

Corporate plan 2012–15

Helping to improve by
holding to account



 AUDIT SCOTLAND

Who we are

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

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, performance and Best Value audits of various aspects of how public bodies work. We audit public bodies, with a total spend of around £40 billion a year, and audit the majority of devolved public services in Scotland.

Our stakeholders

- The Scottish Parliament
- The people in Scotland
- The Scottish Government
- All Scottish public organisations

Our resources

- £19 million from: audit fees paid by public bodies; bank interest; and miscellaneous income.
- £7 million direct funding from the Scottish Parliament.
- 275 whole-time equivalent staff (as at 31 March 2011).
- Seven private firms of accountants appointed to carry out annual audits on behalf of the Auditor General for Scotland and the Accounts Commission.

Our governance and management

Audit Scotland is governed by a five-member board, including an independent chair and two independent non-executive members.

The Scottish Commission for Public Audit scrutinises our budget, annual report and accounts and appoints our external auditor.

Our senior management team oversees Audit Scotland's day-to-day operations, with each member taking responsibility for a specific area.

Our history

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.

Introduction

This corporate plan sets out the vision, priorities and strategy for Audit Scotland.

Scotland's public sector is operating in tough financial conditions. The Scottish Government's Spending Review sets out the scale of reductions in public spending over the next three years. Public bodies are having to deal with significant challenges to provide high-quality and sustainable public services. The role and contribution of public audit is more important now than at any point since devolution.

We provide independent assurance to the people of Scotland that public bodies' financial management is effective and analyse whether their spending decisions bring value-for-money and are sustainable in the long term. Our work is about ensuring public bodies are accountable and also helping them improve to meet the substantial challenges they face in delivering public services.

A fundamental principle of Scottish public audit is that it is independent – both of the government and of the bodies we audit. The public sector faces difficult choices and competing pressures over the coming years, and this increases the importance of the role of independent public audit in helping to hold the public sector to account. A key priority for us will be ensuring that our work is relevant and timely; that we are looking at the right areas at the right time.

While we are independent of those we audit, we face the same pressures and constraints. Over the

period of this corporate plan, we will reduce the cost of public audit by more than 20 per cent in real terms. We have already started this process, and have been able to reduce the cost of audit by 7 per cent in 2011/12 and a further 8 per cent in 2012/13. We will also continue to help streamline scrutiny in local government on behalf of the Accounts Commission.

Like many other bodies, we are reducing our workforce and our costs. Maintaining quality while we do this is our central focus. In responding to this challenge, we are acting on the opportunities to improve our business and maximise the impact we have on public services in Scotland and the difference we can make. The current climate has increased the need to find innovative ways of working, and we are committed to doing so.

This plan sets out the what Audit Scotland is expected to deliver. It explains how we will meet those expectations and ensure our messages are clear and the impact of our work is understood.

This plan is the result of consultation on our programme of work with external stakeholders and with colleagues. It has been prepared in accordance with the joint statement on the Principles of Public Audit and approved by the Audit Scotland Board. It captures information from the detailed business group and corporate project plans that underpin our vision and the work we do.

This plan is effective from 1 January 2012 to 31 December 2015.

Our vision

Our vision is to be a world-class audit organisation that improves the use of public money.

In shaping this vision and our priorities for the coming years, we have focused on the difficult financial climate in which public bodies now operate and the need to ensure that we operate as effectively and efficiently as possible.

The strategy map opposite sets out our priorities, the aims of our work and how we will do it. It highlights the areas we will focus on to deliver our duty to provide assurance to the people of Scotland that public money is spent properly and provides value for money.

