

ANNUAL REPORT

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WORKING WITH OTHER COUNTRIES

Developing our organisation,
supporting improvement

Audit Scotland is a statutory body set up in April 2000 under the Public Finance and Accountability (Scotland) Act 2000. We help the Auditor General for Scotland and the Accounts Commission check that organisations spending public money use it properly, efficiently and effectively.

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Welcome from the Auditor General

Audit Scotland's vision is to be a world-class audit organisation that improves the use of public money. As such we welcome the opportunity to share expertise with public bodies in other countries in a manner which is mutually beneficial and helps improve public sector governance and accountability in Scotland and overseas.

I am pleased to see that the number of visits from other countries increased compared with the previous year, confirming that our work continues to be of interest and valued by overseas institutions. The positive feedback received from these bodies illustrates the value they achieve from their discussions with us. I am also encouraged by the feedback from our staff which demonstrates how we, as an organisation, benefit from the personal and professional development opportunities this work can provide. We continue to balance our commitment to work overseas with a need to resource our core business. Consequently there are occasions where we feel it appropriate to decline requests for assistance. This is consistent with our agreed policy on working overseas.

I am delighted that Audit Scotland has been asked to host the EURORAI event in October 2014. The chosen theme of 'Auditing in a Period of Austerity' is an extremely relevant topic. It will be an excellent opportunity to share ideas about different approaches to a common theme affecting public sector bodies across Europe.

This report summarises our work with other countries in 2013/14, in particular hosting visits from organisations outside of Scotland, our continued involvement in the United Nations audit and our work in assisting with the development of public audit in other countries.

I would like to conclude by thanking all of our staff who have participated in our work with other countries during 2013/14. I am always impressed by the quality of the work and their commitment and enthusiasm.



Carolin Gardner

Auditor General for Scotland

Welcome from the Chair of the International Steering Group

This has been another busy year for the International Steering Group as we continue to share professional and technical knowledge with audit organisations and public sector bodies from other countries. During 2013/14 Audit Scotland staff:

- hosted six delegations, from the French Institute for Higher Studies in Social Protection; Auditor General of Nepal; Turkish Department of Internal Audit; Chinese National Audit Office; Ningbo Municipal Audit Office; and Balkan State parliamentarians ([see page 6](#))
- continued to participate in the audit of the United Nations in partnership with the UK National Audit Office ([see page 9](#))
- provided assistance to development projects in Kosovo and Serbia ([see page 10](#)).

I am pleased to report that the feedback received from organisations we work with continues to show that the work is highly valued by those we assist through our international assignments.

Our international work contributes toward Audit Scotland's vision of being recognised as a world-class audit organisation through:

- Involvement in international work contributes to the skills and experience of our staff. It is an opportunity to share our knowledge and to learn more about some of the challenges faced by public services overseas.
- Feedback from staff involved in international work highlights the benefits of exposure to different methods of working. This contributes to our commitment to adopt high standards of work and to look for continuous improvement and innovation.
- Contributing to the development of enhanced governance, efficiency and effectiveness in public audit bodies and governments in other countries.

We recently refreshed our 'Working with other countries strategy' for 2014–16 to ensure it aligns with Audit Scotland's corporate plan. In particular, we are ensuring lessons learned by staff engaged in international work are disseminated more widely in Audit Scotland.

I hope you find this report interesting. If you require any 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

Chair, International Steering Group

Visits

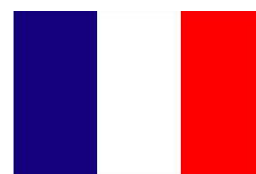
We have hosted delegations from a variety of organisations including other public sector audit bodies. Audit Scotland's core business takes priority over our work with other countries and we sometimes have to decline requests, or limit the number of visits, particularly during our busiest periods. Our strategy limits the number of visits to 12 each year, and restricts the same organisations from returning within a two-year period unless the focus of the visit has significantly changed.

During 2013/14, we received requests from eight organisations (seven in 2012/13). Six of these were accommodated (three in 2012/13) and two were declined. We declined one visit due to staff availability and one because we did not have the requisite core skills and experience in the topic proposed. The six visits we hosted in 2013/14 are summarised in [Exhibit 1](#).

