

Scottish Government consultation – Severance policy in devolved public sector in Scotland

Submission from the Auditor General for Scotland, Accounts Commission and Audit Scotland

Introduction

1. The Auditor General for Scotland, the Accounts Commission and Audit Scotland work together to deliver public audit in Scotland:
 - The Auditor General for Scotland is an independent crown appointment, made on the recommendation of the Scottish Parliament, to audit central government, health and further education bodies and report to Parliament on their financial health and performance.
 - The Accounts Commission for Scotland is an independent public body appointed by ministers to hold local government to account.
 - Audit Scotland provides services to the Auditor General and the Accounts Commission.
2. Public audit provides independent assurance that public money is spent properly and is providing value for money. We carry out this work through the annual audits of public bodies, performance audits on specific themes and subjects, and best value audits of councils and partnerships.
3. [Public Audit in Scotland](#) from May 2015 sets out the shape, principles and themes of public audit, and how we carry it out, together with the Auditor General for Scotland and the Accounts Commission.
4. The Auditor General, Accounts Commission and Audit Scotland welcome the opportunity to respond to this consultation.

Overall comments

5. It is for the Scottish Government to set and monitor future policy on severance arrangements for the devolved public sector in Scotland. External auditors appointed by the Auditor General and the Accounts Commission report annually in line with the requirements of the 2016 [Code of Audit Practice](#). Auditors' reporting considers the four audit dimensions as set out in the Code:
 - Financial sustainability
 - Financial management
 - Governance and transparency
 - Value for money

6. In addition, for local government, the Code sets out an additional requirement on auditors to use these dimensions to provide an overall assessment and assurance on best value. Such an assessment is also driven by the Accounts Commission's strategic audit priorities.
7. For its part, therefore, the Accounts Commission's interest is driven by our responsibility to hold councils to account in relation to their Best Value obligations. Our current interest is demonstrated in the full commentary given to the matter in our annual overview report, which complements our financial overview report which is referred to in the consultation paper.
8. Further in this regard, the consultation paper makes particular reference to the Commission's financial overview report in stating that:

Local government exit payment costs are reported by Audit Scotland every year in Local Government in Scotland Financial Overview Report 2015-16.

9. It is worth noting that, across the public sector, such information is already publicly available in public bodies' annual remuneration reports, on which auditors' published opinion provides assurance that the number and costs of exit packages are accurately reported. The Accounts Commission may choose to include information about local government exit packages within its annual overview report(s). Our May 2013 report [Managing Early Departures from the Scottish Public Sector](#) noted that public bodies generally follow good practice principles. The report emphasised the need for there to be up to date policies covering severance arrangements, underpinned by a wider workforce strategy and high quality business cases for each individual's departure. We also reported that there were wide variations in the way public bodies implement early departure schemes, including the extent to which elected members and board members were kept informed. The way in which early departure information was put into the public domain and the savings they generated also varied considerably. The application of good practice principles remains part of the work of external auditors in their consideration of public bodies' achievement of value for money and best value.
10. As noted in the consultation document, public bodies need to ensure that they balance their service delivery and workforce planning arrangements with the requirement to ensure that they achieve value for money and best value in the use of public funds.
11. In *Managing early departures from the Scottish public sector*, we found that (for the schemes we examined), the overall payback period ranged between one and three years. We also noted that the longer the payback period, the greater the risk that the anticipated savings would not be realised. Organisations need to ensure that the payback periods they are using are justified and represent value for money.
12. We hope that you find our comments helpful. We would be happy to expand on any points contained within our submission if you would find that useful. In the meantime, should you require any further information please contact Stephen Boyle, Assistant Director, at sboyle@audit-scotland.gov.uk