

holding to account and helping to improve

audit  
scotland  
annual  
report  
2010 | 11

# Who we are

## Who we are

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Audit Scotland is a statutory body that carries out audits and investigations for the Auditor General for Scotland and the Accounts Commission.

The Auditor General for Scotland secures the audit of the Scottish Government and other public bodies in Scotland, except local authorities. He investigates whether bodies achieve the best possible value for money and adhere to the highest standards of financial management. The Auditor General is independent of the Scottish Government and the Scottish Parliament.

The Accounts Commission secures the audit of local authorities and fire and police boards, and investigates whether they spend public money properly and effectively. It is independent of both central and local government. Commission members are appointed by Scottish ministers.

## What we do

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We help the Auditor General and the Accounts Commission to ensure public money in Scotland is used properly, efficiently and effectively. We do this by carrying out financial and performance audits of various aspects of how public bodies work. We audit public bodies, with a total spend of £45 billion a year, and audit the majority of devolved public services in Scotland.

## Our vision

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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

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### HOLDING TO ACCOUNT

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

### HELPING TO IMPROVE

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

## Our priorities

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Maximise our contribution to the improvement of public services.

Deliver more streamlined audit in partnership with other scrutiny bodies.

Increase the impact of our work.

Become a centre of excellence for public audit.

Improve the transparency of our costs and governance arrangements.

## Our stakeholders

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The Scottish Parliament

The people in Scotland

The Scottish Government

All Scottish public organisations

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## Our resources

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275 whole-time equivalent staff as at 31 March 2011.

£21 million from: public bodies for audits of their financial reports; bank interest; and miscellaneous income.

£5.9 million direct funding from the Scottish Parliament.

Eight private firms of accountants appointed to carry out about half of the annual audits on behalf of the Auditor General for Scotland and the Accounts Commission.

## Our history

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Audit Scotland was established in 2000 under the Public Finance and Accountability (Scotland) Act 2000. This followed devolution from Westminster to Scotland and the establishment of the Scottish Parliament in 1999.

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# Welcome

Robert Black, Accountable Officer and Auditor General for Scotland  
and Ronnie Cleland, chair of Audit Scotland Board



## Chair's message

Welcome to Audit Scotland's annual report for 2010/11.

With Scotland's public sector heading into the toughest financial conditions in living memory, the sound management of public money has never been more important.

We are working hard to support the Auditor General and the Accounts Commission and, through them, public bodies, to push improvements in performance and efficiency. We have also reviewed our own business to make sure we are continuing to operate effectively, efficiently and transparently.

We have been heartened to receive support for the work we do and the role we play from the Scottish Commission for Public Audit (SCPA). In a recent report on our budget, the SCPA said it was "keen to stress the ever increasing importance of rigorous independent audit of public funds at a time of budgetary restraint".

Our work with public bodies ranges from the day-to-day support, advice and scrutiny we provide, to our thematic national reports. You will see throughout the report, and in the case studies, examples of how we help bodies improve their performance and save money.

We have continued working with the Accounts Commission and other partners to streamline public sector scrutiny in Scotland. This includes the launch of a new system for scrutinising local government during 2010/11. By working with other agencies, we have reduced duplication and ensured scrutiny is proportionate and focused on where it is most needed.

A key theme in our work and in our own business over the past year has been the role that leadership and governance has in this economic climate. We produced specific reports on this subject covering central and local government and the NHS, as well as addressing it in many of our audits.

We have taken major steps to improve our own governance and the transparency of our costs.

In December 2010, I was appointed by the Scottish Parliament as chair of the Audit Scotland Board. I succeeded John Baillie, who stepped down after three years as chair. On behalf of Audit Scotland's staff and board, I would like to thank John for the enthusiasm, time and energy he has given to the role.

**RONNIE CLELAND**  
Chair of Audit Scotland Board

Implemented four-year plan to reduce audit fees by 20%  
 Reduced 2010/11 audit fees by 5.5%  
 212 final annual audit reports produced  
 26 performance and Best Value audits published  
 99.5% of audits completed on time  
 610 separate reports produced for the 212 public bodies audited  
 94% of health and 100% of further education bodies think our auditors provide 'a high-quality audit service'  
 Presented to 68 seminars, conferences and training events  
 Served on 53 external bodies and working groups  
 £63 million cumulative impact of the National Fraud Initiative  
 A new board chair appointed by the Scottish Parliament

## Accountable Officer's report

These are difficult economic times for the public sector in Scotland and likely to remain so for many years to come. All public bodies are under pressure to reduce costs while maintaining the quality of what they do. Audit Scotland is at the centre of efforts and initiatives to assist organisations to improve their effectiveness and the same pressures and constraints apply to Audit Scotland itself.

In 2010/11, we reduced the costs of our work and subsequently the fees we charge public bodies. We implemented a 5.5 per cent real terms reduction in fees compared with 2009/10. Overall, we aim to cut the cost of audit by at least 20 per cent by 2014/15. We will be reducing our staff numbers by 42, or 14.4 per cent, by 2014/15. By careful workforce planning, we are already about half-way towards our target.

We are pleased to say that, as we would expect of other public bodies, we have maintained and improved our performance despite these tough times. Survey results show increased satisfaction with the quality of our

financial audit work. Our performance and Best Value work continues to support improvements in public services and the efficient use of public money. One example is our audit of the services provided to children in residential care which resulted in several far-reaching initiatives and developments. Our recommendations aim to achieve a measurable impact; for instance, our finding that the NHS in Scotland could save £6 million a year on locum doctors.

Our latest National Fraud Initiative (NFI) has enabled public bodies to identify £26 million worth of fraud, overpayments and errors, which they are working to recover. The cumulative impact of the NFI in Scotland is now £63 million.

This year our total expenditure was almost £26.9 million, with most of this on staff and appointed auditor costs. Our income was £21 million, meaning we needed just under £5.9 million in direct funding from the Scottish Parliament. Our results were also affected by a £6.3 million non-cash credit against our pension liabilities, following the UK Government's decision to change the basis of inflation increases for pensions from the Retail Prices Index to the Consumer Prices Index.

During the year we also received greater than expected income from staff secondments and a small increase in the amount of audit work completed, as well as spending less than planned on external support for audit work. We made efficiency savings of £1.6 million, against a target of £540,000, and we also completed the appointment of auditors to public bodies for the five years from 2011/12, which will bring future savings.

We continually review our work programme to ensure it is addressing the issues that really matter in the public sector. We intend to keep improving what we do at a time when the Scottish Parliament and the public bodies expect us to continue providing a high-quality independent public audit regime.

**ROBERT W BLACK**  
 Accountable Officer and  
 Auditor General for Scotland



## The Auditor General and the Accounts Commission

In 2010/11, we published reports on 26 national and Best Value performance audits. These were:

- 5 Across-government audits
- 5 Central government audits
- 3 NHS audits
- 9 Best Value in local government audits
- 4 Local government audits.

We carry out performance audits across the entire public sector to help public bodies improve the quality of their services, do more with their money, and find lower-cost ways of working to the same or better standards. We do these on behalf of the Auditor General or the Accounts Commission or both. We publish reports on the audits to provide assurance to the public and to decision-makers that public money is being spent properly.