Exhibit 1

2013/14 visits

- French Institute for Higher Studies in Social Protection (April 2013) – In partnership with the former Chief Executive of NHS Quality Improvement Scotland we gave a presentation to 40 delegates comparing the Scottish and English NHS and the current risks for the NHS in Scotland.
- Office of the Auditor General of Nepal (June 2013) – This visit by Nepalese delegates covered a wide range of topics including financial audit, performance audit, use of IT in auditing and quality assurance.
- Department of Internal Audit, Turkey (August 2013) – This involved a presentation focusing on Audit Scotland's role in evaluating children's residential services and Community Planning Partnerships.
- Chinese National Audit Office (December 2013) – This visit focused on Audit Scotland's approach to financial and performance audit.
- Ningbo Municipal Audit Office (February 2014) – We presented to 15 delegates on Audit Scotland's approach to performance audit and Best Value audit.



- Balkan State Parliamentarians (February 2014) – We presented to a group of Parliamentarians representing four of the eight sovereign Balkan States. The presentations focused on Audit Scotland's approach to performance audit and developing financial reporting in the devolved Scottish Public Sector.



In addition to sharing information on our audit approach and methodology, these visits allowed us to learn from other countries and enhance our own methodologies.

[Case study 1](#) provides more detail of the issues discussed during the visit by the Office of the Auditor General of Nepal.

Case study 1

Office of the Auditor General of Nepal (OAGN)

In June 2013, we hosted a visit by 12 delegates from the OAGN. The visit was part of a UK wide study tour funded by the World Bank titled 'Strengthening the OAGN'.

We presented to the group on:

1. Public audit in Scotland, our role within the legislative framework and how we deliver public audit to over 200 public bodies.
2. Our approach to financial audit including how we use IT in our approach.
3. Our approach to performance audit including specific coverage of our Health Inequalities audit and Major Capital Investment audit.
5. How our quality assurance framework ensures we deliver high-quality public audit.

Members of the delegation provided very positive feedback on the event highlighting that the topics covered were consistent with their own audit approach.



Caroline Gardner with Bhanu Acharya (Auditor General of Nepal)

Staff development

Hosting visits contributes to our vision of being a world-class audit organisation by providing our staff with opportunities for personal development and knowledge sharing. This helps us deliver high-quality audits through the application of newly acquired skills and experience. Feedback from staff involved in visits highlights how their participation has benefited them. Examples are provided below.

During the year, I delivered presentations to delegations on Audit Scotland's approach to financial audit. Although this represents my daily work, I found it beneficial to take the time to look at our processes as a whole and be clear about the requirements of the International Standards on Auditing and Code of Audit Practice and the effect of these on our work. Participating in hosting visits from other audit agencies to explain our work has helped me to further develop my technical auditing knowledge through the research undertaken to prepare my presentation.

Carol Hislop (Senior Audit Manager, Audit Services Group)

Taking part in speaking to overseas visitors was a good opportunity to reflect on our methodology for the residential child care report. Presenting through an interpreter really makes you think about your presentation style.

Cathy McGregor (Project Manager, Performance Audit & Best Value)

Overseas work

United Nations audit

In 2010/11, the National Audit Office (NAO) was appointed to the United Nations (UN) Board of Auditors for a term of six years. The NAO invited Audit Scotland to partner them in a range of financial and performance audits. In 2013/14, two Audit Scotland staff were involved in the audits of:

- UN Office of Drugs and Crime (Vienna)
- UN Secretariat (Vienna)



In 2013, the work focused on completing audit reports that brought together the findings and recommendations arising from audit work undertaken in previous months. Areas covered included: financial management and controls, project management, procurement and the use of external bodies to support business delivery. This work is fully funded by the UN.

Involvement in overseas work provides our staff with career and personal development opportunities. Audit Scotland, as an organisation, benefits from this through the exchange of information on professional and technical audit developments. [Case study 2](#) provides an example of how our staff have benefited from their involvement in UN work.

Case study 2

United Nations audit

Mark MacPherson (Senior Manager) and Parminder Singh (Senior Auditor) have been involved in the United Nations audit for four and two years respectively.

Mark noted that: “The UN audit work remains challenging, though ongoing involvement has allowed me to develop my knowledge and understanding of UN systems, and to contribute more effectively to the overall portfolio of work. I’ve noted similarities between the UN’s work and the Scottish public sector, including the need to involve other organisations in service delivery to meet ongoing financial challenges, and particularly the importance of effective governance arrangements where funding is channelled through partners. I’ve also engaged with senior UN and governmental staff which has given me a greater appreciation of strategic delivery, which I can apply to my Audit Scotland work.

