

# Corporate Plan 2009–12



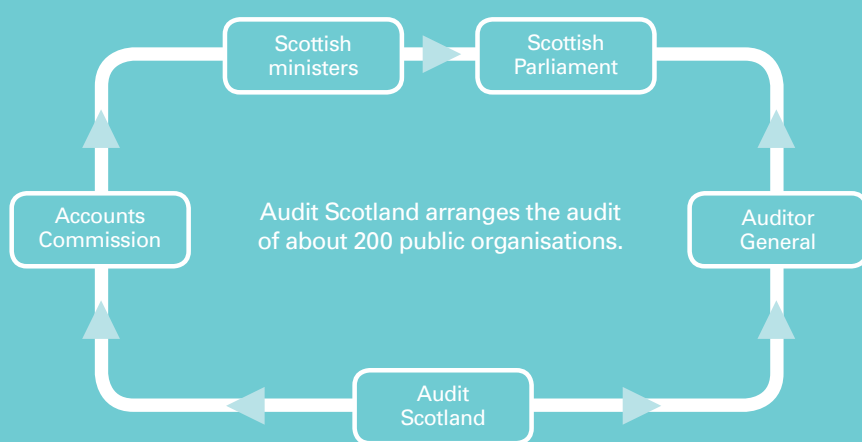
Holding to account and helping to improve



Around 200 public bodies in Scotland spend more than £31 billion of public money each year. This includes the Scottish Government, local councils and NHS bodies.

The duty of the Auditor General and the Accounts Commission is to help ensure that public money is spent properly, efficiently and effectively.

Our role in Audit Scotland is to provide the Auditor General and the Accounts Commission with the services they need to carry out their duties.



The Auditor General is independent, reports to the Scottish Parliament, and is held accountable for Audit Scotland's work.

The Accounts Commission is independent of local councils and of government and can make reports and recommendations to Scottish ministers.

## Contents

- 03** Introduction
- 04** Background and context for our work
- 06** Our vision
- 08** Our objectives
- 15** Supporting activities
- 18** Appendix 1. Increasing the impact of our work
- 20** Appendix 2. Our resources
- 22** Appendix 3. Measuring and reporting our performance

# Introduction

“Audit Scotland’s work for the Auditor General and the Accounts Commission will continue to support accountability and improvement across the public sector over the coming years.”

Audit Scotland was created in 2000 to provide the Auditor General and the Accounts Commission with the services they need to check that public money is spent properly, efficiently and effectively. Nine years on, the landscape in which we operate has changed significantly and public audit has to evolve and adapt to those changes. This plan provides an overview of Audit Scotland’s vision and objectives. It has been prepared in accordance with the joint statement on the Principles of Public Audit agreed by the Auditor General and the Accounts Commission. It also provides the basis for the detailed sector plans which guide our business within Audit Scotland.

One of the fundamental principles of public audit is that it is independent – both of government and of the bodies that we audit. However, we must still work effectively within the overall system of governance and accountability, ensuring that our work is relevant to service providers and government and where possible responding to issues of concern to the Scottish Parliament and the public.

Audit Scotland’s work for the Accounts Commission and the Auditor General will continue to support accountability and improvement across the public sector over the coming years.

We have consulted with public bodies, MSPs and other stakeholders to identify the key issues for public audit in the coming years and have used their views to help ensure the audit process responds to the many challenges ahead.

This plan will enable Audit Scotland to:

- Deliver more streamlined audit in partnership with other scrutiny bodies.
- Maximise our contribution to the improvement of public services.
- Increase the impact of our work.
- Become a centre of excellence for public audit.
- Improve the transparency of our costs and governance arrangements.

These are the priorities that have emerged from our consultation with stakeholders and on behalf of Audit Scotland, we would like to thank everyone who responded to the consultation and contributed to the development of this plan. A separate report summarising the findings from our consultation is published on the Audit Scotland website at [www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk)



**Robert W Black**  
Auditor General for  
Scotland and Accountable  
Officer for Audit Scotland

A stylized, handwritten signature in black ink, appearing to read 'Robert W Black'.

**John Baillie**  
Chair of the Accounts  
Commission and Audit  
Scotland Board

A stylized, handwritten signature in black ink, appearing to read 'John Baillie'.

# Background

## and context for our work

While Audit Scotland was set up to provide services to the Auditor General and the Accounts Commission we also work on behalf of the public. One of the fundamental principles of public audit is that we make the results of our audits available to the public, to democratically elected representatives and to members of public boards. We try to serve the interests of tax payers, citizens and service users. Over the coming years we will be working harder than ever to find ways to make our work easier for the public to access and understand.

Our plan for 2009–12 is informed by changes in the public sector landscape and the priorities of our public sector clients and stakeholders including: the evolving political context, the development of Single Outcome Agreements, new service delivery arrangements, the priorities of public bodies and stakeholders, and the growing focus on diversity, equality and environmental sustainability.

We aim to ensure that our work adds value and responds to the dynamic public sector context in which we are operating.

We know from our consultation that the most pressing issues facing our stakeholders and public bodies over the next five years are:

- increasing pressure on public spending

- increasing emphasis on more efficient working
- the continuing need for high standards of corporate governance, financial management and control
- the need to deliver more efficient and effective scrutiny and accountability.

We have also consulted in detail on the content of our programme of performance audits.

### Governance

Audit Scotland is held to account by a board and by the Scottish Commission for Public Audit (SCPA). Our board has five members, including three non-executives. The SCPA considers our budget and our accounts annually, and makes reports to the Scottish Parliament's Finance Committee on our resource needs. Board minutes and agendas are on our website and details of the SCPA's proceedings are available on the Scottish Parliament's website.