Our reports carry recommendations for public bodies to help them improve, and we publish good practice checklists and case studies. They also identify potential savings. For example, *Using locum doctors in hospitals* found the NHS could save £6 million a year, about 15 per cent of the £47 million it spends annually on locums, through better planning and procurement. *Maintaining Scotland's roads* called for a national summit on how to deal with the £2.25 billion maintenance backlog. The Scottish Government announced a national review, including such a summit, as well as providing an extra £2 million to repair potholes.

Public bodies face major financial challenges over the next few years, and a key theme of our work has been the need for strong and clear leadership during this time. The boards of public bodies are central in making difficult decisions about spending priorities.

To help in this area, we published *The role of boards* in September 2010. It made recommendations to clarify the role of boards and help them improve performance. Since publication, the report has been downloaded over 4,000 times from our website. We have received invitations to speak at a number of events on this topic, including a CIPFA conference, Scotland's Colleges' annual conference and two follow-up seminars, a Scottish Government event for non-executive board members, and a number of individual audit committees.

### PARLIAMENT AND ACCOUNTS COMMISSION

The Scottish Parliament's Public Audit Committee held evidence sessions on eight of our audits: *Edinburgh trams*; *National concessionary travel*; *The role of boards*; *Getting it right for children in residential care*; *Emergency departments*; *The Gathering*; *Review of orthopaedic services*; and *Overview of the NHS in Scotland's performance 2008/09*. The committee called relevant Scottish Government accountable officers to give evidence and answer questions about issues raised. It also asked for written evidence from accountable officers for two other reports published during the year, as well as two Section 22 reports and four audits from the 2009/10 year. The committee published ten reports during 2010/11 on issues highlighted in our work over 2010/11 and 2009/10.

The Accounts Commission produced findings on nine of our audits: *North Ayrshire Council*; *Grampian Police and Grampian Joint Police Board*; *South Ayrshire Council progress report*; *Scottish Borders Council*; *The Highland Council*; *Angus Council*; *Northern Constabulary and Northern Joint Police Board*; *East Ayrshire Council*; and *An overview of local government in Scotland 2010*.

### ASSESSING OUR IMPACT

We have a framework for assessing and reporting on the longer-term impact of our work, which provides a wider picture of the value of audit. The four areas where we expect our work to have an impact are: assurance and accountability; planning and management; economy and efficiency; and effectiveness and

quality. We routinely prepare impact reports, and published 12 in 2010/11.

This year our reports and podcasts were downloaded 244,471 times from the Audit Scotland website, [www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk). We supply reports and findings in various formats.

### HIGHLIGHTING ISSUES FROM ACCOUNTS

We bring significant issues arising from the annual audits to the attention of the Scottish Parliament and Accounts Commission. This helps ensure effective scrutiny of the use of public funds.

The Auditor General issues reports to the Scottish Parliament under Section 22 of the Public Finance and Accountability (Scotland) Act 2000. We presented two Section 22 reports to the Scottish Parliament: on the Scottish Government Consolidated Accounts and the National Library of Scotland.

The Controller of Audit issues statutory reports on local authorities to the Accounts Commission and produced four reports in 2010/11: two on The Highland Council, and one each on Shetland Islands Council and Strathclyde Partnership for Transport.

In June 2010, the Accounts Commission held a two-day hearing in Lerwick into the Shetland Islands Council. This came after statutory reports from the Controller of Audit about a number of issues at the council, including qualification of the council's annual accounts for the fourth year in a row, and the appointment and subsequent departure of the chief executive. More than 40 people gave evidence at the hearing, including the Controller of Audit and other Audit Scotland staff, councillors, senior officers, the former chief executive of the council, trade union representatives, COSLA, an MSP, an MP and members of the public. The Commission produced findings and Audit Scotland continues to monitor progress at the council.

### QUALITY

All of our national performance audit reports are subject to a detailed quality assurance framework. We also seek independent comment and external

number of **performance**  
**audit reports** published in 2010/11 **26**

number of **S22s**  
in 2010/11 **2**

number of **Controller**  
**of Audit reports** in 2010/11 **4**

scrutiny of our work. Each performance audit has a project advisory group involving experts in the subject area. In addition, we work with other UK audit agencies – the National Audit Office (NAO), the Wales Audit Office (WAO) and the Northern Ireland Audit Office (NIAO) – and a selection of our audit reports are submitted for peer review with them each year. Improvements identified by these reviews are applied to future work. During 2010/11, we set up a new benchmarking project with the other UK audit agencies. This will make sure that we continue to drive improvements to our efficiency and effectiveness.

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Our reports carry recommendations for public bodies to help them improve, and we publish good practice checklists and case studies.  
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# Our work: case study one



## Case study: Maximise our contribution to the improvement of public services

Scotland has about 1,600 children and young people in residential care. They are among the most vulnerable members of our society and many have complex and challenging needs. We published *Getting it right for children in residential care* on 2 September 2010. The audit found more than £250 million is spent a year on these services but councils cannot demonstrate that they are achieving value for money. Although professional practice and work is often good, not all children get the best-quality care and support. Many go on to have major problems later in life.

The report contains 21 recommendations for the Scottish Government, councils, COSLA and NHS boards, on planning and management,

and a self-assessment checklist. Around £150,000 is spent per child a year. The audit recommends that councils have to be sure they achieve an appropriate quality of service for the costs. It also highlights the need for stronger leadership and direction from the government. These issues and the poor outcomes for many children in care were highlighted in the 53 items of media coverage immediately following publication. The report was downloaded 5,713 times in its various forms during 2010/11.

We presented the report to the Scottish Parliament's Public Audit Committee in September. The committee held an inquiry and took evidence at two separate sessions, from the Children's Commissioner, two councils and the government's Education Director-General. The Scottish Institute for Residential Child Care submitted written evidence.

In February 2011, the committee published a report on its inquiry, calling for better data on the outcomes of children and young people in care. It

also asked the Scottish Government for more information on: how it was supporting councils, NHS boards and service providers to work together; how it aimed to support public services to prevent children going into care, while also meeting the costs of those already in care; and its evaluation of a Loughborough University model of understanding on the full costs of residential care.

The Scottish Government welcomed our report, saying it was an opportunity to raise the profile of this area, particularly in improving outcomes for children and young people in care. There are a number of improvement initiatives under way.

The Scottish Government and COSLA set up a group to produce a new approach to commissioning, focusing on outcomes. This group has produced a draft national contract and specifications for secure residential care. A new national commissioning officer for children's services and a new regional child care commissioning officer in Renfrewshire and the Clyde Valley are





Our audit helped drive improvements in children's residential care

developing, testing and supporting commissioning and contracting.

Other developments include the Scottish Government:

- setting up a strategic implementation group on looked-after children, looking at five areas: culture change in care planning; improving health outcomes; improving learning outcomes; workforce issues; and commissioning
- considering using a costing model to identify the full costs of residential child care services to help councils make decisions
- announcing in February 2011 the creation of a new centre of excellence on improving the lives of looked-after children, providing specialist training, consulting children and young people, and supporting universities and colleges.

#### THE REPORT TEAM



**Lesley McGiffen**  
portfolio manager



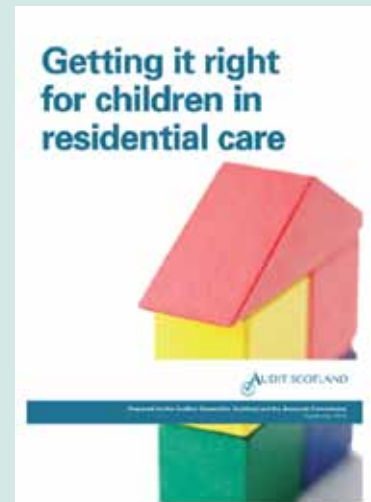
**Cathy MacGregor**  
project manager



**Corinne Forsyth**  
performance auditor



**Sharen Trotter**  
project officer



# Our work



## Best Value

We have supported the Accounts Commission in introducing a new regime for auditing how well local authorities deliver Best Value in their public services.

