

Public audit in Scotland

May 2015

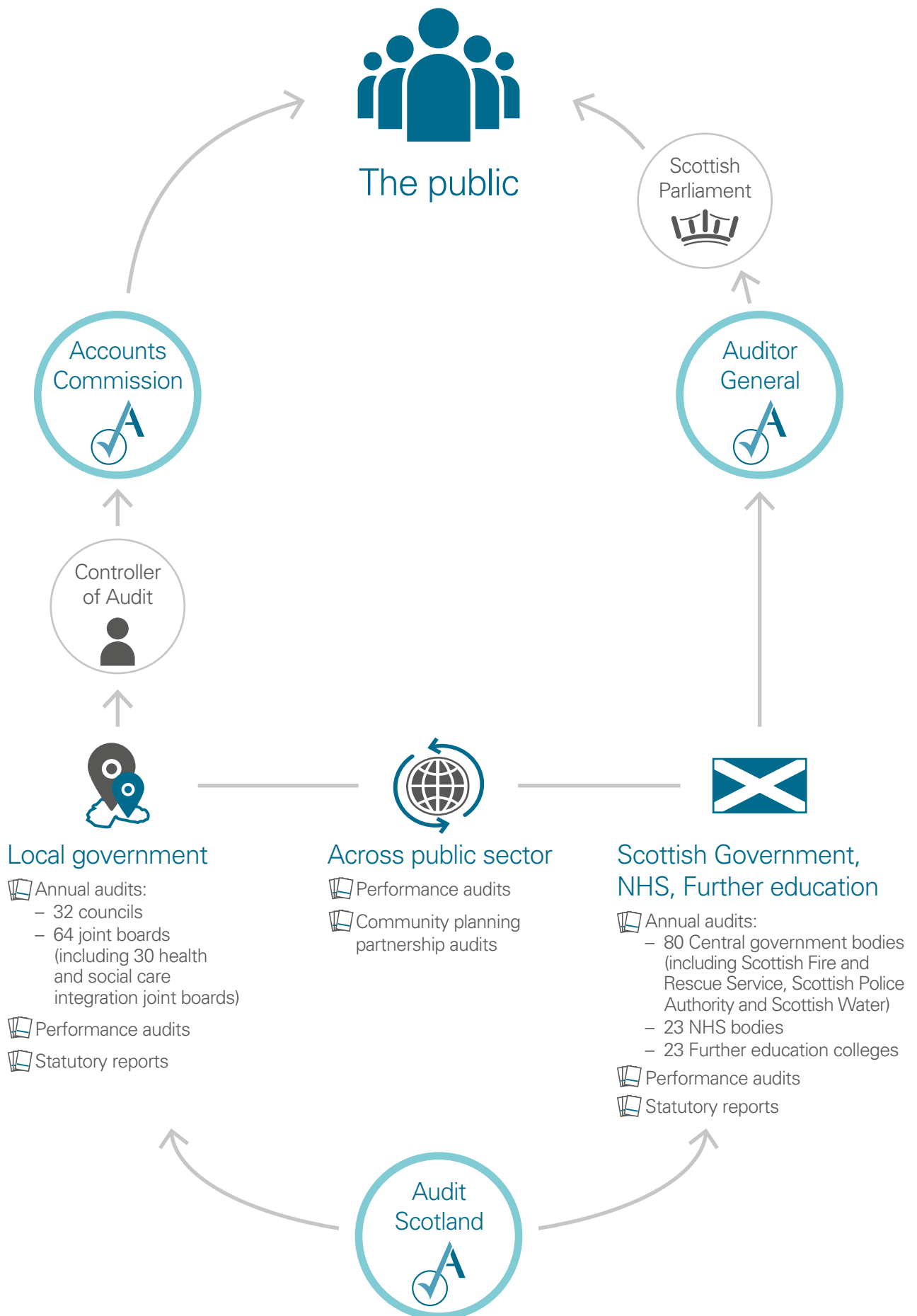


Who we are

1. 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. It is governed by a board, consisting of the Auditor General, the chair of the Accounts Commission, a non-executive board chair and two non-executive members who are appointed by the Scottish Commission for Public Audit, a commission of the Scottish Parliament.

2. Public audit is a key part of wider arrangements for scrutinising and reporting on the performance of public bodies. We work closely with our scrutiny partners to ensure that our activity is coordinated, risk based and proportionate.