Our external auditors are appointed by the SCPA and they have no other business relationship with us. We publish an annual report and accounts which is widely read by public bodies and stakeholders.

We will report annually on the delivery of our programme of work and progress against this plan using agreed performance indicators. We are also committed to tracking the longer term impact of our work through our Impact Framework – see Appendix 1.

It is important that we meet the standards expected of public bodies. Some examples of how we do this include:

- We have developed diversity and equality action plans and are committed to developing a single overarching equality scheme during 2009/10.
- We are committed to reducing the environmental impact of our work by cutting our carbon footprint by one per cent.
- We are committed to achieving two per cent efficiency savings and will report on our progress annually.

We will continue to seek feedback from all our stakeholders to help assess our performance.



The following pages provide an overview of our vision and objectives. This plan will enable Audit Scotland to:

- Deliver more streamlined audit in partnership with other scrutiny bodies.
- Maximise our contribution to the improvement of public services.
- Increase the impact of our work.
- Become a centre of excellence for public audit.
- Improve the transparency of our costs and governance arrangements.



# Our vision

“We provide assurance to the people of Scotland that their money is spent appropriately and we help public sector organisations in Scotland to improve and perform better.”

---

Over the period of this plan our vision is to provide assurance to the people of Scotland that their money is spent appropriately and help public sector organisations in Scotland improve and perform better.

As a result of the changing environment, the key issues facing our stakeholders and public bodies, and the feedback from our stakeholder consultation, we have set the following priorities for the next five years:

- Deliver more streamlined audit in partnership with other scrutiny bodies.
- Maximise our contribution to the improvement of public services.
- Increase the impact of our work.
- Become a centre of excellence for public audit.
- Improve the transparency of our costs and governance arrangements.

The diagram opposite represents our vision, objectives and the supporting activities we will carry out over the period of this plan. This plan is structured to reflect these three levels and is supported by detailed plans for each sector – central government, local government and health – these are published on our website at [www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk)

## Increasing the impact of our work

We are committed to maximising the impact of our work and providing more evidence on the impact our work has had. Measuring the impact of audit is complex. Although audit can identify potential for improvement, in most cases it will only be achieved if public bodies make changes to how they do their work. Assessing the full impact of our work involves tracking and reporting on these changes over time, as well as reporting annually on our performance.

Over the period of this plan we will continue to develop arrangements for identifying and measuring the impact of our work along with a range of performance measures to support this. Appendix 1 sets out the framework we are implementing to guide this work. We will report the impact of our work in future annual reports.

“We are committed to maximising the impact of our work in holding public bodies to account and helping them to improve and providing more evidence each year and over time on the impact our work has had.”

### Our vision, objectives and supporting activities

#### Our vision

On behalf of the Auditor General and the Accounts Commission, we will provide assurance to the people of Scotland that their money is spent appropriately and we will help public sector organisations in Scotland to improve and perform better.

#### Our objectives

##### Holding to account and helping to improve

We will conduct excellent risk-based audits of the public sector and report on them in public

We will systematically identify and promote good practice to help public bodies to improve

#### Supporting activities

We will ensure that we are recognised and respected as an independent and authoritative body

We will closely engage and communicate with our key stakeholders, clients and partners, and other scrutiny bodies

We will ensure that we understand the external environment and policy context

We will apply independent challenge and technical support to maintain and improve the quality of our work

We will form robust and professional judgements from our evidence-base

We will have engaged and motivated people, strong leadership and good internal communication

We will continue to maintain and develop our professional skills and competencies

We will gather, organise and share knowledge and intelligence

We will deliver our work and manage our resources efficiently and effectively and will be clear where we need to improve. We will have excellent governance procedures and will monitor and report on the impact of our work.

# Our objectives

## Holding public bodies to account and helping to improve

Working on behalf of the Accounts Commission and the Auditor General, our core objectives are to hold public bodies to account and help them to improve.

### We will do this by:

- **conducting excellent risk-based audits of the public sector in Scotland and reporting on them in public**
- **systematically identifying and promoting good practice to help public bodies in Scotland to improve.**

### Our progress will be evidenced by:

- Number of audit reports published:
  - 8-12 performance audits annually
  - 200 audit reports annually.
- Delivery of the Best Value 2 programme agreed by the Accounts Commission.
- Publishing 3-4 path finder audit reports in 2009.
- Preparing joint scrutiny plan for local government and deliver the objectives set in it.
- Percentage of recommendations accepted by public bodies from our performance audits and annual audits.
- Number of recommendations implemented.
- Percentage of performance audit reports incorporating good practice recommendations.

### Getting the balance right

A key message from our stakeholder consultation is that we can develop more of a balance between holding to account and helping to improve, and there is an appetite for us to do more to support improvement.

Over the period of this plan we aim to develop our approaches to identifying good practice and offering improvement support. These developments fall into three main categories:

- Capturing examples of good practice based on audit evidence.
- Sharing good practice.
- Following up the achievement of improvement more systematically.

Given the importance of audit independence as a fundamental principle of public audit, we are considering carefully how, in partnership with public sector improvement agencies, we can maximise the improvement value of our audit work.

### Supporting accountability and improvement

In order to support our core objectives we carry out several different strands of audit activity:

1. Audit procurement and quality assurance
2. Annual audits
3. Best Value audits
4. Performance audits

These strands are delivered within a single overarching framework to ensure that our activities are joined up, coordinated and minimise duplication of effort.

