
Working with other countries

2011/12

Developing our organisation,
supporting improvement

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Welcome from the Auditor General

Audit Scotland has developed a strong reputation for the quality of its work in public sector audit. I am pleased to see the degree to which our work continues to attract interest from public audit organisations across the world. We, in Audit Scotland, value these opportunities to share our expertise and contribute to the development of public accountability models across Europe and beyond. This work needs to be considered in the context of the substantial demands and expectations on our core audit activity in Scotland, particularly at a time when there are pressures on our own resources. In that context, our strategy for working with other countries serves us well as we consider requests to work with other countries, alongside our core work in Scotland.

This report summarises our work with other countries in 2011/12, which mainly involved hosting visits from auditors and public bodies from abroad. The number of visits from overseas groups showed an increase on the previous year, confirming the continuing interest from outwith Scotland in our work. This year we have reduced the work that our staff have carried out in other countries. However, those visits that we have undertaken have a very significant profile and impact. Caroline Gardner continued and completed her involvement as Chief Financial Officer of the Turks and Caicos Islands and helped the Islands' government to build its capacity for good governance and financial management. We also continued our involvement in the audit of the United Nations Organisation together with the UK National Audit Office (NAO). Assignments of this quality are a clear indicator of the high regard in which our work is held and of the impact that our Scottish professional expertise can have in the wider world.

I would like to thank those staff who have participated in our work with other countries and who support this activity. By supporting and helping to improve audit and public accountability in other countries, we provide our staff with challenging and worthwhile development opportunities. But I am aware that for those staff this often involves extra work and additional demands on personal time. I am very grateful to all our staff involved in presenting to visiting groups and in working with other countries, and thereby continuing to enhance our reputation as a centre of excellence in public audit.



Audit Scotland

Welcome from the Chair of the International Steering Group

This year we continued to receive requests to host visits from a range of groups from other countries – details are set out on pages 6 to 8. Overall, there has been an increase in such requests over the previous year and we welcomed the opportunity to assist overseas colleagues in extending their knowledge and developing their approach to public audit.

Our work this year in other countries mainly involved projects which were already established. A member of staff attended the European Organisation of Regional Audit Institutions (EURORAI) seminar on 'Local Government Audit' held in Rostov, Russia and another member of staff has joined the EURORAI working group 'External Audit of Fraud and Corruption'. In addition, we have continued to participate in the audit of the United Nations which is led by the UK NAO – you will find details on pages 10 to 11.

We have continued to focus on assessing the impact of our work and I am pleased to note the very positive responses we have received from overseas visitors. You will find some examples on page 7. But it is also important to note that we also gain as an organisation from our contacts with other auditors and audit bodies. These visits allow Audit Scotland to learn from other countries and challenge our own thinking, assumptions and ways of working. Our overall approach to working with other countries is set out in our strategy document. This covers the key governance arrangements for our work with other countries and is available from the Audit Scotland [website](#).

I hope you find the report interesting. If you require additional information or wish to speak to us about our work with other countries, our contact details are on the back cover of this report.



David McConnell

Visits

Our work with other countries includes a number of requests from overseas organisations for visits to Audit Scotland. We have hosted delegations from a variety of organisations including other public audit bodies and national public accounts committees. Most visits are relatively short – up to one day – but others can be more extended and allow us to coordinate activities with other Scottish institutions such as the Scottish Parliament.

Audit Scotland's core work takes priority and we sometimes have to decline requests or limit the number of visits, particularly during our busiest periods. Our guidelines limit the number of visits to around 12 each year, and restrict the same organisations from returning within a two-year period unless the focus of the visit has significantly changed. During 2011/12, we received requests from 14 organisations (six in 2010/11) and were able to accommodate ten of these requests. The remainder were declined as they were outwith our policy for international work:

- were repeat requests from an organisation that we had hosted recently
- required a significant level of input that would have impacted on core business
- were coordinated by a profit-making intermediary.

Most overseas organisations contact us directly. However, some visits are requested through organisations such as the John Smith Trust ([see Case study 1](#)) or the Westminster Foundation for Democracy. In 2011/12, Audit Scotland hosted ten visits from overseas (four in 2010/11). These were from:

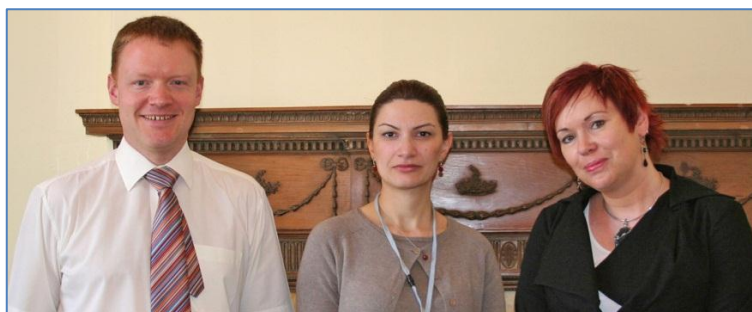
- **Armenia** – John Smith Fellowship (Member of the Council of the Chamber of Control of the Republic of Armenia)
- **Indonesia** – Public Account Committee of Indonesia's House of Regional Representatives
- **China** (four):
 - ICAEW – Beijing Office
 - Beijing Municipal Audit Bureau
 - China Audit Society
 - State-owned Assets Supervision and Administration Commission of Anhui Province
- **Kosovo** – Parliamentary Committee for Oversight of Public Finances of the Assembly of the republic of Kosovo
- **Canada** – Assistant Auditor General, Office of the Auditor General of British Columbia
- **Macedonia** – Assembly of the Republic of Macedonia
- **Montenegro** – Committee on Economy, Budget and Finance, Montenegro.

