

# Student Awards Agency for Scotland

## Annual report on the 2011/12 audit



Prepared for Scottish Student Awards Agency and the Auditor General for Scotland  
November 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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# Contents

<b>Key messages</b> .....	<b>4</b>
Outlook.....	5
<b>Introduction</b> .....	<b>6</b>
<b>Financial statements</b> .....	<b>7</b>
Audit opinions.....	7
Accounting issues .....	7
Outlook.....	8
<b>Financial position</b> .....	<b>9</b>
Financial results .....	9
Financial planning to support priority setting and cost reductions .....	10
Outlook.....	11
<b>Governance and accountability</b> .....	<b>12</b>
Corporate governance.....	12
Prevention and detection of fraud and irregularities.....	14
Standards of conduct and arrangements for the prevention/detection of bribery and corruption .....	15
Outlook.....	16
<b>Best Value, use of resources and performance</b> .....	<b>17</b>
Management arrangements .....	17
Overview of reported performance in 2011/12.....	18
National performance reports .....	19
Outlook.....	21
<b>Appendix A: audit reports</b> .....	<b>22</b>
<b>Appendix B: action plan</b> .....	<b>23</b>

# Key messages

The financial challenges facing the Scottish public sector are well documented, with public bodies facing deep and prolonged cuts in funding. In 2011/12 we assessed the key strategic and financial risks being faced by the Student Awards Agency for Scotland. We audited the financial statements and we reviewed the use of resources and aspects of performance management and governance. This report sets out our key findings.

## Financial statements

We have given an unqualified audit report on the financial statements of SAAS for 2011/12. We concluded that in all material respects, the expenditure and income shown in the financial statements were incurred or applied in accordance with applicable enactments and relevant guidance, issued by Scottish Ministers.

## Financial position and use of resources

SAAS achieved a net underspend of £0.2m, this is the difference between the net outturn of resource expenditure of £8.0m and a resource budget of £8.2m including central Scottish Government charges, (auditors remuneration and notional costs for services provided by the Scottish Government).

## Governance and accountability

During 2011/12, SAAS underwent significant restructuring in response to customer surveys and its annual internal staff survey.

A new Chief Executive was appointed to SAAS on 31 March 2012. The new Chief Executive has highlighted a major task over the next year is to embed this new structure and ensure that it delivers the service improvements anticipated for customers.

Overall, we found that SAAS had sound corporate governance structures in place during 2011/12, although we have detailed some areas where there is scope for improvement.

We examined the organisation's key financial systems underpinning the organisation's control environment and concluded that they operated sufficiently well for us to place reliance on them.

SAAS implemented a new student award processing system (StEPS) during 2011/12. Our review of operational controls identified areas for improvement with the majority of these to be actioned in the 2012/13 academic session.

## Performance and best value

Reported performance in 2011/12 indicated that SAAS met most of its key performance targets, and all applications received by 05 July were processed in time for courses starting in the new academic session. Recently there has been media coverage about service levels for

processing student applications. This has led to the SAAS Chief Executive commissioning an independent review.

## Outlook

The current financial climate has led to an increasing number of student applications being received and processed by SAAS each year. This places an additional burden on the capacity of SAAS to provide efficient and quality services. SAAS is also facing cost pressures. This, together with existing financial commitments, will make it difficult to reduce costs while maintaining service standards.

# Introduction

1. This report is the summary of our findings arising from the 2011/12 audit of the Student Awards Agency for Scotland (SAAS). 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, some of which include recommendations for improvements (Appendix A). We do not repeat all of the findings in this report, but instead we focus on the financial statements and any significant findings from our wider review of SAAS.
3. Appendix B is an action plan setting out the high level risks we have identified from the audit. Officers 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 SAAS understands its risks and has arrangements in place to manage these risks. The Accountable Officer and audit committee 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 SAAS 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. Reports should be made available to 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 audit committee.
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 our attention during our 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. We review and report on, as appropriate, other information published with the financial statements, including the management commentary, governance statement and the remuneration report. We also review and report on the Scottish Government Consolidation Pack incorporating 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 financial statements of SAAS for 2011/12 give a true and fair view of the state of the body's affairs and its net operating cost for the year.
11. SAAS is required to follow the 2011/12 Government Financial Reporting Manual (the FReM) and we confirmed that the financial statements have been properly prepared in accordance with the FReM. We also confirmed that relevant parts of the remuneration report had been properly prepared and that information given in the management commentary was consistent with the financial statements.
12. In addition we reviewed the Governance Statement and concluded that it complied with Scottish Government guidance.