The overall framework is established through the Code of Audit Practice and brought to life through sector plans, which bring together all aspects of audit work to be undertaken in a particular sector over a rolling three-year period.

Priorities and risks framework documents are produced for each sector setting out the main risks facing the audited bodies to help inform consistent and effective planning of audits. Regular meetings of all auditors in each sector including those carrying out performance audits and Best Value audits are held to help ensure that auditors have a shared understanding of the issues facing audited bodies and the planned audit approach.



“Over the period of this plan we aim to maximise our contribution to the improvement of public services.”

We carry out four main strands of audit work.

### 1. Audit procurement and quality assurance

The Accounts Commission appoint auditors to local authorities and all other appointments are made by the Auditor General for Scotland. Current appointments end after 2010/11, and over the period of the plan we will support the Accounts Commission and the Auditor General to procure and appoint auditors for 2011 onwards.

Audits are undertaken by Audit Scotland staff or private firms. The appointment mix is designed to deliver greater value to public bodies and stakeholders and to ensure the ongoing independence of auditors from the bodies they audit by rotating appointments. We work closely with private audit firms to promote a shared understanding of emerging issues and consistent approaches to our audit work.

Our audit strategy team plays an important role in supporting the Auditor General and the Accounts Commission to assure the quality of external audit work. We will revise our quality assurance arrangements for all auditors to bring an additional external dimension to them. Our Code of Audit Practice sets the standards expected of all appointed auditors, and we also

support the ongoing improvement in auditing standards through the technical advice we provide to all auditors and public bodies.

Over the next few years, most public bodies will change the basis of their accounts from UK GAAP<sup>1</sup> to International Financial Reporting Standards (IFRS). This will involve significant changes in accounting for many items including PFI/PPP contracts; property leases; financial instruments and guarantees.

### 2. Annual audits

Each year, Audit Scotland directly audits about half (or two-thirds by fee value) of the devolved public bodies in Scotland with private firms of accountants auditing the rest. Our audit reports are based on evidence and provide an opinion on public bodies' financial statements, performance and governance arrangements.

The detailed findings from these audits are reported directly to the public body and in public so that any significant concerns about the use of public money and examples of good practice are brought to public attention. This enables those with a stewardship role – board members and elected representatives – to hold public bodies to account.

This work also informs the focus of our programme of national performance audits and through this plays an important role in supporting improvement.

The National Fraud Initiative is a counter-fraud exercise which we conduct in partnership with the Audit Commission. It enables public bodies to detect and prevent fraud and enables auditors to assess the counter-fraud arrangements that public bodies have in place. It involves bi-annual data-matching which compares information from a range of public bodies' financial systems.

Our stakeholder consultation was very supportive of the quality of our audit work, but highlights an appetite for improvements in the planning and delivery arrangements. We are committed to continuous improvement and becoming a centre of excellence for auditing and public reporting. We are planning a number of internal developments as outlined in the Supporting activities section.

<sup>1</sup> UK GAAP refers to Generally Accepted Accounting Principles.

The table below provides a summary of what we plan to do to achieve our objectives over the period of this plan.

## Our objectives

### Holding to account and helping to improve

We will conduct excellent risk-based audits of the public sector and report on them in public

We will systematically identify and promote good practice to help public bodies to improve

### 1. Audit procurement and quality assurance

- Survey our clients on the quality of the audit and reporting and use the feedback to support continuous improvement.
- Monitor the performance of auditors through our quality assurance process.
- Include an important external dimension to our quality appraisal processes.
- Support public bodies through implementation of IFRS.
- Provide technical advice and guidance to appointed auditors and public bodies on important developments in audit and accountancy.
- Provide support to the Accounts Commission and the Auditor General in making new audit appointments to all devolved public bodies in Scotland for 2011 onwards.

### 2. Annual audits

- Complete the annual audits to the statutory and Accounts Commission timescales.
- Work with other scrutiny bodies to develop a shared understanding of the priorities and risks for each sector. This will enable auditors to tailor their work to reflect local risks and priorities and increases the value of their work for public bodies and stakeholders.
- Carry out data-matching exercises, in partnership with the Audit Commission through the National Fraud Initiative, to detect fraud and error.
- Provide clearer information to public bodies on the work that we will be doing and how it links with internal audit.
- Introduce independent review and challenge of our audit work to ensure it continues to meet accepted good practice, and continues to improve.
- Continue to improve public reporting of results of audits.
- Improve the efficiency and quality of our audits by:
  - introducing an Electronic Working Papers package to automate our work further
  - changing how we deploy audit resources following an internal review in 2008.

“We are committed to measuring the impact of our work and providing more evidence on the impact our work has had.”

### 3. Best Value audits

- Complete our current programme of Best Value audits in local government during 2009.
- Work in partnership with other scrutiny bodies to deliver a shared approach to risk assessment and deliver more streamlined audit and inspection which is robust, carried out at an appropriate level, and seeks to minimise the burden on public bodies.
- Develop our approach to the audit of Best Value in a way which is risk based and which makes a greater use of self-assessment by clients.
- Carry out Best Value 2 audits in local government from 2009 onwards.
- Develop arrangements, on behalf of the Accounts Commission, to extend the Best Value audit to cover the joint boards which are responsible for police and fire and rescue authorities.
- Develop arrangements, on behalf of the Auditor General, to introduce Best Value auditing to health and central government bodies.
- Develop arrangements on behalf of the Auditor General and the Accounts Commission to extend the Best Value audit to cover partnership arrangements.
- Work in partnership with other scrutiny bodies and improvement agencies to avoid duplication of effort and maximise our contribution to the improvement of public services.

