2](#).

1 Supporting effective democratic scrutiny

This priority relates to the reports we make to our major stakeholders and clients at national and local level across the three main sectors – local government, central government and health.

Best Value

- Deliver an effective, respected Best Value (BV) audit regime across the public sector.

In 2005-06 we shall deliver a best value audit of the following councils:

*Argyll and Bute
City of Edinburgh
East Ayrshire
East Renfrewshire
Glasgow City
Highland
Moray
Renfrewshire
Scottish Borders
West Dunbartonshire
Western Isles (Comhairle nan Eilean Siar)*

There will also be a best value audit of a police authority.

[Appendix 3](#) lists those councils we shall audit during 2006-07.

- Develop the audit of BV in the NHS.
- Develop a revised, modernised audit approach across the public sector, resulting in more timely and better informed reports to the Auditor General, the Accounts Commission and the bodies we audit.

- Deliver modernised audit services to all NHS clients including the Health department.
- Pilot a new modernised audit in two councils. We shall evolve the audit in the remaining councils, including undertaking two thematic studies on performance management and financial planning across our portfolio of 20 councils.
- Begin the roll-out of a new modernised audit for our central government clients.
- Contribute to improvement initiatives in the public sector, such as Community Planning and joint working, including implementing indicators for Community Planning.

Study Programme

The study programme planned for 2005-06 is set out below:

Scottish Water overview report

The efficiency and effectiveness of initiative funding

Review of colorectal cancer services

Using medicines in hospitals

Waste management in the NHS

Improving customer service through better customer contact

Local government overview report

Whole system modelling for delayed discharge

Scottish Executive integrated overview report (pilot)

How government works in Scotland

Scottish Enterprise performance management

Scottish Further Education funding Council

NHS overview integrated report

Meeting information needs: the effectiveness of Information Management and Technology (IM&T) in the NHS in Scotland

New consultant contract

Tackling waiting times

Following the Public Pound

Implementation of 'A teaching profession for the 21st century'

Housing stock transfers

Review of community planning partnerships

Appendix 4 lists those studies planned for publication Spring 2006 and beyond.

We intend that our studies will highlight best practice and contribute to the achievement of:

- improved performance for the benefit of service users
- an increase in shared working amongst local authorities and with others
- demonstrable efficiencies in the use of resources
- elimination of waste.

Other developments

- Produce new integrated performance audit reports which examine services across organisational boundaries from the perspective of citizens and service users.

Measuring our progress

In addition to the performance indicators in Appendix 2, our outcome measures for this strategic priority include:

- change happening as a result of audits, either in improvements in the economy, efficiency, effectiveness and quality of public services or improvements in the management of public bodies
- Scottish Parliament, the Auditor General and the Accounts Commission satisfied with new regime and integrated reporting
- raised understanding among MSPs and members of the public about which public bodies are performing well and which need to improve.

2 Maximising the value of the audit

This priority relates to the public bodies we audit – our client base. By improving our audit processes, we aim to help improve the standards of financial stewardship and performance, probity and governance throughout the public sector. A commitment to ensuring our audits add value to both our clients and our stakeholders underpins our financial and performance audit activity.

Priorities and Risks Framework (PRF)

Audit Scotland is in the process of reviewing and refining its approach to public sector audit. The PRF is a national planning tool which helps ensure that audit work is properly focused and takes account of national priorities and risks. It is designed to provide early identification of themes and emerging issues.

We will:

- Implement a PRF across all sectors.
- Apply revised modernised audit approach to all NHS bodies and pilot in local and central government. During the 2005/06 audit year we shall apply the new approach across the public sector.
- Deliver a revised Quality Appraisal process to ensure audits and reports add value to the audited body.

Procurement

Audit Scotland secures the audit of around 200 public sector bodies. About 64% of the work is undertaken by Audit Scotland, 36% being undertaken by firms. Audit appointments are made for five year periods and, in line with the principles of public audit, audit appointments are rotated. New appointments need to be in place by Spring 2006. This year we are reviewing our procurement strategy to take account of the new modernised audit, the development of Best Value and the need to secure value for money with a mixed market for audit in Scotland.

