

Minutes of Meeting of the  
Accounts Commission held in the  
offices of Audit Scotland, 110  
George Street, Edinburgh on  
Wednesday 12 July 2006 at  
10.30am.

PRESENT: I Low (in the Chair)  
A Alexander  
J Baillie  
O Clarke  
J Couper  
A Faulds  
K Geddes  
A Leslie  
M Raj  
I Robertson

IN ATTENDANCE: C Gardner, Deputy Auditor General and Controller of Audit  
H Hall, Managing Director of Audit Services  
D Pia, Director of Performance Audit (Local Government)  
W F Magee, Secretary  
R W Black, Auditor General for Scotland (item 9)  
R Nicol, Assistant Director of Performance Audit (items 8 to 10)  
M Walker, Best Value Manager Performance Audit (item 8)  
G Neill, Best Value Manager Performance Audit (item 9)  
J Lincoln, Project Manager Performance Audit (item 11)  
D McGiffen, Director of Corporate Services (item 12)

<u>Item No</u>	<u>Subject</u>
1.	Apologies
2.	Chair
3.	Jean Couper
4.	Minutes
5.	Commission Targets 2006/7
6.	Deputy Auditor General
7.	Managing Director of Audit Services
8.	Best Value Audit of Western Isles Council
9.	Auditing Best Value in Police Authorities – Update on Pilot Work
10.	Developments in Performance Management and Reporting
11.	Inspection of the Administration of Housing Benefit and Council Tax Benefit from 2008
12.	Meeting with SOLACE
13.	Audit Scotland Financial and Performance Information

1. Apologies

Apologies for absence were intimated on behalf of Peter McKinlay and Alastair MacNish.

2. Chair

In the absence of Alastair MacNish, Isabelle Low occupied the chair.

3. Jean Couper

The Commission congratulated Jean Couper on her award of CBE in the recent Queen's Birthday Honours List.

4. Minutes

The minutes of meeting of 7 July 2006 were submitted and approved. Arising from the minutes the Commission noted the following –

- Discussions are continuing with the Commission's sponsor branch in the Scottish Executive concerning membership of the Commission
- The Best Value audit report of Renfrewshire Council was published on 6 July
- The consultation on the 2006 Performance Indicators Direction is under way
- The Commission's Annual Report was circulated to stakeholders at the end of June and copies were circulated to members. In discussion the Commission agreed that in the future the description of Commission members should give less prominence to their place of residence.

5. Commission Targets 2006/7

With reference to paragraph 11 of the minutes of meeting of 8 March 2006 detailing discussions at the Annual Strategy Seminar there was tabled a note of proposed targets for the Commission for 2006/7, rolling forward the targets for the previous year with appropriate adjustments. After discussion the Commission agreed to approve the targets as contained in Appendix 1 to these minutes, and to review these for 2007-8 with a view to making them SMARTer.

6. Deputy Auditor General

Caroline Gardner referred to a number of matters of current interest including the preparations being made to contribute to the Scottish Executive's Scrutiny Review.

7. Managing Director of Audit Services

Hugh Hall referred to a number of matters of current interest including the timeous submission of all council accounts.

8. Best Value Audit of Western Isles Council

There was submitted a report by the Secretary introducing the Controller of Audit's report on the Best Value audit of Western Isles Council. The Controller of Audit's report was made to the Commission under section 102(1)(c) of the Local Government (Scotland) Act 1973. The Controller of Audit and members of the Best Value team

answered questions from members. Thereafter the Commission agreed to make findings as contained in Appendix 2 to these minutes.

9. Auditing Best Value in Police Authorities – Update on Pilot Work

There was submitted a report by the Deputy Auditor General advising the Commission on progress with the pilot audit work carried out in a Police authority. The report referred to the Commission's previous consideration of the approach it might adopt to the audit of Best Value and Community Planning in Police authorities and its approval for pilot audit work which was intended to identify any issues which would limit the application of the council approach and provide a sample of audit reporting on Police authorities. The report went on to outline progress with the pilot audit, key audit results arising from the pilot work, potential limitations to the joint approach and wider issues to be considered, including –

- Lack of clear guidance on role of Boards
- Operational autonomy of the Chief Constable
- Continuing centralisation of Police structures
- Tripartite arrangements.

