

Accountant in Bankruptcy

Annual report on the 2011/12 audit



Prepared for the Accountant in Bankruptcy and the Auditor General
October 2012

Audit Scotland is a statutory body set up in April 2000 under the Public Finance and Accountability (Scotland) Act 2000. It provides services to the Auditor General for Scotland and the Accounts Commission. Together they ensure that the Scottish Government and public sector bodies in Scotland are held to account for the proper, efficient and effective use of public funds.

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Key messages

2011/12

We have given an unqualified opinion on the financial statements of Accountant in Bankruptcy (the agency or AiB) for 2011/12. We have also concluded that in all material respects, the expenditure and receipts shown in the financial statements were incurred or applied in accordance with applicable enactments and relevant guidance, issued by the Scottish Ministers.

During the year, the agency managed its resources to deliver its services within the approved budget bill funding of £3.237 million. Total expenditure for 2011/12 was £12.046 million. This was funded by operating income of £9.275 million with the net operating cost of £2.771 million being met from the Scottish Government allocation. Capital expenditure for the year was £0.279 million. The statement of financial position shows net assets of £1.199 million as at 31 March 2012 (2010/11 net assets of £1.454 million). The agency's main financial systems have a good level of control and our governance and accountability work concluded that the governance arrangements in place are sound.

The agency measures its performance against the achievement of the agreed objectives contained in the annual business plan and use a number of key performance indicators (KPI's) to measure the quality of core processes. The agency has been tasked with developing plans for the modernisation of bankruptcy law in Scotland. Following a consultation period with key stakeholders, the agency plans to develop a new three year corporate plan (2013-16). The corporate plan is a key strategic document and it is important that it is developed in the anticipated timescale to ensure robust strategic planning.

The Scottish Government guidance on best value has not yet formally considered by the agency. A formal policy on the delivery of best value will be developed as part of the new three year corporate plan.

The agency has achieved re-accreditation of Investors in People (IiP) status and was also awarded IiP Gold status.

Outlook

2011/12 saw a general weakening in the recovery from the 2008 global financial crisis and Scotland's public sector under continued financial pressures. The agency has carried out substantial work on improving its financial modelling capabilities. This work has informed the fee setting process and has enabled the agency to continue to move towards full recovery of the costs it incurs in the provision of services. The 2012/13 approved funding allocation from the Scottish Government has decreased to £2.037 million (2011/12 £3.237 million). With increased budgeted expenditure and reduced government funding the agency faces challenges to achieve the successful delivery objectives set out in the 2012/13 annual business plan.

Introduction

1. This report is the summary of our findings arising from the 2011/12 audit of Accountant in Bankruptcy (the agency or AiB). The purpose of the annual audit report is to set out concisely the scope, nature and extent of the audit, and to summarise the auditor's opinions (i.e. on the financial statements) and conclusions and any significant issues arising. The report is divided into sections which reflect the extent of our public sector audit model.
2. A number of reports have been issued in the course of the year in which we make recommendations for improvements (Appendix A). We do not repeat all of the findings in this report, but instead focus on the financial statements and any significant findings from our wider review of the agency.
3. Appendix B is an action plan setting out the high level risks that we have identified from the audit. Management have considered the issues and agreed to take the specific steps in the column headed "planned management action". We do not expect all risks to be eliminated or even minimised. What we expect is that the agency understands its risks and has arrangements in place to manage these risks. The Accountable Officer and other members of the board should ensure that they are satisfied with the proposed management action and have a mechanism in place to assess progress.
4. This report is addressed to the agency and the Auditor General and should form a key part of discussions with the audit committee, as soon as possible after the formal completion of the audit of the financial statements. This report should be available to the Scottish Parliament, other stakeholders and the public, where appropriate. Audit is an essential element of accountability and the process of public reporting.
5. This report will be published on our website after consideration by the agency and after the financial statements have been laid before parliament.
6. The management of the audited body is responsible for preparing financial statements that show a true and fair view and for implementing appropriate internal control systems. Weaknesses or risks identified by auditors are only those which have come to their attention during their normal audit work, and may not be all that exist. Communication by auditors of matters arising from the audit of the financial statements or of risks or weaknesses does not absolve management from its responsibility to address the issues raised and to maintain an adequate system of control.

