Item 18a
For Information

Public audit in Scotland

2023-28

AUDITOR GENERAL ACCOUNTS COMMISSION AUDIT SCOTLAND

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Welcome

Welcome to Public audit in Scotland.

In this paper we set out the purpose of public audit and how we intend to deliver and drive that purpose.

It introduces our shared vision of a Scotland where public money is well spent so that the needs of its people are met. Through our supporting mission and the outcomes we expect to achieve, we state how our work will have a positive impact on the lives of people in Scotland.

The Auditor General, the Accounts Commission and Audit Scotland believe that a shared vision, mission and outcomes for public audit will strengthen the impact of the public audit partnership by giving us a shared purpose and focus for our work.

In shaping this shared purpose, we have consulted widely. Our vision, mission and outcomes reflect a strong consensus across our external stakeholders and the auditors and colleagues who deliver work on our behalf. We thank all those who have helped us develop this, and are struck by the strong agreement from our stakeholders of the importance and need for effective public audit that reports in the public interest.

Through public audit we aim to assure people about how public money is used and how services perform. We will drive changes where they are needed. And we will support and advocate for improvements to how public bodies operate, how public money is spent and, ultimately, in the outcomes and lives of people across Scotland.

Our purpose

Vision

Public money is well spent to meet the needs of Scotland's people.

Mission

Provide clear, independent and objective assurance on how effectively public money is being managed and spent.

Outcomes

By 2028 we want to achieve measurable change in the following areas:

- Public services in Scotland work better together to target resources more effectively.
- Financial planning and management are more effective across Scotland's public services.
- Public bodies deliver clearer and more transparent reporting.
- Our recommendations have a positive impact for people in Scotland.

The shared vision, mission and outcomes are informed by the Auditor General's priorities and the Accounts Commission's strategy. The key delivery mechanism is Audit Scotland's Corporate Plan. Public audit's strategic planning framework is set out in the Appendix.

Our outcomes

Our outcomes set out the changes we want to deliver through public audit and the impact this will have on public services and on the outcomes that people and communities in Scotland experience. By 2028 we expect to see measureable change in these areas.

1 Public services in Scotland work better together to target resources more effectively

Why we have this outcome

Tackling complex economic, social and environmental challenges such as inequalities and climate change requires a whole-systems approach and better collaboration across public bodies. The pace and scale of reform in the Scottish public sector needs to increase. While public bodies need to deal with their immediate financial pressures, they also need to change how services are delivered to people in a way that more effectively meets their needs. This is important in a funding environment where continuous improvement of all services for everyone may be unrealistic.

This outcome is about the role public audit can have in challenging and influencing spending decisions. It also recognises the potential for public audit to support partnership working across organisations to integrate service provision, prioritise spending, and achieve better outcomes. We believe that we can help deliver this outcome by making recommendations about: partnership working to improve outcomes and foster innovation; the robustness of scrutiny and shared working arrangements; and planning for improved outcomes. We will also seek to share good practice and promote innovation through our audit work.

What impact it will have

Public bodies get better at collaborating and making tough decisions about efficient and effective delivery, targeting spending where it is most needed.

How we'll evaluate it

- Quality and clarity of our recommendations.
- Progress against our recommendations.
- Impact of our recommendations on supporting improvement in public body collaboration and prioritisation of resources.
- Usefulness and impact of good practice and insights shared through public audit.

2 Financial planning and management are more effective across Scotland's public services

Why we have this outcome

Public bodies are facing rising costs and increasing demands, and there are now significant sustainability risks to public services. Public bodies in Scotland need to carefully manage their financial position now and over the longer-term.

This outcome is about the potential for audit to support improvements to financial management and sustainability within public bodies and provide assurance that public money is being spent efficiently and effectively. We believe that we can help deliver this outcome by providing insight to audited bodies about how they can improve their financial management and sustainability and making recommendations focused on these areas.

What impact it will have

Public bodies spend public money more efficiently and effectively to secure the future of public services.