Impact of visits

During these visits, around 145 delegates (50 delegates in 2010/11) heard about the public audit model in Scotland and our methods of working. [Case study 1](#) provides more detail of the issues discussed during the visit by the Armenian delegate.

Case study 1

The John Smith Fellowship



International Liaison Manager, Peter Lodge and Portfolio Manager, Lorna Skirving of Audit Scotland with Lilit Gevorgyan (centre).

The John Smith Memorial Trust was established in 1996 as a memorial to the former leader of the Labour Party. The Trust is a non-party political charity that aims to promote the ideals of democracy, social justice and good governance largely through the John Smith Fellowship Programme. The programme is aimed at the next generation of leaders in a number of republics that were formerly part of the Soviet Union. Through a series of placements, these future leaders are introduced to the models and practices of democracy that have evolved in the United Kingdom.

In 2011, the John Smith Trust asked us to host Lilit Gevorgyan from the Armenian Chamber of Control for a three-day placement. The function of the Chamber is to exercise control over the expenditure of state revenues and funds, and to ensure transparency. Lilit's overall objectives for the John Smith Fellowship were to:

- boost collaboration with UK institutions
- establish an education and training centre at the Chamber of Control
- explore anti-corruption policy.

Lilit spent time with members of Parliament, the accountants Grant Thornton and The Audit Commission before joining us. During her time at Audit Scotland, she spoke to staff about the Scottish Public Audit Model; auditor training programmes; the National Fraud Initiative; performance audit; Best Value; and Corporate Governance and Fraud Prevention. We also arranged visits to The Scottish Funding Councils for Further and Higher Education and the Public Audit Committee of The Scottish Parliament.

Since returning to Armenia, Lilit has put into action some of the ideas and insights she gained from her visit to the UK and she returns to the UK in 2012 to provide the Trust with an update on her progress.

Audit Scotland staff also assist organisations from other countries by providing information and guidance by telephone, email and through one-to-one meetings in Scotland. This year, we have helped several organisations in this way, including the University of Zaragoza in Spain and the Gifu Prefectural Government Secretariat of Audit Commissioners in Japan.

Since December 2009, we have been collecting feedback on the impact of visits. Feedback from visitors and staff is positive and encouraging and helps us improve future visits.

Members of the Montenegrin delegation thanked us for, "well-chosen topics, complete answers and our serious approach". The delegates received presentations covering the Scottish Public Audit model, the involvement of commercial firms and our international work.

Hosting international visits also provides development opportunities for our staff. They gain insight into new ways of working, which they can apply to their core work in Audit Scotland and it provides unique opportunities to share practical experience, examples of good practice and get experience of different systems. After hosting international visits, typical staff comments include: "The visit gave me the opportunity to broaden my role within Audit Scotland and provided an insight into the audit 'cultures' in different countries" and, "it was an opportunity to share our experience and expertise with international colleagues and to learn from them".

Resources

During 2011/12, 24 staff were directly involved in the ten visits, spending around 23 working days planning, preparing and delivering presentations to delegations.

Gift and hospitality policy

Audit Scotland's policy on visits, gifts and hospitality states that: 'Gifts of small monetary value may be accepted where this would not breach guidance contained in our Code of Conduct for staff. In exceptional circumstances, it may be appropriate to accept a gift where refusal would embarrass Audit Scotland or damage relationships'.

In 2011/12, visitors presented our staff with token gifts, such as scarves and ornaments. All gifts were recorded in the international register of gifts and hospitality. In turn, we presented token gifts of Audit Scotland pens and quaichs to visitors.

Overseas work

In previous years, our overseas projects with other countries included working with audit agencies and their staff to provide technical support and training. These assignments aimed to help audit agencies develop their public accountability models and approaches to financial and performance audit. We have also worked with other audit agencies to provide quality assurance through external peer review; provided remote assistance to organisations from other countries by providing information and guidance by telephone or email; or assisted audit agencies with their governance and quality assurance arrangements.

During 2011/12, a member of staff has been involved in a project in the Turks and Caicos Islands, more details are set out below. We were also asked to participate in overseas projects in Moldova and Sierra Leone, but these requests were both declined on the grounds of the potential to affect our core business. We also declined several approaches to participate in tenders for projects in Bangladesh and Azerbaijan as our strategy does not include bidding for overseas work.

