

Making a difference

Annual impact report 2014/15



Audit Scotland is a statutory body set up in April 2000 under the Public Finance and Accountability (Scotland) Act 2000. We help the Auditor General for Scotland and the Accounts Commission check that organisations spending public money use it properly, efficiently and effectively.

Contents

Introduction	4
What difference have we made during 2014/15?	6
What have we reported on during 2014/15?	7
How effectively are we getting our messages out?	8
What happens once the reports are published?	9
Following up on our reports and recommendations	13
What do the organisations we audit think of our work?	17
Supporting professional standards and improvement.....	20
What improvements are we making to make more of a difference?	22
Making a difference	23
Refining the focus of our work	24
Improving the coordination of scrutiny work.....	24
Improving how we get our messages out	25

Introduction

1. Public audit in Scotland covers over 220 public organisations including the Scottish Government, the NHS in Scotland and local councils. These organisations spend over £40 billion of public money annually.
2. The Auditor General for Scotland, the Accounts Commission for Scotland and Audit Scotland work together to deliver public audit in Scotland:
 - The Auditor General for Scotland is an independent crown appointment, made on the recommendation of the Scottish Parliament, to audit the Scottish Government and health bodies and report to Parliament on their financial health and performance.
 - The Accounts Commission for Scotland is an independent public body appointed by ministers to hold local government to account. The Controller of Audit post is independent, established by statute and whose functions involve reporting to the Commission on the audit of local government.
 - Audit Scotland provides services to the Auditor General and the Accounts Commission.
3. Audit Scotland supports the Auditor General and the Accounts Commission to ensure public money in Scotland is used properly, efficiently and effectively. We aim to improve the use of public money across the range of audit work that we undertake. The foundation of our work is providing independent assurance about governance, financial management and performance. Audit also delivers much more value by providing independent, evidence-based recommendations, generating insights into what works and supporting improvement.
4. Our vision is to be a world-class audit organisation that improves the use of public 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.
5. To measure and report on the impact we have made, Audit Scotland uses a framework which sets out four broad audit dimensions. These are the areas where we want the audit work to make a positive difference:
 - financial sustainability
 - value for money
 - transparency of reporting
 - governance and financial management.
6. At the planning stage of our audits, we consider what impact we want to achieve using the four audit dimensions and the main audience for the work.

7. After the audit has been completed we measure what impact we have made using a variety of methods including impact reports, follow-up work and surveys of the organisations we audit. We also follow-up on progress locally within the organisations we audit.
8. In this report we focus on the impact we made during 2014/15. This does not always relate to reports published during 2014/15 however, as reports published in previous years may have continued impact as audited bodies implement the recommendations and use the reports to support improvement. The full impact of an individual audit may therefore not emerge until many months or years after publication. We also know that having a robust audit framework in place helps to identify risks and helps to prevent them materialising.
9. This annual report can be read alongside our other annual reports, these offer further information on our performance in a number of areas: (links to be added on publication)
 - Annual report and accounts
 - Transparency and quality
 - Working with other countries
 - [Equality outcomes and mainstreaming](#)

What difference have we made during 2014/15?



200+

Reports published



206k+

Reports downloaded



99%

Annual audit report
recommendations
accepted



50+

Attendances and
briefings for parliamentary
committees and
Accounts Commission



£16m

NFI fraud/errors
identified



800+

Annual outputs

What have we reported on during 2014/15?

10. In 2014/15, we produced a wide range of local and national reports for the Auditor General and the Accounts Commission about the performance and financial management of Scotland's public bodies.

