

Central government audits

Holding to account, helping to improve



Sector plan for October 2007 to March 2010 (encompassing the 2007/08 and 2008/09 audits)
December 2007

Auditor General for Scotland

The Auditor General for Scotland is the Parliament's watchdog for ensuring propriety and value for money in the spending of public funds.

He is responsible for investigating whether public spending bodies achieve the best possible value for money and adhere to the highest standards of financial management.

He is independent and not subject to the control of any member of the Scottish Government or the Parliament.

The Auditor General is responsible for securing the audit of the Scottish Government and most other public sector bodies except local authorities and fire and police boards.

The following bodies fall within the remit of the Auditor General:

- directorates of the Scottish Government
- government agencies, eg the Prison Service, Historic Scotland
- NHS bodies
- further education colleges
- Scottish Water
- NDPBs and others, eg Scottish Enterprise.

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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1. Introduction

Welcome to the latest Central Government (including Scottish Water and Further Education colleges¹) sector plan covering the period October 2007 to March 2010. The sector plan sets out how Audit Scotland and our partner firms, working together, will contribute to the achievement of Audit Scotland's corporate priorities of supporting effective scrutiny, maximising the value of the audit and building an effective and efficient organisation through the audit of central government bodies.

We achieved a great deal in the period covered by our last sector plan, including:

- Completing the audit of 61 2006/07 accounts in time to enable Ministers to lay them within statutory timescales.
- Publication of four S.22 reports on the accounts and successfully introducing a revised approach to their identification and drafting designed to enhance closer working relations between the Public Reporting Group (PRG), Audit Services Group (ASG) and the firms.
- Taking on a new portfolio of clients following changes in the audit appointments, and developing a strong knowledge base.
- Developing a strategy for overview reports and How Government Works reports and successfully introducing them through our sports overview and major capital projects studies.
- Publication of three performance audit reports and briefings to the Parliament's Audit Committee in its consideration of them. This included undertaking a review and publishing a report on Edinburgh's transport projects in a very short timeframe.
- Review and re-launch of our approach to Business Groups to improve information sharing and intelligence gathering on issues affecting central government bodies.
- Responses to almost 100 pieces of correspondence from MSPs, members of the public and others on issues affecting central government bodies.
- Designing and delivering a programme of in-house training to enhance and improve core skills for ASG and PRG staff. We have also supported senior audit managers and portfolio managers through the Management Development Programme, and other members of our teams in learning and development.
- Contributions to a range of corporate initiatives such as the best value review of how we deal with correspondence; the development and implementation of the Diversity Excellence Model, a framework for mainstreaming diversity in Audit Scotland; and how we can measure the impact our work.

The central government sector has been working in an environment of significant change as the process of public sector reform and modernisation evolves. Since the Scottish Parliament elections in May 2007 the new administration has indicated potentially significant reforms and developments in terms of policy, governance and structural issues. Key issues and priorities across the sector over the period of this plan include:

¹ Future references in the sector plan to central government should be taken to include Scottish Water and Further Education colleges unless otherwise stated.

- Restructuring and revised governance arrangements – The Scottish Government has and is undergoing significant change in its structure and governance arrangements. Ensuring that these arrangements bed down and are robust will be critical over the coming period.
- Spending Review and Outcome Agreements – The outcomes from the spending review and the introduction of outcome agreements will present significant challenges particularly given the tight financial settlement.
- Public service reform – The new administration has intimated a desire to de-clutter the public sector delivery landscape. Significant announcements have already been made affecting Scottish Enterprise and the Enterprise Networks, and Communities Scotland.
- International Financial Reporting Standards (IFRS) – The central government sector is required to prepare accounts for 2008/09 in accordance with International Financial Reporting Standards.
- Crerar Review – The outcomes of the review on Inspection, Regulation and Audit may have a significant impact on our clients as powers and functions are consolidated.
- New MSPs, Cabinet and committee structures – The new cabinet and committee structures represent opportunities to develop better working relationships with the parliament. The new Audit Committee may have an impact on our direct working relationship and workload.

Over the coming years we will continue to build on our successes, developing our work further and increasing our impact. Our priorities for the period covered by the plan are set out over the next sections but in summary they are to:

- Continue to deliver timely, high quality financial and performance audits.

We will ensure our financial audits are carried out to best professional standards and that our performance audits are carried out in accordance with the Project Management Framework. We will continually look for better ways to do things, to think about new types of products to support our outputs, and actively promote our work.
- Continue to improve partnership working between ASG, PRG and the firms and the rest of Audit Scotland.

We will continue to work at improving better integration between ASG, PRG and the firms and the rest of Audit Scotland to avoid duplication and overlap. We will roll-out an intelligence monitoring database (ShareIt) and continue to emphasise the key role that business groups and sector meetings have in sharing information.
- Develop a Best Value audit approach for central government.

We will develop our approach to Best Value audit which is fit for purpose and which builds on our existing products e.g. annual audit reports, overview reports and how government works reports. We will ensure our approach is accepted by client organisations and that staff are properly provided with the audit tools and training to implement it.
- Continue to develop our staff and build strong, dynamic teams.

We will ensure that all staff have clear roles and responsibilities and that the PDS system is implemented effectively. We will adopt a supportive culture which gives staff challenging and varied work and encourages them to maximise their potential.

- Develop a strong forward work programme of performance audits for 2009 onwards.

We will develop a forward programme which provides a balance of studies that will have impact. Our reports will differ by type and size and add value by concentrating on the big issues of the day, focus on outcomes and clearly identify the scope for improved efficiency and effectiveness and financial savings.

- Continue to develop better relationships with clients and stakeholders.

We will develop good working relationships with the Scottish Parliament's Audit Committee and other subject committees. We will ensure we have an open and clear dialogue with our client organisations which assists them to improve while maintaining our independence.

We hope you take time to read this sector plan to see how you can continue to contribute to its delivery and to the success of Audit Scotland. If you have any comments on the plan or any ideas how to improve the way we work then we'd be delighted to hear from you.