The Commission welcomed the Auditor General who was present for discussion of this item and he outlined the context for the development of the concept of Best Value in the wider public sector. Thereafter a number of points were made –

- The report was welcome and demonstrated the value of the pilot exercise
- There are questions about the operation of the tripartite arrangements for policing involving Boards, Chief Constables and the Scottish Ministers
- The report highlights the difference of approach between Best Value audit and inspection, and has wider lessons for Best Value roll-out.

Thereafter the Commission agreed –

- i. to note the progress on the pilot audit work in a Police authority;
- ii. to approve the conclusions and recommendations in the report designed to take the issues forward and provide a further report for consideration at the Commission's September meeting with options for future work that take account of the views of the Auditor General, Her Majesty's Inspector of Constabulary, COSLA and the Scottish Executive.

10. Developments in Performance Management and Reporting

There was submitted a report by the Director of Performance Audit (Local Government) providing the Commission with information about recent developments in performance management and reporting for local government in Scotland. The report gave details of the performance management project being led by the Scottish Executive which had featured in the Commission's previous consideration of proposals for the statutory Performance Indicators Direction 2006. The report also outlined the Scottish Executive's current approach to the development of public performance reporting by local authorities including a recent circular announcing that Ministers will not introduce further regulations pending the work of the Performance Management Project referred to above. The Commission reaffirmed its commitment to a policy-focused approach to key performance indicators and noted the report.

11. Inspection of the Administration of Housing Benefit and Council Tax Benefit from 2008

There was submitted a report by the Director of Performance Audit (Local Government) referring to previous consideration by the Commission of a proposal to assume responsibility for the inspection of local authorities arrangements for administering housing benefit and council tax benefit (HB/CTB) from the Benefit Fraud Inspectorate (BFI) from 2008. The report outlined the background to negotiations which had been carried out by Audit Scotland and described the move towards targeted and risk based inspections, inspection after 2008, links to other audit work and funding issues. After discussion the Commission agreed –

- i. to note the issues arising to date from discussions with the BFI and others concerning HB/CTB inspection activity in Scotland after 2008;
- ii. to endorse the proposal that the Accounts Commission assumes responsibility for the inspection of local authorities arrangements for administering HB/CTB from the BFI from 2008;
- iii. to encourage the consideration of funding options which did not involve direct funding of Audit Scotland by the Executive or the Scottish Parliament;
- iv. to express caution about an early announcement of the proposals pending resolution of funding discussions, and
- v. otherwise to authorise Audit Scotland to continue negotiations with the Department of Work and Pensions, the Scottish Executive, the BFI and councils on future arrangements.

12. Meeting with SOLACE

There was submitted and noted a note of meeting between representatives of the Commission and Audit Scotland and Society of Local Authority Chief Executives on 12 June 2006. Arising from discussion the Commission welcomed the proposal for an annual meeting with SOLACE to discuss issues of common interest.

13. Audit Scotland Financial and Performance Information

There was submitted a report by the Director of Corporate Services outlining financial and performance information by Audit Scotland in the 12 months to 31 March 2006. In discussion reference was made to the options for utilising the surplus generated by Audit Scotland in 2005/6 for the benefit of stakeholders, including staff development work and future fee levels.

Thereafter the Commission noted the report.

**ACCOUNTS COMMISSION TARGETS FOR 2006-7**

Strategic objective	Strategic goal	Target	Measured by
1. An effective independent financial audit and assurance programme	Accurate, clear and unambiguous reports for audited bodies and other stakeholders	1.1 A well-planned, well-delivered programme of reports on individual audited bodies	Delivery as against timetable, and stakeholder response whilst preserving independence
		1.2 Overview report highlights the strengths and weaknesses in internal controls and governance; and the material risks in comparison with previous years	Media coverage and stakeholder response
		1.3 Audit quality reviewed to secure best value, to include more time-efficient methods and approaches to work	Part of outcome of quality assurance review
2. The effective introduction of the Best Value audit programme	Successful first cycle and lessons learned for the future, both about the process and about real improvements in service delivery	2.1 Best value audit programme delivered on time	Performance reflects plan
		2.2 Stakeholders recognise accuracy and value of outputs	Stakeholder response
		2.3 Audits result in well-focused improvement plans likely to deliver progress	Assessment of improvement plans
		2.4 Lessons implemented for future audits	Mid-term review including external and stakeholder input