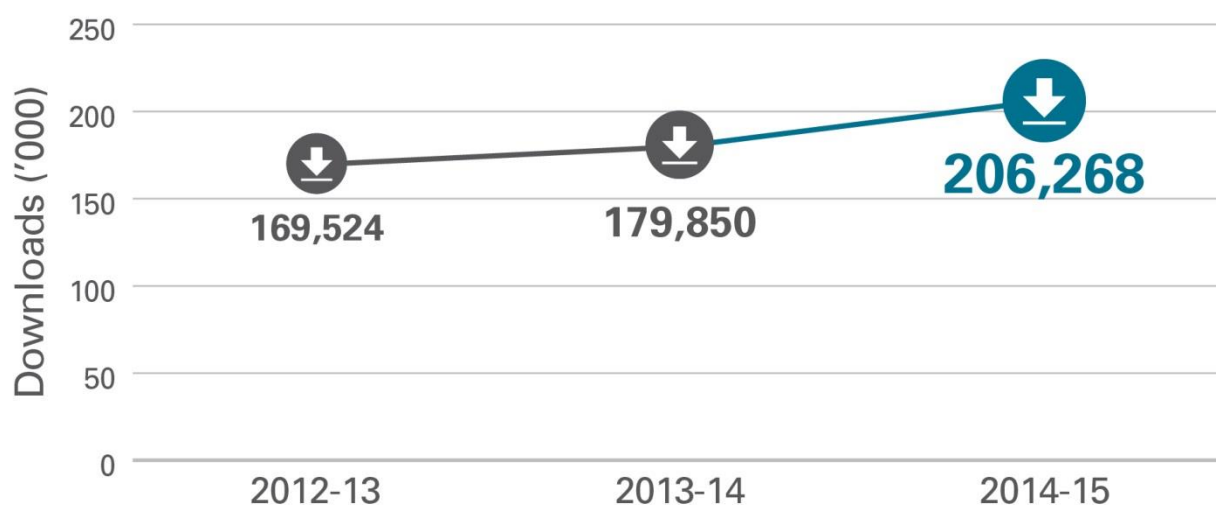
Types of report	Reports cover...
Local audit reports	<p>All of the public bodies we are responsible for auditing¹. We produce an audit certificate on the financial statements and appointed auditors produce other detailed reports on the organisations they audit.</p> <p>In 2014/15 this included:</p> <ul style="list-style-type: none"> • Over 200 annual audit reports in health, central government, local government and further education. • Reports on the Community Planning Partnerships in Orkney; West Lothian, Moray, Falkirk, and Glasgow. • Best Value audits on South Ayrshire Council; the City of Edinburgh Council and Argyll and Bute Council and Comhairle nan Eilean Siar
Overview reports	<p>How the component parts of the public sector perform</p> <p>In 2014/15 this included reports on:</p> <ul style="list-style-type: none"> • the NHS and Local government in Scotland
Performance audit reports	<p>Service areas, priorities and themes</p> <p>In 2014/15 this included reports on:</p> <ul style="list-style-type: none"> • Accident and Emergency, self-directed support, school education, the Commonwealth Games, superfast broadband and the purchase of Glasgow Prestwick Airport. <p>It also included reports on:</p> <ul style="list-style-type: none"> • preparations for the implementation of the Scotland Act 2012, community planning, Scotland's public finances, developing financial reporting, borrowing and treasury management and procurement in councils.
Statutory reports	<p>Areas of concern identified by auditor and/or arising from investigations</p> <p>In 2014/15 this included reports on:</p> <ul style="list-style-type: none"> • Financial management in NHS Orkney and NHS Highland, the management of an IT project at NHS24, the Scottish Police Authority, the Common Agricultural Policy Futures programme and North Glasgow College.

¹ The Auditor General and the Accounts Commission appoint the external auditors of public bodies in Scotland for periods of five years. Appointments to carry out annual audits are split between Audit Scotland staff and seven private firms, who carry out just over a third of these engagements by value.

Types of report	Reports cover...
Housing benefit reports	In 2014/15 this included reports on: <ul style="list-style-type: none"> • The impact of welfare reforms on council rent arrears, housing benefit subsidy claim errors and an annual update on benefits performance
National Fraud Initiative	Fraud and errors worth £16 million. <ul style="list-style-type: none"> • NFI report.

How effectively are we getting our messages out?

- Our work frequently receives high levels of coverage within the media, and there is considerable interest in accessing and downloading our reports from our website.
- In 2014/15, there were over 206,000 downloads of our reports. The reports with the most downloads in the year were:
 - Health inequalities in Scotland (December 2012) – 10,868 downloads
 - School education (June 2014) – 7,911 downloads
 - Reshaping care for older people (February 2014) – 6,778 downloads.



- These figures are influenced by the date of publication. For example, a report published in April 2014 is likely to have been downloaded more times than one published in March 2015. As can be seen from the dates of the reports noted above, the interest in the reports extends over a number of years.

Media coverage

- In 2014/15, we published a number of reports that received immediate and extensive media coverage, and which continued to be referenced in media reports throughout the year. Examples of these include Self-directed support, School Education, and NHS in Scotland 2013/14.

15. There were over 1,250 media items on Audit Scotland reports in 2014/15. The report with the most media items was NHS in Scotland 2013/14, published in October 2014.

Social media

16. We are currently represented on a number of social media networks; Twitter, LinkedIn, Tumblr and Pinterest. These are regularly updated, and feature a wide range of content that covers the breadth of our work and activities, from report publications and subsequent Public Audit Committee meetings, to conference presentations and recruitment opportunities. We saw an increase in our Twitter profile followers by approximately 30 per cent in the first six months of 2014/15.
17. Our Best Value (BV) update on Comhairle nan Eilean Siar in June 2014 gave us the opportunity to achieve a new social media first for us – our first Gaelic tweet. It was welcomed with retweets and favourites from Gaelic-speaking followers.
18. We also published our [first external blogs](#) in March and May 2015, exploring our work on health and social care integration and public finances. This is part of a planned series of blogs and further work is underway to expand the number of Audit Scotland staff engaging in blogging, on topics relevant to their experience and expertise.

What happens once the reports are published?

19. Public services are funded by taxation and we all have an interest and a stake in how well that money is used and how effectively services are delivered. Sound financial management and comprehensive, transparent and reliable reporting of public finances is central to public trust in government and public services.
20. Public audit plays a key role in providing assurance that public money is well managed and in providing independent and objective evidence on the performance of public bodies. That assurance is important for the public and decision-makers, and will become even more important as Scotland assumes greater fiscal autonomy within the UK. We want the public interest, trust and confidence to be at the heart of our work.