### 4. Performance audits

- Complete our current programme of performance audits and carry out a new programme of work from 2009 onwards as outlined on page 14.
- Develop and consult on a new programme of performance audits for 2011 onwards for approval by the Auditor General and the Accounts Commission.
- Deliver 8-12 performance audits each year from 2009 onwards.
- Develop more varied and diverse ways to disseminate the findings of our work.
- Develop our reporting approach to support the sharing of good practice.
- Follow up our reports to ensure that action is being taken, where appropriate, by public sector organisations.
- Introduce more peer review and independent challenge of our performance audit work to provide assurance that it continues to meet accepted good practice and continues to improve.

### 3. Best Value audits

The duty of Best Value applies to all public bodies in Scotland. It is a statutory duty in local government, and in the rest of the public sector it is a formal duty on Accountable Officers. The Accounts Commission has a statutory duty to audit Best Value in local authorities.

Best Value has already been a powerful force for improved performance and accountability in local government, and it will play an important role in supporting the Concordat and the development of Single Outcome Agreements between the Scottish Government, councils and their partners, and in streamlining and coordinating the scrutiny of public services.

On behalf of the Auditor General and the Accounts Commission, Audit Scotland is working to ensure that our approach to the audit of Best Value is consistent across the public sector, although its application will differ to reflect factors such as the different accountability regimes and reporting arrangements in place in different sectors. This will enable us to apply a consistent set of expectations across all the bodies that we audit, and to reflect and support the reality of partnership working between organisations.

### The Best Value framework

The following principles underpin our approach to the audit of Best Value:

- A focus on outcomes as well as corporate performance management processes.
- An emphasis on the effectiveness of partnership working.
- Coverage of service performance and the use of resources.
- A proportionate and risk-based approach, founded on self-assessment.
- Clear audit reporting and transparency of audit process.
- Support for improvement and the sharing of good practice.

The future of Best Value audits (Best Value 2) in local government is being developed in conjunction with the Accounts Commission and in keeping with the findings of the independent review of the Best Value audit process, developments such as Single Outcome Agreements, and the emerging outcomes from the scrutiny reviews being conducted by the Scottish Government and the Parliament. We are working to streamline our annual and Best Value audits.

### Scrutiny coordination

In February 2008, the Cabinet Secretary for Finance and Sustainable Growth invited the Accounts Commission to take on a gate-keeping role, through Audit Scotland. This role aims to support scrutiny agencies to work together to provide assurance about the performance of councils and to support improvement as efficiently and effectively as possible.

All the key local government scrutiny bodies – the Accounts Commission, HMIE<sup>2</sup>, SWIA, the Care Commission, the Scottish Housing Regulator, HMIC, NHS QIS and Audit Scotland – are working together to reduce the burden of scrutiny on councils and to improve its impact and effectiveness.

Immediate action was taken to streamline scrutiny in five council areas and there is agreement that the new Best Value audits will be used as the single corporate assessment of local authorities.

Spring 2009 represents a watershed for most of the scrutiny bodies in local government, with major decisions due to be made about the future of Best Value audits and HMIEs INEA<sup>3</sup> inspections; the completion of the first cycle of the HMIE-led child protection inspections and the first cycle of SWIAs performance inspections; the possible implementation of HMIE-led Services for Children inspections; and likely change to the minimum frequencies of inspection for the Care Commission.

<sup>2</sup> Her Majesty's Inspectorate of Education (HMIE), Social Work Inspection Agency (SWIA), Her Majesty's Inspectorate of Constabulary (HMIC), NHS Quality Improvement Scotland (NHS QIS).

<sup>3</sup> Inspection of Education Authorities (INEA).

“Over the period of this plan we will deliver more streamlined audit in partnership with other scrutiny bodies.”

During 2009, we will be working with our scrutiny partners to develop and deliver a risk assessment methodology that will offer assurance that planned audit and inspection activity is both proportionate and adequate.

There will be regular reporting by the Controller of Audit and Deputy Auditor General to Scottish ministers, local government and Parliament on progress in achieving more proportionate and risk-based scrutiny, focusing initially on local government, but progressively covering scrutiny across other sectors.

#### 4. Performance audits

Our programme of performance audits for the Accounts Commission and the Auditor General will cover key areas of parliamentary and public interest and target areas where we can support improvement in public services. This work helps the Scottish Parliament and the Accounts Commission to hold public bodies to account and encourage improvement.

Through our stakeholder consultation we recognise the potential to do more to support improvement through this work and are planning a range of developments so that we get better at identifying and sharing good practice.

In planning our programme of performance audits we focus on important public policy issues such as: partnership working, financial sustainability, use of resources and value for money. We also help to scrutinise diversity and sustainability arrangements through this work. The table on page 14 details our planned performance audits.

As public services are increasingly delivered across traditional sector boundaries, many of our audits cover more than one sector. We conduct performance audits to evaluate the impact of new policies and legislation, and on Best Value and Efficient Government. We consult widely with public bodies and stakeholders on the proposed programme of audits on behalf of the Auditor General and the Accounts Commission.

In carrying out this work we follow a rigorous project methodology to ensure quality at every stage, from project scoping to reporting and follow-up.



