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Ms Margaret Jamieson
Convener
Scottish Commission for Public Audit
Scottish Parliament
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31 January 2007

Audit Scotland's Expenditure Proposals 2007-2008

I am writing in response to the Commission's report on Audit Scotland's Expenditure Proposals 2007-2008. I thank the Commission for the report and for the opportunity to respond to its recommendations. Our response to your recommendations is detailed below. Audit Scotland will provide further information about our efficiencies during the 2007-08 budget process. I hope the Commission finds this response helpful but do not hesitate to contact us if you require any further information.

I note that the Commission has also recommended to the Scottish Parliament that our budget bid for 2007/08 be approved.

I would also like to take this opportunity to acknowledge the work of the Commission and its valuable contribution to public audit in Scotland.

Robert W Black
Auditor General for Scotland

Response to SCPA report recommendations

January 2007

Direct and in-direct costs

7. In response to a previous recommendation by the Commission, Audit Scotland has restated its allocation of direct and indirect costs (See Table 3). The statement is supplemented by explanatory notes outlining the basis of allocating each line of budgeted expenditure. The Commission acknowledges the efforts made by Audit Scotland in this regard and considers the level of detail provided in this clear format has aided the Commission's scrutiny of the 2007-08 budget. **The Commission recommends that this statement on direct and in-direct costs is prepared on an annual basis going forward to enable the Commission to better scrutinise Audit Scotland's corporate costs and overheads.**

Agreed. Audit Scotland welcomes the commission's acknowledgement of the clear format of our statement of direct and indirect costs. Audit Scotland will provide this on an annual basis.

Efficiency savings

9. Reference was made to a number of planned cash releasing savings including: a decrease in recruitment costs arising from changes in the way Audit Scotland advertises for staff; and in training costs, due to the downsizing of a management development programme. The Auditor General made further reference to a number of other initiatives including efficiencies in the proportion of support staff to operational staff. The Deputy Auditor General has advised the Scottish Executive that efficiency savings should be defined in terms of measurement, methodology and eligibility. The Commission would recommend a similarly structured approach to Audit Scotland's planned savings. **The Commission recommends that, going forward, Audit Scotland provides a break down of targets for planned efficiency savings (analysed between cash releasing and time releasing).**

Agreed. Audit Scotland will include in future budget proposals explanations of planned efficiency savings.

Audit Scotland has a range of measures in place so that we, and stakeholders, can assess our performance. We are always striving for ways to improve the efficiency and quality of our output and the impact that it has.

Audit Scotland includes a saving as an efficiency saving if it arises from a reduction in expenditure or staff time which is not anticipated to have an impact on the quantity, quality or timing of audit work or if it arises from deciding to stop doing something which is no longer regarded as necessary.

An example of the former type is the reduction in senior management costs, and an example of the latter is the decision last year to no longer publish separate paper versions of local authority performance indicators and to make them available on the web only.

Additional efficiency savings will result in lower than expected audit fees. With the introduction of new international standards of auditing, fees could be expected to rise by 1.5%. However, because of efficiencies identified in Audit Scotland we will not pass this cost on to audited bodies.

Staffing levels

21. The Commission recommends that, in the interest of good governance, the Auditor General should write to the Commission with notification of any proposed increase in Audit Scotland's overall staffing complement and include details of the cost and justification of such an increase. The Commission would also appreciate similar information for any proposed staffing restructuring.

Agreed. Proposed staffing changes at Audit Scotland are first approved by the Management Team and ultimately by the Audit Scotland Board through the budget setting process. Audit Scotland will include details of any significant staffing changes in its annual budget proposal to the SCPA and will inform the Commission of any significant staffing changes or restructurings if these occur outwith the normal budget setting cycle.