

# HM Inspectorate of Education

Report on the 2008/09 Audit

July 2009



 AUDIT SCOTLAND

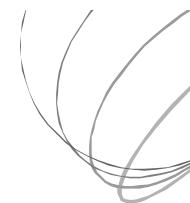


# HM Inspectorate of Education

**Report on the 2008/09 Audit**

# Contents

|                      |   |                                  |    |
|----------------------|---|----------------------------------|----|
| Key messages         | 1 | Governance and<br>Accountability | 11 |
| Introduction         | 3 | Performance                      | 13 |
| Financial Statements | 5 | Looking Forward                  | 17 |
| Use of Resources     | 7 |                                  |    |



# Key messages

In 2008/09 we looked at the key strategic and financial risks being faced by HM Inspectorate of Education (HMIE). We audited the financial statements and we also 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 opinion on the financial statements of HMIE for 2008/09. 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 Scottish Ministers.

## **Financial position and use of resources**

During 2008/09 HMIE recorded a net outturn for resource and capital expenditure of £15.75 million against a combined operating costs and capital budget of £15.77 million; a net underspend of £0.02 million. The balance sheet moved from an opening position of £0.61 million to a closing balance of £0.41 million. The capital budget allocated to HMIE for 2008/09 was £0.02 million. An overspend of £0.04 million was recorded (£0.06 million outturn capital expenditure).

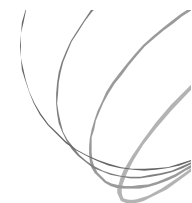
Scottish Ministers have agreed a resource budget for HMIE of £15.8 million for 2009/10. Current projections forecast expenditure to be within budget in 2009/10.

The increasingly tight financial settlement for 2009/12 will be expected to support delivery of reforms arising from the Crerar review and the provisions of the Public Sector Reform Bill, in addition to supporting HMIE's normal business. HMIE will also be expected to achieve 2% year on year efficiency savings.

## **Governance and accountability**

Corporate Governance is concerned with the structures and process for decision making, accountability, control and behaviour at the upper levels of an organisation. Overall the corporate governance and control arrangements for HMIE operated satisfactorily during the year, as reflected in the Statement on Internal Control.

We examined the key financial systems which underpin the organisation's control environment. We concluded that financial systems and procedures operated sufficiently well to enable us to place reliance on them.



## **Performance**

HMIE's corporate plan for 2008 – 2011 was published in February 2009. HMIE plan and organise its work under four strategic priorities which include bringing about improvement in standards and equality, through inspection and review, and building capacity for improvement. HMIE's strategic priorities are underpinned by key performance targets. HMIE reported achievement of all of its main performance targets for 2008/09. For example, quantitative targets for numbers of inspections carried out and reports published were either achieved or exceeded and good progress was made against qualitative targets such as publishing a range of advice on self-evaluation.

## **Looking forward**

The final part of our report notes some key risk areas and issues for HMIE going forward, including the impact of the provisions within the Public Sector Reform Bill. We also highlighted a number of national issues which affect all public sector bodies including HMIE, including the National Performance Framework and the introduction of Scotland Performs; the impact of international financial reporting standards; and the review of data handling arrangement in public bodies across Scotland. HMIE also faces significant financial pressure over the next three years to achieve financial balance. We will continue to monitor financial planning arrangements and HMIE's financial position.

The assistance and co-operation given to us by Board members and staff during our audit is gratefully acknowledged.

**Audit Scotland**  
**July 2009**

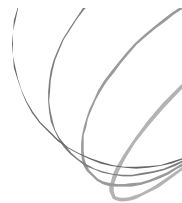


# Introduction

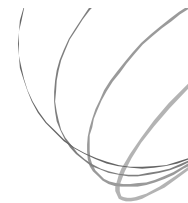
1. This report summarises the findings from our 2008/09 audit of HM Inspectorate of Education (HMIE). The scope of the audit was set out in our Audit Plan, which was presented to the Audit Committee on 5 February 2009. This plan set out our views on the key business risks facing the organisation and described the work we planned to carry out on financial statements, performance and governance.
2. We have issued an interim management report this year. An action plan has been agreed by management to address key issues.
3. Best value duties apply across the public sector and, in central government, best value is a formal duty on all accountable officers. Audit Scotland has adopted a generic framework for the audit of best value across the public sector and throughout this report we comment on aspects of HMIE's arrangements.

