

# Working with other countries

Developing our organisation, supporting improvement

Annual 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.

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# Welcome from the Auditor General



Audit Scotland's vision is to be a world-class audit organisation that improves the use of public money in Scotland. As such we welcome the opportunity to share expertise with public bodies in other countries in a manner which is mutually beneficial and helps improve public sector governance and accountability in Scotland and overseas.

I am pleased to see that the number of visits from other countries has remained at the high level we have experienced in recent years. This shows that our work and discussions with our staff continues to be highly valued by overseas audit organisations. Having welcomed John Doyle, the Victorian Auditor General, during his 2014 visit to Audit Scotland, I have witnessed the value our visitors achieve from their discussions with us and how we benefit from development opportunities this work can provide for our staff. We continue to balance our commitment to work overseas with a need to resource our core business and ensuring we comply with our approved policy on international work which limits the number of visits we can accommodate.

In October 2014 we had the privilege of hosting the EURORAI Seminar on 'Auditing in a period of austerity'. EURORAI makes a valuable contribution to the delivery of public audit across Europe, by sharing knowledge and experience among member bodies. I had the opportunity to outline our vision of becoming a world-class organisation, focusing on achieving best value from public money. This was the largest conference Audit Scotland has ever hosted and it provided an excellent platform for members to share ideas about different approaches to public audit at a time when financial constraints affect public sector bodies across Europe.

This report summarises our work with other countries in 2014/15, in particular hosting visits from organisations outside of Scotland. It also covers our work in assisting with the development of public audit in other countries.

I would like to conclude by thanking all of our staff who participated in our work with other countries during 2014/15. Their professionalism, enthusiasm and personal commitment is vital to maintaining our reputation outside Scotland as a leading public sector audit organisation.

A handwritten signature in black ink that reads "Carolle Gardner". The signature is written in a cursive, flowing style.

Auditor General for Scotland

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# Welcome from the Chair of the International Steering Group



This has been the busiest ever year for the International Steering Group. We have continued to experience an increase in the number of requests received to host visits from overseas while our work in other countries has mainly involved concluding projects which were already in progress. Furthermore we have participated in a number of conferences and seminars including hosting the October 2014 EURORAI seminar. During 2014/15 Audit Scotland staff:

- organised and hosted the October 2014 EURORAI seminar in Edinburgh and contributed to the April 2014 seminar (see page 6-7).
- hosted eight visits, from the Shanghai Municipal Audit Office, Xiamen Municipal Audit Bureau, Azerbaijan Chamber of Accounts, Balkan State Parliamentarians and two from the Taiwan National Audit office and two from the Victoria Audit Office (see pages 8-9)
- concluded our participation in the audit of the United Nations, in partnership with the UK National Audit Office, and development projects in Kosovo and Serbia (see pages 10-11)

Audit Scotland's vision is to be a world-class audit organisation that improves the use of public money in Scotland. Involvement in international work contributes to a number of the key components of world class audit:

- **People:** By providing career and personal development opportunities for our staff. This is consistent with our commitment to delivering corporate priorities through personal performance and knowledge management.
- **Methods:** By developing our staff through exposure to different ways of working. The application of new skills, knowledge and sharing of experiences contributes to our commitment to quality through continuous improvement and innovation.
- **Impact:** By contributing to the development of good governance, efficiency and effectiveness in the use of resources within other countries. This enhances the reputation of Audit Scotland and, more widely, public services in Scotland.

I hope you find this report interesting. If you require any additional information or wish to speak to us about our work with other countries, our contact details are on the back cover of this report.

*David McConnell*

Chair, International Steering Group

# EURORAI



As part of our international work we are members of the European Organisation of Regional Public Finance Audit Institutions (EURORAI). EURORAI is a network of public sector audit institutions across Europe, which allows members to share experiences and good practice. In previous years Audit Scotland has presented at EURORAI conferences in Mallorca, Barcelona, London, Vilnius, and Halle.

In April 2014, senior audit manager Elaine Boyd attended a EURORAI conference in Tenerife and delivered a session on audit procedures for evaluating the financial position in local government. In October 2013 the EURORAI Management Committee approved our offer to host in Edinburgh the October 2014 EURORAI conference on 'Auditing in a period of austerity'. Since then Audit Scotland worked with EURORAI staff to coordinate the conference for approximately 120 delegates.

The conference included presentations from nine different countries, all of which were interpreted into the five official EURORAI languages. The presentations focused on a common theme of considering the impact of the wider economic downturn on the role, coverage and resourcing of public audit. We were well represented throughout the conference including:

- The Auditor General for Scotland addressed the delegates at a dinner and civic reception and opened the conference.
- The Director of Performance Audit and Best Value presented on 'Evaluating the delivery of best value and value for money.'
- The Director of Audit Services moderated a session on the experiences of public sector audit institutions in identifying and implementing internal cost savings.
- Members of the Board and Management Team attended the welcome dinner and civic reception.
- A number of staff from all business groups attended the event to learn from the sessions and provide assistance to the delegates.