## Regularity

13. We confirmed that the expenditure and income in the financial statements was in accordance with applicable legislation and Ministerial guidance, the Budget Act for 2011/12 and legislation governing sums paid out of the Scottish Consolidated Fund.

## Accounting issues

### Accounts submission

14. The unaudited schedules and financial statements were submitted for audit on 14 May 2012, in accordance with the pre-arranged timetable. Matters arising were discussed on a regular

basis with officers, and a clearance meeting was held on 29 May 2012 with the Head of Finance. Our ISA260 report was presented to the Audit Committee on 11 June 2012. The auditor's report was signed on 03 July 2012 and the annual report and accounts were laid before Parliament on 29 August 2012.

## Outlook

15. There are no significant changes to the 2012/13 FReM that are expected to have an impact on SAAS's annual financial statements.



# Financial position

16. Audited bodies are responsible for conducting their affairs and for putting in place proper arrangements to ensure that their financial position is soundly based.
17. 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.
18. These are key areas in the current economic circumstances. This section summarises the financial position and outlook for the organisation.

## Financial results

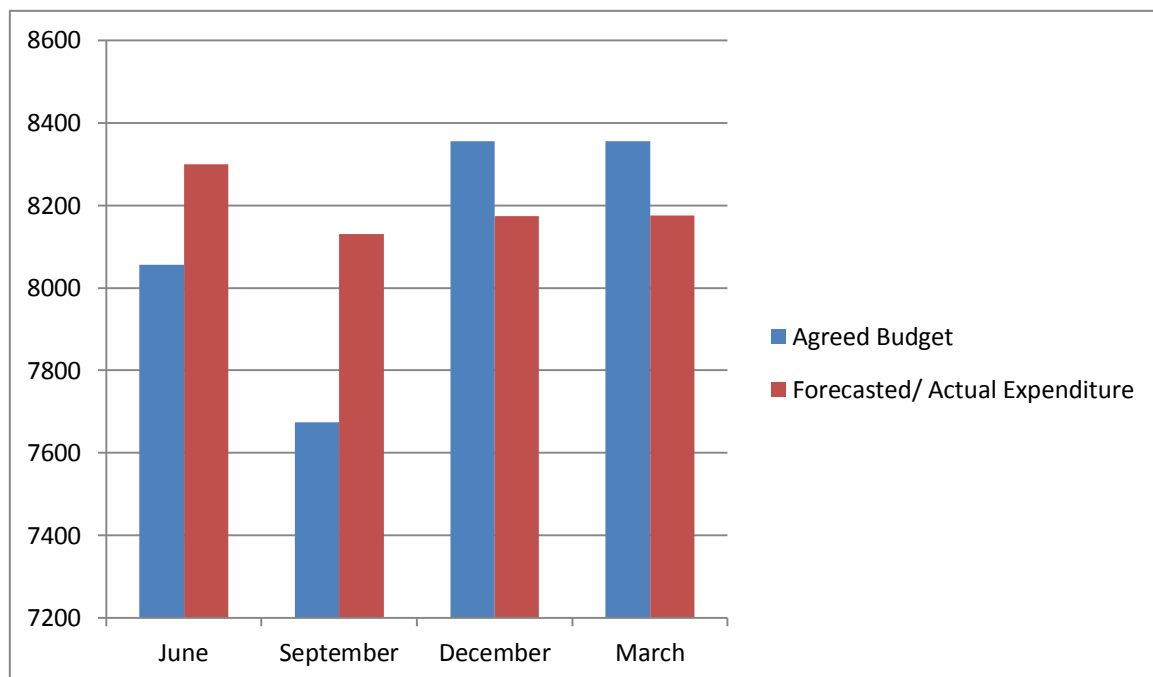
### Annual outturn

19. Total operating costs during 2011/12 were £8.0m and capital expenditure was £0.5m. A resource budget of £8.2m was received from the Scottish Government, approved by the Scottish Parliament. Comparison of budget to actual outturn, excluding notional charges, was a net underspend of £0.2m. This underspend is mainly due to SAAS not fully utilising their depreciation/amortisation budget.

### Budgetary control

20. Performance against budget is reviewed and reported internally on a monthly basis, allowing any financial concerns to be identified and resolved promptly. In addition, quarterly budget reports are prepared and scrutinised by the Management Board and the Audit Committee. These arrangements help ensure a robust budget monitoring system is in place.
21. The June budget includes assumed Autumn Budget Revision (ABR) transfers, however, ABR transfers were delayed until Spring Budget Revision (SBR) and the September budget shows the lower baseline excluding these transfers. The additional budget received by SAAS was to cover its Individual Learning Account (ILA 200) operating costs.

**Exhibit 1: SAAS revenue and capital budget against forecasted/ actual expenditure 2011/12**



Source: SAAS finance reports and audited financial statements 2011/12

22. Although SAAS financial statements are limited to account for the Agency's administration costs it is important to note that SAAS also administers a budget of approximately £498m programme expenditure with regards to student funding on behalf of the Scottish Government.

