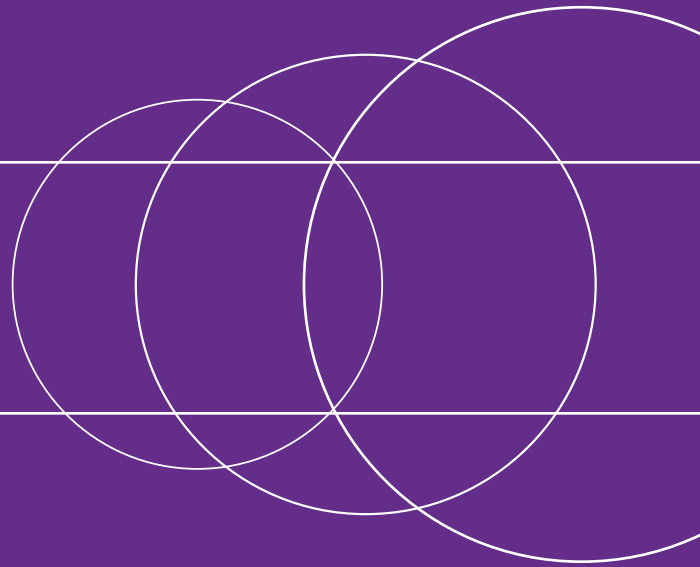


AUDIT REVIEW



How government works in Scotland



NOVEMBER 2002

PREPARED BY AUDIT SCOTLAND

How government works in Scotland

A report to the Scottish Parliament by the Auditor General for Scotland

Auditor General for Scotland

The Auditor General for Scotland is the Parliament's watchdog for ensuring propriety and value for money in the spending of public funds.

He is responsible for investigating whether public spending bodies achieve the best possible value for money and adhere to the highest standards of financial management.

He is independent and not subject to the control of any member of the Scottish Executive or the Parliament.

The Auditor General is responsible for securing the audit of the Scottish Executive and most other public sector bodies except local authorities and fire and police boards.

The following bodies fall within the remit of the Auditor General:

- departments of the Scottish Executive eg the Health Department
- executive agencies eg the Prison Service, Historic Scotland
- NHS boards and trusts
- further education colleges
- water authorities
- NDPBs and others eg Scottish Enterprise.

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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Foreword

1. Since devolution, the Scottish Parliament is responsible for approving most of the funding to public bodies in Scotland. In 2000/01 the Scottish Parliament approved funding totalling almost £18 billion, or over £3,000 for every man, woman and child living in Scotland.
2. Over 200 public bodies contribute to the government of Scotland and play an important part in our everyday lives. Public bodies contribute to jobs, health, education, tourism and recreation, the environment, travel, the system of justice, arts and culture, all of which are essential for the quality of life in Scotland.
3. The Scottish Parliament's Audit Committee holds to account those public bodies which fall within the audit remit of the Auditor General. The Audit Committee conducts its own investigations, on the basis of reports from the Auditor General, with a depth and frequency that has strengthened accountability and scrutiny under the Scottish Parliament.
4. This report has been produced because it is in the public interest that the responsibilities and accountabilities of public bodies in Scotland are as transparent and as well understood as possible. The report explains the organisation of government in Scotland and how the different types of public body inter-relate. It also outlines how public servants are made aware of their responsibilities and how they are held accountable. It describes the important role played by public audit in holding public bodies to account and supporting democratic scrutiny. The report does not analyse or assess the effectiveness of the accountability mechanisms in place. Rather, it should be seen as a source of reference on public bodies and how they are held accountable.



Robert W Black
Auditor General for Scotland
November 2002

Part 1: Introduction

Public bodies in Scotland

- 1.1 Public bodies in Scotland are concerned with the government of the country and in the delivery of public services. Many public bodies are established and have their functions determined in statute. Some may operate as commercial enterprises but most are not-for-profit organisations whose main source of funding is determined and approved by the public's democratically elected representatives.
- 1.2 Public bodies can be grouped into two main categories. On the one hand, local government bodies including local authorities, police forces and fire brigades are primarily concerned with providing local public services and are answerable to the public via locally elected councillors. All other public bodies may be regarded as central government because they are answerable in various ways to the public through the Scottish Parliament.
- 1.3 Within this broad definition of central government there is a range of public bodies.
 - **Core departments and executive agencies.** Core departments of the Scottish Administration are concerned primarily with the provision of policy advice to Ministers and in providing funding to other public bodies in pursuit of policy objectives. An example of a core department is the Scottish Executive Justice Department. Executive agencies are constituent parts of departments with a stronger focus on the operational management and direct delivery of public services. An example of an executive agency is the Scottish Prison Service. Departments of the Scottish Administration also include those of three statutory officeholders, such as the General Register Office for Scotland.
 - **Sponsored public bodies** may carry out executive or regulatory functions or be involved in the management and direct delivery of public services. They normally operate within a policy framework set by Ministers but are free to manage their day-to-day activities independent of Ministerial intervention. Examples include non-departmental public bodies (NDPBs) such as Scottish Enterprise and NHS boards and trusts.

- **Other public bodies** including UK-wide bodies (eg, the Food Standards Agency) and those independent of Ministers (eg, the Scottish Parliamentary Corporate Body).

1.4 In addition, local public spending bodies are normally not-for-profit bodies which are largely or wholly publicly funded. They are subject to less Ministerial control than other types of central government body and are involved primarily in the direct delivery of services to the communities they serve. Examples include further education colleges.

External audit arrangements

1.5 Under the terms of the Public Finance and Accountability (Scotland) Act 2000 (the 2000 Act) the Auditor General for Scotland is responsible for securing the audit of the accounts of most central government bodies in Scotland and some local spending bodies including:

- the core departments of the Scottish Administration and their executive agencies
- sponsored public bodies; NHS bodies, most NDPBs which produce accounts, and Scottish Water
- local public spending bodies; further education colleges
- other public bodies; the Forestry Commission in Scotland, the Scottish Parliamentary Corporate Body.

1.6 Under the 2000 Act the Auditor General may also initiate examinations into the economy, efficiency or effectiveness with which these bodies have used their resources in discharging their functions. The Auditor General's powers to initiate such examinations also extend to certain other public bodies specified by the Scottish Ministers by Order. Bodies so specified include certain other NDPBs and certain local spending bodies such as higher education institutions and local enterprise companies.

1.7 The Accounts Commission is responsible for appointing the auditors of local authorities' accounts. Under the Local Government (Scotland) Act 1973, the Accounts Commission also undertakes or promotes comparative studies designed to enable it to make recommendations for improving economy, efficiency and effectiveness in the provision of services by local authorities and for improving the financial or other management of such authorities.

- 1.8 Government in Scotland is complex. It is in the public interest that the responsibilities and accountabilities of the public bodies involved, and their inter-relationships, are as transparent and as well understood as possible. This report, which I have prepared under section 23 of the 2000 Act, therefore explains how government in Scotland is organised and the responsibilities and accountabilities of those involved in its administration.
- 1.9 Part 2 of this report explains the organisation of central government in Scotland, how it is funded and where the resources are spent. It also outlines the basic principles underpinning responsibility and accountability in public life. Part 3 of the report explains responsibility and accountability mechanisms in core departments and executive agencies. Parts 4, 5, 6 and 7 of the report explain responsibilities and accountabilities in sponsored public bodies, local public spending bodies, local government bodies and certain other public bodies respectively. Part 8 outlines the role of public audit in holding public bodies to account and supporting democratic scrutiny.

Part 2: The organisation of central government in Scotland

- 2.1 This part of the report explains:
- the organisation of central government in Scotland
 - how it is financed and where public funds are spent
 - the basic responsibilities and accountabilities of Ministers and public servants in managing public finances.

Central government in Scotland

- 2.2 The growing sophistication and complexity of government in the latter half of the 19th century led, in 1885, to the creation of the post of Secretary for Scotland (upgraded to Secretary of State in 1926) to represent Scottish interests in the UK Government. At the same time the Scottish Office was formed as a government department to provide administrative support to Ministers. These arrangements lasted until July 1999 when the Scottish Parliament and Scottish Executive came into being as a consequence of devolution following from the Scotland Act 1998.
- 2.3 The Scottish Parliament can legislate on a wide range of matters, but cannot legislate on the reserved matters which are set out in full in Schedule 5 to the Scotland Act 1998 (Exhibit 1). The Secretary of State remains responsible for representing Scottish interests within the UK Government in matters reserved to the UK Parliament and is provided with administrative support by the Scotland Office.

Exhibit 1: Matters devolved to the Scottish Parliament and those retained by Westminster under the Scotland Act 1998

Matters devolved to the Scottish Parliament include:		Matters retained by the UK Parliament include:	
<ul style="list-style-type: none"> • Agriculture, forestry and fishing • Education and training • Environment • Health • Housing • Law and home affairs • Local government 	<ul style="list-style-type: none"> • Natural and built heritage • Planning • Police and fire services • Social work • Sport and the arts • Transport (some aspects only) • Tourism and economic development 	<ul style="list-style-type: none"> • The Civil Service • Common markets • The Constitution • Defence and national security • Equal opportunities • Employment legislation • Various aspects of energy regulation • Foreign affairs and international development 	<ul style="list-style-type: none"> • Fiscal and economic matters including national taxation • Gambling and the National Lottery • Immigration and nationality • Social security • Trade and industry • Various aspects of transport

Source: Audit Scotland and Schedule 5 of the Scotland Act 1998

2.4 The Scottish Executive is the devolved government of Scotland, and its members are referred to collectively as the Scottish Ministers (including the Lord Advocate and the Solicitor General for Scotland). The First Minister heads the Scottish Executive and is nominated by the Parliament and appointed by HM the Queen. The First Minister appoints the other Scottish Ministers with the agreement of the Parliament and the approval of the Queen. The Scottish Executive also comprises the staff of Ministers organised into departments of the Scottish Executive, their executive agencies and the Crown Office and Procurator Fiscal Service⁷.

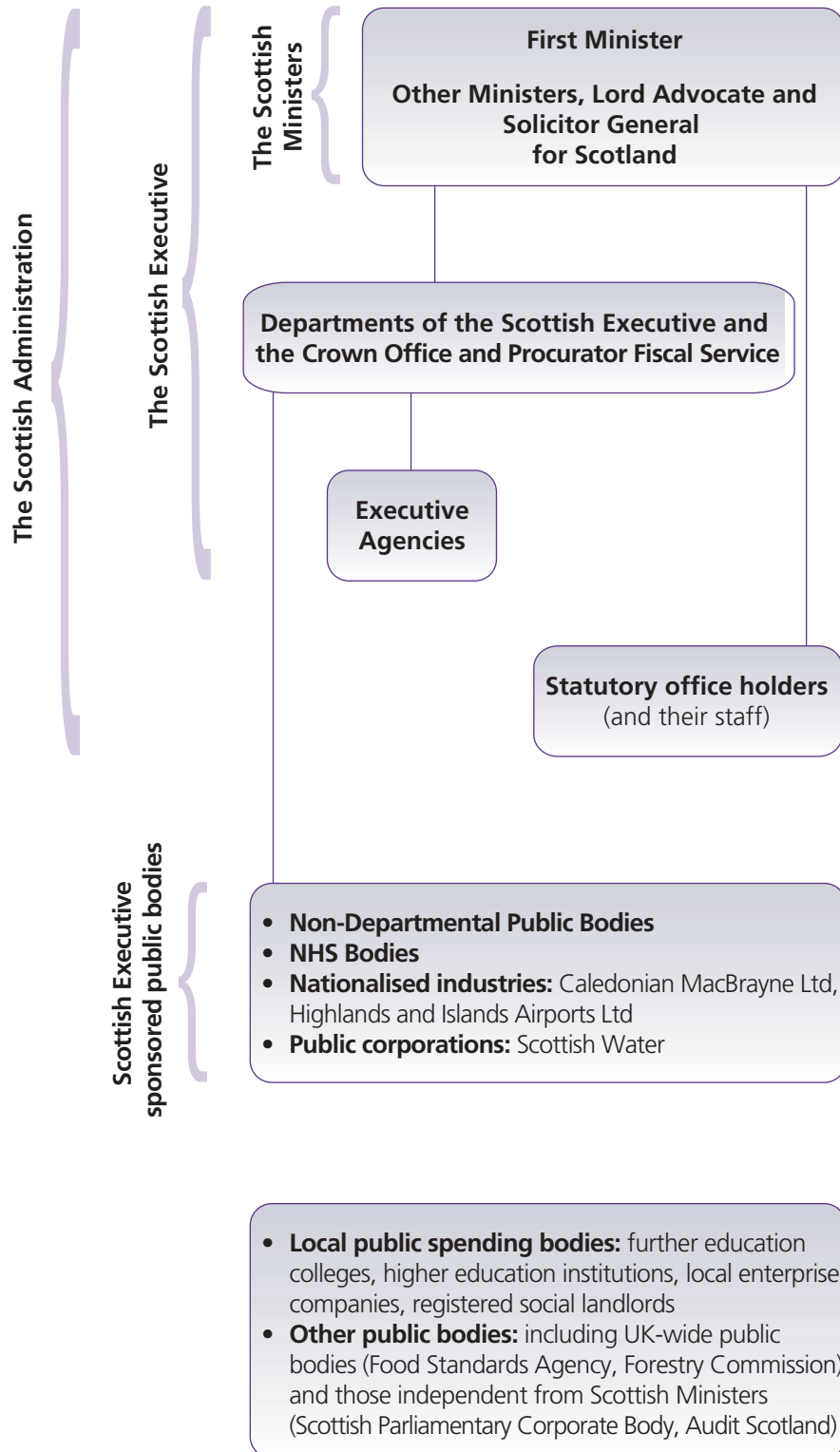
2.5 The Scottish Ministers, their staff as well as statutory office holders and the staff of the Registrar General of Births, Deaths and Marriages for Scotland, the Keeper of the Registers of Scotland and the Keeper of the Records of Scotland are known collectively as the Scottish Administration.

2.6 The Scottish Executive also sponsors and provides financial support to a number of other public bodies which, although not formally part of the Scottish Administration, play a significant role in the administration of central government. In addition, there are four other public bodies which may be regarded as being central government but which are not part of the Scottish Administration (Exhibit 2). A complete list of central government public bodies in Scotland is provided at Appendix 1.

⁷ For the rest of this report reference to the Scottish Executive will refer to the administrative departments including the Crown Office and Procurator Fiscal Service

Exhibit 2: The organisation of central government in Scotland

A more detailed presentation of this exhibit is provided in the wall chart enclosed to the rear of this report.



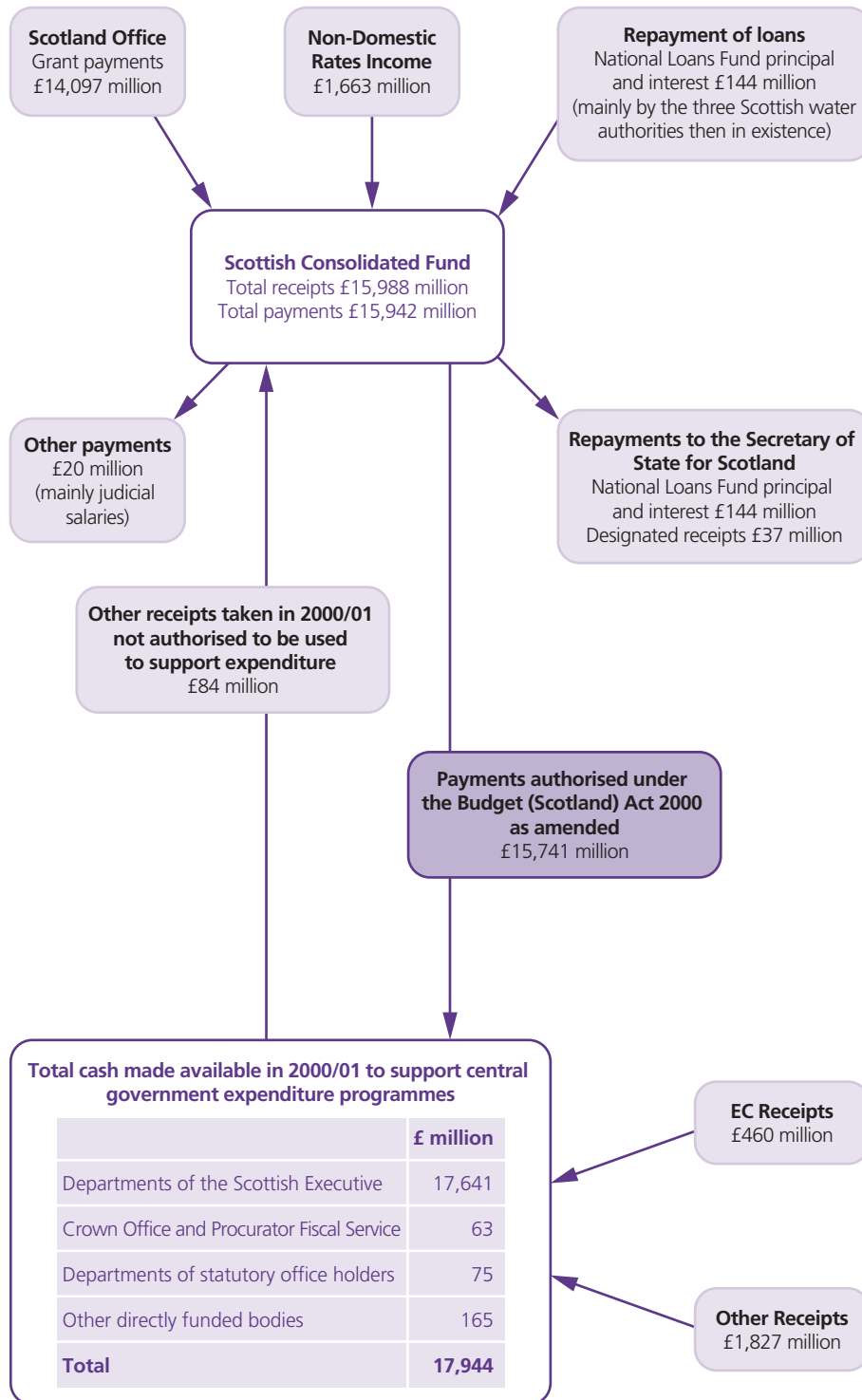
Source: Audit Scotland

Central government expenditure in Scotland

- 2.7 Central government expenditure in Scotland, as elsewhere in the UK, is largely financed from taxes, borrowings, and other government revenue. The largest source of funding for central government expenditure in Scotland is the payment of grant by the Scotland Office to the Scottish Consolidated Fund. The total annual grant payable is subject to approval by the Westminster Parliament. In turn, the Scottish Consolidated Fund makes funding available for central government expenditure programmes in Scotland. The Scottish Consolidated Fund is also used to receive and forward the repayment of loans to the Secretary of State for Scotland, to account for non-domestic rates income redistributed to local authorities and to pay judicial salaries.
- 2.8 The Scottish Ministers have freedom to allocate funds to each Scottish Executive department and other public bodies as they determine, and as the Scottish Parliament approves. A three-stage budgeting process is adopted (Appendix 2) which ultimately results in an annual Budget Act being passed by the Scottish Parliament. The Budget Act sets out the maximum amount of cash that each department of the Scottish Executive, other bodies of the Scottish Administration and four directly funded bodies² may draw down from the Scottish Consolidated Fund as well as the amount of EC and other receipts which may be applied in support of expenditure programmes (surplus receipts are returned to the Scottish Consolidated Fund). Changes to expenditure allocations within each of these entities can be made during the course of the year, with Parliament's approval, to reflect changes in need.
- 2.9 Exhibit 3 shows that in 2000/01 the bodies of the Scottish Administration plus four directly funded bodies drew down £15.7 billion from the Scottish Consolidated Fund. Receipts totalling £2.2 billion were also generated of which, in accordance with the provisions of the Budget (Scotland) Act 2000, £2.1 billion was made available to support expenditure programmes.

² The Food Standards Agency, the Forestry Commission, the Scottish Parliamentary Corporate Body and Audit Scotland. See Part 7.