Hosting this event provided a great opportunity to showcase our audit work and confirm our position as a leading audit organisation in Europe. We received very positive feedback from delegates throughout the conference. Our staff spoke positively of the opportunity to further their knowledge of the international framework of audit and of lessons learned from other audit organisations that are facing significant resource challenges.

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As part of the conference, the delegates attended a civic reception at City of Edinburgh Council Chambers and we would like to express our gratitude to City of Edinburgh Council for their help in organising that event. The delegates also took part in guided tours of parts of Edinburgh and we would like to acknowledge the assistance we received from the staff at Our Dynamic Earth and at Edinburgh Castle to ensure the events ran smoothly.

It was an honour to welcome to our capital city so many professional colleagues from across Europe. In addition to the learning benefits derived from the conference, the visit also allowed the delegates to take the time to appreciate the city and to make use of its commercial and leisure opportunities and in particular its hospitality, transport and shopping facilities, bringing both commercial benefits and international goodwill.

# Hosting visits

We have hosted delegations from a range of organisations including other public sector audit bodies. The hosting of visits from overseas bodies is one of the key ways in which we ensure that our audit work and expertise have real impact, while deriving benefits for our own organisation and staff through sharing knowledge with our peers and other groups. Our core business of delivering high-quality public audit work in Scotland takes priority over our work with other countries. As a result, sometimes we decline requests, or limit the number of visits, particularly during our busiest periods.

During 2014/15, we received 12 requests (eight in 2013/14) from ten organisations. Eight were accommodated (six in 2013/14) and four were declined. We declined three visits due to staff availability and one because we did not have the requisite experience in the topic proposed. The eight visits we hosted in 2014/15 are summarised in [Exhibit 1](#).

## Exhibit 1

### Visits hosted in 2014/15 visits

Balkan State Parliamentarians (June 2014) – We presented to a group of Parliamentarians representing five of the eight sovereign Balkan States. The presentations focused on our role in the delivery of public audit, our relationship with the Public Audit Committee in the Scottish Parliament and a case study focused on local government audit.



Taiwan National Audit Office (July 2014 and October 2014) – Over two visits, we discussed our approach to performance audit and how we manage the mixed market provision of public sector audit with the private sector audit firms.



Shanghai Municipal Audit Office (September 2014) – This visit focused on our performance audit reports on greenhouse gas emissions, major capital infrastructure projects and the 2014 Commonwealth Games.



Xiamen Municipal Audit Bureau (September 2014) – We presented to 14 delegates on our approach to performance audit and the use of IT in our audit approach.



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Azerbaijan Chamber of Accounts (September 2014) - The Azerbaijan delegation was involved in a World Bank funded project focused on the development of performance audit. We discussed our approach to performance audit and provided specific case studies of our work on renewable energy and further education.



Victoria Audit Office (September 2014 and December 2014) - Over two visits we discussed performance audit, annual staff surveys, Shared Risk Assessment, an overview of the Accounts Commission, the National Fraud Initiative and streamlining the financial audit approach.

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In addition to sharing information on our audit approach and methodology, these visits allowed us to learn from other countries and enhance our own methodologies.

**Case study 1** provides more detail on the visit by the Shanghai Municipal Audit Bureau.

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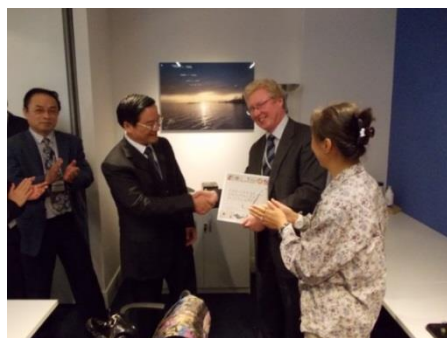
### Case study 1

#### Shanghai Municipal Audit Bureau (SMAB)

In September 2014, we hosted a visit by six delegates from the SMAB. The delegation was particularly interested in auditing practices focused on buildings, sporting events and natural resources. We presented to the group on:

1. Public audit in Scotland, our role within the legislative framework and how we deliver public audit.
2. Our 'Reducing Scottish greenhouse gas emissions' performance audit including its key messages and recommendations to the Scottish Government.
3. Auditing major capital infrastructure projects including why we do it, the key areas of audit focus and the current issues affecting major capital projects.
4. Auditing the 2014 Commonwealth Games setting out our reasons for the audit and our methodology, approach and main findings.

The delegation provided positive feedback at the event and thanked those presenting for the time and attention they had taken preparing and presenting their material.



