



# Annual Report

 ACCOUNTS COMMISSION 2004/05

## The Accounts Commission

The Accounts Commission is a statutory, independent body which, through the audit process, assists local authorities in Scotland to achieve the highest standards of financial stewardship and the economic, efficient and effective use of their resources. The Commission has four main responsibilities:

- securing the external audit, including the audit of Best Value and Community Planning
- following-up issues of concern identified through the audit
- carrying out national performance studies to improve economy, efficiency and effectiveness in local government
- issuing an annual direction to local authorities which sets out the range of performance information they are required to publish.

The Commission secures the audit of 32 councils and 35 joint boards (including police and fire services). Local authorities spend over £13 billion of public funds a year.

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# introduction



Alastair MacNish  
Chairman

I am pleased to introduce this new format of annual report by the Accounts Commission for Scotland. We intend to produce such an annual account of our work to inform stakeholders – ministers, the Scottish Parliament, councils and other local authority bodies and the public – of how we discharge our responsibilities.

Recent times have seen new developments for the Commission. The introduction of the audit of Best Value and Community Planning demanded a fresh look at how we do our business, and we consulted widely, including meetings with council leaders and chief executives, before the audits began. The experience of the first audits shows, we believe, that the new processes are working and that Best Value has the potential to deliver significant benefits in improved services. We will continue to consult as the programme proceeds and we intend to learn from the experience.

We are also focused on streamlining our work to get more impact:

- by an improved focus in our performance audit programme on achieving greater impact and increasingly addressing issues which cut across organisational boundaries such as Community Care and Youth Justice.
- by the development in Audit Scotland of a more risk-based approach to financial audit and assurance which will allow future audit work to focus principally on issues of significance for the business activities of our audited bodies; and

Taken together with the Best Value audit, we intend that this new approach will allow us to make the most effective use of the audit resource and provide significant assurance and assistance for our stakeholders and client bodies.

We continue to be grateful for assistance and support from ministers and officials of the Scottish Executive and our other major stakeholders in local government including COSLA. We also wish to thank the Auditor General and the staff of Audit Scotland for the responsive and effective services which we receive. We work closely with other agencies such as inspectorates. We remain committed to working in partnership with all of these with the twin objectives of providing assurance of probity and of promoting the improvement of services in Scottish local government.

A handwritten signature in black ink, appearing to read 'Alastair MacNish', written in a cursive style.

# what we do

The Accounts Commission for Scotland was established to secure the audit of Scottish local government and to consider reports arising from that audit. The Commission's original functions have developed and its responsibilities are now:

- to secure the audit of all accounts of local authorities and associated bodies either by employed staff of Audit Scotland or by firms of accountants
- to secure the audit of the performance by local authorities of their Best Value and Community Planning duties
- to undertake or promote Best Value studies in local government
- to give directions to local authorities on performance information
- to consider reports made by the Controller of Audit, to investigate all matters raised and to conduct hearings where appropriate
- to make recommendations to the Scottish Executive and to local authorities, and to impose sanctions on individual officers and members responsible for illegality
- to advise the Scottish Executive on local authority accounting matters.

Since 2000 the Commission has, together with the Auditor General for Scotland, worked through the agency of Audit Scotland which was set up to provide services to both. The performance of Audit Scotland is reported separately in its annual report, which can be found at [www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk)

# strategy

**Target:**

Publish Strategy for 2004-07.

**Performance:**

Strategy document published April 2005.

**Comment:**

Will be kept under review.

During the year, the Commission revised and updated its strategy and rolled it forward for the period 2005-08. The new document is available from Audit Scotland's offices or its website. In it, the Commission's overall purpose is restated:

We believe our overall purpose is to hold local government to account by using the independent audit process to:

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

# financial stewardship

**Target:** Review outcome of quality assurance process.

**Performance:** All reviews completed and considered.

**Comment:**

Will feed into procurement process.