Financial statements

7. Audited bodies' financial statements are an essential part of accounting for their stewardship of the resources made available to them and their performance in the use of those resources.
8. We are required to audit financial statements in accordance with the timescales set by Audit Scotland, which may be shorter than statutory requirements, and give an opinion on:
 - whether they give a true and fair view of the financial position of audited bodies and their expenditure and income
 - whether they have been properly prepared in accordance with relevant legislation, the applicable accounting framework and other reporting requirements
 - the regularity of the expenditure and income.
9. Auditors review and report on, as appropriate, other information published with the financial statements, including the management commentary, annual governance statement and remuneration report. Where required, auditors also review and report on the Whole of Government Accounts return. This section summarises the results of our audit on the financial statements.

Audit opinions

10. We have given an unqualified opinion that the 2011/12 financial statements give a true and fair view of the state of the agency's affairs and its net operating cost for the year.
11. The agency is required to follow the 2011/12 Government Financial Reporting Manual (the FReM) and we confirmed that the financial statements had been properly prepared in accordance with the FReM.
12. In our opinion, the audited part of the remuneration report had been properly prepared and the remaining elements of the remuneration report and management commentary were consistent with the financial statements. We also reviewed the Governance Statement and concluded that it complied with Scottish Government guidance.
13. In addition, we confirmed that the expenditure and receipts in the financial statements were incurred or applied in accordance with applicable legislation and Ministerial guidance.

Accounting issues

Accounts submission

14. The financial statements were submitted for audit on 1st June 2012 in advance of the agreed date of 11th June 2012. The statements originally submitted were complete and supported by comprehensive working papers. Audit fieldwork was completed on 22nd June 2012. We discussed matters arising and agreed amendments to the financial statements with senior

officers. Overall, the supporting papers for the financial statements were of a good standard. Finance staff were readily available to assist with our queries during our fieldwork.

Presentational and monetary anomalies found in the unaudited accounts

15. Various presentational amendments were required to the initial draft of the financial statements received by us. Matters arising were detailed in our International Standard on Auditing (ISA) 260 report which was presented to the agency's Audit Committee on 19th July 2012.

Whole of government accounts/consolidation packs

16. The Whole of government accounts (WGA) is the consolidated financial statements for all branches of government in the UK. The Scottish Government deadline for submission of the audited consolidation pack was 13th July 2012. We received the pack on 3rd July 2012 and submitted the audited version to the Scottish Government ahead of the deadline. There were no significant issues to report.

Outlook

Accounting and regularity outlook

17. No significant changes are currently expected to the reporting framework applicable to the agency (i.e. the FReM) for next year (2012/13). From 1 January 2013 the introduction of the following international financial reporting standards (IFRSs) will become effective:
 - IFRS 9 - financial instruments (replacing IAS39)
 - IFRS 10 - consolidated financial statements (replacing IAS27)
 - IFRS 11 - joint arrangements (replacing IAS31)
 - IFRS 12 - disclosure of interest in other entities (replacing IFRS12)
 - IFRS 13 - fair value.

Sustainability reporting

18. From 2011/12, all relevant bodies were encouraged to produce a sustainability report in accordance with the Scottish Government's Public Sector Sustainability Reporting Guidance (January 2012). This guidance is non-mandatory, however it represents good practice and central government bodies are encouraged to adhere to it.
19. Public bodies in Scotland are bound by the Climate Change Public Bodies Duties set out in Part 4 of the Climate Change (Scotland) Act 2009. Whilst the Act does not require reporting on the duties, the Public Bodies Duties Guidance encourages a voluntary approach to reporting. The agency will set out its new commitment to sustainability as part of its three year Corporate Plan 2013-16.

Financial position

20. Audited bodies are responsible for conducting their affairs and for putting in place proper arrangements to ensure that their financial position is soundly based.
21. We consider whether audited bodies have established adequate arrangements and examine:
 - financial performance in the period under audit
 - compliance with any statutory financial requirements and financial targets
 - ability to meet known or contingent, statutory and other financial obligations
 - responses to developments which may have an impact on the financial position
 - financial plans for future periods.
22. These are key areas in the current economic circumstances. This section summarises the financial position and outlook for the organisation.