**Financial position**

23. The statement of financial position shows a net asset position of £2.2m as at 31 March 2012. The comparative position as at 31 March 2011 was a net asset position of £2.5m. The overall reserve position has reduced due to increased amortisation charges as the student award processing system went live and no amortisation was previously charged during the development of this system. In addition, expenditure on office accommodation and debt recovery expenses were higher than planned during 2011/12.

**Public reporting**

24. Commentary on the underlying financial picture is summarised in the annual report sections of the annual report and accounts document. The commentary is considered to be complete and transparent and is available on the SAAS website.

**Financial planning to support priority setting and cost reductions**

**Workforce management**

25. SAAS has continued the use of voluntary exit schemes during 2011/12, as they participate in the Scottish Government's wider workforce planning arrangements balancing business needs.

26. Four employees successfully applied for the terms of exit arrangements, which were offered to staff in accordance with the provisions of the Civil Service Compensation Scheme. Applications were considered against defined criteria, including compassionate grounds and organisational implications.

## Partnership working

27. SAAS works closely with all Scotland's universities and colleges to try to ensure that all student support applications will be processed prior to the commencement of each academic year.
28. During 2011/12, SAAS introduced an improved and automated process with higher education institutions to reduce the amount of overpayments paid to students who leave their courses without informing SAAS.
29. The Agency also closely works with the Student Loans Company (SLC) in administering and processing of loans payments to students, and with the Scottish Government's Directorate for Employability, Skills & Lifelong Learning. The SLC is a non-profit public sector organisation that is part owned by Scottish Ministers. SLC process the loan payments for Scottish students, after SAAS has made the initial assessment on the validity of claims. The Scottish Government's Directorate for Employability, Skills & Lifelong Learning works closely with SAAS and develops higher education policy for student support.

## Outlook

### 2012/13 budget

30. SAAS's budget for 2012/13 has been approved by the Scottish Parliament, which is made up of £8.0m for operating expenditure, excluding notional costs, and £0.4m for capital expenditure. This is a slight increase in comparison to the 2011/12 budget and an additional ILA budget of £0.4m has been received as part of the Autumn Budget Revision.

### Financial forecasts beyond 2012/13

31. As part of the Scottish Government's consolidation and sustainability plans, SAAS will end their current lease at the Gyle in May 2015 and will move to shared office space within a Scottish Government owned building. It is anticipated that this will generate annual savings for the Scottish Government in property costs of £0.6m, and reduce annual utilities consumption and expenditure of £0.06m.