Reports are considered by the Scottish Parliament

21. Reports for the Auditor General and joint reports for the Auditor General and the Accounts Commission are considered by the Scottish Parliament. This forms a central part of its role ensuring that public bodies are subject to effective scrutiny.
22. The Auditor General attended 22 meetings of the Public Audit Committee giving formal evidence on key reports and answering members' questions. The committee called relevant accountable officers from the Scottish Government and other public bodies to give evidence and answer questions about the issues raised.
23. Audit Scotland staff also engaged with various other Parliamentary committees over the year by giving written and oral evidence, providing briefings and responding to calls for evidence and consultation exercises. This involved working with the Finance Committee; Health and

Sport Committee, Local Government and Regeneration Committee, Infrastructure & Capital Investment Committee, Public Petitions Committee and the Standards, Procedures & Public Appointments Committee.

Reports are considered by the Accounts Commission

24. The Accounts Commission considers a wide range of reports on local government including statutory reports from the Controller of Audit. During 2014/15 the Accounts Commission met on 10 occasions and considered over 75 reports.
25. The Commission published its findings on nine reports on community planning and best value in councils and members of the Commission met with seven councils/Community Planning Partnerships to follow up on the issues raised in the reports. We also supported the Commission for its meetings with the Cabinet Secretary for Finance, Constitution & Economy, the Cabinet Secretary for Social Justice, Communities and Pensioners' Rights and the Minister for Local Government and Community Empowerment and its briefings for Scottish Parliament's Local Government and Regeneration Committee and the Public Audit Committee.
26. We also supported the Accounts Commission in presenting evidence to the Local Government and Regeneration Committee and, jointly with the Auditor General to the Public Audit Committee.
27. The Accounts Commission publishes a separate annual report with fuller details of its work.

Identifying fraud and errors

28. Fraud and errors worth £16 million over two years were identified and stopped following the largest and most diverse detection exercise undertaken by Audit Scotland and more than 120 Scottish public bodies. Our [June 2014 report](#) on the National Fraud Initiative (NFI) also revealed a total of £94 million of fraud and errors over the last decade.
29. The NFI group coordinated by Audit Scotland includes councils, health boards and central government bodies, such as the Scottish Public Pensions Agency and the Student Awards Agency for Scotland. Data was shared on benefit applicants, council tax, immigration and death records, public sector employees, pensioners and students to search for 'matches' that would indicate potential fraud or error.
30. A total of 1,862 housing benefit payments were stopped or reduced, 832 housing benefit frauds were identified and 92 prosecutions brought in this area. The exercise also resulted in 2,876 disabled parking blue badges being stopped or flagged for future checks.

Housing benefits audit

31. The Accounts Commission has responsibility for auditing housing benefit services in Scotland. This work also provides assurance to the Department of Work and Pensions (DWP). One in five households receives financial support with their rent in Scotland at a cost of £1.8 billion in 2013/14. Thirty two subsidy claims were audited and local auditors identified £0.25 million overpayments.

- 32. Ten housing benefit risk assessments were carried out in 2014/15. Seventy risks to continuous improvement were identified and all councils accepted these risks and agreed actions to address them. We also found that 83 per cent of the previously identified risks had been fully or partially implemented.
- 33. During 2014/15 we also studied the impact of welfare reforms on rent arrears in Scotland including the removal of the spare bedroom subsidy. We found that rent arrears had increased almost a quarter to £35.1 million compared to 2012/13.

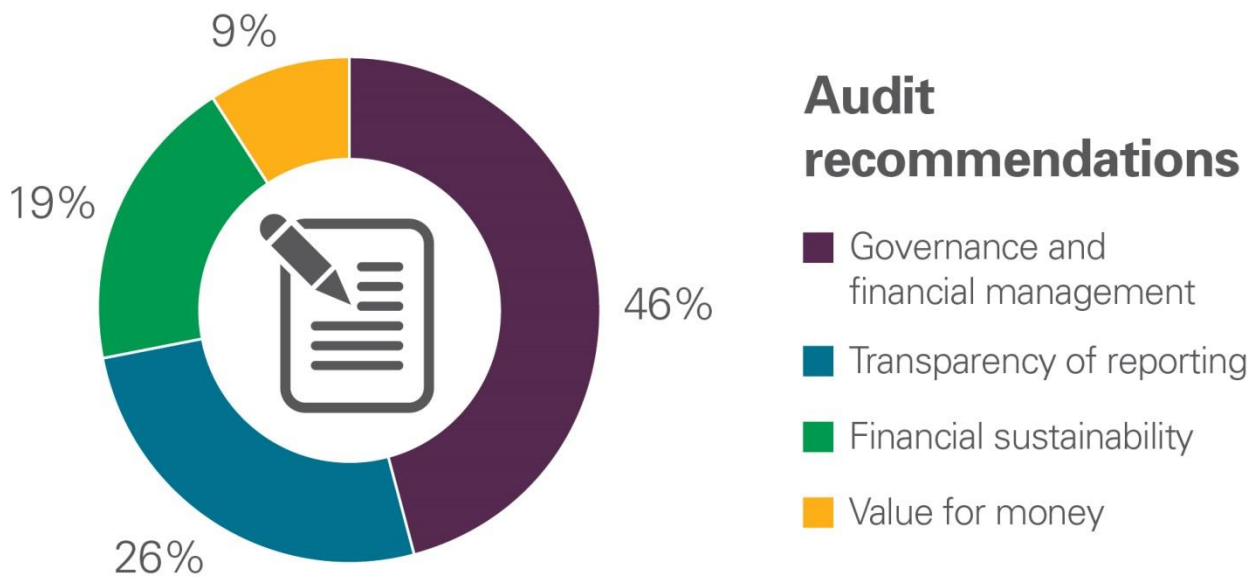
Annual audit recommendations

- 34. To make sure that we are making a positive difference we need to check that the recommendations we make are relevant and are accepted by the organisations that we audit. We analyse the recommendations made in our annual audit reports and our analysis during 2014/15 has told us:

Sector	No. recommendations	% accepted
NHS	66	100
Local Government	119	100
Central Government	134	99

- 35. The breakdown of the recommendations across the four dimensions of audit is shown in **Exhibit 1**.