Financial results

23. The Scottish Government provides the agency with a budget and cash allocation for the year, which originates from the Spending Review Settlement and is subsequently approved in the Budget Bill. During the year revisions are approved in the autumn and spring budget revisions. The agency is expected to manage its budget in accordance with the Financial Memorandum and Scottish Public Finance Manual. On the basis of the information in this section of the report, we have concluded that the financial position of the agency is stable and its activities are financially sustainable.
24. During the year, the agency managed its resources to deliver its functions within the approved budget bill funding of £3.237 million. Total expenditure for 2011/12 was £12.046 million. This was funded by operating income of £9.275 million with the net operating cost of £2.771 million being met from the Scottish Government Allocation. Capital expenditure for the year was £0.279 million.
25. The most significant elements of expenditure were board member and staff costs of £4.408 million (37%), sequestration expenses £5.231 million (43%) and operating costs £1.875 million (16%).
26. The agency's statement of financial position shows net assets of £1.199 million as at 31 March 2012 (2010/11 net assets of £1.454 million). This movement is largely due to a reduction in the net book value of non-current assets and a reduction in the cash and cash equivalents balance at the year end respectively.
27. The arrangements for budget setting and monitoring in place at the agency are sound. Management closely monitor income and expenditure against budget with financial monitoring reports being presented to the board on a monthly basis.

Financial planning to support priority setting and cost reductions

2012/13 Budget

28. The 2012/13 budget was agreed by the board at its meeting in March 2012. The budget assumes an approved allocation of £2.037 million from the Scottish Government. This has significantly decreased from the 2011/12 allocation of £3.237 million.
29. Total budgeted expenditure for 2012/13 is £14.354 million (2011/12 12.525 million) including capital expenditure of £1.020 million (2011/12 £0.200 million). Increased budgeted expenditure is partly due to inflationary uplifts and other changes. The staff costs expenditure budget has been increased by £0.449 million to account for expected increments to salaries. The capital expenditure budget has been increased by £0.820 million for 2012/13 to cover the costs of the development of a new main case management system.
30. Total budgeted expenditure is to be funded by income from fees, recoveries and retentions of £12.354 million with the balance being met from the approved Scottish Government allocation. With increased budgeted expenditure and reduced government resource funding, the agency faces challenges to achieve the successful delivery of the objectives set out in the 2012/13 annual business plan.

Action point 1

Workforce management

31. In recent years, staff levels in the agency have been managed downwards. At the end of 2011/12 the staff headcount was 152.4 full time equivalents (FTE), a 4% decrease on 158.6 FTE at the end of 2010/11.
32. The Director of Corporate Services (Deputy Chief Executive) left the agency in March 2012. After a recruitment process the vacant role has been filled by a secondment from another Scottish Government agency.
33. In April 2012, the agency completed the last instalment of a three year assessment working towards re-accreditation of Investors in People (IiP) status. The agency was assessed across the full range of key areas included in the Investors in People Framework. The agency successfully achieved re-accreditation and was also awarded IiP Gold status.
34. The average number of staff days lost through sickness in 2011/12 was 9.6 days, a decrease on 9.9 days in 2010/11. Management should continue to monitor the absence levels and take appropriate action to ensure that this downward trend in sickness absence continues to decrease in future years.

Action Point 2

Procurement

35. During the year the agency underwent its third annual Procurement Capability Assessment (PCA) carried out by Procurement Scotland. The result was a score of 59% with the agency's rating moving from 'conformance' to 'improved performance'. This score compared favourably

to prior year scores (2010 - 41% and 2009 - 26%). This improved score reflects the progress that the agency has made in refining and developing its procurement function.

36. As detailed as in the 2012/13 annual business plan, the agency will deliver a new contract for the provision of insolvency services. This contract employs the services of external suppliers to administer bankruptcy cases. The current contract expires on 31 March 2013. The agency has published a procurement strategy for insolvency services that takes account of the wider vision and role of the agency for the procurement process. A formal tender for the contract will be issued in autumn 2012. The agency is confident that successful bidders will be in place to provide services from 1st April 2013. It is important contracts are awarded in line with the procurement strategy and offer best value.