# Governance and accountability

32. 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.
33. 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.
34. 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.
35. In this part of the report we comment on key areas of governance.

## Corporate governance

### Overall effectiveness

36. We found that, overall, the corporate governance arrangements operated effectively during 2011/12, although there is scope to make improvements in some areas as outlined below.

### Processes and committees

37. The *Role of boards* was published by the Auditor General in September 2011. This report examined the system of accountability of Scottish public bodies and the performance of boards in the central government sector. Although we did not undertake any follow-up work to assess progress made by SAAS against key recommendations in the report, it is good practice that board members are aware of the findings of the report and determine whether current arrangements can be improved.
38. The Audit Committee's terms of reference were updated and approved by the committee on 15 February 2012. We were advised that Audit Scotland's Role of Board's report was considered as part of the review process. These terms of reference are considered to be satisfactory and appropriate for the requirements of the audit committee.

39. During 2011/12, SAAS underwent significant restructuring in response to customer surveys and its annual internal staff survey.
40. A new Chief Executive was appointed to SAAS on 31 March 2012. The new Chief Executive has highlighted a major task over the next year is to embed this new structure and ensure that it delivers the service improvements anticipated for customers. We will assess the intended outcome of the restructuring as part of our audit process during 2012/13.
41. The Chief Executive is responsible for ensuring that SAAS fulfils the aims and objectives set by Scottish Ministers. The role of Chief Executive includes establishing the overall strategic direction, monitoring performance against agreed objectives and ensuring that statutory requirements for the use of public funds are complied with.

## Internal control

42. In common with most executive agencies in Scotland, SAAS use many of the Scottish Government's corporate systems such as the payroll and general ledger systems. The Scottish Government's external audit team evaluated the key systems within the Scottish Government and, to the extent that this evaluation allows, we place reliance on the internal controls within those systems. Their conclusion was that adequate assurance could be placed upon the controls in operation within the key financial systems. In addition, focussed audit work was conducted by the SAAS audit team in those areas of the accounts affected by this system. No issues arose from this work.
43. As part of our 2011/12 audit, a preliminary evaluation and testing of key controls of the student awards processing system (StEPS) introduced in April 2011 was undertaken. Progress made by SAAS against previous audit recommendations was reviewed and the results of our work were included in our controls report, presented to the Audit Committee in June 2012.
44. While we concentrate on significant systems and key controls in support of the opinion on the financial statements, our wider responsibilities require us to consider the financial statements and controls of audited bodies as a whole. The extent of this work is informed by an assessment of risk and activities of internal audit.
45. As part of our risk assessment and planning process, the Scottish Government external audit team assessed the Scottish Government's Internal Audit Division (IAD) who also act as SAAS's internal auditors. They concluded that internal audit operates in accordance with the Government's Internal Audit Manual. In their SAAS annual report for 2011/12, the IAD were able to provide substantial assurance in respect of SAAS's risk management, control and governance arrangements.
46. Overall the systems of internal control were operating effectively during 2011/12. This enabled us to take the planned assurance on these key financial systems for the audit of the financial statements.
47. However, our review of operational controls in place within the student awards processing system (StEPS) revealed that confirmation of the identify of students using NI and passport numbers is not routinely used; case workers are able to access and amend student bank

accounts details; 24% of applications processed meeting certain residence criteria were not subject to manual checks; and there was insufficient documenting of quality control checks undertaken on completed applications. In addition, the business continuity plan has not been formally agreed or updated for the move to StEPS.

### Governance statement

48. In 2011/12, SAAS included a governance statement in its annual accounts for the first time. In accordance with Scottish Government guidance, this included description and assessment of the essential components of corporate governance and details of any significant risk-related matters arising during the period.
49. The governance statement initially submitted for audit did not fully comply with guidance issued by the Scottish Government. Following discussions with the Head of Finance the governance statement was revised and assessed as satisfactory.