The outcome of the local authority audits for 2003/04 was summarised by the Controller of Audit in her overview report in March 2005 and the Commission made and published findings on that report. The Commission welcomed the maintenance of sound financial stewardship in councils and were pleased that council tax collection rates increased for the fifth consecutive year. Some areas of growing concern to the Commission were highlighted in its findings, including:

- weaknesses in financial planning
- limited use of risk management to drive performance
- insufficient evidence of control and accountability of some councils' funding of external organisations

- failure to address fully the Commission's previous concerns about effective audit committees, budgetary control and monitoring, and the need for councils to have a clear policy on reserves and balances
- insufficient development of good performance management arrangements to enable elected members and officers to focus early enough on intervention and improvement.

The Commission set out its view of how these concerns can most effectively be met by following the principles of sound governance.

There were two audit qualifications (previous year, none) and, in addition, auditors highlighted 29 issues (previous year, 13) in their opinions which, although significant, did not affect the accuracy of the accounts.

# best value

**Target:** Publish findings on seven Best Value reports.

**Performance:** Four reports and findings published.

**Comment:** Slight slippages both from delays in staffing-up and at councils' request. Three-year rolling programme still expected to be completed on time.

The introduction of a statutory duty of Best Value for councils and the development of the Best Value audit, present extensive opportunities for benefits to local communities. The Commission welcomes the positive approach taken generally by councils and is committed to continue working with them in close consultation to secure improvements in service delivery.

The Commission has agreed that Best Value audits will be carried out in every council over a three-year-period. The first four reports have been completed and considered by the Commission who made findings on all of them.

**Angus Council:** The inaugural Best Value report found that Angus council provides good community service and business-like administration. It suggested however that the council needed to improve customer focus and monitor its services more effectively.

**North Ayrshire Council:** The council has laid firm foundations for Best Value and Community Planning. However, the Commission urged the council to be more flexible and creative in the way it uses existing funds to respond to the needs of the local community.

**Stirling Council:** The Commission noted Stirling Council's ambition and commitment to improvement. However, elected members need to become more actively involved in scrutiny, and the council needs to strike a balance in the allocation of resources in order to maintain the best performing services while enabling improvements in poorer performing ones.

**Shetland Islands Council:** The council has a distinctive culture and is in a unique position as a result of North Sea oil revenues. However, the current level of service delivery in the Shetland Isles is unsustainable without drawing on the council's reserves, and the council needs to make some difficult spending choices.

The Commission has agreed to meet each council at the conclusion of the audit and groups of Commission members have begun to undertake those visits.

# economy, efficiency and effectiveness

**Target:**

- 1. Agree annual study programme jointly with AGS.
- 2. Publish six VFM studies.

**Performance:**

- Programme agreed.
- Six studies published.

**Comment:**

Increased focus on joint studies (four of six). Initial evidence of greater impact than previously.

The Commission has the power to conduct studies and issue reports on Best Value issues in local government. During this period the following reports were published:

**A job worth doing: Raising the standard of internal audit in Scottish councils – a follow up report**

The standard of internal audit in Scottish councils has improved since 2001. The report found that 27 of the 32 councils had made progress in complying with good practice. There remains scope for improvement in risk assessment, planning internal audit work and implementing recommendations for action.

**Scottish Fire Service: Second verification of the progress of modernisation**

All fire authorities have made improvements since March 2004, but continued commitment at both local and national levels will be necessary

to implement the changes required to improve fire services. Further checks on the progress of modernisation will be carried out in 2006.

The Commission also works with the Auditor General to produce joint reports on issues which overlap their areas of responsibility. During the period these were:

**Local economic forums: a follow-up report**

The forums sought to eliminate overlap and duplication in supporting businesses, have successfully delivered certain local improvement actions through their influence and delivered most of the financial benefits expected of them. LEF partnerships are generally working well and provide a solid basis for delivering the economic development component of Community Planning but can now be wound up.



### **Commissioning community care services for older people**

The report concluded that councils and their health partners need to plan now for the likely increase in demand for community care services for older people and the expected shortage of carers to ensure that there are sufficient services to meet the future needs of Scotland's ageing population.

