

Annual review

2012/13

Who we are

Audit Scotland is a statutory body that carries out audits and investigations for the Auditor General for Scotland and the Accounts Commission.

The Auditor General for Scotland secures the audit of the Scottish Government and other public bodies in Scotland, except local authorities, and is independent of the Scottish Government and Scottish Parliament.

The Accounts Commission checks how well Scotland's local authorities perform. It operates independently of local and central government.

What we do

Our vision is to be a world-class audit organisation that improves the use of public money.

We provide independent assurance to the people of Scotland that public money is spent properly and provides value for money. We aim to achieve this by:

- carrying out relevant and timely audits of the way the public sector manages and spends money
- reporting our findings and conclusions in public
- identifying risks, making clear and relevant recommendations for improvement, and following these up.

Our year



performance and Best Value audits published



annual audits undertaken



cumulative impact of the National Fraud Initiative in Scotland



100% of audits completed on time



reports produced for the 214 public bodies audited

Staff served on **32** external bodies and working groups



of colleges praised the quality of our audits



of NHS bodies praised the quality of our audits

Welcome

Welcome to Audit Scotland's annual review for 2012/13.

The challenges facing Scotland's public sector are tough. Public bodies are dealing with continuing reductions in resources, and ever-growing demand and rising expectations for services. Scotland is also preparing for a new era of increased financial and fiscal autonomy.

In this environment, making the best use of public money and the need for independent and effective audit are more important than ever. In the past year we have continued to sharpen the focus of our work; we are clear that what we do needs to align with the pressures and priorities of the public sector and the services it provides to Scotland's people. We have continued to refine and develop our audit approach. During 2012/13, we launched a number of projects to strengthen our ability to respond to the changing environment, and ensure we keep pace with people's expectations and the ways they access and use information.

We also have a responsibility to get as much out of our resources as possible and deliver value for money. We have continued to deliver on our promise to reduce the cost of audit by at least 20 per cent in real terms over the four years to 2014/15. We have also seen change at the top, with Caroline Gardner succeeding Robert Black as the Auditor General for Scotland. We thank Bob for his significant contribution to public audit and to establishing Audit Scotland as a respected and influential organisation.

Through all of this we remain committed to world-class audit work that improves the use of public money and ultimately public services, and this review provides many examples of that.

We made good progress during 2012/13. We will continue to develop as we prepare for the many challenges ahead for ourselves and the wider public sector.

Ronnie Cleland

Chair of Audit Scotland Board

Caroline Gardner

Accountable Officer and
Auditor General for Scotland





214
bodies audited

Helping to improve by holding to account

Our auditors work closely with public bodies. We hold bodies to account for their use of public money and provide assurance to the public that organisations spend properly and get value for money.

Our auditors work with organisations to help them improve and provide feedback on performance. We bring an objective, professional view and a commitment and enthusiasm to improving public services.

Our work involves us in many different areas. For example, many public bodies are restructuring to reduce costs and improve efficiency. During 2012/13, we encouraged bodies to improve workforce planning, be clearer about restructuring costs, and ensure services are sustainable. We helped others improve the transparency of their financial reporting and performance monitoring. We encouraged bodies to strengthen their financial planning, for example by highlighting weaknesses in their income forecasts, identifying software errors affecting financial statements, or helping them better plan major work programmes.

Our work can highlight mismatches in funding and spending. Many public bodies are trying to change the services they deliver, and we work with them to ensure they identify and manage the risks involved.

In 2012/13, we signed off the accounts of all public bodies without any qualifications.

We are reducing the fees we charge public bodies. We have cut the costs of our work for the third year in a row and reduced fees by ten per cent for the last full audit year.

88%

of colleges praised the quality of our audits

100%

of NHS bodies praised the quality of our audits



Potential annual savings of

£26million

in GP prescribing could be generated from our recommendations

Reporting in public on the quality of services

We carry out performance audits across the public sector for the Auditor General for Scotland and the Accounts Commission, and report on these in public. We do this to provide analysis of whole systems and public services, focus on areas of particular public interest, and give the public and decision-makers a complete picture of particular sectors.