Parminder says: "It is a challenging audit due to the complexity of the UN’s activities. The UN rely upon external donors, many of them from national governments, to fund their vital work and these donor nations look to the UN Board of Auditors (UNBOA) for assurance that their funding is being used well and for its intended purpose.

This is a particularly challenging time for the UN as it is in the process of moving from cash-based accounting to accrual-based accounting. The UNBOA are playing an important

role in ensuring that the UN continues to focus on implementing this important change as well as highlighting any risks that might impede the progress of the project.

Working with colleagues from the NAO has allowed me to compare and contrast Audit Scotland's audit approach with that used by the NAO. Meeting UN officers, who originate from all over the world, has improved my ability to communicate complex and difficult accounting issues.



L-R: Laura Wright (NAO), Parminder Singh, Mark MacPherson and Laura Walker (NAO)

Office of the Auditor General of Kosovo

The Office of the Auditor General of Kosovo (OAG) was established in 2004 and the European Union (EU) are supporting it to build capacity and develop audit methodologies. The NAO was chosen to partner the OAG in its development, and is the lead on a project to further support the OAG to meet EU standards. Audit Scotland was invited to support the NAO in this work. This is the second year in which we have supported the OAG and noticeable progress is being made.

Over this year our staff have:

- mentored municipality audit teams through the audit process and developed strong working relationships with team leaders and their staff
- supported senior staff in their roles which has helped standardise the quality of pilot audits and improve the level of support provided to staff
- supported the development and implementation of a strategic approach to benchmarking and performance management across municipalities. This included developing a suite of performance indicators which were issued to all municipalities in Kosovo for completion by the end of February 2014.

Over the next 12 months our staff will support the roll out of the new audit approach and facilitate the sharing of good practice across audit teams.

Serbian Ministry of the Interior

Audit Scotland were asked to provide support to an EU twinning project aimed at improving strategic planning in the Ministry of Interior in Serbia. The overall objective of the project is to contribute to the development of the Serbian Ministry of Interior and Police into a modern, efficient, accountable service in line with the Strategy of Public Administration Reform in the Republic of Serbia.

Miranda Alcock, our Senior Manager with policy responsibility for the justice portfolio, has been involved in supporting the element of the project concerned with monitoring and evaluation. Miranda has been involved in reviewing the analytical capacity within the Serbian Ministry of Interior, the availability of cost and performance information and the skills needed to deliver effective monitoring and evaluation. Furthermore she presented to an international conference on 'Strategic Thinking Serbia' on the importance of external audit and scrutiny in relation to how public money is spent, using examples from the justice sector in Scotland.

The project leader was particularly interested in building understanding in the Ministry about how external scrutiny and independent performance audit can improve governance and accountability and demonstrate value for money in a policing context. The request to Audit Scotland demonstrates the high regard that our performance audit work is held in across the public sector and the international impact of that some of our national reports have made.

Networking and influencing

As part of our international work, we are members of the European Organisation of Regional Public Finance Audit Institutions (EURORAI). EURORAI is a network of public sector audit institutions across Europe, which allows members to share experiences and good practice. Where appropriate, we attend EURORAI conferences and present on topical issues.

In October 2013, a member of staff attended a EURORAI conference in Halle and delivered a session on role of public bodies in providing drinking water, sewage and waste disposal and the auditing of the associated economic activities.

Audit Scotland, in conjunction with EURORAI, has agreed to host a EURORAI event in October 2014 with the theme 'Auditing in a Period of Austerity'. We are looking forward to sharing ideas and knowledge on the best ways to maximise the efficiency and effectiveness of all our audit approaches. The event will be held in 'Our Dynamic Earth' in Edinburgh and preparations are well advanced.

Policies and processes

All our work is underpinned by policies and processes, which are approved by the International Steering Group.

Welfare of our staff

The health, safety and welfare of our staff 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.

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 2013/14, visitors to Audit Scotland presented our staff with token gifts, such as scarves, ornaments and first day covers. All gifts were recorded in the international register of gifts and hospitality. In turn, we presented token gifts of Audit Scotland pens, quaichs and books.

International volunteer register

Audit Scotland maintains a register of staff who have expressed an interest in supporting our work in other countries. We identify people from this register to be involved in visits and assignments.

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