

Developing our organisation, supporting improvement

audit
scotland
working
with other
countries
2010|11

Welcome from the Auditor General for Scotland

Our reputation for excellence in public sector audit continues to attract interest from audit organisations in Europe and further afield. We also face increasing demands and expectations on our core audit activity in Scotland. In that context, our strategy for working with other countries serves us well by making sure that we manage the work we do with other countries alongside our core work in Scotland.

This report summarises our work with other countries in 2010/11, 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. We hosted fewer visits to Audit Scotland than previous years, which probably reflects the current worldwide financial position. Our work overseas involved the continuation of projects we had previously started as well as a small number of new projects.

A significant event for us was the commencement of our participation in the audit of the United Nations (UN), as part of a UK National Audit Office (NAO) team. The UK NAO was appointed to the UN Board of Auditors for a period of six years from July 2010 and we are delighted to be part of this team. This has presented a unique opportunity for a few of our staff to apply skills developed in Audit Scotland at UN headquarters in New York and in countries where UN programmes are being delivered. I was also delighted to contribute to the EURORAI (European Organisation of Regional Audit Institutions) congress in London last October, where the organisation re-affirmed its commitment to the key principles of public audit in the current financial climate.

Our work with other countries continues to represent a small but important contribution to Audit Scotland's priority of becoming a centre of excellence for public audit. By supporting and helping to improve audit and public accountability in other countries, we provide our staff with challenging and worthwhile development opportunities. For their part, this often involves extra work and additional demands on personal time. I am very grateful to all our staff involved in presenting to visiting groups and in work in other countries. I would also like to thank those who support the work and monitor and manage our commitments to make sure they comply with our strategy for work with other countries and do not impinge on our core audit work in Scotland. I am also delighted that during 2010/11 a number of our staff have secured positions worldwide, as Auditor General of the Cayman Islands, Chief Financial Officer of the Turks and Caicos Islands and in Audit New Zealand. This enhances Audit Scotland's standing as a centre of excellence in public audit.



AuditScotland

Welcome from the chair of the International Steering Group

This year we continued to receive requests to host visits from a range of groups from other countries – details are set out on pages 4 to 6. Our work in other countries has mainly involved projects which have been up and running for some time. We participated in the EURORAI congress in London in October 2010. In addition, we were invited to join a team led by the UK National Audit Office to audit the United Nations – you will find details on pages 7 to 11.

We have continued to review our approach and underlying systems for our work with other countries. In particular, we have further developed how we measure the impact of our work with other countries by inviting all organisations we have worked with to provide detailed feedback on the impact of their visit or the overseas assistance provided by Audit Scotland. Our staff also feed back on their experience and contribution. As a result, we are able to demonstrate the impact of this work and have better information, which helps us make informed decisions about whether to refuse or accept requests from other countries. We have also refined some of our policies during the year. Our strategy covers the key governance arrangements for our work with other countries and is available from the Audit Scotland website.

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 on the back cover of this report.



Angela Curran

Visits

Our work with other countries includes a number of requests for visits to Audit Scotland. Visiting delegations are mainly from other public audit organisations but have also included a local authority audit committee. Most visits are short – up to one day.

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 the same organisations from returning within a two-year period unless the focus of the visit has significantly changed. During 2010/11, we received requests for visits from six organisations (14 in 2009/10). We were unable to accommodate two of these requests as they were made at short notice, during busy periods for our core work.

Most overseas organisations contact us directly. However, some visits are requested through organisations such as the UK NAO. In 2010/11, Audit Scotland hosted four visits from overseas delegations:

- In July, we hosted a delegation from the Japanese Board of Auditors. The group was interested in a wide range of topics including financial audit; performance audit; our HR system; and how we measure the impact of our work. In addition, we facilitated a session between the delegation and the Scottish Government's Health Directorates.
- The City of Helsinki Audit Committee visited in September and received presentations on a range of local government-related topics.
- We have worked extensively with the Moldovan Court of Accounts in recent years and a delegation followed up a range of topics during a visit in December (see Case study 1).
- A group from the Chinese National Audit Office visited in December. They heard presentations about our quality assurance framework and quality appraisal arrangements.



Case study 1 – Visit from the Moldovan Court of Accounts

A delegation from the Moldovan Court of Accounts (COA) visited Audit Scotland during December 2010. The delegation consisted mainly of audit staff who work within the equivalent of the local government sector in Moldova.

We have worked extensively with the Moldovan COA over the past few years in partnership with the Swedish National Audit Office (Riksrevisionen). The focus of our work was to help and support the Moldovans develop an audit manual and quality framework that were compliant with International Standards of Auditing. In addition, we also provided practical support and training to implement the manual and framework.