### **Maintaining Scotland's roads**

£1.7 billion is needed to repair the 13% (7,000 km) of Scotland's roads that are in an unacceptable condition. Sufficient priority needs to be given to structural maintenance and tackling the backlog of repairs.

The Commission also produced a joint report with Communities Scotland as follows:

### **Managing housing voids: The impact of low demand properties**

Location in an unpopular area was the main reason for low demand. A new performance indicator is proposed for councils and registered social landlords to check on how well they manage empty homes, including those which are in low demand.

# financial and performance information

**Target:**

1. Publish six performance information pamphlets.
2. Develop community planning indicators.

**Performance:**

Six pamphlets published.  
National study commenced.

**Comment:**

Significant media coverage.  
Community planning is developing in diverse ways across Scotland so simple performance indicator approach inappropriate.

The Commission secures the audit of Scottish local government through directly employed staff of Audit Scotland and firms of accountants. Details of the audit appointments are in the *Local authority overview* report for 2003/04 which can be found at [www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk). All 32 councils and 35 related local authority organisations made their 2003/04 accounts available for audit by the statutory deadline of 30 June 2004. The Commission requires auditors to complete the financial audit by 30 September 2004 and for the first time all 32 council audits were signed off by this deadline. The position on joint boards also improved. In addition to the audit of the accounts, auditors were required to provide a report on the 2003/04 audits by 30 November 2004. Most met this deadline. The auditors have now been asked to aim to provide both the audited accounts and their annual audit report by the end of September 2005.

The Commission discharges its responsibility for performance information in local government through a national Direction. Proposed changes to the Direction were the subject of consultation with local authorities and other stakeholders and the final Direction for 2004/05 was agreed in October 2004. The Commission also published six pamphlets summarising local performance and key performance issues in 2004/05. The pamphlets are available on Audit Scotland's website at [www.audit-scotland.gov.uk/performance/index.htm](http://www.audit-scotland.gov.uk/performance/index.htm)

**Police & fire**

**Performance Indicators 2003/04**

Scottish police forces cleared up nearly 47% of crimes in 2003/04 and 56% of serious violent crimes. The report also found that there has been a year-on-year reduction in the number of fires in the home.

### **Cultural & community services** Performance Indicators 2003/04

The number of library items borrowed fell by 1.5 million to 32.5 million, the number of museums supported by councils rose from 59% to 70% and there were nearly 36 million attendances at council pools and sports facilities.

### **Corporate management** Performance Indicators 2003/04

Council tax collection has improved for the fifth successive year with 91.7% of council tax in Scotland collected. Councils also paid 83% of invoices on time, an improvement of 8% on the previous year.

### **Housing & Social Work** Performance Indicators 2003/04

This report found encouraging signs of further improvements in key areas of social work services last year. The number of appropriately trained staff working in council homes for older people increased by 2% on the previous year to 41%. With regards to housing, 7.9% of council rent was in arrears. However, only 57% of council house sales were completed within the target time of 26 weeks.

### **Environmental & regulatory services** Performance Indicators 2003/04

Councils will need to improve if they are to meet the Scottish Executive target of having 25% of waste recycled by 2006. Only 12% of waste was recycled and composted in 2003/04. By 2006, the amount of waste going to landfill has to be down to 105 million tonnes, yet there had been an increase of 1.8 million tonnes.

### **Education & children's services** Performance Indicators 2003/04

There are serious challenges ahead for councils in this area. In the financial year 2003/04, 60% of 16 and 17-year-olds who left care or lived 'away from home' did not gain Standard Grades in English and Maths. Twenty per cent of children placed under supervision were not seen by a supervising officer within the 15-day target time. Thirty-three per cent of primary schools were seriously under-occupied.

# governance

**Target:**

1. Agree revised framework agreement.
2. Hold Audit Scotland to account through regular financial and performance reports.
3. Publish annual report.
4. Agree budget and fees for 2005-06.

**Performance:**

- Discussions with sponsor continue.
- Three reports received.
- Published jointly with AGS and Audit Scotland.
- Agreed.