Exhibit 1: Audit recommendations covered a range of areas



Source: Audit Scotland

36. A review of the annual audit reports of the 13 councils that private firms audit for the Accounts Commission showed that 92 recommendations were made and agreed.
37. As expected the majority of risks identified and recommendations made by local auditors (72 per cent) relate to governance and financial management and transparency of reporting. This reflects the main focus of local audit work for the financial statements audit. Performance, best value and value for money feature more prominently in our performance and Best Value audit work.
38. **Exhibit 2** provides some examples of what changes have taken place in the light of the annual audit reports.

Exhibit 2: Changes in the light of annual audit reports

 NHS	<p>An NHS Board agreed that reliance on non-recurring savings is not sustainable in the longer term, potentially leading to greater financial challenges in future. An enhanced programme of short, medium and longer term plans, including service redesign is being developed for addressing the need to focus on the delivery of recurring savings and aiding financial sustainability.</p>
	<p>After audit recommendations on the need to address budget overspends, an NHS Board is formulating a budget holders' training programme to ensure tighter financial control going forward.</p>
 Councils	<p>We reported that some councils had a relatively low level of usable reserves. This could lead to the councils not having sufficient reserves to protect against unforeseen events or reductions in future funding. Plans and strategies are being put in place to review and, where necessary, increase the level of reserves.</p>
	<p>We reported that borrowing strategies in some councils need to be reviewed to ensure they were robust and appropriately focussed. The strategies are to be reviewed to determine whether best value is being achieved.</p>
 Central government	<p>We reported that a central government body had not carried out a formal self-assessment of its Best Value performance. The organisation agreed and scheduled an appropriate review in the following financial year.</p>
	<p>We reported that a central government organisation's Internal Audit Department has operated below establishment during the year, potentially leading to a lack of appropriate management assurance on controls. The organisation agreed that the structure and resourcing options for Internal Audit would be reviewed as part of the forward audit planning arrangements for 2015/16.</p>

Source: Audit Scotland

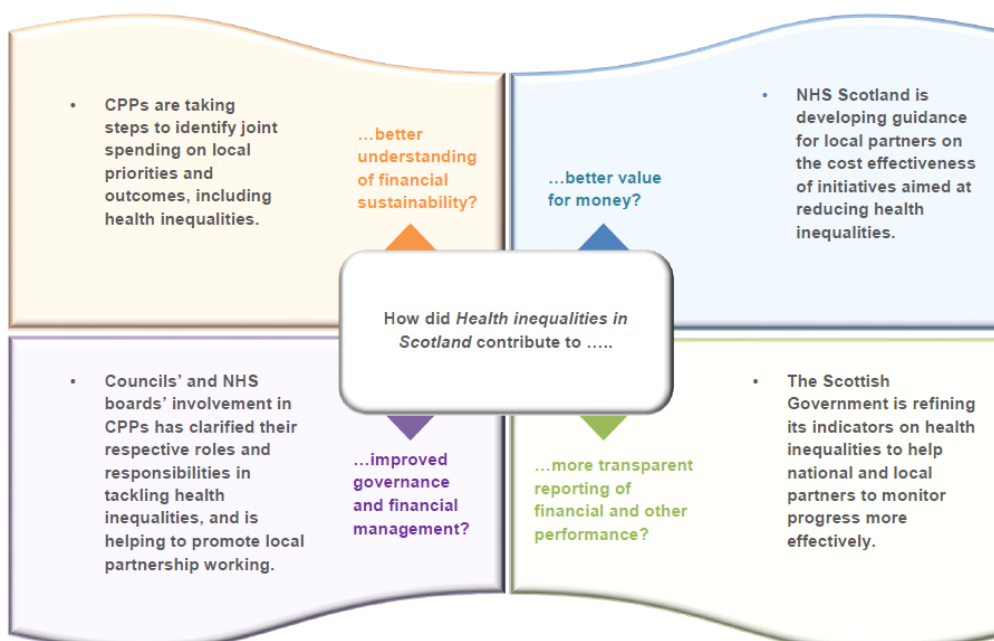
Following up on our reports and recommendations

School education

39. The June 2014 [School education](#) report looked at the links between councils' spending on education and levels of attainment. It found that pupils' performance was improving overall but there were significant attainment gaps, not only between councils but also within council areas and schools. The report sparked considerable debate in political and educational circles.
40. The team have sought to maximise the impact of the report, presenting to council committees and carrying out elected members seminars in over 60 per cent of councils in Scotland to date. The team also presented at the Scottish Parliamentary Education Committee and the National Partners forum which involves representatives from the third sector. In December, they attended an Education Scotland leadership event and subsequently shared data and intelligence gathered as part of this audit. Councils particularly welcomed the checklist produced as part of the audit, to help elected members scrutinise the education function.
41. In March 2015, the Scottish Government announced its intention in the forthcoming Education Bill to place a statutory duty on councils to narrow the attainment gap and require councils and Scottish Ministers to report on progress.
42. Each year we also produce impact reports on a selection of our performance audits. These typically consider the impact a report has had in the 12-18 months following publication. During 2014/15 we published two impact reports.

