

# Working with other countries 2009/10

Developing our organisation, supporting improvement



 AUDIT SCOTLAND

June 2010



Audit Scotland is a statutory body set up in April 2000 under the Public Finance and Accountability (Scotland) Act 2000. It provides services to the Auditor General for Scotland and the Accounts Commission. Together they ensure that the Scottish Government and public sector bodies in Scotland are held to account for the proper, efficient and effective use of public funds.

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# Welcome from the Auditor General for Scotland



Over the last decade we have established a strong reputation for excellence in public sector audit.



**1.** Audit Scotland celebrated its ten-year anniversary on 1 April 2010 and over the last decade we have established a strong reputation for excellence in public sector audit. This attracts interest from audit organisations and governments in Europe and across the world. I am keen to share our expertise and contribute to the development of public accountability models elsewhere as opportunities arise.

**2.** Faced with increasing interest in our work, we recognise the need to set tight parameters for our work with other countries which safeguard time for delivering our core activities in Scotland. We have reflected this in our strategy for working with other countries.

**3.** This report summarises our activities in 2009/10, which included hosting visits from auditors and public bodies from other countries and, to a lesser extent, travelling to other countries to support audit development and participate in conferences. I hope it shows how this small but important element of our work contributes to Audit Scotland's priority of becoming a centre of excellence for public audit. We support and help to improve audit and public accountability in other countries. In turn, Audit Scotland learns from others and our staff experience unique development opportunities.

**4.** I would like to conclude by thanking those staff who have participated in our work with other countries and support this activity. I know this often involves extra work for them – their professionalism, enthusiasm and personal commitment alongside the 'day job' is vital to maintaining our reputation outside Scotland as a leading public sector audit organisation.



**AwtBlack**

**Robert W Black**  
Auditor General for Scotland  
and Accountable Officer

# Welcome from the chair of the International Steering Group



This has been another busy year for us,  
both in terms of our work with other  
countries and refining our approach.



**5.** This has been another busy year for us, both in terms of our work with other countries and refining our approach. This year we have continued to receive a number of requests to host visits from a range of groups from other countries – details are set out on pages 6-8. Our work in other countries has mainly involved continuing projects which have been up and running for some time. However, we have also participated in some conferences and seminars – you will find details on pages 9-13.

**6.** We have taken the opportunity this year to review our strategy and refine our policies and procedures. In doing so, we took account of our experience of working with other countries; the significant change in the economic environment; and delivering our core business of auditing public bodies in Scotland. Our revised strategy is summarised in [Appendix 1](#), as are the key governance arrangements for our work with other countries.

**7.** Another important development this year has been setting up our process to measure the impact of our work with other countries. We completed this work in November 2009, and have been gathering feedback on the impact of our work with other countries since December. As part of this process, we invite all organisations we have worked with to provide detailed feedback on the impact of their visit or the overseas assistance provided by Audit Scotland. In addition, our staff are asked to feed back on their experience and contribution. This 360 degree feedback will enable us to continuously improve our work in this area and further develop and enhance staff skills. This is already

working well, and we have received very positive feedback as well as some hints and tips to improve our approach.

**8.** I hope you find the report interesting. If you require additional information or wish to speak to us about our work with other countries, our contact details are included in [Appendix 1](#).



*Angela Cullen*

**Angela Cullen**  
Chair of the International  
Steering Group

## Highlights this year

- We welcomed nine groups of visitors from other countries to Audit Scotland and the number of requests for visits continues to rise.
- We contributed to three projects in European countries and presented at three international seminars.
- We reviewed our governance and administrative arrangements and published our new strategy, *Working with other countries – our strategy for 2010–12*.
- We implemented our process for measuring the impact of our work with other countries.
- Over 15 per cent of staff from across Audit Scotland have volunteered to support our work with other countries, and many more positively respond to requests for this work.



# Visitors to Audit Scotland



Our work with other countries continues to include a significant number of requests for visits to Audit Scotland.





**9.** Our work with other countries continues to include a significant number of requests for visits to Audit Scotland. Visiting delegations are mainly from other public audit organisations but also include Parliaments and governments. Most visits are short – up to one day.