The map is based firmly on the values of our organisation:

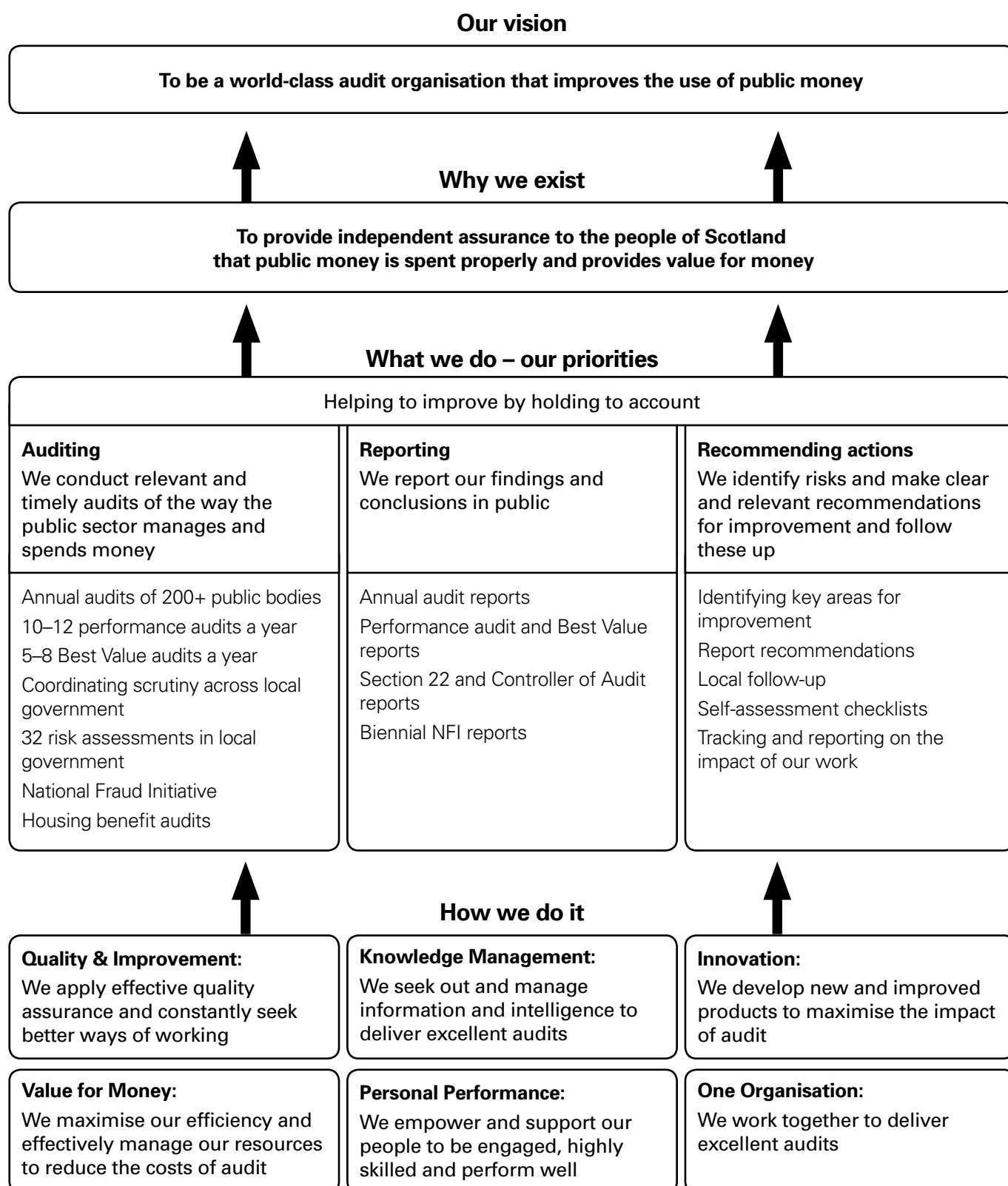
- Independence, integrity and objectivity
- Valuing people and ensuring equality and fairness
- Effective communication.