Barbara Hurst, Director of Public Reporting – Health and Central Government
Fiona Kordiak, Director of Audit Services – Health and Central Government

2. Our aims and high level objectives

Our overall aims and objectives

1. Our overall aim is to support the Auditor General to hold Scottish central government public bodies to account and to help them improve by using the independent audit process to:
 - Give assurance on probity, stewardship and financial management.
 - Encourage continuous improvement.
 - Promote the economic, efficient and effective use of resources.
 - Secure fair and clear presentation of financial performance.

so that taxpayers can be assured of the propriety and effectiveness of public expenditure.

2. Audit Scotland has three corporate priorities: supporting effective democratic scrutiny; maximising the value of the audit; building an effective and efficient organisation. We will achieve our overall aim for the CG sector and contribute to the achievement of Audit Scotland's corporate priorities by:
 - Responding to the key issues and priorities for the sector so as to make sure that the work we do has an impact and the reports which we produce are timely, relevant and accessible.
 - Delivering an effective annual audit programme which supports effective democratic scrutiny by ensuring good governance in CG bodies, helping managers and boards to carry out their scrutiny functions effectively.
 - Delivering an effective programme of public reporting which supports the AGS and Parliament to hold central government public bodies to account for the economic, efficient and effective use of resources at their disposal and to help bodies improve.
 - Building an effective and efficient organisation through the management of our own business and securing best value in how we manage our financial resources, people and technology.
 - Managing our external relations effectively.

How the sector plan contributes

3. The sector plan translates the overall strategic intentions set out in Audit Scotland's Corporate Plan 2007-10 into specific actions for our work in the Central Government sector. The plan provides an overall framework for the work required to deliver Central Government audits. It also demonstrates to the Auditor General and others with an interest that an efficient and effective approach is being taken to our work in the sector and that we have identified the anticipated impact of our work and measures to assess our performance.
4. In order to achieve this overall aim the plan has a number of inter-linked purposes:

- To align audit activity in the Central Government sector through effective partnership working across Audit Scotland and with the firms.
- To create a shared understanding about what Audit Scotland is trying to achieve in the Central Government sector, through its own staff and the partner firms and how we are going about achieving it.
- To ensure coordination with other sector plans so that an integrated audit approach is adopted.
- To provide the basis for the allocation of tasks to both smaller work units and individuals, improving coordination between different groups and individuals.
- To identify the resources (people, finance, other) that will be required for future success and to budget and plan for these.
- To provide a framework for the management of our performance in the Central Government sector, including overall outcome and success measures.

Assessing the impact of our work

5. Audit Scotland is currently developing a framework to help us assess the impact and value of our work, both to our clients and to our stakeholders, such as the Parliament and members of the public. Different elements of our audit work contribute in different ways to our overall aims of holding Central Government bodies to account and helping them improve the services they provide. Our work has a range of impacts such as:
 - Improving economy and efficiency
 - Improving quality and effectiveness
 - Improving planning and management
 - Providing assurance and improving accountability.
6. The impact of our work depends on the extent to which we cover the things that matter, how well we do the audits, the relevance and accessibility of our reports and how effectively we engage with our clients and stakeholders. Our work has a key role in assisting non-executive directors to fulfil their scrutiny functions and supporting the Parliament's Audit Committee, MSPs and Ministers in the overall scrutiny of Scottish public spending.
7. Our framework for assessing the impact of our work will be underpinned by relevant indicators to demonstrate the efficiency and effectiveness of our audit work. The following sections identify the anticipated impact of each of our areas of work and performance indicators relevant to the processes underpinning that work.

Period of the plan

8. The plan covers the period from October 2007 to March 2010. The period covered differs from that of last year's plan (October 2006 to December 2007) to better align it with the period covered by the Corporate Plan. Future sector plans will similarly be aligned with the Corporate Plan.

Partnership working

9. Work set out in the plan will be carried out in partnership between Public Reporting Group (PRG) and Audit Services Group (ASG), and audit firms employed in the central government sector, with the support of Audit Scotland's other business units (Audit Strategy, Corporate Services).
10. Broadly, ASG and the firms take the lead on reporting issues to individual clients whereas PRG leads on reporting to wider stakeholders. In general, each audited body should be given the space to tackle issues identified by its auditor before a stakeholder report is made, allowing management to perform its own role and provide an incentive for improvement. However, in some circumstances PRG respond to issues of public concern. These may be on individual bodies.
11. A central element of the sector plan is to serve as a mechanism to ensure that Audit Scotland staff and the partner firms work effectively together to maximise the value of the audit. A key aim of the process is to align the work of PRG/ASG staff and the private firms so that all parties focus on key audit issues. The key mechanism for this joint approach is through business groups and sector meetings. Business groups are operated for each portfolio area and meet regularly throughout the year. Sector meetings are used as a forum for discussing emerging issues and intelligence more generally and for jointly focusing audit activity across Audit Scotland and the partner firms.

Monitoring progress against the sector plan

12. Subsequent parts of the sector plan outline what we will do to deliver against our objectives and how we will measure performance. We will monitor progress against these objectives and performance measures in two main ways:
 - For elements of the plan which are clearly the responsibility of either ASG or PRG e.g. accounts delivery or performance audit studies, progress will be monitored by our respective management teams.
 - For those areas where responsibility for delivery is shared and for the overall direction of the plan, progress will be monitored at our quarterly joint management team meetings and at Assistant Director and Director group meetings.
13. Progress against the sector plan will also be reported regularly to the Audit Scotland Management Team.

3. Responding to the key issues and priorities for the sector

This section sets out what we will do to respond to the key issues and priorities for the sector so as to make sure that the work we do has an impact and the reports we produce are timely, relevant and accessible. Most of the work in this section is carried out in pursuit of the corporate priorities of supporting effective democratic scrutiny and maximising the value of the audit and will be carried out jointly by PRG, ASG and the firms.

What we will do to deliver

14. We will:

- Develop a Best Value audit approach for central government and build it incrementally into the local audit process through the use of toolkits while developing appropriate mechanisms for reporting the results (joint PRG/ASG).
- Consult (alongside the rest of PRG) on a new forward study programme which reflects the key issues and priorities of the sector and the priorities of the Auditor General and Accounts Commission (PRG).
- Develop the ShareIt tool for monitoring intelligence themes and issues and give senior members of each business group responsibility for encouraging its use and monitoring its application (joint PRG/ASG).
- Ensure that the key issues and priorities within the sector are considered and built into our annual audit planning and risk assessment (joint ASG/firms).