**10.** Audit Scotland's core work takes priority and we sometimes have to refuse or limit the number of visits, particularly during our busiest periods. Our guidelines limit the number of visits to around 12 each year, and restrict or refuse the same organisations from coming back within a two-year period unless the focus of the visit has significantly changed. During 2009/10, we received requests for visits from 14 organisations (12 in 2008/09). Two organisations subsequently cancelled their visits and we reluctantly turned down three requests. We also received a request from an overseas public sector organisation for work experience placements for their students and trainee staff. This request was declined.

**11.** Most overseas organisations contact us directly. However, some visits are requested through organisations such as the Improvement Service, City of Edinburgh Council and the Scottish Parliament.

**12.** In 2009/10, Audit Scotland hosted nine visits from overseas delegations from:

Denmark	Sweden
Ukraine	China*
Netherlands	Russia
Australia	Korea

\* We hosted two visits from China this year, on an exception basis, as delegates were from different regions of China.

## Denmark visit



*The Auditor General, Robert Black and senior Audit Scotland staff with the Danish delegation.*

In June 2009, the members of the Danish Public Accounts Committee (PAC) and Henrik Otbo, Auditor General of the Rigsrevisionen in Denmark, visited Scotland as part of a wider fact-finding visit to the UK. The group wanted to compare their public scrutiny arrangements with those here. The Danish PAC members met with their counterparts at the Scottish Parliament's Public Audit Committee and then visited Audit Scotland to meet Robert Black, Auditor General for Scotland and senior Audit Scotland staff.

The visitors were told about the relationship between the Scottish Parliament, ministers, the Auditor General, the Accounts Commission and Audit Scotland. This was followed by a round-table discussion about the different audit arrangements in our countries. The Danish PAC members were particularly interested in how Audit Scotland supports our Public Audit Committee in holding public bodies to account, and how our developing approach to measuring the impact of our national work operates at a local level.

**13.** During these visits, around 90 delegates (70 delegates in 2008/09) heard about the public audit model in Scotland and our methods of working. These visits also allow us to learn from other countries and challenge our own thinking, assumptions and ways of working. Case studies on the Denmark and Ukraine visits provide more detail of the issues discussed.

**14.** Audit Scotland staff also assist organisations from other countries by providing information and guidance by telephone, email and through one-to-one meetings in Scotland. This year, we have helped organisations from Denmark, Japan and Sri Lanka using these methods. We also provided information to the National Audit Office (NAO) on local government audit work for a project it was undertaking in Uganda.

## Visitors' areas of interest

**15.** During 2009/10, our visitors were interested in a wide range of issues including the role of Audit Scotland in public scrutiny and our audit independence; how the Scottish Parliament relates to the Westminster Parliament and in particular, how this affects the scrutiny of the administration of housing and council tax benefit in Scotland; what we cover in our financial and performance audits; auditing outcomes and value for money; auditing publicly funded projects; the design and methodologies used in carrying out financial and performance audits; planning and allocating resources for audits; and staff training and development.

## Ukraine visit



Caroline Gardner, Deputy Auditor General and Controller of Audit and Iurii Ievtieiev, Head of the Department for Staff of the Secretariat of the Cabinet of Ministers of Ukraine.

In September 2009, a delegation of ten senior staff from the Secretariat of the Government of Ukraine visited Scotland for a week. The purpose of their trip was to allow senior civil servants from the Ukraine, who are involved in institutional, legal and administrative reforms, to discuss with senior public servants in Scotland their experience of implementing change processes and their ongoing monitoring and evaluation. During the week, the delegation visited the Scottish Government, local authorities, health boards, Scottish Power and Audit Scotland.

While at Audit Scotland, staff explained how public audit operated in Scotland. The delegates heard about Best Value audit in local government and the development of Single Outcome Agreements in Scotland. They also learned about performance audit across the public sector and how we train and develop our staff.

## Impact of visits

**16.** Since December 2009, we have been collecting feedback on the impact of visits. Feedback from visitors and staff is positive and encouraging.

**17.** The Victoria Auditor General's Office (Australia) said that Audit Scotland staff were "*authoritative and assured*". The most positive aspects of their visit were the interaction with staff; understanding better the Scottish approach; and gaining an insight into the structure and role of Audit Scotland. The visit to the Public Audit Committee at the Scottish Parliament provided a unique opportunity and was greatly appreciated.