The map and this corporate plan are also the result of the ongoing and extensive consultation and engagement with stakeholders and staff, not only about our high-level strategy, but also our day-to-day business planning and the work we do. These stakeholders range from the Auditor General for Scotland and the Accounts Commission, to the

Scottish Parliament's Public Audit Committee and the public bodies we audit. They include the inspection and regulation partners we work alongside and the firms we appoint to carry out audits. This engagement takes many forms, such as formal consultation on our rolling programme of performance audits, recent consultation on the Code of Audit Practice, the appointment of project advisory groups of relevant external experts for individual performance audits, and quality surveys and external peer reviews of our work. It includes our widespread membership of professional associations, our internal surveys of staff opinions, and the informal feedback and perspective that comes from regular communication and engagement with stakeholders, experts, commentators and service users.

Over the period of this plan, we will be monitoring the impact and effectiveness of our work and also the measures we are undertaking to meet our vision and reflect our values.

Audit Scotland Strategy Map 2012–15



What we do

Working on behalf of the Auditor General and the Accounts Commission, we aim to help public bodies to improve and we do this by holding them to account for their financial management and the performance of their services.

There are three key strands of our work: auditing, reporting, and recommending actions.

Auditing

The core of what we do is to conduct timely and relevant audits of the way public bodies spend money, manage their finances and deliver public services.

We carry out several strands of audit activity, as well as audit procurement and quality assurance:

- Annual financial audits
- Best Value audits of local government
- Performance audits
- Housing benefit audits.

A key principle over the period of this plan is continuing to improve the quality of our work in all these areas, in order to maximise its impact on public services and value for money.

We have recently appointed auditors to public bodies for the next five years. We have rotated our in-house local auditors and firms and they are taking on portfolios containing a mix of bodies across the public sector. This maintains independence and will bring a new perspective to the work and the bodies involved. It will help us join up areas such as health and local government, enabling us

Each year of this plan, we will conduct:

- more than 200 annual audits of public bodies in the following sectors:
 - Central government
 - NHS
 - Further education
 - Councils
 - Joint boards
 - Water.
- **10–12 performance audits**
 Five strategic themes underpin our performance audit programme: Managing reductions in public sector budgets; Investment; Partnership working; User focus and personalisation; and Environmental auditing.
 In 2012/13, these audits will be:
 - Learning the lessons of public bodies mergers
 - Health inequalities
 - Outsourced contracts
 - Stroke services
 - Reducing reoffending
 - GP prescribing
 - Major capital projects in local government
 - NHS annual overview
 - Consumer protection services
 - Scotland’s public finances – workforce planning
 - Renewable energy.
- **5-8 Best Value audits.** We determine which specific councils we will carry out Best Value audits at each year after undergoing **annual Shared Risk Assessments of all 32 councils.**
- biennial **National Fraud Initiative** exercises.
- **housing benefit audits** at councils. The programme is based on risk assessment.

to bring a broader view to the work, aiding our information-gathering and allowing us to manage our resources more efficiently. Part of this process included tendering for our appointment of external appointments; this will result in high-quality services as well as annual savings of about £1.2 million.

In our financial audit work, we will focus on the financial sustainability of public bodies and the quality of their financial planning and management. We will also support the democratic process by encouraging clear, transparent and comprehensive financial reporting to elected members and citizens.

In our performance audit work, we will further improve our analytical skills and make more use of existing information to pinpoint the key issues affecting the performance of public services. This will help us ensure we look at the right topics at the right time. We will also strengthen our focus on value-for-money; identifying savings and matching the money spent with the performance delivered

In our Best Value audit work, a key area will be developing new approaches to auditing and supporting some of the new ways of delivering public services. For example, working with the Accounts Commission we will design and pilot the auditing of the work of community planning partnerships, and be clear with stakeholders about the expectations of our work there.

We will build on the good progress made in coordinating and streamlining scrutiny in local government, to enable us to work more effectively

and efficiently with other public sector scrutiny bodies.

We ensure that all audits of public bodies implement robust quality control and monitoring arrangements. We report annually on the arrangements for quality assurance and the results of quality reviews across all audits.

Reporting

We report in public to ensure our work reaches its audiences and supports accountability. This means making our findings available to the people of Scotland, to democratically elected representatives and to members of public boards.

