

# VI EURORAI Congress 2007



Robert W Black, Auditor General for Scotland

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# **Auditing new forms of financing and outsourcing of public activities**

A case study from Scotland

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- System of government and public audit in Scotland
  - New ways of funding and delivering public services
  - Responsibilities of audited bodies and auditors
  - Audit Scotland's code of guidance
  - Recent developments
  - Public Private Partnerships
  - Key issues for auditors

- Five million people
- New Scottish Parliament created in 1999
- Budget of £31.3 billion
- Health, education, economic development, social services, justice, infrastructure, etc
- Services delivered by 200 public bodies
- Auditor General, served by Audit Scotland

- 200 public bodies
  - Risk-based annual audit
  - Three-yearly Best Value reviews (councils)
- Scottish Parliament
  - Reports on matters relating to the audited accounts of government departments and public bodies
  - Performance audit reports to Parliament

## New ways of financing and delivering public services

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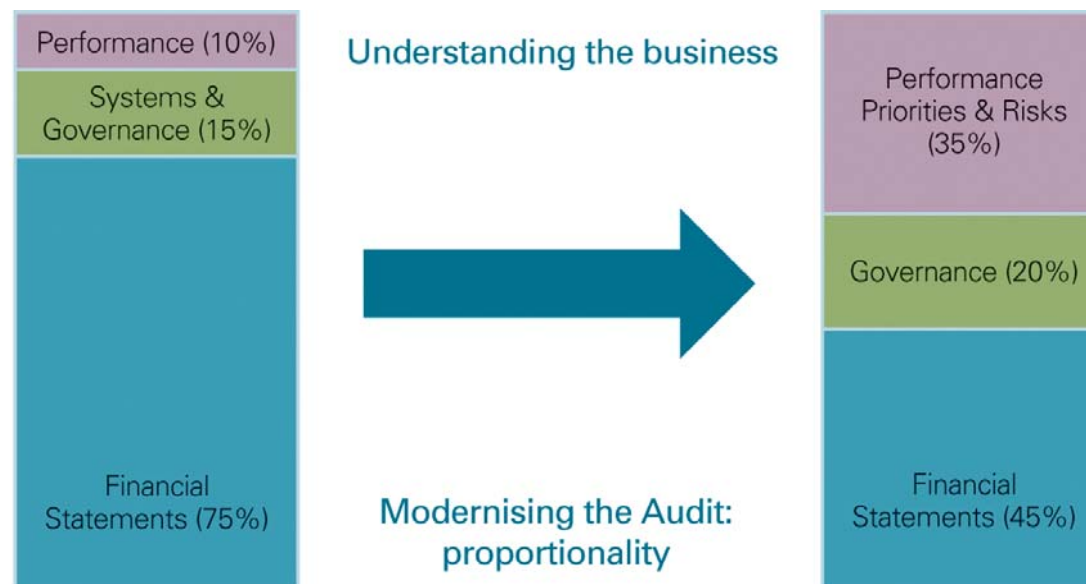
- Councils provided £220 million to 14,000 external organisations in 2004
- More use of public private partnerships (PPPs) to fund investment
- More sharing of services by different public organisations

# The responsibilities of audited bodies and auditors

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- Accounts and financial statements
- Corporate governance
- Legality
- Fraud and corruption
- Value for money

# The changing profile of local auditing





- Clear purpose of transferring the funds
- Clear statement of council's financial commitment and the management arrangements
- Council representation on boards of companies
- Proper employment practices
- Regular reports on financial performance and achievement of targets
- Clear accounting and auditing requirements
- Rights of access for auditors