The delegates received presentations on the delivery of financial audits within local government and health sectors as well as hearing about our quality assurance arrangements. The delegates were particularly interested in accountability and governance arrangements within local authorities and their interaction with the Scottish Parliament. They were also keen to find out how local authorities were organised and governed. In particular, they were interested in the sources of funding for local authorities and the balance between central government support and local taxation. The Moldovans explained that in their system the focus of audit work is on distinct units (eg, a secondary school) rather than on entities. The delegates were also interested to find out about counter-fraud and fraud prevention measures as this type of activity requires further strengthening within the public sector in Moldova.

Impact of visits

During these visits, around 50 delegates (90 delegates in 2009/10) heard about the public audit model in Scotland and our methods of working. These visits allow Audit Scotland to learn from other countries and challenge our own thinking, assumptions and ways of working.

Since December 2009, we have been collecting feedback on the impact of visits. Feedback from visitors and staff is positive and encouraging and helps us improve future visits.

The delegates from the Japanese Board of Audit described their visit as “a great asset to their work”. The most positive aspects of their visit were the opportunities to interact with staff and the Auditor General and the valuable materials we provided.

The delegates from Helsinki said that our staff are “experts in their areas”. They particularly valued the opportunity to meet the Auditor General and the well-planned presentations by staff. They left with many new ideas to consider for their own audit system.

Our staff also value their involvement in these visits. They gain insight into new ways of working, which they may be able to apply to their core work in Audit Scotland and it provides unique networking opportunities. Feedback typically includes comments like “I enjoyed the interaction with the delegation and providing them with practical examples of public sector auditing in Scotland”.

Resources

During 2010/11, 16 staff were directly involved in the four visits, spending around 19 working days planning, preparing and delivering presentations to delegations.

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 2010/11, visitors presented our staff with token gifts, such as CDs, 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 quaichs to visitors.

Overseas work

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; provide remote assistance to organisations from other countries by providing information and guidance by telephone or email; or assist audit agencies with their governance and quality assurance arrangements.

During 2010/11, our work on overseas projects involved our staff travelling to Ukraine, Kosovo and the Turks and Caicos Islands, which are outlined below. All projects are ongoing but early impact assessments are largely positive. We were asked to participate in overseas projects in Georgia and Vanuatu, but these requests were declined on the grounds of health and safety concerns and excessive time commitment respectively.

We have also continued to support the Comptroller and Auditor General of Ireland by providing an external member to the Audit Committee. Our two-year term of appointment concluded this year.

Governance assessment in Ukraine

Our work in Ukraine was part of a follow-up project to a governance assessment carried out in 2006. The original project and follow-up were managed by SIGMA (Support for Improvement in Governance and Management). SIGMA is co-financed by the European Union (EU) and the Organisation for Economic Co-operation and Development (OECD) and supports EU candidate countries, potential candidate countries and European neighbourhood countries.

During 2010/11, an audit manager assessed the progress made against recommendations relating to external audit arrangements. This involved a series of interviews with senior officers and politicians based in the Ukrainian Court of Accounts.

When the assignment is complete, we will ask for feedback from our partners in SIGMA and from the Ukrainian Court of Accounts to enable us to assess the impact of our work.

Kosovo Twinning Project

During 2010/11, we worked with the UK NAO as part of a twinning project with the Auditor General of Kosovo's office (OAG). We helped the Auditor General establish information technology policies and procedures, and conducted a comprehensive review of the OAG's information management strategy (see Case study 2).

The twinning project is still ongoing but our NAO partners have indicated that our contribution is having a very positive impact: “the work should lead to a significant strengthening of the IT function at the OAG” and “the work is well received and should make a real difference”.

Case study 2 – Delivering IT policies and Information Management in Kosovo

We were asked by the UK NAO to provide assistance to the Twinning Project with the Office of the Auditor General of Kosovo (OAG). The work was in two parts: developing information technology policies and developing an information management framework. One of our senior auditors made five visits to provide assistance.

The work resulted in a comprehensive set of policies based on international standards, including an acceptable use policy for information technology users. The policies were a result of extensive discussions with the head of Information Technology as well as other stakeholders such as the director of Human Resources, the director of Administration and the procurement officer. The head of IT is taking the lead in further adapting the policies as necessary and implementing good practice.

The information management part of the assignment was less technology oriented. We talked to a number of different staff groups (administration, auditors, translators) about the way they handle information and what they need to make processing electronic information more efficient. After the discussions, we proposed six pieces of work of which four were carried out during subsequent visits. All involved received the work very well. Guidelines on naming files and the use of report templates were particularly appreciated.

An information strategy was produced to help the OAG focus its information management efforts towards its priorities. In addition, an Information Governance Advisory Committee was set up consisting of senior staff from across the office. This formed a strategic and operational advisory group for the head of IT and the Auditor General on information technology and information management issues.