Key risks and how we will manage them

15. The key risks relate to failure to:

- Develop an appropriate approach to the audit of Best Value in central government which is accepted by the Auditor General and client organisations while continuing to deliver on business as usual.
- Provide sufficient guidance and training to staff on the objectives of the Best Value audit and its application in the central government sector.
- Identify a list of potential performance audit studies which reflect the key issues and priorities of the sector and the Auditor General/Accounts Commission.
- Ensure the ShareIt intelligence monitoring database is used actively to share relevant information such that it falls into disuse.
- Identify the key issues, priorities and associated risks and build them in appropriately to our annual audit planning and risk assessment.

16. We will manage these risks by:

- Preparing a clear project plan for the development of the approach to Best Value audit in central government showing the work which needs to be undertaken, who will be

responsible for individual elements of it and when each part needs to be delivered. Working groups drawn from across PRG and ASG will develop particular workstreams. Suitable allowances will be made in the workloads of those involved to ensure the project can be delivered to plan.

- Reviewing, as a starting point, how the Scottish Government, executive agencies and NDPBs have responded to the Best Value self-assessment toolkit which the Scottish Executive launched in 2006. At the same time, we will look at developing an audit tool to examine how public bodies have responded to specific best value criteria. We propose starting with 'use of resources' and we intend to pilot the approach in a small number of public bodies. We will give staff training and guidance on use of the 'use of resources' tool kit and others which are developed to address other Best Value criteria.
- Consulting with the Auditor General/Accounts Commission to determine their priorities before a long list of potential studies is finalised and by better communication and consultation within PRG and between PRG, ASG and the firms to ensure that the long list represents a balanced and coordinated programme. We will continue to adopt a risk based approach to study identification and ensure adequate resources are allocated to investigate potential studies and the issues they raise before they are included in the long list.
- Providing staff training on the use of ShareIt and guidance on the types of issues which should be recorded in it, and giving senior members of each business group responsibility for encouraging its use and monitoring its application.
- Continuing to develop the documentation and analysis tools to ensure our annual audit planning and risk assessment is robust and appropriately focused.

What will success look like?

Anticipated impact

17. We expect to achieve impact by:

- Developing an approach to the Best Value audit that provides a rounded picture of the performance of audited bodies, enabling them to be held to account, and identifying actions for improvement, while minimising the additional audit burden.
- Developing a work programme with a balance of studies reflecting the priorities of the Auditor General, that leads to national reports which have impact across the range of dimensions, by holding public bodies to account and contributing to improvements in public services.
- Developing an intelligence monitoring database which identifies the key risks and issues facing the central government sector and which can be used as a proper tool to inform and direct audit activity.
- Ensuring the annual audit appropriately addresses the key risks and priorities for the sector delivering outputs with increasing impact.

18. We will also judge success against the following performance measures:

- A Best Value audit approach is piloted during the 2007/08 audits and rolled out during the 2008/09 annual audits.
- The new forward study programme is agreed by autumn 2008.

4. Delivering an effective annual audit programme

This section sets out what we will do to deliver an effective annual audit programme which supports effective democratic scrutiny by ensuring good governance in CG bodies, helping managers and boards to carry out their scrutiny functions effectively. The work in this section is carried out in pursuit of the corporate priorities of supporting effective democratic scrutiny and maximising the value of the audit and is led by ASG and the firms.

What we will do to deliver

19. We will:

- Conduct annual audits of central government bodies which provide assurance on the true and fair presentation of accounts and whether bodies have sound governance and internal control procedures.
- Provide public reports on the outcome of the audits which add value to the organisations, and inform the public about their performance and areas for improvement.
- Promote sound financial management and high standards of governance throughout the sector by building in sufficient focus to them in the annual audit process.
- Continue to develop our approach to ensure that audits are delivered efficiently and effectively, and to the best professional standards, including developing the audit to ensure it effectively builds in the adoption across the sector of International Financial Report Standards from 2008/09.
- Respond pro-actively to the changing governance and structural arrangements across the sector.

Key risks and how we will manage them

20. The key risks relate to failure to:

- Certify accounts in sufficient time to enable them to be laid in accordance with statutory deadlines.
- Identify key financial management and governance issues.
- Undertake audits in accordance with professional standards.
- Focus outputs on high added value areas and/or meet the expectations and needs of audited bodies.
- Identify and report issues of major public concern in time.
- Respond effectively to changes in the governance arrangements within the sector and the restructuring of the organisations within the client portfolio.

21. We will manage these risks by:

- Agreeing accounts preparation and audit timetables with client bodies and actively managing the audit process.
- Ensuring that resources are effectively planned and managed to deliver the audit portfolio.
- Ensuring audits are subject to appropriate review before audit certificates are issued and subject a sample of audits to independent quality assurance.
- Ensuring that we adopt a robust risk-based approach to planning and conducting our work.
- Engaging with PRG colleagues through the Joint CG Management Team and Business Groups to ensure that emerging issues from the audits are considered and reported as required.
- Engaging effectively with clients and proactively managing the annual audit arrangements to reflect the changing landscape

What will success look like?

Anticipated impact

22. We expect to achieve impact by:

- Delivering audits of the annual financial statements which provide assurance to our stakeholders, including the general public, that the financial results and financial position of the individual bodies are true and fair and all related transactions comply with all relevant regulations.
- Producing audit reports that address the key priorities and risks for the audited bodies, provide independent and objective views and which add value to the clients. This will enable audit committees to better hold those responsible for the management and delivery of services to account and provide impetus for continuous improvement.
- Provide assurance through our examinations of financial transactions and management arrangements that organisations have in place systems to prevent and detect fraud and other irregularities and to also act as a deterrent to any such transactions.