Performance audits			
Central government	Health	Local government	Cross-cutting
<p><b>New reports</b> Financial management in the Scottish Government</p> <p>Cairngorm funicular railway</p> <p>Enterprise funding streams</p> <p>The role of Boards</p> <p>Concessionary fares</p> <p>Scottish Police Services Authority</p> <p>Efficient justice</p> <p><b>Follow-up reports</b> Public sector pension schemes in Scotland</p> <p>Major capital projects</p>	<p><b>Reports in progress</b> Using medicines in hospital follow-up</p> <p><b>New reports</b> New waiting times arrangements</p> <p>Specialty efficiency – orthopaedics</p> <p>Medical locums</p> <p>Pay modernisation</p> <p>Emergency care</p> <p><b>Follow-up reports</b> Information management and technology</p> <p>Diagnostics</p> <p><b>Other reports</b> NHS overview reports (performance and financial)</p>	<p><b>Reports in progress</b> Local government overview</p> <p>Asset management in councils</p> <p><b>New reports</b> Physical recreation services in local government</p> <p>Managing unit costs</p> <p>Management of local government pension funds</p> <p>Best Value and resource management series*</p> <p>Impact of liquor licensing</p> <p>Physical planning services in local government</p>	<p><b>Reports in progress</b> Overview of drug and alcohol services</p> <p>Mental health overview</p> <p>Civil contingencies planning</p> <p>Strategic procurement</p> <p>Environment overview</p> <p><b>New reports</b> Delivering efficiencies</p> <p>Looked after children in residential settings</p> <p>Mental health (second report in the series)</p> <p>Community Health Partnerships</p> <p>Community Planning</p> <p>Commonwealth Games</p> <p><b>Follow-up reports</b> Roads maintenance</p>

Note: \*The Best Value and Resource Management series will be a suite of short reports for the local government sectors on resources and issues and Best Value themes of national significance emerging from our audit work, for example on issues such as procurement and performance management. They will provide information about patterns and trends across Scotland and identify good practice.

# Supporting activities

The statements below describe the supporting activities we will carry out to help ensure we achieve our vision and objectives and our aspiration of being recognised by our stakeholders, partners and clients as a centre of excellence for auditing and performance reporting. We also set out the evidence we will use to assess and report on our progress. Summaries of our resources and supporting activities are provided in the Appendices.

## Ensuring that we are recognised and respected as an independent and authoritative body

### Evidenced by:

- Positive stakeholder and client feedback.
- Membership of professional bodies.
- Number of external requests for advice.
- Invitations to speak at external events and conferences.
- Website statistics (hits, downloads of reports).
- Number of complaints about us.

To ensure that our work is making a difference and leads to real improvements it is essential that we are recognised for our independence and that we have a strong reputation for our professionalism and expertise.

We will continue to contribute to the development of professional accounting and auditing standards through our membership of bodies such as the Financial Reporting Advisory Board, CiPFA/LASAAC, local government SORP Board and the Auditing Practices Board Public Sector Sub-Committee.

The growing number of requests we receive to support public audit providers in Europe and beyond is evidence that we are building a reputation for good practice in the delivery of public audit. We will carry out a programme of international development work in partnership with other audit agencies to support developing countries and build audit capacity.

## Engaging and communicating with our key stakeholders, clients, partners and other scrutiny bodies

### Evidenced by:

- Stakeholder feedback.
- Number of shared risk-assessment frameworks in local government.
- Attendance at audit committees of audited bodies.
- Contributing to seminars and conferences.

Close engagement and communication ensure that we identify appropriate topics for our

audit work. In turn, this informs our sector plans and priorities and risk frameworks. Closely engaging and partnering with other scrutiny bodies and improvement agencies also helps to avoid duplication of effort and maximises our contribution to the improvement of public services. We have to clearly communicate our findings and recommendations to ensure our messages are heard and our recommendations are followed up. We will implement a range of developments to improve our communication and engagement with key stakeholders, clients, partners and other scrutiny bodies. We will also share the knowledge and expertise gathered during the course of our work by contributing to external groups and forums.

## Understanding the external environment and policy context

### Evidenced by:

- Number of priorities and risks frameworks published.
- Number of sector meetings conducted.
- Stakeholder feedback.

To ensure our work is relevant and adds value, we have to understand and respond to the changing public sector landscape and policy priorities. Through our continuing involvement with a wide range of external bodies and forums we aim to keep abreast of

the issues that really matter to those who manage, deliver and use public services in Scotland. We will work with a range of partners to develop a priorities and risks framework (PRF) for each sector that we audit. The PRF describes the key priorities and risks facing each sector and helps to shape our work at a national and local level. PRFs are published on our website. We also hold meetings with auditors in each sector (sector meetings) during the year to share information and promote good practice and consistency of approach. We also consult on our programme of performance audits and seek approval on the programme of work from the Auditor General and the Accounts Commission. We will continue to ensure we understand our external environment and policy context.

#### Applying independent challenge and technical support to maintain and improve the quality of our work

##### Evidenced by:

- Percentage of reports with independent input or which have been peer reviewed.
- Number of technical briefings issued.

The quality of our audit work is essential. We therefore ensure that we comply with recognised professional standards and that we expose our work to independent challenge and peer reviews. We deploy a range of internal controls and activities to help ensure the quality and consistency of our work. We monitor the performance of auditors and their application of professional and ethical standards through our

quality process. Finally, we regularly provide technical advice and guidance to public auditors to raise awareness of important developments in audit and accountancy.

#### Forming robust and professional judgements from our evidence-base

##### Evidenced by:

- Application of project management framework.
- Percentage of Audit Services quality assurance frameworks completed.
- Percentage of satisfactory results.
- Percentage of work with independent input or which has been peer reviewed.
- Number of challenges to our audit judgements.