We will:

- Implement the new Audit Procurement strategy, to take account of more modernised audit, the development of Best Value audit and offer value for money within a mixed market.
- Revise the Code of Audit Practice to take account of the legislative, auditing and other developments that have occurred since the first Code was published in 2001. The revised Code to be published in 2005.
- Review how we assess the impact of our audit work, to enable us to demonstrate to our clients and stakeholders, how financial and performance audit work can lead to significant and real improvements in service delivery and resource management.

Measuring our progress

We are developing our performance indicators in this area to reflect the new direction of our audit work. They will demonstrate our increased understanding of our clients' business risks. We will continue

to report our performance in completing audits within the required deadlines. Our outcome measures for this priority include:

- change happening in audited bodies as a result of audits
- improved quality appraisal results
- increased client satisfaction
- improvement in clients' performance/services have been delivered
- positive feedback from clients on the value of the audit process
- increased staff satisfaction.

3 Building an effective and efficient organisation

This priority relates to the management of our own business. Under this priority, we must ensure that our business processes change and develop to support the new ways of working that will be emerging over the next three years.

Knowledge management

- Develop and implement a knowledge management strategy, to ensure that all our staff can benefit from the cumulative knowledge within the organisation. This will include developing specialist knowledge in a range of technical areas.
- Develop and implement a new Management Information System for Audit Scotland, in keeping with our knowledge management strategy.
- Implement a data management strategy to support more effective knowledge management and meet our Freedom of Information obligations.

Communications

- Review our external communications strategy in consultation with the Auditor General and Accounts Commission to ensure it continues to support our strategic priorities.

Learning and development

- Develop a structured agenda for personal and professional growth for all our staff. This will ensure that they are equipped to deliver our development goals. We shall include training on communication skills, management development, IT, relationship and change management. We shall also use development centres to create a dynamic learning environment within Audit Scotland.
- Review our Professional Training Scheme to ensure it provides effective learning opportunities for graduates and meets our changing business needs.
- Deliver a leadership programme for our senior teams.

Other developments

- Refurbish our premises at 18 George Street to support more flexible ways of working.

Measuring our progress

Our outcome measures for this priority include:

- evidence that we deliver best value in relation to our own activity
- increased staff satisfaction
- evidence of success in professional training and development

Exhibit 2

Summary of resource requirements, 2005-06

	2005-06	2004-05
	£(000)	£(000)
Accounts and governance	16,698*	14,252
Performance audit	7,010*	6,929
Other	333*	186
VAT	0	336
Total Revenue Expenditure	24,041	21,703
Income from charges to audited bodies	18,009**	15,903
Revenue funding from Parliament	6,032	5,800
Capital funding	493	1,305
Total funding from Parliament	6,525	7,105

Notes:

* Our VAT status changed during the financial year ended 31 March 2005 to a position where we can no longer recover input VAT. Accordingly, our resource requirement for 2006 incorporates irrecoverable input VAT as an integral part of all expenditure. We estimate this figure to be in the region of an additional £1.2million.

** Fees charged to clients have had to be increased to cover the cost of disallowed input VAT.

- an exemplar employer in diversity and equal opportunities
- Investors in People accredited
- improved HR statistics.

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. Our annual budget is approved by our board and it is subject to scrutiny by the Scottish Commission for Public Audit.

Our charging regime aims to link audit charges to outputs, to reflect local circumstances and to allow part of the charge to be agreed between the auditor and the audited body. Charges are set for each audit year (broadly November to October) and therefore each financial year covers part of two audit years.

Audit Scotland's 2005-06 budget

For 2005-06 Audit Scotland has an operating budget of £24 million and a capital budget of £0.5 million (Exhibits 2-4). £18 million will be raised through audit charges with the remaining expenditure funded by the Scottish Parliament.

We charge for most annual financial audits and for performance audit work and best value audit in local government.

Parliamentary funding pays for the audit of the Scottish Executive and related bodies and for some performance audit work outside local government.

Future financial requirements

Charges for audits over the life of this plan will be influenced principally by the level of public sector pay settlements, payments to the firms, incremental movements in staff salaries, the full rollout of the Best Value audit, for which local government has received additional

funding, and a requirement for Audit Scotland to pass on the full cost of input VAT (circa £1.5 million) within its charges.

For 2006-07 we anticipate a net revenue funding requirement from the Scottish Parliament of £6.2 million and for this to rise by general cost inflation to around £6.4 million in 2007-08.