Health inequalities

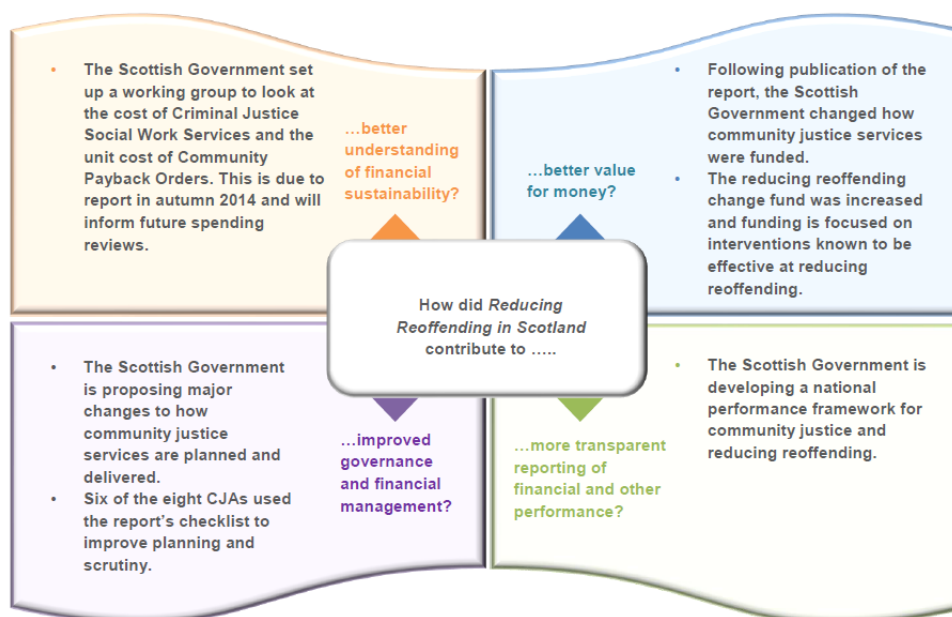
43. The first [report](#) (published in December 2012) provided an overall assessment of how well Scotland is addressing health inequalities. The [impact report](#) was published in June 2014 and highlighted:



44. The report received extensive media coverage and was downloaded over 12,000 times in the 12 months after publication. The audit team gave a number of presentations including: the Scottish Parliament Health and Sport Committee, Scottish Parliament Cross-Party Group on Health Inequalities Glasgow City Council Health and Social Care Policy Development Committee, Midlothian Council and Minority Ethnic Carers of People Project. We also presented our findings at national conference 'Reducing Health Inequalities: Creating a Healthier and Fairer Scotland'.

Reducing reoffending

45. The first [report](#) was published in November 2012 and looked at the efficiency and effectiveness of the approaches taken to address reoffending. The [impact report](#) was published in May 2014 and highlighted:



46. The report had extensive media coverage and was downloaded over 5,500 times in the 12 months after publication. The audit team gave a number of other presentations following publication, including to 'No Offence', the Criminal Justice Community Network's national conference, the Criminal Justice Services Volunteers Forum, the Criminal Justice Authorities in Fife and Forth Valley, Lothian and Borders, Tayside and the West Lothian Reducing Reoffending Committee. All CJAs discussed the report at their board meetings.

Follow-up reports

47. We follow up on the work we do to check that the recommendations we make have been accepted and implemented.
48. We also follow up on areas where the issues in a report result in the Accounts Commission or the Auditor General asking us to carry out further follow up work to check on progress. Examples in 2014/15 included:

Report

Key messages



Our [May 2014 update](#) report highlighted that:

'The NHS in Scotland's performance against the four-hour A&E waiting time standard has deteriorated since our last report. The percentage of patients seen within four hours fell from 97.2 per cent in December 2009 to 93.5 per cent in December 2013, although there was improvement during 2013. Performance varies considerably between A&E departments, and many face challenges in meeting the interim target of 95 per cent by the year ending September 2014'.



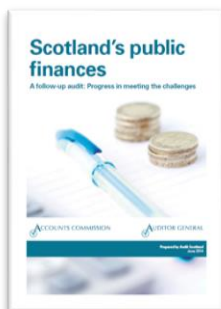
Our [March 2015 update](#) report highlighted that:

'The Commonwealth Games were a success for Glasgow and Scotland. Early evidence shows they were successful compared to estimates and previous Games. Around 1.2 million tickets were sold, over 4,800 athletes took part and Team Scotland achieved its best Games performance, winning 53 medals. Factors that contributed to the success of the Games were leadership and commitment, effective partnership working and early planning. The Games were delivered successfully within budget'.



