

## **Audit Scotland to Public Audit Committee, dated 17 January 2014**

Thank you for your e-mail of 16 December with the supplementary questions arising from the Committee on 11 December. We welcome the fact that the Scottish Government is consulting with the bodies in question with a view to making the information on settlement agreements more transparent to support public accountability. In doing so it is also important that the Scottish Government recognises the different accountability arrangements which apply to the listed bodies.

On the specific questions raised by the committee I offer the following responses.

### **‘More generally what role does Audit Scotland have in auditing and reporting on in relation to those bodies identified in the Annexes of the Permanent Secretary’s latest *Managing early departures* response?’**

The Auditor General is responsible for auditing bodies as laid down in section 21 of the Public Finance and Accountability (Scotland) Act 2000. For ease of reference I will refer to these as audited bodies. The audit requirement is set out in section 22 of the Act and all annual audit reports are available on the Audit Scotland website.

In terms of the bodies listed in the annexes to the Permanent Secretary’s letter of October, the lists below identify which bodies are audited by, or auditors appointed by, the Auditor General in accordance with the Code of Audit Practice.

#### **Annex A**

- SG Core – audited body
- Crown office and Procurator Fiscal Service – audited body
- Executive agencies – all are audited bodies (8 of 8)
- Non Ministerial Departments – all are audited bodies (5 of 5)
- Public Corporations – Scottish Canals and Scottish Water are audited bodies (2 of 6). Caledonian Maritime Assets Ltd, David MacBrayne Ltd, Highlands and Islands Airports Ltd and SFT are not audited bodies.
- Executive NDPBs – 30 of 33 are audited bodies, with the exception of the Accounts Commission for Scotland, the Royal Commission on the Ancient and Historical Monuments Scotland and the Scottish Agricultural Wages Board.
- Advisory NDPBs – none are audited bodies
- Tribunals – none are audited bodies
- Health Bodies – all are audited bodies (23 of 23 including the territorial health boards)

#### **Annexe B**

- Other significant national bodies – none are audited bodies apart from; Scottish Road-works Commissioner, Scottish Police Authority and Scottish Fire Authority (3 of 15)
- Parliamentary Commissioners and Ombudsmen – all are audited bodies (6 of 6)

You will note that not all of the bodies listed in the appendices are audited by AGS. Caledonian Maritime Assets Ltd, David MacBrayne Ltd, Highlands and Islands

Airports Ltd and SFT appoint their own auditors. For a number of the other listed bodies the payment of grant by Scottish Government to them is subject to audit.

**Specifically in relation the settlement agreements, what plans does Audit Scotland have to undertake any further audit/performance audit work on this issue (including the issue of re-employment of staff at the same organisation from whom they previously received a redundancy payment).**

All annual audits of accounts of bodies that fall within the requirements of Act consider whether expenditure reported was incurred in accordance with any applicable guidance issued by Scottish Ministers. The requirements of the Scottish Public Finance Manual, including any provisions relating to settlement agreements, fall to be considered as part of this requirement.

Audit Scotland does not currently have national performance audit work planned on the issue of settlement agreements or on the issue of re-employing staff who had previously received a redundancy payment. We keep our work programme under review to ensure that our work is adding most value from the resources available to us, and we may consider carrying out work in this area at some time in the future, if we feel that would be appropriate. We will be consulting with stakeholders during 2014 on future audit work and will be keen to get the Committee's views on the audit programme at an appropriate time.

The purpose of the Managing Early Departures report was to provide audited bodies across the public sector with a reminder of the principles of good practice in managing early departures. You may recall the report was based on the standards set out in the Accounts Commission's report *Bye Now, Pay Later*, published in 1997 and a follow-up report in 2003. These reports focused on local government, but their underlying principles are relevant to all public sector organisations.

The Managing Early Departures report extends the expectation across the public sector and provides appointed auditors with a point of reference when conducting the annual audit work.

The 'Scotland's public sector workforce' report published in November 2013 also made a number of recommendations on workforce planning arrangements, including that public sector organisations should collect information on the costs and net savings from their workforce programmes and report these details to boards and elected members.

I hope this information is helpful and please contact me if you require further information.

Many thanks

Martin Walker, Assistant Director