

# Scotland's public finances – a follow-up audit



## Checklist to support non-executive directors' scrutiny of public finances (Central Government)



### Introduction

The following checklist is designed to help non-executive directors with their important role in budget-setting and overseeing financial plans and financial performance. It also provides a basis for discussions in central government bodies on the budget-setting process, long-term financial planning and the availability of good information to support effective scrutiny of public finances.

The questions should help non-executive directors to seek evidence, and subsequently gain assurance, on their organisation's approach in dealing with ongoing financial pressures.

If the answer to any question is 'no', then we would encourage non-executive directors to speak with the organisation's Director of Finance, or, where appropriate, the Chief Executive, to discuss how improvements can be made.

The checklist is divided into three sections and should be read in conjunction with the report [Scotland's public finances: a follow-up audit \(PDF\)](#) published in June 2014. This report provides a high-level update on the financial position and on how public bodies are meeting the challenges of reduced public spending. It considers the importance of budget-setting linked to outcomes, long-term financial planning and robust scrutiny of finances.

## Section 1: Budget-setting – roles, responsibilities and approach

The following questions focus on the roles and responsibilities of those involved in the annual budget-setting process. Questions also cover the budgeting approach and how budget-setting links to the achievement of outcomes.

(See main report paragraphs 29 to 33)

Budget-setting – roles, responsibilities and approach		Y/N
<p><b>1.</b> Do I have a good understanding of how the budget-setting process works within my organisation?</p> <ul style="list-style-type: none"> <li>Do I have confidence that budget proposals are realistic?</li> <li>Are the roles and responsibilities of individuals and committees involved in budget-setting clearly documented and understood?</li> <li>Am I clear about my own specific responsibilities within the budget-setting process?</li> </ul>		
<p><b>2.</b> Has my organisation developed a priority-based approach to budget-setting which makes connections between planned spending and intended outcomes and targets?</p> <ul style="list-style-type: none"> <li>Are budgets clearly linked to the organisation's priorities and outcomes as set out in the corporate plan?</li> <li>Does the organisation work well with other partners to ensure budget-setting takes full account of shared priorities and outcomes?</li> <li>Are different spending options made available to decision-makers, including new ways of delivering services, and have I seen them?</li> <li>Are the costs and benefits (financial and non-financial) of each option clearly documented including the related risks?</li> <li>Do spending options consider unit costs of activities and benchmarking data and how these will change over time?</li> </ul>		
<p><b>3.</b> Is there a clear mechanism for monitoring and reporting how, over time, spending decisions are contributing to outcomes?</p> <ul style="list-style-type: none"> <li>Is sufficient time built into the budget-setting process to allow for effective scrutiny and challenge of spending plans?</li> <li>Is sufficient attention given to current year spending against the current year budget when setting budgets for future years?</li> </ul>		

## Section 2: Long-term financial planning

The following questions consider central government bodies' financial strategies and plans over the short (one year), medium (two to five years) and longer-term (five to ten years). [\(See main report paragraphs 34 to 38\)](#)

Long-term financial planning	Y/N
<p><b>4.</b> Does my organisation have a long-term financial strategy (covering 5 to 10 years)?</p> <ul style="list-style-type: none"> <li>• Does the organisation also have detailed financial plans that outline spending commitments over the short (one year) and medium-term (two to five years)?</li> <li>• Do the financial strategy and financial plans provide me with an overall understanding of the financial health of the organisation?</li> <li>• Are the financial strategy and financial plans subject to scrutiny by the board on a regular basis?</li> <li>• Where assumptions and forecasts are used are they clearly stated? Are they reasonable?</li> </ul>	
<p><b>5.</b> Does the financial strategy set out:</p> <ul style="list-style-type: none"> <li>• the cost of providing individual services?</li> <li>• the main cost drivers for each activity?</li> <li>• evidence-based options for achieving savings?</li> <li>• details of one-off and recurring savings?</li> <li>• scenario planning to outline best, worst and most likely scenarios of the financial position?</li> <li>• details of assets, liabilities and reserves (where applicable) and how these will change over time?</li> <li>• an analysis of levels of service demand and projected income?</li> <li>• any income or funding shortfalls and how to deal with these?</li> <li>• clear links to other relevant strategies such as workforce and asset management?</li> <li>• the risks and timescales involved in achieving financial sustainability?</li> </ul>	
<p><b>6.</b> Do detailed short and medium-term financial plans clearly link and align to my organisation's longer-term financial strategy?</p>	
<p><b>7.</b> Am I satisfied that appropriate action is being taken to address potential future funding gaps?</p> <ul style="list-style-type: none"> <li>• Am I aware of all significant financial risks facing the organisation and their implications?</li> <li>• Am I aware of all contracts which will have a significant long-term financial impact on the organisation?</li> <li>• Am I aware of the long-term financial impact on future budgets of using revenue-finance methods (such as non-profit distribution) to pay for capital investment?</li> </ul>	

### Section 3: Information to support effective scrutiny of public finances

The following questions consider the importance of good quality information for financial scrutiny. They also consider the training provided to non-executive directors to support them in their role. [\(See main report paragraphs 39 to 51\)](#)

Information to support effective scrutiny of public finances	Y/N
<p><b>8.</b> Am I provided with good financial and performance information which enables me to effectively challenge spending proposals and decisions?</p> <ul style="list-style-type: none"> <li>• Do I know whom to ask for explanations or if the information is not what I require?</li> <li>• Am I able to gain assurance that any questions raised are addressed and resolved?</li> </ul>	
<p><b>9.</b> Is there a culture of openness and transparency in providing information for scrutiny and in the scrutiny process itself?</p> <ul style="list-style-type: none"> <li>• Is information provided:               <ul style="list-style-type: none"> <li>– reliable?</li> <li>– timely?</li> <li>– complete?</li> <li>– transparent?</li> <li>– consistent across time periods?</li> </ul> </li> </ul>	
<p><b>10.</b> Do I receive financial and non-financial information in a form that enables me to easily understand my organisation's financial position?</p> <ul style="list-style-type: none"> <li>• Do I receive good information about the changing environment within which the organisation operates including:               <ul style="list-style-type: none"> <li>– financial and service pressures?</li> <li>– the effect of policy decisions such as no compulsory redundancies and national pay policies?</li> <li>– the introduction of, and changes to, legislation?</li> <li>– actions by partner organisations, including private and third sector organisations?</li> </ul> </li> <li>• Is benchmarking data made available about other organisations on comparable activities and is this used to inform decision making?</li> <li>• Is trend information available to allow a clear understanding of the organisation's progress towards achieving financial sustainability?</li> <li>• Are satisfactory explanations provided for all significant changes in comparing budgets with actual spending?</li> </ul>	
<p><b>11.</b> Am I confident my knowledge of public finances enables me to challenge and review financial and performance information?</p> <ul style="list-style-type: none"> <li>• Am I provided with, and take up, sufficient training to support me in my scrutiny role?</li> <li>• If sufficient training is not provided, do I know who is responsible for resolving this?</li> </ul>	