

holding to account and helping to improve

summary
audit
scotland
annual
report
2010|11

Welcome

Robert Black and Ronnie Cleland



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 public bodies to push improvements in performance and efficiency. We have also reviewed our own business to ensure we are continuing to operate effectively, efficiently and transparently.

We have improved our performance despite these tough times, delivering financial and performance audits that have impact. Survey results show increased satisfaction with the quality of our financial audits. Our performance and Best Value work supports improvements in public services and the efficient use of public money.

In 2010/11, we began reducing the costs of our work and the fees we charge public bodies. This year we implemented a 5.5 per cent real terms reduction in fees compared with 2009/10, and overall we aim to cut the cost of audit by at least 20 per cent by 2014/15.

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".

RONNIE CLELAND
Chair of Audit Scotland Board

ROBERT W BLACK
Accountable Officer and
Auditor General for Scotland

Our work

We carry out audits across the entire public sector to help improve services. We publish reports on the audits to provide assurance that public money is being spent properly.

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

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

We helped the Accounts Commission implement a new regime for auditing how well local authorities deliver Best Value. It brings together all the bodies responsible for scrutinising councils to produce clearer, quicker judgements.

The Auditor General and the Accounts Commission were responsible for 212 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.

We oversaw the National Fraud Initiative (NFI) in Scotland. Public bodies have identified fraud, overpayments and errors worth £26 million, and the cumulative total since 2000 is £63 million.

We had four visits from overseas audit and local authority bodies. Two of our auditors joined the United Nations audit, and the UK Government seconded Deputy Auditor General Caroline Gardner to the Turks and Caicos Islands. The Welsh Assembly asked us to audit the Wales Audit Office accounts.

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**

All our reports are available at www.audit-scotland.gov.uk

Case studies



One: maximise our contribution to the improvement of public services

Getting it right for children in residential care found over £250 million is spent a year but councils cannot show they achieve value for money. Professional practice and work is often good, but many children have major problems later in life.

The report contains 21 recommendations. It says £150,000 is spent a year per child and councils have to be sure they achieve quality services for the costs. It called for stronger government leadership and direction. There were 53 items of media coverage and the report was downloaded 5,713 times.

The Scottish Parliament's Public Audit Committee held an inquiry and called for better information on the outcomes of children in care. The Scottish Government welcomed our report, and has launched a number of initiatives.

Two: 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. Visits and inspections are quicker, more focused, and involve fewer inspectors. The

scrutiny activity within each council is more proportionate and risk-based than in the past.

We published the *National Scrutiny Plan for Local Government 2010/11*. This set out the work scrutiny agencies we would do in councils during the year.

Three: Increase the impact of our work

Audit Scotland is uniquely placed to share intelligence about developments across the public sector. This also allows us to address issues that affect all public bodies.

Sometimes our impact is local and specific. Our auditor appointed to NHS 24 is familiar with the body's call centres and saw that several councils were investing in call centres, some of which were operating below capacity. She told NHS 24 that councils should consider using their infrastructure.

We also address issues across the public sector. For the past two years we have supported public bodies as they move to International

Financial Reporting Standards (IFRS). As a result, there have been no qualifications of audit opinions in Scotland relating to IFRS.

Four: Become a centre of excellence for public audit

Audit Scotland staff joined a team of UK auditors appointed to the United Nations Board of Auditors.

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, USA. She is also auditing the refurbishment of the UN building in New York.

Audit Scotland portfolio manager Mark MacPherson is leading the audit of management issues in five UN organisations, based in Nairobi, Vienna and field offices across the world.

Case studies



Five: Improve the transparency of our costs and governance arrangements

The Scottish Parliament appointed Ronnie Cleland as our independent, non-executive chair, and Katharine Bryan as our third non-executive member (her role starts in April 2011). Three of our five board members are non-executives, ensuring we have the appropriate balance and scrutiny.

We submitted a four-year cost-reduction plan, outlining reductions in staff and costs, and subsequent reductions in the audit fees we charge public bodies.

We publish information on director and board members' expenses as well as hospitality and gifts we receive. We also publish:

- spending on public relations, overseas travel, hospitality given and external consultancy
- payments over £25,000
- staff earning over £150,000
- how we achieve sustainable economic growth
- improvements in efficiency, effectiveness and economy.

Our budget proposals are available at www.scottish.parliament.uk/s3/committees/scpa/index.htm

Our organisation

Our people

We strive to make Audit Scotland an excellent place to work.

We achieved 'Two Ticks' accreditation and retained Best Companies 'One to Watch' Status. Our staff receive an average nine days each of development. We had 26 trainees and staff working towards CIPFA and ACCA qualifications. We reduced sickness absence from 8.82 days per employee to 4.89.

We are reducing staff numbers by 42, or 14.4 per cent, by 2014/15. By careful workforce planning we are already about half-way towards this. In line with other public bodies, we implemented a pay freeze this year.



Our business

We worked to be more effective and efficient, and to reduce the cost of public audit. Our budget proposals will reduce the cost of audit by seven per cent in real terms, or £1.9 million, and reduce the money we request from the Scottish Parliament for running costs.

We delivered £1,570,000 of efficiency savings, against a target of £540,000. This was 5.7 per cent of our budget, compared with the target of 2 per cent.

We implemented new electronic purchasing and electronic working papers systems. We received 230 items of correspondence, and 12 Freedom of Information Act requests required a panel decision.

We shifted the focus of our sustainability work, and have set a target of reducing our carbon footprint by 20 per cent by 2014.

Most internal audits received the highest standard of assurance.

Our finances

We spent £26.9 million; 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 audit fees, with the balance received as direct funding from the Scottish Parliament.

Some 81 per cent of expenditure was spent on staff and fees to auditors.

Income	£000	% total
Fees paid by public bodies	20,531	98
Bank interest	5	–
Miscellaneous	506	2
Other financial income	(39)	–
Total	21,003	100

Scottish Parliament funding	5,853	
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Expenditure	£000	% total
Staff and members' costs	15,501	58
Fees and expenses to appointed auditors	6,255	23
Buildings, rent and depreciation	2,223	8
Operating costs	2,877	11
Total	26,856	100

Highlights of 2010/11

Implemented four-year plan to reduce audit fees by 20%

Reduced 2010/11 audit fees by 5.5 per cent

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

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