Shared services and partnership working

37. The agency has been involved in participating in a number of shared service opportunities with Scottish Government. In 2011/12 the agency used the Scottish Government contracts for facilities management. Other shared service initiatives involved using the Scottish Governments Land & Property Advice division for property related queries. The agency uses a number of Scottish Government systems in its day to day operations. This includes using the Scottish Government accounting system (SEAS) for financial reporting. All human resource activity, including payroll and contract management are on Scottish Government systems.

Change management programme

38. The Change Programme is responsible for a variety of development projects and change initiatives carried out within the agency. These projects cover all operational and organisational aspects to help the agency run more efficiently and effectively. Work on a new case management system will begin during 2012/13. The new system will replace the current Midas system which is nearing the end of its useful life. As part of the initial process the agency will assess any cross-public sector shared opportunities for the new system. This will enable them to explore opportunities to deliver efficiencies in system development and implementation. This may include jointly using existing IT systems and applications or working in partnership towards future developments.
39. A new Debt Arrangement Scheme (DAS) system went live in 2011/12. The new scheme involves a new case management system (solely for DAS application administration). During 2012/13 the agency will further develop the new DAS case management system with the anticipation of improving service delivery and delivering further efficiency savings.
40. The agency's electronic banking interface (Royline) is due to be replaced by a new system (Roybank). As noted in paragraph 55 this system suffers a number of control weaknesses. The introduction of the new system will improve control and security in addition to the other operational advantages it will bring.

Efficiency savings plans

41. As part of the Scottish Government's Efficient Government Programme the agency reported efficiency savings of £0.583 million in 2011/12. This exceeded the target of delivering efficiency savings of at least £0.061 million in the year. These savings were achieved through a number of cost saving initiatives. These included shared services for facilities management, the agency using their own register of insolvencies for publishing insolvency related notices and further savings delivered through improved procurement activities.

Outlook

Financial forecasts beyond 2012/13

42. The agency continues to move towards full cost recovery. This is outlined as a key objective in the 2012/13 business plan. Substantial work has been carried on improving financial modelling capabilities. This work has informed the fee setting process and has enabled the agency to continue to move towards full recovery of the costs it incurs in the provision of services. Work in this area will continue in 2012/13.
43. The reduction in Scottish Government approved allocation of £1.200 million for 2012/13 represents a significant step towards full cost recovery. Further reductions in Scottish Government funding are anticipated going forward.

Governance and accountability

44. The three fundamental principles of corporate governance – openness, integrity and accountability – apply to all audited bodies, whether their members are elected or appointed, or whether they comprise groups of people or an individual accountable officer.
45. Through its chief executive or accountable officer, each body is responsible for establishing arrangements for ensuring the proper conduct of its affairs including the legality of activities and transactions, and for monitoring the adequacy and effectiveness of these arrangements. Audited bodies usually involve those charged with governance (including audit committees or similar groups) in monitoring these arrangements.
46. Consistent with the wider scope of public audit, we have a responsibility to review and report on audited bodies' corporate governance arrangements as they relate to:
 - corporate governance and systems of internal control
 - the prevention and detection of fraud and irregularity
 - standards of conduct and arrangements for the prevention and detection of corruption.
47. In this part of the report we comment on key areas of governance.

Corporate governance

Processes and committees

48. The Chief Executive is supported by three executive directors and five non executive board members and who together form the advisory board. The role of the board is to assist and advise the Chief Executive on how ministerial policies can effectively be delivered.
49. During 2011/12 two new non executive members were appointed to the board. The appointment of these members was to replace two members who resigned from the board during the year. The board meets on a monthly basis.
50. Two sub committees of board are in operation, namely the audit committee and the policy and cases committee. The audit committee has the responsibility of overseeing arrangements for corporate governance and reviewing risk. The committee considers all internal and external audit reports and ensures that any issues raised are addressed. The policy and cases committee is responsible for providing the agency with advice on challenging cases and policy issues. Both sub-committees meet on a quarterly basis.

Agency framework document

51. A new Framework Document was published on the agency's website in March 2012. This document sets out the main functions and how the business operates. It also sets out the financial and wider accountabilities of the agency.

