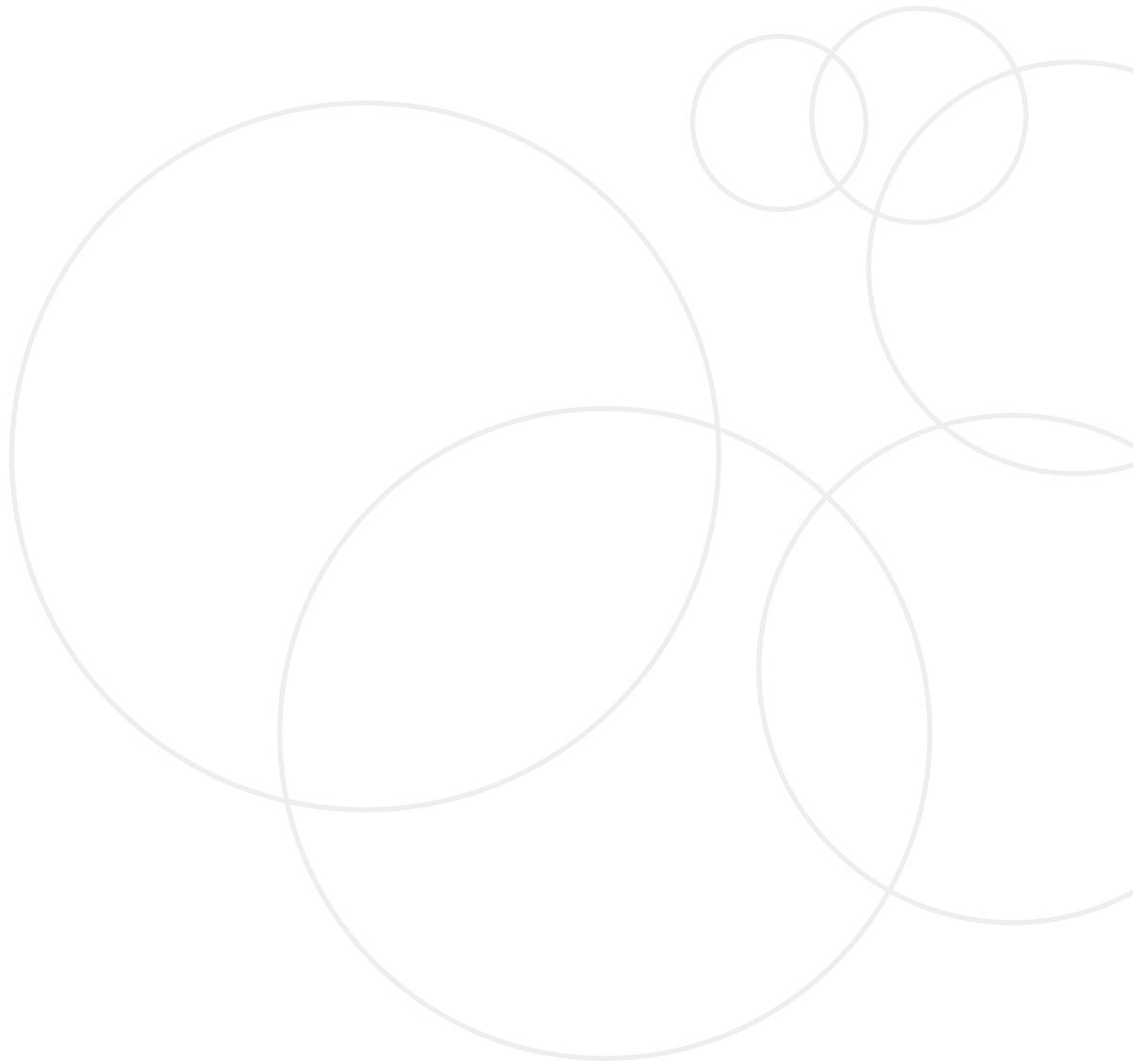


ANNUAL REPORT 2000





Local authorities spend over **£9 billion** of public funds a year

The Accounts Commission is a statutory, independent body, whose overall purpose is to hold local government to account by using the audit process to:

- give assurance on probity, stewardship and financial management
- effect continuous improvement
- promote the economic, efficient and effective use of resources
- secure the fair presentation of financial and performance information.

The Commission secures the audit of 32 councils and 34 joint boards (including police and fire services).

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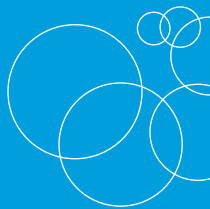
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Introduction

by Ian Percy, Chairman

As we celebrate our 25th anniversary the Accounts Commission continues, through the audit process, to give assurance on probity, stewardship and financial management in Scottish local government.



On 1 April 2000, the Accounts Commission celebrated the 25th anniversary of its formation in 1975. It was a historic moment given that on the same date Audit Scotland was formed under the Finance and Accountability (Scotland) Act 2000 as the new body set up to serve the needs and meet the objectives of both the Accounts Commission and the Auditor General. Our previous Controller of Audit, Robert Black, took on the official mantle of Auditor General for Scotland, and he and I have been pleased to work together in the creation of the new body.

The Accounts Commission continues its important policy role of securing the audit of local government and through the audit process giving assurance on probity, stewardship and financial management. Our purpose is also to effect continuous improvement and to promote the economic, efficient and effective use of resources as well as securing the fair presentation of financial and performance information.

Over the past year we have been served well, firstly by Harris Wells as Controller of Audit until October 2000, and by Ronnie Hinds who took up his official position on 1 October 2000. Ronnie is also Deputy Auditor General in Audit Scotland along with Caroline Gardner who is Deputy Auditor General for Performance Audit which includes our value for money and Best Value initiatives. Together they direct the work required by the Accounts Commission and the Auditor General and are held accountable by them for that activity.

Stewardship, probity and financial management

Stewardship, probity and financial management in Scotland's local authorities are generally sound. That is the message recently received from the overview report of the Controller. The picture emerging is of councillors and officers exercising prudent financial management without the abuse of public money. There are, of course, areas for improvement, particularly within certain councils with regard to governance and internal control.

There has also been evidence this year of improved financial management and performance in DLOs and DSOs. Finally, I am pleased that every council in Scotland for the first time in our history achieved the deadline of the presentation of their accounts for audit by 30 June 2000 and that at the time of writing almost all the audits have been completed.

Turning to governance and control, councils have clearly been examining their political and management structures through the catalyst of the Leadership Advisory Panel and it is evident that the principles of Audit Committees are now more prevalent across Scottish local government. As we move into a regime of community planning and the removal of surcharge, more weight will be given to proper governance and behaviour, thereby making the relationship between the Accounts Commission and the new Standards Commission, when set up, extremely important.