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# Overseas work

## St Helena

In August 2014, John Gilchrist returned to Audit Scotland after completing a 21 month career break working with the St Helena Audit Service. **Case study 2** provides an insight into this experience and the role performed by John over the two year period.

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### Case study 2

#### St Helena Audit Service

St Helena is a British Overseas Territory in the South Atlantic Ocean which is approximately 60 square miles in area with a population of around 4,000. St Helena's annual revenue expenditure for public services is approximately £30 million, the majority of which is funding through grants provided by the Department of International Development.

John Gilchrist was appointed to the role of Audit Executive within the St Helena Audit Service in November 2012. This role was created to focus on a transition from cash accounting to International Public Sector Accounting Standards (IPSAS) and also updating the St Helena Audit Service audit methodology to reflect the adoption of International Standards on Auditing (ISA). The core elements of John's role were to:

1. Review current work practices and update audit procedures to comply with ISAs.
2. Develop an audit manual to deliver accruals based accounting in line with IPSAS.
3. Develop and deliver training programmes in ISAs and IPSAS, auditing financial statements, delivering value for money audits and for staff studying for professional exams.
4. Lead the team involved in the audit of the St Helena Government.



In late 2013, John accepted an invitation to act up as the St Helena Chief Auditor until a permanent appointment was made. Over an eight month period John's role expanded to include developing the Public Accounts Committee, improving the relationship between audit and elected members, overseeing the delivery of the audit service's first strategic performance audit and instigating a more efficient approach to auditing smaller bodies.

John found the experience to be very worthwhile. It provided him with an excellent opportunity to refresh his audit skills, further develop his ability to manage clients and engage with key stakeholders and manage complex audit issues. He has returned to Audit Scotland with a range of new skills and resources which he is now applying in his role as a manager within our Audit Strategy Group.

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## United Nations audit

In 2014/15 we concluded our partnership with the National Audit Office (NAO) to deliver a range of financial and performance audits for the United Nations (UN) Board of Auditors. Our involvement commenced in 2010/11 and, over the four-year period, five staff members were involved in a variety of audits including financial management and controls, project management, capital planning, performance management and strategy development.

In 2014/15, two Audit Scotland staff were involved in the audits of the Vienna based UN Office of Drugs and Crime and UN Secretariat. The work focused on completing audit reports that brought together the findings and recommendations arising from audit work undertaken in previous months.

Parminder Singh, a senior auditor from our Audit Services Group, provided feedback on his experience working on the UN audit and, in particular, on how his involvement has benefited him.

### Case study 3.

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#### Case study 3

##### United Nations audit

Parminder's time at the UN coincided with a unique time in its history, as they moved from reporting on a cash accounting basis to accruals based. He also played an active role in assisting with the implementation process (within the professional boundaries of the audit process). Parminder worked closely with audit colleagues from the NAO and had the opportunity to compare and contrast Audit Scotland's and the NAO's audit approach. This helped him to develop as an auditor.

The UN audits were structured so that the financial and performance audit teams were 'on-site' at the same time. This led to close working arrangements with colleagues from performance audit, and gave Parminder an insight into how closer working relationships between financial and performance audits could operate.

Parminder said: 'The UN is a unique and challenging organisation, which conducts a diverse range of activities all across the globe. Auditing this complex and global organisation was a real challenge for my auditing and diplomatic skills.'

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## Office of the Auditor General of Kosovo

The Office of the Auditor General of Kosovo (OAG) was established in 2004 and the European Union (EU) is supporting it to build capacity and develop audit methodologies. The NAO was chosen to partner the OAG in its further development, and is the lead on a project to further support the OAG to meet EU standards. Audit Scotland was invited to support the NAO in this work. This is the third year in which we have supported the OAG.

Over this year our staff have:

- mentored municipality audit teams through the audit process
- supported senior staff in their roles which has helped standardise the quality of pilot audits and improve the level of support provided to staff

- supported the development and implementation of a strategic approach to benchmarking and performance management across municipalities.

This was the final year of the project. Feedback on the project has been very positive with the impact of being highly regarded by staff in OAG and an assessment of the project carried out by the EU noting very good progress.

### **Serbian Ministry of the Interior**

In June 2014 we concluded our work supporting an EU twinning project aimed at improving strategic planning in the Ministry of Interior in Serbia. The overall objective of the project was to contribute to the development of the Serbian Ministry of Interior and Police into a modern, efficient, accountable service in line with the Strategy of Public Administration Reform in the Republic of Serbia. Miranda Alcock, a senior manager in our Performance Audit and Best Value Group was involved in supporting the project since 2013 and visited Serbia in June 2014 to deliver training on monitoring and evaluation, finalise reports and attend the closing ceremony.

