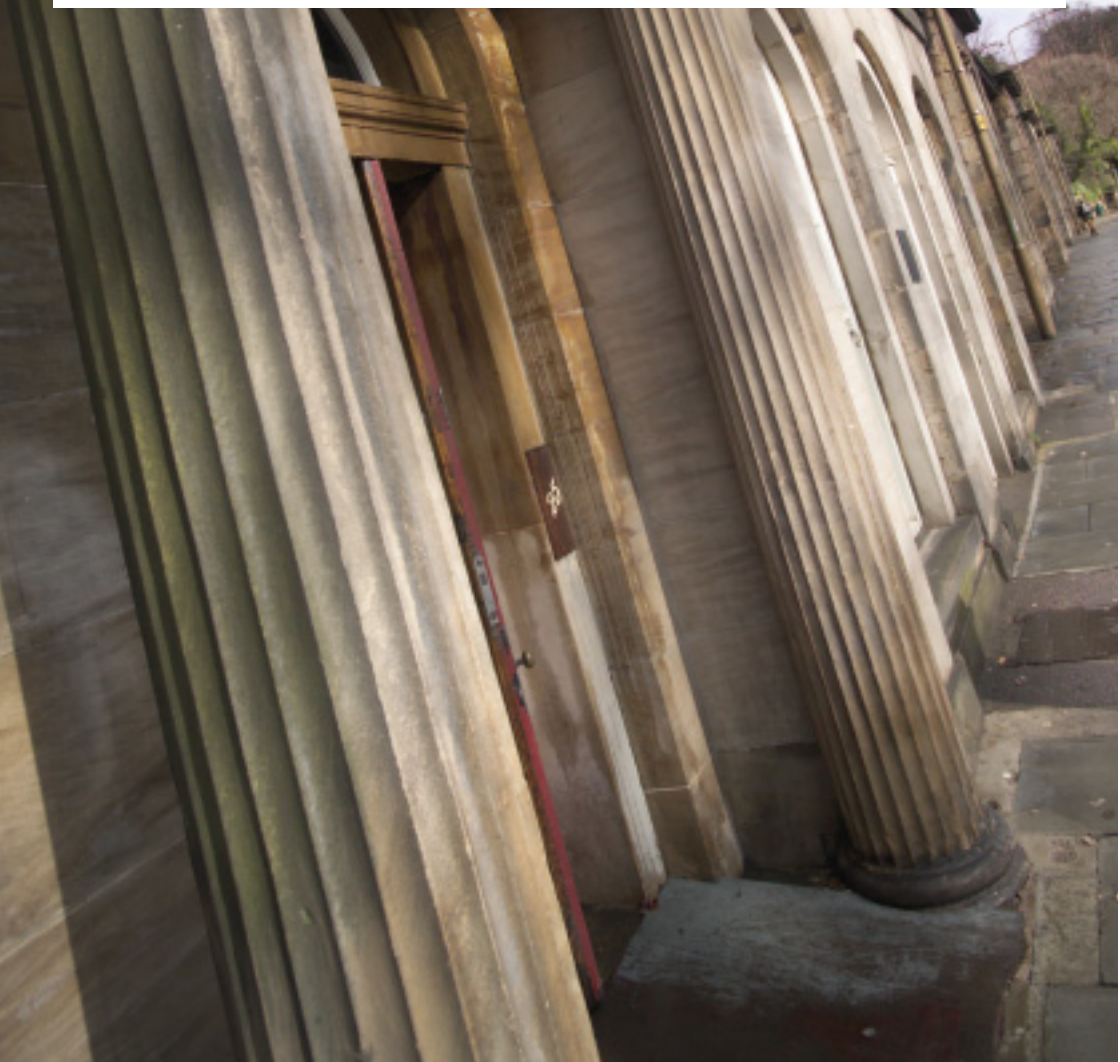


Strategy 2005-08

April 2005

 ACCOUNTS COMMISSION



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.

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 Auditor General for Scotland and the Accounts Commission. 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.

Summary

Context

- The Public Audit arrangements post-devolution contribute significantly to public accountability.
- Recent legislation has altered the Commission's functions.
- Many changes affecting local government will impact on our work.
- Our work must be timely, relevant and accessible.

Progress 2001-04

- We measure our progress against objectives set in our last strategy document.

The Commission's purpose

- The statutory functions of the Commission have changed.
- We work within the public audit regime.
- We restate our purpose in the light of the changed environment.