Corporate credit cards and government procurement cards

52. We undertook a targeted piece of work on the use of corporate credit cards and government procurements cards. We made enquiries regarding the use of such payment methods, the number of cards in use and expenditure limits. We also reviewed the controls in place regarding the use of this payment method. The agency use a limited number of government procurement cards for non-recurring low value expenditure. Average monthly spend on these cards was £0.002m in 2011/12. We concluded that the overall control environment is satisfactory.

Internal control

53. While we concentrate on significant systems and key controls in support of the opinion on the financial statements, our wider responsibilities also require us to consider the financial systems and controls of audited bodies as a whole. The extent of this work is informed by our assessment of risk and the activities of internal audit.
54. As part of our 2011/12 audit, we have carried out a review of the main financial systems, focusing on the key controls in place within each system along with arrangements for governance and accountability. Our review covered; the financial ledger, cash and cash equivalents, trade payables, trade receivables and non-current assets. Whilst we reported that overall the systems of internal control are operating effectively, our testing identified a small number of control weaknesses. We reported these weaknesses in our Key Controls Report in April 2012.
55. In our International Standard on Auditing (ISA) 260 report, issued in July 2012, we highlighted that the Head of Finance had disclosed a significant control weakness in his Certificate of Assurance to the Accountable Officer (Chief Executive). This related to agency's electronic banking interface which suffers from a number of control weaknesses. These weaknesses included two duplicate payments being made which were later recovered in full. Mitigating controls are in place and work on a replacement system has been ongoing throughout 2011/12 and a new electronic banking interface is due to go live later in 2012/13. This weakness was disclosed by the Chief Executive in the Governance Statement which forms part of the Annual Report and Accounts 2011/12. The audit committee tasked the internal audit service to review this area during 2012/13.
56. Internal audit is provided by the Scottish Government Internal Audit Service. We liaised with our Scottish Government external audit team who were able to provide assurances that the internal audit service operates in accordance with government internal audit standards. Furthermore we were able to place reliance on internal audit's review of case management accounts.

57. We have concluded that sound governance arrangements are in place at the agency.

Prevention and detection of fraud and irregularities

58. Audited bodies are responsible for establishing arrangements to prevent and detect fraud and other irregularity. We review and report on these arrangements.

59. There were no instances of fraud or corruption reported in 2011/12. The agency has appropriate processes in place to prevent and detect fraud and irregularities, including policies and codes of conduct for staff and members.

Standards of conduct and arrangements for the prevention/detection of bribery and corruption

60. Audited bodies are responsible for ensuring that their affairs are managed in accordance with proper standards of conduct and have proper arrangements in place for implementing and monitoring compliance with standards and codes of conduct, standing orders and financial instructions. We have concluded that the arrangements in the agency are satisfactory and we are not aware of any specific issues that we need to identify in this report.

Best Value, use of resources and performance

61. Audited bodies have responsibility to ensure that arrangements have been made to secure best value. The Auditor General may require that we consider whether accountable officers have put in place appropriate arrangements to satisfy their corresponding duty of best value. Where such requirements are not specified we may, in conjunction with audited bodies, agree to undertake local work in this area.
62. The Auditor General may procure, through Audit Scotland, examinations of the use of resources by audited bodies and publish reports or guidance. We may be requested from time to time to participate in:
 - a performance audit which may result in the publication of a national report
 - an examination of the implications of a particular topic or performance audit for an audited body at local level
 - a review of a body's response to national recommendations.
63. During the course of our audit appointment we also consider and report on progress made by audited bodies in implementing the recommendations arising from reviews in earlier years. We may also consider the use of resources in services or functions, where the need for this is identified through local audit risk assessments.
64. This section includes a commentary on the best value and performance management arrangements within the agency. We also summarise headline performance measures used, highlight any relevant national reports and comment on the body's response to these.

Management arrangements

Best value

65. The Accountant in Bankruptcy agency Framework Document places a duty on the Accountable Officer to ensure best value in all aspects of the operations. The agency is committed to continuous self-improvement and delivering efficiencies. The Innovation and Efficiencies Board was formed to enable and encourage innovation and ensure the realisation of business benefits from the agency's activities.
66. In March 2011, the Scottish Government issued new guidance for accountable officers on Best Value in Public Services. The guidance, in essence, required public bodies to take a systematic approach to self-evaluation and continuous improvement. Whilst the agency demonstrates a commitment to continuous improvement the board has not formally considered the new guidance. A written policy on the delivery of best value in accordance with the guidance should be developed and approved by the board.