To ensure the high-quality standards expected of our public audit services we have to form robust and professional judgements based on evidence. For that purpose we have set clear standards for public audits in our Code of Audit Practice and have created a rigorous project methodology for our performance audits. We will continue to ensure that these practices are closely followed, from project scoping to reporting and follow-up. We will apply rigorous internal quality controls and external reviews to provide assurance that our work meets good practice. We will refine our approach to our audit work so that it reflects best professional practice and is appropriately risk focused and efficiently delivered.

#### Having engaged and motivated people, strong leadership and good internal communication

##### Evidenced by:

- Staff survey results.
- Sickness/absence levels.
- Staff turnover.
- Publication of an annual equalities report on our workforce with clear recommendations for improvement.

To perform well we need motivated and engaged employees supported by strong leadership and effective internal communication. We are committed to remaining an excellent place to work, where our staff have a reputation for professionalism and expertise, are focused on quality, and take pride in what they do.

We will continue to communicate and engage with individuals, teams and business units through team brief, our staff newsletter, team updates, events and staff conferences. We will continue to run a graduate training scheme with the Chartered Institute of Public Finance and Accounting to help ensure we have a steady flow of highly skilled auditors to work with us and to contribute to the training and development of financial professionals who can work across the public sector. We will also maintain a reward strategy that helps us to attract and retain high calibre staff. We will strive to achieve a diverse workplace which represents the populace of Scotland and create a safe and healthy working environment for all.

“We aspire to be recognised by our stakeholders, partners and clients as a centre of excellence for public audit.”

**Maintaining and developing our professional skills and competencies**

**Evidenced by:**

- Percentage of staff in continuing professional development.
- Percentage of staff in receipt of training and development.

We can only deliver high-quality work if our staff have the right skills and competencies to do their job well. We embrace an ethos of continuous improvement and will continue to invest in the development of the people we employ. We will encourage and monitor continuing professional development of our staff. We have revised our competency framework and will embed this into our Performance Development System. Regular individual performance reviews will be used to assess and follow up on training and development needs.

**Gathering, organising and sharing knowledge and intelligence**

**Evidenced by:**

- Preparing and publishing a priorities and risks framework for each sector.
- Holding six sector meetings each year.
- Publishing four technical bulletins each year.
- Number of examples of good practice published.
- Focus group feedback.
- Number of visitors to our website.
- Number of downloads from our website.
- Staff survey results.
- Early awareness of issues likely to result in Controller of Audit reports or Section 22 reports.

The basis for our work is having the right knowledge and intelligence. We need to ensure the right information is systematically gathered, that it is organised in the most appropriate way, and shared among our staff and externally with our stakeholders. For that purpose we will review and develop our arrangements for gathering, organising and sharing knowledge and intelligence and we will implement and monitor our IT strategy. We will also introduce a new audit tool (an Electronic Working Papers package).

**Delivering our work and managing our resources efficiently and effectively and being clear where we need to improve. We will have excellent governance procedures and will monitor and report on the impact of our work.**

**Evidenced by:**

- Percentage of audit reports delivered on time and on budget:
  - annual audits and accounts
  - performance audit reports
  - best value audit reports.
- Internal best value reviews conducted.
- Meeting our two per cent efficiency saving target.
- Website availability.
- Percentage of invoices paid within 30 days.
- Reducing our carbon footprint by one per cent.

We will ensure that we have strong internal governance processes in place and that we deploy best practice public management. We are committed to helping public bodies achieve efficiencies in their work, and will generate efficiencies ourselves to meet the Scottish Government annual efficiency targets. We are committed to meeting our environmental obligations and reducing our carbon footprint. We will continue to carry out a programme of internal best value reviews to improve our efficiency and effectiveness and manage our risks.

# Appendix 1.

## Increasing the impact of our work

---

The primary objective of Audit Scotland's work is to support the Auditor General and the Accounts Commission in holding public bodies to account and helping them to improve.

We now have a framework for assessing and reporting on the longer-term impact of our work. Alongside reporting on our corporate performance, this work will provide a richer picture of the value of audit. Audit can have a financial impact and a wide range of other impacts, for example, on planning and management quality and service delivery. It can also have a deterrent effect and support improvement.

We have identified four areas where we expect our work to have an impact and contribute to improvements:

- assurance and accountability
- planning and management
- economy and efficiency
- effectiveness and quality.

The balance between these four categories of impact will differ depending on the type of work. The different categories are also often interconnected, for example improving planning or management of a service should ultimately result in a service being delivered either more efficiently or more effectively, or both.

### How we use the impact framework

We now use the framework to identify the impact that we expect from our work, in particular, performance audits, and to capture evidence of the ongoing impact of our work.

The framework is a useful tool in corporate and business planning, helping to prioritise work and providing a more systematic approach to demonstrating our overall effectiveness. We now provide impact reports to the Accounts Commission and the Auditor General, and will summarise these in our annual reports.

In this way, we will be able to show the impact we would like our work to have and the evidence for what has been achieved.

### Practical examples of different types of impact

The table opposite shows:

- types of measurable change expected to result from our work within the different categories of impact
- examples of how individual reports may contribute to these changes.



“We are committed to maximising the impact of our work in holding public bodies to account and helping them to improve and providing more evidence each year and over time on the impact our work has had.”