Delivery, quality and performance measures

23. We will also judge success against the following corporate key performance indicators (KPIs):

- Percentage of outline plans submitted and fees agreed by 31 January 2008, and by dates as agreed for subsequent years (KPI 10.1&2)
- Percentage of audit outputs delivered within timescales specified by local audit plans (KPI 11.1&2)
- Percentage of audits certified by 31 October 2008 (30 June for Scottish Water and 31 December for FE colleges), and by dates as agreed for subsequent years (KPI 6B.1&2)
- Percentage of final reports on the audits issued by 30 November 2008, and by dates as agreed for subsequent years (KPI 6C.1&2)

- Number and percentage of quality assurance reviews completed where Code of Audit Practice requirements were satisfactorily met (KPI 14)
- Percentage of certified accounts passed to Ministers in time for laying by 31 December (30 April for FE colleges) (KPI 6D)

5. Delivering an effective public reporting programme

This section sets out what we will do to deliver an effective programme of public reporting which supports the AGS and Parliament to hold central government public bodies to account for the economic, efficient and effective use of resources at their disposal and to help bodies improve. The work in this section is carried out in pursuit of the corporate priorities of supporting effective democratic scrutiny and maximising the value of the audit and is led by PRG.

What we will do to deliver

24. We will:

- Deliver a forward work programme that focuses on national issues and highlights issues relating to good governance, accountability, use of public resources and the scope for financial savings, and improvements in public services.
- Ensure our reports are clear and timely and achieve maximum impact by ensuring they are written in plain language, have clear and practical recommendations, and contain PIs which allow us to measure impact at a later date and follow-up where necessary.
- Implement our strategy for overview reporting in central government which contributes to the development of BV audit.
- Deliver a series of How Government Works reports on themes or issues affecting the performance of government in Scotland which contribute to the development of BV audit.
- Undertake reviews of significant issues of public concern which are referred to the Auditor General for investigation.
- Ensure our performance audits are carried out to the best professional standards by applying consistently the Project Management Framework and conducting post-completion reviews for all projects.

Key risks and how we will manage them

25. The key risks relate to:

- Failure to deliver each project in the forward work programme to timescale and quality standards.
- Publication of reports which do not demonstrate added value.
- Issues of public concern arising which require an immediate response thus diverting resources from the planned forward work programme.
- Public service reform and developments in policy having an adverse impact on our work programme.

26. We will manage these risks by:

- Ensuring that all projects in the forward work programme are carried out in accordance with the Project Management Framework.
- Ensuring that during project scoping, adequate consideration is given to the added value we are likely to generate, and that this remains in the forefront of our thinking as the study progresses.
- Planning a programme of work designed to have a range of impacts.
- Issuing feedback questionnaires on our national reports to audited bodies and other users.
- Subjecting issues of public concern to robust risk assessment and adopting fast-track audit processes where it is relevant to do so.

What will success look like?

Anticipate impact

27. We expect to achieve impact by:

- Having a balanced work programme, and producing and promoting high quality, timely reports that contribute to improvements in public services across the range of impacts
- Getting positive feedback from audited bodies and other stakeholders on the conduct of our work, the relevance of our findings and the impact of our reports in stimulating improvements.
- Providing an appropriate and timely response to issues of public concern.

Delivery, quality and performance measures

28. We will also judge success against the following performance measures:

- Percentage of projects delivered in accordance with agreed project plans and milestones including:
 - project brief/plan submitted for approval to AGS and Accounts Commission (for cross-cutting projects)
 - key messages meetings held with AGS and Accounts Commission sponsors
 - draft report to AGS and Accounts Commission
 - report published.
- Percentage of reports subjected to post-completion review within three months of the report being published.
- Percentage of reports with confirmed compliance with the Project Management Framework.
- Percentage of reports with a follow-up plan developed and agreed by the time of publication.

6. Supporting the Auditor General and Parliament

This section sets out a range of activities we will undertake in addition to the annual audit of accounts and delivering an effective public reporting programme in order to provide support to the Auditor General and Parliament. Most of the work in this section is carried out in pursuit of the corporate priority of supporting effective democratic scrutiny and will be carried out jointly by PRG, ASG and the firms.

What we will do to deliver

29. We will:

- Present our reports and provide briefings and other evidence to the Parliament's Audit Committee and other committees as appropriate. Support them by providing briefing papers and speaking notes to the AGS sufficiently in advance of committee meetings (PRG).
- Produce S.22 reports on central government bodies as appropriate (Joint PRG, ASG and the firms).
- Provide regular intelligence reports and other briefings to the AGS (especially where he is the appointed auditor) and Management Team on progress with our work plans and current and emerging issues from all work (Joint PRG, ASG and the firms).
- Provide support to the AGS and Management Team as required e.g. presentations, briefings and support for meetings (Joint PRG and ASG).
- Respond effectively to correspondence from MSPs, members of the public and others who raise concerns about the use of central government funds (Joint PRG, ASG and the firms).

Key risks and how we will manage them

30. The key risks relate to failure to:

- Produce sufficient reports and other outputs to supply the Audit Committee's workload.
- Adequately brief the Auditor General and the Audit Committee about our reports.
- Identify issues for S.22 reporting sufficiently early.
- Provide sufficient, timely and relevant intelligence reports to the Auditor General i.e. issues of major public concern not identified and reported in time.
- Adequately brief and report to the Auditor General on audits for which he is the appointed auditor.
- Investigate sufficiently any issue raised through correspondence which subsequently attracts criticism of Audit Scotland.

31. We will manage these risks by:

- Applying the Project Management Framework to ensure reports are delivered in accordance with timescales.
- Communicating with the rest of PRG and Communications Group to ensure that the publication of our reports is properly coordinated with the rest of Audit Scotland.
- Ensuring that Audit Committee briefing material is produced in sufficient time and through relevant Portfolio Manager and Project Manager attendance at Audit Committee meetings.
- Ensuring auditors (ASG and firms) and PRG staff discuss potential S.22 reports through membership of Business Groups and application of the S.22 process map.
- Ensuring the Auditor General is properly briefed and provided with the appropriate assurances to enable him to effectively discharge his responsibilities as appointed auditor.
- Ensuring that membership of Business Groups is appropriate and that they meet and exchange intelligence regularly. Ensuring that the ShareIt tool developed to record intelligence information is completed timeously and appropriately.
- Subjecting correspondence received to our risk assessment procedures and through close liaison between PRG and ASG and the firms on the scope and results of any audit investigation work required. Our approach to correspondence will be dependent on decisions following our review of correspondence in 2007.