To do this, we need to ensure our reports are published on time and within budget. We will continue to work effectively with the Scottish Parliament and the Accounts Commission to highlight issues of public importance, and to communicate the findings of our work through the media.

Our priorities for the period of this plan are to continue to improve the quality of our published work and explore new ways of reporting.

We are committed to ensuring our published reports are written in plain English and are structured clearly and logically so readers can quickly find the information they need. We will continue our work in this area, ensuring that our reporting of findings is clear, and that we present data and information in easily-understood, accessible and innovative ways.

We will explore how to make the best use of technological advances to find new ways of reporting in public to widen the impact of our work and to make the most efficient use of our resources.

We will continue our commitment to considering diversity and equality in all our work, and ensuring our work is accessible to people with disabilities and those for whom English is not their first language. We will continue to report on diversity and equality issues.

We will report on our work through:

- annual audit reports
- performance audit reports
- Best Value reports
- Section 22 and Controller of Audit statutory reports
- biennial National Fraud Initiative reports.

Recommending actions

To make a difference and help improve the public sector's financial management, use of resources and the quality of services, we will make practical, clear and relevant recommendations.

Where appropriate, our performance audit and Best Value audit reports contain recommendations and checklists. We will improve the quality of these to ensure they are easy to understand and follow. In our annual financial audit work we identify risks, based on our strong understanding of audited bodies' business.

We will continue to drive and support improvement in public services and in particular increase our challenge to bodies that are not performing effectively and efficiently or striving for excellence.

We aim to understand better the impact of our work and whether our recommendations are driving improvements in the management of public finances and the quality of public services. This includes following up our national reports at a local level to check public bodies are acting on our recommendations.

We will also improve how we report in public on the impact of our work and our recommendations to public bodies.

We make recommendations and check on the impact of our work through:

- recommendations to the Scottish Government and public bodies, where appropriate
- self-assessment checklists
- local follow-up of action to address recommendations
- impact reports at least 12 months after publication of performance audits
- quality surveys.

How we do it

The table below describes some of the improvement work we will undertake over the next 18 months to achieve our objectives. While projects are listed under headline areas, several touch on more than one of the areas. Each headline area is supported by detailed development and project plans, led and sponsored by our Management Team.

What	When
Quality & Improvement	
Piloting 'lean reviews' to streamline processes while maintaining quality systems	Year 1
Make our published reports shorter, sharper and clearer	Ongoing
Implement a new corporate performance management and planning system	Ongoing
Better coordinate internal quality and professional standards groups, producing annual quality reports	Year 1
Establish regular external quality assurance of our financial audit work	Year 1
Knowledge Management	
Implement our new information storage and access system, including improved extranet and intranet	Year 1
Review the potential for our electronic working papers system to be rolled out across Audit Scotland	Year 1 review / Year 2 implementation
Work on implementing new professional networks and knowledge events to share information, intelligence and learning across Audit Scotland	Year 1 & 2
Focus on strengthening our data analysis skills	Ongoing
Value for Money	
Reduce our operating costs while maintaining the quality of our work. Includes continuing our restructuring, and reviewing workforce and skill mixes, productivity, audit portfolios and targets	Year 1
Review our travel, including travel planning, lease cars strategy, and promotion and support of alternatives to travel	Year 2
Continue our office rationalisation programme; review the location of our west of Scotland office to reduce travel and be closer to clients	Year 1 Year 2
Improve our telephone system	Year 1
Explore e-publication opportunities to make better use of technology and reduce costs	Year 2
Implement new e-expenses and time recording systems	Year 1
Implement new administration support across the organisation	Year 1