For the first time, these Best Value audit reports contained two specific judgements to summarise the assessment of councils. These reports are put before the Accounts Commission, who can also make findings that include key points of progress and areas for improvement.

Under this programme, we work with other scrutiny bodies to assess risks, coordinate our work more effectively and reduce the amount of time and data requested from councils.

In 2010/11, the Commission published reports based on this new system on four councils; Angus, East Ayrshire, The Highland and Scottish Borders. We also published the final report from the first round of Best Value, a progress report on South Ayrshire Council.

As part of the new system, the Commission also produces joint reports with other scrutiny bodies. In 2010/11, they published two joint audit and inspection reports in partnership with Her Majesty's Inspector of Constabulary for Scotland (HMICS). In April 2010, they published a pilot report on Northern Constabulary and Northern Joint Police Board, and in February 2011, a report on Grampian Police Force and Grampian Joint Police Board.

Drawing on what we have learned since the first Best Value report was published in 2004, the Accounts Commission also launched a new series of publications to help councils manage the financial pressures they face. Our aim for the new series, *How councils work*, is to stimulate change and improve performance in Scotland's councils.

The first of this series, *Roles and working relationships: are you getting it right?*, was published in August 2010. The report looked at the relationships between elected councillors and council officers, and provided checklists and good practice examples.

The next report in the series, due in summer 2011, will focus on key issues for councils when delivering services through arm's-length external organisations (ALEOs).

Now that the new approaches to Best Value in councils and the police are being introduced, the Accounts Commission is ready to take forward its long-standing commitment to introduce the Best Value audit into fire and rescue services.

In February 2011, the Scottish Government launched a consultation on the future structure of police and fire services. Our Best Value audit work on police and fire will focus on the key characteristics of efficient and effective service delivery, and the principles of governance and accountability that need to be considered whatever the future structure of the service.

We are also working with the Equality and Human Rights Commission Scotland and the Accounts Commission to develop how we examine equality and diversity in Best Value audits.



Our Best Value work is designed to help councils provide efficient and effective public services

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We work with other scrutiny bodies to assess risks, coordinate our work more effectively and reduce the amount of time and data requested from councils.

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# Our work: case study two

Scrutiny bodies can now focus resources and avoid duplication of effort

## Case study: Deliver more streamlined audit in partnership with other scrutiny bodies

By coordinating our work and focusing on the key issues at each council, we have been able to cut the time we spend in councils on strategic scrutiny work by 36 per cent compared with 2008. Visits and inspections are generally quicker, more focused, and involve fewer inspectors. The scrutiny activity within each council is more proportionate and risk-based than in the past.

In 2010/11, we helped the Accounts Commission introduce this new streamlined scrutiny system for local government in Scotland.

In July 2010, we published the *National Scrutiny Plan for Local Government 2010/11*, in which Scotland's scrutiny agencies jointly set out the strategic

work we would do in councils during the year.

The publication of the national plan was the result of work carried out since the Accounts Commission was asked in 2008 to take on a coordinating and gate-keeping role for local government scrutiny. Audit Scotland has supported the Commission and worked with Her Majesty's Inspectorate of Education, Social Work Inspection Agency, Scottish Housing Regulator, the Care Commission, Her Majesty's Inspectorate of Constabulary for Scotland, and NHS Quality Improvement Scotland.

In the past, when we planned and undertook scrutiny of a local authority, we did this alone, with the Audit Scotland team setting out the work we would be doing around that public body. Similarly, across Scotland, other scrutiny agencies could be undertaking work on that same authority.

Under the new system, the scrutiny bodies share information and come to an agreed view on the areas where

scrutiny is needed to provide public assurance or facilitate improvement in each individual council. We refer to this as identifying the scrutiny risk, and the process is known as Shared Risk Assessment (SRA). From that, we set out individually tailored plans for scrutiny at each body, known as Assurance and Improvement Plans (AIP). In 2010/11, we published AIPs for all 32 councils, setting out in detail the planned activity at each council and the reasons behind it.

For us, it means we can prioritise and focus our resources and time and can avoid duplication of effort. For the local authority, scrutiny work is better coordinated; its own evidence of performance and improvement influences the assessments made; it has a clear picture of what will be happening during the year; and understands why that work is prioritised.



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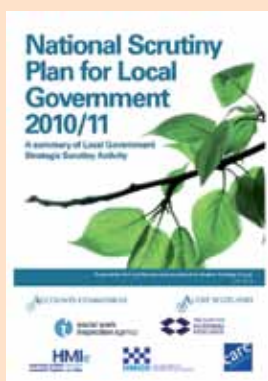
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**THE REPORT  
MANAGER**



**Carol  
Calder**  
portfolio  
manager  
(Best Value)





Overall, we are aiming to reduce the cost of audit by at least 20 per cent over the four years to 2014/15.



## Delivering the audit

The Auditor General and the Accounts Commission were responsible for 212 annual audits for the audit year 2009/10, carried out by a mix of appointed auditors from Audit Scotland and private firms of accountants.

### NUMBER OF ANNUAL AUDITS:

- 73 Central government
- 23 NHS
- 39 Further education
- 32 Councils
- 44 Joint boards
- 1 Water sector.

Auditors completed 99.5 per cent of all the audits of health, central government, further education and local authority bodies on time (compared with 100 per cent overall in the previous year).

With the public sector facing financial pressures unprecedented since devolution, we are working to reduce the fees we charge public bodies for our audit work. We began this in 2010/11, with a 5.5 per cent real terms reduction in fees compared with 2009/10.

Overall, we are aiming to reduce the cost of audit by at least 20 per cent over the four years to 2014/15. We are satisfied that this can be achieved while maintaining the quality of our work.

Public sector auditors provide assurance on financial statements as well as professional views on matters such as regularity and legality, propriety, performance and use of resources. We also provide advice and assistance to public bodies and identify areas for improvement (see case study on page 16).

In 2010/11, our auditors attended 265 audit committee meetings of public bodies across Scotland.

Annual audit reports cover the full range of audit work done in the year, providing clients and stakeholders with

a comprehensive and independent view of financial management, governance and performance in public bodies.

These reports can be found on our website. The majority of opinions given by appointed auditors are unqualified. However, there are situations where auditors may disagree that an organisation's financial statements offer a true and fair view of its financial position or where they may wish to refer to any limit of scope of that opinion. In these cases the auditors will qualify their opinion. This year we published two audit qualifications: on Shetland Islands Council and the National Library of Scotland.

We brought together auditors working in the same sectors six times during 2010/11 to share experiences, keep up to date with policy developments and discuss technical auditing matters.

We continue to focus on improving how effectively and efficiently we deliver the audit. Following a pilot of electronic working papers in 2009/10, we have rolled out the package to all our auditors for 2010/11 audits, along with training

## RESULTS OF QUALITY SURVEY

Quality survey responses	Positive responses	
	Health	Further education
Overall quality of service	94%	100%
<b>Area of impact of audit</b>		
Assurance and accountability	94%	100%
Planning and management	87%	100%
Economy and efficiency	71%	90%
Effectiveness and quality of services delivered by audited bodies	64%	89%

and ongoing support. We have already started to see a considerable reduction in paper records at audited body sites. This should significantly reduce future document storage requirements. We will carry out a post-implementation review during 2011/12.