What will success look like?

Anticipated impact

32. We expect to achieve impact by:

- Producing reports and briefing materials that satisfy the Audit Committee and support their evidence sessions such that the Committee is able to hold public bodies to account.
- Producing high profile reports that contribute to Audit Scotland's role in delivering public value and enhance our reputation.
- Producing high quality briefing papers, speaking notes and intelligence reports that satisfy the Auditor General and Management Team and allow them to engage fully with the Parliament and other stakeholders, to increase the impact of our work in supporting public accountability.
- Producing Section 22 reports that are timely, highlight issues of public interest and support the Auditor General in holding public bodies to account.

Delivery, quality and performance measures

33. We will also judge success against the following performance measures:

- A coordinated and balanced publication programme which provides a steady and varied work programme for the Parliamentary Audit Committee
- Briefing materials sent to the Auditor General by the Friday two weeks before the Audit Committee meeting i.e. 8 working days prior to the Committee meeting

- Briefing materials sent to the clerk of the Audit Committee by the Thursday prior to the Audit Committee meeting
- Percentage of Section 22 reports that are developed following the agreed process map
- Percentage of items of correspondence requiring a response for which an acknowledgement is issued within 10 working days (KPI 2.2)
- Percentage of items of correspondence requiring a response for which a substantive response is issued within one month of the acknowledgement (KPI 2.2)
- Monthly report on significant items of correspondence sent to the AGS.

7. Building an effective and efficient organisation

This section sets out what we will do to build an effective and efficient Audit Scotland through the management of our own business and securing best value in how we manage our financial resources, people and technology. Most of the work in this section is carried out in pursuit of the corporate priorities of maximising the value of the audit and building an effective and efficient organisation and will be carried out jointly by PRG and ASG.

What we will do to deliver

34. We will:

- Work effectively through sharing information and intelligence activities on CG activities and by identifying and developing opportunities for joint working e.g. BV audit (Joint PRG, ASG and the firms).
- Promote learning and development within the CG teams and the wider Audit Scotland organisation through providing regular feedback on performance and acting on identified staff development needs (Joint PRG and ASG).
- Manage our financial and other resources efficiently (Joint PRG and ASG).
- Contribute effectively to corporate initiatives and developments such as the Quality Assurance Programme, Freedom of Information panel, ad hoc working groups etc (Joint PRG and ASG).

Key risks and how we will manage them

35. The key risks relate to:

- Failure to coordinate audit activity and exchange information such that high profile issues and risks are not identified.
- Competencies and skill sets of staff not matching the requirements of developing approaches.
- Excessive staff turnover.
- Inability to recruit permanent staff of sufficient quality leading to over-reliance on agency/temporary staff.
- Learning is not embedded or leads to no change in behaviour/improved working practices.
- Budget overspends/underspends.

36. We will manage these risks by:

- Ensuring the work of business groups is regularly considered at CG joint management team meetings.

- Introducing the ShareIt MIS tool for intelligence gathering and recording.
- Ensuring all staff receive regular feedback on their performance and have the opportunity to address their developing needs.
- Development of Learning and Development Plans.
- Applying best practice in staff recruitment.
- Contributing to the MDP for Senior Managers and staff management training for our first line managers.
- Regular review of outturn against budget.

What will success look like?

Anticipated impact

37. We expect to achieve impact by:

- Producing intelligence reports that ensure that the Auditor General and Management Team are made aware of key events in the Central Government sector.
- Having a joined-up approach to audit work across the sector, to share knowledge and experience and avoid duplication of effort, leading to better quality audits and reports.
- Maximising the potential of our staff by taking steps to ensure they are confident in their ability to do their job, able to contribute fully to our work and satisfied with the contribution they make.
- Delivering our work programmes as efficiently and effectively as possible.
- Ensuring that corporate initiatives are fully integrated with the core business of the Central Government sector.

Delivery, quality and performance measures

38. We will also judge success against the following performance measures:

- Intelligence reports are produced three times a year, in spring, summer and autumn.
- Percentage of outputs delivered to time and cost budgets and quality standards.
- Outturn against ASG and PRG budgets.
- Percentage of staff with an up-to-date PDS.
- Staff development needs are reflected in PRG and ASG Learning and Development Plans.
- Staff turnover rates.

8. Managing our external relations effectively

This section sets out what we will do to manage our external relations effectively. Most of the work in this section is carried out in pursuit of the corporate priorities of supporting democratic scrutiny and maximising the value of the audit and will be carried out jointly by PRG, ASG and the firms.

What we will do to deliver

39. We will:

- Implement Audit Scotland's external relations strategy and strategy for engaging with the Parliament to build effective client and stakeholder relationships and to promote how our work can assist select committee enquiries (Joint PRG and ASG).
- Work closely with other audit, regulation and inspection agencies by seeking opportunities for joint working e.g. in studies where comparisons of service delivery can be made between Scotland, England and Wales and supporting the EAGF and WGA audits (Joint PRG and ASG).
- Build effective relations with client organisations by ensuring that we have open and clear dialogue and developing a working dialogue with the NDPB Chief Executive's Group (Joint PRG and ASG).
- Promote the impact of our work by speaking at conferences and seminars, developing different outputs e.g. self-assessment tools etc (Joint PRG, ASG and the firms).

Key risks and how we will manage them

40. The key risk relates to confused, conflicting or inconsistent messages being communicated to clients/stakeholders by different outputs.

41. We will manage these risks by:

- Improved communication via CG Joint Management Team and Business Groups meetings, and greater emphasis on sector planning and partnership working.
- The development and implementation of relationship management plans for engaging with stakeholders, inspectorates and client bodies.
- Coordinating our engagement with the Scottish Government with auditors working in the NHS and local government sectors.