Managing our financial resources

We are conscious of the need to keep audit charges down to the minimum compatible with the delivery of a consistently high quality audit complying with the public audit model.

Since Audit Scotland was founded in April 2000 we have significantly increased our output and productivity, with only limited increases in our expenditure. Exhibit 5 (overleaf) shows total gross expenditure from 2002-03 to 2003-04 (actual) and 2005-06 (budget). This can be compared with figures from the Scottish Executive shown in Exhibit 6 (overleaf).

Exhibit 3

Audit Scotland's income budget for 2005-06

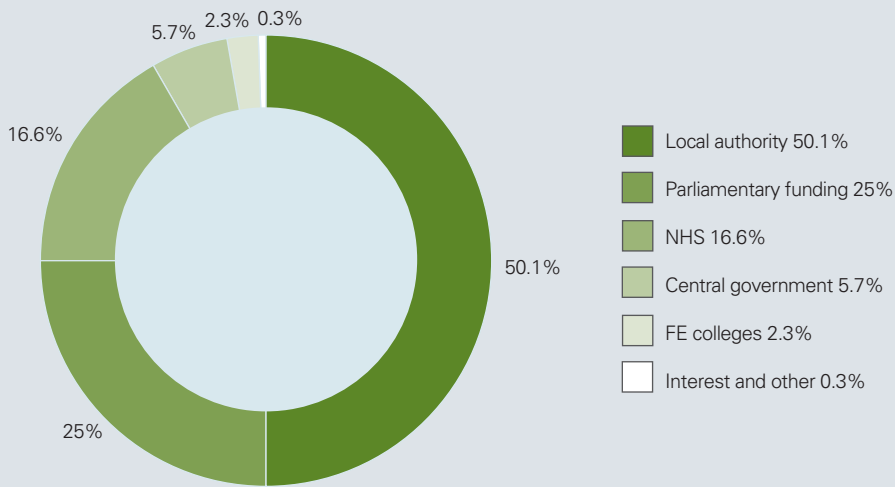


Exhibit 4

Audit Scotland's expenditure budget for 2005-06

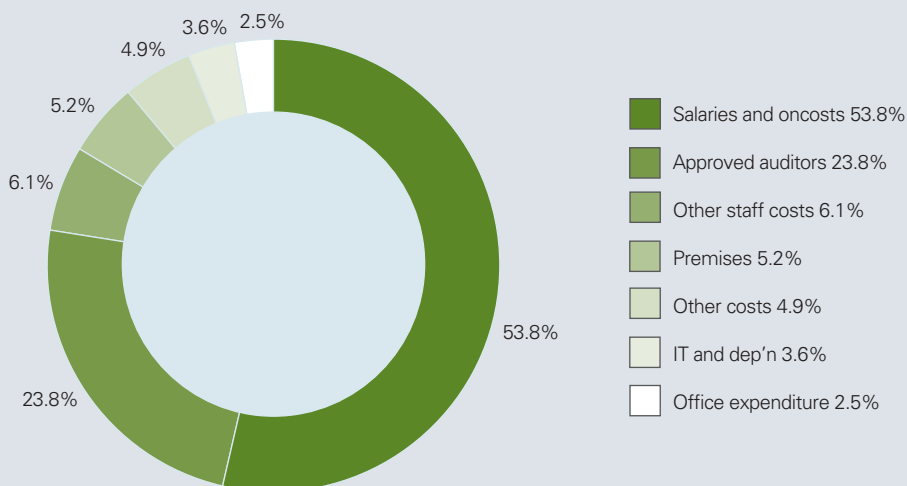


Exhibit 5

Audit Scotland's annual expenditure from 2002-03

£(000)	2002-03	2003-04	2004-05	2005-06
Total expenditure	20,433	20,972	21,703	24,041
Annual percentage increase		2.6%	3.5%	11.1% *
Cumulative percentage increase		2.6%	6.1%	18.5%

Note:

* See Exhibit 2 – note on impact of change of VAT status. Changed VAT status accounts for approximately 8% of the 2005-06 increase.