**Comment:**

- Regulates the relationship between the Commission and the Scottish Executive. Audit Scotland's performance is reported separately.
- New format adopted.
- Included impact of Best Value and Audit Scotland's VAT status.

Audit Scotland delivers services to the Commission and the Auditor General and through the year we received regular reports on its performance, both in Committees and the Commission meetings. Alastair MacNish, the Chair of the Commission and John Baillie, a Commission member are on the Audit Scotland Board, and John Baillie is Chair of its Audit Committee. The performance of Audit Scotland is reported separately in its annual report which is available online at [www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk)

The Controller of Audit has the statutory function of reporting to the Commission on the outcome of the audits, including Best Value and Community Planning. In this role she acts independently. She is supported by the staff of Audit Scotland.

# the commission

The chair, deputy chair and members of the Commission are appointed by Scottish ministers following an open recruitment process. They are appointed for a period of three years, normally renewable for a further three-year-period. The members of the Commission during the period were as follows:



**Alastair MacNish (Chair)** Resident: Gourock

Appointed: September 2001 Term ends: September 2007

Former Chief Executive of South Lanarkshire Council. Previously held a number of posts in Strathclyde Regional Council including Deputy Director of Social Work. Served as Chairman of the Leadership Advisory Panel.



**Isabelle Low (Deputy Chair)** Resident: Cupar

Appointed: October 2001 Term ends: September 2006

Former senior civil servant, Director of the 21st Century Government Group in the Scottish Executive. Member of the State Hospitals Board for Scotland, member of Scottish Consumer Council.



**Alan Alexander** Resident: Perthshire

Appointed: October 2002 Term ends: September 2005

Emeritus Professor of Local and Public Management Strathclyde Business School. Chairman of Scottish Water.



**John Baillie** Resident: Kilmacolm

Appointed: September 2003 Term ends: September 2006

Visiting Professor of Accountancy at Glasgow University. Member of the Reporting Panel of the Competition Commission. Former partner in Scott-Moncrieff and KPMG.



**Owen Clarke** Resident: North Berwick

Appointed: September 2003 Term ends: September 2006

Former Head of Inland Revenue in Scotland/North of England and former Chairman of Scottish Ambulance Service.



**Jean Couper** Resident: Glasgow

Appointed: October 2002 Term ends: September 2005

Partner in a management consultancy and previously a senior management consultant with Price Waterhouse. Chairman of Scottish Legal Aid Board and member of Police Advisory Board.



**Ann Faulds** Resident: Edinburgh

Appointed: September 2003 Term ends: September 2006

Partner in Dundas and Wilson, Solicitors. Former solicitor in Central Regional Council.



**Keith Geddes** Resident: Edinburgh

Appointed: October 2002 Term ends: September 2005

Policy director for a consultancy firm, a former Leader of Edinburgh and Lothian Regional Councils and former President of COSLA. Deputy Chair of Scottish National Heritage.



**Alyson Leslie** Resident: Newport on Tay

Appointed: September 2003 Term ends: September 2006

Research consultant. Former Assistant Director of Standards Directorate, Fife Council and lay associate of the General Medical Council.



**Peter McKinlay** Resident: Edinburgh

Appointed: September 2003 Term ends: September 2006

Former senior civil servant, Director of Scottish Prisons Service and Chief Executive of Scottish Homes.



**Mahendra Raj** Resident: Aberdeen

Appointed: October 2001 Term ends: September 2007

Professor of Finance at the Aberdeen Business School. Member of the reporting panel of the Competition Commission for UK. Former consultant to the Commonwealth.



**Iain Robertson** Resident: Edinburgh

Appointed: September 2003 Term ends: September 2006

Chief Executive of Project Scotland, independent member of the DTI Legal Services Board. Former Group Strategy Director of Anglian Water Group and Chief Executive of Highland and Islands Enterprise.

There is a register of Accounts Commission members' interests which is open for inspection in the offices of Audit Scotland and which can be accessed on the website at [www.audit-scotland.gov.uk/accounts/acmembers.htm](http://www.audit-scotland.gov.uk/accounts/acmembers.htm)

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