### ICT data handling and security

50. As reported in our review of operational controls report, SAAS's Business Continuity Plan had not been formally agreed, updated for the move to StEPS and did not identify alternative office accommodation should Gyleview House become unavailable. SAAS has agreed to update the Business Continuity Plan and, in particular, review the loss of StEPS service and loss of access to Gyleview House by April 2013. Appropriate management actions have been identified.

## Prevention and detection of fraud and irregularities

51. SAAS is responsible for establishing arrangements to prevent and detect fraud and other irregularity. We review and report on these arrangements.
52. SAAS has a number of arrangements in place to prevent and detect fraud, inappropriate conduct and corruption, including policies and codes of conduct for staff and Board members. However, we recognise that SAAS's core business of providing funding directly to members of the public makes it an attractive target for fraudsters.
53. As at 31 March 2012, 18 suspected fraud cases were either being prepared for, or waiting to be heard by, the Crown Office and Procurator Fiscal Service (COPFS) with a total value of £0.2m. In addition, another 10 cases are currently under investigation. The SAAS Fraud team are now required by COPFS to conduct 'interviews under caution' as part of their evidence gathering process before cases proceed to court. The first 'interview under caution' took place in March 2012.
54. SAAS has been the target of a 'Fraud Ring' over the past few years which appears to be composed of organised criminals. The number of applications detected from these individuals is thought to be low in 2011/12, and have been identified before any payments have been made. SAAS has recently formed a compliance team to complement the work of the fraud team.

55. The new student awards system (StEPS) automatically sends weekly student status reports to higher education institutions. These reports contain information on applications made to SAAS for student support. The higher education institutions are expected to review relevant files and confirm enrolment and ongoing attendance for these applicants.

## National Fraud Initiative in Scotland

56. SAAS participates in the National Fraud Initiative (NFI). This 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, to stop payments and attempt to recover the amounts involved. The exercise also provides assurance on the effectiveness of arrangements and helps deter fraud.
57. Results were published by Audit Scotland in May 2012 in a report on the NFI. This highlighted that fraud, overpayments and recoveries totalling £19.8 million had been identified across public bodies in Scotland in the most recent exercise and outcomes of £78 million had been achieved since NFI was first introduced. The report also contained a self-appraisal checklist that all participants are recommended to use prior to the start of the next exercise in October 2012.
58. SAAS received 151 matches to review from the NFI exercise against Home Office Asylum and Visa data. From February 2011, SAAS also received 411 data requests for applicants, who had been matched against council records.
59. This was a labour intensive exercise for the Fraud Team. As reported in our 2010/11 annual report, SAAS undertook a very rigorous and thorough approach to the NFI exercise and reviewed all the matches. Overall, the NFI exercise detected 7 frauds and 9 errors, with a combined value of approximately £0.2m.
60. The self appraisal checklist has been completed by SAAS and presented to the Audit Committee in August 2012. This review has identified areas of improvement and an associated action plan.

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

61. 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 consider whether bodies have adequate arrangements in place.
62. We have concluded that the arrangements in SAAS are satisfactory and we are not aware of any specific issues that we need to identify in this report.

## Outlook

63. The current environment of organisational change, reducing resources and increasing expectations is one in which the organisation's governance and accountability arrangements will be tested.
64. Although SAAS has full control over the tuition fee & bursary payments it makes to institutions and students, the agency has no control over the loan payments made by the Student Loans Company (SLC) to students. There is a risk that SAAS are affected by the performance and governance of another organisation and they have no control or influence to limit any reputational risk. However, SAAS are expected to take over the payment of student loans from 2014/15.
65. The continuing threat from both organised and opportunist fraud highlights the need for SAAS to remain vigilant against the threat of fraud and irregularity.



# Best Value, use of resources and performance

66. 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.
67. As part of their statutory responsibilities, 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.
68. 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.
69. This section includes a commentary on the best value and performance management arrangements within SAAS. We also summarise headline performance measures used by SAAS, highlight any relevant national reports and comment on the body's response to these.