### Impact framework

Assurance and accountability	Planning and management	Economy and efficiency	Quality and effectiveness
<ul style="list-style-type: none"> <li>Improved systems of internal control which deter waste and misuse of public funds.</li> <li>Improved forms of accounts which follow agreed standards and support local accountability.</li> <li>Improved reporting and support to scrutiny/audit committees which enables and encourages members to ask informed questions about performance.</li> <li>Better public reporting (eg, following Best Value guidance, giving clear accounts of progress against objectives, set in appropriate context).</li> <li>Improved corporate governance, including financial probity and ethical governance (eg, through S22 and Controller of Audit reports, such as the report on Moray College).</li> <li>Improvements in audited bodies' ability to detect and manage fraud (eg, through the National Fraud Initiative).</li> <li>Improved internal controls (eg, report on internal audit in local authorities).</li> <li>Better computer security (through the work undertaken by Audit Scotland's computer auditors).</li> </ul>	<ul style="list-style-type: none"> <li>Clearer definition of policies, priorities and targets (many reports highlight this as an area for improvement, eg free personal and nursing care, roads maintenance, youth justice).</li> <li>Better measurement of performance – much of our work across all sectors highlights the need for improved performance measurement across the public sector, both at a corporate level (eg, Best Value reports of individual councils) and for individual services (eg, reports on higher education estates, police call management, NHS consultant contract).</li> <li>Better systems to manage resources (eg, reports on NHS IT, use of medicines in hospitals).</li> <li>Better financial and resource management (eg, reports on ward nursing, following the public pound).</li> </ul>	<ul style="list-style-type: none"> <li>Reductions in costs through better procurement, rationalisation of facilities or reducing duplication (eg, reports on Northern Isles ferries, primary care out-of-hours services).</li> <li>Reductions in costs through benchmarking and better decision-making (eg, report on GP prescribing, waste management).</li> <li>Increased output from the same resources (eg, report on diagnostic services).</li> <li>Reduction in costs through service redesign (eg, report on day surgery).</li> <li>Improved investment decisions to reduce costs in the longer term (eg, reports on asset management, roads maintenance, school estates).</li> <li>Increased income (eg, through council tax collection statutory performance indicator).</li> </ul>	<ul style="list-style-type: none"> <li>Reductions in waiting times for services or improved response times (eg, reports on waiting times, police call management, youth justice).</li> <li>Better and more consistent identification of need (eg, reports on free personal and nursing care, special education needs).</li> <li>Changes to services so they meet identified needs or are better targeted (eg, report on palliative care).</li> <li>Improved information or choice to service users (eg, through local government statutory performance indicators and report on long-term conditions).</li> <li>Improved partnership working (eg, reports on long-term conditions, community planning, initiative funding).</li> </ul>

# Appendix 2.

## Our resources

**The Auditor General and the Accounts Commission expect all public bodies to manage their finances to the highest standards and achieve the best possible value for public money. They apply the same expectations to Audit Scotland.**

Audit Scotland meets its costs from audit charges to public bodies, and from the Scottish Consolidated Fund for work directly funded by the Scottish Parliament. The Auditor General approves the audit fee levels for NHS, Further Education, Scottish Government and Scottish Water, and the Accounts Commission approve audit fee levels in local authorities. Our budget is subject to scrutiny and approval by the Audit Scotland Board and the Scottish Commission for Public Audit.

We charge for annual financial audits across all sectors and for Best Value audits in local authorities. 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.

We are committed to keeping the cost of our work to a minimum. We have set a two per cent efficiency target for the current spending review period which ends in 2011.

### Resource requirements for 2009/10

For 2009/10, Audit Scotland has an operating budget of £275 million and a capital budget of £300,000. We plan to raise £20.2 million through audit charges, £0.3 million from bank and miscellaneous income sources with the remaining £73 million funded by the Scottish Parliament. The table opposite summarises our budget for 2009/10 and provides a comparator with the 2008/09 budget.

Our 2009/10 budget includes allowances to meet the costs of additional audit work arising from the implementation of International Financial Reporting Standards (IFRS) in central government and the NHS, in accordance with the Chancellor of the Exchequer's announcement in the 2008 budget.

Our 2009/10 budget assumes increases in charges to all audited bodies of 3% for the 2008/09 audits plus the cost of IFRS audit work, which will add an average of 4.6% to NHS charges and 5.9% to central government charges. We estimate that the price increase for the 2009/10 audits will be 2.5%.

Efficiency savings targets totalling £585,000 (2.2% of gross expenditure in the 2008/09 budget) are included in the 2009/10 budget. Efficiency targets are identified for specific projects through comparison with previous years' baselines (prior years budget) and effectiveness will be measured

by comparing actual costs against targeted costs and budgeted cost reductions.

Our fee strategy is available on our website. It provides more information about how our fees are set.

### Staff

Staff costs account for around 55 per cent of Audit Scotland's operating budgets. The 2008/09 and 2009/10 budgets include resources for the employment of 293 whole time equivalent (WTE) staff. Staff numbers include 29 graduates employed in our professional training scheme which leads to a professional qualification with the Chartered Institute of Public Finance Accountants.

### Future resource requirements

As budget approval is an annual process, no agreement exists on resource requirements for 2010/11 and beyond. However, Audit Scotland is committed to keeping audit fee increases to a minimum and the delivery of year-on-year efficiency savings. We are currently forecasting to maintain audit fee increases at 2.5% per annum from 2010/11 (based on current workload levels and exclusive of any further extension of IFRS).

“We are committed to keeping the cost of our work to a minimum, the delivery of year-on-year efficiency savings, and improving the transparency of our costs and governance arrangements.”

Resource requirements	2008/09 £000	2009/10 £000
Staff and Commission members costs	14,519	15,158
Fees and expenses paid to approved auditors	5,724	6,213
Buildings, rent and depreciation	2,074	2,203
Other costs	3,856	3,904
<b>Gross costs</b>	<b>26,173</b>	<b>27,478</b>
Income from charges to audited bodies*	19,240	20,246
Bank interest and miscellaneous income	216	253
<b>Total income</b>	<b>19,456</b>	<b>20,499</b>
<b>Net operating cost</b>	<b>6,717</b>	<b>6,979</b>
Capital	533	300
<b>Total resource requirement from Scottish Consolidated Fund</b>	<b>7,250</b>	<b>7,279</b>

\*Income from charges to audited bodies for financial years is analysed below.