Action point 3

Performance management and overview of performance 2011/12

67. The agency shares the outcome-focused approach to performance through demonstrating alignment with national priorities by helping to deliver on a number of national outcomes. The agency measures its performance against the achievement of their agreed objectives contained in the 2011/12 annual business plan and use a number of key performance indicators (KPI's) to measure the quality of core processes. The agency had steady or improved performance in all KPI's except for an increase in DAS unit costs. This cost increase was due to a change to the product and the investment in a new system.

Stakeholder engagement

68. The agency is well engaged with key stakeholders. The Debt and Insolvency Stakeholder Forum (DISSF) is an established forum which is representative of the agency's broad stakeholder base. It includes members from the money advice sector, insolvency, law, finance and banking, local authority and other government departments specialising in the debt and insolvency services. In 2011/12 key stakeholders including members of DISSF were involved in the development of the business plan.

Policy development

69. Following the elections in 2011, the agency was tasked with developing plans for the modernisation of bankruptcy law in Scotland. The agency has developed its vision for improvements of the bankruptcy system. The key principles of the system are:
- Ensuring that the people of Scotland have access to fair and just processes of debt relief and debt management.
 - Those debtors who can pay should pay their debts, whilst acknowledging the wide range of circumstances and events that contribute towards bankruptcy for both individuals and businesses.
 - Securing the best return for creditors by ensuring that the rights and needs of those in debt are balanced with the needs of creditors and businesses.
70. A public consultation paper was launched on 24th February 2012 which sets out proposals for wide-ranging reform to bankruptcy law. Plans will be progressed further over the coming business year with a view to early reform of the law. Reform will be followed by consolidation of legislation to allow a clearer understanding of and easier access to the law.

Corporate plan 2013-16

71. The work to realise the vision and develop the associated policy and legislation will determine the future direction of the agency. As the impact becomes clearer during 2012/13, the agency plans to publish a new three year corporate plan which is expected to be in place for 1 April 2013. The corporate plan will clarify and communicate the role of the agency within the vision for the future of insolvency and to determine associated mid to long term objectives. Currently

there is no Corporate Plan in place. This a key strategic document and it is crucial that it is developed within the anticipated timescale.

Action Point 4

National fraud initiative in Scotland

72. National Fraud Initiative (NFI) is a counter-fraud exercise that uses computerised techniques to compare information about individuals held by different public bodies to identify circumstances that might suggest the existence of fraud or error (matches). Where matches are identified public bodies are expected to investigate these and if fraud and error has taken place, stop payments and attempt to recover the amounts involved. The exercise also provides assurance on the effectiveness of arrangements and helps deter fraud. Although the agency is not involved in NFI as an individual organisation, data held on Scottish Government financial systems is sampled as part of NFI process. No AiB related frauds were identified through the last round of NFI.
73. Results were published by Audit Scotland in May 2012 in a report on NFI. This highlighted that fraud, overpayments and recoveries totalling £19.8m had been identified across Scotland in the most recent exercise and outcomes of £78m had been achieved since NFI was first introduced. The next round of NFI, the data collection phase, commences in autumn 2012.

National performance reports

74. Audit Scotland carries out a national performance audit programme on behalf of the Accounts Commission and the Auditor General for Scotland. Reports published in the last year of direct interest are detailed below.

Scotland's public finances - addressing the challenges

75. The report highlighted that all parts of the public sector had less to spend in 2011/12 than in 2010/11 even though the level of budget reduction varied significantly, with central government funding experiencing the biggest reduction of 12 per cent. Although most bodies were able to agree a balanced budget for 2011/12 the report outlined the risk that savings may not be realised and that unforeseen pressures may emerge which will reduce the ability to generate future savings. The report also emphasised the importance of long-term financial sustainability when looking to reduce costs, including consideration of key areas such as reducing workforce levels and identifying opportunities to share services. The agency has not yet formally considered the report. However the Director of Corporate Services will ensure that the report is considered as part of creating the agency's new three year corporate plan.