How we'll evaluate it

- Quality and clarity of our recommendations.
- Progress against our recommendations.
- Impact of our recommendations on supporting improvements in public body budgeting, controls and medium- and longer-term planning.
- Quality of financial planning and management in public bodies.

3 Public bodies deliver clearer and more transparent reporting

Why we have this outcome

Openness and transparency around public spending and decision-making is a critical part of effective government. It supports democracy by ensuring citizens have the information they need to actively participate in politics and civic life, and by providing Parliament with the information it needs to effectively scrutinise public spending. Public bodies being accountable to citizens is increasingly important in a landscape of service reduction.

This outcome is about the role public audit can play in ensuring clearer and more accessible reporting on decisions about how public money is spent, and the impact of that spending on the range and quality of services provided to the public. By doing this public audit can help build trust and confidence in the public sector. We believe that we can help deliver this outcome by sharing good practice about clear and transparent reporting and making recommendations about: reporting of decisions and outcomes, and financial and performance information; and monitoring and reporting on outcomes.

What impact it will have

The public have confidence in and being assured about public spending and decision-making.

How we'll evaluate it

- Quality and clarity of our recommendations.
- Progress against our recommendations.
- Impact of our recommendations on improving public body reporting on spending and decision-making.
- Public trust and confidence in public bodies.

4 Our recommendations have a positive impact for people in Scotland

Why we have this outcome

Credible, timely and accurate audit work can make a genuine difference to people in Scotland. By implementing our recommendations, public bodies can: improve how they manage public finances in the short term; improve the longer-term sustainability of public finances; improve the delivery of public services; and ultimately make a difference in areas such as children and young people, education, poverty, communities, the economy, the environment and health.

Public awareness of our work is important in achieving this outcome as it helps ensure decision-makers act on our recommendations. We believe we can help deliver this outcome by communicating the findings of our work to get our messages out effectively, supporting parliamentary scrutiny, developing the audit profession and elevating public audit.

What impact it will have

Public services improve for people in Scotland.

How we'll evaluate it

- Rate of recommendations implementation.
- Reach of and engagement with our work, including public awareness of our recommendations.
- Impact of our recommendations on supporting improvement in public services.
- Public perceptions of public services.

Structure of public audit in Scotland

Auditor General for Scotland
responsibilities under the Scotland Act 1998 and the Public Finance and Accountability (Scotland) Act 2000

Accounts Commission for Scotland
responsibilities under the Local Government (Scotland) Act 1973

Audit Scotland
established under the Public Finance and Accountability (Scotland) Act 2000 to support close working between the Auditor General and Accounts Commission

The Auditor General for Scotland and the Accounts Commission for Scotland are responsible for securing the independent audit of the accounts and performance of public sector bodies in Scotland.

The **Auditor General** is a Crown appointment, independent of Scottish Government and Scottish Parliament. The Auditor General is responsible for auditing: the Scottish Government, central government agencies, Scottish Parliamentary Corporate Body and Commissioners and ombudsman, non-departmental public bodies, NHS bodies, colleges and some public corporations.

The **Accounts Commission** holds local government bodies to account and operates independently of ministers and the Scottish Government. The Commission appoints a Controller of Audit to consider the results of audits of local government accounts and make recommendations.

Audit Scotland is Scotland's national public sector audit agency and supports the Auditor General and the Accounts Commission in delivering their work programmes, appointing auditors and undertaking two-thirds of the annual audits of public bodies.

Context for public audit and our response

Scotland faces some of its biggest challenges in decades.

Economic and demographic pressures mean public services are facing rising demand at the same time that the financial outlook is the tightest it has been since devolution. There are serious risks to the sustainability of services. Difficult choices need to be made about both public spending and service provision, and about balancing immediate concerns with longer-term redesign and change.

In the short term, the cost of living crisis is deepening existing inequalities in areas such as poverty and health, and the opportunities and outcomes for people. Scotland continues its recovery socially and economically from the pandemic.