Objectives for 2005-08

- An effective financial audit and assurance programme.

- The effective introduction of the Best Value audit programme.
- An effective performance audit programme.
- The effective publication of performance information.
- Good corporate governance of the Accounts Commission.

Judging our performance

- We set out the criteria by which we will judge our success in achieving our objectives.
- We will set annual targets and we will monitor and report on performance measured against those targets.
- We will continue to work independently of central and local government and will seek to perform our functions with fairness, openness and integrity.
- We will continue to form our own independent views on each issue as it arises.
- We will continue to work with other stakeholders including ministers, the Scottish Parliament, the Auditor General, Inspectorates and others.

Introduction by the Chair



1.1 The strategy document 2001-04 set out to put the work of the Commission in its overall context, stated our view of our overall purpose and laid out our objectives for the three-year period. In this new strategy document, we report on the extent to which we achieved those objectives, in large measure through working in partnership with the Auditor General, Audit Scotland and stakeholders. This is now our opportunity to review the environment in which we operate, assess the challenges ahead and set out our objectives for the next three years.

1.2 The world in which we work becomes increasingly complex. The advent of the Scottish Parliament and the development of the work of its committees has led to an increased emphasis on accountability and

transparency and also on improving service delivery in the Scottish public sector and we welcome this. Other agencies, such as Inspectorates, are increasingly engaged with local authorities on questions of propriety and performance, and there is concern in local government and elsewhere about the extent of regulation, inspection and audit which public bodies are subject to. We share that concern and we are firmly committed to working in partnership with other agencies to minimise the burden on our client bodies.

1.3 It is no longer possible for public bodies to carry out their functions in isolation and there is an increasing requirement on them to work in partnership with others, particularly if they are to deliver Best Value.

Joint working, the pooling of budgets and more coordinated service delivery all present challenges to the audit process as lines of accountability become increasingly complex. The key to meeting those challenges lies in the Commission working in partnership with others to achieve our objectives.

1.4 In this document we restate our overall purpose. In a time when demands on public services are constantly increasing, but the resources to meet that demand are finite, it is imperative that the maximum possible value is secured from every public pound and we believe that our work can contribute to that imperative. We will continue to develop the Best Value audit and to work with Audit Scotland in modernising the financial audit to ensure that it adds value to our client bodies. We will also continue to hold local authorities and other bodies to account in public so that taxpayers can be assured of the propriety and effectiveness of public expenditure. We believe that there is a commitment in Scottish local government to probity, proper governance and achieving Best Value in the delivery of services and we believe that our audit regime must play a significant part in assuring that this is so.

1.5 We are grateful to those stakeholders who responded to our request for views in the preparation of this strategy document. During the preparation for the Best Value audit, members of the Commission met senior elected members and officials of local authorities throughout the country and we very much appreciated that dialogue. We intend to continue to meet with elected members and officials face to face and we will be happy to discuss any of the issues which this document raises with them.



A handwritten signature in black ink, appearing to read 'Alastair MacNish'.

Alastair MacNish
Chairman



2.1 The establishment of new public audit arrangements was one of the first subjects addressed by the Scottish Parliament in 1999. This resulted in the confirmation of the role of the Accounts Commission in securing and reporting on the audit of local government, and the establishment of its relationship with the Auditor General through the creation of Audit Scotland which provides services to both. In the period since its creation on 1 April 2000, Audit Scotland has ensured the continued delivery of statutory outputs while undertaking a very significant development programme. The Commission has entered into a protocol with the Auditor General about working together through Audit Scotland. The creation of an effective single public

audit agency and our joint working with the Auditor General have contributed significantly to the development of public accountability under the Scottish Parliament and the framework for our activity in the period covered by this strategy document is the continued development of public accountability and transparency.

2.2 There has been significant legislative change affecting local government and the Commission, in particular the introduction of statutory duties of Best Value and Community Planning and the new prudential framework for local authority capital expenditure.

2.3 Looking forward, it is clear that there will be further changes in the world in which we work, including:

- introduction of proportional representation
- changing role of councillors in relation to Best Value and Community Planning
- further development of Community Planning
- the review of local government finance
- continued use of PFI/PPP
- the Efficient Government Initiative
- the impact of international financial reporting standards in the public sector
- freedom of information legislation.

These developments present many challenges.

2.4 The continuing demand for maximum efficiency in public expenditure together with the culture of accountability and openness being encouraged under the Scottish Parliament require us to make sure that the work which we do and the reports which we produce are timely, relevant and accessible.

