

Audit Scotland's annual statement on efficiency, effectiveness and economy for 2010/11

The Public Services Reform (Scotland) Act 2010, section 32(1)(b) requires listed public bodies to publish a statement in relation to efficiency, effectiveness and economy as soon as possible after the end of the financial year.

Our 2010 report, *Improving public sector efficiency*, stated that 'the public sector must continually strive to improve efficiency'. The following statement sets out the steps that Audit Scotland has taken in 2010/11 to improve its efficiency, effectiveness and economy in the exercise of its functions. Further information on this and our audit work is contained in our annual report 2010/11 which is on our website at www.audit-scotland.gov.uk

Introduction

Audit Scotland is a statutory body that supports the Auditor General and the Accounts Commission in making sure public money in Scotland is used properly, efficiently and effectively by undertaking audits and investigations of Scottish public bodies.

To ensure objectivity in our work, Audit Scotland is independent of the Scottish Government and ministers. Maintaining our independence from those we audit limits our ability to share services. However, where sharing is possible we have done so.

Efficiency, effectiveness and economy improvements during 2010/11

All public bodies are under pressure to reduce costs while maintaining the level and quality of the services they provide. We are seeking improvements through a series of reviews examining how we work across our organisation and areas where changes could be made to improve our performance while reducing costs.

The Scottish Commission for Public Audit (SCPA), established under Section 12 of the Public Finance and Accountability (Scotland) Act 2000, examines our proposals for the use of our resources and expenditure and reports on them to the Parliament. Our budget proposals can be found on the Scottish Parliaments website.

As our income comes from parliament and the public bodies we audit, reducing our costs will help, albeit in a small way, their cost pressures through, for example, reduced audit fees. Overall, we are aiming to reduce the cost of audit to public bodies by at least 20 per cent over four years to 2014/15. We delivered a 5.5 per cent real terms reduction in fees to public bodies in 2010/11 compared with 2009/10. In 2011/12, we aim to further reduce the cost of audit by about seven per cent, approximately £1.9 million.

Efficiency savings have been possible through careful workforce planning, a payment and recruitment freeze and a corporate programme of efficiency improvement projects with a focus on delivery, maintaining quality while reducing costs.

In line with the Scottish Government's efficient government agenda, we set a savings target of £540,000. We achieved this target and delivered further savings of £1,030,000. This was 5.7 per cent of our overall budget, exceeding the Scottish Government's target of 2 per cent. The increased efficiency delivery was mostly as a result of us making better than anticipated progress towards our four-year cost-reduction targets.

We recently completed the appointment of new auditors across the public sector for the next five years. The tender exercise promises to produce at least £1million in further annual savings.

We have moved to a rolling programme of performance audits, where we have a fixed programme of work for the year and a programme of potential topics on which we will keep a watching brief and may audit at a future date. This change has made our programme more effective and flexible by allowing us to focus on topics that really matter to the people of Scotland.

By coordinating our work in local audits and focusing on the key issues at each council, we have been able to cut the time we spend in councils on strategic scrutiny work by 36 per cent compared with 2008. Visits and inspections are generally quicker, more focused, and involve fewer people. The scrutiny activity within each council is more proportionate and risk-based than in the past.

We have introduced an Electronic Working Papers system for all our financial audit work. Once fully implemented and embedded, efficiencies of 10 per cent will be made through improved standardisation. Already we have seen the benefits through a reduction in the need to store manual documents.

Comparing how we perform against other suitable public sector bodies is important to us. This year we continued to compare ourselves using the performance indicators in the joint UK audit agencies report *Value for Money in public corporate services*. The Scottish Government and CIPFA produce reports from submissions from public bodies.

A number of initiatives introduced this year have reduced costs and improved our efficiency. For example:

- The introduction of a new online recruitment system. This will reduce costs and improve the efficiency of our recruitment process, as well as giving applicants more control over their job applications.
- Our new electronic purchasing system. This system aims to strengthen our purchasing process and improve our performance and management of our suppliers invoices.
- We improved our IT capabilities by upgrading: our IT firewalls to improve information and data security; our software to Office and Exchange 2010 which will improve efficiency of information sharing; to new technology to allow improved network communication with our fixed audit sites; to SharePoint technology to allow us to share and store information more efficiently and effectively internally, improve our document management arrangements and provide an improved extranet.

Sharing services and resources within the public sector allows economy of scale cost and efficiency savings. Where sharing does not impact our independence we have done this. For example:

- Continuing to share our resources with the Sustainable Development Commission Scotland by providing them with office and support services.
- Using the Public Contracts Scotland portal to procure services for Audit Scotland, the Auditor General and the Accounts Commission where it was beneficial to do so. For example, we procured: appointed auditors for the Auditor General and the Accounts Commission; our internal auditors; and specialist services to assist with performance audit work.

- Using competitive contracts secured by Scottish Procurement, leading to savings on our utility costs.
- Using the Central Government Collaborative Procurement Agreement (CGCoPE) as part of our change to e-Recruitment.