In the longer term, services need to be reformed to ensure their sustainability, and responding to climate change will necessitate restructuring key parts of Scotland's economy.

In this context, public audit plays a key role in informing and assuring people about how well public money is spent, and about how services perform. It informs, advocates for and supports changes and improvements at public bodies and in services. And it can help improve the efficiency and effectiveness of public spending, the performance of services, and the impacts on the lives of people across Scotland.

It does this by reporting in public on spending and financial management, by examining what public bodies are doing to address short- and longer-term issues, and considering how services are designed and changed. With its unique view of public services, public audit considers the complex relationships and connections across the public sector, and how the problems people face in their lives span organisational and sectoral boundaries. It can put Scotland's people – the citizens who pay for, use and rely on public services – at the centre of understanding how well those services work and of decisions about how money is spent.

We regularly update and publish a review of the strategic risks and issues facing Scotland's public sector. The most recent analysis is available on our website (Strategic risks and issues).

Value and principles of public audit

Public audit in Scotland informs and assures the public about where and how public money is spent, reports on how services perform, and helps public bodies improve.

The tripartite structure provides a unique and valuable oversight across the whole of the public sector in Scotland, enabling a consistent and holistic approach to issues across organisational and sectoral boundaries.

The Code of Audit Practice, the framework that outlines auditors' responsibilities, set outs the following principles for public audit in Scotland.

Independence

Independence and objectivity are critical to public audit, and auditors are independent of the bodies they audit. The Auditor General and the Accounts Commission appoint the auditors, to safeguard the process of public audit from potential or perceived conflicts of interest. All auditors comply with the Ethical Standard for auditors, and with professional guidance.

Wider scope

Public audit is planned and undertaken from a wider perspective than in the private sector. While providing assurance on financial statements is at the core, audits go beyond and consider areas of financial management and sustainability, vision, leadership and governance, and use of resources to improve outcomes. In local government, it also looks at public bodies' duties for Best Value and community planning.

Transparent public reporting

Audit findings are reported in public with the aim of maximising transparency and accountability. Reporting is timely and accessible, and supported by evidence and explanations. Auditors aim to make useful, proportionate and actionable recommendations for improvement.

Relevance

As circumstances change, public audit adapts and develops in response. Anticipating and reacting to changes and emerging risks helps ensure audit is credible and relevant for those holding public bodies to account, to the public and to other stakeholders.

Managing and delivering public audit

Audit appointments and audit fees

The Auditor General and Accounts Commission are responsible for appointing auditors to public bodies and ensuring the delivery of audits. On their behalf, Audit Scotland's independent Audit Quality and Appointments team (AQA) procures auditors from private firms to supplement Audit Scotland's own audit teams. Audit appointments are for five years, based on rotation principles set out in the Ethical Standard. AQA and Audit Scotland's Corporate Finance team set and manage audit fees, reflecting market rates and costs of delivery.

Planning and delivering

The Code of Audit Practice 2021 defines the independent audit of public bodies in Scotland, and all appointed auditors are required to follow it. The Code is updated every five years, in line with the appointment timescales. Auditors are also supported with regularly updated guidance, including annual planning guidance, to respond to changes, emerging risks and new professional requirements.