We have a quasi-judicial role in holding local government to



During the year, a significant achievement was made by all authorities in meeting the statutory deadline for submitting accounts for audit.

account in the interests of citizens when shortcomings are reported by the Controller of Audit. The Controller of Audit reported on the financial management of Inverclyde Council and the Commission held a hearing on 23 August 2000. Through that process the council has prepared action plans and moved some way down the road of achieving those. The Commission continues to monitor the position, recognising the difficulties but at the same time seeking to obtain assurance that the financial management of the local authority is strengthened. The Controller also reported on the externalisation of residential homes for older people in Dumfries and Galloway Council and this piece of work was recognised by the Commission as identifying a number of important lessons for local government in future similar exercises.

Value for money and Best Value

On the value for money and Best Value front, we continue to work closely with Ministers and the Scottish Executive on the establishment of an effective framework that holds Scottish local authorities to account but which encourages continuous improvement. Later in this report

you will find details of our work in both of those areas which are so important if Scotland is to get the best out of the financial and human resources which local government has. A framework that holds local authorities to account but which encourages continuous improvement. An important feature of our policy has been to encourage local government to consider not only the best, most efficient and effective ways of delivering services themselves, but also to examine alternative methods of delivery and it is encouraging to have seen this developing in certain councils. We are also working closely with service inspectorates to reduce duplication and to get the best value out of our collective resources.

A key objective is to effect continuous improvement in the use of financial and other resources and, where possible, to identify savings. The report on refuse collection identified potential extra income of £10 million and the report on rent arrears identified improvements which could result in the collection of an extra £6 million. Although the amount of council tax collected in the year increased by around £13 million we remain concerned that the levels of council tax collected

remain significantly low in certain authorities. If all councils performed as well as the best, an extra £52 million of council tax could be collected on time.

Strategy

An important legislative development for the Commission was the Ethical Standards in Public Life etc (Scotland) Act 2000. Through this Act the Scottish Parliament abolished surcharge in Scottish local government and introduced a new regime for dealing with misconduct. When the provisions of the Act are brought into force, the Commission will have the power to censure, suspend or disqualify councillors who are responsible for illegality or financial loss due to negligence or misconduct.

The move to abolish surcharge was welcomed by the local government community and I am pleased that the Parliament took the opportunity to ensure that the Commission's processes, including the right of appeal to the Sheriff Principal, are up-to-date and secure the rights of individuals as well as the public interest. I continue to believe that we will not need to make extensive use of these powers but we remain resolved to do so when necessary.

Prompt reporting and completion of audits are vital to the public accountability regime.

We now have arrangements to ensure proper governance and sound stewardship in local government fit for the 21st century.

On strategic issues, we have consulted with local government and other stakeholders, including the private sector, on our strategy for the next three years. I am pleased that our Strategy Document 2001-2004 is now published. To achieve our purpose we have set ourselves the following objectives:

- maintaining propriety in local government, working with all other agencies to promote sound stewardship and high standards of conduct
- positioning the Commission as the advocate of improved performance in the interests of citizens as users and paymasters of local government services
- working with the Auditor General for Scotland and the Scottish Parliament to improve the process of accountability in the public sector in Scotland
- developing the contribution of the audit and inspection process to performance assessment and continuous improvement in local authority services under Best Value.

Audit procurement

We are currently engaged in implementing our audit procurement strategy in partnership with the Auditor General. This year we will make audit appointments for 2001/2006 across all the audited bodies within our remit. This will be co-ordinated with appointments made by the Auditor General in his areas of responsibility. This will enable all audited bodies to look forward to a period of stability in their external audit arrangements while refreshing the approach to audits through a process of rotation of auditors. On the subject of charging, Audit Scotland will be consulting on the new charging regime aimed at giving incentives for improvement of systems and fairly allocating the rest of our Best Value and value for money obligations. I am confident that both audited bodies and auditors will benefit from the new arrangements going forward.

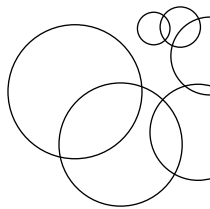
Staff and membership

Although the Commission no longer directly employs staff we still work very closely with them in their new role in Audit Scotland. We in the Commission owe them all a great debt of gratitude for their commitment and effort over the years.

I would like to make particular mention of Harris Wells and Bill Hay who retired from the service in the course of the year. Between them they clocked up 50 years of dedicated work for the Accounts Commission and many of its achievements can be laid at their door. I thank them and wish them well for the future, and I know from our quality assurance programme that local government will be well served.

I would like to thank the members of the Commission for the work which they have put in and for the support which they have given me. During the year Marcia Campbell reached the end of her period of office on the Commission. She brought great experience and insight to our deliberations, and took a particular interest in the Commission's staff through her chairmanship of the Remuneration Committee. We wish her well for the future.

I am delighted that the Minister for Finance reappointed Brian McGhee, Donald McNeill, Rosalyn Marshall, John Mullin and Ian Stewart for a second term of office as Members of the Commission. We continue to enjoy a wide spread





Although financial management is generally sound, there are concerns about continuing weaknesses in basic financial controls in some councils.

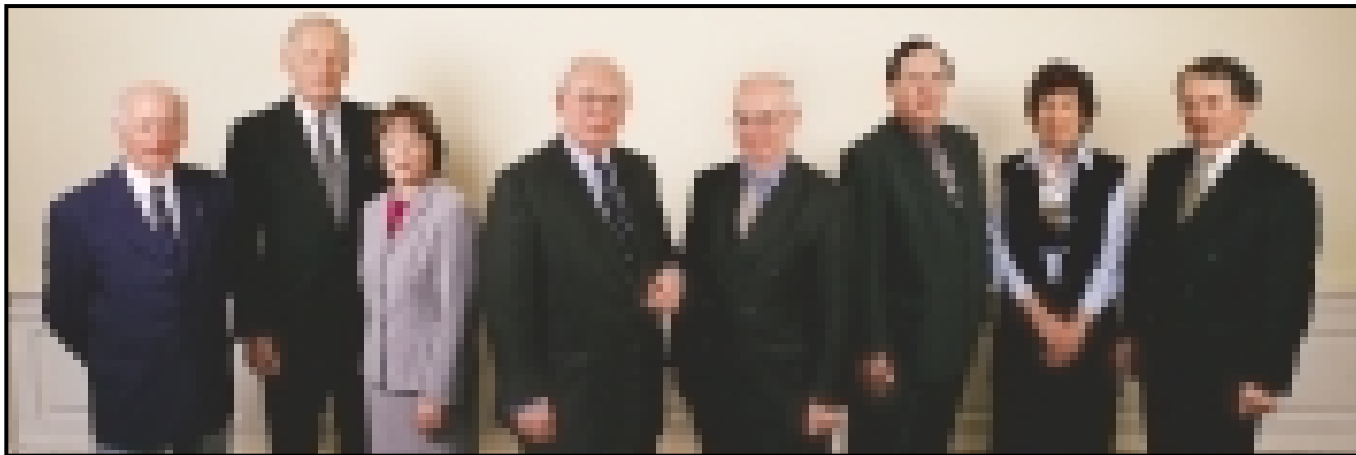
of background and experience in the membership of the Commission and this undoubtedly contributes greatly to the success of our work. It has been perhaps the greatest pleasure of my term of office as Chairman to work with so many colleagues who have brought wisdom, enthusiasm and a positive commitment to the Commission over the years and I am grateful to them all.