What	When
Personal Performance	
Review and improve our Learning and Development strategy, making it simpler and more coherent, and improve planning, procurement and evaluation	Year 1
Improve workforce flexibility and talent management, ensuring our staff develop a broad range of knowledge and skills	Year 2
Design and deliver a leadership and management development plan	Year 1
Strengthen skills that are crucial for future audit work, such as analytical skills	Ongoing
Review decision and delegation rights and explore increasing these to staff to support development and engagement	Year 1
Improve our engagement with staff across the organisation about business planning and performance assessment	Ongoing
Design and implement workforce flexibility policies, in areas such redeployment and early retirement	Year 1
Innovation	
Introduce new products and supplements from our audit work , such as information leaflets	Ongoing
Strengthen graphical presentations of data	Year 1
Explore e-publication opportunities, including how we present our work	Ongoing
Pilot the audit of the outcomes of community planning partnerships	Year 1
Refine the Best Value audit programme and further develop the How councils work series	Ongoing
One Organisation	
Identify more opportunities for joint working and joint projects across business groups as part of our core business	Ongoing
Align the work of our performance, Best Value and financial audit teams for smoother joint working and increased impact of findings and recommendations	Ongoing
Improve workforce and succession planning	Year 1

Measuring our performance

Over the period of this corporate plan, we will regularly monitor and report on our performance against our objectives and plans. To do so, we will ask the following questions about our core activities.

What we do	What we will ask
Auditing	To what extent are we delivering our audits on time? To what extent are we delivering our audits on budget? To what extent are we delivering the relevant audits?
Reporting	To what extent are we publishing our reports on schedule? To what extent are we publishing our reports on budget? How well are we getting our messages out?
Recommending actions	To what extent are we making practical, clear and relevant recommendations? To what extent have our recommendations led to improvements?

We use a combination of methods to report on our performance. This includes quarterly reporting on Key Performance Indicators to our management team and board, and internal audit reports to our Audit Committee.

We also report on performance externally, through annual reports, stakeholder updates and reports and evidence sessions to the Scottish Commission for Public Audit.

Appendix 1.

Our resources

The Auditor General and the Accounts Commission expect public bodies to manage their finances to the highest standards and achieve the best possible value for public money. They expect the same of 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 and performance 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 continuing to reduce the cost of public audit by 20 per cent by the end of 2014/15. This will result in reductions to the fees we charge audited bodies for our work.

Resource requirements for 2011/12

For 2011/12, Audit Scotland has an operating budget of £26 million and a capital budget of £250,000. We plan to raise £19 million through audit charges and other miscellaneous income, with the remaining £7 million funded by the Scottish Parliament. The table opposite summarises our budget for 2011/12, and our draft budget for 2012/13.

Our 2011/12 budget assumes an overall reduction in the cost of audit of 7 per cent, resulting in fee reductions to public bodies. Our fee strategy is available on our website. It provides more information about how our fees are set. Our draft 2012/13 budget assumes a further 8 per cent reduction in the cost of audit, with further fee decreases.

Staff

Staff costs account for around 55 per cent of Audit Scotland's 2011/12 operating budget. We have committed to reducing our staff by 42 (whole-time equivalent), or 14.4 per cent, by 2014/15. By careful workforce planning, we are already about half-way towards that target.

Resource requirements	Budget 2011/12 £000	Draft Budget 2012/13 £000
Staff and Commission members costs	14,430	14,590
Fees and expenses paid to approved auditors	6,165	4,912
Buildings, rent and depreciation	2,203	1,853
Other costs	3,420	3,244
Gross costs	26,218	24,599
Income from charges to audited bodies ¹	19,285	18,036
Bank interest and miscellaneous income	113	30
Total income	19,398	18,066
Net Operating Cost	6,820	6,533
Capital	250	440
Total resource requirement from Scottish Consolidated Fund	7,070	6,973

Note: 1. Income from charges to audited bodies by financial year is analysed below:

	Actual 2009/10 £000	Actual 2010/11 £000	Budget 2011/12 £000	Draft Budget 2012/13 £000
Local authorities	13,183	13,429	12,526	11,844
NHS bodies	4,525	4,523	4,262	3,870
Scottish Water	222	205	198	145
Further education colleges	578	560	539	539
Scottish Government depts. and sponsored bodies	2,036	1,814	1,760	1,638
Total income from charges to audited bodies	20,544	20,531	19,285	18,036

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