### QUALITY AND IMPACT

Audit Scotland remains committed to delivering a public audit service that is valued and supports sound governance. Our Audit Strategy Group is responsible for setting the standards expected of all public sector auditors through our *Code of audit practice*.

During the year, we further developed and introduced arrangements for assuring the quality of our work. We fully revised our audit guide, and we carried out reviews of a sample of audits.

We regularly collect feedback from audited bodies to help us measure the quality of the audit service and to continue to drive up standards. This year we asked health and further education bodies to tell us what they thought of the service provided by our auditors during

the 2009/10 audits. Bodies were also asked to comment on whether the audit had made, or will make, a difference to them in the four areas defined in our corporate impact framework. A summary of the responses received is shown in the table above. These results compare favourably with previous surveys.

### ETHICAL STANDARDS

We have adopted the principles of the ethical standards for auditors issued by the UK Auditing Practices Board across all our work. We also provide our staff with guidance about the application of the standards to public sector audit in Scotland.

The independence of public audit helps ensure its effectiveness. Audit Scotland expects the highest ethical standards to be applied by all our staff and appointed auditors.

The Assistant Auditor General carries out the role of ethics partner and provides advice on the application of the standards.

# Our work: case study three

Our coverage of the whole public sector allows us to address issues affecting all public bodies



## Case study: Increase the impact of our work

Audit Scotland is uniquely placed to share intelligence about developments across health, local and central government and further education areas as we cover the whole of Scotland's public sector. It also allows us to address issues that affect all public bodies.

Our annual audit reports and our national publications are public documents and are the most obvious examples of the work we do to help drive improvement.

However, they do not tell the full story of what we do behind the scenes, on a daily basis, with public bodies which impacts in big and smaller ways on their effectiveness and efficiency. Below are just two examples.

### SHARED SERVICES

Sometimes our impact is local and specific. For example, our auditor appointed to NHS 24 is familiar

with the body's contact centres, which provide a well-established call handling, clinical triage and advisory service for the whole of Scotland, primarily during the out-of-hours period. The national technology and telephony infrastructure which supports NHS 24's services is a significant public sector asset.

The same auditor has also observed that several local authorities have been investing in call centres, some of which were operating below capacity. The auditor felt that more consideration could be made of whether councils could use NHS 24's existing technology and telephony infrastructure, and subsequently shared this observation with NHS 24 and formally reported on it.

An NHS 24 representative has since joined a committee considering the shape of shared services across eight councils in the Clyde Valley area. This committee was formed following the publication of a report by Lord Arbuthnott into shared services in the west of Scotland.

### SUPPORTING CHANGE

Some of the work we do is to address issues across a wide range of bodies and sectors. For example, over the past two years central government and NHS bodies have prepared their accounts under International Financial Reporting Standards (IFRS) for the first time. This was the most significant change in the basis of preparing public sector accounts for many years.

IFRS is the globally recognised 'gold standard' set of accounting standards in both the public and private sectors, and enables consistency and comparability on a scale not previously achieved. The UK decided to adopt these standards for public sector accounts in order to be seen to stay at the forefront of transparency and quality of financial reporting.

Some of the new standards were complex and a significant amount of preparatory work was required. A two-year transition process was devised, including the preparation of shadow accounts for 2008/09 and their review by external auditors.





We worked to support public bodies through this transition process. We set up an IFRS working party which provided training to our auditors and produced audit programmes, checklists and template reports. Our auditors carried out timely reviews of opening balance sheets and shadow accounts, and gave feedback to audited bodies on the progress they were making to deliver accounts that complied with the new standards.

When the first full sets of IFRS-based accounts were produced, the benefits of the disciplined transition arrangements, the considerable effort put in by audited bodies and the audit reviews of progress became clear. There were no qualifications of audit opinions relating to the implementation of IFRS in Scotland.

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Audit Scotland is uniquely placed to share intelligence about developments across health, local and central government and further education areas.

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The cumulative impact since the National Fraud Initiative started in 2000 is now £63 million.

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## National and international

### IDENTIFYING FRAUD AND ERRORS

Audit Scotland oversees the National Fraud Initiative (NFI) in Scotland, a programme which brings together auditors and public bodies to help identify public sector fraud and error. We compare information from councils, health boards and other public sector bodies and from a range of areas, such as housing benefits, payrolls, public sector pensions, disabled parking permits and council tax records. This helps bodies recover money and stop overpayments made through fraud and error continuing. Effective fraud arrangements act as a deterrent.

During 2010/11, the participating audited bodies continued to follow up data matches from the 2008/09 exercise, and in May 2010 we published the results. At that point, public bodies had identified fraud, overpayments and errors valued at £21 million. This has since increased

to £26 million, and the cumulative total since the NFI started in 2000 is now £63 million.

We also launched the 2010/11 NFI exercise, under which we will use new powers for data matching that came into law in October. We have been able to expand the number of bodies taking part, and to cross-border data-match with other UK audit agencies. We published a *Code of data matching practice* in November 2010, following consultation with the UK Information Commissioner and other stakeholders.

We continue to streamline the scrutiny of the devolved housing and council tax benefit services as part of the annual audit of councils. In 2010/11, we performed risk assessments at ten councils. They have since put action plans in place and we will monitor progress through our audit work. We introduced a new system of risk assessment, enabling our scrutiny to be proportionate to the risks, an approach councils have strongly supported.

### LEARNING AND KNOWLEDGE SHARING

Audit Scotland staff presented at 68 seminars, conferences and training events, as well as to four groups of overseas visitors to Audit Scotland.

We also served on 53 external bodies and working groups. Bodies included the Auditing Practices Board, the Financial Reporting Advisory Board, Scottish Government's Technical Accounting Group, UK audit agency efficiency forum, CIPFA exam panel and CIPFA pensions panel.

Presenting at external events and supporting groups and organisations helps us share our knowledge, increase the impact of our work, and learn from those managing, delivering and using public services.

### TECHNICAL SUPPORT AND EDUCATION

Audit Scotland supports improvements in accounting, financial reporting and auditing in the public sector. We do this through our technical guidance. We provide this guidance not only

#### TECHNICAL ASSISTANCE: PERFORMANCE AGAINST TARGET RESPONSE TIMES

Enquiries	2010/11	2009/10	2008/09
Total number	857	856	1,006
Routine	99%	99%	97%
Complex	100%	95%	100%
Other	99%	99%	99%

to auditors but also to financial professionals across the Scottish public sector. We frequently contribute to external seminars, conferences and working groups.

Our objective is to make sure that the technical knowledge of auditors and public sector finance professionals is comprehensive, relevant, reliable and up to date. In 2010/11, there was a significant number of technical developments. The biggest of these has been the continued implementation of the International Financial Reporting Standards (IFRS) across the public sector. For more on our work on IFRS, see the case study on page 16.

We published four technical bulletins during the year which explain relevant developments, and provide guidance on major risk areas and their implications. We also published 15 notes for guidance to provide more in-depth and extensive guidance on specific matters. We added 342 documents to our online technical reference library, and responded to 857 technical enquiries from auditors and stakeholders.