42. External relations are integral to each of our other objectives and workstreams. A strategic approach to external relations management will be taken with cross sector engagement being led by members of the management team, ASG leading on relationship management with individual client bodies and PRG leading on relationships with wider stakeholders. This position is overlaid by the need to consider which group, whether ASG or PRG, leads on individual reports and audit products. This will be determined on a case by case basis.

What will success look like?

Anticipated impact

43. We expect to achieve impact by:

- Having a co-ordinated approach to external engagement with stakeholders and audited bodies, with our own staff clear on the respective roles of PRG and ASG and understanding why one part of the organisation is leading on a particular audit product.
- Further improving communication between PRG and ASG, leading to a more joined-up approach to the audit that maximises the value of our work.
- Working with, and placing reliance on, the work of other inspectorates when possible to minimise the burden on audited bodies.
- Getting positive feedback from our clients and stakeholders on the quality of our work and its impact.

Delivery, quality and performance measures

44. We will also judge success against the following performance measures:

- Compliance with the milestones in our strategies for engaging with the Parliament and other stakeholders
- Percentage of national reports with a communications strategy.

Appendix A: ASG business plan to deliver

Activity	Who?	Milestones/Outputs
Responding to the key issues and priorities for the sector		
Developing the ShareIt tool for monitoring intelligence themes and issues.	Joint PRG/ASG working group led by Dick Gill	The following to be introduced/prepared by the end of October 2007: <ul style="list-style-type: none"> • Tool available for use in Libro • Process map providing guidance to staff on its use • Lunchtime seminars held for CG staff to promote its use
Developing a BV audit approach for central government.	Joint ASG/PRG Steering Group together with supporting sub-groups	<ul style="list-style-type: none"> • Approach agreed by MT by end October 2007 • Use of Resources audit toolkit developed by end February 2008 • Staff training and guidance provided on use of toolkit by end March 2008 • Review of use of BV self-assessment toolkit by CG bodies as part of 2007/08 audits • Pilot toolkit in NHS and CG bodies as part of 2007/08 audits • Full implementation of toolkit as part of 2008/09 audits • Development of other toolkits over 2008 and 2009
Delivering an effective annual audit programme		
Provide opinion on annual financial statements of each central government body.	ASG/firms	<ul style="list-style-type: none"> • Opinions issued by 31/10/08 (30 June for Scottish Water and 31 December for FE colleges).
Provide annual report to members and AGS for each central government body.	ASG/firms	<ul style="list-style-type: none"> • Reports issued by 30/11/08 (30 June for Scottish Water and 31 December for FE colleges).
Provide tailored reports to management on specific national and local issues/ risks arising from the audit (including any additional audit work requested by clients).	ASG/firms	<ul style="list-style-type: none"> • First reports submitted by 31/3/08. • Reports to clients submitted in line with agreed timescales.

Activity	Who?	Milestones/Outputs
Provide assurance on PPP and other significant procurement projects as required.	Firms/ASG, PRG, Strategy	<ul style="list-style-type: none"> • Reports to clients submitted in line with agreed timescales in support of procurement timetable.
Promote client participation in National Fraud Initiative and review commitment and progress.	ASG/firms	<ul style="list-style-type: none"> • Reference in 2006/07 final reports to body's commitment and progress. • Local reports to management as considered required.
Preparation and publication summarising results of the 2006/07 National Fraud Initiative.	Strategy, Firms/ ASG.	<ul style="list-style-type: none"> • Issue/ agreement of minimum data set for each client. • Auditors return minimum data set – TBC. • National report published – May 2008.
Collate summary information from audit activity completed at individual bodies.	Firms/ ASG	<ul style="list-style-type: none"> • Trends and emerging themes identified.
Identification of issues that may require or benefit from a statutory report by the Auditor General.	PRG, Firms/ ASG	<ul style="list-style-type: none"> • Potential issues raised by auditors through business groups at earliest opportunity.
Quality assurance programme.	Strategy, Firms/ ASG	<ul style="list-style-type: none"> • Completion of questionnaire on ISQC1 quality control arrangements. • QA review of 2006/07 CG audits – Quality Framework reviews undertaken.
Supporting the Auditor General and Parliament		
Statutory reports by the Auditor General on the annual accounts of Departments, Agencies and NDPBs.	PRG/ASG and firms	<ul style="list-style-type: none"> • S.22 reports produced as required and in accordance with the established process map.
Investigation of issues raised in correspondence where required. Significant findings reported to central government bodies.	PRG/ASG and firms	<ul style="list-style-type: none"> • Responses to correspondence in accordance with target times. • Local reports to management as considered required.

Activity	Who?	• Milestones/Outputs
Providing regular intelligence reports to the AGS and MT on progress with our work plans and current emerging issues from all work meetings	All	<ul style="list-style-type: none"> • Business group meetings to be held at least 3 times per year to coincide with timing of intelligence reports. • Intelligence reports prepared in spring, summer and autumn. • Two sector meetings per year.
Building an effective and efficient organisation		
Promoting learning and development within CG teams and the wider Audit Scotland organisation	PRG/ASG	<ul style="list-style-type: none"> • Providing regular feedback on personal performance through the PDS system • PRG and ASG to annually update their learning and Development Plans to reflect the learning and development needs of staff. • Development of in-house training courses where this best meets the needs of Audit Scotland e.g. Essential Government for ASG staff, Finance for Non-finance Experts for PRG staff
Managing our financial and other resources efficiently.	PRG/ASG	<ul style="list-style-type: none"> • Monthly monitoring of outturn against budgets. • Ensuring appropriate technology is deployed to help us do our jobs • Ensuring our business processes support efficient and effective working • Resource plan for the 2007/08 annual audits together with appropriate succession plans for key audits to be prepared by end January 2008.
Contribute effectively to corporate initiatives and developments.	PRG/ASG	<ul style="list-style-type: none"> • Participating in and supporting the development of corporate initiatives, including: <ul style="list-style-type: none"> - The Quality Assurance Programme - Internal best value reviews - Ad hoc working groups such as the corporate impact assessment group - Freedom of Information Panel
Managing our external relations effectively		
Implement Audit Scotland's external relations strategy and strategy for engaging with the Parliament.	PRG/ASG	<ul style="list-style-type: none"> • Client relationship management plans for each key audit client to be developed by end March 2008 • Portfolio Managers to develop subject committee relationship management plans by end March 2008 <p>Bi-monthly portfolio reports to AGS on key contacts made during the period.</p>