## Management arrangements

### Best Value

70. Scottish Government guidance for accountable officers on best value in public services requires a systematic approach to self-evaluation and continuous improvement. The guidance identifies the themes an organisation needs to focus on in order to deliver the duty of best value, but notes that implementation should be appropriate and proportionate to the priorities, operating environment, scale and nature of the body's business.
71. The governance statement makes reference to SAAS's commitment to continuous development and improvement. SAAS plans to develop systems in response to any relevant reviews and developments in relevant best practice.

## Overview of reported performance in 2011/12

72. SAAS's primary focus is to ensure good performance for its customers i.e. eligible students and their families. SAAS has two key strands to ensure that good performance is provided to those customers:
- accurate and timely assessment of the application for support
  - encourage students to submit applications as early as possible.
73. The primary target, incorporating both strands of their performance strategy, is that all applications received by 30 June will be processed in time for courses starting in the new academic session (earliest date 01 August). This date was, exceptionally, extended to 05 July 2011. This primary target is supported by ten other performance measure which record application processing, financial performance and external performance. See Exhibit 2 below.

### Exhibit 2: SAAS's performance against its targets

Target	Performance 2009/10	Performance 2010/11	Performance 2011/12
<b>Key targets</b>			
All applications received by 30 June to be processed in time for courses starting in the new academic session (earliest start date 01 August)	Not available	100%	100%
All email or written enquiries to be resolved within 21 days	98%	98%	95%
All formal complaints and appeals to receive a response within 14 days	96%	93%	93%
<b>Processing targets</b>			
To process 90% of applications with 21 days of receipt	75%	56%	52%
Average unit cost of less than £40 to process an application based on relevant costs	£36.13	£36.54	£39.64
<b>Complaint targets</b>			
Less than 1 in 1,000 applications to generate a formal complaint to SAAS	0.76 per 1,000 applications	0.69 per 1,000 applications	0.80 per 1,000 applications
Less than 10 formal complaints to be received/ upheld by the Scottish Public Sector Ombudsman	3 received 0 upheld	2 received 0 upheld	3 received 1 upheld
100% of ministerial correspondence to	87% ministerial	98% ministerial	100% ministerial

Target	Performance 2009/10	Performance 2010/11	Performance 2011/12
be delivered within target:	replies	replies	replies
Ministerial replies (10 working days)	100% official	100% official	100% official
Official replies (20 working days)	replies	replies	replies
<b>Financial performance targets</b>			
100% of invoices to be paid within 10 days	99.8%	96.9%	98.4%
30% of opening debt to be recovered during the year	25%	30%	26%

Source: SAAS Annual Report 2011/12

74. Additional applications and enquiries received impacted on the performance levels for SAAS during 2011/12.
75. The cost to process an application, although within the target, has increased due to property repairs and the rollout of the new student awards processing system.
76. SAAS paid a total of 2,055 invoices within the 10 day target with a further 34 being paid within 12 days of receipt.
77. SAAS aims to recover 30% of opening debt each year. During the previous financial year 2010/11, SAAS carried out a review to make sure that all debt due to SAAS was recognised. This resulted in more debt being added toward the end of the year making the 30% target challenging to meet for 2011/12. However, the £3.3m debt collected during 2011/12 represents an increase of 12% on 2010-11

## National performance reports

78. Audit Scotland carries out a national performance audit programme on behalf of the Accounts Commission and the Auditor General for Scotland. Paragraph 62 refers to the NFI report published in May 2012. Other reports in the last year of direct interest are detailed in Exhibit 2.