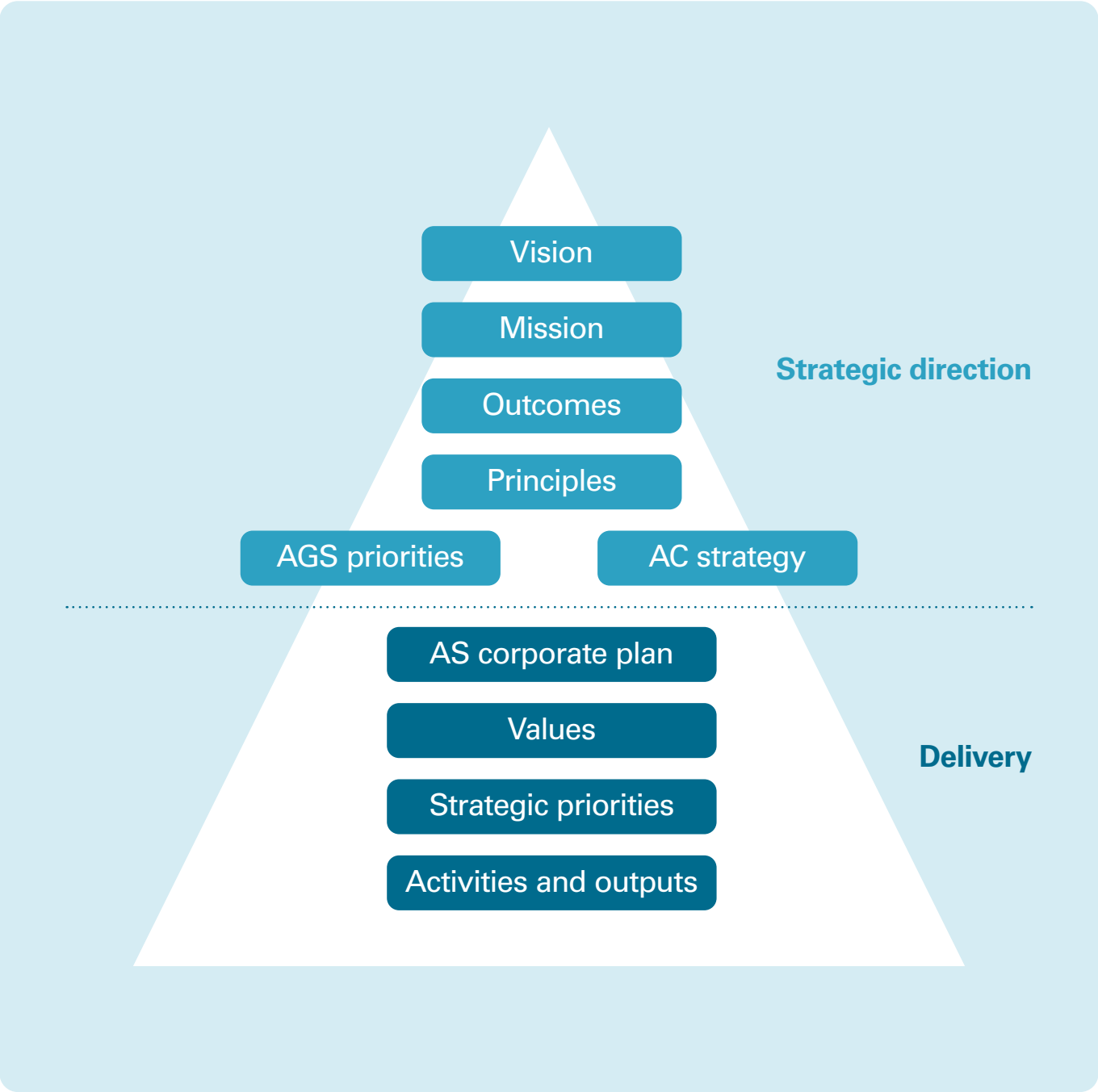
Quality assurance

The Audit Quality Framework, developed by AQA, describes how public auditors deliver audit quality across all work delivered by both Audit Scotland teams and external firms. The framework enables Audit Scotland to assess and report annually on audit quality.

Measuring our impact

Our impact monitoring, evaluation and reporting framework sets out how we measure and evaluate public audit's impact. Our basic evaluation looks at progress against the recommendations in our audits, how our work is influencing change, and stakeholders' perceptions of it. We report biannually to the Auditor General and Accounts Commission on this impact. Our wider evaluation approach will track the impact of our audits and outputs against the outcomes set out in Public audit in Scotland. We will report on this at least twice during the five years of this strategy.

Appendix. Our strategic planning framework



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ISBN 978 1 915839 14 5