SCOTTISH COMMISSION FOR PUBLIC AUDIT

AGENDA

4th Meeting, 2007 (Session 3)

Wednesday 12 December 2007

The Commission will meet at 11.00 am in Committee Room 4.

1. **Economy, efficiency and effectiveness examination of Audit Scotland:** The Commission will consider potential follow up work from the auditors of Audit Scotland, HW Chartered Accountants, on the economy, efficiency and effectiveness examination of Audit Scotland’s fees and charges.

2. **Commission working practices:** The Commission will consider a paper on its working practices.


Mark Brough
Secretary to the Commission
The papers for this meeting are:

**Agenda Item 1**

Paper from HW Chartered Accountants - 3E's, fees and charges, follow up to the 2006 review  
SCPA/S3/07/04/1

**Agenda Item 2**

Note from the Secretary on Commission working practices  
SCPA/S3/07/04/2

**Agenda Item 3**

Note from the Auditor General for Scotland on supplementary evidence on Audit Scotland’s proposed budget  
SCPA/S3/07/04/3

Draft Report on Audit Scotland’s budget proposal for 2008-09  
*MEMBERS ONLY*  
SCPA/S3/07/04/4
Proposed follow-up to economy, efficiency and effectiveness examination on fees and charges

Paper from the Secretary

1. Section 25(4) of the Public Finance and Accountability (Scotland) Act 2000 provides that the Commission may initiate an examination of the economy, efficiency and effectiveness with which Audit Scotland has used its resources in discharging its functions, and may appoint a person to carry out the examination and report the results to the Commission.

2. At its away day in the summer recess, the Commission noted that the external auditors, HW Chartered Accountants, had conducted an economy, efficiency and effectiveness (3Es) examination of Audit Scotland’s fees and charges regime during 2006.

3. The results of this examination were reported to the Commission and published in late 2006\(^1\). At its meeting on 22 November 2006, the Commission took evidence on the study from HW Chartered Accountants and from the Auditor General and Audit Scotland management.

4. The possibility of conducting follow-up work to review progress made against the recommendations made in that study was discussed in general terms at the Commission’s away day. The Commission invited HW Chartered Accountants to prepare a proposal for follow-up work.

5. A proposal from HW Chartered Accountants is attached as an annexe to this paper.

6. It is expected that a limited follow-up examination would, in part, assist the Commission in ensuring transparency in relation to Audit Scotland’s finances. The findings of such an examination may also provide useful information on which the Commission may base decisions on any future 3Es examinations later in the parliamentary session.

7. Given other committee memberships and time commitments, members of the SCPA have in the past agreed the finalised version of an examination remit by correspondence, having agreed to instruct the auditors to Audit Scotland to agree the wording of the remit with Audit Scotland.

8. The Commission is invited to consider whether it wishes to agree in principle to instruct this follow-up study. If so, HW Chartered Accountants will negotiate the detail of the field work and required time commitment with Audit Scotland. The Commission can schedule consideration of the findings of the examination as part of its programme of meetings for 2008.

Annexe

3 E’s Study – Draft Terms of Reference

Fees & Charges – Proposed follow up to the 2006 review

1 INTRODUCTION

1.1 A 3 E’s study is carried out as part of the statutory external audit of Audit Scotland. As part of its planning agenda the Scottish Commission for Public Audit considered that a follow up review of the detailed 2006 study on Audit Scotland’s fees and charges framework would represent the best use of external audit resources.

1.2 The study is proposed to commence in February 2008, with a report to be presented to the SCPA later in 2008.

2 FEES AND CHARGES

2.1 Audit Scotland’s charging regime is designed to link audit charges to outputs, reflecting both national issues that impact on the auditee as well as local circumstances and allowing part of the charge to be agreed between the auditor and the audited body. Audit Scotland’s publicised objective is to keep audit fee increases to a minimum with all business units committed to savings targets each year.