**18.** Representatives from the Swedish Government's top team development programme said that it was "*a superb visit*". The most positive aspects of the visit were the hospitality and welcome extended to the group; the quality of presentations; and the willingness of staff to interact and respond positively to the issues and questions raised.

**19.** Our staff consider these interactions to be a fulfilling experience. They are particularly positive about hearing the experiences of others and using this to think about how things can be done differently in Audit Scotland.

## Resources

**20.** In 2009/10, 26 staff were directly involved in the nine visits. The visits accounted for around 33 working

days, which were spent planning, preparing and delivering presentations to delegations.

## Gift and hospitality policy

**21.** 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'.

**22.** In 2009/10, visitors presented our staff with token gifts, such as ties, scarves and ceramics. All gifts were recorded in the international register of gifts and hospitality. In turn, we presented token gifts of Audit Scotland pens and quiches to visitors.

# Overseas work



These assignments aim to help audit agencies develop their public accountability models and approaches to financial and performance audit.



## Overseas work on assignments and projects

**23.** Our work with other countries includes visiting audit agencies and working with their staff to provide technical support and training. These assignments aim to help audit agencies develop their public accountability models and approaches to financial and performance audit. We may also work with other audit agencies to provide quality assurance through external peer review.

**24.** During 2009/10, our work on overseas projects involved our staff travelling to, and working with, our partners in Bosnia and Herzegovina, Moldova and Russia. Further information on these projects is set out below. We were also asked to participate in overseas projects in Palestine, Kosovo, Russia, Jordan, Vanuatu, Ethiopia and South Africa but these requests were declined.

**25.** We may also assist audit agencies with their governance and quality assurance arrangements. This year we continued to support the Comptroller and Auditor General of Ireland by being the external member on the Audit Committee.

### Bosnia and Herzegovina

**26.** Audit Scotland has been working with the Swedish National Audit Office (SNAO) in Bosnia and Herzegovina since 2008. Over this period we have assisted their State Audit Institutions (SAIs) to implement quality procedures, develop a draft audit manual and audit local authorities.

**27.** During 2009/10, we provided assistance by email and telephone on a wide variety of topics, including giving advice on how to use and apply materiality levels; using a database of possible controls and audit tests to produce audit programmes for specific areas; and identify key risks due to the economic crisis. We were also asked to undertake an additional support visit to Bosnia in December

2009. During this visit we delivered a three-day seminar for 25 staff from across the country, which used a case study audit to explore and discuss the technical aspects of the audit, complex client relations and the timing and content of audits. The seminar also covered the different types of audit opinion and examined the Bosnian SAI's progress in implementing their quality assurance system.

**28.** We received positive feedback on the impact of this work from the SNAO, the Bosnian SAI and staff working on the project. The SNAO said that the contributions made by our staff were very positive and will contribute to better governance, accountability and transparency in Bosnia. They concluded that we had met all of the objectives relating to the development of a Quality Assurance System and the implementation of the new financial audit guide. Audit Scotland staff concluded that, overall, the work has resulted in significant improvements to the audit manual and more efficient audit procedures. A quality manual has been agreed and systems established to enable local auditors to carry out peer reviews of other auditors' work.

**29.** Feedback from both the SNAO and our staff suggests that we need to improve our systems for agreeing, in advance, the terms of reference, objectives and outcomes for projects.

### Moldova

**30.** We continued to work with the Moldovan Court of Accounts and the SNAO during 2009/10. The initial phase of our work involved developing a quality framework and an audit manual. In April and October 2009, we visited Moldova to support the implementation of the new quality framework and audit manual. Over this period we observed that the structure and quality of reports had improved. However, it was also clear that there was a continued need for support in a number of areas, particularly in identifying and

documenting risk, audit sampling and reliance on controls.

**31.** Audit Scotland agreed with the SNAO that to support continuous improvement we would second a member of the project team to Moldova from January to March 2010. During this secondment we provided practical support and guidance to audit teams, including visiting local audit teams and reviewing their working papers to ensure they were consistent with the audit manual and quality standards. We also delivered training seminars on a range of topics including materiality, reviewing and evaluating internal control systems, audit sampling, risk assessment, and IT audit.