**Exhibit 1: Framework for a best value audit of a public body**





4. Our comments are made on the basis of information made available in the course of the annual audit. We do not make an overall best value judgement because we do not have enough evidence to conclude on all relevant areas. Our intention is to build up the corporate assessment over time. This report is the first step towards that goal.
5. Another building block for our assessment of best value is the national study programme carried out by Audit Scotland on behalf of both the Auditor General for Scotland and the Accounts Commission. We mention the key findings from all relevant reports, and the implications for HMIE, throughout this report. Full copies of the study reports can be obtained from Audit Scotland's website, [www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk).
6. We would like to take this opportunity to express our appreciation for the assistance and co-operation provided by management and Board members of HMIE during the course of our audit. This report will be submitted to the Auditor General for Scotland and will be published on our website.



# Financial Statements

7. In this section we summarise key outcomes from our audit of HMIE's financial statements for 2008/09 and the accounting issues faced. The financial statements are an essential means by which the organisation accounts for its stewardship of the resources available to it and its financial performance in the use of those resources.

## Our responsibilities

8. We audit the financial statements and give an opinion on:
  - whether they give a true and fair view of the financial position of HMIE and its expenditure and income for the period in question;
  - whether they were prepared properly in accordance with relevant legislation, applicable accounting standards and other reporting requirements;
  - the consistency of the information which comprises the Management Commentary within the financial statements;
  - the regularity of the expenditure and receipts.
9. We also review the statement on internal control by:
  - considering the adequacy of the process put in place by the HM Senior Chief Inspector as Accountable Officer to obtain assurances on systems of internal control;
  - assessing whether disclosures in the statement are consistent with our knowledge of HMIE.

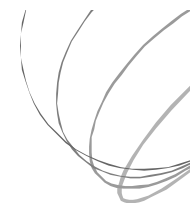
## Overall conclusion

10. We have given an unqualified opinion on the financial statements of HMIE for 2008/09.
11. As agreed the unaudited accounts were provided to us on 28 April 2009, supported by a comprehensive working paper package. We concluded our audit within the agreed timetable and provided our opinion to the Audit Committee on 27 May 2009 as timetabled.

## Issues arising from the audit

12. As required by auditing standards we issued a report to those charged with governance to the audit and risk committee on 27 May 2009, which covered the main issues arising from our audit of the financial statements. There are no significant issues that need to be highlighted.



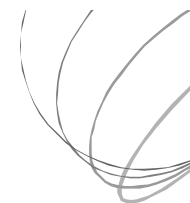


## Regularity

13. The Public Finance and Accountability (Scotland) Act 2000 imposes a responsibility on auditors that requires us to certify that, in all material respects, the expenditure and receipts shown in the accounts were incurred or applied in accordance with applicable enactments and guidance issued by the Scottish Ministers. We have been able to address the requirements of the regularity assertion through a range of procedures, including written assurances from the Accountable Officer as to his view on adherence to enactments and guidance. No significant issues were identified for disclosure.