2.2 The review last year highlighted a number of areas where Audit Scotland recognised and were committed to further developing and improving the overall management arrangements to support greater the effectiveness and efficiency in the delivery of audit services. Notable areas included the following:

- Audit Scotland should continue to ensure that the fixed charge element of the audit fee is relayed to audited bodies in a manner that makes clear the “outputs” that they can expect to receive for this element;
- Audit Scotland should consider further developments in its costing arrangements notably in respect of ensuring that its time recording system is better and more fully utilised. Full use of the time system would support the development of cost measures which in turn could be used as a more accurate basis on which to apportion costs;
- To complement and enhance the control framework and to address Audit Scotland’s key objective relating to “efficient management of financial resources” a greater level of rigour in financial management, in particular monitoring of costs in addition to monitoring of time, should be introduced at group level down to audit engagement/project level; and
Consideration should be given by Audit Scotland into how it can develop its reported performance monitoring through the introduction of some additional high level performance indicators that measure efficiency and effectiveness and that would be open to scrutiny by the SCPA.

3 SCOPE OF THE STUDY

The follow up examination would seek to review the progress made over the past twelve months in addressing the above areas for improvement.

4 METHODOLOGY

4.1 The examination will aim to draw conclusions on the progress made by Audit Scotland against the recommendations set out in last year’s 3E’s review. These conclusions will be informed by:

- Discussions with the Directors of Audit Strategy, Audit Services Group and the Performance Reporting Group respectively together with members of staff within these areas as appropriate. In addition we will also undertake meetings with representatives from the firms;
- Review of documentation as appropriate, such as progress against performance indicators as set out within Audit Scotland’s corporate plan, minutes of meetings and other external reports, for example the review of Audit Scotland’s Best Value auditing arrangements; and
- High level analysis of costing and income data to assess movements in both, with particular reference to the level of indirect audit service provision costs as a proportion of fees generated.

5 TIMESCALE AND RESOURCES

5.1 The timescale of the work is governed by the Audit Scotland’s internal clearance timetable and the scheduled meetings of the Scottish Commission for Public Audit during 2008. At this stage it is our intention to commence the work during February 2008 with a view to completing the review by the end of April 2008.

5.2 The budget estimate for the study is 5 days of partner time, 5 days of senior consultant time and 2 days of consultant time.

5.3 We submit this draft brief for consideration and agreement to proceed.
Privilege for the Commission’s proceedings and publications

Paper from the Secretary

Background

1. In 2006, when considering proposals for amending certain aspects of Standing Orders regarding Commission business, the Procedures Committee sought legal advice as to whether the Commission is covered by section 41 of the Scotland Act 1998.

2. Section 41 provides that statements (whether by Members, witnesses, advisers or parliamentary staff) made in the proceedings of the Parliament and any publications under the authority of the Parliament are absolutely privileged for the purposes of the law on defamation – i.e. in the event of witnesses or other parties taking legal action on the basis of potentially defamatory comments made in committee meetings or contained in committee reports etc. The protection does not prevent an action for defamation being taken, but provides an absolute defence against such an action.

3. The protection has limits. It applies only to statements made in the proceedings of the Parliament and publications under the authority of the Parliament. It does not, therefore, extend to statements made during a fact-finding or case-study visit or other event which is not convened under Standing Orders. Similarly, anything published on a web-page (such as documents submitted for a particular committee meeting), which is not published as a formal report under the authority of the Parliament, is not covered. It is also important to note that the protection applies only to the law on defamation and does not shield members from the operation of the law in relation to other matters – for example, incitement to racial hatred.

4. Although it comprises five MSPs, the Scottish Commission for Public Audit is not a parliamentary committee, but is a public body established under the Public Finance and Accountability (Scotland) Act 2000. The Procedures Committee was, therefore, advised by the Parliament’s Legal Services Directorate that the Commission is not included within the definition of parliamentary proceedings and is not, therefore, covered by section 41 of the Scotland Act.