**32.** We have had positive feedback from the SNAO, the Moldovan Court of Accounts and staff. The SNAO commented that the value of having a seconded person in Moldova had been extremely fruitful as it has helped drive the work forward through a flexible but professional approach. This has contributed to a greater understanding of financial audit and the Court of Accounts has taken a huge step forward. Our staff commented that local auditors are now better equipped to implement systems of control for audits, develop testing strategies and identify and assess risks. Quality monitoring checklists were developed and model files set up, which will help staff plan, progress and monitor future audits.

### Russia

**33.** In April 2009, we continued our work with the NAO and the Accounts Chamber of the Russian Federation. We spent a week in St Petersburg assessing the progress made in developing performance audit in the Russian regions, and providing some specific advice to the Accounts Chamber on its programme of audits of medical equipment. The Russian Federation followed up our work by sending a delegation to the UK in June 2009 to gain an insight into how the NHS manages its medical



equipment. As part of the visit, the Russian delegates spent two days with Audit Scotland staff.

### Resourcing overseas work

**34.** Five members of staff worked on these assignments. In total, we spent around 100 days preparing, travelling, carrying out the work and reporting on the projects. This includes the staff secondment to Moldova.

**35.** Our strategy is to minimise and recover our net costs in relation to this work. During 2009/10, our contribution to projects and assignments cost £27,043 in staff salaries. We were able to recover staff salary cost for most of this work which resulted in a net salary cost to Audit Scotland of £6,728 for this work. Travel and accommodation costs for our staff are generally met through the projects and partners.

### Welfare of our staff

**36.** The health, safety and welfare of staff working outside Audit Scotland's base locations 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. During 2009/10, 12 risk assessments were undertaken for staff travelling overseas on work assignments and conferences. We turned down one potential project due, either directly or in part, to the risks associated with the overseas work location.

## Case study

### Overseas work with the Russian Federation

In April 2009, I visited St Petersburg with the NAO to assist auditors from the Russian Federation in developing their approach to performance audit. This was followed by a reciprocal visit to Edinburgh in June. Organising these visits entailed a lot of effort, including liaising with the NAO, the bureaucracy of organising a visa and also having to get vaccinated for Hepatitis B.



*Nick Hex*

The work gave me an understanding of the different way public services work in Russia. For example, the Russians were surprised to learn that we had waiting lists for healthcare. The differences meant that we had to spend longer than expected simply understanding how processes worked in our respective countries – a real case of 'back to first principles'.

Working with an interpreter presents a number of challenges and means that meetings take much longer than usual. It takes some time to adjust to the pace of the interpreter and it can be quite disconcerting when they start talking while you are still in mid-flow. The Russians were very hospitable and although tiring, the work was very rewarding.

# Overseas conferences



Overseas audit agencies and public bodies are interested in the Scottish public sector audit model and the results of our financial and performance audits.



**37.** Audit Scotland produces a wide range of local and national reports about the performance and financial management of Scotland's public bodies. Overseas audit agencies and public bodies are interested in the Scottish public sector audit model and the results of our financial and performance audits. As a result, we are sometimes invited to attend conferences and similar events to develop networks and discuss our work with other countries.

**38.** During 2009/10, we contributed to three conferences in Barcelona, Spain; San Francisco, USA; and Venice, Italy.

### EURORAI seminar on public environmental audit

**39.** European Organisation of Regional External Public Finance Audit Institutions (EURORAI) is a joint project of public sector audit agencies across Europe. It provides members with a network, through which they can exchange experiences and share good practice.

**40.** Audit Scotland was invited to contribute to a EURORAI seminar on public environmental audit in Barcelona in October 2009. Barbara Hurst, director of Public Reporting Group (PRG) and Angela Cullen, assistant director, PRG and chair of our International Steering Group attended the seminar on behalf of Audit Scotland. We presented the findings and methodology of our report on *Improving energy efficiency* to 120 delegates from 15 countries. We received very positive feedback on the presentation and it generated significant interest from others who were thinking about doing similar work. We have since shared our report and some of the audit tools with interested audit agencies and we will keep in touch with them about their findings.