Progress 2001-04

3.1 In our strategy document 2001-04 we set out as our objectives:

- Maintaining propriety in local government, working with all other agencies to promote sound stewardship and high standards of conduct.
- Positioning the Commission as the advocate of improved performance in the interests of citizens as users and paymasters of local government services.
- Working with the Auditor General for Scotland and the Scottish Parliament to improve the process of accountability in the public sector in Scotland.

- Developing the contribution of the audit and inspection process to performance assessment and continuous improvement in local authority services, under Best Value.

3.2 The past four years have been a period of rapid change and development in public affairs in Scotland and in particular in the area of audit, inspection and regulation. Detailed progress in the implementation of our objectives has been set out in the annual reports which we publish jointly with the Auditor General and Audit Scotland. It is useful, however, to draw attention to the extent to which our objectives have been achieved.

3.3 Maintaining propriety in local government, working with all other agencies to promote sound stewardship and high standards of conduct.

- Each year we have published an overview report on issues arising from the local authority audits.
- A revised Code of Audit Practice was introduced jointly with the Auditor General.
- New appointments of auditors were made in coordination with the Auditor General across the whole devolved public sector.
- A quality review process of the work of auditors was implemented.

3.4 Positioning the Commission as the advocate of improved performance in the interests of citizens as users and paymasters of local government services.

- Statutory performance indicators have been kept under constant review and their numbers reduced.
- The publication methods of national information about local authorities' performance have been revised and updated.

3.5 Working with the Auditor General for Scotland and the Scottish Parliament to improve accountability in the public sector in Scotland.

- Joint working with the Auditor General through Audit Scotland has developed and a number of significant outputs have been delivered jointly.
- Committees of the Scottish Parliament have received briefings from the Commission on its reports.
- Joint working with Inspectorates has been increased and we have established protocols with a number of other agencies whose work links to our own.

3.6 Developing the contribution of the audit and inspection process to performance assessment and continuous improvement in local authority services under Best Value.

- A study programme of increasing relevance has been delivered.
- The audit of Best Value has been developed and is now being delivered.

The Commission's purpose

4.1 The original function of the Accounts Commission was simply to secure the audit of Scottish local government. Over the 30 years of its existence the Commission has been given a much wider and more complex role. In addition to holding local authorities to account in public for their stewardship and financial management, the Commission also reports on local government performance in the economic, effective and efficient use of resources with a view to encouraging continuous improvement through comparison and otherwise. Because of its unique position of independence, the Commission can combine the roles of external scrutiny and helping to improve, in a way which contributes to public confidence in local government. We have a variety of powers which have been enacted at

various times but which we seek to use in a coordinated and coherent way.

4.2 The statutory functions of the Commission have been amended and adjusted over time and 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.

4.3 The Commission's work sits within the public audit regime which is based on three principles:

- independence
- wider scope
- public reporting.

4.4 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.

Objectives for 2005-08

5.1 We have reviewed the objectives which we set in our previous strategy document and we believe that they continue to represent appropriate priorities. In the light of our changing environment, we have slightly adjusted those objectives as follows:

1. An effective financial audit and assurance programme.
2. The effective introduction of the Best Value audit programme.
3. An effective performance audit programme.
4. The effective publication of performance information.
5. Good corporate governance of the Accounts Commission.

An effective financial audit and assurance programme

5.2 All local authorities and other bodies within our remit will continue to be audited annually and there will be a public report on the outcome of that audit. That report will add value to the authority's work and will inform the public about the authority's performance and areas for improvement, where appropriate. The Commission itself will review and report nationally the significant issues arising from those audits. Through a quality assurance programme operated by Audit Scotland we will monitor the quality of the delivery of financial audit. We will work with Audit Scotland to modernise the audit process to ensure that it is risk based and adds value to audited bodies.

5.3 Our expectation of local authorities is:

- their performance will not lead to qualification of their accounts
- they will have robust measures to avoid fraud
- they will have arrangements for risk management embedded in their processes
- they will have sound governance arrangements including effective audit committees.

5.4 Together with the Auditor General we will undertake a procurement process for auditors when the current appointments run out in 2006. In doing so we will wish to maintain the mixed economy of providers from both Audit Scotland and firms of accountants.

