Mr Colin Beattie MSP
Convener
Scottish Commission for Public Audit
Room T3.60
The Scottish Parliament
Edinburgh
EH99 1SP

7 October 2011

Dear Convener

During our evidence session on Tuesday, we offered to provide some further information on some of the areas we discussed.

Voluntary Early Release Agreements (VERA)

We have reached agreements with 17 colleagues who have or will leave Audit Scotland under the terms of our scheme. Each agreement is supported by a business case based on a detailed projection of costs and savings, including those provided by pension funds, where applicable. The actual cost of each departure is finalised at the point when the person leaves. As at the end of September 2011 six staff have left the organisation under the scheme, with the remaining 11 staff scheduled to leave in December 2011. Actual costs relating to the six departures that have already taken place have been very close to the provisions made and we anticipate the total costs will be very close to the overall provision we have made. The VERA scheme will generate net savings of £967k over the three year period used to assess the business cases. Annual savings of £590k will be generated from April 2012.

Recruitment costs

In 2010/11, we spent just under £70,000 on recruitment costs. This figure includes just over £20,000 for the development of a web-based recruitment portal which enables us to manage all employment applications online. This was used for graduate recruitment for the first time during 2010 and is now used for all recruitment. We spent around £20,000 on external staffing recruitment, primarily for the graduate training scheme, and just under £8,000 was the cost of advertising for and recruiting a board member. The balance was spent on assessment and selection centres for internal vacancies.

Audit charges

We agreed to provide further information on the difference between the total charges paid by audited bodies and the amount paid to the auditor. The following table shows the breakdown for each major sector and the notes below explain what activities are covered in the “other” column and which are carried out mainly by central Audit Scotland staff.

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Audit Scotland provides services to the Auditor General for Scotland and the Accounts Commission
<table>
<thead>
<tr>
<th></th>
<th>2010/11 audits</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total charges</td>
<td>Direct auditor remuneration</td>
<td>Other costs</td>
</tr>
<tr>
<td>Local Government</td>
<td>12,848</td>
<td>8,766</td>
<td>4,082</td>
</tr>
<tr>
<td>NHS</td>
<td>4,320</td>
<td>3,392</td>
<td>928</td>
</tr>
<tr>
<td>CentralGov. incl. FE &amp; Water</td>
<td>4,830</td>
<td>4,552</td>
<td>278</td>
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</tbody>
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Our fee strategy explains that we maintain a mixed market of audit, and ensure the independence of auditors in a number of ways, including by rotating audit appointments. This means at different points the delivery of audits will incur higher or lower levels of travel and subsistence costs. To ensure that there is no disadvantage to audited bodies or auditors from this aspect of ensuring independence, we pool all travel and subsistence costs of auditors centrally and recover them as part of the total charges made to audited bodies.

Other activities also include:

Central government – a small contribution to some central costs for example, technical advice to auditors.

NHS – as central government plus a share of the costs of NHS national performance audits

Local government – as central government plus all costs relating to local government national performance audits, statutory best value audits, performance audits of housing and council tax benefits services and the costs of the Accounts Commission.

(Performance audits in central government and part of the cost of performance audits in the NHS are resourced through our parliamentary funding).

**Scheme of delegation**

During the meeting, we discussed various roles at Audit Scotland. It may be helpful to clarify the delegation arrangements that are in place in the event that I am temporarily unable to fulfil my role as Auditor General or Accountable Officer. The purpose of the arrangements is to allow for the functions of the office to be assumed temporarily by a senior colleague, to enable business to continue uninterrupted for a relatively short period of unforeseen incapacity. The Chair of the Board would inform the SCPA that the temporary delegation had been necessary. In the event that the temporary incapacity continued, or the post became unexpectedly vacant, these arrangements provide the SCPA with a small amount of time during which to prepare to make any longer-term arrangements necessary.
I hope this explanation is helpful, and we would of course be very content to discuss this further if the Commission would find that of value.

Please do not hesitate to contact me if you wish any further information.

Yours sincerely

Robert W Black
Auditor General for Scotland