### American Association of Local Government Auditors

**41.** Caroline Gardner, the Deputy Auditor General and Controller of Audit, was invited to speak about

## EURORAI



*Barbara Hurst participating in a panel discussion at the EURORAI conference.*

our approach to public audit at the American Association of Local Government Auditors Conference in San Francisco in May 2009. The conference attracted around 250 people from city and county audit offices across the USA. This provided Caroline with the opportunity to find out more about the way public audit is organised in the USA.

### University of Venice

**42.** In November 2009, Audit Scotland was invited by the University of Venice to take part in a seminar on evaluating health and social care services. The seminar was part of a larger project being led by the Italian government on decision-making in health and social care services, involving 12 Italian regions and two universities. Angela Canning, assistant director, PRG gave a presentation to approximately 50 delegates on how Audit Scotland evaluates health and social care services and the scrutiny role that the Scottish Parliament's Public Audit Committee plays. As part of the presentation, Angela highlighted our work on drug and alcohol services and mental health services.

**43.** The seminar provided an opportunity to share our approach for carrying out our performance audits

with another country that is developing and refining its own approaches. Discussing our reports on drugs and alcohol services and mental health services also provided us with the opportunity to demonstrate how our performance audits focus on service users. Delegates were also interested to hear about the independent roles of Audit Scotland and the Auditor General as there is nothing similar in Italy.

### Resourcing overseas conferences

**44.** Four members of our staff attended overseas conferences this year and shared our Scottish public sector audit model, experiences and methods of working with over 400 delegates from other audit agencies, public sector and higher educational bodies. In total, we spent around 12 days preparing for the conferences, travelling and presenting our messages.



# Appendix 1.

## Organising our work with other countries

Our strategy sets out why we work with other countries and how we go about organising the work to achieve the best possible outcomes at minimum cost. The strategy also summarises key parameters for our work with other countries.

Key issue	What our strategy says:
The countries we will work with	All requests for work are assessed against pre-determined criteria and we take account of our obligations to observe human rights issues.
Nature of the work	We envisage four main types of activity: <ul style="list-style-type: none"> <li>• hosting visits to Audit Scotland</li> <li>• working with other audit agencies to provide technical support and training</li> <li>• supporting development of other countries' audit agencies</li> <li>• attending conferences and developing networks relevant to our strategy.</li> </ul>
Extent of the work	We continue to limit our work in other countries to an overall total of 200 staff days each year. This is drawn from staff across Audit Scotland who have expressed an interest, working on small scale projects which can be accommodated alongside their core work commitments.
Cost recovery	There are no significant additional costs in hosting visits although we recognise the opportunity cost of our staff involved. In relation to work in other countries, our objective is to minimise and recover our net costs.

Audit Scotland's work takes priority and we sometimes have to limit or refuse requests for work from other countries. Our decisions to refuse or accept work will be systematic and transparent. In relation to work in other countries, we will continue to partner audit institutions experienced in managing and delivering projects and will not bid for work in other countries.

Our new strategy covers the period to 2012 at which point we will review it again, taking account of our overarching corporate plan to ensure the strategy aligns fully with Audit Scotland's corporate priorities and objectives. The full text of our revised strategy can be downloaded from our website at [www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk)

Good **governance** of our work with other countries is essential to ensure the successful implementation of our strategy. The work is overseen by our International Steering Group (ISG) which consists of staff drawn from across Audit Scotland. The International Liaison Manager (ILM) – a part-time resource within Audit Scotland – is responsible for day-to-day management and is the first point of contact ([ilm@audit-scotland.gov.uk](mailto:ilm@audit-scotland.gov.uk)).



The ISG has established governance arrangements which ensure that decisions are consistent with Audit Scotland’s overall business approach. It has also established detailed underlying processes, for example in how we select staff to be involved in work with other countries.

Our arrangements are designed to maintain strong governance and to allow quick decisions when needed.

# Working with other countries 2009/10

## Developing our organisation, supporting improvement

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Audit Scotland, 110 George Street, Edinburgh EH2 4LH  
T: 0845 146 1010 E: [info@audit-scotland.gov.uk](mailto:info@audit-scotland.gov.uk)  
[www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk)

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