Our [March 2015 update report](#) highlighted that:

'The Scottish Government now needs to set out details of how it proposes to further improve and enhance its financial reporting in this changing financial environment. We are committed to playing our part in helping Scotland develop a high-quality fiscal framework that reflects the Scottish Parliament's growing financial autonomy and the opportunities and challenges of the future. We will continue to monitor progress and report publicly as the Scottish Government develops its plans and as the new financial powers are introduced. We also continue to support the independent scrutiny of Scotland's public finances through all of our work'.



Our [June 2014 update report](#) highlighted that

'There is limited evidence of longer-term financial planning. Plans generally focus on the short to medium term up to five years. More work is needed to develop and regularly review long-term financial strategies that reflect priorities, risks and liabilities and the implications for affordability.'

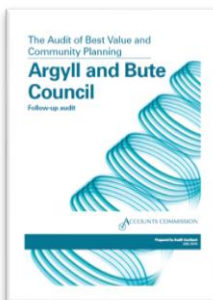
Report

Key messages



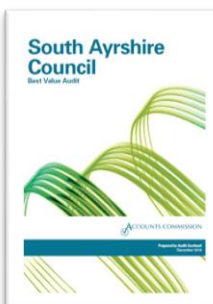
In response to our May 2014 follow-up on [Comhairle nan Eilean Siar](#) (Western Isles Council) the Accounts Commission highlighted:

'There is positive momentum in the council, and it needs to maintain this momentum to ensure it delivers continuous improvement'.



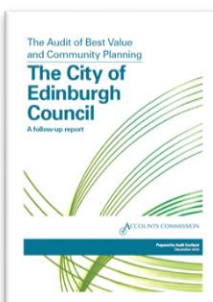
In response to our July 2014 follow-up on [Argyll & Bute Council](#) the Accounts Commission highlighted:

'The Commission is encouraged that the council is making progress against our previous findings of October 2013. But we note in particular the Controller of Audit's view that it is too early to assess the effectiveness of plans being implemented. We conclude that there is still much work to be done by the council to secure the improvements that we required in our previous findings'.



In response to our December 2014 follow up-on [South Ayrshire Council](#) the Accounts Commission concluded:

'We are encouraged by the council's achievements but it has a long way to go to embed fully all the characteristics of a Best Value council. We require the Controller of Audit to report again within 18 months'.



In response to our December 2014 follow-up on the [City of Edinburgh Council](#) the Accounts Commission highlighted:

'The scale of the challenge facing the council has substantially increased since our last findings. We therefore require the Controller of Audit to report to the Commission in a year. We expect the council to have made substantial improvement by that date'.

What do the organisations we audit think of our work?

49. Our business groups apply quality control processes to all their work and reports. These are subject to peer review by other UK audit agencies to identify areas for improvement. Financial audit work is subject to internal quality control and external review by the Institute of Chartered Accountants of Scotland. More details on our quality assurance arrangements can be found in our annual Transparency and Quality report.
50. Each year we also survey elected representatives, board members and senior officers from organisations in two of the sectors we audit about the quality of the audit work and the impact that it has. During 2014/15 we carried out surveys in health and further education (FE). The survey tells us:

Percentage that agree/strongly agree that the audit supports...	NHS (%)	FE (%)
a better understanding of financial sustainability	50	77
more transparent reporting of financial and other performance	69	85
our body providing better value for money	46	67
improved governance and financial management	85	92
Response rate	61	65

51. The surveys also offer the opportunity for people to comment on the work and some of these comments are shown in **Exhibits 3** and **4**.

Exhibit 3: Feedback on the impact of the NHS audit work



“... Positive assurance provided based on external scrutiny by those who have knowledge of the working of other organisations and so are in a position to make comparisons”



“Comment that the report offered 'Recommendation of best practice linked to the management of risks”



“Annual audit report to the Board gave reassurance to the Board around financial and corporate governance”



“Audit assurance to Audit Committee of the Board’s high level of governance and internal control”

Source: Audit Scotland

Exhibit 4: Feedback on the impact of the Further Education audit work



“... The auditors provided the Board of Management with assurance in respect of the management of the college's finances through the merger period”



“Helpful discussions around the impact on the college of reclassification and the impact on the college’s financial statements of our new campus project”



“Gave some assurance as to proper recording and accounting of merged organisation particularly around the inter-college/campus transfers”



“Contributions to Board discussions have been well received and very helpful”

Source: Audit Scotland

52. We also asked about the value of our performance audit reports. The responses are summarised in the following table and are followed with some comments made by respondents (**Exhibit 5**).