5. The Commission did not consider this issue prior to the end of Session 2, but noted it in its legacy paper. It suggested that members of the new Commission in Session 3 may wish to give consideration to whether they wish to seek to have a privileged status for the proceedings and publications of the SCPA. Any attempt to achieve this would require primary legislation.

6. Members discussed this issue at the away day in August 2007. At its meeting on 19 September, the Commission agreed to ask to the Secretary to consider an appropriate route by which the Commission may seek to be covered by the same privilege status as parliamentary committees. Although members
considered that such issues may be relatively unlikely to arise in the course of Commission proceedings, they agreed that it would be desirable to seek to extend that protection to the Commission when an appropriate legislative vehicle could be identified.

**Further legal advice**

7. In considering how to take this forward, the Secretary sought updated advice from the Parliament’s Legal Services Directorate. The legal advice emphasised that there are two separate issues: the position of statements contained in Commission publications, and that of statements made during Commission meetings.

8. Formal Commission reports would be publications which are absolutely privileged in the terms of s41(1)(b) of the Scotland Act, as they fall within the definition of material “published under the authority of the Parliament”. This means that, for example, statements in the Commission’s report on Audit Scotland’s budget bid would be privileged. Commission publications, therefore, have the same privilege status as publications of parliamentary committees. The Commission has to exercise the same caution as parliamentary committees in putting material onto its webpage which is not part of a formal publication under the authority of the Parliament.

9. However, the advice remains that statements made during Commission meetings would not be covered by s41(1)(a) of the Scotland Act as they are not "proceedings of the Parliament". This effectively means that anything said by SCPA members (or witnesses, officials or advisers speaking at the meeting) could be subject to an action for defamation. The fact that, when published in the Official Report, the statements then attract absolute privilege does not alter the fact that action for defamation could be taken on the basis of what was said during the meeting. This leaves the Commission in what may be regarded as a more ‘exposed’ situation than that of parliamentary committees.

**What level of protection is deemed appropriate for the Commission**

10. In advance of considering the mechanics of any legislative change, it would be appropriate for some transparent consideration to be given to the issue of principle – i.e. whether it is appropriate or desirable for proceedings which are not parliamentary proceedings to be exempt from the normal law of defamation.

11. There is some recent precedent for privilege being granted to non-parliamentary bodies. For example, the statutory provisions establishing the following posts or bodies grant privilege to them:

- The Scottish Parliamentary Standards Commissioner
- Commissioner for Children and Young People
- Scottish Public Services Ombudsman
- Scottish Commission for Human Rights.

12. However, the statutory basis for these and similar bodies does not grant them all the same level of privilege. Some differentiate between communications by and
to the commissioner. Others grant only qualified, as opposed to absolute, privilege in some situations. (Qualified privilege means that a person is protected against an action for defamation only provided that they can prove that their statements were not motivated by malice – i.e. including ill-will, intent to injure or any other improper motive).

13. Some examples of the different application include:
   - Certain communications both by and to the Ombudsman have absolute privilege.
   - Communications by the Parliamentary Standards Commissioner have absolute privilege, but communications to the Commissioner have qualified privilege.
   - While certain communications by the Children’s Commissioner and her staff have absolute privilege, other communications by them and communications to them only have qualified privilege.
   - A scheme exactly similar to that of the Children’s Commissioner applies to the Scottish Commission on Human Rights.

14. Also, the granting of privilege is not applied consistently to all of what might be considered to be similar bodies. For example, neither the Scottish Information Commissioner nor the Commissioner for Public Appointments in Scotland benefit from privilege as such. The Freedom of Information (Scotland) Act 2002 grants privilege only to the extent of ensuring that a public authority required to disclose information under the Act cannot normally be held liable if it discloses defamatory information provided by a third party.

15. It is clear that the application of privilege has been considered differently in the individual circumstances, role and context of each body when it was established.