There are many others whose help and support I have appreciated, including members and officers in councils and COSLA, Ministers and officials in the Scottish Executive, members and officers of the Scottish Parliament and professional colleagues in bodies such as the NAO, the Audit Commission, CIPFA and ICAS. It is a truism to say that we depend on others for the successful achievement of our purpose, and I give acknowledgement and thanks for it.

My term of office as Chairman of the Accounts Commission expires in September 2001. It has been a privilege and a genuine pleasure for me to serve both in this role and as the first Chairman of Audit Scotland. I have seen enormous

change and development in the public sector audit regime in Scotland and I am certain that it is very much for the better. We now have a much greater and more appropriate emphasis on accountability and public scrutiny in Scottish public life and we can recognise that financial stewardship in Scottish local government is sound. I am confident that we now have an appropriate framework for the Commission in the new, devolved Scotland to maintain public confidence in financial stewardship in Scottish local government.

Ian Percy Chairman



(L-R) I Stewart, G Millar, R Marshall, I Percy, B Merchant, J Mullin, E McLean and B McGhee.

We aim to ensure a firm but fair approach to holding local government to account in the public interest.

Commission members

When Professor Percy retires later in 2001 he will have served nine years as Chairman of the Commission. The Minister for Finance extended his two four-year terms for a further year to ensure a smooth transition to the new public audit arrangements under the Scottish Parliament. As well as a new Chairman, the composition of the Commission will change significantly over the next two years as five members are due to retire in 2002 and in 2003 a further five members will have completed their maximum membership period and will also be due to retire.

The Chairman and members of the Accounts Commission are recruited and appointed by Scottish Ministers. Members meet monthly to consider the business of the Commission and carry out their work through a number of specialised committees which meet separately.

The work of the Accounts Commission is carried out by Audit Scotland. A list of audited bodies and their auditors is provided in Appendix 1.

Chairman – Professor Ian Percy CBE LLD CA
Deputy Chairman of Scottish Provident Institution. Non-executive Director of The Weir Group plc, Deutsche (Scotland) Limited, William Wilson Holdings Limited, Kiln plc, Ricardo plc, Cala group Ltd and member of the Steering Board of Companies House, Scottish Legal Aid Board and formerly Senior Partner of Grant Thornton. Deputy Chairman of the Auditing Practices Board, a member of the Local Government Leadership Advisory Panel and a past President of the Institute of Chartered Accountants of Scotland.

Deputy Chairman – Bruce A Merchant OBE LLB
Senior partner in South Forrest, Solicitors, Inverness. Formerly Vice-Chairman of Highland Health Board.

Wendy Goldstraw BSC MCIPD DBA
Member of the Governing Body of the Scottish Crop Research Institute. Formerly Regional General Manager, Post Office Counters Ltd, for Scotland and Northern Ireland, and member of the Scottish and Northern Ireland Post Office Boards.

Frank Kirwan BA MA
Chairman Crystal Media Group. Director Underwriter Insurance Ltd, Display Solutions International Ltd. Trustee and Honorary Treasurer Oxfam UK, Member of East Lothian Children's Panel. Visiting Professor at the University of Edinburgh Management School. Formerly Director of UK Retail Banking, The Royal Bank of Scotland plc.

Brian W C McGhee MA CA MSI
Chairman of Magnum Power plc, Director Vianet Group plc, Gi Group plc, Saltire Leisure Group, Infinite Data Storage Limited, Pharma Imaging Limited, Mallmax Limited. Former partner of Arthur Andersen and Chairman of the Audit Practices Committee of the Institute of Chartered Accountants of Scotland. Board member of Festival City Theatres Trust and the Securities Institute.

Elizabeth K McLean
OBE BA RGN SCM HV(CERT)
Formerly Chief Area Nursing Officer with Lothian Health.

Donald McNeill OBE FHSM
Secretary, Scottish Council of Institute of Health Services Management. Development Officer, Multiple Sclerosis Society (Ayrshire). Former Chief Executive, South Ayrshire Hospitals NHS Trust.

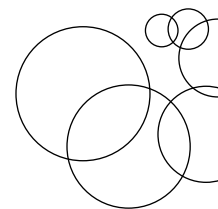
Rosalyn Marshall BSC FCCA
Vice-Principal (Strategic Planning and Development) of Queen Margaret University College, Edinburgh. Member of the UK Higher Education Value for Money Committee.

Geoffrey T Millar
MB FRCS ED FRC OPHTH D OBST RCOG
Formerly Consultant Ophthalmologist at the Royal Infirmary and Western General Hospitals, Edinburgh and St John's Hospital, Livingston.

John G Mullin
Communications Consultant. Chairman of Renfrewshire and Inverclyde Primary Care NHS Trust. Non-executive Director of Argyll & Clyde Health Board. Non-executive Chairman of National Jazz Institute and non-executive Chairman of the Strathclyde Youth Jazz Orchestra. Formerly member and Finance Chairman of Strathclyde Regional Council.

Ian Stewart OBE CPFA
Treasurer to the Episcopal Diocese of Glasgow and Galloway and to several organisations in the voluntary sector. Former Director of Finance and Depute Chief Executive, Dumfries and Galloway Regional Council. Past Chairman of LASAAC and CIPFA Scottish Branch.

Members who retired
Marcia Campbell retired in September 2000.





Controller of Audit's

The first year of the new millennium was a year of significant change for the Accounts Commission, with the creation of Audit Scotland and the transfer of responsibility for NHS audit to the Auditor General.

The new audit arrangements have been the occasion for a wide-ranging review of public sector audit in Scotland. During 2000, for example, the *'Code of Audit Practice'* was updated to reflect the increasing emphasis on corporate governance, risk management and performance audit. Stakeholder bodies, including local government, are currently being consulted on the draft code and it is anticipated that the revised code will be issued in June 2001. This will provide an improved basis on which auditors can provide assurance on the stewardship of public funds and the economic, efficient and effective use of resources.

A further development in 2000 was a shift in the focus of local government audit from an input-based approach towards a greater emphasis on outputs. As a first step in this direction, plans for the audits of the 2000/2001 local authority accounts were based on a level of activity agreed (within a given range)

between the local auditor and the audited body. This brought local government onto the same footing as the NHS, for which similar arrangements were introduced a year earlier. In 2001, this will be developed further with the introduction of a fee-based approach, whereby identified outputs from the audit will be delivered for an agreed price which will take into account such factors as the audited body's standards of internal control and corporate governance. This will enable local government to exercise a degree of influence over levels of audit activity and costs, depending on the reliance that auditors can place on a local authority's own management and other arrangements.