## International financial reporting standards (IFRS)

14. As announced by the Chancellor in the 2008 Budget report on 12 March 2008 (Budget report paragraph C103), Government departments and other public sector bodies will report using International Financial Reporting Standards (IFRS) from 2009/10. The Scottish Government announced on 25 April 2008 that all Scottish Government Departments, Executive Agencies, Health Bodies and Non-Departmental Public Bodies would be required to produce shadow IFRS based accounts for financial year 2008/09. This was to include a restated balance sheet as at 1 April 2008.
15. In terms of the audit of the IFRS opening balance sheet at 1 April 2008, there were two key dates to achieve as outlined below:
  - **28 November 2008** – opening 2008 IFRS-based balance sheet were to be presented to auditors for dry-run audit
  - **28 February 2009** – dry-run audit of opening balances was to be completed, resulting in a letter to management highlighting the work done, auditors' findings and areas for further work.
16. The opening balance sheet and supporting documentation were submitted by HMIE for audit for review by the deadline date of 28 November 2008. The restated balance sheet and supporting working papers were comprehensive.
17. Our report highlighted that HM Treasury are to issue guidance clarifying the required treatment of intangibles under IFRS. Further work may be required in respect of derecognised assets (software and intangibles) to ensure that the shadow IFRS accounts for 2008/09 and full IFRS accounts in 2009/10 are true and fair.



# Use of Resources

18. Sound management and use of resources (people, money and assets) to deliver strategic objectives is a key feature of best value. This section sets out our main findings from a review of HMIE's

- financial position
- financial management.

## Financial Position

### Outturn 2008/09

19. HMIE is required to work within its resource budget set by the Scottish Government. In 2008/09 HMIE, underspent its combined operating costs and capital budget by £0.02 million. See Exhibit 2 below.
20. Net operating costs increased by £1 million, from £14.69 million (2007/08) to £15.69 million (2008/09). Increased staff costs account for £0.85 million of the movement which was due to an increase in the number of permanent staff together with increased use of associate inspectors and seconded associate assessors.

**Exhibit 2 – Performance against resource budget 2008/09 (£ million)**

| Limits       | Budget       | Actual Outturn | Difference    |
|--------------|--------------|----------------|---------------|
| Operating    | 15.75        | 15.69          | 0.06          |
| Capital      | 0.02         | 0.06           | 0.04          |
| <b>Total</b> | <b>15.77</b> | <b>15.75</b>   | <b>(0.02)</b> |

## Financial sustainability and the 2009/10 budget

21. Scottish Ministers have agreed a resource budget for HMIE of £15.8 million for 2009/10. The budget will be supplemented by a transfer of funding for three nutritional associate assessors. This is to be funded as follows:



### Exhibit 3 – 2009/10 Resource Plan

| Limits       | Budget      |
|--------------|-------------|
|              | £million    |
| Operating    | 15.78       |
| Capital      | 0.02        |
| <b>Total</b> | <b>15.8</b> |

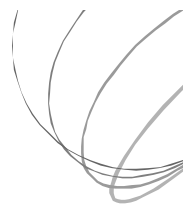
22. Current projections forecast expenditure to be within budget in 2009/10. However HMIE will be expected to deliver reforms arising from the Crerar review in addition to HMIE's normal business. HMIE will also be expected to achieve 2% efficiency savings per year from 2009/10 to 2010/11 and there are likely to be further challenges in the immediate future. Delivering efficiencies year on year, while absorbing pay inflation and other cost pressures (including recruitment and retention allowances), represents a significant challenge for the organisation.
23. Capital expenditure is budgeted at £0.02m for 2009/10 (£0.02 m 2008/09) and HMIE is unlikely to undertake large capital projects, given the nature of the organisation and its activities.

## National Studies

24. Audit Scotland published two national studies relevant to HMIE's use of resources. These were use of consultancy services and improving energy efficiency.

## Use of consultancy services

25. The overall aim of the study was to review central government's use consultancy services and to make recommendations to improve the public sector's use of consultants' knowledge, skills and resources to help deliver new services and initiatives quickly and expertly. The key findings were as follows:
- The public sector is strengthening the way it buys goods and services.
  - Central government does not have a clear strategy for its use of consultants or for linking use to its priorities or financial and workforce plans.
  - In most cases, central government buys consultancy services well but some improvements can be made.
  - Central government could improve how it manages consultancy projects through more consistent and formal evaluation of consultants' work and learning more from them.



- Central government could make savings of up to £13 million a year through better planning and buying of consultancy services.