16. The Public Finance and Accountability (Scotland) Act 2000 – which established both the Auditor General for Scotland and the Commission - does not provide for either to benefit from privilege. The issue does not appear to have been the subject of debate in the Parliament during passage of the Act. There is no evidence that it was explicitly considered and rejected. There is nothing to indicate whether the issue might have been considered at a policy formation stage but rejected and not presented in the Bill as introduced.

17. It is worth noting that the statutory basis and status of the SCPA is in very similar terms to that of the Public Accounts Commission (the UK equivalent of the SCPA). The National Audit Act 1983, which established the Public Accounts Commission, does not make any provision for privilege to apply to that Commission. Like the SCPA, it is not a parliamentary committee but a statutory body and has no absolute privilege protection. It is believed that it may have qualified privilege for its proceedings, perhaps through a common law rather than statutory basis.

18. These considerations form the background context for discussion as to what level of privilege, if any, would be appropriate for the SCPA. The Commission would also have to consider whether it wishes any protection from legal action to
apply to persons giving evidence to it (as is the case with persons other than MSPs making statements in Parliamentary proceedings).

**Options for pursuing change to the Commission’s status**

19. Introducing amending legislation to grant some degree of privilege to the Commission proceedings is within the devolved competence of the Scottish Parliament. There are different ways this could be done.

20. The Parliament cannot generally modify the Scotland Act 1998. However, this does not apply to modifying certain sections, including section 41 which deals with privilege. It would, therefore, be possible in theory for the Parliament to amend the Scotland Act to include reference to the SCPA in that section. However, as the Commission proceedings are not proceedings of the Parliament, it would arguably be inappropriate to modify section 41, as that section (and indeed all of Part 1 of the Scotland Act) applies only to the Parliament.

21. The correct approach may be to seek to amend the Public Finance and Accountability (Scotland) Act 2000, which establishes, and sets out the functions of, the Commission. To protect against an action of defamation arising out of statements made in the course of Commission proceedings involves a change to the law of defamation specifically dealing with the Commission rather than a change to the Scotland Act. The law on defamation is devolved.

22. The amending legislation required to apply privilege to the Commission would be very brief. There are several different options for how a Bill to achieve this could be introduced.

23. It would be possible for an individual member to seek to introduce a Member’s Bill. However, this issue may be regarded as a ‘corporate’ one and not, therefore, an attractive or appropriate one for an individual member to exercise their rights to introduce a Member’s Bill.

24. A second option would be a Committee Bill. However, the Commission cannot seek to introduce a Committee Bill itself. It would need to initiate discussions with a parliamentary committee with a view to persuading it that it was appropriate to develop a Bill. The Audit or Finance Committees may be the most appropriate options. However, the Committee Bill process is relatively long and onerous – and the various steps need to be observed, even for a very short Bill. A committee might not be persuaded that a relatively small issue (and especially one not initiated by it) is sufficiently important to be prioritised in its work programme.

25. A third option is that a change can be pursued by introducing an amendment to any other Bill which is proceeding through the Parliament, as long as such an amendment would be within the scope of the Bill and otherwise admissible. There would then be no need for the separate inquiry/consultation and Bill process which both the first and second options would require. This option may be judged to be particularly attractive given the very small legislative change being considered by the Commission.
26. An amendment could be lodged on behalf of the Commission by any of its members, notwithstanding the fact that the Commission is not a parliamentary committee. Before lodging an amendment, the Commission could potentially consult or take evidence on some of the issues outlined in paragraphs 10-18 above, or could write to the lead committee on the Bill inviting it to do so.