Percentage that agree/strongly agree that the report help manage and improve your services by providing:	NHS Financial Performance 2013/14 (%)	Accident and Emergency (%)	Reshaping care for older people (%)	Scotland's colleges 2013 (%)
better understanding of financial sustainability	67	56	88	83
more transparent reporting of financial and other performance	75	60	86	85
our body providing better value for money	45	70	43	73
improved governance and financial management	92	70	67	85

Exhibit 5: Feedback on the impact of the performance audit work

Scotland's colleges 2013 report



“... provided useful information for benchmarking and value for money purposes”



“informed us with regard to the sector's financial sustainability”

NHS Financial Performance report 2013/14



The benchmarking... “was useful in terms of transparent reporting and governance issues”



The report was “used... in our ongoing review of resources and patient flows”

Accident and Emergency



“This report will be helpful in providing strategic background for shaping our future plans”



“The report informed our clinical strategy work around health & social care integration”

Reshaping care for older people



“This was an excellent piece of work that generated a number of questions within our local context to help us understand better our local variation and how this impacted on outcomes and resource/service utilisation”



“It gave us better context within which to evaluate recent local redesign”

Source: Audit Scotland

Supporting professional standards and improvement

53. We work with a wide range of people and other organisations to support improvement. In 2014/15 we joined a newly formed Health and Care Intelligence Sharing Group alongside the Care Inspectorate, Healthcare Improvement Scotland, the Mental Welfare Commission, NHS Education for Scotland and NHS National Services Scotland Public Health and Intelligence. The Francis Inquiry report into Mid-Staffordshire Hospitals highlighted the need to improve data gathering and information sharing amongst health and social care regulators. This new group will provide an opportunity to build stronger working relationships and a better understanding of roles across partner organisations, foster a shared view of risks through our collective intelligence, an early warning mechanism of risk and coordinated action to drive improvement.

Working with other countries

54. The hosting of visits from overseas bodies is a one of the key ways in which we ensure that our audit work and expertise has real impact, while also deriving benefits for our own organisation and staff through sharing knowledge with our peers and other groups. In 2014/15 we hosted eight visits from overseas groups - from the Shanghai Municipal Audit Office, Xiamen Municipal Audit Bureau, Azerbaijan Chamber of Accounts, Balkan State Parliamentarians, two from the Taiwan National Audit office and two from the Victoria Audit Office in Australia.
55. We also worked with the Europe-wide public audit organisation EURORAI to organise and host a conference on 'Auditing in a period of austerity'. The conference was held in Edinburgh in October 2014 attracting over 120 overseas delegates.

Enhancing professional standards and quality

56. Audit Scotland staff have an active role in a number of important auditing and accounting standard setting bodies. These include:
- The Auditor General for Scotland, Caroline Gardner, has been a member of the International Ethics Standards Board for Accountants (IESBA) since 2010. The IESBA is an independent standard setting board that develops and issues high quality ethical standards for professional accountants worldwide. It has developed ['The Code of Ethics for Professional Accountants'](#) and also provides support and promotes good ethical practices globally.
 - The Assistant Auditor General, Russell Frith, and the Director of Audit Services, Fiona Kordiak are both members of the CIPFA/LASAAC local authority code board. This partnership board is responsible for preparing, maintaining, developing and issuing the [Code of Practice on Local Authority Accounting for the United Kingdom](#). This document codifies and interprets the various relevant international financial reporting standards for all UK councils to adopt when preparing their financial statements.

57. The Assistant Auditor General also has a central role in reviewing the quality of appointed auditor work and driving improvements. A number of thematic reviews were carried out in 2014/15 including:
- *A review of appointed auditors materiality disclosures* - this review identified variations in materiality levels across appointed auditors and resulted in clear direction on the disclosures, including setting 'clearly trivial limits', to be made by auditors in their annual audit plans to improve the transparency of this important judgement for audit committees and other readers of annual audit plans.
 - *A review of NHS audited financial statements* - this resulted in a Good Practice note being issued to audited bodies and auditors to improve the quality of disclosures and readability of financial statements.
 - *Review of local authority auditor reports* - this review identified a number of areas for improvement for auditors in 2014/15 to ensure compliance with statutory and professional requirements
58. We also contributed to 19 external consultations on important financial and auditing issues. We attended 70 external working groups in support of this. Some examples of the areas we provided responses and contributions during 2014/15 include:
- CIPFA guidance for accounting for transport infrastructure assets
 - CIPFA local authority accounting code for 2015/16
 - Revised local authority accounts regulations and guidance
 - Statutory guidance on equal pay and pensions funds
 - Scottish government counter fraud strategy
 - CIPFA Fraud Code.
59. During 2014/15 we provided a range of technical guidance documents and advice to support auditors and audited bodies arrive at the correct accounting treatments and audit opinions. These included:
- eight notes for guidance across all sectors that highlighted and explained the risks of material misstatement
 - four bulletins focusing auditors attention on technical developments and guidance on emerging issues
 - responding to 744 technical queries.

Supporting professional trainees

60. We invest in training and developing our workforce and run a successful professional graduate trainee scheme. The scheme helps to provide Audit Scotland with a pool of talent that we aim to develop into technical experts, managers and leaders of the future and which contributes to the pool of qualified accountants and auditors available across Scotland's public sector. We currently have 47 trainees in the scheme and we aim to recruit around 10-12 people to the scheme each year.

What improvements are we making to make more of a difference?

61. The Auditor General, the Accounts Commission and Audit Scotland have developed a joint statement on the principles and common themes for [Public Audit in Scotland](#) to help ensure that public resources are used efficiently and effectively in the public interest. Public audit helps create a strong and effective system of financial accountability and transparency in Scotland (**Exhibit 6**).