I believe that an increased focus on outputs will reinforce the processes already in place to maintain and improve the quality of audit work. Quality control measures have been developed under the Accounts Commission and will be extended to all areas falling within the remit

of Audit Scotland. These measures include reviews of audit outputs such as management letters and final reports, selective in-depth assessments of audit providers (both in-house and firms) and client survey questionnaires. Findings from quality control reviews are followed up rigorously and good practice is disseminated in order to promote continuous improvement in audit services. During 2000, it was particularly encouraging to note that the service received a favourable assessment from local authorities, with nearly all audits rated as 'good' or better. The findings of quality control reviews will be taken into consideration in determining the audit appointments for the five year period from 2001/2002.

An important part of the Controller of Audit's role is the production of statutory reports to the Accounts Commission. In 2000, five such reports were produced, ranging from reports into matters of concern in particular councils



overview

by Ronnie Hinds

Statutory reports in 2000

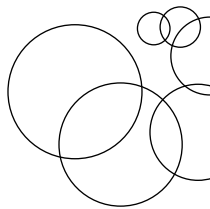
1. Complaint relating to the accounts of Glasgow City Council
2. Inverclyde Council Audit of Accounts 1997/98
3. Overview report on the 19998/99 audits of local authorities
4. Comments on Inverclyde Council's formal response to Statutory report 2000/2
5. Dumfries and Galloway Council: Externalisation of residential homes for older people

to an overview of the audits of local government accounts for 1998/99. An overview report for 1999/2000 has recently been issued and some of the main points are mentioned elsewhere in this annual report. Although statutory reports vary in nature, they have in common the objectives of raising matters of public interest or concern, seeking assurance that appropriate action is being taken and drawing out relevant lessons for the future.

Looking to the future, there are major challenges ahead for the Accounts Commission in adapting to its new role and developing its relationship with Audit Scotland and the Auditor General.

The Commission has recently consulted on its draft strategy and this will be followed in the near future by Audit Scotland's strategy which will set out the means by which many of the Accounts Commission's objectives will be delivered. The commitment of the staff in Audit Scotland will be a key factor in achieving these objectives and I would wish to record my appreciation of their support and professionalism during a year of transition and major change. I look forward to working with staff to meet the challenges and realise the opportunities presented by the new audit arrangements in Scotland, in providing best value audit services to the Accounts Commission and to local government.

Ronnie Hinds Controller of Audit





Stewardship and

Sound financial procedures and effective controls are essential and, without them, councils cannot know if financial procedures have been compromised and exposed to unacceptable risk.

Local authorities are accountable for the financial stewardship of public money under their control and for maintaining proper standards of governance. To meet their responsibilities, local authorities have to ensure that public money is safeguarded and properly accounted for and that public business is conducted within the law and to acceptable standards. The importance of this is reflected in the fact that the greater part of audit work is directed towards the need to provide assurance on these critical areas.

Completion of accounts and audits

All 32 councils submitted their 1999/2000 accounts for audit by the statutory date of 30 June. This is the first time that all accounts have been completed by that date and represents a commendable achievement on the part of councils.

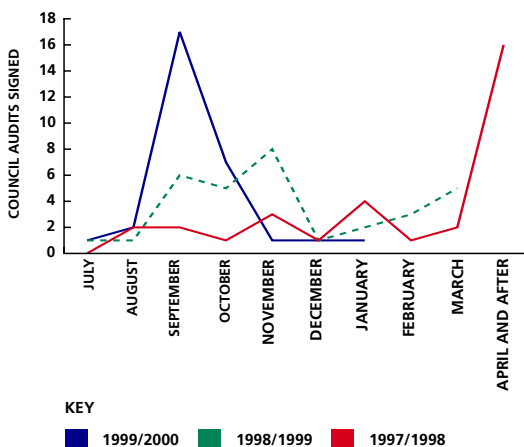
The deadline for completion of 1999/2000 audits was brought forward by two months to 30 September by which time 20 audits had been signed off. This also represents significant progress over earlier years though there is clearly scope for further improvement.

Of the completed 1999/2000 audits, the accounts of three councils were qualified in respect of four matters (see below). This represents a notable reduction compared with previous years (1998/99: nine accounts qualified in respect of 15 matters; 1997/98: 21 accounts qualified in respect of 27 matters). None of the 34 'other' local authority bodies' accounts received for 1999/2000 contain qualifications.

Governance and financial control

There is encouraging evidence of an increasing move by councils towards setting up audit committees or adopting similar

Date by which audits were signed off 1997/98 - 1999/2000



Qualifications in 1999/2000

Council	Reason for qualification
Clackmannanshire	The council failed to carry out asset revaluations.
East Dunbartonshire	The appointed auditors were unable to satisfy themselves as to the adequacy of the bad debt provision for rent arrears.
Shetland Islands	Lack of evidence to substantiate the comparative figures included in the 1999/2000 cash flow statement. Disagreement about the way in which the council had accounted for a property transaction in a previous year.

governance

governance arrangements as a means of monitoring their financial control systems. And, following past criticism, councils are reviewing and improving their internal audit arrangements. The results of an Accounts Commission review of internal audit are due to be published in the summer of 2001. While progress is being achieved on governance arrangements, there is evidence of continuing weaknesses in basic accounting controls including instances of no regular and timely accounting reconciliations. A failure to reconcile information held on the valuation roll and the non-domestic rates system led to an error and consequently a delay in receipt of central government grant which cost one council about £1 million in interest. This and other instances of weaknesses in internal control have been a recurring theme in the four years since local government reorganisation. Sound financial procedures and effective controls are essential and, without them, councils cannot know if financial procedures have been compromised and exposed to unacceptable risk.

Financial position

Many councils utilised part of the balances they had built up in earlier years to support 1999/2000 service

expenditure but, overall, the total level of balances across councils was similar to 1998/99. At 31 March 2000, the total value of General Fund balances across councils was £177 million (2.7% of net expenditure) and the total value of Housing Revenue Account balances was £113 million (9.7% of gross expenditure). Other funds amounted to £767 million but, within this total, there is a wide variation in the value and type of funds held by individual councils.

Following financial problems in previous years, the performance of councils' Direct Labour and Service Organisations (DLOs and DSOs) showed further improvement in 1999/2000.

For 21 councils, all DLOs/DSOs achieved the statutory break-even target and, overall, break-even was achieved at 292 (94%) of DLOs/DSOs operating in 1999/2000. However, there appears still to be scope for further improvement in the quality of business plans and financial and other performance information provided to councillors who have responsibilities for DLOs/DSOs. More generally, there are early indications that new methods and structures being developed under Best Value initiatives may not fit easily with

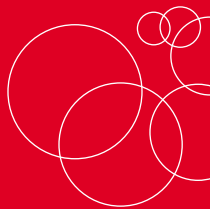
the ongoing statutory requirements of the compulsory competitive tendering (CCT) regime. This will be an issue for consideration when the proposed legislation on Best Value is brought forward.