#### INTERNATIONAL WORK

The work of Audit Scotland is of interest to other countries and this is reflected in requests for assistance and visits from overseas organisations. We always give priority to our core audit work in Scotland and strictly limit the work on international assignments, for which we generally recover the full costs from various funding sources. In 2010/11, we worked with seven organisations but turned down eight other requests.

Our work with other countries has traditionally focused on the European Union (EU) accession countries, the Balkan states, and nations on the periphery of the EU. We carry out this work in partnership with other audit agencies including the UK National Audit Office (NAO) and Support for Improvement in Governance and Management (SIGMA) who reimburse us for this work. During 2010/11, we have carried out assignments in Ukraine and Kosovo.

A new area of activity has been our work on the United Nations audit (see the case study on page 20).

We hosted four visits from overseas audit and local authority delegations from Japan, Finland, Moldova and China. Visitors were interested in our role in public scrutiny and devolution, among other topics. These visits are also an opportunity for us to learn from others and to identify where we can improve our own work to achieve our aim of being a world-class audit institution.

We have produced a separate report on our work with other countries which is available on our website.

During 2010/11, we were also approached to take on formal positions working in other countries. In September, the UK Department for International Development appointed Deputy Auditor General Caroline Gardner to a 12-month secondment as Chief Financial Officer of the Turks and Caicos Islands.

In early 2011, the Welsh Assembly asked us to carry out the external audit of the Wales Audit Office accounts for 2010/11, following the resignation of the existing auditors.

# Our work: case study four

Audit Scotland's Mark MacPherson and Carol Hislop joined the United Nations Board of Auditors



## Case study: Become a centre of excellence for public audit

In 2010/11, Audit Scotland staff joined a number of UK auditors appointed to the United Nations Board of Auditors for a period of six years.

The placements are coordinated by the National Audit Office (NAO), the audit agency that audits the UK government and its departments. The NAO approached Audit Scotland when putting the UK team together, reflecting the expertise and reputation of our staff.

A major part of the contract is to audit the UN headquarters, which has a budget of US \$8 billion. The approach to auditing the UN HQ is to divide the organisation into smaller, manageable units. UN regulations mean that biennial accounts are prepared and this means that the audit is stretched

over a two-year period instead of the usual annual accounts and audit reporting process.

Audit Scotland audit manager Carol Hislop is responsible for the political affairs, conference management and disarmament departments, based at the UN headquarters in New York City, USA. She visited in October 2010 and March 2011, and will make another two trips to New York over the next year to test systems and conclude the financial statements audit process.

Carol has also been assigned to the audit of the Capital Master Plan, which is the project for the refurbishment of the UN building in New York. This has involved meetings with the project director, various engineers and the UN budget director.

Audit Scotland portfolio manager Mark MacPherson is leading the audit of management issues in five UN organisations: the environment programme (UNEP); the human settlements programme (UN Habitat); the office on drugs and crime

(UNODC); and the Nairobi and Vienna offices (UNON and UNOV).

The majority of the work is based in Nairobi (Kenya) and Vienna (Austria), although UNEP, UN Habitat and UNODC have a large number of field offices located throughout the world. Mark will augment his visits to Nairobi and Vienna with a small number of trips to field offices.

The work is challenging, often being performed to tight timescales. This is encouraging the teams to develop efficient and effective working practices. The work also allows us to learn and share with colleagues in other audit agencies, and bring that learning back to invest into Audit Scotland.

The work is fully funded by the United Nations.



“

The work also allows us to learn and share with colleagues in other audit agencies, and bring that learning back to invest into Audit Scotland.

”

# Our organisation

## Our people

We strive to make Audit Scotland an excellent place to work where people are valued, as shown by our 'Two Ticks' accreditation and our retention of Best Companies 'One to Watch' status.

### WORKFORCE PLANNING

We work hard to ensure we retain and recruit high-quality people and invest in continuing development of all our people. Staff turnover is inevitable and this was slightly higher than normal in the past year. We are proud that many of those people were leaving to take up key roles in the public sector both in Scotland and abroad. Like other public bodies, we face financial pressures. We implemented a pay freeze this year, and are reducing our staff numbers by 42, or 14.4 per cent, by 2014/15. Through careful workforce planning, including a recruitment freeze, we are already about half-way to our target.

### DEVELOPING AND ENGAGING OUR STAFF

Our Performance Appraisal and Development (PAD) scheme is central to helping our staff maintain and develop their skills in order to improve our overall performance and efficiency. PAD meetings between staff and their line managers set work, performance and development objectives. We continued to invest in providing high-quality training and developmental support for our staff, in areas ranging from obtaining professional qualifications to technical and specific skill updates.

During 2010/11, our staff received an average nine days each of training and personal development. We had 26 trainees and staff working towards CIPFA and ACCA qualifications. Delivery of these qualifications changed from traditional block release to IT-enabled modules and assistance through a 'virtual' classroom. This change will ensure access to the qualification no matter where the trainee is based, reduce our overall cost per trainee by more than 11 per cent and allow training time to be better planned to fit with business needs. Five trainees successfully completed their qualifications during the year, and one won the prize for achieving the highest marks by a person working in public audit.

This year we retained our status as 'One to Watch' in the Best Companies review of public sector workplaces.

We engage with our staff through a range of methods, such as monthly team briefings, our in-house quarterly magazine *abacus*, face-to-face meetings and through our intranet site Libro. We also have a partnership forum for regular consultation with staff trade unions. We are carrying out a number of projects to further improve our staff engagement and replacing our intranet. This will allow better information and knowledge sharing.

More focused management and professional medical support was devoted to staff well-being and attendance this year, resulting in a reduction in our staff sickness absence. In 2010/11, our sickness absence was on average 4.89 days per employee, down from 8.82 days in 2009/10 and compared with a public sector average of 9.6 days.

### DIVERSITY AND EQUALITY

Our Single Equality Scheme outlines our commitment to diversity and equality. It sets out how we intend to demonstrate this commitment, both through how we work as an organisation and in the way we carry out our audit work.

Following an Equality Impact Assessment of our project management framework, we revised our booklet *Building diversity into our work* to support our staff in making sure that equality and diversity are considered during our national performance audits.

In January 2011, we received 'Two Ticks' accreditation from Job Centre Plus. This is given to employers that make a commitment to supporting people with disabilities.

We are also using our new eHR system to collect information about our staff to help us monitor our progress in advancing equality. And we have updated our online training for staff to reflect the duties of the Equality Act 2010.

Audit Scotland's website was re-awarded the Shaw Trust 'Accessible Plus' accreditation for its high level of accessibility for people with disabilities.

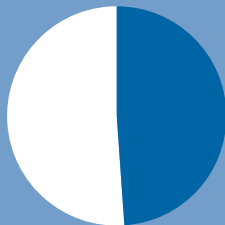
A full report on our diversity and equality work is available on our website and highlights progress against our Single Equality Scheme.