Income from charges to audited bodies	Actual 2006/07 £000	Actual 2007/08 £000	Budget 2008/09 £000	Budget 2009/10 £000
Local authorities	11,425	12,578	12,551	13,014
NHS bodies	4,067	4,142	4,253	4,566
Scottish Water	230	181	193	210
Further education colleges	600	528	535	551
Scottish Government depts & sponsored bodies	1,591	1,579	1,708	1,905
<b>Total income from charges to audited bodies*</b>	<b>17,913</b>	<b>19,008</b>	<b>19,240</b>	<b>20,246</b>

\*In 2006/07 rebates totalling £500,000 were made to audited bodies.

# Appendix 3.

## Measuring and reporting our performance

This section summarises the evidence we will use to measure and report our performance in future annual reports.

### Vision

On behalf of the Auditor General and the Accounts Commission, we will provide assurance to the people of Scotland that their money is spent appropriately and we will help public sector organisations in Scotland to improve and perform better.

### Objectives

**Holding to account:** We will conduct excellent risk-based audits of the public sector in Scotland and report on them in public

**Helping to improve:** We will systematically identify and promote good practice to help public bodies in Scotland to improve

### Our performance will be evidenced by:

- Number of audit reports:
  - publishing 8-12 performance audits annually
  - publishing 200 annual audit reports annually.
- Delivery of Best Value 2 programme agreed by the Accounts Commission.
- Publishing 3-4 path finder audit reports in 2009.
- Preparing a joint scrutiny plan for local government and deliver the objectives set in it.
- Percentage of recommendations accepted by public bodies from our performance audits and annual audits.
- Number of recommendations implemented.
- Percentage of performance audit reports with good practice recommendations.

### Supporting activities

We will ensure that we are recognised and respected as an independent and authoritative body

We will closely engage and communicate with our key stakeholders, clients, partners and other scrutiny bodies

We will ensure that we understand the external environment and policy context

We will apply independent challenge and technical support to maintain and improve the quality of our work

### Our performance will be evidenced by:

- Positive stakeholder and client feedback.
- Membership of professional bodies.
- Number of external requests for advice.
- Invitations to speak at external events and conferences.
- Website statistics (hits, downloads of reports).
- Number of complaints about us.
- Stakeholder feedback.
- Number of shared risk-assessment frameworks in local government.
- Attendance at audit committees of audited bodies.
- Contributing to seminars and conferences.
- Number of priorities and risks frameworks published.
- Number of sector meetings conducted.
- Stakeholder feedback.
- Percentage of reports with independent input or which have been peer reviewed.
- Number of technical briefings issued.

“We will systematically identify and promote best practices that help public bodies in Scotland to improve.”

<p>We will form robust and professional judgements from our evidence-base</p>	<ul style="list-style-type: none"> <li>• Application of project management framework.</li> <li>• Percentage of Audit Services quality assurance frameworks completed.</li> <li>• Percentage of satisfactory results.</li> <li>• Percentage of work with independent input or which has been peer reviewed.</li> <li>• Number of challenges to our audit judgements.</li> </ul>
<p>We will have engaged and motivated people, strong leadership and good internal communication</p>	<ul style="list-style-type: none"> <li>• Staff survey results.</li> <li>• Sickness/absence levels.</li> <li>• Staff turnover.</li> <li>• Publication of an annual equalities report on our workforce with clear recommendations for improvement.</li> </ul>
<p>We will continue to maintain and develop our professional skills and competencies</p>	<ul style="list-style-type: none"> <li>• Percentage of staff in continuing professional development.</li> <li>• Percentage of staff in receipt of training and development.</li> </ul>
<p>We will gather, organise and share knowledge and intelligence</p>	<ul style="list-style-type: none"> <li>• Preparing and publishing a priorities and risks framework for each sector.</li> <li>• Holding six sector meetings each year.</li> <li>• Publishing four technical bulletins each year.</li> <li>• Number of examples of good practice published.</li> <li>• Focus group feedback.</li> <li>• Number of visitors to our website.</li> <li>• Number of downloads from our website.</li> <li>• Staff survey results.</li> <li>• Early awareness of issues likely to result in Controller of Audit reports or Section 22 reports.</li> </ul>
<p>We will deliver our work and manage our resources efficiently and effectively and will be clear about where we need to improve. We will have excellent governance procedures and will monitor and report on the impact of our work.</p>	<ul style="list-style-type: none"> <li>• Percentage of audit reports delivered on time and on budget:                         <ul style="list-style-type: none"> <li>- annual audits and accounts</li> <li>- performance audit reports</li> <li>- Best Value audit reports.</li> </ul> </li> <li>• Internal best value reports conducted.</li> <li>• Meeting our two per cent efficiency saving target.</li> <li>• Website availability.</li> <li>• Percentage of invoices paid within 30 days.</li> <li>• Reducing our carbon footprint by one per cent.</li> </ul>



# Corporate Plan 2009–12



**Holding to account and helping to improve**

Audit Scotland, 110 George Street, Edinburgh EH2 4LH  
Tel: 0845 146 1010 Fax: 0845 146 1009  
[www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk)

January 2009  
ISBN 978 1 906752 31 6  
This publication is printed on 100% recycled paper