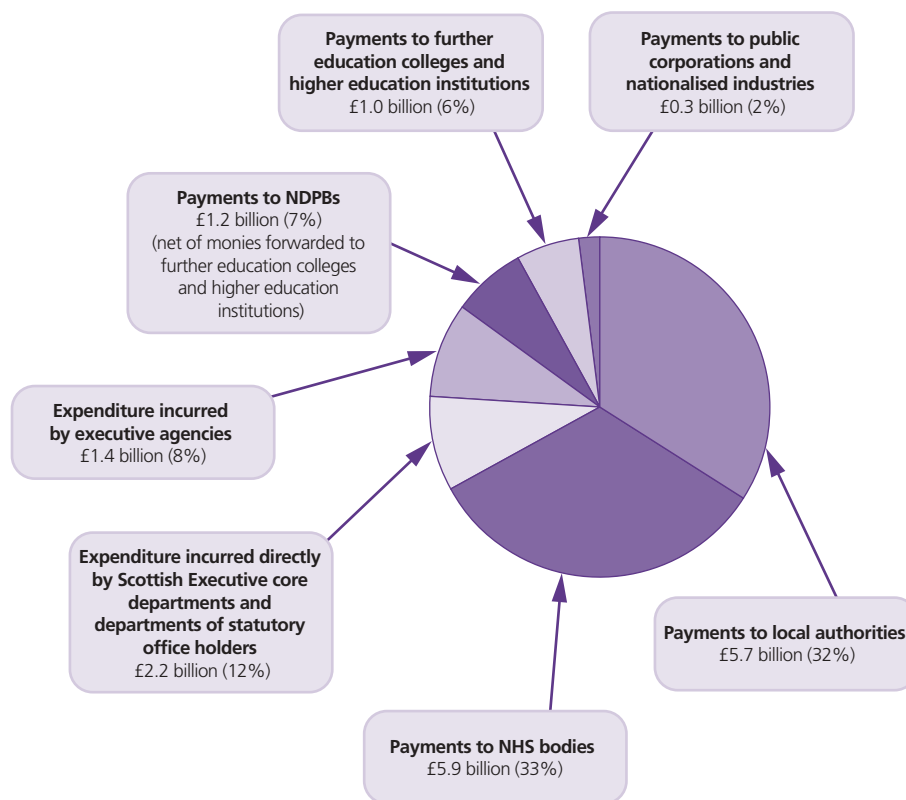
Exhibit 3: The financing of central government expenditure in Scotland 2000/01



Source: Audit Scotland

2.10 During 2000/01 the bodies of the Scottish Administration incurred gross expenditure of £17.7 billion. A significant proportion of that expenditure involved payments by Scottish Executive departments to fund the NHS, NDPBs, other sponsored bodies and local authorities. For example, in 2000/01, the Scottish Executive Health Department provided NHS bodies with £5.9 billion (33% of the total spend of £17.7 billion) for the procurement of health services. Scottish Executive departments also provided local authorities with a further £5.7 billion (32% of total spend) for the provision of local government services. Overall, the Scottish Executive core departments and departments of statutory office holders were directly responsible for spending only 12% of the total monies voted to them in 2000/01 by the Scottish Parliament (Exhibit 4).

Exhibit 4: The distribution of central government expenditure in Scotland 2000/01



Source: Audit Scotland

Responsibilities and accountabilities in central government public bodies

- 2.11 There is an expectation that those responsible for the conduct of public business and the handling of public money are held fully accountable for the conduct of that business in accordance with the law and proper standards. Public accountability is the mechanism by which the public, through the Scottish Parliament, hold to account those responsible for the expenditure of central government public funds.
- 2.12 At the heart of public accountability in central government public bodies lie three key principles: that of Scottish Ministers being responsible for determining the policy agenda; that of the senior public servants (known as accountable officers) being responsible for implementing policy decisions, for incurring expenditure in pursuit of policy objectives and for reporting performance to Scottish Ministers; and that of both Ministers and accountable officers being held accountable for the performance of their duties to the public via the Scottish Parliament.

Responsibilities of Scottish Ministers

- 2.13 The Scottish Ministers are ultimately accountable to the Scottish Parliament for the activities and performance of each of the entities of the Scottish Administration as well as NDPBs and other public bodies sponsored by the Scottish Executive. The Scottish Ministers' responsibilities include:
- approving the policy and performance framework within which each body operates including objective setting
 - providing information to the Parliament about each body as required
 - (as appropriate) determining the amount of grant or other funding to be made available to each body and seeking Parliamentary approval
 - (as appropriate) carrying out responsibilities specified in the founding legislation or other framework documents including appointments to boards of NDPBs and other public bodies, approval of terms and conditions of staff and laying of annual reports and accounts before the Parliament.

Responsibilities of accountable officers

- 2.14 Under the Public Finance and Accountability (Scotland) Act 2000, the permanent secretary, as the most senior member of staff of the Scottish Administration, is held to be the principal accountable officer with certain statutory functions. The 2000 Act also permits the permanent secretary to designate other staff of the Scottish Administration and certain other public bodies as accountable officers.
- 2.15 Designated accountable officers, normally the senior staff member of their department or public body, are responsible for their actions in two main ways:
- accountable officers have a duty to serve Ministers or officeholders, to provide advice on policy matters, to implement policy decisions and to report the performance of their bodies in implementing policy decisions
 - the entities of the Scottish Administration and other public bodies are also directly accountable to the Scottish Parliament through their accountable officers. Accountable officers are not expected to answer to Parliament for policy decisions taken by Ministers but they are personally responsible for the propriety and regularity in the use of public finances provided to them by the Scottish Parliament. Accountable officers are also responsible for seeking best value from the use of resources by making proper arrangements to pursue continuous improvement having regard to economy, efficiency and effectiveness, and in a manner which encourages the observance of equal opportunities requirements.
- 2.16 In April 2002 the permanent secretary provided guidance setting out both his responsibilities as accountable officer and those of designated accountable officers (Exhibits 5 and 6). Fuller details of these responsibilities are provided in Appendix 3. Exhibit 5 also sets out the responsibilities of the principal accountable officer as determined in the 2000 Act.

Exhibit 5: The responsibilities of the principal accountable officer

Responsibilities of the principal accountable officer as set out in the Public Finance and Accountability (Scotland) Act 2000

- Signing the accounts of the expenditure and receipts of the Scottish Administration or those parts of it where the principal accountable officer has not designated another member of staff to act as accountable officer.
- Signing the accounts of payments into and out of the Scottish Consolidated Fund.
- Ensuring the propriety and regularity of the finances of the Scottish Administration.
- Ensuring that the resources of the Scottish Administration are used economically, efficiently and effectively.
- Designating persons as accountable officers and determining their functions.
- Ensuring the performance of those functions by accountable officers for parts of the Scottish Administration.
- Fulfilling the duty where, if the principal accountable officer considers that any action he is required to take is inconsistent with the proper performance of the above functions, he obtains written authority from, as the case may be, the Scottish Ministers, the Lord Advocate or the non-ministerial office-holder in question before taking the action.

Responsibilities of the principal accountable officer as set out in the Memorandum to Accountable Officers from the Principal Accountable Officer

- Undertaking all accountable officer duties in respect of running costs and other administrative expenditure for the Scottish Executive excluding the core departments, the Crown Office and Procurator Fiscal Service or for agencies whose running costs are approved, and accounted for, along with their other expenditure.
- Ensuring the reliability and integrity of the core Scottish Administration accounting system but not for the accounting systems operated by separate parts of the Scottish Administration, including some agencies.
- Ensuring that arrangements for internal audit for the core Scottish Executive accord with the objectives, standards and practices set out in the Government Internal Audit Manual. Taking action on internal audit reports is, however, the responsibility of designated accountable officers.

Source: Public Finance and Accountability (Scotland) Act 2000 and Scottish Executive: Memorandum to Accountable Officers from the Principal Accountable Officer, April 2002

Exhibit 6: Responsibilities of designated accountable officers of the Scottish Administration

Responsibility to Ministers

- To take into account all relevant financial considerations, including issues of propriety, regularity and value for money, when considering policy proposals relating to expenditure or income.
- To tender appropriate advice to Ministers on all matters of financial propriety and regularity and as to all considerations of prudent and economical administration, economy and effectiveness.

Responsibility to the Scottish Parliament

- To ensure that funds are applied only to the extent and for the purposes authorised by the Parliament in Budget Acts.
- To appear before the Scottish Parliament's Audit Committee to give evidence on the economic, efficient and effective use of resources by the body for which they are designated accountable officer in discharging its functions.

Responsibility for the propriety of public finances

- To ensure that proper financial systems are in place and applied.
- To sign the accounts of the body for which they are designated accountable officer.
- To ensure that proper financial procedures are followed.
- To ensure that all public funds and other assets are properly managed and safeguarded.

Responsibility for the management of the body for which they are designated accountable officers

- To ensure that any delegation of responsibility is accompanied by clear lines of control and accountability.
- To ensure effective management systems appropriate for the achievement of the organisation's objectives are in place.
- To ensure that risks, whether to achievement of business objectives, regularity, propriety or value for money, are identified, that their significance is assessed and that systems appropriate to the risks are in place in all relevant areas to manage them.
- To ensure that best value is sought from resources, by making proper arrangements to pursue continuous improvement having regard to economy, efficiency and effectiveness, and in a manner which encourages the observance of equal opportunities requirements.
- To ensure that managers have a clear view of their objectives and means to assess performance.
- To ensure managers have well-defined responsibilities for making the best use of resources and have access to information, training and expert advice needed to exercise their responsibilities.

Responsibility in respect of other public bodies receiving grants or other funding from the body for which they are designated accountable officers

- The designated accountable officer must be satisfied that the financial and other management controls applied by the other public body conform with the requirements both of propriety and of good financial management.
- There should be an adequate statement of the financial relationship between the department, agency or officeholder and the other public body. The statement should be reviewed regularly.
- The conditions attached to grants should conform to the terms of the Budget Act. Compliance with those conditions should be monitored.
- The senior full-time official of the other public body should carry similar responsibilities for the stewardship of public funds as those of the accountable officer of the body providing funding. This should be made clear in writing.

Source: Memorandum to Accountable Officers from the Principal Accountable Officer, April 2002

Part 3: Responsibilities and accountabilities in the Scottish Administration

- 3.1 This part of the report sets out how the public bodies of the Scottish Administration are held to account. These public bodies comprise the Scottish Executive, including the Crown Office and Procurator Fiscal Service, its executive agencies, and the departments of statutory office holders.

The Scottish Executive

- 3.2 As at October 2002, the Scottish Executive comprised nine core departments including the Crown Office and Procurator Fiscal Service plus Scottish Executive Central Services. Each of these departments is responsible for the implementation of specific areas of policy and for reporting to particular Scottish Ministers. The Crown Office and Procurator Fiscal Service is responsible primarily for the prosecution of alleged criminal offences in the courts and reports to the Lord Advocate and Solicitor General for Scotland. The responsibilities of the Scottish Executive are shown at Exhibit 7.
- 3.3 The permanent secretary is head of the Scottish Executive and is also the senior civil servant of the Scottish Administration. The permanent secretary, the heads of the core departments together with the Principal Establishment Officer and the Principal Finance Officer form the executive members of the Scottish Executive Management Group. The Scottish Executive Management Group also comprises two non-executive members.
- 3.4 The role of the Scottish Executive Management Group is twofold. First, it is concerned with the overall management of the Scottish Executive. It therefore acts as a joint decision-making body on common issues which cut across the bodies concerned, for example on staffing and other personnel issues. It will also monitor departments' performance in areas where it is agreed an improvement is required eg, in responding to Ministerial and other correspondence received. Second, it acts as a co-ordinating body for policy advice and other papers which are to be presented to the Scottish Ministers. It therefore ensures that matters of fact, and the arguments for and against a particular line of action, are put together in a way that takes account of all interests. The executive members of the Scottish Executive Management Group therefore have direct contact with the Ministers they serve.

Exhibit 7: Scottish Executive departmental responsibilities



Source: Audit Scotland

- 3.5 The individual heads are responsible to the permanent secretary and Ministers for the performance of their departments in carrying out all their functions including the provision of policy advice and the implementation of policy decisions. As designated accountable officers, the individual heads are accountable to the Scottish Parliament for the propriety and regularity of the use of funds provided to their departments. They may therefore be required to appear before the Parliament's Audit Committee to provide evidence on the economy, efficiency and effectiveness with which the department has discharge its functions.
- 3.6 Each Scottish Executive department produces an annual business plan setting out a hierarchy of policy aims and programmes and key activities to be performed either by itself or by the associated bodies it supports. The business plans also provide output measures and other milestone indicators so that progress against the plans can be measured.
- 3.7 The business plans are agreed with Ministers and are also sent to the permanent secretary. Departmental management boards are responsible for monitoring progress against the business plans. Departmental management boards also meet bi-annually with the permanent secretary to discuss corporate issues affecting each department. The Scottish Ministers review the performance of each department against the output measures and other key performance targets contained in business plans as part of their ongoing contact with departmental heads.
- 3.8 Departments of the Scottish Executive are not normally involved directly in the delivery of services to the public. Instead, they provide grants and other financial support to their agencies, NDPBs and other public bodies to perform such functions and in pursuit of Ministerial policy priorities. Departments of the Scottish Executive may also contract direct with the private sector to carry out certain tasks eg, trunk road maintenance.
- 3.9 Taking one department as an example to illustrate how the Scottish Executive, its agencies and other sponsored public bodies are expected to contribute to government policy priorities, the 2002/03 expenditure proposals of the Scottish Executive Enterprise and Lifelong Learning Department (SEELLD) contains seven expenditure programmes each with its own objective (Appendix 4). SEELLD is directly responsible for the delivery of only two of these programme objectives. The SEELLD Accountable Officer is therefore directly accountable to the permanent secretary and Ministers for the

achievement of performance measures set in respect of these two programmes.

- 3.10 Responsibility for the delivery of the remaining five expenditure programmes rests with one executive agency and four arm's length NDPBs. As explained later in Part 3 and in Part 4 of the report, these bodies operate within a framework of policy aims and objectives and performance targets set by Ministers. A key role for SEELLD, therefore, is to review the performance of these bodies in meeting programme objectives through the achievement of targets set by the Scottish Ministers.
- 3.11 Devolution has encouraged a greater degree of transparency and openness in the activities of the Scottish Executive. The Scottish Ministers are expected to appear before subject committees of the Scottish Parliament to explain their policy priorities and plans with a far greater frequency than their predecessors did when reporting to the Westminster Parliament. The Scottish Executive has also developed two main mechanisms for publicly reporting its future priorities and planned actions.
- 3.12 Firstly, the Scottish Executive publishes detailed expenditure proposals based on its business plans as part of the Scottish Parliament's scrutiny of the annual Budget Bill (Appendix 2). The detailed expenditure proposals set out for each Scottish Executive department and other bodies funded directly from the Scottish Consolidated Fund their overall aims and individual programme objectives. The budget documents also set out proposed expenditure limits, output measures and other key performance targets for each policy programme.
- 3.13 Secondly, in September 1999 the Scottish Executive published its first *'Programme for Government'* report setting out the government's key priorities and objectives and establishing milestones and other performance measures covering the period up to 2003. A second *'Programme for Government'* report was published in January 2001 reviewing progress against action planned in the first report and establishing new priorities and performance measures covering the period up to 2003/04.
- 3.14 In September 2002, as part of the Scottish Executive's spending proposals for the period 2003 to 2006 the Scottish Ministers announced the introduction of an improved framework of financial and performance management which included new and revised objectives for the Scottish Executive. In addition aims, objectives and

outcome targets have also been set in respect of five priorities for action (health, education, crime, transport and jobs), two cross-cutting themes (closing the opportunity gap, sustainable development) and on delivering better public services. The Scottish Executive expects to publish shortly further details on how it will measure and monitor performance against outcome targets.

Cross-cutting initiatives

- 3.15 Traditionally, individual public bodies have been held accountable only in respect of expenditure they themselves incurred. In recent years, however, Ministers have sought to reform the delivery of public services through greater emphasis on partnership working as set out in '21st Century Government Action Plan', the Scottish Executive's response to the UK government's White Paper 'Modernising government'. Fundamental to this plan is the recognition that individuals or issues can be affected by policy initiatives emanating from different areas of the public sector. A key objective of partnership working is to find new ways of working which cross traditional departmental and other boundaries to deliver integrated public services.
- 3.16 The Scottish Executive has identified five priority cross-cutting initiatives focusing on drug misuse, social justice, children and young people, rural development and Sustainable Scotland. Because each of these issues span the portfolios of two or more Ministers, the development and implementation of each of these cross-cutting initiatives is being taken forward by cabinet sub-committees comprising Ministers and, in some cases, external members. Officials also attend meetings of the sub-committees to present papers and provide advice. For example, joined-up action to tackle drugs misuse is being taken under the guidance of a sub-committee linking key areas of justice, health, community care, social justice and education.
- 3.17 Cross-cutting initiatives are therefore an important and growing area in the way public services are delivered. They require the public bodies involved in their delivery to work in partnership and to depend on each other to achieve the partnership's objectives. The development of cross-cutting initiatives may therefore have implications to the way in which traditional systems of accountability operate. To date, however, the public bodies involved in cross-cutting initiatives, such as the Scottish Executive, the NHS and local authorities, have continued to be held accountable individually, not collectively.

3.18 Thus, taking drug misuse as an example, if a health board was to ‘bend its spend’ towards the objectives of a local Drug Action Team (a partnership of public bodies intended to co-ordinate action against drug misuse at a local level) it remains individually accountable to the Minister of Health for its expenditure. But whether or not the objectives of that expenditure are achieved may depend on the collective success of the partnership, not the individual health board. From this there may be a need to develop a new, collective, approach to accountability. Further details on the cross-cutting approach to tackling drug misuse and current accountability arrangements is provided at Appendix 5.

Executive agencies

- 3.19 Executive agencies were established in 1988 as a consequence of the UK Government’s ‘Next Steps Initiative’ aimed at improving the delivery of public sector services. Executive agencies are usually established where a set of functions can be carried out discretely within a clear policy framework set by Ministers. Executive agencies of the Scottish Executive are constituent parts of the core departments and have a strong focus on the operational delivery of service outputs.
- 3.20 The 11 executive agencies of the Scottish Executive vary in size from the Scottish Agricultural Science Agency with a staff of 140 and annual expenditure of £9 million to the Scottish Prison Service with a staff of 4,700 and annual expenditure of £250 million. Some 70% of the 14,000 staff of the Scottish Executive are currently employed with executive agencies.
- 3.21 The chief executive of each agency is designated the agency’s accountable officer. Despite executive agencies being constituent parts of the Scottish Executive, chief executives are directly answerable for the operational performance of their agency to the Scottish Ministers rather than to the departmental accountable officer.
- 3.22 Ministers do not normally get involved in the day-to-day operations of agencies. Instead, the operational role and responsibilities of the agency together with the terms of its relationship with Ministers and the parent department are set out in a framework document. Although each Scottish Executive agency performs widely different functions, framework documents are generally prepared in a standard format which sets out, *inter alia*:

A performance management framework for the agency

- the framework document sets out the function, aims and objectives of the agency together with the areas of activity against which key performance targets will be set.
- agencies are required to produce a corporate plan covering three or five years ahead setting out their main objectives, tasks and priorities and putting forward the agency's planned strategy for achieving key performance measures and its output and resource requirements. The corporate plan is intended to provide the framework for a more detailed annual operating plan upon which the day-to-day management of the agency is based.
- agencies are also required to produce an annual report and accounts which is presented to Ministers and laid before the Scottish Parliament. The annual report and accounts is expected to include a review of the agency's performance over the previous year against its performance measures and targets.

The respective responsibilities of those involved in the agency's activities

- the Scottish Ministers are responsible for setting the policy and resources framework within which the agency is to operate. They approve the framework document (and therefore the agency's aims and objectives) and the agency's corporate plan, and are responsible for setting targets and monitoring the agency's performance.
- the parent department's accountable officer is responsible for advising Ministers in the exercise of their duties and on policy issues affecting the agency, and exercising their duties for the departmental budget from which agency funds are allocated. Departments also monitor the agency's performance on behalf of Ministers.
- the chief executive is answerable to the Scottish Ministers for the operation of the agency and for its day-to-day management. His principal duties include a responsibility for the agency's overall financial performance, its efficiency and effectiveness; for meeting the objectives and key performance targets set by Ministers; and for providing policy advice to the Scottish Minister and the parent department as appropriate.

The respective accountabilities of those involved in the agency's activities

- ministers are accountable to Parliament for the functions of the agency.
- the parent department's accountable officer is accountable for the annual budget from which the agency's administrative and other costs are allocated.
- the agency's chief executive is accountable for the propriety and regularity of expenditure and for achieving best value with the resources provided to the agency. Both the agency chief executive and the departmental accountable officer may be required to appear before the Scottish Parliament's Audit Committee on the discharge of the responsibilities allocated to them.

Appendix 6 sets out the key areas covered by framework documents using the Scottish Fisheries Protection Agency as an example.

Departments of statutory officeholders

3.23 Under the Scotland Act 1998, there are a total of 26 statutory offices within the Scottish Administration (Appendix 7). The functions of these officeholders are determined in statute. Some, such as procurators fiscal, are in practice staff members of public bodies but their function requires them to be independent from political influence. Three office holders – the Registrar General of Births, Deaths and Marriages for Scotland, the Keeper of the Registers of Scotland and the Keeper of the Records of Scotland – head their own departments of the Scottish Administration.

3.24 Section 70 of the Scotland Act 1998 requires members of staff of the Scottish Administration to be designated accountable officers, answerable to the Scottish Parliament for expenditure and receipts. The three departmental statutory office holders are members rather than members of staff of the Scottish Administration and so cannot be named as accountable officers. Instead, the principal accountable officer has designated senior members of staff of the General Register Office for Scotland, the National Archives of Scotland and the Registers of Scotland to be accountable officers.