“  
Our sickness absence was on average 4.89 days per employee, down from 8.82 days in 2009/10.  
”

### AUDIT SCOTLAND

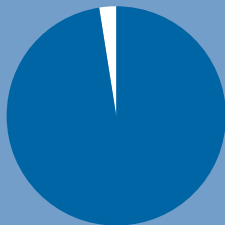
#### GENDER

■ Males 49%  
■ Females 51%



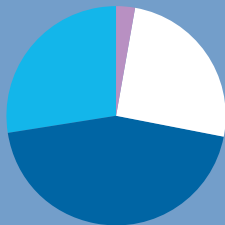
#### ETHNICITY

■ White 97.5%  
■ Minority ethnic 2.5%



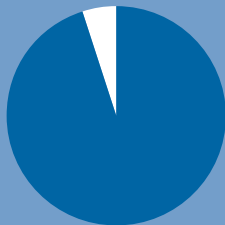
#### AGE

■ 16-24 = 2.8%  
■ 25-34 = 25.5%  
■ 35-49 = 44.5%  
■ > 50 = 27.2%



#### DISABILITY

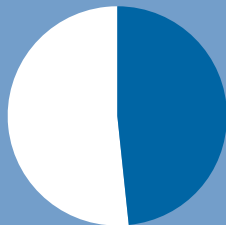
■ No declared disability 95%  
■ Declared disability 5%



### SCOTLAND (WORKING POPULATION)

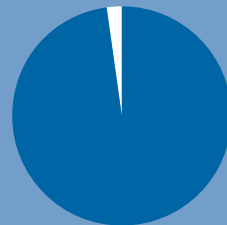
#### GENDER

■ Males 48.9%  
■ Females 51.1%



#### ETHNICITY

■ White 96.3%  
■ Minority ethnic 3.7%



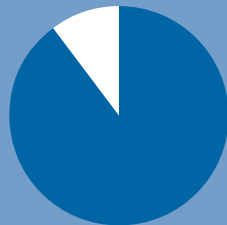
#### AGE

■ 16-24 = 18%  
■ 25-34 = 19%  
■ 35-49 = 33%  
■ > 50 = 30%



#### DISABILITY

■ No declared disability 89.6%  
■ Declared disability 10.4%



Source: Audit Scotland / Annual Population Survey October 2009 – September 2010, ONS

Staff	2010/11	2009/10
Staff numbers	275 WTE*	293 WTE
Turnover	8.2%	5.26%
Average sickness absence per person	4.89 days	8.82 days

\*Correct as of 31 March 2011.



# Our organisation

## Our business

### MANAGING OUR RESOURCES

This year we have continued to work hard to be more effective and efficient, and to reduce the cost of public audit.

In September, we submitted budget proposals for 2011/12 that will reduce our costs by seven per cent in real terms, or £1.9 million, compared with 2010/11. This will in turn reduce the money we are requesting from the Scottish Parliament towards our running costs. We will continue to seek ways of driving down the cost of audit. In 2010/11, we began the tendering process for the new audit appointments for the next five years. This will result in further savings in future years.

In 2010/11, we delivered £1,570,000 of efficiency savings, against a target of £540,000. This was 5.7 per cent of our overall budget, exceeding the Scottish Government target of 2 per cent.

We compare our performance in a wide range of business areas against

public sector benchmarks to help us improve and become more efficient.

### IMPROVING BUSINESS SYSTEMS

We continue to innovate and invest in new technology to simplify and improve the way we work, strengthen security, and reduce costs. This included implementing an automated system for managing and engaging staff about our policies, improving our network connection with fixed audit sites, and upgrading our IT firewalls to improve security and increase network speed.

In February 2011, our new electronic purchasing system went live. This system aims to strengthen our purchasing process and improve our performance and management of our suppliers' invoices.

We rolled out our new electronic working papers system to all Audit Services staff, and we started a programme to implement SharePoint technology across the organisation to improve how we share, manage and store information.

### CORRESPONDENCE AND INFORMATION REGULATIONS

Audit Scotland receives enquiries from a wide variety of people, raising issues of concern to them about the public bodies we audit. These cover a range of subjects and vary in financial value, significance and complexity. Where appropriate, we may carry out further audit work in response.

In 2010/11, we received 230 items of correspondence, compared with 250 last year. We met our target of acknowledging correspondence within ten working days in all but one case, and in 98 per cent of cases we provided a full response within one month of acknowledgement.

In 2010/11, we received nine complaints about how Audit Scotland's staff have dealt with members of the public. In all cases we provided a full response within our 20 working day target.



**CORRESPONDENCE RECEIVED PER SECTOR**

Local government	137
Central government	84
Health	9
Further education	0

**RESPONSE TIMES FOR CORRESPONDENCE**

	10/11	09/10	08/09
Number received	230	250	235
Acknowledgements	99.5%	100%	100%
Full response	98%	97%	94.5%

**INTERNAL AUDITS AND ADVISORY WORK CONCLUDED IN 2010/11**

Human resources
IT security controls
Communications advisory report
Business continuity plan
Carbon management
Assurance map
Electronic working paper system benefits realisation plan
Key financial systems
Medium to long-term financial planning
Publications process
Follow-up report on previous internal audit recommendations

We value openness and transparency and we recognise the public interest in the information we hold. This year we strengthened our information governance arrangements by establishing an Information Governance Group. This group has responsibility for a number of our information governance areas such as our policies and procedures on the Freedom of Information Act, Environmental Information Regulations, the Re-use of Public Sector Information Regulations, and the Data Protection Act. A wide range of information is available through our publication scheme, which is on our website.

We receive many routine requests for information on a daily basis. This year, 12 Freedom of Information (FOI) requests required consideration by an internal panel to determine whether all the information requested could be released. There were five data subject access requests under the Data Protection Act, but no Environmental Information requests.

The Public Services Reform (Scotland) Act 2010, which came into force on 1 October 2010, places duties on public bodies to provide and publish information on certain expenditure and exercise of functions. We welcomed the legislation; see the case study on page 30 for more details.

**SUSTAINABILITY AND ENVIRONMENTAL IMPACT**

Over the past five years we have implemented a wide range of measures to reduce our impact on the environment, including promoting the use of public transport and increased recycling. The focus of our work is now shifting to areas where greater effort is required to achieve significant reductions in emissions. With the support of the Carbon Trust we have set an ambitious target of reducing our carbon footprint by 20 per cent by 2014.

**INTERNAL AUDIT AND RISK MANAGEMENT**

Most internal audits in 2010/11 achieved ‘substantial assurance’, the highest standard available, from our internal auditors RSM Tenon. The follow-up report said we were making good progress in implementing previous recommendations.

Audit Scotland’s audit committee supports our board in its responsibilities for risk, control and governance and associate assurance. The committee met four times in 2010/11 and considered 11 internal audit and advisory reports (see box for report subjects).

# Our organisation

Audit Scotland Board members (L-R)  
John Maclean, Ronnie Cleland,  
John Baillie and Robert Black



## Our governance and management

### OUR BOARD

Our board oversees Audit Scotland's work and seeks to ensure high standards of governance and management. The board has an audit committee which appoints our internal auditors and receives our annual accounts and internal audit reports. The board met eight times during the year and the audit committee four times.

The board also has a remuneration committee which sets and reviews the salaries of senior staff (excluding the Auditor General for Scotland whose salary is set by the Scottish Parliamentary Corporate Body) and the main terms and conditions for all staff.

The board has agreed on a framework which sets out the principles of partnership working between the Auditor General for Scotland, the Accounts Commission and Audit Scotland. The framework is designed to make sure that the three parties work together to deliver their vision for public audit.



**RONNIE  
CLELAND**  
Chair of the board

Chair of Scottish practice of Odgers & Berndtson. Member of NHS Greater Glasgow and Clyde Board (until March 2011). Non-executive adviser to Scottish Football Association. Member of Court of the University of Strathclyde. Former partner at Thomson Partners Ltd.