Activity	Who?	Milestones/Outputs
Develop a working dialogue with the NDPB Chief Executive's Group and support them in developing effective financial management and governance.	PRG/ASG	<ul style="list-style-type: none"> • Attendance at meetings of the Group.
Working closely with other audit, regulation and inspection agencies.	PRG/ASG	<ul style="list-style-type: none"> • Coordinating our respective activities so as to maximise our impact while minimising the burden on public bodies • Continuing to work closely with the NAO, WAO and the Audit Commission to share information about audit methodologies and comparative information where this is possible • Working with the NAO in developing IFRS training and supporting the EAGF and WGA audits. (Public Audit Forum) • Seeking opportunities for joint-working, especially with regard to studies where comparisons of service delivery can be made between Scotland, England and Wales

Appendix B: PRG business plan to deliver

Activity	Who?	Milestones/Outputs
Responding to the key issues and priorities for the sector		
Consulting on a new forward study programme.	PRG (in conjunction with HCC and LG)	<ul style="list-style-type: none"> • Long list of potential performance audit studies identified by Spring 2008 • Consultation with stakeholders over summer 2008 • Forward work programme agreed by autumn 2008
Developing the ShareIt tool for monitoring intelligence themes and issues.	Joint PRG/ASG working group led by Dick Gill	<p>The following to be introduced/prepared by the end of October 2007:</p> <ul style="list-style-type: none"> • Tool available for use in Libro • Process map providing guidance to staff on its use • Lunchtime seminars held for CG staff to promote its use
Delivering an effective annual audit programme		
Provide assurance on PPP and other significant procurement projects as required.	Firms/ASG, PRG, Strategy	<ul style="list-style-type: none"> • Reports to clients submitted in line with agreed timescales in support of procurement timetable.
Identification of issues that may require or benefit from a statutory report by the Auditor General.	PRG, Firms/ ASG	<ul style="list-style-type: none"> • Potential issues raised by auditors through business groups at earliest opportunity.
Quality assurance programme.	PRG	<ul style="list-style-type: none"> • All PRG projects undertaken in accordance with Project Management Framework
Delivering an effective public reporting programme		
Overview report: sport	PRG (Bob Leishman/Irene Coll)	<ul style="list-style-type: none"> • Publication Spring 2008
Overview report: further education	PRG (Mark MacPherson)	<ul style="list-style-type: none"> • Publication Spring 2008
HGW: major capital projects	PRG (Dick Gill/Jim Martin)	<ul style="list-style-type: none"> • Publication Spring 2008

Activity	Who?	Milestones/Outputs
Prisoner population	PRG (Bob Leishman/ Phil Grigor)	<ul style="list-style-type: none"> • Publication Spring 2008
Promoting energy efficiency	PRG (Graeme Greenhill/ Susan Lovatt)	<ul style="list-style-type: none"> • Publication Autumn 2008
HGW: use of consultants	PRG (Dick Gill/Andra Laird)	<ul style="list-style-type: none"> • Publication Summer 2008
Rail franchise monitoring	PRG (Graeme Greenhill/Tanya Drury)	<ul style="list-style-type: none"> • Publication Summer 2008
Overview report: environment	PRG (Graeme Greenhill)	<ul style="list-style-type: none"> • Publication Winter 2008
HGW: performance monitoring	PRG (Dick Gill)	<ul style="list-style-type: none"> • Publication Spring 2009
Delivering an integrated transport system	PRG (Graeme Greenhill)	<ul style="list-style-type: none"> • Publication Spring 2009
Strategic procurement	PRG (Dick Gill)	<ul style="list-style-type: none"> • Publication Spring 2009
Reports by the Auditor General on issues of public concern.	PRG	<ul style="list-style-type: none"> • National reports - as required
Supporting the Auditor General and Parliament		
Presenting our reports to the parliament's Audit Committee and supporting it when it takes evidence	PRG	<ul style="list-style-type: none"> • Briefings provided to the AGS by the Friday two weeks before the Audit Committee meeting. • Briefing material sent to the clerk by the Thursday before the meeting.
Statutory reports by the Auditor General on the annual accounts of Departments, Agencies and NDPBs.	PRG/ASG and firms	<ul style="list-style-type: none"> • S.22 reports produced as required and in accordance with the established process map.

Activity	Who?	Milestones/Outputs
Day-to-day management of correspondence including unsolicited letters, e-mails and telephone calls highlighting potential audit issues.	PRG	<ul style="list-style-type: none"> • Monthly report to AGS on significant items of correspondence.
Investigation of issues raised in correspondence where required. Significant findings reported to central government bodies.	PRG/ASG and firms	<ul style="list-style-type: none"> • Responses to correspondence in accordance with target times. • Local reports to management as considered required.
Providing regular intelligence reports to the AGS and MT on progress with our work plans and current emerging issues from all work meetings	All	<ul style="list-style-type: none"> • Business group meetings to be held at least 3 times per year to coincide with timing of intelligence reports. • Intelligence reports prepared in spring, summer and autumn. • Two sector meetings per year.
Building an effective and efficient organisation		
Promoting learning and development within CG teams and the wider Audit Scotland organisation	PRG/ASG	<ul style="list-style-type: none"> • Providing regular feedback on personal performance through the PDS system • PRG and ASG to annually update their earning and Development Plans to reflect the learning and development needs of staff. • Development of in-house training courses where this best meets the needs of Audit Scotland e.g. Essential Government for ASG staff, Finance for Non-finance Experts for PRG staff
Managing our financial and other resources efficiently.	PRG/ASG	<ul style="list-style-type: none"> • Monthly monitoring of outturn against budgets. • Ensuring appropriate technology is deployed to help us do our jobs • Ensuring our business processes support efficient and effective working • Resource plan for the 2007/08 annual audits together with appropriate succession plans for key audits to be prepared by end January 2008.
Contribute effectively to corporate initiatives and developments.	PRG/ASG	<ul style="list-style-type: none"> • Participating in and supporting the development of corporate initiatives, including: <ul style="list-style-type: none"> - The Quality Assurance Programme - Internal best value reviews