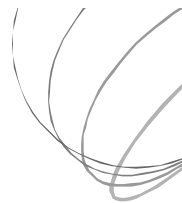
26. The report made specific recommendations for public bodies:

- confirm they have clear processes for approving and recording the use of consultants and monitoring progress, and reinforce these as required
- plan their use of consultancy services when developing their forward work programme to ensure that consultants are used where their knowledge and skills bring greatest value for money
- always evaluate the option to use consultants against the option to use their own staff
- gather and share consistent information on the consultancy skills bought and why consultants are used
- improve the quality of their invitations to tender through better and earlier discussion with consultants about their consultancy needs
- increase the use of framework agreements where possible by ensuring that existing agreements are used and new ones developed as appropriate
- select and use the most economical competition routes by using framework agreements, restricted competitions and closed tendering approaches when appropriate
- evaluate the work of consultants more systematically and share findings from these reviews
- work closely with consultants to increase assurance on quality and make use of opportunities to learn from consultants and ensure knowledge transfer, where appropriate.

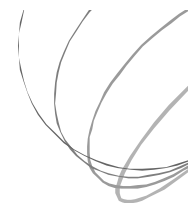
## **Improving energy efficiency**

27. Audit Scotland assessed how councils, NHS bodies and central government bodies were improving energy efficiency in relation to buildings and transport use. This included examination of a range of issues including whether public bodies demonstrate commitment to improving energy efficiency; how public bodies are performing against their objectives and targets for improving energy efficiency; and if public bodies are delivering continuous improvement in this area.

- Funding has been made available by the Scottish Government and public bodies to improve energy efficiency. While energy consumption in buildings has fallen, spending on energy increased in the three years to 2006/07.
- There is a need for stronger leadership by the Scottish Government and within public bodies to improve energy efficiency and ensure that the necessary cultural and behavioural changes are made.



- A robust strategy is central to the coordination of activities to improve energy efficiency, however, there are inconsistencies in the quality of strategies being implemented
  - There is a lack of formal monitoring and reporting of progress in improving energy efficiency by public bodies and the Scottish Government.
28. HMIE reviewed the effectiveness of its environmental management system and has set a number of challenging targets for improving energy efficiency, including reduction of electricity usage, offset of carbon emissions for business mileage and reduction in paper usage. HMIE's Annual Report for 2008/09 reports some measurable success against these targets.



# Governance and Accountability

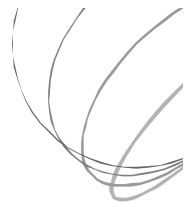
29. High standards of governance and accountability, with effective structures and processes to govern decision-making and balanced reporting of performance to the public, are fundamental features of best value. This section sets out our findings arising from a review of HMIE's arrangements.
30. Increasingly services are being delivered across the public sector through partnership working, sometimes involving complex governance and accountability arrangements. Best value characteristics also include effective partnership working to deliver sustained improvements in outcomes.

## Overview of arrangements

31. This year we reviewed:
  - key systems of internal control
  - internal audit
  - arrangements for the prevention and detection of fraud and irregularity, including standards of conduct.
32. Our overall conclusion is that arrangements within HMIE are sound and have operated throughout 2008/09.

## Systems of internal control

33. Key controls within systems should operate effectively and efficiently to accurately record financial transactions and prevent and detect fraud or error. This supports a robust internal control environment and the effective production of financial statements. In their annual report for 2008/09 the Scottish Government Internal Audit Division (the internal auditors) provided their opinion that, based on the internal audit work undertaken during the year, there was substantial assurance on the adequacy and effectiveness on the systems of internal control.
34. As part of our audit we reviewed the high level controls in a number of HMIE's systems that impact on the financial statements. This audit work covered a number of areas including budgetary control, payroll (starters and leavers) and accounts payable. Our overall conclusion was that key controls were operating effectively and that HMIE has adequate systems of internal control in place. We did identify a number of areas where controls could be strengthened and agreed an action plan of improvements with management. This will be followed up in 2009 to confirm that improvements have been made.