**JOHN BAILLIE**  
Chair of the Accounts  
Commission

Former partner of KPMG Scotland and London. Recently retired member of the Competition Commission. Visiting Professor of Accountancy, and former Johnstone Smith Professor of Accountancy at the University of Glasgow.



**ROBERT BLACK**  
Auditor General and  
Accountable Officer for  
Audit Scotland

Robert Black is the first Auditor General for Scotland and was appointed in 2000. He was Controller of Audit with the Accounts Commission from 1996 to 2000, and previously chief executive of Tayside Regional Council and Stirling District Council. He has degrees in economics, planning and public policy, and honorary degrees from the University of Aberdeen and Queen Margaret University.



**CAROLINE GARDNER**  
**Deputy Auditor General**  
**and Controller of Audit**  
**(until October 2010)**

Caroline Gardner was appointed Deputy Auditor General when Audit Scotland was formed in 2000, and became Controller of Audit in 2004. She previously worked for the Accounts Commission for Scotland, and the Audit Commission in England and Wales. She trained as a chartered public finance accountant with Wolverhampton MBC, and has an MBA from the University of Warwick. In September 2010, Caroline began a 12-month secondment as Chief Financial Officer of the Turks and Caicos Islands Government.



**JOHN MACLEAN**  
**Independent non-**  
**executive member**

Former deputy chair of Court and former chair of Glasgow Caledonian University audit committee. Former non-executive director at Bank of Scotland, HBOS plc, Bank of Western Australia, and SVM Global. John started his term at Audit Scotland in October 2009.

**SCOTTISH COMMISSION**  
**FOR PUBLIC AUDIT**

Audit Scotland is held to account by Parliament through statutory arrangements put in place by the Scotland Act 1998 and through the Public Finance and Accountability (Scotland) Act 2000. The Scottish Commission for Public Audit (SCPA) is central to these arrangements. The SCPA consists of five MSPs and meets in public. It appoints our non-executive members, scrutinises our budget, annual report and accounts, and produces reports on these. It also appoints our external auditor, and in 2010/11 it appointed new auditors, Alexander Sloan Chartered Accountants.

**SCPA MEMBERSHIP IN 2010/11:**

- Angela Constance (Convenor of the SCPA until December 2010)
- Robert Brown
- Derek Brownlee
- George Foulkes
- Hugh Henry
- Stewart Stevenson (from January 2011)

[www.scottish.parliament.uk/s3/committees/scpa/index.htm](http://www.scottish.parliament.uk/s3/committees/scpa/index.htm)

# Our organisation

Audit Scotland's director of  
Audit Services Fiona Kordiak



## Our governance and management

### OUR SENIOR MANAGEMENT

Our senior management team oversees the day-to-day operations of Audit Scotland's work, with each member taking responsibility for a specific area. In 2010/11, following the secondment of Deputy Auditor General Caroline Gardner to the Turks and Caicos Islands, we undertook an interim restructure of our management team.

#### ROBERT BLACK

See biography on page 26

#### CAROLINE GARDNER

See biography on page 27



**DIANE McGIFFEN**  
Chief Operating  
Officer

Diane McGiffen was appointed director of Corporate Services in 2000, and became Chief Operating Officer following a management restructure in 2010. She previously worked with the Accounts Commission, and before that worked in urban regeneration and local government. She has an MSc in social and public policy from the University of Edinburgh.



**RUSSELL FRITH**  
Assistant  
Auditor General

Russell Frith was appointed director of Audit Strategy shortly after Audit Scotland was formed in 2000 and became Assistant Auditor General in 2010. He was previously director of Financial Audit in the National Audit Office in Edinburgh. Prior to that, he worked in the private sector in audit and corporate finance roles as well as being a finance director in the financial services sector. He qualified as a chartered accountant with KPMG.



**FIONA KORDIAK**  
Director of Audit  
Services

Fiona Kordiak was appointed as a director of Audit Services in 2007 and for Audit Services as a whole following a management restructure in 2010. She joined the Accounts Commission as a trainee in 1987, having previously worked as a finance trainee in the Scottish health service. She is a chartered public finance accountant and has an MA in history and sociology.



**LYNN BRADLEY**  
Director of Corporate  
Programmes

Lynn Bradley joined Audit Scotland as a director of Audit Services in 2005 and became director of Corporate Programmes in 2010 following a management restructure. She previously held senior posts in local government, consultancy and Scottish Homes. Lynn qualified as a chartered public finance accountant with the National Audit Office and as a chartered accountant with Ernst & Young.



**BARBARA HURST**  
**Director of Performance  
Audit**

Barbara Hurst was appointed director of Performance Audit in 2000 and has worked in audit for the past 16 years. Before that she worked in the public, private and voluntary sectors in a variety of roles, including teaching English as a foreign language, managing college library services, rape counselling, freelance consultancy and providing information services to national voluntary organisations. Barbara has an MSc (Econ) in social research methods from the University of Cardiff.



**FRASER MCKINLAY**  
**Director of Best  
Value and Scrutiny  
Improvement and  
Controller of Audit**

Fraser McKinlay was appointed director of Best Value and Scrutiny Improvement in April 2010. Before joining Audit Scotland, he worked for ten years as a management consultant in Edinburgh and London at firms including KPMG and Eglinton. Fraser joined Audit Scotland in 2005 as an assistant director and later led the Best Value audit team. He was appointed as Controller of Audit in September 2010 for the term of Caroline Gardner's secondment.

# Our organisation: case study

We have continued to broaden and improve the information about our costs and spending available on our website



## Case study: Improve the transparency of our costs and governance arrangements

Over the past year, we have continued to improve our governance and the transparency of our costs.

The Public Services Reform (Scotland) Act 2010 (the Act) introduced changes to strengthen the independence and transparency of our governance. The Act gave the Scottish Commission for Public Audit (SCPA) the role of appointing our board chair and non-executive members.

In December, the SCPA appointed Ronnie Cleland, an existing non-executive, as chair. Ronnie had joined the board in 2008 and was followed in 2009 by John Maclean, both recruited through open competition.

In March, the commission appointed Katharine Bryan as our third non-executive member, with her role taking effect on 1 April 2011. All three are joined on the board by Auditor General Robert Black and Accounts Commission Chair John Baillie.

Transparent and strong governance in the public sector is important at all times, but even more now given the challenges ahead. The progress we have made at Audit Scotland has been important in both making sure we have the appropriate balance and scrutiny in our own affairs, and in helping us promote good practice across the public sector.

In September, we submitted our four-year cost-reduction plan to the SCPA. This outlines the reductions in our staffing levels and operating costs to the end of 2014/15 and the subsequent reductions in the audit fees that we will charge public bodies. This, and our budget proposals, are available on the Scottish Parliament's website (see links opposite).

Audit Scotland publishes information on directors' and board members' expenses as well as hospitality and gifts received. The Act also places a duty on public bodies to provide and publish information on certain expenditure:

- spending relating to public relations, overseas travel, hospitality given and external consultancy
- payments which exceed £25,000
- staff earning more than £150,000
- details of our work in achieving sustainable economic growth
- improvements in efficiency, effectiveness and economy.



We publish this information on our website as soon as possible after the financial year end. On a half-yearly basis we will also publish details of spending where individual items are below £25,000 but combined spending with one organisation exceeds £25,000. We have always published details of the remuneration of our senior management in our annual accounts.