3.25 In this situation therefore, the statutory officer holders are accountable to Parliament for the performance of their statutory duties and for the performance of the department they head. But the accountable officers are accountable for ensuring the propriety and regularity of funds and for ensuring best value is achieved from the resources provided.

Part 4: Responsibilities and accountabilities in sponsored public bodies

- 4.1 This part of the report sets out how public bodies sponsored by the Scottish Executive core departments are held to account for the propriety and regularity of the public funds provided to them. Sponsored public bodies in Scotland comprise NDPBs, NHS bodies, two nationalised industries and one public corporation. Typically, they:
- receive funds from a core department of the Scottish Executive
 - may carry out administrative, executive or regulatory functions or provide direct services to the public sometimes on a commercial basis
 - operate at arm's length from Ministers but within a policy and resource framework set by Ministers
 - comprise a board whose members and/or chair are appointed by Ministers.

Non-departmental public bodies

- 4.2 An NDPB is as “*a body which has a role in the process of national government, but is not a government department or part of one, and which accordingly operates to a greater or lesser extent at arm's length from Ministers*”³. There are currently 120 NDPBs in Scotland (see Appendix 1). All NDPBs fall within this broad definition, but each NDPB exhibits certain characteristics which enable it to be classed as one of three types of NDPB (Exhibit 8).

³ HM Treasury: Government Accounting

Exhibit 8: Classification of non-departmental public bodies

Executive NDPBs

These may be national or regional and normally employ staff and have their own budget. They usually carry out prescribed functions within government guidelines. Typical examples include Scottish Enterprise, Highlands and Islands Enterprise and the National Galleries for Scotland. Executive NDPBs usually display the following characteristics:

- they are set up by Ministers to carry out administrative, commercial, executive or regulatory functions on their behalf
- they are legally incorporated and have their own identity. This means that they are established by Act of Parliament, by Royal Charter, under the Royal Perogative, or incorporated under Companies Act legislation
- they are not departments or agencies of the Scottish Executive
- they are not Crown bodies and do not have Crown status
- appointments to the boards of the bodies are by Ministers, by officials on behalf of Ministers, or by The Queen on the advice of Ministers
- ministers are ultimately answerable for the performance of the bodies and for their continued existence. For example, Ministers have the power (subject to Parliamentary approval if necessary) to wind the bodies up.

Advisory NDPBs

These provide advice to the Scottish Ministers and their officials. In general they do not employ staff nor have their own budget. Examples of advisory NDPBs include the Hill Farming Advisory Committee for Scotland and the Ancient Monuments Board for Scotland. Advisory NDPBs usually display the following characteristics:

- they are established by Ministers, or by officials working on behalf of Ministers, to provide independent expert advice or to provide input into the policy making process
- they have a national or regional remit
- they are formal bodies with defined membership and clear terms of reference
- they meet on a regular basis (at least once a year)
- They are standing bodies (ie, in existence for more than 12 months)
- They are not part of a department or agency of the Scottish Executive, or part of some other organisation
- appointments to the bodies are made by Ministers, by officials on behalf of Ministers, or by The Queen on the advice of Ministers
- those appointed to the body are independent of government and drawn from outside the public sector
- ministers are ultimately answerable for the performance of the bodies and for their continued existence.

Tribunal NDPBs

- tribunal NDPBs are statutory bodies which decide the rights and obligations of private citizens towards a government department or other public authority or towards each other. Although their functions are essentially judicial, they are separate from the formal court system. Children's Panels and Rent Assessment Panels are examples.

Source: 'Public Bodies: Proposals for Change', Scottish Executive June 2001

Executive NDPBs

- 4.3 Executive NDPBs carry out administrative, commercial, executive or regulatory functions on behalf of government. The majority of executive NDPBs employ their own staff and manage their own budgets. The 37 executive NDPBs in Scotland range in size from small bodies such as the Crofters' Commission with fewer than 30 staff and an annual budget of around £3 million to Scottish Enterprise with a staff of 1,700 (including staff of local enterprise companies) and an annual budget of over £500 million. Executive NDPBs generally receive the majority of their funding from grant-in-aid provided by Scottish Executive sponsor departments.
- 4.4 Executive NDPBs are responsible for managing their day-to-day affairs largely free from Ministerial intervention but Ministers remain accountable to the Scottish Parliament for the activities of the body. To support accountability, therefore, executive NDPBs are headed by boards whose non-executive members and/or chair are appointed by Ministers.
- 4.5 The accountability relationship between executive NDPBs and Ministers is further reinforced by the requirement for each NDPB to operate within the terms of a management statement and financial memorandum setting out a framework for the strategic control and financial management of the NDPB. The terms of the management statement and financial memorandum are specific to each executive NDPB. The Scottish Executive has, however, produced a model management statement and financial memorandum to provide guidance to sponsor departments, executive NDPBs and other sponsored public bodies on the key issues to be covered in such documents. The model management statement and financial memorandum sets out *inter alia*:

A performance management framework for the NDPB or other sponsored body

- the management statement sets out the status of the body, its functions, duties and powers together with its aims and objectives and areas of activity against which key performance targets will be set.
- the body is required to produce a corporate plan covering three to five years ahead and an annual business plan. The corporate plan sets out the body's key objectives, associated performance measures and its strategy for achieving these objectives. The corporate plan should also provide a review of the body's performance in the preceding financial year, an estimate of performance in the current

year and forecasts of income and expenditure. The first year of the corporate plan, amplified as necessary, forms the business plan.

- the body's performance against its key performance targets is required to be reported to the sponsor department every three months. The sponsor department twice yearly formally reviews the overall performance of the body. The appropriate Scottish Minister also meets the body's board on a regular basis to discuss the body's performance, its current and future activities and any policy developments relevant to those activities.
- most NDPBs and other sponsored bodies are required to produce an annual report and accounts which are presented to Ministers and laid before the Scottish Parliament. The annual report and accounts should include a review of the body's activities and achievements during the year and details of performance against its objectives and targets.

The respective responsibilities and accountabilities of those involved in the NDPB's or other sponsored body's activities

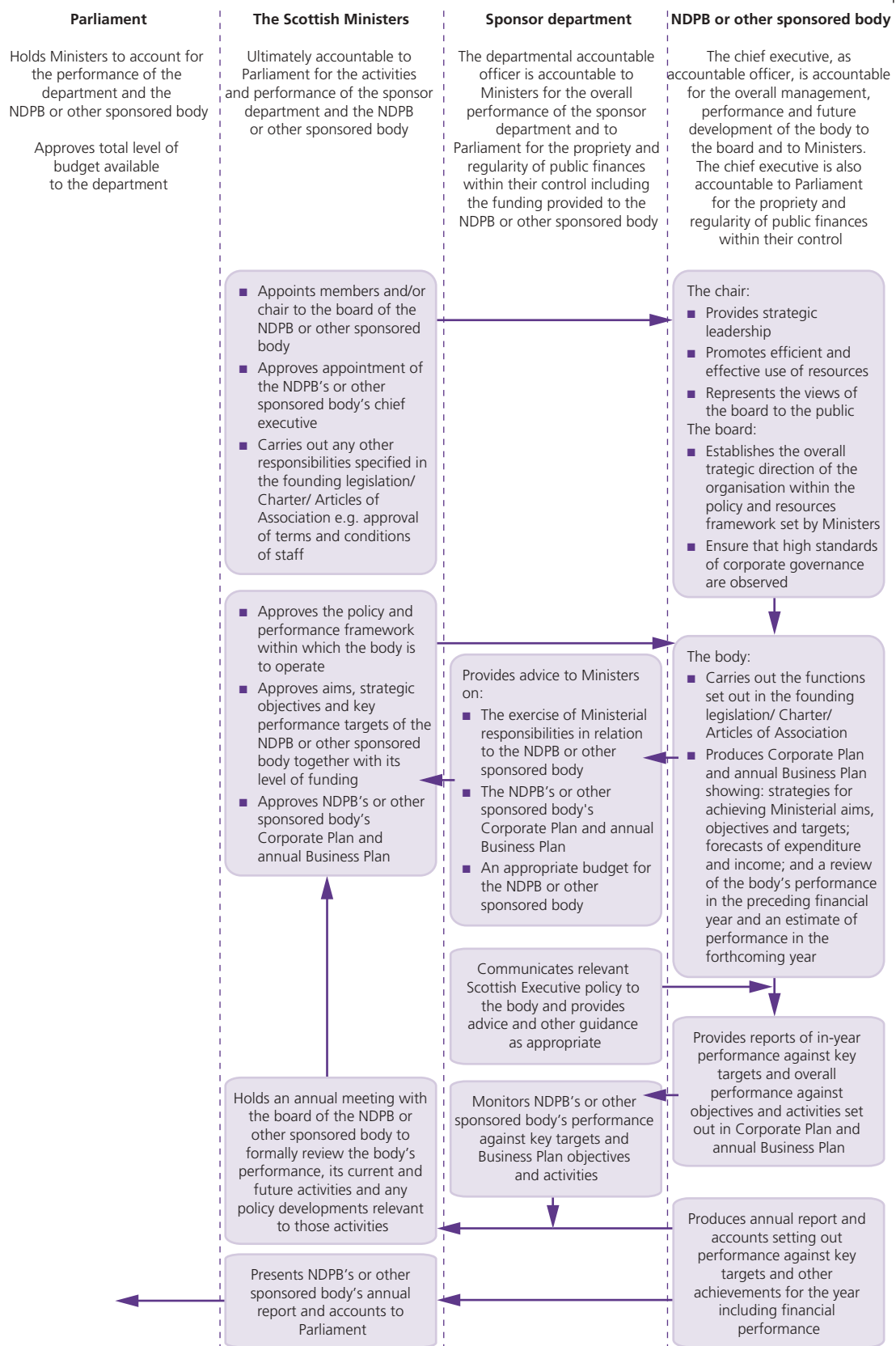
- The Scottish Ministers are responsible for: approving the policy and performance framework within which the body is required to operate; determining the amount of funding to be made available to the body; and for carrying out any other responsibilities specified in the founding legislation or charter articles of association eg, appointments to board. Ministers are overall accountable to Parliament for the activities of the body.
- The Scottish Executive sponsor department's responsibilities include the provision of advice to the Scottish Ministers on all aspects of the public body and for monitoring the body's performance against its targets and total financial provision. The sponsor department is also required to undertake a financial management and policy review of the body at least every five years including consideration of whether the NDPB is still required.
- The sponsor department's accountable officer is accountable for the budget on which the NDPB's financial provision is borne and is responsible for providing policy guidance to the NDPB.
- The board of the NDPB or other sponsored public body is responsible for establishing the overall strategic direction of the organisation within the policy and resources framework set by Ministers, to ensure that any guidance issued by the sponsor department is taken into account and to ensure the body operates

within the limits of its authority. The chairs of boards have a particular responsibility for promoting the efficient and effective use of resources and to represent the views of the board to the general public.

- The NDPB's chief executive is responsible for its day-to-day operations and management including the maintenance of adequate internal management and financial controls and for meeting the aims and objectives set by the Scottish Ministers. They are also responsible for advising the board on the discharge of its functions. The NDPB's chief executive is accountable to both the Scottish Ministers and the board for the overall performance of the body.
- As designated accountable officer, the chief executive is accountable to the Scottish Parliament for the propriety and regularity of the use of public funds. The chief executive and the sponsor department's accountable officer may also be required to appear before the Scottish Parliament's Audit Committee to give evidence on the economic, efficient and effective use of funds provided to the public body in discharging its functions.

Exhibit 9 shows the accountability framework in practice.

Exhibit 9: Accountability framework for NDPBs and other sponsored bodies



Source: Scottish Executive model management statement and financial memorandum

Advisory NDPBs

- 4.6 The principal role of the 48 advisory NDPBs in Scotland is to provide expert advice to Ministers and others or input into the policy-making process in a particular subject area. They are not normally responsible for expenditure other than remuneration (where paid) and expenses for board members and do not employ staff. The Scottish Executive normally provides administrative support. The Scottish Ministers, or officials on behalf of Ministers, usually appoint the members of advisory NDPBs. Advisory NDPBs are therefore responsible to Ministers only for the provision of expert advice in their particular subject areas.

Tribunals

- 4.7 Tribunals carry out judicial functions under statute by deciding the rights and obligations of private citizens towards each other or other public bodies but are separate from the formal court system. They are not responsible for expenditure other than remuneration (where paid) and expenses for tribunal members and do not employ staff. Members of the 35 tribunals in Scotland are appointed by the Scottish Ministers but they function independently of them.

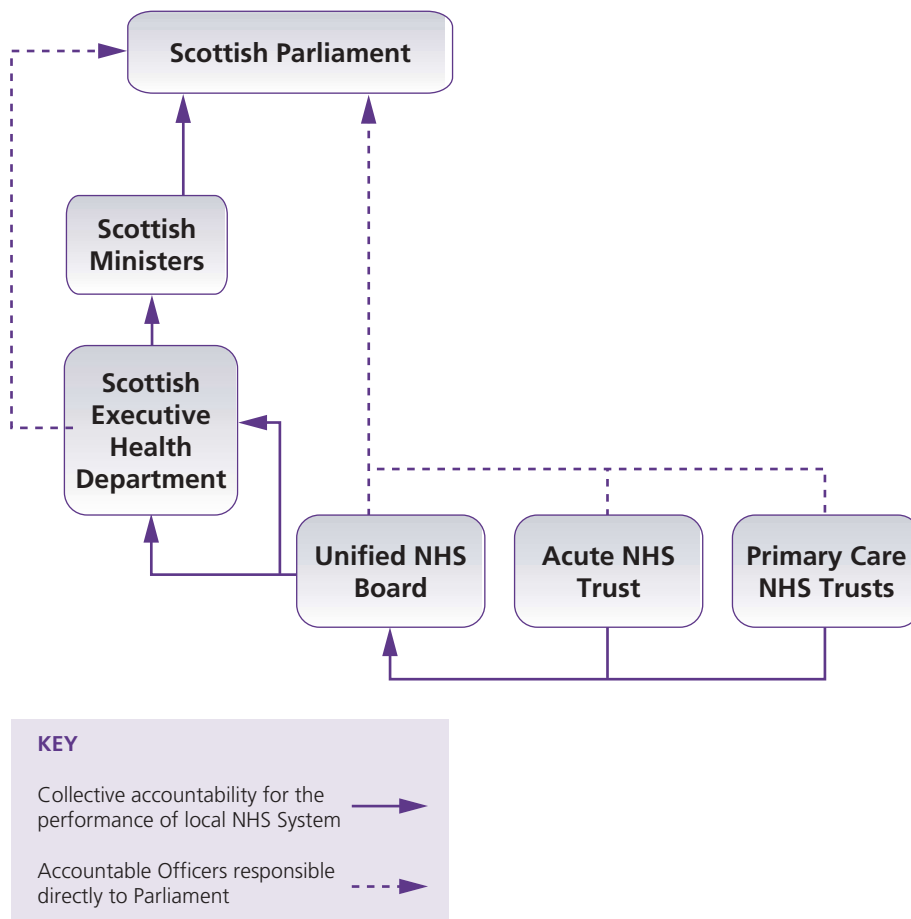
The National Health Service in Scotland

- 4.8 NHS bodies have a board whose members are appointed by Ministers. They normally employ their own staff, manage their own budgets and receive the majority of their funding via the Scottish Executive Health Department (SEHD). Some NHS bodies, such as NHS Trusts, provide services direct to the public through the provision of hospital services whilst others provide management, technical or advisory services within the NHS. NHS bodies are responsible for managing their day-to-day affairs without detailed oversight from Ministers and SEHD.
- 4.9 SEHD's role in the management of the NHS is largely threefold:
- to set strategic aims and priorities for the NHS in Scotland, to establish the framework for the planning and delivery of health services including the allocation of resources and to disseminate this to NHS bodies
 - to monitor the financial and other performance of NHS bodies through the medium of regular performance returns and review meetings, and to act where performance diverges significantly from plan

- to issue guidance to NHS bodies on a wide range of issues eg, clinical, managerial, financial and human resources including corporate governance arrangements.
- 4.10 The Scottish Ministers are overall accountable to the Scottish Parliament for the activities of the NHS system in Scotland. The head of SEHD is also chief executive of NHSScotland. As accountable officer he is directly answerable to the Scottish Parliament for financial propriety and regularity and for achieving best value from the resources allocated to SEHD and to NHSScotland. In practice, the accountable officer is held personally responsible for departmental systems and procedures, for the effectiveness of SEHD's monitoring and review of the NHS, and for the guidance issued to NHS bodies.
- 4.11 Following publication in December 2000 of the government's plan for the future of the NHS in Scotland '*Our National Health: A plan for action, a plan for change*', the responsibilities and accountabilities of the local health system are changing. In September 2001 unified NHS Boards were established in all 15 health board areas to replace the separate board and trust structures which had previously existed.
- 4.12 Each unified board is responsible for developing a single local health plan to address the health improvement, health inequalities and healthcare needs of the local population. As boards of governance, unified boards are expected to provide effective strategic leadership and to have overall responsibility for implementation of the local health plan. They determine how resources are allocated between their component health boards and trusts to meet strategic objectives and are responsible for the performance management of the local NHS system. Unified boards are accountable to Ministers and SEHD for the financial and operational performance of the local NHS system as a whole. They also fulfil an important role in explaining the plans and actions of the local NHS system to the public and other local stakeholders.
- 4.13 The chief executives of health boards and trusts are members of the unified board so as to promote shared decision making and better collaborative working across the local NHS system. There is no line management relationship between a board chief executive and a trust chief executive and each retains their previous operational autonomy and responsibilities. As designated accountable officers, chief executives remain directly answerable to the Scottish Parliament for propriety and regularity of financial transactions under their control

and for achieving best value from the use of resources provided. Exhibit 10 shows the lines of accountability of the various components of the NHS system.

Exhibit 10: Responsibilities and accountabilities in the NHS in Scotland



Source: 'Our National Health: A plan for action, a plan for change' Rebuilding our National Health Service: Guidance to NHS chairs and chief executives for implementing, Scottish Executive Health Department May 2001

4.14 These revised accountability arrangements are being implemented alongside the development of a new performance assessment framework for the NHS. The framework consists of performance measures, indicators and assessments which provide an aggregate picture of the performance of each local NHS system comparatively and over time. The framework allows an assessment of performance to be made against seven areas of performance including health improvement, fair access to health services, patient experience and organisational and financial performance and efficiency. SEHD uses the performance assessment framework as a means to hold unified boards to account through annual accountability reviews, the report of which is published by the relevant NHS board.

Nationalised industries and public corporations

4.15 Nationalised industries and public corporations are industrial or commercial enterprises under the direct control of government. They have a board whose members are appointed by Ministers, employ their own staff and manage their own budgets. Ministers may issue strategic objectives to these arm's length bodies but they are not expected to intervene in operational matters. The two nationalised industries in Scotland are Highlands and Islands Airports Ltd (HIAL) and Caledonian MacBrayne (CalMac) both of which are constituted as companies under Companies Act legislation, with Scottish Ministers being sole shareholders in each case. Scottish Water, which is a public corporation, was created in April 2002 following a merger of the three previous regional water and sewerage authorities.

HIAL and CalMac

- 4.16 The Scottish Executive Development Department (SEDD) provides grants to HIAL towards the costs of operating ten airports in the Highlands and Islands for the purpose of containing airport charges for domestic flights at acceptable levels, thus enabling scheduled services to continue to serve local communities. In 2000/01 HIAL received revenue grants of £11 million (representing 57% of total revenue) and capital grants of £4.2 million to fund a number of capital improvement schemes.
- 4.17 SEDD provides CalMac with an annual grant to meet the operating deficit of providing a network of approved ferry services in the Inner and Outer Hebrides and in the Firth of Clyde. Approved ferry services are those which, in the Scottish Ministers' opinion, are necessary to maintain economic or social conditions in the highlands and islands and which would not otherwise be provided without unacceptable price increases. In 2000/01 SEDD paid Caledonian MacBrayne deficit grant subsidy of £19 million (33% of total revenue of £58 million). The Scottish Ministers may also lend the company capital finance to fund replacement vessels.
- 4.18 The responsibility and accountability arrangements for HIAL and CalMac are similar. The relationship between the Scottish Ministers, the sponsor department and HIAL is set out in a financial memorandum. Largely for historical reasons, there is no equivalent formal financial memorandum for CalMac but arrangements exist which replicate the key accountability mechanisms:
- Ministers are accountable for both companies to the Scottish Parliament. Ministers are responsible for: appointing the chairs and non-executive board members; determining the broad

financial framework within which the companies are to operate and for the amount of financial assistance to be paid; and for setting key financial (eg, unit costs) and performance targets (eg, punctuality of CalMac ferry services).