Exhibit 6

Total managed expenditure (TME) of the Scottish Executive

£(million)	2002-03	2003-04	2004-05	2005-06
Total expenditure	21,510	23,626	25,520	27,238
Annual percentage increase		9.8%	8.0%	6.7%
Cumulative percentage increase		9.8%	17.9%	24.6%

Appendix 1. Summary of key functions

Auditor General:

- To ensure propriety and value for money in the spending of public funds.
- To investigate whether public spending bodies achieve the best possible value for money and adhere to the highest standards of financial management.
- To be independent and not be subject to the control of any member of the Scottish Executive or the Parliament.
- To secure the audit of the Scottish Executive and most other public sector bodies, except local authorities and fire and police boards.
- To promote a public audit regime that is objective, rigorous, open, fair and effective.
- To act as accountable officer for Audit Scotland, with responsibility for its budget and resource management.

Accounts Commission:

- To secure the audit of all accounts of local authorities and associated bodies either by employed staff of Audit Scotland or by firms of accountants.
- To secure the audit of the performance by local authorities of their Best Value and Community Planning duties.
- To undertake or promote Best Value studies in local government.
- To give directions to local authorities on performance information.
- To consider reports made by the Controller of Audit, to investigate all matters raised and to conduct hearings where appropriate.
- To make recommendations to the Scottish Executive and to local authorities, and to impose sanctions on individual officers and members responsible for failures.
- To advise the Scottish Executive on local authority accounting matters.

Appendix 2. Audit Scotland performance indicators

Supporting democratic scrutiny

- Progress of health, central government and local government performance audit studies against agreed project plans.
- Number of performance reports published.
- Number of items of correspondence received, requiring a response and responded to in accordance with protocol.

Maximising the value of the audit

- Number of audits completed within statutory and Accounts Commission deadlines.
- Number (%) of local audit plans and fees agreed within timescales set by Audit Strategy.
- Number (%) of performance audit outputs delivered within timescales specified by Performance Audit.
- Number of Technical Bulletins, Notes for Guidance and Grant Notes issued against planned timescales.
- Results of quality appraisal reviews.
- Extent to which recommendations in Performance Audit national reports have been implemented. These are measured by Scottish Executive responses to recommendations in national reports concerned with central government and health sectors, findings of follow-up studies, and relevant local government statutory performance indicators.

Building an effective and efficient organisation

- Percentage of invoices paid within 30 days.
- Percentage of income collected against agreed fees, within agreed credit terms.
- Budget monitoring information provided by the 17th of each month.
- Sickness absence – percentage of staff at range of Bradford levels.
- Staff turnover and wastage (ie, leavers with less than 12 months service) rates.
- Percentage of PDS meetings carried out to schedule.

Appendix 3. Best Value audits planned for 2006

Aberdeen City

Aberdeenshire

Clackmannanshire

Dumfries & Galloway

East Dunbartonshire

East Lothian

Falkirk

Fife

Midlothian

North Lanarkshire

Orkney Isles

Perth & Kinross

South Ayrshire

South Lanarkshire

There will also be audits of two
police authorities

Appendix 4. Performance audit studies planned for publication

Spring/Summer 2005:

Scottish Water overview report

The efficiency and effectiveness of initiative funding

Review of colorectal cancer services

Using medicines in hospital

Waste management in the NHS

Improving customer service through better customer contact

Local government overview report

Whole system modelling for delayed discharge

Autumn/Winter 2005-06:

Scottish Executive integrated overview report (pilot)

How government works in Scotland

Scottish Enterprise performance management

Scottish Further Education Funding Council

NHS overview integrated report

Meeting information needs: the effectiveness of Information Management and Technology (IM&T) in the NHS in Scotland

New consultant contract

Tacking waiting times

Following the Public Pound

Implementation of 'A teaching profession for the 21st century'

Housing stock transfers

Review of community planning partnerships

Spring 2006 and beyond:

Estate management in higher education

Relocation of Scottish Executive departments, agencies and non-departmental public bodies (NDPBs)

Scottish Qualification Authority

Scottish Water capital procurement and asset management

Out-of-hours service

Catering for patients: a follow-up report

Planning ward nursing – legacy or design?: a follow-up report

Fire service

Police call management

Private Finance Initiative (PFI) and schools

Chronic disease management

Civilian emergency planning

Waste management

Youth justice: a follow-up report

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