**OUR BUDGET PROPOSALS FOR 2011/12 ARE AVAILABLE ONLINE AT**  
[www.scottish.parliament.uk/s3/committees/scpa/index.htm](http://www.scottish.parliament.uk/s3/committees/scpa/index.htm)

**OUR FULL ACCOUNTS FOR 2010/11 ARE AVAILABLE ON OUR WEBSITE**  
[www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk)

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In September, we submitted our four-year cost-reduction plan to the SCPA.

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# Our finances

## Financial summary

Audit Scotland is required to produce annual accounts detailing the resources acquired, held or disposed of during the financial 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 (SCPA), which appointed Alexander Sloan Chartered Accountants to carry out the audit.

The full accounts and Audit Scotland's full management commentary are available on our website.

### A SUMMARY OF INCOME AND EXPENDITURE

The task of auditing Scotland's public bodies has expanded greatly since 2000. In 2010/11, Audit Scotland spent £26.9 million on services for the Auditor General and the Accounts Commission; this is less than 0.1 per cent of the £45 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.

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

In 2010/11, 81 per cent of expenditure was spent on staff and fees to auditors. This compares with 80 per cent in the previous year.

## The figures

Income	2010/11		2009/10	
	£000	% total	£000	% total
Fees paid by local authorities	13,429	64	13,183	65
Fees paid by health bodies	4,523	21	4,525	22
Fees paid by Scottish Water	205	1	222	1
Fees paid by further education colleges	560	3	578	3
Fees paid by Scottish Government & sponsored bodies	1,814	9	2,036	10
Bank interest	5	-	4	-
Miscellaneous	506	2	286	1
Other finance income (pensions)*	(39)	-	(407)	(2)
<b>Total</b>	<b>21,003</b>	<b>100</b>	<b>20,427</b>	<b>100</b>

Expenditure	2010/11		2009/10	
	£000	% total	£000	% total
Staff and members' costs	15,501	58	15,295	56
Fees and expenses paid to appointed auditors	6,255	23	6,408	24
Buildings, rent and depreciation	2,223	8	2,278	8
Operating costs	2,877	11	3,249	12
<b>Total expenditure</b>	<b>26,856</b>	<b>100</b>	<b>27,230</b>	<b>100</b>
Prior Year adjustment – property dilapidations	-	-	428	-
Pension adjustment – past service	(6,349)	-	-	-
<b>Total resource requirement</b>	<b>20,507</b>	<b>-</b>	<b>27,658</b>	<b>-</b>

### NET OPERATING SURPLUS / (COST)

Direct funding from Parliament	2010/11		2009/10	
	Required £000	Available £000	Required £000	Available £000
Net operating surplus / (cost)	496	(7,295)	(7,231)	(7,479)
Pension adjustment – past service	(6,349)	-	-	-
Adjusted operating (cost)	(5,853)	(7,295)	(7,231)	(7,479)

\* Other finance income is comprised of income from expected returns on the local government pension scheme assets less the interest payable on the scheme liabilities.



## Staff and members' costs

### STAFF

At 31 March 2011, we had 275 whole-time equivalent staff. During the year, the average number of directly employed staff was 282 whole-time equivalents (295 in 2009/10).

The number of staff whose salaries were over £75,000 was eight (eight in 2009/10).

	Salary £000
Auditor General	145 - 150
Deputy Auditor General	130 - 135
Assistant Auditor General (Financial Audit)	105 - 110
Chief Operating Officer	95 - 100
Director of Performance Audit	90 - 95
Director of Corporate Programmes	90 - 95
Director of Audit Services	85 - 90
Director of Best Value and Scrutiny Improvement	80 - 85

### BOARD

The Auditor General, Deputy Auditor General and Accounts Commission Chair serve on the Audit Scotland Board but do not receive remuneration for that role. During 2010/11, Audit Scotland had two independent non-executive board members of which one was the chair of Audit Scotland (a third non-executive was appointed during 2010/11 but her term starts in April 2011). Both were remunerated as follows:

	Banding £000
Chair of Audit Scotland	5 - 10*
Non-executive board member	5 - 10

\*This banding reflects the remuneration of the incumbent as a non-executive board member up to 14 December and chair from 15 December.

Audit Scotland non-executive board appointments are part-time and non-pensionable.

### ACCOUNTS COMMISSION

The Accounts Commission Chair and members (all part-time) were remunerated as follows:

	Banding £000
Chair of Accounts Commission	40 - 45
Deputy chair	15 - 20
Commission members	0 - 10

All Commission appointments are part-time and non-pensionable.

A full remuneration report is in our accounts for 2010/11. These are available on our website.

## Reports published in 2010/11

### ACROSS-GOVERNMENT REPORTS

- Maintaining Scotland's roads: a follow-up report
- The cost of public sector pensions in Scotland
- Edinburgh trams: interim report
- Improving energy efficiency: a follow-up report
- Getting it right for children in residential care

### CENTRAL GOVERNMENT REPORTS

- Management of the Scottish Government's capital investment programme
- The Scottish Police Services Authority
- National concessionary travel
- The role of boards
- The Gathering

### NHS REPORTS

- Financial overview of the NHS in Scotland 2009/10
- Emergency departments
- Using locum doctors in hospitals

### LOCAL GOVERNMENT REPORTS

- An overview of local government in Scotland 2010
- Physical recreation services in local government
- How councils work: an improvement series for councillors and officers – Roles and working relationships: are you getting it right?
- National Scrutiny Plan for Local Government 2010/11

### BEST VALUE REPORTS

- North Ayrshire Council: Best Value 2 audit
- Grampian Police and Grampian Joint Police Board
- Best Value in Police evaluation: Tayside and Northern
- South Ayrshire Council: progress report
- Scottish Borders Council: Best Value 2 pathfinder audit
- The Highland Council: Best Value 2 pathfinder audit
- Angus Council: Best Value 2 pathfinder audit
- Northern Constabulary and Northern Joint Police Board
- East Ayrshire Council: Best Value 2 pathfinder audit

### ANNUAL AUDITS

- 212 annual audits (details are on our website)

### SECTION 22 REPORTS

- The 2009/10 audit of the National Library of Scotland
- The 2009/10 audit of the Scottish Government Consolidated Accounts

### LOCAL GOVERNMENT STATUTORY REPORTS

- The Highland Council: Caithness Heat and Power (CHaP) follow-up
- Strathclyde Partnership for Transport
- The Highland Council: Caithness Heat and Power (CHaP)
- Shetland Islands Council: Commission findings and CoA report

### OTHER PUBLICATIONS

- Code of data matching practice
- Priorities and Risks Framework: A national planning tool for 2010/11 NHS Scotland audits
- Quick Guide to Audit Scotland, the Auditor General and the Accounts Commission
- Consultation on revised Code of audit practice and audit appointments strategy
- Audit Scotland Annual Report and Accounts 2009/10
- Audit Scotland's annual report on working with other countries 2009/10
- Accounts Commission Annual Report 2009/10
- Health and community care bulletin
- Audit Scotland Equality Annual Review
- Accounts Commission Equality Annual Review
- The National Fraud Initiative in Scotland 2008/09
- IMPACT REPORTS
- 12 impact reports (details are on our website)



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Audit Scotland, 110 George Street, Edinburgh EH2 4LH  
t: 0845 146 1010 e: [info@audit-scotland.gov.uk](mailto:info@audit-scotland.gov.uk)  
[www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk)

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