### Exhibit 2: A selection of National performance reports 2011/12

- Managing ICT Contracts: an audit of three public sector programmes
- Scotland's Public Finances - addressing the challenges

Source: [www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk)

## Managing ICT Contracts: an audit of three public sector programmes

79. Audit Scotland found significant weaknesses in the management of three public sector information and communication technology (ICT) programmes costing a combined £133 million so far. The report considers the management of important ICT programmes that were delayed, cancelled or overran on costs - including the Phoenix project at COPFS (£2 million spent on project before termination).
80. The report says many of the problems stemmed from a lack of specialised information technology skills and experience. But there were also weaknesses in basic project management and control, and the 'Gateway' system that the Scottish Government uses to provide assurance on the management of projects was not always effective. We recommended that the Scottish Government should consider the benefits that could be achieved by providing a central resource of specialised ICT expertise and advice for public bodies undertaking such programmes. The government also needs to comprehensively review how it can best support and oversee public bodies undertaking significant ICT programmes.
81. Although SAAS currently has no plans in place for any significant ICT programmes, the findings of this report should be considered if any major ICT programmes were to be implemented in the future.

## Scotland's public finances - addressing the challenges

82. The report highlights that all parts of the public sector have less to spend in 2011/12 than in 2010/11, although the level of budget reduction varies significantly with central government funding experiencing the biggest reduction of 12%. Although most bodies were not able to agree a balanced budget for 2011/12, the report highlights the risk that savings may not be realised and that unforeseen pressures may emerge which reduce the ability to generate future savings.
83. The report also notes that public bodies are finding it difficult to plan beyond 2011/12 as they do not have a clear view of their future budgets. It highlights the importance of long term sustainability when looking to reduce costs, including consideration of key areas such as reducing workforce levels and identifying opportunities to share services.
84. SAAS operated within their stated budget for 2011/12. They have taken steps to ensure their expenditure remains within budget and sought opportunities to share services where appropriate, for example, they plan to share accommodation with other government bodies in the future.

## Arrangements to consider national performance reports

85. As part of the annual audit, we propose to build on the current approach to establish a more active engagement with the officials and audit and risk committees of our audited bodies on national performance audit reports. This will support audit and risk committees in their role in:
  - reviewing the comprehensiveness of assurances provided to Accountable Officers
  - reviewing the reliability and integrity of these assurances

- drawing attention to strengths and weaknesses in control
- making suggestions on how weaknesses might be addressed.

86. It will also help to maximise the impact of this aspect of Audit Scotland's work.
87. There are no formal arrangements in place within SAAS to consider national performance reports, however, the Chief Executive has tabled some reports at audit committee's during the year.
88. SAAS should give consideration to formalising this process to ensure that the audit committee is aware of and considers all relevant national performance audit reports.

**Refer Action Plan No.1**

## Outlook

89. In April 2011, the Equality Act 2010 introduced a new public sector 'General Duty' which encourages equality to be mainstreamed into public bodies' core work so that it is not a marginal activity but part and parcel of how public bodies operate. Following on from this the Scottish Government consulted on a set of 'Specific Duties' which came into force in May 2012. There are nine specific duties listed which aim to support public bodies to better perform against the 'General Duty,' including the duty to assess the impact of equalities in all policies and decisions as well as the requirement to publish a set of equality outcomes (and reporting requirements) no later than 30 April 2013.

# 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	November 2011	29 November 2011
Review of operational controls	May 2012	11 June 2012
Report to those charged with governance on the 2011/12 audit	11 June 2012	11 June 2012
Audit opinion on the 2011/12 financial statements	11 June 2012	11 June 2012

# Appendix B: action plan

## Key Risk Areas and Planned Management Action

Action Point	Risk Identified	Planned Management Action	Responsible Officer	Target Date
1	<p><b>Audit Scotland national performance reports</b></p> <p>There are no formal arrangements in place within SAAS to consider national performance reports.</p> <p><b><i>Risk - the audit committee is not aware of all performance reports that are relevant to the activities of SAAS, and areas where improvement could be made are not identified.</i></b></p> <p>Reference paragraph 88</p>	<p>Relevant Audit Scotland reports are routinely presented to the Audit Committee.</p> <p>The Committee's Terms of Reference will be amended to include when next reviewed.</p>	Head of Finance	2015