Secondment to the Turks and Caicos Islands

Following several years of financial boom, the Turks and Caicos Islands (TCI) experienced severe financial problems in the summer of 2010. As a consequence, the UK Government suspended home rule and implemented a range of measures to return the islands to stability.

Our then Deputy Auditor General, Caroline Gardner, working through the UK Department for International Development, was appointed Chief Financial Officer to the TCI Government for a 12-month period during 2010/11. She was given responsibility for all the TCI Government's financial decisions, under the authority of the Governor. Her remit included strengthening the government's capacity and systems to manage its public finances and balance its budget within three years.

Caroline reviewed the various problems facing the islands and put a series of measures in place to lower the cost of servicing the islands' debts and fund two further years' deficits to allow time for necessary reforms to take effect. Reforms included modernising the tax system, cutting public sector expenditure and increasing efficiency in general.

All of the above reforms underpinned the long-term goal of establishing sound public financial management, leading to effective budgetary control and increased capacity of finance staff within the ministry of finance to avoid future problems.

Caroline said of her secondment: "There's no doubt that the 12 months I spent in TCI were the toughest of my career, but they were also the most rewarding, with the chance to get to grips with a real and urgent problem, to identify and put in place the measures needed to turn it around, and to work with a fantastic team in doing so".

The secondment to the TCI was fully funded by the Department for International Development.

United Nations audit

During 2010/11, the UK NAO was appointed to the United Nations (UN) Board of Auditors for a term of six years. Audit Scotland was invited to join the NAO's audit team to undertake the financial and performance audits of its portfolio of UN work ([Case study 2](#)).

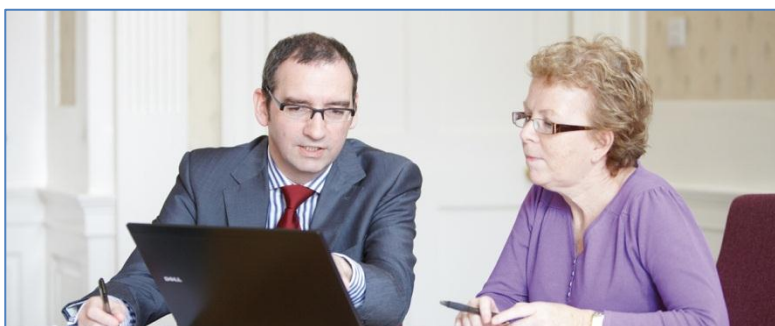
Due to the unique nature of this work, Audit Scotland has taken the decision to treat it separately from the rest of our international work and it is not governed by our international strategy. Audit Scotland staff are part of a larger team managed by the NAO and comply with the NAO's governance arrangements and management processes. We do, however, continue to monitor the time commitment and welfare of our staff on the UN audit team.

The three members of staff involved in the UN audit have spent around 147 days preparing, travelling, carrying out the work and reporting on the projects.

The work is fully funded by the UN.

Case study 2

United Nations audit



L-R: Portfolio Manager, Mark MacPherson and Senior Audit Manager, Carol Hislop.

Carol Hislop, a senior audit manager from our Audit Services Group joined the financial audit team based in the UN's headquarters in New York in summer 2010. In the two-year period since, she has made four trips and has had audit responsibility for the departments for political affairs, conference management and disarmament. Additionally she has worked on the audit of the UN capital masterplan for the refurbishment of the UN building in New York.

Carol says: "Working in an NAO audit team gave me the opportunity to experience their audit approach and to observe their methods of allocating work to auditors of varying experience. I was impressed at the levels of responsibility places on trainees, albeit with the support of qualified staff members. The approach of preparing the annual audit report in advance of concluding the final accounts audit had merits in that there was additional time for scoping the reports which were published at the same time as the sign-off date of the accounts."

Mark MacPherson, a portfolio manager from our Performance Audit Group, is leading a team conducting performance audits 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). In 2011, Carolyn Smith, also from the Performance Audit Group, joined Mark's team working on the UNON audit.

The majority of Mark's work has been in Vienna and Nairobi and the work has been challenging, often performed to tight timescales. Mark considers the UN work to be demanding but to be an excellent opportunity with regards to travel, experiencing an important global organisation and learning new ways of working: Mark says: "The work is exciting and challenging and ultimately satisfying".

Networking and influencing

Another element of our international work is our membership of EURORAI and attendance at international conferences. EURORAI is a network of public sector audit agencies across Europe which allows members to share experiences and good practice. In 2011/12, we attended the EURORAI seminar on 'Local Government Audit' held in Rostov, Russia. A member of staff has also joined the EURORAI working group 'External Audit of Fraud and Corruption'. The working group will report back to EURORAI in June 2012.

Welfare of our staff

The health, safety and welfare of staff working outside Audit Scotland's base locations are paramount. We carry out checks for our staff working in other countries, including a formal risk assessment. These checks build on our existing health, safety and welfare arrangements and comply with current legislation.

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