- SEDD sponsors HIAL and CalMac, monitors their performance against targets and provides advice to Ministers as required. An SEDD staff member is nominated by the Scottish Ministers to represent them on the boards of both HIAL and CalMac and to provide advice to the board, to ensure proper standards of corporate governance are followed and to raise any other issues pertinent to the operations of the companies. The SEDD accountable officer is directly accountable to the Scottish Parliament for the propriety and regularity of funding made available to HIAL and CalMac.
- The chairs and boards of HIAL and CalMac are responsible for providing strategic direction and leadership, for ensuring the companies meet agreed financial and other targets and that the companies are managed and organised effectively and efficiently.
- The managing directors of both HIAL and CalMac are accountable to their respective boards. They are responsible for providing advice to the boards on the discharge of its responsibilities and for ensuring that performance targets set by Ministers are met.

4.19 In January 2001 the Scottish Ministers announced their intention to put the network of ferry services provided by CalMac out to tender in order to comply with EC regulations governing state aid. As part of the proposals, Ministers announced plans for restructuring CalMac to form a publicly owned vessel owning company and a publicly owned operating company. The purpose of the vessel-owning company is to take over ownership of CalMac's existing fleet, piers and other shore facilities and to lease vessels to the successful operator. The publicly owned operating company is to be allowed to bid for the provision of ferry services. In June 2002 SEDD issued its draft invitation to tender for consultation. SEDD expects that the contract for the provision of ferry services will start in autumn 2004.

Scottish Water

4.20 Scottish Water was formed in April 2002 to provide chargeable water and sewerage services to domestic and non-domestic customers in Scotland. In 2000/01 the three previous water authorities from which Scottish Water is derived generated a combined income of £750 million and had fixed assets valued at £2 billion. The three water

authorities also had outstanding borrowings of £1.9 billion. Scottish Water derives most of its income from charges to customers. It may also borrow from the Scottish Ministers in order to help finance investment in new and replacement infrastructure.

4.21 The relationship between Scottish Water and its sponsor department, the Scottish Executive Environment and Rural Affairs Department, is determined through a financial memorandum and provisions made under the Water Industry (Scotland) Act 2002. Scottish Water's financial memorandum will shortly be finalised but taken alongside the statutory provisions they establish that:

- Scottish Ministers are required under statute to give Scottish Water directions as to the exercise of its powers and as to how its affairs are to be managed and conducted. Directions issued by the Scottish Minister to date set out Scottish Water's general powers and permitted activities, corporate governance arrangements and format of accounts. A delegated expenditure limits direction, shortly to be finalised, will also set out expenditure limits in respect of certain areas of activity eg, capital expenditure, contractual commitments above which Scottish Water must obtain permission to incur expenditure from the Scottish Ministers.
- Ministers also approve Scottish Water's strategic business plan, determine the conditions under which Scottish Water can borrow from them and are overall accountable to the Scottish Parliament for the functions of the body.
- the sponsor department is responsible for providing advice to the Scottish Ministers on all aspects of Scottish Water and for monitoring its performance against its strategic business plan and financial targets on behalf of Ministers. The departmental accountable officer is responsible to the Scottish Parliament for the propriety and regularity of funds provided to Scottish Water.
- under statute, Scottish Water is required to break-even, taking one year with another and to keep its net borrowings within limits set in Budget Acts. Scottish Water is also required to make an annual return of 6.5% on net assets.
- the board of Scottish Water is responsible for the strategic direction of the organisation and for ensuring that it is managed and organised effectively and efficiently. The board is required to submit to Ministers a report on the activities of Scottish Water every six months and to produce an annual report and accounts which is presented to Parliament.

- the chief executive is responsible for the day-to-day operations and management of Scottish Water and for meeting its aims and performance objectives. The chief executive is also responsible for reporting to the board the financial affairs of Scottish Water and bringing to the board's attention any significant information which is likely to be pertinent to their consideration of the financial status of Scottish Water.
- as designated accountable officer, Scottish Water's chief executive is accountable to the Scottish Parliament for the propriety and regularity of public funds provided. The chief executive may also be required to appear before the Scottish Parliament's Audit Committee to give evidence on the economic, efficient and effective use of funds provided to the public body in discharging its functions.

4.22 The Water Industry (Scotland) Act 2002 also provides for the establishment of a number of customer related bodies to reflect Scottish Water's role as a provider of water services to the public. In particular, the Water Industry Commissioner for Scotland has a general function of promoting the interest of customers of Scottish Water and for regulating all aspects of its economic and customer service performance. The Commissioner is also responsible for setting Scottish Water efficiency targets for operating costs and capital expenditure, for approving Scottish Water's annual charges scheme and for advising the Scottish Ministers on the amount of revenue that Scottish Water requires to fund its investment programme. The Scottish Ministers have the additional duty to establish area Water Customer Consultation Panels with a general function of representing the views and interests of Scottish Water's customers.

Scottish Executive review of public bodies

4.23 In November 2000 the Scottish Executive started a review of its relationships with sponsored bodies and of their accountability to Ministers and Parliament. The review was prompted by a recognition that the creation of the Scottish Parliament had brought about increased democratic scrutiny of central government functions. In summary, the review considered that arm's length bodies should be established or retained if:

- they have a distinct role to play and functions to perform that cannot be carried out at least as effectively by any other organisation
- they are clearly accountable to Ministers and the people whom they serve for the functions they perform

- they are able to work in a joined up way with other organisations and are able to draw new people into the processes of government in its widest sense
- they are properly run, efficient and effective, and deliver value for money.

4.24 The report of the review, published in June 2001, announced:

- the abolition of seven NDPBs, the Scottish Hospital Trust and the Scottish Transport Group together with the declassification of a further six NDPBs
- the further review of 46 public bodies, often as part of a wider and on-going review of the specific policy area
- the conversion of Scottish Homes from an NDPB to an executive agency, Communities Scotland (although Scottish Homes will continue in a residuary capacity until some outstanding tasks are complete)
- the merger of the existing three water authorities to create Scottish Water
- the creation of NHS Education for Scotland as a special health board to combine the governance of three public bodies
- the replacement of the 43 separate board structures of the existing health boards and NHS trusts with 15 new unified NHS boards.

4.25 By October 2002 Communities Scotland, Scottish Water, NHS Education for Scotland and the 15 unified NHS boards were all in place. The Scottish Executive had abolished or declassified six public bodies. In June 2002, the Public Appointments and Public Bodies etc. (Scotland) Bill was presented to the Scottish Parliament proposing the dissolution of a further six public bodies including the Scottish Hospital Trust.

4.26 The Scottish Executive has also introduced or proposes a number of measures for remaining public bodies designed to enhance openness, professionalism and accountability to Ministers and the public including:

- implementation of the Ethical Standards in Public Life (Scotland) Act 2000 requiring Ministers to produce a model code of conduct for members of the boards of public bodies. The Scottish Executive required each public body to produce its own members' code of conduct based on the model by July 2002 for approval by Ministers. The Standards Commission for Scotland, established in January 2002, is currently considering the draft codes of conduct and, once implemented, will be responsible for investigating alleged breaches of the codes.

- the proposed creation of the post of Commissioner for Public Appointments in Scotland independent of the Scottish Ministers. The Public Appointments and Public Bodies etc. (Scotland) Bill proposes the creation of the Commissioner with responsibility for publishing a code of practice providing guidelines as to the methods and practices to be used by the Scottish Ministers in the making of appointments to the boards of NDPBs, NHS bodies, CalMac, HIAL and Scottish Water. The Bill also proposes that the Commissioner will be responsible for monitoring implementation of the code of practice and for investigating complaints arising from appointments made to boards.
- requiring public bodies to be more accountable to the public by holding meetings in public, consulting more widely with stakeholders and users, seeking evidence from members of the public on matters of public concern and making greater use of annual reports and the internet to publish more widely information on their role and achievements.
- the development of guidance by the Scottish Executive on the establishment of NDPBs and the circumstances which determine the appropriate degree of independence between public bodies and their sponsor departments.

Part 5: Responsibilities and accountabilities in local public spending bodies

- 5.1 This part of the report explains how local public spending bodies are held to account for their performance. Local public spending bodies in Scotland comprise further education colleges, higher education institutions, local enterprise companies and registered social landlords. Typically, they:
- are not for profit organisations which are funded at least in part by executive agencies or NDPBs
 - provide public services directly to the communities they serve
 - comprise boards whose members are not appointed by Ministers.
- 5.2 Consequently, the lines of accountability between local spending bodies and Ministers and Parliament are not as strong as that of core departments and sponsored public bodies. The accountability mechanisms reflect the different legal status of these organisations, often providing a role for the executive agency or NDPB within the accountability mechanism.

Further education colleges

- 5.3 There are 46 further education colleges in Scotland of which 42 are incorporated under the Further and Higher Education (Scotland) Act 1992 as independent corporate bodies, each governed by a board of management. They provide education and training towards a wide range of qualifications including vocational qualifications, standard and higher grade qualifications, HNC and HND qualifications and professional qualifications. Many colleges also offer courses for students with learning difficulties and/or disabilities and courses designed to improve basic skills in, for example, literacy and numeracy.
- 5.4 Under the Further and Higher Education (Scotland) Act 1992 the Scottish Ministers have a duty to secure adequate and efficient provision of further education in Scotland. In exercise of this duty Ministers have powers to establish new colleges, merge two or more colleges or close colleges of further education. Ministers may give boards of management directions of a general or specific character with regard to the discharge of their functions. They also have powers to remove board members and, subject to certain restrictions, appoint new members to the board in the place of those so removed.

- 5.5 The duty of Ministers for securing adequate and efficient provision of further education is delegated to the Scottish Further Education Funding Council (SFEFC), an NDPB sponsored by the Scottish Executive Lifelong Learning Department. SFEFC conducts its activities within a policy and financial framework provided by Ministers and its chief executive is responsible to the Scottish Ministers for ensuring that funds are put to uses consistent with the purposes for which they were given. During the year ending 31 July 2001 SFEFC provided further education colleges with grant-in-aid of around £458 million (about 70% of total college income).
- 5.6 College boards are responsible for appointing their own members. Boards of management are primarily responsible for setting the policies and overall strategic direction of the college and for ensuring the college provides suitable and efficient further education to its students. Each college has a standard financial memorandum agreed with SFEFC governing the use of SFEFC funds and specifying the general conditions under which funding is provided. Subject to this, each college's board of management has discretion over the use of funds received and is ultimately responsible for proper stewardship of those funds.
- 5.7 The principal of the college is a member of the board by virtue of his or her position and is also the college's accountable officer. The college principal is therefore the board's chief professional advisor and is responsible to the board for the overall organisation, management and development of the college. Under the terms of the financial memorandum between SFEFC and each college, the principal may also be required to appear before the Scottish Parliament's Audit Committee alongside the accountable officer of SFEFC on any matters relating to grant paid to the college which arise before the Audit Committee.
- 5.8 Following concerns about governance and financial management arrangements in Moray College⁴, the Scottish Executive issued a consultation paper on governance and accountability in the FE sector in May 2002. The consultation paper sought views on, *inter alia*: the appointment of board members; the skills mix of college boards and the training provided to board members; the powers of Ministers to remove or replace board members; SFEFC powers to intervene directly in colleges with poor governance; and the limits on the SFEFC accountable officer's powers to ensure propriety and value for money in the stewardship of funds allocated to individual colleges.

⁴ See the Auditor General's report 'Governance and financial management at Moray College' presented to the Scottish Parliament in June 2001

The consultation period ends in October 2002 following which Ministers will consider the need for changes to the existing governance and accountability arrangements.

Higher education institutions

- 5.9 The 20 higher education institutions in Scotland are independent corporate bodies established either by Royal Charter or under statute. Each higher education institution has a governing body and broader governance arrangements that reflect the history and method of establishments of the institution. During the year ending 31 July 2001 they had a combined income of around £1.5 billion of which £612 million (41% of total income) was grant-in-aid provided by the Scottish Higher Education Funding Council (SHEFC). Higher education institutions generally provide only higher education programmes, that is all study, training and research carried out at a standard higher than that of Scottish Vocational Qualification level 3 and equivalent.
- 5.10 The powers of the Scottish Ministers in relation to the higher education sector display a number of differences compared to those in the further education sector. Taken together, they mean that the Scottish Ministers are accountable only for the expenditure of grant-in-aid funds and not for the functions of higher education institutions themselves. For example, the Scottish Ministers do not have a statutory duty to secure adequate and efficient provision of higher education and, under the Further and Higher Education (Scotland) Act 1992, only the Privy Council can prescribe the administrative and other arrangements to be adopted by governing bodies. Similarly, while the Scottish Ministers have powers to establish, merge or close higher education institutions they do not have powers to remove members of governing bodies.
- 5.11 In many other respects, however, roles and responsibilities in the higher education sector are similar to those in the further education sector. In particular:
- SHEFC operates within a policy and resource framework set by Ministers. The SHEFC chief executive, as accountable officer, is responsible to the Scottish Ministers for ensuring that funds received are put to uses consistent with the purposes for which they were given.
 - governing bodies of higher education institutions are primarily responsible for setting the policies and overall strategic direction of the institution and, subject to a standard financial memorandum

with SHEFC governing the use of SHEFC funds, have discretion over the use of funds received.

- the accountable officer of the institution, normally the principal, is responsible to the governing body for the overall organisation, management and development of the institution. The accountable officer of the institution may be required to appear before the Scottish Parliament's Audit Committee alongside the accountable officer of SHEFC on any matters relating to grant paid to the institution.

Local enterprise companies

5.12 Scottish Enterprise and Highlands and Islands Enterprise are responsible under the Enterprise and New Towns (Scotland) Act 1990 for furthering the development of Scotland's economy, for enhancing the skills and capacities relevant to employment and for furthering the improvement of the environment of Scotland. Scottish Enterprise has the additional responsibility of promoting Scotland's industrial efficiency and international competitiveness. In 2000/01 Scottish Enterprise and Highlands and Islands Enterprise spent £506 million and £79 million respectively about 83% of which was provided as grant-in-aid from the Scottish Executive Enterprise and Lifelong Learning Department.

5.13 Scottish Enterprise and Highlands and Islands Enterprise directly fund operations of a broad or strategic nature. However, so that decisions concerning economic, environmental and training developments involve and draw upon local and business communities, their activities are delivered through operating contracts with a network of 22 local enterprise companies. In 2000/01, these companies directly spent approximately two-thirds of the funds available to Scottish Enterprise and Highlands and Islands Enterprise.

5.14 Until recently, local enterprise companies were private companies limited by guarantee. Following a review of the enterprise network, the ownership of these bodies was altered in 2001/02 so that they became wholly owned subsidiaries of either Scottish Enterprise or Highlands and Islands Enterprise. Under the revised arrangements, local enterprise company boards are still drawn primarily from their local business community and the Scottish Ministers have no involvement in their appointment.

5.15 The operating contracts provide a framework of accountability and control between the two enterprise bodies and the local enterprise

companies. In particular they require the local enterprise companies to prepare annual operating plans setting out their proposed activities and to provide reports of their performance against these plans. The enterprise bodies may also carry out examinations into the economy, efficiently and effectiveness with which local enterprise companies have used the public resources provided.

- 5.16 Although the boards of local enterprise companies are responsible for the activities of their companies, the operating contracts state that chief executives are accountable to the accountable officers of the enterprise bodies for the expenditure of public funds provided. The accountable officers of the enterprise bodies are therefore overall accountable to Ministers and Parliament for the expenditure and activities of the local enterprise companies. The chief executives of local enterprise companies are expected to provide support to the accountable officers of Scottish Enterprise and Highlands and Islands Enterprise in the discharge of their responsibilities. The operating contracts do not, however, provide for chief executives to appear before the Scottish Parliament's Audit Committee.

Registered social landlords

- 5.17 Under the Housing (Scotland) Act 2001, Communities Scotland is responsible for maintaining a register of social landlords in Scotland. Registered social landlords are either companies registered under the Companies Act 1985 or societies registered under the Industrial and Provident Societies Act 1965 whose main functions are to provide, construct, improve and manage social rented housing. Registered social landlords had a combined turnover of some £400 million in 2000/01, the bulk of their income being derived from tenants' rents. Some 98% of the 247 registered social landlords in existence in March 2001 were constituted as housing associations.
- 5.18 Registered social landlords are independent, not for profit bodies whose accountabilities lie mainly towards their members and housing tenants. The appointment of boards of registered social landlords is a matter for the individual constitution of each registered social landlord but most are usually elected from the organisation's membership. Under normal circumstances Ministers do not play any part in the appointment of board members.
- 5.19 Registered social landlords are free to manage their own affairs within a regulatory framework designed to protect tenant interests as well as public and private investment. The Scottish Ministers have delegated responsibility for the regulatory framework to Communities Scotland.

The agency sets national standards for governance, financial management and service delivery in registered social landlords. It also inspects and assesses the performance of registered social landlords and develops good practice. Registered social landlords are also required to meet other statutory provisions designed to protect the interests of tenants, such as the requirement to consult with tenants and tenant organisations with regards to policies in relation to housing management, repairs and maintenance. In certain circumstances, the Scottish Ministers (acting through Communities Scotland) may exercise powers to appoint additional governing body members or an operational manager to a registered social landlord where it is not meeting the required standards.

- 5.20 Communities Scotland provides grants to registered social landlords to help fund specific capital investment works. Registered social landlords are responsible for generating individual projects which meet Communities Scotland's development priorities and objectives. Grant conditions require registered social landlords to be responsible for ensuring that monies are only spent for the purposes they were intended. Communities Scotland has in place a post project completion appraisal system to check that this happens. In 2000/01 Scottish Homes, Communities Scotland's predecessor, spent £181 million on capital grants to registered social landlords.

Part 6: Responsibilities and accountabilities in local government public bodies

- 6.1 This part of the report describes responsibilities and accountabilities in local government bodies. Local government bodies include:
- local authorities
 - police forces
 - fire brigades.

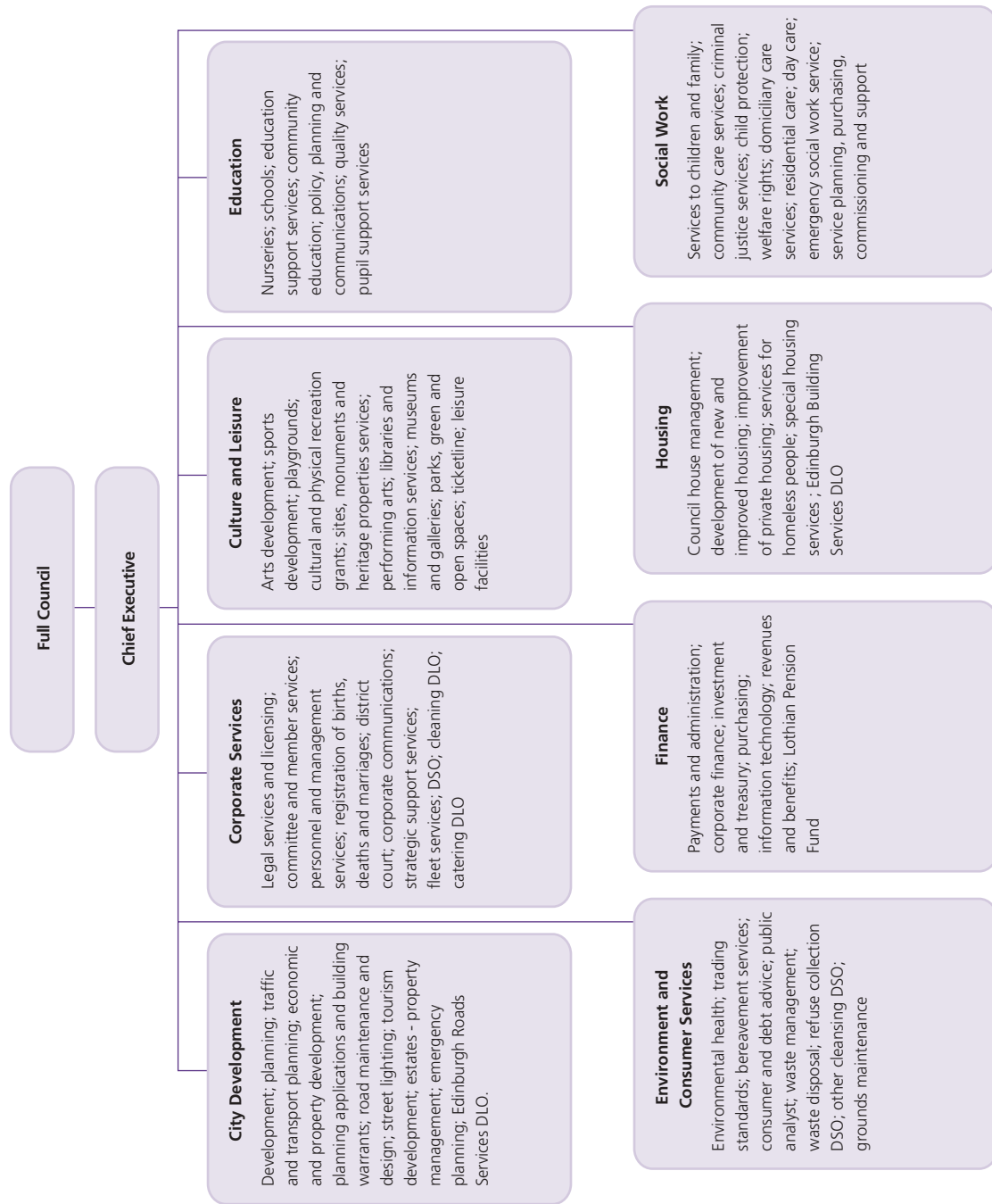
Local authorities

- 6.2 The 32 local authorities in Scotland are independent entities accountable to their local electorate. They range in size from Orkney Islands Council with an annual income of some £70 million and a staff of 1,400 to Glasgow City Council with an annual income of over £2 billion and a staff of 30,000. Each local authority is organised into a series of departments with responsibility for providing a wide range of local services including schools education, social work, local roads and transport, and culture and leisure services (Exhibit 11). Local authorities also undertake a number of other functions including regulatory activities and, increasingly, community planning.
- 6.3 Responsibility for the determination of local authorities' policies and priorities and for the discharge of their functions rests with locally elected councillors. Local authorities' elected members represent their constituents, are accountable to their electorate and are elected every four years. The conduct of councillors with respect to openness, accountability and transparency is governed by a Code of Conduct issued by the Scottish Ministers and approved by the Scottish Parliament in March 2002 under the Ethical Standards in Public Life etc (Scotland) Act 2000.