Introduction

- 3.** Scotland is entering a new chapter in its constitutional history. The coming years will see the Scottish Parliament assume greater responsibilities within a new fiscal framework, following the independence referendum in September 2014 and the subsequent proposals for further devolution of powers to the Scottish Parliament.
- 4.** These new powers come during a financial and demographic climate which sees demand and expectations of public services increase as further funding reductions are forecast. Public bodies have so far coped well with these challenges, but those leading and managing public services will face increasingly difficult choices about how to spend the money that is available. Making the best use of public money is paramount if essential public services are to be maintained and improved.
- 5.** Public audit helps create a strong and effective system of financial accountability and transparency which supports the best use of public money in the public interest. Public audit provides independent assurance that public money is spent properly and provides value for money.
- 6.** By working together and each fulfilling our distinct roles, the Auditor General, the Accounts Commission and Audit Scotland will ensure a strong system of public audit works to support transparency and promote improvement in the performance of public bodies.
- 7.** Public audit in Scotland is informed by the priorities of the Auditor General and the Accounts Commission. This document sets out the shape, principles and themes of public audit. Audit Scotland's corporate plan sets out how public audit is delivered.

Why public audit matters

8. Public services make a critical contribution to a strong society and play an important role in ensuring sustainable economic growth. For example, investment in education, healthcare and infrastructure drive up social and economic wellbeing and make a difference to the lives of the Scottish people.

9. 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.

10. 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.

What public audit covers

11. Public audit covers over 200 public bodies who collectively spend over £40 billion of public money each year. This includes the Scottish Government, central government bodies, the NHS in Scotland, local authorities and further education colleges. Increasingly, those bodies are finding new ways to collaborate and work with each other in partnership to deliver public services, but clear accountability for how public money is spent remains paramount.

12. We carry out this work through the annual audits of public bodies, performance audits on specific themes and subjects, best value audits of councils and partnerships, housing benefit audits and the National Fraud Initiative.

The principles of public audit

13. The principles of public audit are shared across the UK and are based on:

- The independence of auditors from the bodies they audit.
- A wider scope which reaches beyond financial statements into governance and performance.
- Public reporting of audit findings and recommendations.

14. These principles ensure that auditors can carry out their work free of interference and can bring issues of concern into the public domain. Taken together with effective public and parliamentary scrutiny, the principles contribute to strong and transparent oversight of public funds.

15. Public audit in Scotland focuses on financial sustainability, financial management, governance and transparency and value for money.

16. 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.



Our common themes

17. Since 2000, public audit has supported public and parliamentary scrutiny of public bodies in Scotland. In looking ahead, we want to build on what works, respond to Scotland's changing context, and strengthen accountability and transparency to ensure that public audit delivers even more over the next 15 years.

18. Scotland has the opportunity to build on its record of sound financial management and innovation, and strong public audit has a key part to play. We have therefore developed a set of common themes that will inform our work.

19. We are committed to delivering a public audit regime that delivers high quality, proportionate and risk-based audit that responds effectively and quickly to changing circumstances and emerging issues and which follows the public pound, wherever it is spent.

20. Our independence and impartiality is critical to our ability to audit effectively. We will continue to operate to the highest ethical and professional standards and ensure that our appointment of auditors across Scotland achieves high-quality audit and best value. It is part of our role to form independent, professional judgements on the evidence we collect, and adhering to the highest professional standards provides the framework with which our judgements are made.

21. We will look systematically at strategic issues across the public sector so that our audits help understanding of what works, what doesn't and why, to support learning and continuous improvement across the public sector.

22. 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 will ensure that auditors individually and collectively understand the context in which public services are delivered and stay connected.

23. This understanding will enable us to focus our audits and investigations where they add most value, including the often complex network of partnerships, arm's-length, voluntary and private sector bodies involved in delivery. We will follow public money across organisational boundaries as new ways of delivering public services develop, so that the public can have trust and confidence about how public money is used in improving outcomes.

24. We will build on what our stakeholders have told us that they value:

- Clear concise reports.
- Independent and authoritative analysis of data.
- Clear recommendations for improvement.
- Assessments of the impact of our work and the improvement achieved.

25. We will strengthen our investigative capacity to respond to concerns raised with us about the use of public money, ensuring that we can follow public money and establish the facts. We will have a clear programme to follow-up and report on progress from previous audit work, where this will be of value.

26. We will put more emphasis on being open and engaged in doing our work. This will help us deliver relevant work and help those we work with understand more about our methods and processes. This will ensure constructive engagement even when we are exploring difficult or challenging issues.

27. We believe that adopting these themes across our audits of the Scottish public sector will deliver comprehensive transparency, improvement and assurance about the use of public money.

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