35. In the interests of an efficient audit approach we also rely on assurances received from the auditor of the Scottish Government on work performed on shared systems that operate at HMIE, hosted by the Scottish Government. This approach ensures we are delivering an efficient co-ordinated audit that avoids unnecessary duplication and expense.
36. The central systems assurance letter provided by the auditor of the Scottish Government concluded that there was adequate assurance for all systems except payroll. Adequate assurance is where key controls and procedures are operating to enable reliance to be placed on the system. Limited assurance was provided for the payroll system. We carried out sufficient local work to allow us to place reliance on the payroll system. There is no impact on our overall opinion on the financial statements.

## **Statement on Internal Control**

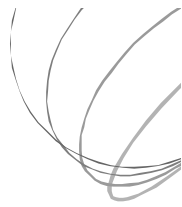
37. The Statement on Internal Control provided by HMIE's Accountable Officer reflected the main findings from both external and internal audit work. This recorded management's responsibility for maintaining a sound system of internal control and set out HMIE's approach to this.

## **Internal Audit**

38. The establishment and operation of an effective internal audit function forms a key element of effective governance and stewardship. We therefore seek to rely on the work of internal audit wherever possible and as part of our risk assessment and planning process for the 2008/09 audit we assessed whether we could place reliance on HMIE's internal audit function. We concluded that the Scottish Government Internal Audit Division operates in accordance with the Government Internal Audit Manual and therefore placed reliance on their work in number of areas during 2008/09, as we anticipated in our annual audit plan. This included reliance on aspects of internal audit's systems work to avoid duplication of effort.

## **Prevention and detection of fraud and irregularities**

39. HMIE has appropriate arrangements in place to prevent and detect fraud, inappropriate conduct and corruption, including policies and codes of conduct for staff and Board members.



# Performance

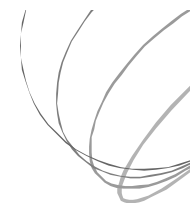
40. Public audit is more wide-ranging than in the private sector and covers the examination of, and reporting on, performance and value for money issues. Key features of best value include:
- setting a clear vision of what the organisation wants to achieve, backed up by plans and strategies to secure improvement, with resources aligned to support their delivery;
  - a performance management culture which is embedded throughout the organisation and a performance management framework which is comprehensive and supports the delivery of improved outcomes.
41. In this section we comment on:
- HMIE's vision and strategic direction
  - performance against targets
  - performance management arrangements
  - HMIE's efficiency programme

## Vision and strategic direction

### Corporate Plan

42. HMIE's principal activity is to promote improvements in standards, quality and attainment in Scottish education through first hand, independent evaluation. HMIE published its corporate plan for 2008 – 2011 in February 2009. The corporate plan focuses on four strategic priorities:
- Giving assurance and bringing about improvement in standards and quality through inspection and review
  - Building capacity for improvement
  - Giving professional, evidence based advice
  - Securing HMIE's continuous improvement.
43. By achieving these objectives, HMIE expects to contribute to the Scottish Government's strategic priorities and its related national outcomes and indicators.





## Public Sector Reform

44. The Public Sector Reform Bill is a collection of measures to reform the public sector landscape in Scotland including some proposals arising from the Crerar Report. The Bill proposes to abolish a number of bodies, merge some and create new bodies. It also has provisions aimed at improving scrutiny co-ordination and involving users in scrutiny. There are also proposals to enable future reforms to be undertaken using statutory instruments rather than requiring primary legislation.
45. The Bill also contains provisions requiring listed bodies ( including HMIE) to co-operate and co-ordinate activity with each other and, where appropriate, the Scottish Ministers with a view to improving the exercise of scrutiny functions in relation to local authorities, social services and health services having regard to economy, efficiency and effectiveness.
46. The Bill contains provisions which will transfer the responsibilities for child protection inspection to one of the newly formed scrutiny bodies. Clearly these changes will impact on HMIE's future strategy and plans and we will continue monitor the impact of future changes on HMIE.