27. The attractiveness of this third option depends in part on whether any suitable Bill seems likely to be introduced in the foreseeable future. Action resulting from the Session 2 Finance Committee’s Accountability and Governance inquiry may provide an opportunity. The role of the SCPA was included within the scope of the inquiry. One of the recommendations of the inquiry was that a Committee Bill could be brought forward to give specific powers of direction to the SPCB over the budgets of various Parliamentary commissioners and ombudsman. Any such Bill might also have sought to “tidy up” any legislative distinctions and anomalies identified by the SPCB, and the issue of privilege could be raised in that context.

28. The recent report of the Crerar Review on the scrutiny, audit and regulation of public bodies has also covered some of the same territory and may result in a suitable legislative opportunity. It is not yet clear whether, or how quickly, firm proposals for change may emerge from the reaction to the Review. However, some of the recommendations in the Crerar Review (such as amalgamation of bodies and/or changing their status) are likely to require legislative change if they are pursued – both in respect of bodies accountable to the Scottish Government and those accountable to the Parliament. A number of parliamentary committees are likely to be interested in progress on the Crerar Review. The Finance Committee has not yet considered whether it wishes to pursue a Committee Bill. It has agreed initially to take evidence on the Crerar Review at a meeting early in 2008, and has written to the Scottish Government to ask whether it is considering future legislation on this area. It will hear from Professor Crerar, representatives of the SPCB and the Cabinet Secretary for Finance and Sustainable Growth, John Swinney.

**Recommendation**

29. The Commission is invited to:

- note the background material in this paper;
- instruct the Secretary to monitor the progress of legislative developments, and report back on any for which a change to the Commission’s privilege status would be within scope;
- in anticipation that an appropriate Bill may be introduced at some point during this session, agree in principle that it will consider evaluating the possibility of proposing a change to its privilege status in that context.
Supplementary evidence on Audit Scotland's proposed budget – correspondence from the Auditor General for Scotland dated 10 December 2007

At your last meeting to consider the Audit Scotland budget for 2008/09 and the End Year Flexibility (EYF) position, we undertook to write to the Commission with more detailed answers to some of the issues that members raised.

Four areas of interest were mentioned:

- Our 2006/07 financial outturn
- The EYF position over the past few years
- Travel & Subsistence
- Audit Scotland’s equality figures.

I am please to provide you with the information below.

**2006/07 Financial Outturn**

- In 2006/07 Net Operating Costs were £2.416m lower than our available budget. In the same period capital expenditure was £1.043m less than budget
- The main elements of our revenue under spend are noted below

<table>
<thead>
<tr>
<th>Element</th>
<th>£m</th>
</tr>
</thead>
<tbody>
<tr>
<td>FRS 17 Pension adjustments</td>
<td>0.875</td>
</tr>
<tr>
<td>Planned EYF – fees</td>
<td>0.400</td>
</tr>
<tr>
<td>Planned EYF – Crerar review</td>
<td>0.080</td>
</tr>
<tr>
<td>Superannuation &amp; payroll assumptions</td>
<td>0.420</td>
</tr>
<tr>
<td>Consultancy</td>
<td>0.411</td>
</tr>
<tr>
<td>Balance – vacancies less agency etc</td>
<td>0.230</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>2.416</strong></td>
</tr>
</tbody>
</table>
The impact of Financial Reporting Standard for pensions (FRS) accounted for £0.875m of the revenue under spend for the year to March 2007. The introduction of pension scheme rule changes during the year allowing the commutation of pension benefits in return for an increased lump sum contributed £0.437m to the total. The year end accounting adjustments required by FRS 17 contribute to the volatility of certain parts of Audit Scotland’s accounts.

Our fee strategy for 2007/08 requires £480k of revenue funding to be carried forward at March 2007. These funds which are to support fee levels and our work in supporting the Crerar review relate to EYF from financial year 2005/06 which was approved for carry forward in the 2006/07 Autumn budget submission. As these funds were planned to be used in 2007/08 they form part of our 2006/07 under spend.

A further £0.420m of our under spend was attributable differences between the actual rates of employer superannuation contributions and pay increase made in 2006/07 compared to the assumptions made in the 2006/07 budget prepared in the autumn of 2005.