Secondment to the Turks and Caicos Islands

The Deputy Auditor General, Caroline Gardner was appointed Chief Financial Officer to the Turks and Caicos Islands Government by the UK Department for International Development for a 12-month period in September 2010. She has responsibility for all financial decisions for the Turks and Caicos Islands Government, under the authority of the Governor. Her remit includes strengthening the government’s capacity and systems to manage its public finances and balance its budget within three years (see Case study 3).

Case study 3 – Secondment to the Turks and Caicos Islands Government

Caroline Gardner was seconded to the role of Chief Financial Officer with the Turks and Caicos Islands Government (TCIG) in September 2010 for 12 months, at the request of the Department for International Development.

The Turks and Caicos Islands is an overseas territory of the United Kingdom. In 2009, a Commission of Inquiry found that there was a high probability of systematic corruption and serious dishonesty, and the UK Government suspended ministerial government. The UK Government assumed control over TCIG under the Governor, who is appointed by the Queen.

As a result of corruption, mismanagement and the global financial recession, the finances of TCIG are in crisis. It has been running a significant budget deficit since 2007 and has built up high levels of debt as a result. It could not attract further borrowing on the capital markets, and without UK support it would have been unable to pay salaries or fund essential public services. Bankruptcy was only avoided because the UK Government provided short-term financial support. Caroline was appointed as Chief Financial Officer in order to restore financial stability.

The main elements of her role are:

- to deliver an ambitious and sustainable plan to balance the TCIG budget at the earliest possible opportunity within three years, based on a fast and comprehensive, evidence based analysis
- to deliver a refinancing to establish a sound balance of short and long-term borrowing facilities
- to put in place financial appraisal and monitoring systems to ensure effective control and integrity of the Island's finances
- to build capacity to ensure these achievements are maintained and built upon in future.

The refinancing is now complete, involving a \$260 million financing package backed by a UK Government guarantee, and an austerity budget for 2011/12 has been approved, setting TCIG's finances on track to achieve a surplus by the end of 2012/13. The challenge now is to make sure that the budget is achieved in practice, and to build the capacity for good governance and financial management to make sure that TCIG doesn't return to the problems of the past.

Resourcing overseas work

The two members of staff who worked in Ukraine and Kosovo spent around 37 days preparing, travelling, carrying out the work and reporting on the projects. Our strategy is to minimise and recover our net costs in relation to this work. During 2010/11, our contribution to assignments in Kosovo and Ukraine cost £14,071 in staff salaries. We were able to recover staff salary costs for all of this work and received an additional contribution of £2,762 towards our administrative overheads.

The secondment to the Turks and Caicos Islands is fully funded by the Department for International Development.

Travel and accommodation costs for our staff are also met through the projects and partners.

United Nations Audit

During 2010/11, the UK NAO was appointed to the United Nations (UN) Board of Auditors for a term of six years. Audit Scotland was invited to join the NAO's audit team to undertake the financial and performance audits of its portfolio of UN work.

Due to the unique nature of this work, Audit Scotland has taken the decision to treat it separately from the rest of our international work and it is not governed by our international strategy. Audit Scotland staff are part of a larger team managed by the NAO and comply with NAO's governance arrangements and management processes. We do, however, continue to monitor the welfare of our staff on the UN audit team.

An audit manager from our Audit Services Group has joined the financial audit team based in the UN's headquarters in New York. She will spend approximately eight weeks a year in New York, and to date has been involved in audits covering political affairs, disarmament departments and the UN capital masterplan. Her initial feedback is very encouraging: "The work is very rewarding and I am proud to be representing Audit Scotland".

A portfolio manager from our Performance Audit Group is leading a team conducting performance audits in several UN agencies including the UN Environment Programme and the UN International Drugs Control Programme, based in Vienna and Nairobi. He says: "Coordinating resources for the work has been challenging but working with NAO and Audit Commission colleagues has also allowed me to gain further insight into the similarities and differences between our organisations. It has also provided me with useful contacts for future Audit Scotland work".

The two members of staff involved in the UN audit have spent around 65 days preparing, travelling, carrying out the work and reporting on the projects.

We have recovered all staff salary costs for this work from the fee the NAO received from the United Nations. Travel and accommodation costs for our staff are also met by the NAO from the audit fee paid by the UN.

Networking and Influencing

Another element of our international work is our membership of EURORAI (European Organisation of Regional Audit Institutions) and attendance at international conferences. EURORAI is a network of public sector audit agencies across Europe which allows members to share experiences and good practice. In 2010/11, we attended the seventh EURORAI Congress in London. The Auditor General for Scotland led a session at the Congress on 'The increased emphasis on Value for Money as a result of pressures in the economy and how the auditor can help'. At the close of the congress, EURORAI published a statement emphasising the importance of public sector audit in the current financial climate.

Welfare of our staff

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 legislation. During 2010/11, four risk assessments were carried out for staff travelling overseas. We turned down one potential project due, either directly or in part, to the risks associated with the overseas work location.

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