## Scrutiny Co-ordination

47. Following the publication of the Crerar report in September 2007, the Scottish Government's response stated its aim of establishing a simplified and coherent approach to delivering local government scrutiny. A key aspect of this agenda is to better coordinate and streamline scrutiny and achieve greater effectiveness, whilst at the same time protecting the independence of scrutiny bodies.
48. In February 2008, the Accounts Commission was asked to take on the transitional gatekeeping role in respect of the scrutiny of local government. The local government scrutiny coordination strategic group was established to set priorities and oversee development activity. The following key priorities were subsequently agreed:
  - Improving the planning and scheduling of scrutiny activity.
  - Developing a single corporate assessment.
  - Implementing a shared risk assessment framework.
49. The strategic group established an operational group to carry out the necessary detailed work in respect of these priorities. The group is made up of representatives from HMIE and other scrutiny bodies including Social Work Inspection Agency, NHS QIS, Care Commission, Scottish Housing Regulator, COSLA and Audit Scotland.
50. The recent update on progress of the group has noted that:



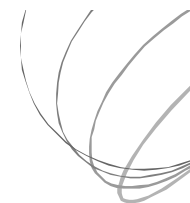
- The first joint scrutiny plan for local government in Scotland has been published and covers the period from April 2009 until March 2010. This is a key milestone in the transitional arrangements set out for 2009.
- The joint scrutiny schedule also sets out the various ways in which local government audit, inspection and regulatory bodies in Scotland have already adopted more proportionate and risk-based approaches to scrutiny when exercising their statutory functions. The group's analysis indicates that taken together these developments should lead to a significant reduction in the overall level of scrutiny experienced by local government – estimated to be in the region of 25%.
- The implementation of shared risk assessment arrangements are progressing and current activity aims to establish an earlier joint local scrutiny presence from which shared risk assessment work will be led and further developed for the future.

51. We will continue to monitor the impact of these developments on HMIE.

## Performance overview

52. HMIE's four strategic priorities are underpinned by an extensive suite of key targets and performance indicators. HMIE reported on the achievement of the following performance targets:

- Strategic priority 1 – The key measures relate predominately to inspections, follow up reviews and the publication of reports. HMIE planned to complete 681 inspections covering schools, specialist centres and child protection services. HMIE exceeded the target, completing 708 inspections in 2008/09. 95% of all draft inspection/review reports were issued within 12 weeks of the end of the inspection/review.
- Strategic priority 2 – A range of advice on self evaluation was published by HMIE in 2008/09. In addition, HMIE held a number of conferences and seminars to disseminate and encourage the uptake of good practice in key sectors and aspects of education.
- Strategic priority 3 - Four targets relate to the provision of professional, evidence based advice. All of the targets were achieved, including establishing and building links with key organisations across the UK and abroad.
- Strategic priority 4 – Eight indicators relate to securing HMIE's own continuous improvement. Indicative performance was achieved in all eight indicators, including completion of a staff survey with an agreed action plan, developing approaches for improving and maintaining the health of staff and ensuring that all staff have access to training and development opportunities.



## Performance management

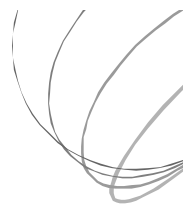
53. As recorded in their annual report, HMIE achieved a high degree of success in meeting all their targets. The HMIE Board regularly reviews performance against the corporate plan through quarterly performance reports. The reports are discussed in Board meetings and action taken and reported to resolve any issues.

## Risk management

54. There a number of key challenges and risks for the Board in delivering its corporate plan. The Board is responsible for identifying, managing and reviewing corporate risks and the effectiveness of actions identified to control these risks. The Board has put in place robust systems for the identification and management of risk and established a Risk Management Group. The Risk Management Group is responsible for overseeing risk management processes, monitoring the effectiveness of the Risk Management Policy and reporting to the Board and the audit and risk Committee.
55. The main risk is that HMIE fails to recruit sufficient staff and of appropriate quality/expertise in time to meet operational needs in accordance with relevant legislation and Scottish Government policy. HMIE have taken steps to address this risk including working with the Scottish Government to ensure that salaries and working conditions are competitive.
56. The risk areas identified by HMIE are complex and comprise multiple issues which will require careful management to resolve. The impact of the provisions of the Public Sector Reform Bill may also mean for HMIE that new risks emerge as part of managing any reorganisation of functions and remit. We will continue to monitor the Agency's progress in each of these areas over the course of the next year.