Our work highlights areas where services can improve within existing budgets or where money can be saved without affecting the quality of services. In 2012/13, we made recommendations to further improve GP prescribing that could save up to £26 million a year. Similarly, we made recommendations to better target the £128 million Scotland spends annually on reducing reoffending, which costs Scotland £3 billion a year.

We also identify examples of best practice and how public bodies can learn from events. We reviewed a number of ICT contracts and found common trends, such as a lack of ICT expertise within bodies and weaknesses in management. Following our audit of several recent mergers, we published a good practice guide to help the public sector with future mergers. We also produce baseline reports to inform sectors of their current position and future challenges. This year we reviewed the state of finances in colleges and the NHS.

Our work often prompts political debate and media coverage. The Scottish Parliament formally debated our audit of waiting list management in the NHS, and the Parliament's Public Audit Committee (PAC) called key Scottish Government and NHS executives to answer questions. The audit appeared in more than 200 items of media coverage in a fortnight.

We publish our findings and report on them to the Scottish Parliament for central government and NHS audits, and the Accounts Commission for local government work. The PAC held five inquiries into issues we raised, and the Commission published findings on ten of our audits.

2 Cross-sector audits

4 Local government audits

3 NHS audits

3 Central government audits

Working with others to target improvement

This year we published our first audits of Community Planning Partnerships (CPPs). We reported on three individual CPPs, as well as producing an overview of the direction and issues for CPPs nationally. This was a new stream of work in an area of major public importance. We formed specialist teams from across Audit Scotland to design and carry out a tailored approach, and worked with other inspection agencies.

Scotland's police and fire services faced major changes in the past year as they prepared to merge into single organisations in April 2013. During 2012/13, on behalf of the Accounts Commission, we completed the Best Value audit programmes of fire and police forces, including overviews of both services. Our work focused on the characteristics of efficient and effective service delivery and the principles of governance and accountability that will be important under the new structure. We carried out the police audits alongside Her Majesty's Inspector of Constabulary for Scotland.

Councils are facing tougher challenges, particularly in dealing with budget pressures. In our annual overview of local authorities we highlighted several issues, and welfare reform in particular.

The Best Value programme in local government continues to have impact. For example, the follow-up audit of Shetland Islands Council found the council making significant progress in tackling issues we have raised in previous years. We work with other scrutiny bodies to agree a shared view of the performance and risks at each council. This helps us target our resources at priority areas, and work with public bodies to improve services.

We continued the 'How councils work' series of publications, aimed at helping councils manage the financial pressures they face. We published two reports: on using cost information and on managing performance.



£18.7 billion
Spending by Scotland's councils in 2012/13

5 Best Value police audits

4 CPPs

2 'How councils work' reports

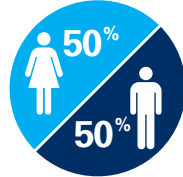
2 Best Value 2 audits

1 Best Value fire and rescue audit

Our organisation

260
staff (WTE)

Male/
female
staff



By careful planning, we are on track to reduce the cost of our work and the fees we charge public bodies by at least 20 per cent in real terms over four years to 2014/15. In 2012/13, we reduced our fees by ten per cent for the last full audit year.

We continue to work towards our goal of providing a world-class audit service.

We held a series of small 'Re:Connect' sessions with all our staff to discuss the progress we had made on issues highlighted during our 'Connect' staff consultation process in 2011/12. Through these meetings, we also agreed our five core values:

- Independence and integrity
- Valuing people
- Quality
- Cooperation
- Great communication.

Our corporate plan update for 2013, published in January, sets out the key projects and priorities for the calendar year.

Audit Scotland's work is overseen by:



Our board

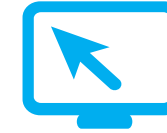


Our management team

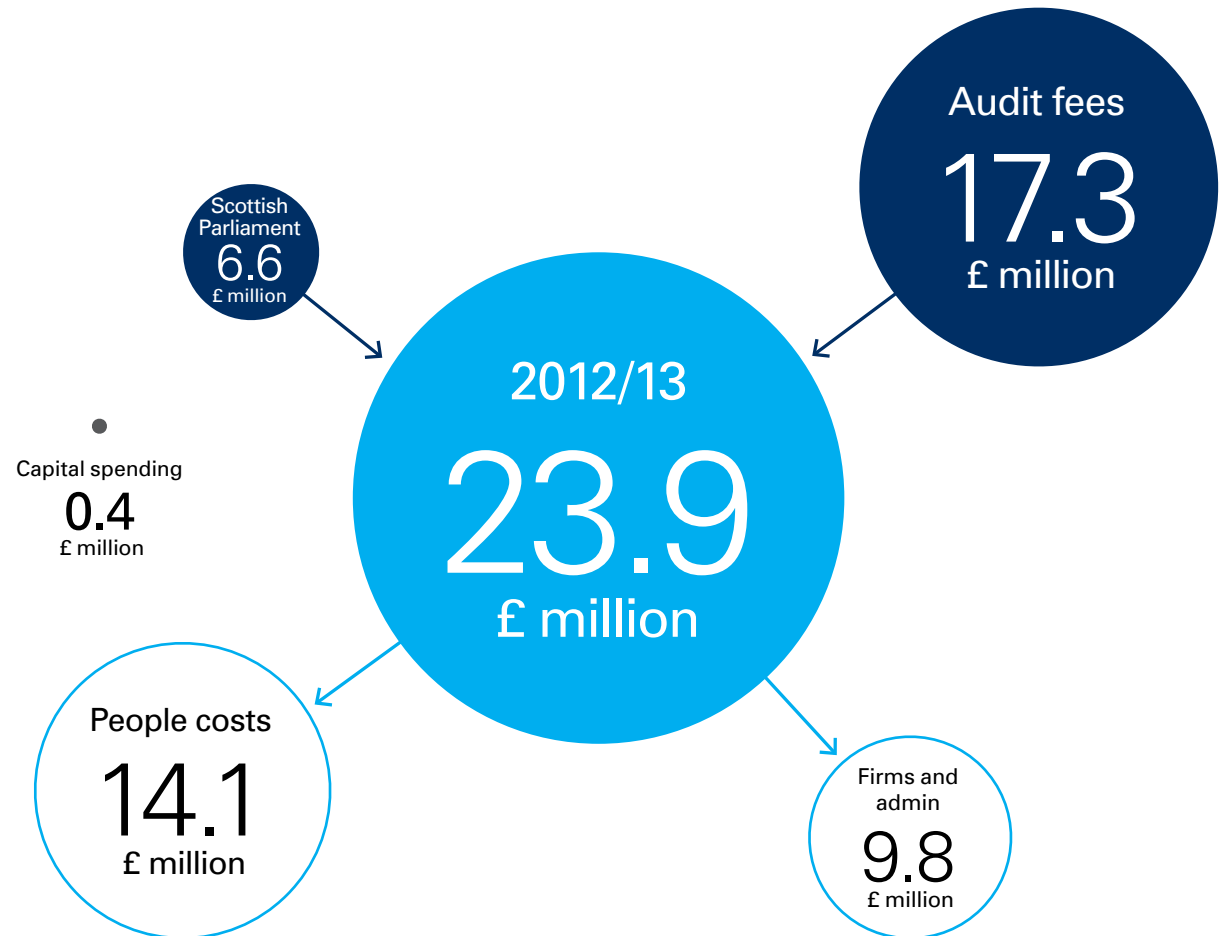
We are accountable to the Scottish Parliament through the Scottish Commission for Public Audit (SCPA).

Our finances

Audit Scotland's accounts are independently audited on behalf of the SCPA, which appointed Alexander Sloan Chartered Accountants to carry out the audit.



The full accounts and Audit Scotland's management commentary are available on our website.





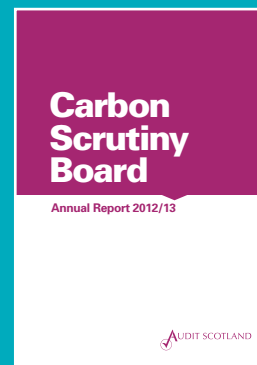
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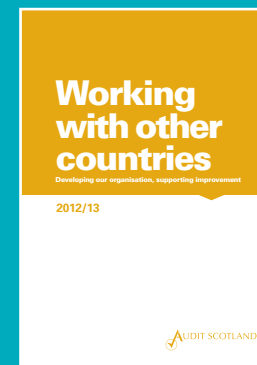
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