Local authority finance

- 6.4 Local authorities' current expenditure is financed from a combination of grants, fees and charges, non-domestic rates and council tax. The largest source of funding is Aggregate External Finance (AEF) grant from the Scottish Executive used to finance around 80% of local authorities' net current expenditure (excluding expenditure in relation to local authorities' own housing stock which is expected to be wholly financed from rental income). Scottish Ministers have a statutory duty to consult local authorities on local government finance matters. The Scottish Ministers are responsible, with Parliament's approval, for determining the amount of funding to be

Exhibit 11: Services provided by a typical local authority



Source: Audit Scotland

made available to local authorities but they are not accountable for the way in which the funding provided is used. It is for local authorities to determine their expenditure priorities from the different resources available to them, following consultation with their local electors.

6.5 The Scottish Ministers determine the total level of AEF to be made available for the three forward years in order to provide local authorities with a degree of certainty with which to plan their future spending and investment. In 2000/01 the Scottish Executive provided £5.7 billion to local authorities through the AEF. AEF comprises three elements.

- **Specific grants.** The Scottish Executive allocates specific grants between local authorities centrally linked to specific policy initiatives and expectations. The Scottish Executive considers that specific grants account for approximately 10% of the total AEF, with the main grants ring-fencing local authority expenditure on policing and certain education initiatives.
- **Non-domestic rates** are collected by local authorities, paid into a central pool and redistributed to councils in proportion to their populations.
- Revenue support grant is by far the largest element of local authority financial support received from the Scottish Executive and makes up the balance of AEF each year after estimates of specific grants and non-domestic rates income have been deducted from the AEF total.

6.6 The Scottish Executive distributes AEF to Scotland's 32 local authorities using a needs-based grant distribution system developed over many years through consultation with local government. The system distributes AEF between different council services taking account of a range of factors in addition to population, including new burdens on local authorities, actual level of demand and expenditure on particular services, relative efficiencies and any political priority Ministers may wish to give to particular services. Having determined how the AEF is to be distributed between local authorities, however, it is largely for councils to determine their own service budgets in accordance with their own policies and priorities.

- 6.7 The remainder of local authority current expenditure is funded largely through local taxation or charges on certain services eg, sport and leisure activities. It is for each local authority to set its council tax level in consultation with local electors. The Scottish Ministers, however, have powers to cap local authority expenditure by imposing a reduced council tax level, where they consider a local authority's council tax to be excessive. To date these powers have not been used and Ministers expect local authorities to show restraint in setting their council tax and expenditure levels.
- 6.8 Local authority capital expenditure is largely funded by borrowing supplemented by capital receipts and revenue contributions. The Scottish Ministers control the total level of capital expenditure through the issue of annual capital 'allocations' to individual councils. The allocation is largely distributed on a formula basis although local authorities can also bid for additional resources for specific purposes. A specific allocation is made in respect of housing capital expenditure but councils are free to determine how the remaining allocation is distributed amongst other capital programmes. The Scottish Executive is currently considering responses to a consultation document which, amongst other matters, proposes abolishing the current system of capital allocations to give local authorities greater freedom to determine their own capital investment.

Responsibilities and accountabilities in local authorities

- 6.9 Local authorities have traditionally adopted a committee structure to support their decision making processes, operated under a scheme of delegation as laid down in the local authority's standing orders. Typically, the full council devolves authority to service and other committees to take decisions on its behalf, with the meetings of the full council formally approving any recommendations made to it. Committees, comprising cross-party membership and responsible for major service or policy areas such as education and social work, hold local authority departments to account for their performance.
- 6.10 In recent years, partly in response to national and local initiatives on joined-up government, some councils have moved away from the traditional committee based structures. Others developed committees, covering, for example, social and community development and lifelong learning, which covered the professional responsibilities of a number of departments and services so that councillors could consider the full range of issues relating to a particular policy area.

6.11 In June 1999, the Commission on Local Government (the McIntosh Commission) reported on a number of aspects of local government, including decision making structures. The McIntosh Commission proposed, *inter alia*, that:

- local authorities should carry out a review of business and working practices under the guiding principles of accountability and accessibility
- the aim of the review should be to set on a formal, open and accountable footing, the political leadership in the form appropriate to the circumstances of the local authority
- local authorities should consider formalising the political leadership in an executive ‘cabinet’ but should also consider other options.

6.12 In response to the McIntosh Commission, the Scottish Ministers formed the Leadership Advisory Panel to advise councils on the review of their decision making and policy development processes and working practices which support those processes and to advise Ministers accordingly. In April 2001, the Leadership Advisory Panel identified that local authorities had adopted three main strategies in response to McIntosh: streamlined committee structures; the formation of an executive structure; and devolved and semi-devolved structures.

6.13 Ultimately, it is for councils to determine their decision making and policy development arrangements. The majority of councils in Scotland have retained the traditional approach to committee structures. A minority, however, have developed approaches to ‘cabinet’ style government which demonstrate many similar principles although they may differ in detail. Using one council for illustrative purposes, ‘cabinet’ style government involves the following.

- **The full council** is responsible for setting an annual budget and council tax level, determines the council’s strategic objectives and corporate policies, and delegates functions to officers. It appoints on an annual basis 13 members of the full council to act as an executive.
- **The executive** exercises strategic leadership of the council. It takes executive decisions within the budget and policy framework approved by the full council, develops new policies consistent with the overall strategic approach of the council, sets targets for

service delivery and provides political accountability for the council's performance. Members of the executive are each allocated a special area of responsibility such as transport, education, social work, housing, environment and leisure and culture.

- Seven subject **scrutiny panels**, appointed by the full council from councillors who are not members of the executive, scrutinise the activities of the executive and hold it to account for its performance. The scrutiny panels are responsible for monitoring the performance of the executive and departments against service delivery and financial targets, for commissioning reviews of particular issues and policies and for submitting recommendations to the executive and the full council. They may request executive members or senior officials to answer questions or submit and report on any matter that is relevant to their responsibilities. Scrutiny panels make reports to the council on their activities every six months.
- Six **local development committees** comprising councillors advise the executive or security panels on matters of interest in their local areas and allow local issues to be discussed at a local level. They are intended to improve consultation with voters by acting as sounding boards for council proposals, to develop community strategies and to monitor local performance against targets. Local development committees are accountable to the full council and make an annual report to the council on their activities and plans.

6.14 Regardless of whether the local authority adopts a traditional or 'cabinet' style of government, the elected members of the council are ultimately accountable to the electorate for its performance. Officers are responsible for delivering the policies of the local authority. Chief officers, as heads of departments, report to the chief executive as head of paid service and the most senior of the chief officers. The chief executive and the chief officers are accountable to the elected members. In addition, the chief executive as head of paid service has a particular role established in statute to report to the council where he considers it appropriate to do so as a range of matters. These include the manner in which the discharge of the local authority's functions is co-ordinated and the organisation and management of staff.

6.15 Accountability in local authorities is also further reinforced in statute by the requirement for councils to appoint two further members of staff with particular responsibilities. Firstly, local authorities are required to make proper arrangements for the proper administration of their financial affairs and must appoint an officer, normally the

director of finance or equivalent, with responsibility to administer these affairs. Secondly, local authorities must appoint a monitoring officer. The monitoring officer is responsible for reporting to the council if it, or one of its committees, has taken or is considering action which would result in a contravention to any statutory provision or maladministration or injustice.

Police forces

- 6.16 Each of Scotland's eight police forces is maintained by a police authority. In the case of Dumfries and Galloway and Fife Police Forces the police force has the same geographical boundary as the local authority. The local authority therefore serves as the police authority. The other six police forces are maintained by statutorily established joint police boards consisting of councillors appointed by constituent local authorities whose areas fall within the boundaries of the local police force. The main responsibilities of police authorities is to set the budget for the force; to provide the chief constable with the resources necessary to police the area adequately and efficiently; and to appoint officers of the rank of assistant chief constable and above. The Scottish Executive Justice Department (SEJD) pays police grant at 51% of expenditure (£377 million in 2000/01) incurred by police authorities up to a specified limit with the balance being met from the councils' own resources.
- 6.17 The chief constable alone is responsible for police operations. While police authorities appoint the chief constable (subject to the approval of the Scottish Ministers), neither the police authorities nor the Scottish Ministers have powers to direct chief constables on enforcement of the law or on the deployment of police officers. The chief constable does, however, have a duty to comply with the instructions of the Lord Advocate, the sheriff principal or the appropriate prosecutor in relation to offences and prosecutions. The efficient and effective use of resources placed at his disposal by the police authority is a matter for the chief constable.
- 6.18 The Scottish Ministers have policy responsibility for law and order in Scotland. The Scottish Ministers have powers to make regulations governing various aspects of the terms and conditions of service of police officers and their pay and allowances. They also issue guidance to police authorities and chief constables on a wide range of policing matters and provide central training and other common police services eg, the Scottish Criminal Record Office (recovering half the cost from police authorities).

- 6.19 HM Inspectors of Constabulary, under the direction of the Scottish Ministers, undertake a regular programme of visits to inquire into the state and efficiency of police forces. Inspection reports are sent to the Scottish Ministers and published. HM Chief Inspector of Constabulary also submits an annual report to the Scottish Ministers.

Fire Brigades

- 6.20 Similar to police forces, each of Scotland's eight fire brigades are maintained by a fire authority comprising six joint boards and Dumfries and Galloway Council and Fife Council who also form the fire authority in their area. The responsibilities of fire authorities are similar to police authorities in that they set the budget for the force, provide the firemaster with the necessary resources and appoint officers of the rank of assistant firemaster and above. The firemaster alone is responsible for fire operations and neither fire authorities nor Ministers can direct firemasters in the conduct of their duties. The Scottish Ministers may, however, issue guidance to firemasters on a range of matters affecting fire services.
- 6.21 HM Fire Service Inspectorate also undertakes a regular programme of inspection of fire authorities which are published and HM Chief Inspector of Fire Services for Scotland makes an annual report to the Scottish Ministers on his activities. Fire brigades' costs are generally met through the AEF settlement paid to local authorities (some £190 million in 2000/01). SEJD meets the cost of fire central training activities.

Recent developments affecting local government bodies

Best Value

- 6.22 Best Value was introduced in 1997 with the aim of improving local government performance in the delivery of local services through increasing the role of local people in deciding the priorities for local government services; improving the way authorities manage and review their business; and building on the experience and expertise of staff. Best Value reviews are expected to consider how well policies deliver their objectives and to encourage the development of a regime which includes improved performance management arrangements, and a greater focus on outcomes.
- 6.23 The Best Value Task Force, consisting of representatives from the Scottish Executive, the Convention of Scottish Local Authorities and the Accounts Commission, made recommendations in its final report in December 1999 for the longer-term framework required to achieve best value in local government. Since then the Scottish Executive has

consulted on the implementation of these recommendations and considered the requirement for legislation on Best Value.

- 6.24 The Scottish Executive's legislative proposals on Best Value are contained in the Local Government in Scotland Bill presented to the Scottish Parliament in May 2002. Among the Bill's proposals is that local authorities, including police and fire authorities, should have a statutory duty to make arrangements which secure Best Value; that the Accounts Commission should have specific powers to undertake studies and make recommendations to include aspects of securing Best Value; and that, in auditing the accounts of local government bodies, auditors should seek to satisfy themselves that the body has made proper arrangements for securing Best Value.

Renewing local democracy

- 6.25 In March 2002, the Scottish Executive issued a consultation document designed to seek views on methods to strengthen local governance and improving local services. The consultation document sought comments on, *inter alia*, how to make councils more representative of the communities they serve, electoral reform including proportional representation and the remuneration of councillors. The Scottish Executive is currently considering responses to the consultation exercise.

Part 7: Responsibilities and accountabilities in other public bodies

- 7.1 This part of the report describes responsibilities and accountabilities in other public bodies in Scotland. The other public bodies covered in this part of the report are:
- UK-wide bodies with lines of accountability to the Scottish Parliament
 - public bodies which are independent of the Scottish Ministers.

UK-wide bodies

The Food Standards Agency

- 7.2 Under the Scotland Act 1998 responsibility for food standards is delegated to the Scottish Parliament. The Food Standards Agency is a UK-wide body whose main purpose is to protect public health from risks which may arise in connection with the consumption of food. In 2000/01 the Scottish Parliament provided the Food Standards Agency with £4 million from the Scottish Consolidated Fund to fund its activities in Scotland.
- 7.3 The Food Standards Agency consists of a board whose membership is drawn from separate nominees of the Secretary of State for Health, the Scottish Ministers, the National Assembly for Wales and the Northern Ireland Assembly. Its chief executive is accountable to the board and to the respective Ministers in each of the countries in which it operates for the performance of the body. The chief executive is also answerable to the respective legislatures for the propriety and regularity of funds received. The Scottish Ministers are therefore responsible only for those elements of the Food Standards Agency's operations undertaken in Scotland. The Food Standards Agency produces a single annual report and accounts, containing a specific statement of accounts for expenditure financed from the Scottish Consolidated Fund which is presented to the UK and Scottish Parliaments, the National Assembly for Wales and the Northern Ireland Assembly.
- 7.4 The Meat Hygiene Service is an executive agency of the Food Standards Agency which is funded for their UK operations through monies voted by the Westminster Parliament. The Meat Hygiene

Service retains income from charges levied in Scotland and applies it on their operations in Scotland. A segmental analysis of the Meat Hygiene Service's expenditure and income in the different parts of UK is contained in its annual report and accounts, which is presented to the UK and Scottish Parliaments, the National Assembly for Wales and the Northern Ireland Assembly.

The Forestry Commission

7.5 Forestry is also a matter which is delegated to the Scottish Parliament. The Forestry Commission was established in 1919 and is responsible for the protection and expansion of Britain's forests and woodlands. Forest Enterprise is the trading arm of the Forestry Commission and is responsible for the management of the forest estate. In 2000/01 the Scottish Parliament provided the Forestry Commission with £33 million from the Scottish Consolidated Fund for its activities in Scotland.

7.6 The board of forestry commissioners consists of members nominated by the Secretary of State for Environment, Food and Rural Affairs, the Scottish Ministers and the National Assembly for Wales. The Director General, as head of the Forestry Commission, is accountable to the board and Ministers for the overall performance of the Forestry Commission. The chief executive of Forest Enterprise, as an accountable officer designated by the Director General, has a line management responsibility towards him and is also separately accountable to the forestry commissioners and Ministers for the overall performance of Forest Enterprise. Both the Director General and the chief executive are accountable to the respective legislatures for the propriety and regularity of funds received. Similar to the Foods Standards Agency therefore, the Scottish Ministers are responsible only for those parts of the Forestry Commission's activities undertaken in Scotland.

7.7 The Forestry Commission and Forest Enterprise prepare annual reports and accounts pertaining to their activities in each of the countries in which they operate. The annual reports and accounts are presented to their respective parliaments/assemblies.

The Strategic Rail Authority

7.8 The Strategic Rail Authority is an executive NDPB sponsored by the Department of Transport with responsibility throughout the UK for letting and managing 25 franchises for the provision of rail transport services. Under devolution, Scottish Ministers are responsible for funding the Scottish Rail Passenger Franchise which they currently do

by funding the Strategic Rail Authority from monies provided by the Department of Transport.

- 7.9 Under the Transport Act 2000, in June 2002 the Scottish Ministers gave the Strategic Rail Authority directions on the procurement of a new Scottish Rail Passenger Franchise due to take effect in 2004. The new franchise will be financed by monies voted by the Scottish Parliament and the Scottish Ministers will therefore be responsible to the Scottish Parliament for the payments made to the Strategic Rail Authority. The Strategic Rail Authority is, however, directly accountable for its performance and expenditure only to the Secretary of State for Transport and the UK Parliament. The Scottish Executive Development Department and the Strategic Rail Authority are currently discussing the accountability implications arising.

Public bodies which are independent of Ministers

The Scottish Parliamentary Corporate Body

- 7.10 The Scottish Parliamentary Corporate Body is responsible for providing administrative services to the Scottish Parliament including property and staff. The members of the Scottish Parliamentary Corporate Body consist of the Presiding Officer and four other members of the Scottish Parliament elected by the Parliament. The Scottish Parliamentary Corporate Body is therefore independent of Ministers.
- 7.11 The Scottish Parliamentary Corporate Body is directly funded from the Scottish Consolidated Fund (£69 million in 2000/01). Its chief executive is responsible to the Scottish Parliament through the members for the performance of the body and is accountable for the propriety and regularity of funds received.
- 7.12 The Scottish Parliamentary Corporate Body also provides funds for the Scottish Public Services Ombudsman, established under statute in April 2002 to combine the roles previously carried out by four Ombudsmen. The Scottish Public Services Ombudsman is responsible for investigating complaints made by members of the public concerning maladministration by a wide range of bodies including those of the Scottish Administration, most executive NDPBs and NHS bodies, local government bodies, local enterprise companies and registered social landlords.

Audit Scotland

- 7.13 Audit Scotland was established under the Public Finance and Scotland Act 2000 to provide audit services on behalf of the Auditor General for Scotland and the Accounts Commission. Audit Scotland is therefore responsible to them for the performance of these duties.
- 7.14 Audit Scotland levies charges on local government bodies for audits undertaken on behalf the Accounts Commission. Other audit work undertaken on behalf of the Auditor General is funded either from charges levied on audited bodies or from monies provided from the Scottish Consolidated Fund. In 2000/01 the Scottish Parliament provided Audit Scotland with £4 million from the Scottish Consolidated Fund in connection with audit services provided to the Auditor General. As determined in the 2000 Act, Audit Scotland's accountable officer is answerable to the Scottish Parliament for ensuring the propriety and regularity of the finances of Audit Scotland and for ensuring its resources are used economically, efficiently and effectively.
- 7.15 An underpinning principle of public audit is that it should provide independent assurance on standards of financial stewardship and governance in public bodies. Audit Scotland is therefore not subject to Ministerial control.

Part 8: The role of public audit in holding public bodies to account

- 8.1 Public audit has a key role to play in holding public bodies to account and in supporting democratic scrutiny. Devolution, resulting in the creation of an Auditor General for Scotland and Audit Scotland alongside the existing Accounts Commission, provided a unique opportunity to apply a unified public sector audit model across the public sector in Scotland. The Auditor General is responsible for the audit of most central government public bodies including the core departments of the Scottish Executive and their agencies, most executive NDPBs, NHS bodies and further education colleges. The Accounts Commission is responsible for securing the audit of local government public bodies. This part of the report sets out:
- the key features of the code of audit practice
 - how the Auditor General contributes to how central government public bodies are held to account
 - how the Accounts Commission contributes to how local government public bodies are held to account.

The code of audit practice

- 8.2 The basic principles of a financial statements audit are common to both the public and private sectors, in that external auditors give an independent and objective opinion on the audited body's financial statements. In the public sector, however, the special accountabilities attached to the conduct of public business and use of public money mean that audit requires to be planned and undertaken from a wider perspective. Public sector external auditors therefore also review, and report on, aspects of the arrangements made by audited bodies to ensure the proper conduct of their affairs with respect to regularity, propriety and corporate governance, the management of performance and the use of resources.
- 8.3 The Auditor General and the Accounts Commission issued the code of audit practice jointly in July 2001 as a means of defining the responsibilities of an auditor appointed to undertake the audit of a public sector body. The key features of the code are described opposite.