'Following the public pound'

As part of their work, auditors assess how councils manage their relationships with the companies, trusts and other bodies to which they provide funds or other resources. Their findings indicate that some councils need to ensure that the roles and responsibilities of councillors and officers representing the council are clearly defined and that robust monitoring arrangements are in place in cases where substantial funding relationships exist.

Statutory reports

During 2000, the Controller of Audit prepared two statutory reports for consideration by the Accounts Commission on significant weaknesses in accounting procedures and financial administration at Inverclyde Council. Having considered the reports, the Commission held a public hearing at the council's offices in August 2000 where evidence was taken from the Leader of the Council and senior officers. The Commission requested a further report on the extent to which the council had implemented





There have been further improvements in the performance of councils' Direct Labour and Direct Service Organisations.

appropriate remedial action by 31 December 2000. This report was submitted to the Commission in February 2001 and is currently under consideration.

The Controller's report on Dumfries and Galloway Council concerned contracts for the provision of residential care for older people in homes which were owned and formerly run by the council. The Commission acknowledged the innovative nature of the arrangement and that, in the event, the transition had been achieved successfully. But it stressed the need for all councils to ensure that options and risks are properly assessed, that appropriate governance arrangements are in place and that consistent and full information is provided to councillors when considering changes to the method of service delivery.

Accounting issues

Some councils continued to experience difficulty in applying the requirements of the local authority capital accounting regime in 1999/2000. Several councils failed to undertake a full revaluation of assets within the five year period

specified by the Accounting Code of Practice. As noted above, this led to the qualification of the 1999/2000 accounts of Clackmannanshire Council.

Under the Accounting Code of Practice, local authorities should disclose information on their pension costs but, in 1999/2000, few councils complied fully with this requirement. Councils therefore need to ensure that actuarial advice is received so that they can meet the disclosure requirements fully in future years' accounts.

Objections

Six statutory objections to local authorities' 1999/2000 accounts were received compared with four in the previous year. These covered a wide range of matters and included issues concerning the legality of certain transactions. Four of the objections were concluded without further action; the other two are currently under consideration by the appointed auditor.

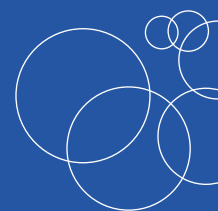
Frauds and irregularities

In the year to 31 March 2000, 189 frauds and irregularities

totalling £1 million were detected by local authorities (excluding housing/council tax benefit frauds). In 99 (52%) of these cases (£801,000) the defaulters were council employees.

The incidence of fraud, while not high in relation to overall council expenditure, remains a matter of concern. Local authorities need to have in place sound governance arrangements to protect and detect fraud. Appointed auditors will look for evidence of such arrangements and for effective management controls in this key area.

Levels of **detected fraud** have **increased** again
 Housing/council tax fraud = **£6.9 million**
 Other frauds and irregularities = **£1 million**



Detected frauds and irregularities

	2000	1999	1998
Number of frauds/irregularities	189	149	161
Defaulters who were council employees	99	81	81
Total value of frauds/irregularities	£1 million	£545,000	£458,000
Revenue expenditure of local authorities	£8.2 billion	£7.9 billion	£7.7 billion
For housing/council tax benefits, 12,243 frauds were detected in 1999/2000 with a total value of £6.9 million.			

Detected housing/council tax benefit fraud

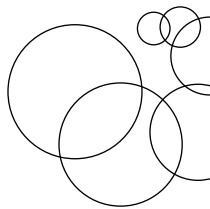
	2000	1999	1998
Number of frauds	12,243	10,409	13,867
Value of overpayments	£6.9 million	£5.4 million	£4.2 million
Estimated benefits paid by councils	£1.4 billion	£1.3 billion	£1.2 billion





Value for money

Our value for money work supports continuous improvement in the use of financial and other resources and, where possible, identifies savings.



The Commission consults with councils and other stakeholders before choosing topics for value for money studies. The criteria used to help to choose studies include variability of performance, service impact, and importance (eg in terms of spend or numbers employed). National studies help councils to identify and share good practice and provide valuable benchmarking data. They include recommendations to improve efficiency and effectiveness, and external auditors work with councils to prepare local action plans.

A summary of the key findings and recommendations of studies during the year is provided below.

Benchmarking refuse collection: A review of councils' refuse collection services

This benchmarking study was conducted to assist councils to achieve Best Value in their refuse collection services. Key study findings and recommendations:

- Most councils' refuse collection costs range from £30-£40 per property per year.

The Commission expects those councils with higher than expected collection costs to find out why this is the case and take appropriate action.

- Around half of Scotland's 32 councils are not recovering all costs associated with the collection and disposal of commercial waste. The £10 million annual shortfall is being met by council tax payers. Councils need to reduce this subsidy by ensuring that their charges fully cover the cost of collection and disposal and by taking action to reduce the number of commercial premises which dump refuse and so avoid payment altogether.
- Scottish councils recycled only 3.8% of waste in 1998/99, well below the government's year 2000 target of 25%. Councils will have to give waste management a higher priority if they are to meet government recycling and landfill targets, as set out in the National Waste Strategy. The Scottish Executive has a strategic role to play and should consider how it can assist councils to meet recycling targets.

Safe and Sound: A study of community safety partnerships in Scotland

This study looked at how community safety partnerships have progressed in Scotland. Multi-agency partnerships led by councils and involving many different organisations, such as police and fire services, health boards and hospital trusts, have been set up across Scotland to tackle problems such as anti-social behaviour, domestic violence, crime and reducing accidents and injuries.

The study found that most partnerships are still at an early stage of development and many need to take further action if they are to tackle local problems effectively in the long term. Recommendations include: conducting community safety audits; agreeing strategic priorities based on evidence; and setting measurable objectives and monitoring progress.

The Commission's follow-up bulletin *'How are we doing?'* provides practical guidance to help partnerships track their performance and progress.



**Managing rent arrears:
Getting the balance right**

This joint study with Scottish Homes provided a snapshot of the extent to which all councils and a representative sample of Registered Social Landlords (RSLs) were implementing good practice in managing rent arrears.

The report concludes that the £44 million rent arrears bill in Scotland for 1999, could be reduced by as much as £8 million if councils and RSLs adopted better management practices to prevent and recover rent arrears. Councils could reduce their arrears from £37 million to £31 million and RSLs from around £7 million to £5 million.