Role of boards

76. Public bodies and their boards have evolved over time. There is a great variety in the size and make-up of boards and the roles they have. Accountability can be complex, with chief executives and boards reporting in different ways to the Scottish Government, ministers and the Scottish Parliament. This risks causing confusion about who leads an organisation and is

responsible for its decisions. In September 2010 Audit Scotland published the Role of Boards report which detailed a number of recommendations which public bodies should follow. In 2011/12 we carried out a follow up of the agency's response to this report.

77. The agency's response to this report has been positive. There has been improved reporting of corporate information to the board. The agency collates a 'performance dashboard' which is presented on a quarterly basis to the board. The dashboard reports on key performance indicators and other performance information and outlines progress in achieving the annual business plan. The agency has also ensured that the non-executive board members have a good mix of skills and experience. The agency introduced a comprehensive training process for non-executive board members. In particular the introduction of 'development sessions' is an example of good practice. These sessions are held four times a year and involve management providing information sessions to non-executive board members. The intention of these sessions is to develop the non-executive board members knowledge and understanding of the business.

Appendix A: audit reports

External audit reports and audit opinions issued for 2011/12

Title of report or opinion	Date of issue	Date presented to Audit Committee
Annual Audit Plan	19 January 2012	2 February 2012
Key Controls Report	11 April 2012	26 April 2012
Report on financial statements to those charged with governance (ISA 260 report)	13 July 2012	19 July 2012
Audit opinion on the 2011/12 financial statements	1 August 2012	Circulated to board members July/August 2012
Summary matters arising	25 July 2012	Not presented - for use by management

Appendix B: action plan

Key risk areas and planned management action

Action Point	Refer Para No	Risk Identified	Planned Management Action	Responsible Officer	Target Date
1	30	<p>Budget pressures</p> <p>Total budgeted expenditure of £14.354m is to be funded by income from fees, recoveries and retentions of £12.354m with the balance of £2.037m being met from the approved Scottish Government allocation. With increased budgeted expenditure and reduced government resource funding the agency faces challenges to achieve the successful delivery of the objectives set out in the 2012/13 business plan. These pressures will continue in the current economic climate and it is important that the agency continues to exercise prudent financial management.</p>	<p>AiB has a strong financial reporting and budgeting system that will allow it to respond to any shortfalls in expected income. A half year review of income and expenditure will be completed in October 2012 which will allow the organisation to adjust its spending profile if required due to a reduction in income.</p>	<p>Charles Keegan (Director of Corporate Services)</p>	<p>31 March 2013</p>
2	34	<p>Staff sickness absence levels</p> <p>The average number of staff days lost through sickness in 2011/12 was 9.6 days, a decrease on 9.9 days in 2010/11. Any increases in staff sickness levels will have a negative effect on the business. Management should continue to monitor the absence levels and take appropriate action to ensure</p>	<p>AiB management will continue to work with Scottish Government HR to implement absence management policies.</p>	<p>Charles Keegan (Director of Corporate Services)</p>	<p>31 March 2013</p>

Action Point	Refer Para No	Risk Identified	Planned Management Action	Responsible Officer	Target Date
		that this downward trend in sickness absence continues in future years.			
3	66	<p>Best Value</p> <p>In March 2011, the Scottish Government issued new guidance for accountable officers on Best Value in Public Services. The guidance, in essence, required public bodies to take a systematic approach to self-evaluation and continuous improvement. Whilst AiB demonstrates a commitment to continuous improvement the agency has not formally considered the Scottish Government guidance. A written policy on the delivery of best value in accordance with the guidance should be developed and approved by the agency's Board.</p>	AiB will incorporate the guidance on best value into the creation of its new three year corporate plan 2013-16.	Rosemary Winter-Scott (Chief Executive)	31 December 2012
4	71	<p>Corporate Plan</p> <p>AiB currently have no corporate plan in place. The agency plans to publish a new three year corporate plan which is expected to be in place for 1 April 2013. This is a key strategic document and it is crucial that is developed within the anticipated timescale to ensure robust strategic planning is in place.</p>	AiB will prepare a new 3 year corporate plan 2013-16 which will be in place for 1 April 2013.	Charles Keegan (Director of Corporate Services)	31 March 2013