General principles to be applied by the auditor

- 8.4 Public bodies are responsible for establishing proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used well. Under the code of audit practice the auditor's objectives are to:
- provide an opinion on the audited body's financial statements and the regularity of transactions
 - review and report on the audited body's corporate governance arrangements and aspects of its arrangements to manage its performance, as they relate to economy, efficiency and effectiveness in the use of resources
 - review and report on relevant local government bodies' arrangements for preparing and publishing specified performance information and compliance with requirements in relation to best value.
- 8.5 In seeking to achieve these objectives, the auditor is required to properly plan the audit and to carry out the audit in accordance with professional standards and guidance. As the auditor is appointed to provide an independent and objective appraisal of the discharge by management of stewardship responsibilities, it is important that the auditor does not act in any way that might give rise to – or be perceived to give rise to – a conflict of interest.
- 8.6 Reports from the auditor are the primary means by which the results of audit activity are brought to the attention of senior management of the public body, elected or board members and other stakeholders. The code of audit practice therefore requires auditors, at the conclusion of each year's audit, to provide a report summarising the significant matters arising from the audit to the members of the audited body or others with governance responsibilities within the audited body and, as appropriate, the Auditor General or Controller of Audit. The report should also form the basis of discussion with the audited body's audit committee and/or senior management so that proper consideration is given to the auditor's recommendations.

Financial stewardship

- 8.7 The financial statements of public bodies are an essential means by which they account for the stewardship of the resources made available and their performance in the use of those resources. Public bodies are responsible for ensuring that financial transactions are in

accordance with the appropriate statutory authority, for maintaining proper accounting records and for preparing financial statements which give a true and fair view or present fairly the financial position of the body.

- 8.8 In carrying out the responsibility to provide an opinion on the audited body's financial statements and the regularity of transactions, the auditor provides reasonable assurance that, subject to the concept of materiality, the financial statements are free from material misstatement, comply with statutory and other requirements applicable to them, and comply with relevant requirements for accounting presentation and disclosure. Under the Public Finance and Accountability (Scotland) Act 2000, auditors appointed by the Auditor General are specifically required to give an opinion on the regularity of audited bodies' expenditure and receipts.

Corporate governance

- 8.9 Corporate governance is concerned with structures and processes for decision-making, accountability, control and behaviour at the senior levels of the organisation. Each audited body has a responsibility to put in place arrangements for the conduct of its affairs, to ensure the legality of activities and transactions and to monitor the adequacy and effectiveness of these arrangements in practice.
- 8.10 The code of audit practice gives auditors a responsibility to review and, where appropriate, report findings on the audited body's corporate governance arrangements as they relate to:
- **the audited body's review of its systems of internal control and reporting arrangements.** To ensure the proper conduct of their business, public bodies have a responsibility to develop systems of internal control, including systems of financial, operational and compliance controls and risk management
 - **the prevention and detection of fraud and irregularity.** Public bodies should have proper arrangements for developing, promoting and monitoring compliance with standing orders and financial instructions; developing and implementing strategies to prevent and detect fraud and irregularity; and receiving and investigating allegations of breaches of proper standards of financial conduct or fraud or irregularity

- **standards of conduct, and arrangements in relation to the prevention and detection of corruption.** Public bodies should have proper arrangements for implementing and monitoring compliance with appropriate guidance on standards of conduct; expressing and promoting appropriate values and standards across the body; and developing, promoting and monitoring compliance with standing orders and financial instructions

- **the financial position of the audited body.** Public bodies are responsible for ensuring that their financial position is soundly based having regard to financial monitoring and reporting arrangements; compliance with statutory financial requirements and achievement of financial targets; levels of balances and reserves; and the impact of planned future policies and developments on the body's financial position.

Performance management

- 8.11 Public bodies are responsible for ensuring that suitable arrangements are in place to secure economy, efficiency and effectiveness in the use of resources, and that they work effectively. These include procedures for planning, appraisal, authorisation and control, accountability and evaluation of the use of resources, and for ensuring that performance targets and required outcomes are achieved. Under the code of audit practice, auditors are required to consider public bodies' arrangements for securing value for money by reviewing evidence that is relevant to aspects of these arrangements.
- 8.12 As part of their statutory responsibilities, the Auditor General and the Accounts Commission also procure through Audit Scotland examinations of the use of resources and publish reports or guidance. Performance audit reviews, which may be undertaken at a specific body or within a sector (such as the NHS), promote good management practice and the best use of public money in service delivery. Audit Scotland has also begun to develop performance audit studies which cross-cut the audit responsibilities of the Auditor General and the Accounts Commission to address joined-up government initiatives involving different public bodies spending resources in pursuit of common objectives.
- 8.13 Best Value requires local government bodies to develop a performance management and planning framework which is fundamentally about establishing clear standards and targets for all the body's activities, identifying where and how improvements can be made, and reporting on performance. Under the code of audit practice, Audit Scotland issues guidance so that auditors can examine and report on the

audited body's progress in implementing appropriate frameworks, identifying good practice for wider dissemination and areas of concern, and ensuring that services are providing for improvement.

The role of the Auditor General

8.14 The role of the Auditor General in contributing to holding to account those central government public bodies for whom he has audit responsibilities and in supporting democratic scrutiny is largely set out in the Public Finance and Accountability (Scotland) Act 2000. In essence, section 22 of the 2000 Act enables the Auditor General to prepare a report on the accounts of a public body while section 23 enables the Auditor General to initiate examinations into the economy, efficiency and effectiveness with which public bodies have used their resources in discharging their functions. In both cases the Auditor General presents his reports to the Scottish Parliament.

8.15 Reports on account are most often used to bring to the attention of Parliament and the public issues which are raised during the course of the external audit of a public body's accounts. Examples of reports issued on 2000/01 accounts include those which drew attention to an auditor's qualification of the accounts eg, where certain expenditure was deemed to be irregular due to non-compliance with legislation; where there were concerns about the long-term financial viability of the audited body; and where a statutory requirement was breached eg, in connection with the meeting of statutory financial targets.

8.16 The Auditor General published a strategic statement on public audit in Scotland in August 2001. To help support democratic scrutiny, the statement outlined three types of reports which the Auditor General would produce under section 23 of the 2000 Act.

- Performance reports. These could be either 'baseline reports' providing a snapshot of recent performance with guidance if appropriate on 'what works best'; or full performance reports examining whether performance is improving over time and naming public bodies which demonstrate continuing shortfalls in performance.
- Reports on issues of concern to Parliament where there is evidence of poor management.
- Overview reports of financial stewardship and governance which look at sectors as a whole and which highlight issues requiring particular attention from managers and auditors in ensuing years.

- 8.17 Recent examples of performance audit reports issued by the Auditor General include baseline reports on waste management in Scottish hospitals and performance management in the Scottish Environment Protection Agency. Overview reports have been issued in respect of the accounts of the NHS and further education colleges while *'the NHS in Tayside'* was an example of a report on issues of concern to Parliament which attracted significant media interest when published in March 2001. In future years, the Auditor General intends to examine performance management arrangements in a number of other executive agencies and NDPBs and to extend the principle of overview reporting to other areas of the Scottish Administration.
- 8.18 A key feature in holding central government public bodies to account is the existence of the Scottish Parliament's audit committee comprising seven MSPs of different political parties. The Auditor General's performance audit reports often form the basis of investigations by the Parliament's audit committee. Accountability and democratic scrutiny is enhanced by requiring the accountable officers and others to appear in public before the audit committee to provide evidence concerning their stewardship of public funds and whether they achieved value for money from the resources given to them. The Auditor General assists in this process by briefing the audit committee on the key issues contained in his report prior to the audit committee's evidence sessions.
- 8.19 The audit committee presents to Parliament the findings and conclusions arising from their investigations in the form of a published report. Ministers are required to consider and respond to the audit committee's report. After a reasonable period of time has elapsed, the Auditor General may return to the area and prepare a second report to Parliament indicating the progress made on implementing the audit committee's recommendations and the impact they have had.

The role of the Accounts Commission

- 8.20 The Scottish Ministers appoint the members of the Accounts Commission but they act independently both of central and local government. The Accounts Commission contributes to how local government bodies are held to account in a number of ways.
- 8.21 Firstly, under the Local Government Scotland Act 1973, the Controller of Audit (a member of staff of Audit Scotland appointed by the Accounts Commission with the consent of Scottish Ministers) may prepare a report either at his discretion or at the request of the Accounts Commission with respect to the accounts of local

government bodies. The Accounts Commission can hold a hearing into the report and/or make recommendations to the Scottish Ministers or to any local government body as appears to the Commission to be appropriate.

- 8.22 The Controller may also make a special report on a local government body to the Accounts Commission where in his opinion there has been illegal expenditure or a failure to account for money; where there has been a loss because of negligence, misconduct or because of the body's failure to carry out a duty; or where there has been a mistake in the accounts which the body is not putting right. The Accounts Commission may decide to hold a hearing, normally held in public, so that it can have any matter raised in the Controller's report clarified or amplified. The Commission must make available a copy of its findings arising from a hearing available to the public. The sanctions available to the Commission include the censure of an officer or member, the suspension of a member for up to one year or the disqualification of a member for up to five years.
- 8.23 The Accounts Commission also undertakes, via Audit Scotland and appointed auditors, comparative studies designed to enable it to make recommendations for improving economy, efficiency and effectiveness in the provision of services by local authorities and for improving the financial or other management of such authorities. The results of such studies are published and auditors are subsequently expected, as part of their audits, to review how the Accounts Commission's recommendations have been implemented.
- 8.24 Finally, under the Local Government (Scotland) Act 1992, the Accounts Commission is required to give directions to local authorities requiring them to publish performance information. Audit Scotland assists in this process by annually consulting with local authorities and other bodies on the most relevant performance information to be collated. Auditors appointed by the Accounts Commission audit the performance information compiled by local authorities, against common performance indicators prescribed for selected service areas. The resultant performance indicators, which are published by the Accounts Commission, enable service comparisons to be made between local authorities.

Appendix 1

Central government public bodies in Scotland

The Scottish Executive comprises eight departments with responsibility for sponsoring a wide range of NDPBs and other public bodies. This appendix lists Scottish central government public bodies by sponsoring department plus other public bodies accountable to the Scottish Ministers extant at October 2002.

It does not include other public bodies which are independent of Scottish Ministers, those carrying out activities in respect of matters retained by the Westminster Parliament or those having a UK-wide remit except for the Forestry Commission and the Food Standards Agency both of which are accountable to the Scottish Ministers for those parts of their activities carried out in Scotland. Further details on these bodies can be obtained in Part 7 of the report.

Public bodies marked * indicates those whose accounts are subject to audit by the Auditor General for Scotland or auditors appointed by the Auditor General for Scotland under the Public Finance and Accountability (Scotland) Act 2000.

Scottish Executive Development Department (SEDD) *

Responsible for: roads and transport; housing and area regeneration; homelessness; social inclusion, equality and voluntary issues; planning and building control. SEDD is responsible for one executive agency and sponsors two nationalised industries. Further details on the role of SEDD and other departments of the Scottish Executive can be found at www.scotland.gov.uk

Executive agencies of SEDD

Communities Scotland * – Responsible for improving the physical fabric of neighbourhoods; helping disadvantaged urban and fragile rural communities; and overseeing the housing management, factoring and homelessness functions of Scottish local authorities and registered social landlords. Its predecessor, Scottish Homes, continues in a residual capacity until some outstanding tasks are complete. (www.communitiesscotland.gov.uk)

NDPBs sponsored by SEDD

Advisory NDPBs

Building Standards Advisory Committee – Provides advice to Scottish Ministers on questions relating to their functions under Part II of the Building (Scotland) Act 1959. (www.scotland.gov.uk)

Mobility and Access Committee for Scotland – Advises the Scottish Ministers on aspects of policy affecting the transport needs of people with disabilities in Scotland. (www.scotland.gov.uk)

Tribunal NDPBs

Bus User's Complaints Tribunal – Considers complaints made by individuals about the delivery of local registered services which have not been satisfactorily resolved by a bus operator. (www.scotland.gov.uk)

Rent Assessment Panel for Scotland – Provides members for Rent Assessment Committees which consider objections to fair rents set by Rent Officers; and hears appeals by tenants or landlords against rents or tenancy terms. (www.council-on-tribunals.gov.uk)

Nationalised industries sponsored by SEDD

Caledonian MacBrayne Ltd – Operates the main network of ferry services to the islands off the West coast of Scotland. (www.calmac.co.uk)

Highlands and Islands Airports Ltd – Responsible for the management and operation of ten airports in the Highlands and Islands of Scotland. (www.hial.co.uk)

Scottish Executive Education Department (SEED) *

Responsible for: pre-school and school education; children and young people; tourism, sport and culture; social work services training. SEED is responsible for two executive agencies and sponsors 12 executive NDPBs.

Executive agencies of SEED

Her Majesty's Inspectorate of Education * – Undertakes independent evaluations of the quality of educational provision through a programme of reviews of pre-school centres, schools and further education colleges. (www.scotland.gov.uk)

Historic Scotland * – Protects and promotes public understanding and enjoyment of Scotland's ancient monuments and archaeological sites and landscapes, historic buildings, parks and gardens. (www.historic-scotland.gov.uk)

NDPBs sponsored by SEED

Executive NDPBs

Learning & Teaching Scotland – Assists in improving pupil and student attainment and achievement. Also provides support, resources and staff development materials to enhance the quality of the educational experience for Scottish pupils. (www.ltscotland.com)

National Galleries of Scotland * – Responsible for caring for, preserving and adding to the objects in their collections, to ensure objects are exhibited to the public, and generally to promote the public's enjoyment and understanding of the fine arts. (www.natgalscot.ac.uk)

National Library of Scotland * – Is the library of legal deposit, entitled to claim works published in the UK and Ireland. (www.nls.uk)

National Museums of Scotland * – Responsible for caring for, preserving and adding to the objects in their collections; to ensure objects are exhibited to the public, and to make the collections available through research, exhibitions, education and other activities. (www.nms.ac.uk)

Royal Commission on the Ancient and Historical Monuments of Scotland – Responsible for surveying and recording the man-made environment of Scotland and for maintaining a record of this archaeological and historical information. (www.rcahms.gov.uk)

Scottish Arts Council * – The Council aims to create a climate in which arts of quality flourish and are enjoyed by a wide range of people throughout Scotland. (www.sac.org.uk)

Scottish Children's Reporter Administration * – Facilitates the Principal Reporter in the performance of his statutory functions in relation to children; and for providing suitable accommodation and facilities for children's hearings. (www.childrens-hearings.co.uk)

Scottish Qualifications Authority * – Responsible for developing and awarding qualifications in the national education system in Scotland. It is also Scotland's national accrediting body for work-based SVQ qualifications. (www.sqa.org.uk)

Scottish Social Services Council * – Responsible for promoting high standards of conduct and practice among social service workers and in their education and training; and for maintaining a register of social workers. (www.ccetsw.org.uk)

Scottish Screen – Is the national body for the promotion of the film culture and of the film and television industry in Scotland. Scottish Screen also distributes National Lottery funding towards the support of film. (www.scottishscreen.com)

SportScotland * – Responsible for the development of sport in Scotland. SportScotland is an advisory body, but it is also responsible for distributing National Lottery funding for sports programmes in Scotland. (www.sportscotland.org.uk)

VisitScotland * – Responsible for encouraging tourists to visit Scotland and for encouraging the provision of tourist facilities and amenities in Scotland. (www.visitscotland.com)

Advisory NDPBs

Ancient Monuments Board for Scotland – Advises the Scottish Ministers on proposals to schedule, reschedule and de-schedule ancient monuments. In line with the recommendations of the Scottish Executive's *'Public Bodies: Proposals for Change'* this body will shortly be abolished. (www.historic-scotland.gov.uk)

General Teaching Council for Scotland – Maintains a register of qualified teachers; keeps under review standards of education, training and career development of people entering the teaching profession; and advises Scottish Ministers in respect of these standards and on the supply of teachers. (www.gtcs.org.uk)

Historic Buildings Council for Scotland – Advises Scottish Ministers on the exercise of their functions in relation to buildings of special architectural or historic interest. In line with the recommendations of the Scottish Executive's *'Public Bodies: Proposals for Change'* this body will shortly be abolished. (www.historic-scotland.gov.uk)

Royal Fine Art Commission for Scotland – Advises central and local government in Scotland on the quality of planning and the design of projects of major environmental significance. (www.royfinartcomfordsco.gov.uk)

Scottish Executive Enterprise and Lifelong Learning Department (SELLD) *

Responsible for: economic and industrial development; further and higher education; skills and lifelong learning; student support. SEELLD is responsible for one executive agency and sponsors four executive NDPBs. It also provides funding for further education colleges and higher education institutions.

Executive agencies of SELLD

Student Awards Agency for Scotland * – Processes support applications from eligible Scottish domiciled students undertaking full time, higher education courses up to degree level throughout the UK; postgraduate students; and student nurses and midwives. (www.student-support-saas.gov.uk)

NDPBs sponsored by SELLD

Executive NDPBs

Highlands and Islands Enterprise * – Prepares, co-ordinates, promotes and undertakes measures for the economic and social development of the Highlands and Islands. The activities of Highland and Islands Enterprise are largely delivered under contract by a network of ten local enterprise companies. (www.hie.co.uk)

Scottish Enterprise * – Scotland's main economic development agency, it aims to generate jobs and prosperity for the people of Scotland. The activities of Scottish Enterprise are largely delivered under contract by a network of 12 local enterprise companies. (www.scottish-enterprise.com)

Scottish Further Education Funding Council * – Responsible for allocating financial support to Scotland's further education colleges. (www.sfefc.ac.uk)

Scottish Higher Education Funding Council * – Responsible for the provision of grants to support teaching and research in Scottish higher education institutions. (www.shefc.ac.uk)

Advisory NDPBs

Scottish Industrial Development Advisory Board – Advises the Scottish Ministers on the exercise of their powers under section 7 of the Industrial Development Act 1982. (www.scotland.gov.uk)

Other local public spending bodies sponsored by SELLD

Further Education Colleges (42) * – Provide education and training towards a wide range of qualifications. Courses offered include programmes leading to vocational qualifications, standard and higher grade qualifications and higher education. Many colleges also offer courses for students with learning difficulties and/or disabilities and courses designed to improve basic skills.

Higher Education Institutions (20) – Provide higher and post-graduate education normally leading to degree or equivalent level qualifications and doctorates.

Scottish Executive Environment and Rural Affairs Department (SEERAD) *

Responsible for: agricultural development; food; agricultural and biological science services; fisheries; natural heritage; environmental protection; water. SEERAD is responsible for three executive agencies and currently sponsors 12 executive NDPBs. It also sponsors Scottish Water.

Executive agencies of SEERAD

Fisheries Research Service * – Provides Scottish Ministers with expert advice, scientific information and technical services on marine fisheries, freshwater fisheries, aquaculture and the protection of the aquatic environment and its wildlife. (www.marlab.ac.uk)

Scottish Agricultural Science Agency * – Provides Scottish Ministers with scientific information and advice on agricultural and horticultural crops, and the environment. Also carries out a variety of statutory and regulatory functions including those relating to plant health, plant variety registration and the protection of crops, food and the environment. (www.sasa.gov.uk)

Scottish Fisheries Protection Agency * – Responsible for enforcing UK, EU and international fisheries law and regulations in the seas around Scotland and in Scottish ports. (www.scotland.gov.uk)

NDPBs sponsored by SEERAD

Executive NDPBs

Scottish Agricultural and Biological Research Institutes: In line with the recommendations of the Scottish Executive's *'Public Bodies: Proposals for Change'* the SABRIs will shortly be declassified as NDPBs.