The report highlights key measures that landlords can take to improve their management of rent arrears. They should, for example:

- make contact with tenants within two weeks of the first missed payment (currently 52% of councils and 29% of RSLs do not do so)
- interview tenants by the time tenants are eight weeks in arrears with their rent (at present 48% of councils and 24% of RSLs do not do so)
- take proper account of the tenant's ability to pay when making formal arrangements to repay arrears (currently 45% of councils and 33% of RSLs do not do so).

Auditors are following up the action taken by councils in response to these recommendations.

**Common data, common sense:
Modernising information
management in councils**

This report encourages chief officers and members to ensure that their council is taking steps to exploit the use of ICT to improve their management of information. Currently, similar data is held many times by different departments. The number of databases and the duplication of records make it difficult for councils to keep them up-to-date. Duplication of data also means that overhead costs are higher than they need to be.

The long-term aim is the provision of seamless transactions across the public sector, enabling councils and their partner agencies to provide services tailored to the needs of their customers. Systems developed with the customer at the centre can improve service quality and reduce transaction costs.

**Commissioning community
care services for older people:
Applying a Best Value framework**

Effective commissioning has an important role to play in ensuring that people get the highest standard of service, within the resources available. This handbook includes numerous case studies of good and innovative practice across the range of commissioning services

and provides a set of standards and procedures against which local authorities can evaluate their performance. Self-assessment checklists cover a wide range of activities, including:

- **consultation** – involving older people and their carers in determining what care they need
- **planning** – working with other agencies to plan and deliver seamless care to older people
- **commissioning strategy** – working with other commissioning bodies and service providers and care managers
- **resourcing** – ensuring that the right commissioning staff are in place, who have access to up-to-date information on the overall cost and quality of services.

This important area will be revisited in 2002, by which time local authorities are expected to have assessed their own performance and have in place appropriate improvement plans.



Performance information

The Statutory Performance Information helps managers to see whether services are improving, councillors to fulfil their scrutiny role and others to hold the council to account.

Over the last year, considerable effort has gone into developing the performance indicators to ensure that they focus on outputs wherever possible, that they reflect national rather than local targets (which are better reflected in local performance reporting), and that they are easy to interpret. Councils welcomed these developments in their responses to the Commission's annual consultation.

The Commission is seeking, over the next one to two years, to bring forward the annual publication of the performance information, balancing the need for speed of production with the continuing need to publish data that is as accurate as possible. This year eight pamphlets, together with a data compendium and council *'Profiles'*, analysing indicators on a council-by-council basis were published. Publication of the various reports was phased throughout January and February and the Profiles benchmarking report was published four months earlier than last year. The council *'Profiles'* provide an analysis of a wide range of performance information, highlighting facets of change in the performance of Scotland's councils over time. As well as

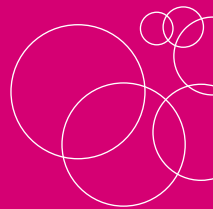
providing a useful addition to the suite of performance information products, the *'Profiles'* also provide a further piece in the performance jigsaw for holding councils to account for their performance.

Some of the findings arising from the performance indicators this year were that:

- the performance of fire brigades in meeting the targets for attending fires in the high, substantial and moderate risk category areas all deteriorated, compared with recent years
- tenants' rent arrears continued to increase, standing at about £37.4 million (8.4%) at the end of the year
- 60% of council house re-lets took longer than four weeks, and the rent lost due to empty houses cost councils £31.5 million
- the level of waste recycling stayed at about 5% with 93% going to landfill
- the level of council tax collected at the end of the financial year stands at 88%. The Commission has expressed concern over a number of years about the low levels of council tax collection.
- the proportion of single rooms in councils' residential

homes continued to rise, reaching about 84% in children's homes, 86% in homes for elderly people and over 96% in homes for other adults. However, several councils are still carrying out significantly less than the expected number of inspections of residential homes each year.

- the proportion of councils' invoices paid on time (generally within 30 days) remains at just over 70%.





Pursuing **continuous**
improvement

and identifying savings where possible:

- **Council tax** - potential to collect an **extra £52 million**
- **Refuse collection** - potential to collect an **extra £10 million**
- **Rent arrears** - potential to collect an **extra £6 million**



Best Value

In Scotland, Best Value requires all councils to secure the best quality services possible with the resources available and to pursue continuous improvement. It applies to all the activities carried out by councils.

The Best Value Task Force set out the performance management and planning (PMP) arrangements that it expected all councils to put in place to help achieve Best Value. Each council is expected to show clear evidence of achievement against the Best Value attributes.

Attributes of a Best Value council

- Commitment to Best Value and acceptance of four key principles (accountability, ownership, continuous improvement, transparency).
- Political and senior management leadership.
- Performance management and planning framework (PMP).
- Programme of service reviews.
- Public Performance Reporting (PPRg).
- Commitment to equality issues. (*'Best Value Task Force final report', para 1.6*)

External auditors assessed the progress made by each council in meeting these expectations and in December 2000 we published a

snapshot of councils' performance. Although the findings are not a representative sample of all services – councils selected which of their services would be audited, and some services were known to be making more progress than others – they do give an indication of progress.

Main messages from the PMP Audit (1999/2000)

Overall there was clear evidence of commitment to Best Value in councils. Most of the 96 services audited had made progress in developing and implementing a Best Value framework. About two-thirds of services achieved overall 'progress scores' of between 50% and 75%.

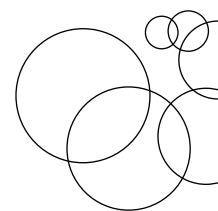
Despite the overall positive picture, there were three aspects of performance and management and planning where many councils were making limited progress:

- identifying different options for service delivery, and evaluating the current service against these
- linking budgets and other resources to key service priorities
- reporting a full and accurate picture of service performance to decision-makers

Audit Scotland is working with COSLA and the Scottish Executive to develop further guidance for councils on competition and option appraisal. This guidance will be issued in summer 2001. To help councils improve their reporting, the Commission published guidance for managers *'Getting to know you'* to help them develop the full range of performance information required.

Best Value also requires councils, over a five year period, to subject all of their activities to a rigorous review that incorporates the '4Cs' – challenge, compare, consult, compete. This process will help councils to be sure that they are doing the right things and achieving Best Value.

The PMP audit for 2000/01 will, in addition to areas covered last year, look at how senior managers and elected members are providing leadership for Best Value and at how councils are taking forward public performance reporting. Auditors will also be assessing whether the services audited in 1999/00 have implemented the improvements that they identified.

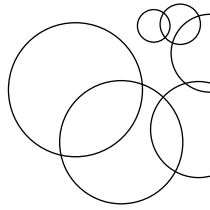






Our performance

Last year we set out our objectives. Now we report on our performance.



Challenge local authorities to improve

Value for money studies into rent arrears, refuse collection and community safety were completed and all had linked local audit reports. In addition, reports on the management of information and on commissioning care for the elderly were issued. These studies will assist local authorities to review their own performance and bring about improvements.