The effective introduction of the Best Value audit programme

5.5 We have agreed arrangements for the conduct of Best Value audits on a three-year cycle. We will consider a formal report arising from each of those audits and make findings designed to assist the council and inform the public. Where appropriate, local public hearings will be held on issues arising from the audit reports and where necessary we will make recommendations to Scottish ministers and local authorities. At the

conclusion of each of the audits Commission members will communicate directly with representatives of each council. From that dialogue we will keep under review and continue to develop the Best Value process.

5.6 We intend that the audit of Best Value will:

- provide baseline information about local authority performance
- inform the development of local authority action plans for improvement
- demonstrate progress in the achievement of targets.

An effective performance audit programme

5.7 We will continue to conduct national studies and publish reports. We will consult widely on the topics for those studies and we will chose them by reference to these criteria:

- importance
- service impact
- practicality
- added value.

5.8 We intend that those studies will highlight best practice and contribute to the achievement of:

- improved performance for the benefit of service users
- an increase in shared working among local authorities and with others
- demonstrable economies in the use of resources
- elimination of waste.

5.9 The unique status of Audit Scotland as a public audit agency which covers the entire devolved Scottish public sector allows us, through joint working with the Auditor General, to carry out studies which cross organisational boundaries and illustrate themes of relevance to service users. We will continue to work jointly in this way whenever relevant.

The effective publication of performance information

5.10 As councils develop their local public performance reporting as they are required to do under the Local Government in Scotland Act 2003, we will keep under review the relevance of national statutory performance indicators. We will seek to minimise the reporting burden on councils while still seeking to make sure that relevant information is published to allow the public to make comparisons between

the performance of different councils and also year-on-year comparisons of the performance of their own council. This will require close cooperation with the Scottish Executive and other agencies and we are committed to working together with them.

5.11 We will seek to ensure that the information presented to the public is fair, timely, unbiased, accurate and drives change and that its accessibility is improved for:

- policy makers
- service providers
- the general public.

Good corporate governance of the Accounts Commission

5.12 The Accounts Commission and the Auditor General direct Audit Scotland by setting the framework for its activities and by determining and monitoring its programme of work. The management of resources in delivering our objectives and the raising of charges are matters for Audit Scotland. It has in place appropriate governance arrangements and is accountable to Parliament through the Scottish Commission for Public Audit. We receive reports about the performance of Audit Scotland against criteria related to our objectives and the Commission is represented on the Board of Audit Scotland by the Chair and one other member.

5.13 Together with the Auditor General we will require Audit Scotland to show continuous improvement in the performance of its functions, no less rigorously than in audited bodies.

5.14 The Commission itself is accountable to Parliament through ministers. The proceedings of the Commission are accessible through Audit Scotland's website. The performance of Commission members is appraised in accordance with Scottish Executive guidance and there are regular meetings between representatives of the Commission and Scottish ministers to discuss areas of mutual interest. We will continue to observe high standards of corporate governance within the Commission itself.

Judging our performance

5.15 We are committed to demonstrating that our work contributes to real improvements in the management and delivery of local government services in Scotland. We wish to place greater emphasis on the consideration and reporting of outcomes and the experience of the users of services.

5.16 The following are the criteria by which we will judge our success in achieving our objectives:

- Financial Audit – year-on-year improvement in outcomes and processes.
- Best Value – successful first cycle and lessons learned for the future, both about the process and about real improvements in service delivery.
- Performance audit – more joined up reporting with more direct impact.
- Performance information – improved content and more accessible to the public.
- Corporate Governance – full compliance with best practice.

5.17 We will set annual targets derived from these criteria and we will monitor and report on performance measured against those targets.

5.18 The Accounts Commission is an independent body appointed by ministers and we will continue to work closely with them and with officials of the Scottish Executive. The Commission will continue to carry out its work independently of central and local government and will seek to perform its functions with fairness, openness and integrity. While it is important for us to share views about the overall direction of our work, we will continue to form our own independent views on each issue as it arises.

5.19 We have been pleased to work with committees of the Scottish Parliament, in particular the Audit Committee and the Local Government Committee. Because we share so many common interests it is important for us to liaise with them and to communicate our work to them so that we may both perform our functions more effectively. Local authorities continue to be individually accountable through the Accounts Commission, but we believe that there are many advantages to be gained from sharing general themes and information about overall performance with the Scottish Parliament.

Strategy 2005-08



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Audit Scotland
110 George Street
Edinburgh EH2 4LH

Telephone
0131 477 1234
Fax
0131 477 4567