Most of Audit Scotland’s staff are members of the local government pension scheme. Employer contributions payable in 2006/07 were set for three years following an actuarial review in 2005. The rates payable which were not known at the time of our budget submission were 4% lower than assumed in our budget. The lower contribution rate accounted for £0.360m of our under spend.

Annual pay increases for staff are based on the local government agreement. At the time of preparing our 2006/07 budget, the rate of increase applicable at 1st April 2006 was not yet agreed. Our budget assumptions allowed for a 2.95% increase. The actual agreed increase as part of a 3 year deal was 2.5%. The lower increase contributed a further £0.060m to our under spend.

£0.411m of our under spend related to our use of external Consultants. Our budget in 2006/07 provided £1.1m for external consultant costs. The majority of these costs are incurred in our Public Reporting Group where the diverse range of topics and subjects that we review often will require professional skills and advice that our in house team do not possess. During the 2006/07 the nature and timing of our work in this area did not require access to the full budget provision.

In 2006/07 staff vacancy levels on average were recorded at 6.4%. This level of vacancy was higher than the 3.0% figure forecast in our budget, with a resulting reduction in staff costs of £0.430m. Increased agency staff cost £0.274m more than budget. This compensated in part for the lower staff numbers.

As noted above the capital under spend in 2006/07 was £1.043m. £0.743m was attributable to the refurbishment of our offices at 18 George Street. The projected was completed in the autumn of 2007. The balance of the under spend was as a result of delays in a number of IT projects – e.g. printer replacement and electronic data & records system.

End Year Flexibility (EYF) Requests

The following table details our EFY requests over the past 3 years. The years identified relate to the Autumn Budget Revision (ABR) year and are representative of the under spends attributable to the previous financial year. Please note that the revenue figure for 2007/08 excludes the FRS 17 benefit for the year to March 2007.
Revenue EYF rose from £0.430m in 2005/06 to £1.778m in 2006/07 and then fell to £1.541m in 2007/08.

In 2004/05 (2005/06 ABR) the under spend was attributable to chargeable work being further advanced than planned in the budget and the carry forward was used to reduce audit charges in 2005/06.

In 2005/06 (2006/07 ABR) the under spend increased to £1.778m. £0.9m of the under spend arose from chargeable income being above the level assumed in the budget. This was due to all auditors in all sectors accelerating work in their final year of appointment, Audit Scotland teams making good progress in implementing the revised audit methodology and the bringing forward of the deadline for completion of all NHS audits in 2006 from 31st July to 30th June. In reality this represented a one off step change in income recognition during the year. A further £0.3m of the under spend related to EYF from a previous year (2004/05) planned for use in 2006/07. The balance of the under spend was expenditure related. The EFY funding carry forward was partly used to provide fee rebates to audit bodies of £0.5m in 2007/08, to support the 2006 National Fraud Initiative and further development of best value outside local government.

Information on the 2006/07 financial year (2007/08 ABR) is provided above.

The underlying trend is one of a reduction over the period because (a) the 2005/06 (ABR 2006/07) incorporated a significant increase in income recognition which should recur in future years and (b) the 2006/07 (ABR 2007/08) included significant sums due to budget assumption differences.

As discussed at the SCPA meeting on 28th November we view EYF as a necessary way of building up modest reserves to support business continuity. Unlike similar public audit organisations such as the Audit Commission which may hold year-end balances, we are a parliamentary funded body and not a non departmental public body. The ability to use EYF allows us to smooth the fees we charge to audited bodies in years when there is a need to undertake unplanned work or introduce new work streams and standards. Our EYF proposals in the 2007/08 ABR are designed to allow us to support fees in 2007/08 and develop our essential work (IFRS, Crerar review, development of best value audit work) while restricting 2007/08 audit year fee increases to 2%.