Additional local audit work was undertaken on administration in schools and on management in DLOs and DSOs.

Bring forward the deadline for local authorities to publish their audited financial statements to 30 September each year

By 30 September 2000, three (out of 32) sets of audited accounts for 1999/2000 were received. However, by 31 October audited accounts for 18 councils were received (1998/99: four) and 29 were received by 31 December (1998/99: 20).

There has been a significant improvement over earlier years, but there is scope for further improvement.

Continue to develop the statutory audit of management arrangements to support the principles of Best Value

The statutory audit of management arrangements was developed and extended to form the new Performance Management and Planning Audit. This is effectively the audit of Best Value, and was carried out in all councils. Every council received a detailed report and national reports were also produced.

Develop our procurement process and our charging mechanism

We are moving towards fee for audit and a greater focus on audit outputs. In order to take account of local circumstances, including the quality and extent of internal audit and internal control systems, auditors and audited bodies have agreed the number of days required for the audit, within a specified range.

We will shortly make new audit appointments for 2001/06.

Update our 'Code of Audit Practice'

The 'Code of Audit Practice' was updated during the year and, following consultation with stakeholders, will be applied to the 2001/02 audits.

Improve our quality assurance programme

During this transitional year existing audit arrangements and quality assurance processes have been applied. Responsibility for reviewing quality assurance arrangements has now transferred to Audit Scotland and this process is under way.

Create the right structure and process for Audit Scotland

The staff, buildings, finances and other resources to achieve the objectives of the Accounts Commission were transferred to Audit Scotland without disruption to the audit process. The Chairman of the Commission is a member



of the Audit Scotland board and is currently Chairman of that board in a personal capacity.

Be responsive to and work with the Scottish Parliament

We continue to develop relationships with relevant Ministers and their departments in the Scottish Executive. During the year, briefings were provided, on a variety of issues, to the Local Government Committee and the Transport and Environment Committee.

Improve communications and public reporting

- Performance information for a wider range of services was published in pamphlet form and, for the first time, council 'Profiles' showing changes in performance on a council by council basis were made generally available. We are also working with SOLACE, COSLA and the Scottish Executive to develop guidance for improving performance information.
- Value for money studies, management papers and performance information pamphlets are published in

hard copy and on our website and are available free of charge. Appendix 2 provides a summary of published reports.

Take advantage of opportunities created by new technology and the Internet

- All Statutory Performance Information data is now collected electronically.
- The use of modern technology to electronically publish reports and other outputs is now routine.
- During the year, over 22,000 publications were downloaded from our website.

Promote the concept of Audit Committees, which have been successful in the Health Service and the private sector, to local government

The Commission considered the Controller of Audit's report on the 1998/99 local authority audits in the spring of 2000. The Commission reaffirmed its view that the adoption and implementation of audit committee principles is an

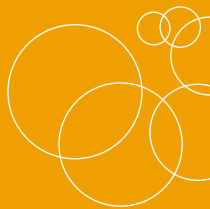
important element of overall governance and encouraged those councils which had not already done so to give serious consideration to this matter.

Set performance indicators for our own performance

The strategy for 2001/04 sets out the Commission's objectives and states how they will be achieved. Organisational performance indicators will be set by Audit Scotland as part of its strategy process.



Our strategic objectives



We prepared and consulted on a draft strategy for the Commission in its new role. We stated our overall purpose and set out our strategic objectives:

- maintaining propriety in local government, working with all other agencies to promote sound stewardship and high standards of conduct
- positioning the Commission as the advocate of improved performance in the interests of citizens as users and paymasters of local government services
- working with the Auditor General for Scotland and the Scottish Parliament to improve the process of accountability in the public sector in Scotland
- Developing the contribution of the audit and inspection process to performance assessment and continuous improvement in local authority services, under Best Value.

Audit Scotland will be responsible for delivering services to achieve these, and will set out organisational objectives in its own strategy document to be published during 2001.



Financial overview

Under the Public Finance and Accountability (Scotland) Act 2000 the property and staff and other resources of the Accounts Commission transferred to Audit Scotland from 1 April 2000.

This overview refers to the final accounts for the Commission for the five month period ending 31 March 2000. During the five months, actual expenditure was £4.83 million.

Full versions of the Commission's accounts are available from the Stationery Office. The Commission's accounts were audited by the NAO. An unqualified audit certificate was placed on the final accounts for the period.

Prior to April 2000 the Accounts Commission was empowered to incur costs necessary to carry out its duties. These costs were recovered from the audited bodies. The tables opposite show income and expenditure for the five months to April 2000 compared to the previous year.

Staff and Commission Members' costs

The number of members of the Commission throughout the period, including the Chairman, was 12 (14 previous year). The emoluments of the members are fixed by Scottish Ministers. The remuneration of the Chairman for the period was £5,045 (£12,108 annual equivalent, £11,957 previous year).

The remuneration of other members for the period was as follows:

Deputy Chairman £3,204
Other Commission members £1,590

The average number of directly employed staff during the period, excluding the Controller of Audit, was 153 (151 previous year).

The remuneration of the Controller

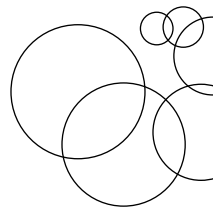
of Audit, who was the highest-paid employee, amounted, during the period, to £29,791 (£118,635 annual equivalent, £116,526 previous year) comprising salary £25,828, employers' superannuation contribution £2,712, and taxable benefit £1,251. The Controller was an ordinary member of the superannuation scheme.

Income	Five months to April 2000 £000	1998/1999 £000
Contributions from local authorities	3,263	8,520
Contributions from NHS	1,507	3,806
Revenue grant from NHS Management Executive	8	20
Bank interest	26	87
Sundry income	27	71
Total	4,831	12,504

Expenditure	Five months to April 2000 £000	1998/1999 £000
Staff and Commission Members	2,315	5,940
Approved auditors' fees and expenses for local authority audits	1,026	2,810
Approved auditors' fees and expenses for NHS audits	730	1,843
Other operating charges	669	1,680
Depreciation	91	231
Total	4,831	12,504