- **Hannah Research Institute** – Undertakes research relevant to the production and utilisation of milk and to lactation in general. (www.hri.sari.ac.uk)
- **Macaulay Land Use Research Institute** – Undertakes research in the context of rural land use and resource management; assesses the environmental, economic and social impact of agriculture and related land use and the consequence of change. (www.mluri.sari.ac.uk)
- **Moredun Research Institute** – Conducts integrated molecular, cellular and whole-animal studies on animal diseases that undermine biological efficiency, impair welfare or threaten public health. (www.mri.sari.ac.uk)
- **Rowett Research Institute** – Conducts research on: aspects of mammalian nutrition and growth farm livestock production; and aspects of human nutrition. (www.rowett.ac.uk)
- **Scottish Crop Research Institute** – Contributes to crop research in particular that pertaining to plant breeding and improved cultural practices of crop production and protection. (www.scri.sari.ac.uk)

Crofters' Commission – Responsible for the reorganisation, development and regulation of crofting and to promote the interests of crofters. (www.crofterscommission.org.uk)

Deer Commission for Scotland – Responsible for furthering the conservation, control and sustainable management of deer in Scotland. (www.dcs.gov.uk)

Royal Botanic Garden, Edinburgh * – Responsible for exploring and explaining the plant kingdom and its importance to humanity including research on the origins, diversity and the relationships of plants, their significance in the environment, and their conservation. (www.rbge.org.uk)

Scottish Agricultural Wages Board – Makes Orders fixing minimum wage rates, holiday entitlements and other conditions for workers employed in agriculture in Scotland. (www.scotland.gov.uk)

Scottish Environment Protection Agency * – Responsible for providing an efficient and integrated environmental protection system for Scotland which will both improve the environment and contribute to the government's goal of sustainable development. (www.sepa.org.uk)

Scottish Natural Heritage * – Responsible for safeguarding and enhancing Scotland’s natural heritage; fostering public enjoyment, awareness and understanding of the natural heritage; and encouraging environmental sustainability in all forms of economic activity. (www.snh.org.uk)

Water Industry Commissioner for Scotland * – Responsible for promoting the interests of water customers throughout Scotland; for regulating Scottish Water; and for ensuring that Scottish Water delivers a continually improving service to customers. (www.watercommissioner.co.uk)

Advisory NDPBs

Advisory Committee on Sites of Special Scientific Interest – Advises Scottish Natural Heritage in cases where there are sustained scientific objections to the notification of Sites of Special Scientific Interest. (www.scotland.gov.uk)

Fisheries Committee (Electricity) – Advises Scottish Ministers and any person engaging in the generation of hydro-electric power on the effect of hydro-electric works on fisheries or stocks of fish. In line with the recommendations of the Scottish Executive’s *‘Public Bodies: Proposals for Change’* this body will shortly be abolished. (www.scotland.gov.uk)

Hill Farming Advisory Committee for Scotland – Advises the Scottish Ministers as to the exercise of their powers under the Hill Farming Act. (www.scotland.gov.uk)

Public corporations

Scottish Water * – Formed in April 2002 from the merger of the three regional water authorities in Scotland. Provides water and sewerage services throughout Scotland. (www.esw.co.uk)

Scottish Executive Health Department (SEHD) *

Responsible for: hospital health services; community and family health services; community care; other services provided under the NHS in Scotland. SEHD sponsors a number of NDPBs and other NHS bodies but it mainly provides funding for 15 health boards and, through them, for 28 NHS trusts.

Executive agencies of SEHD

None

NDPBs sponsored by SEHD

Executive NDPBs

Scottish Commission for the Regulation of Care * – Responsible for the regulation of care services including care homes for adults, residential care for children, childminding, care at home, fostering and adoption agencies, nurse agencies and independent healthcare services. (www.scotland.gov.uk)

Scottish Hospital Endowments Research Trust * – Receives and holds endowments, donations and bequests and makes grants from these funds to promote medical research in Scotland. (www.shert.com)

Scottish Medical Practices Committee – Responsible for ensuring there is an adequate number of GPs providing general medical services in Scotland. In line with the recommendations of the Scottish Executive's *'Public Bodies: Proposals for Change'* this body will shortly be abolished. (www.show.scot.nhs.uk)

Advisory NDPBs

Scottish Advisory Committee on Distinction Awards – Advises the Scottish Ministers on which consultants working in the NHS in Scotland should receive distinction awards in recognition of outstanding professional work. (www.show.scot.nhs.uk)

Scottish Advisory Committee on the Medical Workforce – Advises the Scottish Ministers on all matters relating to medical workforce planning in Scotland, other than matters relating to terms and conditions of service. (www.scotland.gov.uk)

NHS bodies

Clinical Standards Board for Scotland * – Exercises the functions of Scottish Ministers in relation to quality assurance and accreditation. (www.clinicalstandards.org)

Common Services Agency for NHSScotland * – The CSA is an integral part of the NHS in Scotland supporting frontline patient care by providing and co-ordinating essential national and regional services. (www.show.scot.nhs.uk)

Health boards (15) * – Responsible for improving the health of their local populations and delivering the healthcare they require. Health boards provide strategic leadership and have overall responsibility for the efficient and effective performance of the local NHS system. Unified NHS boards were created in September 2001 replacing the 43 separate board structures of the existing health boards and trusts.

Health Education Board for Scotland * – Undertakes functions and initiatives at national level, concentrating on priority areas including coronary heart disease, cancer, stroke, smoking, diet, sexual health, drug and alcohol misuse, mental health and health inequalities. (www.hebs.scot.nhs.uk)

Health Technology Board for Scotland * – Provides evidence based advice on the clinical and cost effectiveness of new and existing health technologies e.g. clinical procedures (www.htbs.org.uk)

Mental Welfare Commission for Scotland * – Responsible for protecting people who may, by reason of mental disorder, be incapable of protecting themselves or their interests adequately. (www.mwscot.org.uk)

NHS trusts (28) * – NHS trusts are operational units, which are responsible for providing healthcare and services to meet the needs of the people of Scotland.

NHS 24 * – Provides a nurse-led advice, referral and health and healthcare information service through a network of contact centres including an improved and more appropriate response to 999 callers who do not require the immediate despatch of an ambulance. (www.nhs24.com)

NHS Education for Scotland – Combines the governance of the Scottish Council for Postgraduate Medical and Dental Education, the Post-Qualification Board for Pharmacists in Scotland and those functions of the National Board for Nursing, Midwifery and Health Visiting for Scotland not transferred to the Nursing and Midwifery Council. (www.nes.scot.nhs.uk)

Scottish Ambulance Service * – Provides pre-hospital care through accident and emergency services as well as extensive non-emergency services. (www.scottishambulance.com)

Scottish Hospital Trust – Distributes the income from endowments transferred to it among health boards, NHS trusts and the State Hospital Carstairs. In line with the recommendations of the Scottish Executive's 'Public Bodies: Proposals for Change' this body will shortly be abolished. (www.charitiesdirect.com)

State Hospitals Board for Scotland * – Provides treatment in a secure environment for mentally disordered patients requiring special security due to their criminal, violent or dangerous propensities. (www.show.scot.nhs.uk)

Scottish Executive Justice Department (SEJD) *

Responsible for: legal aid; criminal injuries compensation; prisons; police and fire central government; criminal justice social work services and victim issues; justice support to local authorities; courts. SEJD is responsible for three executive agencies and sponsors some 70 NDPBs including 32 Justices of the Peace Advisory Committees and 32 Children's Panels.

Executive agencies of SEJD

Accountant in Bankruptcy * – Responsible for supervising the process of sequestration in Scotland and acting as a trustee in bankruptcy when appointed by the Court. (oai.demon.co.uk)

Scottish Courts Service * – Responsible for helping to secure ready access to justice by providing trained staff, organisational services and well maintained courthouses for the Supreme and Sheriff Courts. (www.scotcourts.gov.uk)

Scottish Prison Service * – Responsible for the management of prisons in Scotland. (www.sps.gov.uk)

NDPBs sponsored by SEJD

Executive NDPBs

Parole Board for Scotland – Considers whether those prisoners serving sentences of four years or more should be granted parole and advises Scottish Ministers accordingly. (www.scotland.gov.uk)

Scottish Conveyancing and Executry Services Board – Regulates the provision of conveyancing and executry services by qualified conveyancers and executry practitioners. In line with the Scottish Executive's 'Public Bodies: Proposals for Change' this body will shortly be abolished. (www.scesb.co.uk)

Scottish Criminal Cases Review Commission * – Considers alleged miscarriages of justice and refers deserving cases to the Court of Appeal for Review. (www.sccrc.co.uk)

Scottish Legal Aid Board * – Responsible for assessing, and where appropriate granting, applications for legal aid; scrutinising and paying legal aid accounts submitted by solicitors and advocates; and advising Scottish Ministers on legal aid matters. (www.slab.org.uk)

Advisory NDPBs

Central Advisory Committee on Justices of the Peace (Scotland) – Advises the Scottish Ministers as to the appointment and distribution of Justices of the Peace in general and to the district court in particular. (www.scotland.gov.uk)

Justices of the Peace Advisory Committees (32) – Keeps under review the strength of the Commission of the Peace in its particular area and advises Scottish Ministers on the appointment of new Justices. (www.scotland.gov.uk)

Scottish Law Commission – Promotes the systematic reform and development of Scots Law. (www.scotlawcom.gov.uk)

Tribunal NDPBs

Children's Panels (32) – The Children's Panel is a tribunal constituted under the Children (Scotland) Act 1995. It makes decisions on children who offend or are at risk. (www.childrens-hearings.co.uk)

Scottish Executive Finance and Central Services Department (SEFCSD) *

Responsible for: Scottish Executive finance matters including advising Ministers on the allocation of the Scottish Budget and providing advice and guidance to other departments of the Scottish Executive, NDPBs and other public bodies; management of European Structural Funds; co-ordination of relations with the UK government and Europe; local government relations; support to the Scottish Cabinet. SEFCSD is responsible for one executive agency and sponsors one executive NDPB.

Executive agencies of SEFCSD

[Scottish Public Pensions Agency](#) * – Administers and regulates the NHS and teachers' pension schemes in schemes in Scotland, and other occupational pension schemes for which the Scottish Ministers are responsible. It also regulates the local government, police and fire pension schemes administered by Scottish local authorities. (www.scotland.gov.uk)

NDPBs sponsored by SEFCSD

Executive NDPBs

[The Accounts Commission for Scotland](#) – Responsible for securing the audit of Scotland's 32 local authorities and 35 joint police, fire and other boards. (www.audit-scotland.gov.uk)

Advisory NDPBs

[Local Government Boundary Commission for Scotland](#) – Reviews Local Government areas and electoral arrangements, and gives advice to the Scottish Ministers who decide whether to implement their proposals. (www.lgbc-scotland.gov.uk)

Tribunal NDPBs

[Land Tribunal for Scotland](#) – The Tribunal deals with land valuations and applications in connection with tenants' rights to buy their council houses. (www.scotcourts.gov.uk)

Scottish Executive Legal and Parliamentary Services Department *

Responsible for: liaison with the Scottish Parliament over Parliamentary business and procedures; freedom of information policy and data protection; provision of legal services to other Scottish Executive departments and agencies; provision of legal support and advice to the Scottish Law Officers; drafting of government Bills.

NDPBs sponsored by SEFCSD

Advisory NDPBs

Scottish Records Advisory Council – Submits proposals or make representations to the Scottish Ministers, the Lord Justice General or Lord President of the Court of Session on questions relating to the public records of Scotland. (www.nas.gov.uk)

Other public bodies subject to the directions of the Scottish Ministers and directly accountable to them

Crown Office and the Procurator Fiscal Service * – Provides Scotland's independent public prosecution and deaths investigation service. (www.crownoffice.gov.uk)

Departments of Statutory Officeholders:

General Register Office for Scotland * – The department of the Registrar General of Births, Deaths and Marriages for Scotland. It is responsible for the registration of births, marriages, deaths, divorces and adoptions in Scotland, and for carrying out periodic censuses of Scotland's population. (www.gro-scotland.gov.uk)

National Archives of Scotland * – The department of the Keeper of the Records of Scotland. It is the main archive for sources of the history of Scotland and is the repository for the public and legal records of Scotland and other archives. It also advises Scottish government departments, institutions, businesses and private individuals on the care of their records. (www.nas.gov.uk)

Registers of Scotland * – The department of the Keeper of the Registers of Scotland. It is responsible for maintaining the public registers detailing the individual's rights and obligations, in particular those relating to heritable property and for the person. The Registers of Scotland is an executive agency funded from the levy of registration fees and other charges. (www.ros.gov.uk)

UK-wide bodies

Forestry Commission * – Responsible for the protection and expansion of Britain's forests and woodlands. Its Forest Enterprise agency is responsible for the management of 800,000 hectares of forests and woodlands owned by the nation. The Forestry Commission and Forest Enterprise are responsible to the Scottish Ministers only for those parts of their activities undertaken in Scotland. (www.forestry.gov.uk)

Food Standards Agency – The FSA is a UK-wide body and provides advice and information to the public and Government on food safety from farm to fork, nutrition and diet. It also protects consumers through effective food enforcement and monitoring. The FSA is accountable to the Scottish Ministers only for that part of its activities undertaken in Scotland. (www.foodstandards.gov.uk)

Appendix 2

The Scottish Parliamentary budgeting process

The budgeting process takes place in three stages:

Stage 1 (April to September of the year preceding the financial year to which the budget relates)

This stage involves the consideration by the Parliament and the Scottish people of the Scottish Executive's strategy for the following year and on future spending priorities. The Scottish Ministers are required to submit by 31 March each year to Parliament a provisional expenditure plan setting out general expenditure proposals for the year covered by the budget. Parliamentary select committees and the public are invited to comment on these proposals.

Stage 2 (October to November of the year preceding the financial year to which the budget relates)

This stage begins with the publication by the Scottish Ministers of detailed expenditure proposals for the next financial year and plans for the two years after. Once the Scottish Ministers have submitted their expenditure proposals, the Parliament's Finance Committee, in consultation with other committees of the Parliament, produce a report commenting on the Scottish Ministers' proposals. The Finance Committee may include an alternative set of proposals but must not exceed the total spend proposed by the Scottish Ministers. Once the Finance Committee has produced its report, MSPs vote on amendments to the expenditure proposals tabled by individual MSPs or Committees.

Note that prior to the publication of their expenditure proposals, the Scottish Ministers are required to give an indication of whether they plan to use tax varying powers, and to seek Parliamentary approval for such action prior to the passing of a Budget Bill.

Stage 3 (20 January to 14 February of the year in which the financial year to which the budget relates begins)

The Scottish Ministers are required to present a Budget Bill by 20 January each year setting out expenditure limits for each of the individual departments of the Scottish Executive, the Crown Office and Procurator Fiscal Service, the General Register Office for Scotland, the National Archives for Scotland plus four other directly funded bodies. In presenting the Budget Bill, the Scottish Ministers also undertake to present to Parliament a report setting out how it has responded to the proposals voted on by the Parliament during stage 2. The report should also comment on any changes necessitated by financial decisions taken by the UK Government. MSPs are required to vote on the Budget Bill in sufficient time to allow the Bill to receive Royal Assent prior to the start of the financial year to which the budget relates.

Source: 'Scottish Parliament Paper 155 Session1 (2000) - Undertaking between the Scottish Parliament and the Scottish Ministers on administrative arrangements for the annual budgeting process'

Appendix 3

Responsibilities of Accountable Officers

1. In April 2002 the permanent secretary, as principal accountable officer of the Scottish Administration, issued a memorandum on the responsibilities of accountable officers. The guidance applies to members of staff of the Scottish Administration he had designated as accountable officers: the heads of each of the core departments of the Scottish Executive; the chief executive of the Crown Office and Procurator Fiscal Service; chief executives of executive agencies and a senior member of staff from each of the General Register Office for Scotland, the National Archives of Scotland and the Registers of Scotland. Separate guidance was also issued to designated accountable officers of other public bodies to reflect the way these bodies are expected to operate at arms length from sponsor departments and Ministers.

General responsibilities of accountable officers

2. The essence of the role of accountable officer is a personal responsibility for the propriety and regularity of the public finances for that part of the Scottish Administration the accountable officer is answerable for. In particular, accountable officers are required to combine their duties as accountable officer with their duty to serve Ministers or officeholders and, in considering policy proposals relating to expenditure or income, to ensure all financial considerations including propriety, regularity or value for money are taken into account.
3. Accountable officers also have a personal duty of signing the accounts of the entity to which they are designated accountable officer and consequently of being a witness before the Audit Committee of the Scottish Parliament. In addition, they must ensure that arrangements for delegation promote good management, and that their staff have an appropriate balance of skills and are conscientious in their approach to costs not borne directly on the budgets of their entity.

Specific responsibilities of accountable officers

4. Accountable officers must, in relation to that part of the Scottish Administration for which they are designated:
 - Ensure that proper financial systems are in place and that procedures and controls are reviewed from time to time to ensure their continuing relevance and reliability.
 - Sign and take personal responsibility for the proper presentation of accounts.
 - Ensure that proper financial procedures are followed and that accounting records are maintained in a suitable form.
 - Ensure that the public funds for which they are responsible are properly managed and safeguarded.
 - Ensure that assets for which they are responsible such as land, buildings or other property are controlled and safeguarded with similar care.

- Ensure that, in considering policy proposals relating to expenditure or income, all financial considerations including propriety, regularity or value for money are taken into account, and where necessary brought to the attention of Ministers.
 - Ensure that any delegation of responsibility is accompanied by clear lines of control and accountability together with reporting arrangements.
 - Ensure that effective management systems appropriate for the achievement of the organisation's objectives, including financial monitoring and control systems, have been put in place.
 - Ensure that risks, whether to the achievement of business objectives, regularity, propriety or value for money, are identified, that their significance is assessed and that systems appropriate to the risks are in place in all relevant areas to manage them.
 - Ensure that best value is sought from the use of resources, by making proper arrangements to pursue continuous improvement having regard to economy, efficiency and effectiveness and in a manner which encourages the observance of equal opportunities requirements.
 - Ensure that managers at all levels have a clear view of their objectives, and the means to assess and measure outputs or performance in relation to those objectives.
 - Ensure managers at all levels are assigned well defined responsibilities for making the best use of resources including a critical scrutiny of output and value for money.
 - Ensure managers at all levels have the information (particularly about costs), training and access to expert advice which they need to exercise their responsibilities effectively.
5. Additional responsibilities of accountable officers include:
- In all cases where the Scottish Administration gives a grant or other funding to another public body, being satisfied that the financial and other management controls applied by the other public body conform with the requirements both of propriety and of good financial management.
 - That funds for which the accountable officer is responsible are applied only to the extent and for the purposes authorised by Parliament.
 - To provide appropriate advice to Ministers on all matters of financial propriety and regularity. Where the accountable officer considers that any action he is required to take is inconsistent with the proper performance of his duties as accountable officer, he should obtain written instructions from the relevant Minister or officeholder.
 - To appear before the Audit Committee of the Scottish Parliament and give evidence on reports by the Auditor General on the results of examinations into the economy, efficiency and effectiveness with which any part of the Scottish Administration or certain other bodies have used their resources.

Responsibilities of accountable officers of other public bodies

6. The main difference between the guidance given to designated accountable officers of the Scottish Administration and those of other public bodies is in relation to the provision of advice on matters of financial propriety and regularity (paragraph 5, third bullet point above).
7. Accountable officers of other public bodies are required to provide appropriate advice to the board or other ruling entity of the public body on all matters of financial propriety and regularity. Where the accountable officer considers that any action he is required to take is inconsistent with the proper performance of his duties as accountable officer, he must obtain written instructions from the board or ruling entity of the public body. If the accountable officer's advice is overruled and the board or other ruling entity decides to proceed, the sponsoring department's accountable officer should be informed of the position so that, if it considers it appropriate, the department can intervene and inform Ministers.

Appendix 4

Scottish Executive Enterprise and Lifelong Learning Department programme objectives and delivery mechanisms

Departmental aim

The Scottish Executive Enterprise and Lifelong Learning Department's (SEELLD) aim is "to achieve sustained economic growth and expenditure programmes each with its own objective. Most of SEELLD's operational activities are delivered by one executive agency and

Programme objectives

To administer the provision of financial support to eligible Scottish domiciled students undertaking higher education courses in the UK.

The programme provides funds for student fees, grants and bursaries administered by the Student Awards Agency for Scotland; plus student loan subsidy and contributions to the administrative costs of the Student Loan Company.

To adopt and apply arrangements for the distribution of funds to higher education institutions, improve access for wider range of students and promote value for money and a process of continuous improvement in learning and teaching in the sector.

The programme provides grant-in-aid to the Scottish Higher Education Funding Council (SHEFC).

To adopt and apply arrangements for the distribution of funds to further education colleges, improve access for wider range of students and promote value for money and a process of continuous improvement in learning and teaching in the sector.

The programme provides grant-in-aid to the Scottish Further Education Funding Council (SFEFC).