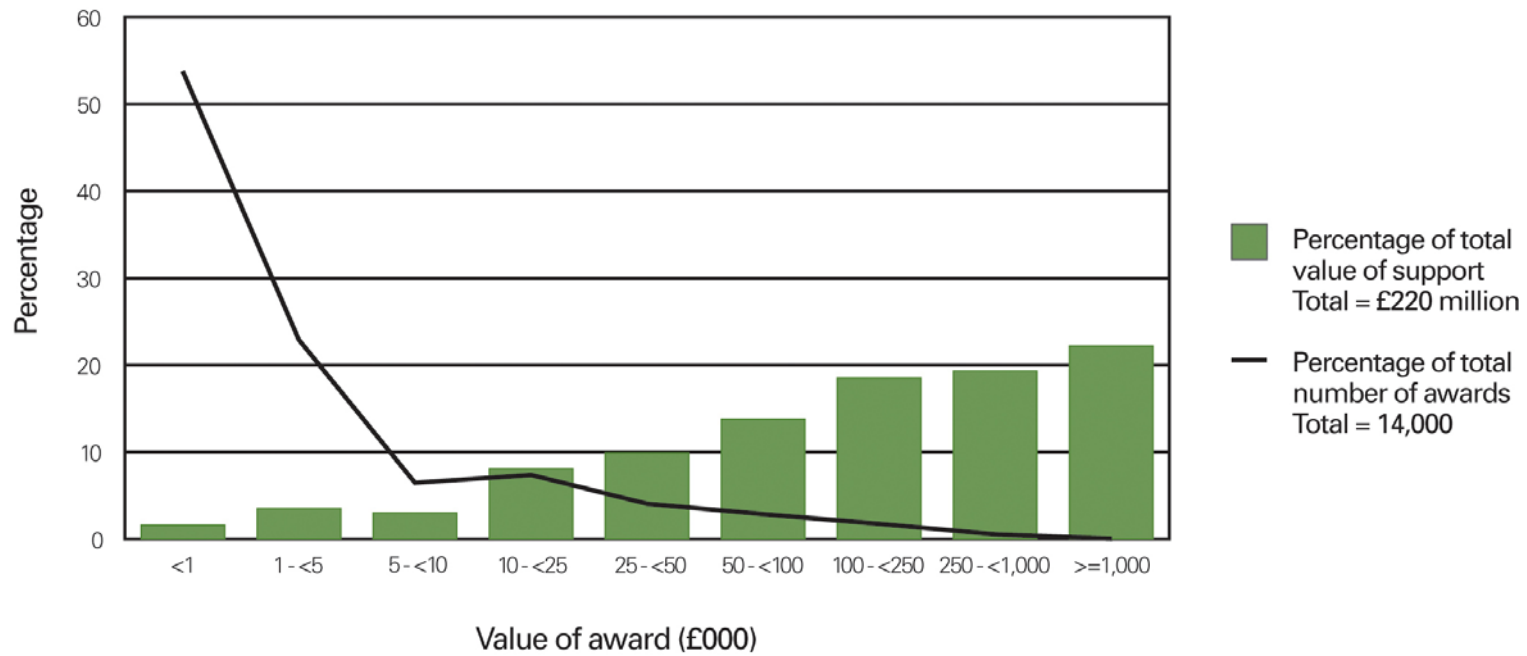
## Following the public pound: recent developments in audit

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- Auditing group accounts for local authorities (the money spent by external organisations)
- Auditing the local systems for managing the external delivery
- Auditing partnerships (for example, community health partnerships in the big cities)
- National report on following the public pound (2005)

- Councils should have better information for scrutinising external organisations
- Councils should have better risk management systems
- Councils should distinguish between large funds and small funds when they are overseeing external organisations

# Value and number of funds transferred by councils in 2003/04



- Complex model of funding
- Political controversy
- Audit Scotland specialist team:
  - Assessment of accounting treatment
  - Assessment of value for money
  - Advice to audited bodies on accounting issues relating to PPP projects

- Partnership working introduces more complex models of accountability
- There should be clearly stated requirements placed on public bodies for the proper management and control of funds going to external bodies (Audit Scotland's code)
- Auditors must rely more on the systems and controls of public bodies (it is impossible to follow all of the money all of the time to the point of delivery)

- Audit Scotland must think about how audits are planned to allow for the complexity and risks of the various models of outsourcing
- Audit planning requires a good understanding of risk