APPENDIX 1: 2000/2001 AUDIT APPOINTMENTS

Aberdeenshire Council	Ernst & Young, Aberdeen
Angus Council	Chief Auditor, Inverness
Argyll and Bute Council	PricewaterhouseCoopers, Glasgow
Authorities Buying Consortium	Chief Auditor, Glasgow
Ayrshire Valuation Joint Board	Chief Auditor, Glasgow
Central Scotland Fire Board	Chief Auditor, Glenrothes
Central Scotland Joint Police Board	Chief Auditor, Glenrothes
Central Scotland Valuation Joint Board	Scott-Moncrieff, Edinburgh
City of Aberdeen Council	Chief Auditor, Inverness
City of Dundee Council	Henderson Loggie, Dundee
City of Edinburgh Council	Chief Auditor, Edinburgh
City of Glasgow Council	Chief Auditor, Glasgow
Clackmannanshire Council	Scott-Moncrieff, Edinburgh
Clyde Muirshiel Park Authority Joint Committee	Chief Auditor, Glasgow
Comhairle nan Eilean Siar	KPMG, Edinburgh
Dumfries and Galloway Council	Deloitte & Touche, Edinburgh
Dunbartonshire and Argyll & Bute Valuation Joint Board	PricewaterhouseCoopers, Glasgow
East Ayrshire Council	Chief Auditor, East Kilbride
East Dunbartonshire	Council KPMG, Edinburgh
East Lothian Council	Scott-Moncrieff, Edinburgh
East Renfrewshire Council	Chief Auditor, East Kilbride
Falkirk Council	Chief Auditor, Glenrothes
Fife Council	Chief Auditor, Glenrothes
Forth Road Bridge Joint Board	Chief Auditor, Edinburgh
Glasgow and Clyde Valley Joint Structure Plan	Committee Chief Auditor, Glasgow
Grampian Fire Board	Ernst & Young, Aberdeen
Grampian Joint Police Board	Chief Auditor, Inverness
Grampian Valuation Joint Board	Chief Auditor, Inverness
Highland Council	Chief Auditor, Inverness
Highlands and Islands Fire Board	Chief Auditor, Inverness
Highlands and Western Isles Valuation Joint Board	Chief Auditor, Inverness
Inverclyde Council	PricewaterhouseCoopers, Glasgow
Kelvin Valley Countryside Project	Chief Auditor, Glasgow
Lanarkshire Valuation Joint Board	Chief Auditor, East Kilbride
Loch Lomond and the Trossachs Interim Committee	PricewaterhouseCoopers, Glasgow
Lothian and Borders Fire Board	Chief Auditor, Edinburgh
Lothian and Borders Police Board	Chief Auditor, Edinburgh
Lothian Valuation Joint Board	Chief Auditor, Edinburgh
Midlothian Council	Chief Auditor, Edinburgh
Moray Council	Chief Auditor, Inverness
Mugdock Country Park Joint Committee	KPMG, Edinburgh
North Ayrshire Council	Chief Auditor, East Kilbride
North Lanarkshire Council	PricewaterhouseCoopers, Glasgow
Northern Joint Police Board	Chief Auditor, Inverness
Orkney and Shetland Valuation Joint Board	Scott Oswald, Inverness
Orkney Islands Council	Chief Auditor, Inverness
Perth and Kinross Council	Deloitte & Touche, Edinburgh
Renfrewshire Council	Chief Auditor, Glasgow
Renfrewshire Valuation Joint Board	Chief Auditor, Glasgow
Scottish Borders Council	KPMG, Edinburgh
Scottish Local Government Information Unit	Chief Auditor, Glasgow
Scottish Nuclear Free Local Authorities	Chief Auditor, Glasgow
Shetland Islands Council	Scott Oswald, Inverness
South Ayrshire Council	Chief Auditor, Glasgow
South Lanarkshire Council	Chief Auditor, East Kilbride
Strathclyde Concessionary Travel Scheme Joint Committee	Deloitte & Touche, Glasgow
Strathclyde Fire Board	Chief Auditor, East Kilbride
Stirling Council	Chief Auditor, Glenrothes
Strathclyde Joint Police Board	PricewaterhouseCoopers, Glasgow
Strathclyde Passenger Transport Authority	Chief Auditor, East Kilbride
Tay Road Bridge Joint Board	Henderson Loggie, Dundee
Tayside Contracts Joint Committee	Henderson Loggie, Dundee
Tayside Fire Board	Henderson Loggie, Dundee
Tayside Joint Police Board	Henderson Loggie, Dundee
Tayside Valuation Joint Board	Henderson Loggie, Dundee
West Dunbartonshire Council	PricewaterhouseCoopers, Glasgow
West Lothian Council	Chief Auditor, Edinburgh
Western Isles Council	See Comhairle nan Eilean Siar



A summary of reports and other publications produced for the Accounts Commission is provided below.

Getting to know your services: A step by step guide to using information portfolios to monitor and report performance	This report provides guidance to help councils improve their performance information. It says that accurate and timely performance information is essential for managerial control, decision-making and accountability in all public services.
Draft Strategy Document	This draft strategy document on the Commission's future direction was sent to all councils and other interested bodies for consultation.
Direction 2000: Local Government Act 1992	Under the Local Government Act 1992 the Commission directs councils to publish certain information on their performance. This information enables comparisons to be made between councils and over time.
How are we doing?: Measuring the performance of community safety partnerships	The bulletin will help community safety partnerships to establish a more systematic approach to measuring performance and to track their progress in tackling community safety issues. This paper follows up work carried out in May – see <i>'Safe and sound'</i> .
Making progress with Best Value: A national overview of the Performance Management and Planning (PMP) Audit 1999/2000	Scottish councils are making progress on Best Value, but they need to do more. This paper examines how well councils are using Best Value to improve the way they manage their services.
Commissioning community care services for older people: Applying a Best Value framework	This handbook provides a framework for local authorities – based on the Accounts Commission's Best Value performance management and planning audit – to help them apply Best Value principles when commissioning community care services for older people.
Common data, common sense: Modernising information management in councils	Councils need to improve the way they manage data and information. This paper says that councils will need to make better use of information and communications technology (ICT) in order to deliver improved quality services at reduced cost.
Managing rent arrears: Getting the balance right	The £44 million rent arrears bill in Scotland could be reduced by as much as £8 million if councils and Registered Social Landlords (RSLs) adopted better management practices to prevent and recover rent arrears. This paper says that councils could reduce their arrears from £37 million to £31 million and RSLs from around £7 million to £5 million.
The map to success: Using process mapping to improve performance	This paper explains what process mapping is and how it can be used to improve service delivery. The use of process mapping is demonstrated with examples from organisations that have used the approach.
Safe and sound: A study of community partnerships in Scotland	Within the last two years councils have succeeded in setting up community safety partnerships to help create safer places for people to live and work in. Most partnerships are still at an early stage of development and many need to take further action if they are to effectively tackle local problems in the long term.
Benchmarking refuse collection: A review of councils' refuse collection services	Council refuse collection services are much more efficient than they used to be following the wide-spread introduction of kerb-side wheely bins and bigger refuse vehicles. However, there is scope for further improvements in performance, for example, in managing bonus and sickness absence.

Audit Scotland

Audit Scotland is a statutory body set up in April 2000 under the Public Finance and Accountability (Scotland) Act 2000. It provides services to the Accounts Commission and the Auditor General for Scotland. Together they ensure that the Scottish Executive and public sector bodies in Scotland are held to account for the proper, efficient and effective use of public funds.



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