Exhibit 6: How public audit makes a difference



Source: Public Audit in Scotland - Auditor General, Accounts Commission, Audit Scotland

62. We want to ensure that we do the right work at the right time and do it efficiently and effectively. We want our audits to add value by supporting accountability and improvement and by delivering reports which have a real and positive impact.
63. To help us do this we have developed a strategic improvement programme which has three main objectives:
- securing world class audit
 - making a difference
 - building a better organisation
64. The programme includes a combination of improvement work we already had underway and new initiatives to respond to what we have heard from our stakeholders. All of our improvement work will be focussed on delivering these three objectives for the period of our 2015-2018 [Corporate plan](#).

Making a difference



65. This is one of our three strategic priorities for 2015-18. Our objective is to maximise the difference our audit work makes to public services, the people that they serve, the outcomes that those people experience and the use of public money.
66. We want to ensure that we offer the maximum benefit that our unique position of auditing across the public sector in Scotland offers us by providing insights into what works, offering foresight on future risks and opportunities and by supporting improvement. We will also make comparisons with, and highlight what works well elsewhere in the UK and internationally.
67. It is clear that the most effective audit is delivered when auditors understand the environment in which public bodies operate, understand the objectives, challenges and culture of those bodies, and have an open and constructive engagement with them about audit issues. We also want to ensure that this openness and transparency applies to the audit process and how we form our audit judgements.
68. Our guiding principles will be:
 - *Impact, innovation and improvement* - we will maximise the value of the audit and support improvement. We do this by making practical, clear and relevant recommendations, following up on our recommendations, challenging bodies that are not performing effectively and efficiently or striving for excellence and by sharing good practice examples, guides and checklists.
 - *Diversity, equality and sustainability* - we will continue our commitment to considering diversity and equality in our work. We will continue to report on diversity and equality issues and will ensure our work is accessible to people with disabilities and those for whom English is not their first language. We will promote sustainability through our audit work and in the way in which we conduct our business.



In 2015/16 we will:

- review our audit processes – to ensure that every part adds value and has a positive impact (this includes: risk assessment, programme development, scoping the work, designing the methodology, doing the work itself, reporting our findings and recommendations and how we follow these up).



Over the period of this plan we will:

- ensure we have a good understanding of the policy priorities and issues facing the public sector by engaging with stakeholders to focus audit work where it adds most value
- share our audit information and conclusions and promote good practice in new and innovative ways beyond audit reports (including learning publications and events, good practice examples and guides and by using information technology more creatively)
- improve how we follow up on conclusions and recommendations to assess whether they have been implemented and the effect they have had.

Refining the focus of our work

69. As part of our vision to be a world-class audit organisation, we have an ambition to establish World Class programme development. The new approach will ensure that the audit work we deliver on behalf of the Auditor General and the Accounts Commission is highly relevant, timely, makes best use of our resources and ensures that we continue to be an influential voice in improving public services in Scotland.
70. We carry out our audit work in increasingly challenging times and the public sector is changing, with greater access to data, new technologies and an attempt to take a more open, collaborative and inclusive approach to certain areas of public policy. This presents us with exciting opportunities to take a different approach to our work programme. Our approach will focus on:
- a sound understanding of the environment we are working in
 - being open and transparent about what, when and how we audit
 - more openness in our approach, doing more to work with others, including the public.
71. To contribute to this, we will make better use of the wide range of audit intelligence across the organisation and enhance our use of data to drive our programme of work.
72. We are also currently preparing a new Code of Audit Practice for the next five year auditor appointment round that commences in April 2016. In developing the code, we will define clearly the expectations and responsibilities for all of the audit work, including how it will add value make a positive difference to public services in Scotland. The code will draw from the four dimensions of audit and the code and supporting guidance will set out the responsibilities of auditors.
73. In addition we have refined the four dimensions of audit to help ensure that our audit work adds the most value. The four dimensions are listed below and are supported by a set of prompt questions which help us scrutinise performance.
- Financial sustainability
 - Financial management
 - Governance and transparency
 - Value for money and Best Value.

Improving the coordination of scrutiny work

74. Audit Scotland, on behalf of the Accounts Commission, continues to work with other scrutiny bodies to make sure that the scrutiny of local government is better targeted and more proportionate to identified risks. The Accounts Commission is responsible for coordinating and facilitating scrutiny in local government.
75. This year, under a new streamlined approach, we produced local scrutiny plans for all 32 councils. From these, we have drawn up a national plan showing what scrutiny activity we will seek to ensure that each council keeps on track with what it is trying to do and any

improvements it needs to make. Details of our current national scrutiny plan are on our [website](#).

Improving how we get our messages out

76. We are in the process of redeveloping our website to improve its accessibility, design, and users' experience of the material we publish online. We expect to launch the new website in autumn 2015.
77. We are also developing plans to enhance access to social media in the workplace so that it can be used as a resource for staff in the course of their audit work, ie as a research tool and to monitor the impact of our reports on stakeholders, and encourage staff to gain a better understanding of how social media can maximise the impact of their work by reaching new and wider audiences.
78. We are committed to new and innovative ways of communicating online and we are continuing to develop external blogging opportunities for our people to share their findings and professional perspectives. We will also explore other ways of generating attractive content which is suitable for social media platforms and multi-media users.

Making a difference

Annual impact report 2014/15

This report is available in PDF and RTF formats, along with a podcast summary at:

www.audit-scotland.gov.uk 

If you require this publication in an alternative format and/or language, please contact us to discuss your needs: 0131 625 1500

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