## Efficiency

57. As part of the Efficient Government initiative, HMIE had a published target of achieving non cash releasing savings of £0.34 million for 2008/09 through the introduction of redesigned inspections for schools. HMIE exceeded this target, delivering savings totaling £0.38 million. In addition to this, HMIE achieved a cash releasing saving in excess of £0.17 million through the use of the Scottish Government's collaborative contracts for procurement.
58. In the next two years budget settlement HMIE is required to make a 2% per annum cash releasing efficiency saving. HMIE have already achieved these savings by agreeing with Ministers not to open an Ayrshire Office. In addition HMIE have also given a commitment to realise significant non-cash releasing efficiencies over the coming year. Further challenges are also anticipated in the

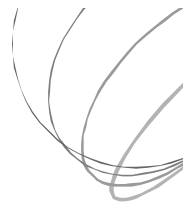


immediate future and these will prove difficult for HMIE as its main costs are driven by inspection activity (staff costs, T&S and publication costs).

## Looking Forward

59. HMIE faces a number of challenges in 2009/10, which include:

- **Public Sector Reform** – The Public Sector Reform Bill proposes to abolish a number of bodies, merge some and create new bodies. It also has provisions aimed at improving scrutiny co-ordination and involving users in scrutiny. These provisions will impact on HMIE's future strategy and plans and we will continue monitor the impact of these as part of our 2009/2010 audit.
- **Financial management and affordability** – The Scottish Parliament's Finance Committee recently published its report on the Scottish Government budget. The report noted that Scottish Government spending is set to decline in the next few years as UK public finances come under increasing pressure. Effective budget monitoring and reporting arrangements will be crucial to HMIE achieving its financial targets within tighter funding settlements. We will consider HMIE's financial management arrangements as part of our 2009/10 audit.
- **National Performance Framework** - The Scottish Government is continuing to develop its approach to performance management based on the National Performance Framework and local authority single outcome agreements. The National Performance Framework is an outcome-based approach that is publically reported on the Scottish Government's web site in the 'Virginia-style' model of performance measurement and reporting. This will include progress on overall delivery of the administration's purpose for Government, the five strategic objectives for Scotland and other aspects of the outcomes based National Performance Framework. We will consider how HMIE is addressing this developing area as part of the 2009/10 audit.
- **Efficiencies and future funding** - Budgets for 2009/2010 and the immediate future will need to be managed within a tighter funding regime. This includes no scope for the application of end of year flexibility for the Government with HM Treasury until the next Spending Review; no option to transfer funds from capital to revenue; and the impact of the introduction of International Financial Reporting Standards (IFRS), particularly on leases and infrastructure accounting. HMIE will come under increasing pressure to prioritise spending, identify efficiencies, deliver reforms arising from the Public Sector Reform Bill and review future commitments, to ensure delivery of key targets and objectives.
- **Data handling** – The Scottish Government carried out a review of data handling arrangements in Scotland during 2007. The review considered current policies and procedures on data protection, consistency with government standards and local



arrangements for implementation of procedures. A report published in June 2008 made recommendations for a higher level of oversight and guidance from the Scottish Government and improved security of sensitive information. We will monitor HMIE's progress against recommendations due to be implemented during 2009/10.

- **IFRS** – The timetable for IFRS implementation requires that central government accounts in Scotland to become IFRS compliant with effect from the 2009/10 financial year. As part of the timetable for the implementation for IFRS, shadow accounts will require to be produced for 2008/09 for audit review by September 2009. These processes will require significant resource to complete and it will be important that these issues are addressed early in 2009/10