Activity	Who?	Milestones/Outputs
		<ul style="list-style-type: none"> - Ad hoc working groups such as the corporate impact assessment group - Freedom of Information Panel
Managing our external relations effectively		
Implement Audit Scotland's external relations strategy and strategy for engaging with the Parliament.	PRG/ASG	<ul style="list-style-type: none"> • Client relationship management plans for each key audit client to be developed by end March 2008 • Portfolio Managers to develop subject committee relationship management plans by end March 2008 • Bi-monthly portfolio reports to AGS on key contacts made during the period.
Develop a working dialogue with the NDPB Chief Executive's Group and support them in developing effective financial management and governance.	PRG/ASG	<ul style="list-style-type: none"> • Attendance at meetings of the Group.
Working closely with other audit, regulation and inspection agencies.	PRG/ASG	<ul style="list-style-type: none"> • Coordinating our respective activities so as to maximise our impact while minimising the burden on public bodies • Continuing to work closely with the NAO, WAO and the Audit Commission to share information about audit methodologies and comparative information where this is possible • Working with the NAO in developing IFRS training and supporting the EAGF and WGA audits. (Public Audit Forum) • Seeking opportunities for joint-working, especially with regard to studies where comparisons of service delivery can be made between Scotland, England and Wales

Appendix C: Resourcing summary

Budget and fees

For 12 months to 31 March 2009:

PRG Central Government – budgeted costs £1.034 million

ASG Central Government – budgeted fees £2.9 million (£2.6 million direct fee & £0.3 million fixed charge) & budgeted costs £2.4 million

People

This sector plan will be delivered in partnership between Public Reporting Group (PRG) and Audit Services Group (ASG) Central Government teams and firms employed in the sector.

- PRG's Central Government team has 18 WTE staff. It is led by Director, Barbara Hurst, supported by Assistant Director Angela Cullen.
- ASG's Central Government Team team has 42 WTE staff. It is led by Director, Fiona Kordiak, supported by Assistant Directors Bill Convery, Lorna Meahan, with one post still to be filled.
- There are four firms employed in the Central Government sector, which conduct the audit of 24 central government accounts (including Scottish Water). They are KPMG LLP, PricewaterhouseCoopers LLP, Scott-Moncrieff and Grant Thornton. Six firms also conduct the audit of 39 FE colleges. They are BDO Stoy Hayward LLP, Henderson Loggie, KPMG LLP, Scott-Moncrieff, Tenon Audit Ltd and Wylie & Bisset

Appendix D: Central Government Audits – 2007/2008

Audit Scotland		KPMG LLP	PWC	Grant Thornton	Scott Moncrieff
<ul style="list-style-type: none"> • Cairngorms National Park • Central Government Accounts • Communities Scotland • Consolidated Scottish Executive Resource Account • Erskine Bridge • H and I Enterprise • Historic Scotland • HMIE Executive Agency • LLTNPA • Mental Welfare Tribunal • National Galleries • National Library • National Museums • NHS Pension Scheme • Non-Domestic Rates • Office of the Accountant in Bankruptcy • Scottish Buildings Standards Agency • Scottish Children's Reporters Admin. • SCRC 	<ul style="list-style-type: none"> • Scottish Courts Service • SEPA • Scottish Higher and Further Education Funding Councils • Scottish Natural Heritage • Scottish Parliamentary Corporate Body • Scottish Parliament Pension Scheme • Scottish Public Pensions Agency • Scottish Qualifications Authority • SSSC • STA • SWIA • Student Awards Agency for Scotland • Teachers Pensions • Water Industry Commission • Forestry Enterprise • Forestry Commission • Consolidated Fund 	<ul style="list-style-type: none"> • Crown Office • Risk Management Authority • Scottish Criminal Cases Review Commission • Scottish Legal Aid Board • Scottish Prison Service • Visit Scotland • Scottish Enterprise 	<ul style="list-style-type: none"> • Scottish Water 	<ul style="list-style-type: none"> • Commissioner for Children and Young People in Scotland • Commissioner for Public Appointments in Scotland • Fisheries Research Service • General Register for Scotland • Office of the Scottish Charity Regulator • Registers of Scotland • Royal Botanic Gardens Edinburgh • Scottish Agricultural Science Agency • Scottish Fisheries Protection Agency • Scottish Information Commissioner • Scottish Public Services Ombudsman 	<ul style="list-style-type: none"> • Scottish Arts Council • Scottish Arts Council Lottery Fund • Scottish Screen Lottery Fund • Sport Scotland (Sports Council) • Scottish Sports Council Lottery Fund

Appendix E: FE College Audits – 2007/08

BDO Stoy Hayward LLP	Henderson Loggie	KPMG LLP	Scott-Moncrieff	Tenon Audit Ltd	Wylie & Bisset
<ul style="list-style-type: none"> • Anniesland College • Central College of Commerce • Glasgow College of Nautical Studies • James Watt College of Further & Higher Education • Reid Kerr College • South Lanarkshire College • Stow College 	<ul style="list-style-type: none"> • Aberdeen College • Borders College • Edinburgh's Telford College • Moray College • Oatridge Agricultural College • Stevenson College 	<ul style="list-style-type: none"> • Barony College • Cardonald College • Dumfries & Galloway College • Glasgow Metropolitan College • John Wheatley College • Langside College Glasgow • North Glasgow College 	<ul style="list-style-type: none"> • Adam Smith College, Fife • Coatbridge College • Cumbernauld College • Elmwood college • Lauder College • Motherwell College • West Lothian College 	<ul style="list-style-type: none"> • Angus College • Banff and Buchan College of Further education • Dundee College • Inverness College • North Highland College • Perth College 	<ul style="list-style-type: none"> • Ayr College • Clydebank College • Forth valley College of Further & Higher Education • Jewel & Esk Valley College • Kilmarnock College • Lews Castle College

Central government audits

Holding to account, helping to improve

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