In terms of Capital EYF a major part of the value each year is in respect of the refurbishment of 18 George Street. The initial refurbishment was planned to start in financial year 2004/05 but was delayed due to discovery of asbestos within the building. This delay resulted in a £0.900m under spend. In 2005/06 the design work for the building identified a refurbishment solution which exceeded our budget. The design had to be reworked and this delayed the building work. As result a capital under spend of £1.500m was reported in 2005/06. Work on the final design

<table>
<thead>
<tr>
<th></th>
<th>2005/06</th>
<th>2006/07</th>
<th>2007/08</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>0.430</td>
<td>1.778</td>
<td>1.541</td>
</tr>
<tr>
<td>Capital</td>
<td>1.174</td>
<td>1.525</td>
<td>1.043</td>
</tr>
<tr>
<td>Total</td>
<td>1.604</td>
<td>3.303</td>
<td>2.584</td>
</tr>
</tbody>
</table>
commenced in 2006/07 but was not concluded until the autumn of 2007 with a resulting under spend of £0.743m in 2006/07

- Excluding the effect of the building refurbishment capital EYF is of the order of £0.250m per annum
- In 2007/08 we are requesting capital EYF of £1.043m. £0.620m will be used to meet the costs of completing the refurbishment of 18 George Street. A number of other IT projects are ongoing which will utilise EYF and our 2007/08 budget allocation of £0.523m. The main projects are:

  Upgrade and replacement of printers, copiers and scanners – circa £0.200m
  The installation of video conferencing facilities across our sites – circa £0.050m
  Desktop and Laptop computer replacement – circa £0.450m
  (the precise timing of this spend is not yet determined)
  Storage area network – circa £0.250m
  (this project is at tender stage)

  The estimated expenditure on these projects is £1.570m. This is close to the available budget (£1.043m+ £0.523m = £1.566m) but there is likely to be some slippage in, for example, desktop and laptop replacement and the storage area network. An under spend in 2007/08 would lead to a further EYF application for the 2008/09 ABR.

Travel & Subsistence

Our 2008/09 budget proposal for Travel and Subsistence expenditure is 5.6% higher than the agreed 2007/08 budget. This is largely the result of the correction of an error made in the 2007/08 budget which excluded VAT on car lease costs. The 2008/09 proposal now reflects the correct charges for lease cars. Our 2008/09 budget proposal at £880k is actually just 2.5% higher than our forecast for 2007/08.

Actual expenditure in 2005/06 totalled £858k and fell to £851k in 2006/07. We are forecasting that expenditure in the current year will be very similar to that of last year i.e. £850k to £860k. Although expenditure in cash terms has remained consistent over the past three years, the underlying position is one of a reduction in real terms given price increases particularly in respect of fuel and transport costs and the growth in the volume of activity being undertaken by Audit Scotland.

Equalities issues

In Audit Scotland, 50 per cent of our staff are women (current figures) and 50 per cent of the top five per cent of posts are held by women. (Published information for 2006/07 reported that for Scottish Councils 40.4 per cent of the top five per cent of posts were held by women).

Audit Scotland undertakes an annual equality monitoring exercise. The latest report covers the twelve months to December 2006 and includes information in respect of gender and ethnicity profiles for our employees.

Disability information is collected for new employees and is considered only by our external occupational health service in respect of health & safety / Disability Discrimination Act
employment practice. Audit Scotland receives specialist advice from occupational health where applicable. More generally, Audit Scotland has embarked upon a strategy that will lead to the collection of such sensitive information for all existing employees. This began in 2007 and follows advice that Audit Scotland received from occupational health, human resource specialists and our Diversity Working Group. Further details will appear within the 2007 Equality Monitoring Report.

Audit Scotland’s race, gender and disability equality schemes, equal pay reviews and equalities monitoring reports are available from our website.

I hope that this answers the Commission’s points but please do not hesitate to contact me if you require any clarification or further information.