Strategic objective	Strategic goal	Target	Measured by
3. An effective performance audit programme	More joined up reporting with more direct impact	3.1 Improved publicity for outputs in current study programme	Media coverage and stakeholder response
		3.2 Impact of previous study programme assessed and lessons learned	Changes to date resulting from outputs in 2005-6 compared with plan
		3.3 Improvements in impact from future study programme	Improved scoring re criteria; and stakeholder response
4. The effective publication of performance information	Improved content, driving change and more accessible to the public	4.1 Improved performance overall	SPI data for 2005-06
		4.2 Improved and fairer publicity for outputs	Media coverage and stakeholder response
		4.3 Reduced burden on councils	Stakeholder response
		4.4 Improved accessibility for stakeholders	Stakeholder response
5. Good corporate governance of the Accounts Commission	Full compliance with best practice	5.1 Audit Scotland held to account for delivery	Commission scrutiny of quarterly performance information
		5.2 Members have performance assessed	Forward objectives and appraisals
		5.3 Improvement in cohesion and effectiveness	Annual review of corporate effectiveness

**ACCOUNTS COMMISSION FOR SCOTLAND**  
**BEST VALUE AUDIT OF WESTERN ISLES COUNCIL**  
**COMMISSION FINDINGS**

1. The Commission accepts this report on the performance of Comhairle nan Eilean Siar's statutory duty to secure Best Value and to initiate and to facilitate the Community Planning process. The Commission recognises that the report gives a broad picture of the Comhairle's performance based on the work of Audit Scotland and the findings of other scrutiny bodies such as Inspectorates and that it does not attempt a comprehensive review of all service delivery. They acknowledge the co-operation and assistance given to the audit process by members and officers of the Comhairle.
2. The Best Value audit process seeks to review the performance of each council in its context, which means that there will always be particular circumstances which affect that council. In the case of Comhairle nan Eilean Siar the factors which distinguish its situation include –
  - Physical location and geography presenting major communication and transport challenges
  - Small dispersed population in rapid decline and with a markedly ageing profile
  - Economic growth significantly lower than the UK average with local people having low earnings
  - High reliance of the economy on the public sector as a source of employment
  - Historical disparity in infrastructure and development between different parts of the area.

The Western Isles also experiences the common difficulties faced by local authorities, often in more acute or extreme ways.

3. The Commission is concerned that the Comhairle is currently unable to demonstrate a commitment to continuous improvement which is built into its processes. Without this, the Comhairle will find it increasingly difficult to deliver effectively for its population. Particular areas of concern for us are –
  - The failure, in the period since the announcement of the ending of compulsory competitive tendering, to plan for and to introduce Best Value processes
  - The absence of robust performance management arrangements
  - Where available, performance information gives, at best, a mixed picture of service delivery
  - A lack of policy-led budgeting
  - A lack of corporate management and co-ordination in procurement, human resources, ICT and asset management
  - Concentration by members on detailed management issues leaving less time for development and delivery of strategic objectives
  - Decision making processes which, in some circumstances, give an effective veto to individual councillors, so making strategic policy initiatives such as school closures impossible to implement.

- A very poor working relationship with the health board which we view with particular concern given the importance to the islands of public sector investment, and so the good governance of public sector bodies. The relationship needs to be improved very urgently
4. But the Commission recognises that the Comhairle also has a number of advantages and strengths on which it can build–
- Strong foundations in and engagement with its local communities
  - A good level of self awareness
  - Leadership by active and committed elected members
  - An ambitious vision for the Western Isles, although it is not clear that credible mechanisms are in place for its effective and efficient delivery
  - Significant amounts of debate in an open environment
  - Staff who have a clear stake in their communities
  - Effective financial stewardship and a strategic approach to capital planning.
5. While recognising the distinctive situation of the Western Isles we must emphasise that the Comhairle has a duty to make arrangements which secure Best Value and to lead the Community Planning process among public and community bodies, and the council needs to adopt a more focused approach before it can be said to be fully discharging those duties. The pace of change within the Comhairle must increase and it needs to demonstrate a more effective and systematic approach to continuous improvement if it is to be able to cope with the challenges ahead. We are encouraged by the fact that the Comhairle has commissioned its new Chief Executive to undertake a root and branch review of how the authority operates, but we would like to have seen a firm timetable for its completion. If the Comhairle is to demonstrate that it is fulfilling its duties on Best Value and Community Planning, the improvement agenda set in part 4 of the report must be actively pursued with a clear timetable and specific “milestones”. We therefore look forward to receiving from the Comhairle an Improvement Plan which is specific as to resources, responsibilities and timescales to deliver this important agenda.