Delivery mechanisms

Student Awards Agency for Scotland

The Student Awards Agency for Scotland is an executive agency of SEELLD whose aim is

- To administer such schemes of student support as may be decided by the Government of the day efficiently, effectively and having due regard to the levels of service demanded by its customers

The Scottish Ministers have provided the agency with nine objectives as set out in its framework document including:

- To process applications for support from students within published targets
- To provide a timely, accurate and helpful service to all customers
- To pay, promptly and accurately, sums due under schemes of student support
- To reduce over time the administrative cost per application
- To disburse loan funds and administration costs to the Student Loans Company

Other operational aims together with supporting performance measures are set out in the agency's corporate plan. The Scottish Ministers have set the agency a number of key targets including:

- Timeliness of application processing
 - Quality of service as determined through customer surveys
 - Promptness and accuracy of payments including those to the Student Loans Company
 - Timeliness of response to correspondence and complaints
 - Cost per application
- Performance against Ministerial targets is reported annually in the agency's annual report and accounts

Scottish Higher Education Funding Council

SHEFC's mission, as determined from its the key functions set out in the Further and Higher Education (Scotland) Act 1992, is

- To support the maintenance and further development of Scotland's world-class higher education system
- To make effective use of public funds in helping Scottish higher education institutions to increase and communicate knowledge and skills that will enrich society, allow individuals to realise their potential, and make a major contribution to the country's prosperity

SHEFC's corporate plan 2001/04 sets out eight objectives for the body including:

- To assist institutions to maintain high quality and standards of learning and teaching
- To contribute to widening participation in Scottish higher education
- To support the sector's development of highly qualified individuals
- To support a high quality, flexible and internationally competitive research capacity
- To encourage the strategic development of the sector
- To assist Scottish higher education institutions to make continuous improvements in the value achieved for public funds

The corporate plan also sets out a total of 32 targets and milestones for SHEFC including those addressing:

- Student retention rates
 - Student numbers and growth in part-time students
 - Growth in participation rates of under-represented groups
 - Research quality
 - Condition of the sector's estates
- Performance against these milestones and targets is reported annually in SHEFC's corporate plan

Scottish Further Education Funding Council

SFEFC's mission, as determined from its the key functions set out in the Further and Higher Education (Scotland) Act 1992, is:

- To develop the contribution of further education to Scotland's success, by funding learning opportunities that enable students to achieve personal, social and economic goals, and by supporting the sector to earn a world-class reputation

SFEFC's corporate plan 2001/04 sets out five goals for the body:

- A sector where the pattern of provision meets Scotland's needs and is effectively integrated with other sectors
- A sector offering high quality provision, which is learner, employer and enterprise focused
- A sector that achieves wider participation and promotes social inclusion
- A sector that demonstrates sound management, governance and planning and is financially viable
- An effective and accountable Council working as part of a co-ordinated national policy framework

The corporate plan also sets out a total of 44 targets and milestones for SFEFC including those addressing:

- Growth in student numbers from deprived postcodes
 - Enrolments in FE colleges
 - FE college staff teaching qualifications
 - Financial performance of FE colleges
 - FE college estates investment needs
 - Disability access to college campuses
- Performance against these milestones and targets is reported annually in SFEFC's corporate plan

improve competitiveness in Scotland's economy through education, training and employment". In 2002/03 SEELLD addressed this aim through seven four NDPBs. Each of these arm's length bodies has its own aims, objectives and key performance measures intended to support SEELLD's programme objectives.

To further the development of Scotland's economy, promote industrial efficiency and competitiveness, enhance skills relevant to employment and further the improvement of the environment.

The programme provides grant-in-aid to the Scottish Enterprise

To promote the economic and social development of the Highlands and Islands of Scotland, enhance skills relevant to employment and further the improvement of the environment.

The programme provides grant-in-aid to Highlands and Islands Enterprise

To secure employment opportunities and increase regional competitiveness and prosperity through support for investment projects that will create or safeguard jobs and generate benefits for the wider economy.

The programme incurs expenditure under the Regional Selective Assistance scheme.

To encourage innovation product and process development, promote science and energy efficiency, ensure quality control of SVQ awarding bodies and qualifications, secure independent specialist support for the further education sector and undertake the Education Maintenance Allowance pilot schemes.

The programme provides funding for a wide range of grants and other initiatives.

Scottish Enterprise

Scottish Enterprise's aims, as determined from its functions set out in the Enterprise and New Towns (Scotland) Act 1990, are:

- To further the development of Scotland's economy, and in that connection, provide, maintain and safeguard employment in Scotland
- To maintain and enhance skills relevant to employment.
- To foster self-employment.
- To promote Scotland's industrial efficiency and international competitiveness
- To further the improvement of the environment.

Scottish Enterprise's strategic objectives are based on the main themes of 'A Smart Successful Scotland' published in January 2001 by SEELLD:

- Growing businesses – raising the long run, sustainable growth rate of the Scottish economy.
- Global connections – ensuring Scotland is a globally connected nation.
- Learning and skills – raising the employment rate across Scotland.

Scottish Enterprise's plans for addressing these strategic objectives are set out in its annual Operating Plan. The Operating Plan also sets out 18 performance targets addressing each of the strategic objectives including:

- Organisations assisted to adopt e-business processes
- New products and processes launched in companies assisted
- New business start ups assisted
- Jobs associated with inward investment projects
- Brownfield land reclaimed
- Modern Apprenticeships in training
- Training for Work leavers gaining employment

Performance against targets is reported annually in Scottish Enterprise's annual report and accounts

Highlands & Islands Enterprise

HIE's aims, as determined from its functions set out in the Enterprise and New Towns (Scotland) Act 1990, are:

- To prepare, promote, assist and undertake measures for the economic and social development of the Highlands and Islands;
- To enhance skills and capacities relevant to employment in the Highlands and Islands and assist persons to establish themselves as self-employed persons there
- To further improvement of the environment of the Highlands and Islands

HIE's strategic objectives as set out in its Operating Plan 2001/05 are:

- Growing businesses – stimulating greater entrepreneurial dynamism and creativity, developing the knowledge economy
- Developing skills – promoting learning and opportunity for all, assisting the development of training and learning infrastructure
- Strengthening communities – promoting investment in community assets, developing community strengths and leadership

HIE's plans for addressing these strategic objectives are set out in its Operating Plan. The Operating Plan also sets out 16 performance targets addressing each of the strategic objectives including:

- Jobs supported including those in community businesses
- Enhanced community facilities
- Vocational qualifications secured
- Modern Apprenticeships in training
- Assisted new business starts

Performance against targets is reported annually in HIE's annual report and accounts

Regional Selective Assistance is a discretionary grant scheme directly administered by SEELLD. It is intended to assist eligible businesses with projects involving investment in buildings, plant and equipment to create or safeguard jobs.

SEELLD's key performance target for investment assistance is the number of jobs newly created and safeguarded.

The range of grants and other initiatives administered by SEELLD includes:

- The Scottish Renewables Obligation under the Scottish Climate Change Programme designed to reduce carbon emissions
 - Funding for the Scottish University for Industry for the promotion of lifelong learning and the provision of information and advice on learning opportunities etc
 - Departmental Innovation Support via the SMART/SPUR grant scheme for early stage research and development of innovative products and processes
- SEELLD's key performance targets for other enterprise and lifelong learning activities include:
- Innovative projects assisted
 - People placed on Learning Courses

Note: The stated aims and objectives applied for 2002/03. 'Building a Better Scotland' the Scottish Executive's spending proposals for 2003-06 announced certain revisions to the Departmental objectives.

Appendix 5

Drugs misuse cross-cutting initiative

The National Drug Strategy

1. Scotland, like many other countries round the world, faces a serious drug problem. Tackling drug misuse is one of the Scottish Executive's highest priorities and requires many public bodies and other agencies to work in partnership to deliver an integrated strategy combining education, prevention of drug related crime, treatment and rehabilitation. The Scottish Executive currently spends over £140 million annually on drugs related programmes. In February 2001 Ministers announced that an additional £100 million would be made available over the three years 2001/02 to 2003/04 to help fight drugs misuse. Some £200 million expenditure is also incurred annually in dealing with the effects of drug misuse such as the time spent by police officers investigating drug related crime.
2. The Scottish Executive's strategy for tackling drugs misuse comprises four main aims:
 - Helping young people resist drug misuse through improved co-ordination and consistency of drug misuse education in school and other settings.
 - Protecting communities from drug related anti-social and criminal behaviour by reducing levels of repeat offending amongst drug misusing offenders through the development of constructive alternatives to prosecution and imprisonment.
 - Enabling people with drug problems to overcome them by increasing the participation of problem drug misusers in drug treatment programmes.
 - Stifling the availability of illegal drugs through the action of enforcement agencies and the Scottish Prison Service.
3. The Scottish Executive has also developed a series of national targets intended to measure performance in addressing these aims.

Key bodies involved in tackling drug misuse

Cabinet Sub-committee on Tackling Drug Misuse

4. The importance that the Scottish Ministers attach to tackling drug misuse is reflected by the existence of a Cabinet Sub-committee on Tackling Drug Misuse. The Committee is chaired by the Deputy First Minister with three other Ministers as members linking key areas of justice, health, community care, social justice and education plus two external members. The Sub-committee's remit is to co-ordinate the range of programmes and initiatives to tackle drug misuse in Scotland so that efficiency and effectiveness of public sector delivery are maximised; and to secure and monitor the implementation of '*Tackling Drugs in Scotland: Action in Partnership*'.

Scottish Executive departments

5. Five departments of the Scottish Executive are involved in the cross-cutting initiative on tackling drug misuse. The role of the Scottish Executive is to set the strategic direction, co-ordinate national efforts and promote partnership working. Key functions include providing central support and guidance to area Drug Action Teams, monitoring progress and performance of agencies involved in programme delivery and allocating funding in support of strategic priorities.

6. The main areas of spending by each department on drug related programmes include:

- Scottish Executive Health Department
 - Funding for health boards to support the development of drug treatment programmes.
 - Funding for local authorities for rehabilitation services to equip former drug misusers for accommodation, training and employment.
 - Funding for the Health Education Board for Scotland for public awareness initiatives.
 - Research into and evaluation of good practice in drug misuse treatment.

- Scottish Executive Enterprise and Lifelong Learning Department
 - Funding of initiatives under the New Futures Fund to help reformed drug misusers assist in preparing for training and employment.

- Scottish Executive Justice Department
 - Funding for local authorities for the development of community disposals as an alternative to custody for drug offences.
 - Funding for the Scottish Drug Enforcement Agency and other agencies tackling drug trafficking and other organised drug related crime.

- Scottish Executive Education Department
 - Funding for local authorities to provide drug education in schools.
 - Support for the care of vulnerable young people and families where there are drug-misusing parents through the Children's/Young People's Positive Change Fund.

- Scottish Executive Development Department
 - Funding for Social Inclusion Partnerships providing community-based initiatives to address drug misuse eg, women's addiction projects.

The Scottish Prison Service

7. In addition to time spent by prison officers tackling drug prevention, care and treatment as part of their normal activities, the Scottish Prison Service is to be funded to employ drug strategy co-ordinators in all prisons for the day-to-day management of the prison drug problem.

Drug Action Teams

8. The 22 area based Drug Action Teams are made up of representatives of local agencies addressing drug misuse including local authorities, police, health service, prisons and voluntary sector organisations. They were established to co-ordinate provision at a local level in response to identified needs. While Drug Action Teams are expected to take a partnership approach to determining local needs and priorities, authority for spending decisions remains with the individual agencies involved in the delivery of drug misuse programmes. Drug Action Teams are responsible for:

- Leading the delivery of local drug strategies
- Bringing together the local agencies in partnership
- Reflecting local community views on tackling drugs
- Assessing local needs and priorities
- Aligning priorities, resources and operational focus in line with the national drug strategy
- Assessing local progress and performance and ensure value for money in tackling drugs locally.

Accountability arrangements

9. The Cabinet Sub-committee on Tackling Drug Misuse reports directly to the Scottish Cabinet on the achievements of the National Drugs Strategy. The Scottish Ministers are overall accountable to the Scottish Parliament for the government's policy on tackling drug misuse and on the performance of each of the entities of the Scottish Administration and health bodies involved in the delivery of the cross-cutting initiative.
10. Drug Action Teams are accountable for their performance in delivering local drug strategies to the Sub-committee on tackling Drug Misuse and to the Scottish Executive. Each Drug Action Team is required to produce an annual Corporate Action Plan setting out its planned action and other initiatives to tackle drug misuse in its local area on the basis of its assessment of local needs and priorities. The Scottish Executive requires Drug Action Teams to state for each action planned its objectives and which national target is being addressed. The Corporate Action Plan should also state for each action planned any local targets being set and the source and scale of resources being devoted to carrying out the action.
11. The Scottish Executive Health Department is responsible for reviewing and agreeing Drug Action Teams' Corporate Action Plans to ensure that local drug strategies are compatible with the national drug strategy. In reviewing Corporate Action Plans, the Scottish Executive Health Department also takes advice from the other Scottish Executive department involved in tackling drug misuse on those aspects on the Plan involving expenditure from their budgets. The Scottish Executive Health Department monitors Drugs Action Teams' progress against their Corporate Action Plans. As part of the annual Corporate Action Plan, Drug Action Teams are also required to report what it achieved in the previous year against the action set in the preceding year's Action Plan. The Scottish Executive Health Department reports the performance of Drug Action Teams to the Sub-committee on Tackling Drug Misuse.
12. The public bodies involved in Drug Action Teams are required to work in partnership but each must depend on the other to achieve the Drug Action Team's objectives. The public bodies, however, remain individually accountable for the expenditure incurred in tackling drug misuse. Hence, the individual accountable officer of each Scottish Executive department are accountable to the Scottish Parliament for the propriety and regularity of public finances provided to them in implementing the national drugs strategy. Health Boards and local authority bodies represented on Drug Action Teams are also individually accountable to, respectively, the Scottish Parliament and the local electorate for their expenditure on tackling drug misuse even though the achievement of the objectives of that expenditure may well depend on the collective success of the partnership, not the individual body.

Appendix 6

Key elements of an agency framework document

The following shows the key areas covered in a typical executive agency framework document. The Scottish Fisheries Protection Agency was created as an executive agency in 1991. Its latest framework document was reviewed in 2001.

Status

SFPA is an executive agency with the Scottish Executive Environment and Rural Affairs Department (SEERAD). It is headed by a chief executive who is responsible to the Scottish Ministers, within the terms of this framework document, for its management, performance and future development.

Aims and objectives

The aim of SFPA is to secure the enforcement of UK, EC and international fisheries law and regulations in the seas within British Fishery Limits around Scotland and in Scottish ports. This is intended to assist in the conservation of fish stocks in the waters around Scotland and in the creation of conditions necessary for the existence of a modern and viable sea fishing industry in Scotland.

The principal objectives of SFPA are:

- To pursue and implement an effective strategy for fisheries enforcement and meet the targets set for it.
- To deter illegal fishing by UK and foreign vessels.
- To detect breaches of fisheries regulations by monitoring and inspection at sea and in ports and reporting as appropriate to the prosecuting authorities.
- To provide intelligence on fishing activity in the sea areas around Scotland and information, advice and support for fisheries policy and management.
- To deliver and manage its inspection and protection services efficiently and effectively.

Performance targets

The performance targets set for SEPA will be based on:

Aerial surveillance: percentage of hours flown on task; cost per flying hour on task

Marine surveillance: cost per effective patrol day; percentage utilisation of available patrol days

Sea Fisheries Inspectorate: number of landing declarations checked against actual catches as a percentage of total submitted; cost per catch inspection

Prosecutions: proportion of cases reported for prosecution within required timescales (6 and 8 weeks); number of cases where court proceedings are taken or the imposition of a procurator fiscal fines, as a percentage of offences reported to prosecuting authorities

Cash releasing efficiency gains: as a percentage of total agency expenditure

Responsibilities

Role of Scottish Ministers

The Scottish Ministers are responsible for setting the policy framework and allocating resources within which the agency operates. The Minister for Environment and Rural Development exercises these responsibilities on behalf of the Scottish Ministers in the light of advice received from SEERAD and others by:

- Approving the framework document and any revisions to it.
- Approving SFPAs corporate plan.
- Setting targets and monitoring SFPAs performance.

The appointment of the chief executive is approved by Scottish Ministers.

Scottish Ministers do not normally intervene in the day-to-day management of the agency.

Role of the chief executive

The chief executive is answerable to Scottish Ministers for the operation of the agency, its day-to-day management and planning its future development. The principal duties of the chief executive include:

- Responsibility for the agency's overall financial performance, its efficiency and cost-effectiveness.
- Responsibility for meeting the objectives set down in the framework document.
- Achieving the key performance targets in the corporate plan set by Scottish Ministers.
- Providing after consultation advice and information to Scottish Ministers and the Scottish Executive on fisheries enforcement policy and technical fisheries matters.
- Preparing an annual corporate plan, including proposing performance targets.
- Preparing, submitting to Scottish Ministers and the Auditor General for Scotland, and publishing the agency's annual report and accounts.
- Determining the agency's organisation and management structures.
- Responsibility for the agency's delegated personnel management, pay and grading and financial powers.
- Acting as accountable officer for the agency's expenditure and income as set out in the formal memorandum to accountable officers from the principal accountable officer of the Scottish Administration.

Role of the head of SEERAD

- Advising Scottish Ministers in the exercise of their responsibilities.
- Exercising his duties as accountable officer for the budget from which agency expenditure is allocated.
- Approving major capital expenditure plans which exceed the agency's delegated limits.

Accountability

- Ministers are answerable to the Scottish Parliament for the functions of SFPAs.
- The permanent secretary of the Scottish Executive is the principal accountable officer of the Scottish Administration and is the accountable officer for the budget on which indirect elements of SFPAs administrative cost, in respect of services provided centrally, are borne. He also has a general responsibility for the standards of financial management throughout the Scottish Executive.
- The principal accountable officer appoints the chief executive as accountable officer. The chief executive is accountable for the propriety, regularity and value for money of the resources provided to the agency, in pursuit of the agreed corporate plan objectives and targets.
- The head of SEERAD is the accountable officer for the annual budget from which the agency's administrative and other costs are allocated.
- The chief executive and the SEERAD accountable officer are both liable to be summoned to appear before the Audit Committee of the Scottish Parliament on the discharge of the responsibilities allocated to them.

Resource planning and management

- SFPA's resources are provided by an annual Budget Act voted by the Scottish Parliament.
- The chief executive is subject to certain financial delegations including the letting of contracts and authorisation of losses and special payments and limits on the commissioning of management consultants and authorising capital expenditure.
- The respective finance roles and responsibilities of SFPA and Scottish Executive Finance are set out in a financial memorandum.
- The corporate plan will set out the agency's main objectives, tasks and priorities within a fisheries policy framework, assess the external factors which influence the agency's strategy and put forward the agency's planned strategy, output and resource requirements for the period. Scottish Ministers will set targets each year for the agency's key performance measures. Once agreed by the Scottish Ministers, the corporate plan and key performance measures will form the main basis for judging the performance of the agency.
- The corporate plan will provide the framework for a more detailed annual operating plan upon which the day-to-day management output and achievements of SFPA will be based.
- The agency is responsible for the effective deployment, operation and maintenance of the fishery protection fleet and surveillance aircraft. The chief executive is responsible to the Scottish Ministers, as owners of these assets, for making use of these and other assets for which the agency is responsible.
- The chief executive will ensure that a system of internal audit is provided in a way which best demonstrates value for money.
- SFPA will be subject to external audit by the Auditor General for Scotland.
- The chief executive will sign and present annually to Scottish Ministers an annual report and accounts. The annual report will review SFPA's performance over the previous year against the performance measures and targets set by Scottish Ministers. The annual report and audited accounts will be laid before the Scottish Parliament.

Human resources

- The chief executive and SFPA staff are civil servants within the Scottish Executive and will continue to be employed on civil service terms and conditions of service.
- The chief executive may review the terms and conditions of service and working arrangements of all SFPA staff in the interests of the efficient and effective management of the agency.
- The chief executive is responsible for the personnel management and pay and grading (other than pensions) of all agency staff with the exception of his own.

Support services

- The agency may draw on the expertise of Accommodation Division for advice on the management and maintenance of its properties and on other areas of the Scottish Executive for the provision of services and specialist support eg, legal services.
- Subject to the requirement not to exceed the total budget, the chief executive may switch expenditure among a range of services and obtain them from whichever supplier offers best value for money.
- The agency provides policy and technical advice to SEERAD and collects statistics on landing and sales on its behalf.

Review and development

- The framework document will be reviewed jointly by Scottish Ministers and the chief executive when required and in any event, by 2006. Changes to the framework document may be made in the light of experience or changed circumstances.

Appendix 7

Statutory officeholders in Scotland (and their Departments)

Registrar General of Births, Deaths and Marriages for Scotland (General Register Office for Scotland)	Her Majesty's Inspector of Fire Services for Scotland
Keeper of the Records of Scotland (National Archives of Scotland)	Her Majesty's Inspector of Schools
Keeper of the Registers of Scotland (Registers of Scotland)	Principal Clerk of Justiciary
Accountant in Bankruptcy	Principal Clerk of Session and other Clerks or Officers of the Court of Session
Accountant of Court	Procurators fiscal and procurators fiscal depute
Assistant Inspector of Fire Services for Scotland	Queen's Printer for Scotland
Chief Dental Officer of the Scottish Administration	Registrar of Independent Schools
Chief Medical Officer of the Scottish Administration	Rent Officer
Depute, Assistant or other Clerk in the Justiciary Office of the High Court of Justiciary	Scottish Charities Nominee
Her Majesty's Chief Inspector of Constabulary	Sheriff Clerk
Her Majesty's Chief Inspector of Prisons for Scotland	Sheriff Clerk Depute
Her Majesty's Inspector of Anatomy for Scotland	Social Work Inspector
Her Majesty's Inspector of Constabulary	The Queen's and Lord Treasurer's Remembrancer



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