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# Networking and influencing

As part of our international work we also consider requests for our staff to attend conferences and seminars to share knowledge. In October 2014, Tim Bridle, a manager in our Technical Services Unit attended a seminar in Latvia which was organised as part of the Financial Reporting Technical Assistance Program designed to support the new EU member states in the implementation of sustainable regulatory and institutional frameworks for financial reporting.

Over the two day seminar, Tim presented on financial reporting and auditing frameworks, the application of international standards of auditing on the audit of group accounts and how we manage the appointment of auditors to public sector bodies.

In September 2014, senior manager Mark Roberts attended the European Academy for Taxes, Economics and Law seminar in Berlin and presented on the factors which influence the development of a performance audit programme and how we conduct performance audits. Attendees came from Malta, Poland, Russia, Latvia, Sweden and the European Commission.

## World class

Our involvement in international work contributes to our vision of being a world-class audit organisation. It provides our staff with opportunities for personal development and knowledge sharing. It also gives them the opportunity to experience different working practices and new audit techniques. The application and sharing of these new skills supports us in the delivery of high quality audits to our clients and contributes towards our commitment to continuously improve our work practices.

As mentioned previously John Gilchrist has returned from St Helena with a wealth of resources and skills which he is now applying in the workplace. These include, for comparison with our existing resources:

- An ISA compliant audit manual with associated templates.
- A monetary unit sampling selection and evaluation tool.
- A quality control manual with associated templates
- A draft performance audit manual covering the scoping part of the audit

These have been shared with the relevant quality control and performance standard officers within Audit Scotland.

**John Gilchrist (Manager, Audit Strategy)**

*On softer skills, I had a lot of interaction with senior staff where I had to manage delicate negotiations and persuade people of my perspective without damaging working relations. I also gained experience managing and recruiting staff. These were particularly valuable because I do not have any staff management responsibilities in my current role. Having been away I am finding that I look at work from a slightly different perspective. I find that I am questioning why we do things the way we do a little more, possibly because I am being more objective.*

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Feedback from other staff involved in international work further highlights how their participation has benefited them personally and how Audit Scotland, as an organisation, benefits from our involvement. Some examples are provided below:

*"We should consider widening the skill-set we use in our audit work. For example, Taiwan employ a percentage of auditors with an engineering background to assist with the audit of major construction projects."*

Director

*"I am always stimulated by engaging with people from other countries and I find questions by a visiting delegation are helpful in making me look at myself and my work from different angles."*

Audit Manager

*"Excellent discussion and a good opportunity to review our approach from a 'big picture' perspective and consider interesting parallels and differences across a range of audit work."*

Senior Manager

*"The visit has given me a greater awareness of the similar issues faced in other countries and some insights to different ways of organising audit work."*

Assistant Director

*"This was a great opportunity to see how these things work and observe how experienced international work partners operate. I learnt a great deal from the experience of presenting at this seminar."*

Technical Manager

*"It helped to develop my presentation skills, as presenting to people for whom English is not their first language has its own challenges. It was interesting to be involved in this visit and hear about other aspects of our work."*

Audit Manager

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# Policies and processes

All our work is underpinned by policies and processes, which are approved by the International Steering Group.

## Extent of involvement

We assess each request to visit Audit Scotland on a case by case basis and decide whether to refuse or agree visits with reference to our predetermined criteria. We welcome a broad range of requests, however we may decline requests where for example they:

- affect our ability to resource core business
- are sought by private (for profit) business
- are being made by a visiting delegation that has visited within the previous two years (we may accept if the requested content is materially different from the previous visit)
- will result in us exceeding our limit of 12 delegations per year.

In relation to our overseas work we limit our commitment to an overall maximum of 200 days. The work will mainly consist of involvement on small scale, well defined projects that can be accommodated within existing workloads.

## Welfare of our staff

The health, safety and welfare of our staff are paramount. We carry out checks for our staff working in other countries, including a formal risk assessment. These checks build on our existing health, safety and welfare arrangements and comply with current legislation.

## Gift and hospitality policy

Audit Scotland's policy on visits, gifts and hospitality states that: 'Gifts of small monetary value may be accepted where this would not breach guidance contained in our Code of Conduct for staff. In exceptional circumstances, it may be appropriate to accept a gift where refusal would embarrass Audit Scotland or damage relationships.'

In 2014/15, visitors to Audit Scotland presented our staff with token gifts, such as scarves, ornaments and first day covers. All gifts were recorded in the international register of gifts and hospitality. In turn, we presented token gifts of Audit Scotland pens, quaichs and books.

## International volunteer register

Audit Scotland maintains a register of staff who have expressed an interest in supporting our work in other countries. We identify people from this register to be involved in visits and assignments.

# Working with other countries

## Annual report 2014/15

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

[www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk) 

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